ibercaja

PILLAR 3 DISCLOSURE

2021

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

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1

EXECUTIVE SUMMARY

1. Executive Summary

The present Pillar III Disclosures comply with the requirements set out in Part Eight of Regulation (EU) No. 575/2013 of the European Parliament and of the Council (hereinafter CRR - Capital Requirements Regulation) on "Entity Disclosure", and with the further development of the EBA RTS/ITS guidelines and documents, under Pillar III of the Basel Committee Capital Accord.

Pillar III promotes market discipline through the development of a series of disclosure requirements that allow different agents to evaluate the Entity's risk exposure, risk assessment, management and control processes, the Group's capital adequacy and internal governance.

This report contains the information required by the current regulations in force:

- The regulatory framework, governance bodies, perimeter for the purposes of capital requirements, information disclosure policy and risk management policies and objectives.
- The Group's computable own resources and solvency level, the characteristics of the risk profile in its different types: credit, market, operational, equity investments or capital instruments not included in the trading book, structural interest rate, liquidity and securitisations.
- Leverage, unencumbered assets and remuneration policy.

The Ibercaja Banco Group (hereinafter Ibercaja or the Group) is the ninth largest Spanish banking group in terms of asset volume. Its main activity focuses on retail banking, developing all of its business in Spain.

The corporate purpose is to generate value for its customers, shareholders and society in general through the performance of all kinds of activities, operations, acts, contracts and services inherent to the banking business in general, as well as the provision of investment and ancillary services, always in accordance with the legislation in force at any given time.

The Entity's mission is to help manage the finances of families and companies, offering a global and personalised service. It has a wide range of banking and financial products and services, focusing particularly on first home mortgages, SME financing, asset management and lifesavings and risk insurance products. In doing so, it seeks to offer excellent solutions to the financial needs of its almost three million customers.

The Group reported a net profit of 151 million in 2021. The result for the year implies an accelerated recovery compared to the 2020 results, which were impacted by additional provisions for potential adverse economic effects caused by the pandemic and non-recurring extra expenses associated with a redundancy plan.

The main key indicators of the Ibercaja Group are detailed below:

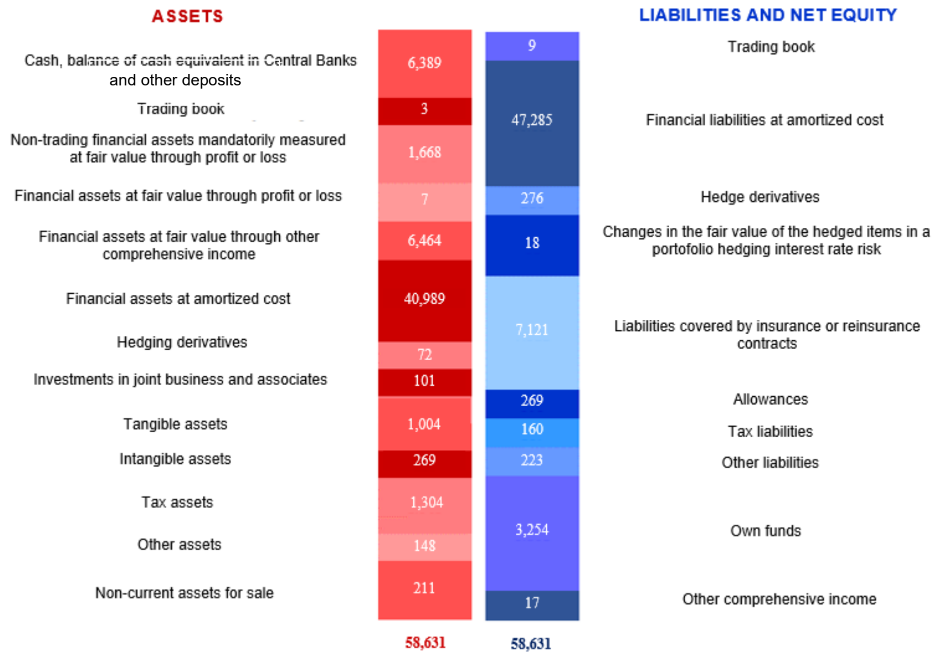
Table 1: Template EU KM1 - Key metrics template

	Key metrics template					
	(thousands of euros)	dec-21	sep-21	jun-21	mar-21	dec-20
		a	b	c	d	e
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	2,420,441	2,467,031	2,480,049	2,470,328	2,484,668
2	Tier 1 capital	2,770,441	2,817,031	2,830,049	2,820,328	2,834,668
3	Total capital	3,270,441	3,317,031	3,330,049	3,320,328	3,334,668
	Risk-weighted exposure amounts					
4	Total risk exposure amount	18,051,935	18,165,264	18,364,194	18,503,306	18,248,449
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	13.41%	13.58%	13.50%	13.35%	13.62%
6	Tier 1 ratio (%)	15.35%	15.51%	15.41%	15.24%	15.53%
7	Total capital ratio (%)	18.12%	18.26%	18.13%	17.94%	18.27%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.00%	2.00%	2.00%	2.00%	2.00%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.125%	1.125%	1.125%	1.125%	1.125%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.50%	1.50%	1.50%	1.50%	1.50%
EU 7d	Total SREP own funds requirements (%)	10.00%	10.00%	10.00%	10.00%	10.00%
	Combined buffer requirement and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-	-	-
9	Institution specific countercyclical capital buffer (%)	-	-	-	-	-
EU 9a	Systemic risk buffer (%)	-	-	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
EU 10a	Other Systemically Important Institution buffer	-	-	-	-	-
11	Combined buffer requirement (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 11a	Overall capital requirements (%)	12.50%	12.50%	12.50%	12.50%	12.50%
12	CET1 available after meeting the total SREP own funds requirements (%)	7.785%	7.955%	7.875%	7.725%	7.995%
	Leverage ratio					
13	Total exposure measure	46,071,839	46,343,958	46,983,026	45,701,277	45,295,546
14	Leverage ratio	6.01%	6.08%	6.02%	6.17%	6.26%
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-	-	-
EU 14b	of which: to be made up of CET1 capital (percentage points)	-	-	-	-	-
EU 14c	Total SREP leverage ratio requirements (%)	3.22%	3.21%	3.22%	3.23%	3.23%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	-	-	-	-	-
EU 14e	Overall leverage ratio requirements (%)	3.22%	3.21%	3.22%	3.23%	3.23%
	Liquidity Coverage Ratio*					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	13,492,705	13,416,108	13,414,293	13,090,659	11,751,772
EU 16a	Cash outflows - Total weighted value	3,521,161	3,516,333	3,518,072	3,515,607	3,381,798
EU 16b	Cash inflows - Total weighted value	444,415	449,096	437,918	440,001	458,660
16	Total net cash outflows (adjusted value)	3,076,747	3,067,238	3,080,154	3,075,606	2,923,139
17	Liquidity coverage ratio (%)	439%	438%	436%	425%	398%
	Net Stable Funding Ratio					
18	Total available stable funding	44,865,394	43,976,736	43,651,497	44,326,881	43,919,522
19	Total required stable funding	29,485,546	29,214,039	29,607,924	30,093,359	28,992,120
20	NSFR ratio (%)	152%	151%	147%	147%	151%

* The liquidity coverage ratio (LCR), calculated as the simple average of month-end observations over the previous twelve months

The following sections cover the most relevant aspects, which are further developed later in the report.

Consolidated Balance Sheet at 31 December, 2021 *(in millions of euros)*



Equity and solvency ratios

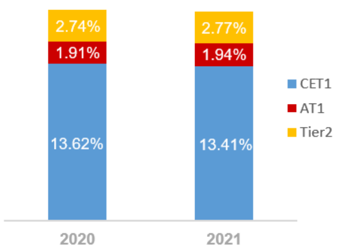
The Group's own resources are:

Computable Own Funds	
(thousands of euros)	Amount
Computable Own Funds 2021	3,270,441
Computable Own Funds 2020	3,334,668

In accordance with the regulations in force within the framework of the Basel Capital Accord for determining solvency, on December 31, 2021, the Ibercaja Banco Group complies with the minimum solvency ratios (Basel Pillar I) required by the regulations in force. Ibercaja Banco's ratios on a consolidated basis, CET1 of 13.41% and total capital of 18.12% (both phased-in), are 5.20 and 5.47 points, respectively, above the regulatory requirements established for 2022.

Based on the criteria foreseen for the end of the transitional period prior to the full implementation of Basel III, the CET1 fully loaded ratio was 12.71%.

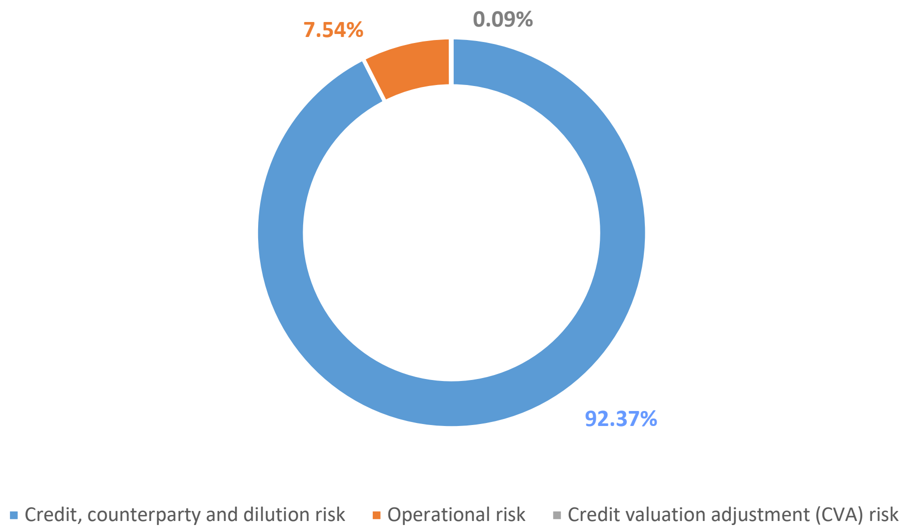
Capital Ratios	
	%
Common Equity Tier 1 ratio (CET1)	13.41%
Minimum required CET1	4.50%
Tier 1 capital ratio (T1)	15.35%
Minimum required T1	6.00%
Total capital ratio	18.12%
Minimum total capital requirement	8.00%



Annex III incorporates the capital ratios without applying transitional measures (fully loaded).

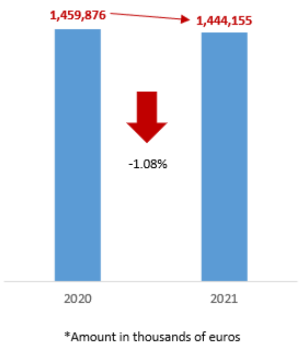
Capital requirements

During 2021, credit risk requirements accounted for 92.52% of capital requirements, operational risk requirements accounted for 7.42%.



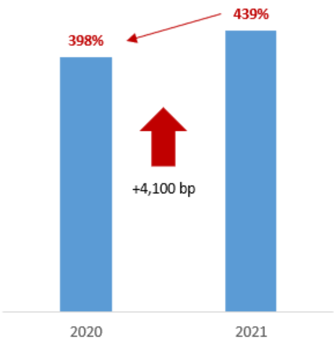
Minimum capital requirements	
(thousands of euros)	Amount
Minimum capital requirements	**1,444,155**
Capital requirements for credit risk, counterparty risk and incomplete trades	1,333,888
Market risk capital requirements	-
Operational risk capital requirements	108,929
Credit Valuation Adjustment Capital Requirement (CVA))	1,337
Risk-weighted assets	**18,051,935**

The minimum capital requirement for Pillar I risks has been reduced by 1.08% compared to 2020, reaching to € 1,44 billion.

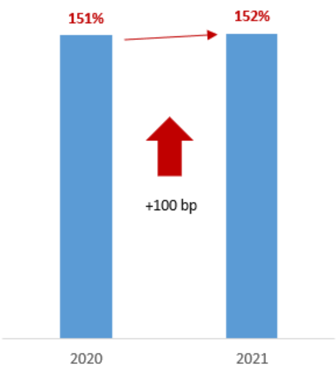


Liquidity Ratio

The liquidity coverage ratio (LCR hereinafter), calculated as the simple average of month-end observations over the previous twelve months, has increased in 2021 from 398% in December 2020 to 439% as of December 2021.

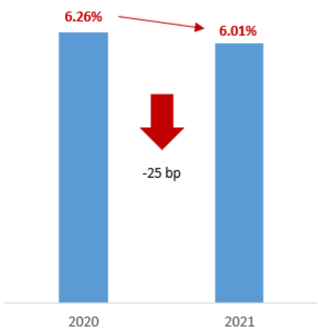


The net stable funding ratio (NSFR) improved by one percentage point in 2021, from 151% to 152% in 2021.



Leverage ratio

The leverage ratio has fallen 25 basis points from 6.26% as of December 2020 to 6.01% as of December 2021.



Regulatory framework on own resources and supervision of institutions

The current legislation on own funds and supervision on a consolidated basis of Spanish credit institutions consists of Regulation (EU) No. 575/2013 of the European Parliament and of the Council (CRR) of 26 June 2013 on prudential requirements for credit institutions and investment firms, as amended by Regulation (EU) 2019/876 together with the European Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 2013 on access to the activity of credit institutions and their prudential supervision, as amended by Directive (EU) 2019/878.

Pillar III information disclosure. Information of Prudential Relevance

Ibercaja Banco is the head of a group of subsidiaries, which carry out activities of a different nature and which constitute the Ibercaja Banco Group. Regulation (EU) No. 575/2013 of the European Parliament and of the Council, as amended by Regulation (EU) 2019/876 (CRR2), the Community Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, as amended by Directive (EU) 2019/878 (CRD V) and its transposition in Bank of Spain Circular 2/2016, of 2 February, on supervision and solvency, are applicable at the consolidated level for the entire Group.

In accordance with part eight of chapter one of the CRR and article 85 of Law 10/2014, institutions must periodically publish relevant information for a proper understanding of their business profile, their exposure to different risks, the composition of their capital base and their risk management policies and objectives. This report includes the compliance with these requirements as of December 31, 2021 by the consolidable Group of Ibercaja Banco S.A. and has been published on 25 March 2022 on the Ibercaja Banco website (Information of Prudential Relevance - Corporative Website | Ibercaja Banco).

In the event that information is not published because the Entity reserves it or because it is not material, the specific reasons for its omission must be communicated and more general information that does not affect the confidentiality of the information must be provided instead. The Entity, in compliance with this standard, does not omit information due to unspecified materiality or confidentiality without being specified.

The areas responsible for the preparation of the Prudential Relevance Report and their functions are defined below:

a) General Accounting: responsible for coordination, compliance with current regulations and comparison with the Group's various sources of information. It also provides quantitative and qualitative information on equity, capital requirements for the various types of risk (credit, counterparty, trading book, market, equity positions, etc.), credit risk mitigation, capital buffers and securitisations.

b) General Secretariat and Control Directorate. Within the area they collaborate:

   i. Risk Control Department: provision of information relating to RAF, leverage, unencumbered assets, structural interest rate and liquidity risk, and capital requirements for operational risk.

   ii. Regulatory Compliance Department: provides information on Governance Bodies and remuneration policies.

   iii. Capital Self-Assessment Coordination and RAF processes Unit: participates in the reporting on leverage and capital self-assessment.

c) Personnel Area Management: provides quantitative and qualitative information on remuneration.

d) Brand, Reputation and Sustainability Management: provides information on social, environmental and governance risks.

e) Financial Markets Directorate: provides qualitative information on counterparty risk, market risk and securitisations.

f) Capital and Balance Sheet Strategy: provides qualitative information on liquidity risk and interest rate risk.

In accordance with Standard 59 of Bank of Spain Circular 2/2016, the Group has commissioned an independent external party (the Auditor of the 2021 Annual Accounts - Ernst & Young, S.L.) to review the adequacy of the Prudential Relevance Report to the current regulatory requirements (EU Regulation 575/2013-CRR). The conclusions of this review are presented to the Audit and Compliance Commission.

Ibercaja Banco S.A. and its Consolidated Group have a policy for the disclosure and verification of information with prudential relevance approved by the Board of Directors and with a minimum frequency of annual review.

This policy sets out the principles governing the adequacy of prudentially relevant information in the Entity. Among the principles included in the policy are: the frequency and content of the information to be disclosed; the consideration of information as material, significant, reserved or confidential; the verification of the information and the means of disclosure of the information. In accordance with this policy, this report has been prepared by General Accounting, reviewed by the Audit and Compliance Commission and approved by the Board of Directors.

Thus, in compliance with the requirements established in Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013, on prudential requirements for credit institutions and investment firms and, specifically, with article 431 paragraph 3 and in line with the Policy for the disclosure and verification of information with prudential relevance, the Board of Directors of Ibercaja Banco, certifies that Ibercaja Banco, S.A. has disclosed the information required under Part Eight, in accordance with the formal policies and internal processes, systems and controls, the disclosed data being reviewed and validated by the units involved of Ibercaja Banco, S.A in its 2021 Prudential Relevance Report.

In this way, and to the extent of its procedures, the information disclosed in the Prudential Relevance Report for the 2021 financial year conveys a complete picture of its risk profile and adequately reflects its financial position and activity. Thus, it offers complete information in order to assess the risks it faces, its market strategy, its risk control, its internal organisation and its situation in order to comply with the minimum solvency capital requirements, thereby complying with the disclosure requirements established in the regulations in force.

In addition, the Board of Directors declares, in relation to the Prudential Relevance Report, that in accordance with the methodologies implemented by the Entity in the measurement of the risk profile, it is concluded that the overall risk profile of the Group is low. All material risks have an adequate or high control environment in terms of risk governance, management, control and audit. This rating is monitored and reported to the Board of Directors.

In preparing this document, the Group has taken into account:

- The Guides, RTS (Regulatory Technical Standard) documents and ITS (Implementing Technical Standards) documents issued by the EBA, where the Part Eight of the CRR is further developed in the areas of materiality policy, confidentiality and periodicity, leverage, encumbered assets, countercyclical buffer and liquidity.

- The best practices described in "On Bank's Transparency in their 2014 Pillar 3 Reports", issued by the EBA, which assesses the information disclosed by 17 European banks on various aspects of capital and risk, as well as the recommendations included by the Basel Committee in the report "Disclosure Requirements for Pillar 3 - Updated Framework", published in January 2015.

- The final document "Guidelines on disclosure requirements under Part Eight of Regulation (EU) No. 575/2013", issued by the EBA in December 2016, which establishes criteria and information to be published at different frequencies. The Bank aims to continue to evolve in line with the best practices derived from this document, by gradually implementing the recommendations of the supervisors gathered here.

- Guidelines regarding uniform disclosures under Article 473a of Regulation (EU) No. 575/2013 as regards transitional provisions for the mitigation of the impact on own funds of the introduction of IFRS 9.

- Guidelines on disclosure of information on non-performing and restructured or refinanced exposures, issued by the EBA in December 2018, regarding the content and uniform formats to be used by credit institutions to disclose information to the market on NPEs, FBE and foreclosed assets.

- Guidelines amending the EBA/GL/2018/01 Guidelines on uniform disclosures under Article 473a of Regulation (EU) No. 575/2013 (CRR) regarding transitional arrangements for the mitigation of the impact on own funds of the introduction of IFRS 9, to ensure compliance with the Quick Fix made in the CRR in response to the COVID-19 pandemic (EBA/GL/2020/12).

- Guidelines on reporting and disclosure requirements for supervisory purposes in accordance with the Quick Fix made in the CRR in response to the covid-19 pandemic.

- EBA Guidelines on reporting and disclosure of exposures subject to measures implemented in response to the covid-19 crisis (EBA/GL/2020/07) detailing the quantitative information that institutions should report on loans and advances subject to moratoria, as well as loans and advances subject to guarantee programmes in response to the health crisis.

The Group's Prudential Relevance Report is structured in 15 sections and 6 annexes. The first section describes the most relevant magnitudes that are subsequently developed in the report. The second section describes the relevant events that have occurred in 2021 and have affected the Group and the regulatory environment. The third section describes the general aspects of the Group's Pillar III and all the information relating to the governing bodies and scope of consolidation. Sections 4 and 5 develop all the information relating to solvency, from qualitative to quantitative information, on the Group's capital and capital requirements. Sections 6 to 14 describe the Group's risk function and detail by section the aspects relating to credit, securitisation, operational, liquidity, interest rate and leverage risk. Section 15 contains information on remuneration policies.

The annexes include information on the main characteristics of capital instruments, own funds and phased-in and fully loaded capital requirements, phased-in and fully loaded capital ratios, Template IFRS 9-FL and a compliance map with the items in Part Eight of the CRR. An index of tables and an index of illustrations is provided at the end of the document.

2

REGULATORY CONTEXT OF THE GROUP

2. Regulatory context of the group

2.1 - Macroeconomic Context

The recovery of the global economy has been consolidated throughout 2021, despite the persistence of the pandemic with its different waves and the emergence of new variants of SARS-CoV-2. The IMF estimates that global GDP growth reached 5.9% after a fall of -3.1% in 2020. This would have exceeded pre-crisis output levels.

According to these estimates, growth would have been higher in emerging countries (6.5%) than in developed countries (5.0%), which, moreover, were coming from a greater decline in 2020 (-4.5% compared with -2.0%). The different impact of the pandemic by country and by economic sector has meant that, despite the generalised growth in 2021, not all economies and not all branches of activity have fully recovered.

The greater severity of the restrictions in the face of the arrival of the different pandemic waves delayed the recovery of the Eurozone with respect to other advanced regions. However, from the second quarter onwards, the economy gained traction and could have ended the year with GDP growth of 5.2% according to initial estimates, which, however, would be insufficient to overcome the sharp fall it suffered in 2020 (-6.5%). The evolution by country has been highly dispersed due to the different measures adopted to curb the coronavirus and the relative dependence of the sectors most affected by these limitations.

The recovery of Spanish GDP was somewhat disappointing during the first half of the year, before gaining momentum in the second half. In 2021 as a whole, GDP grew by 5.0% according to the INE's first estimate, which is meagre if we take into account the -10.8% drop in 2020. The insufficient return to normality of the sectors most affected by the pandemic, which have a greater relative weight in the Spanish economy, and of private consumption explain this worse relative performance. The labour market surprised favourably by recovering much faster than production. On average over the year, the number of people employed was practically the same in 2021 as in 2019, and exceeded it by 1.1% in the fourth quarter according to EPA data. The unemployment rate fell to 14.8% on average over the year (13.3% in the last quarter) from 15.5% in 2020 and 14.1% in 2019. The number of ERTE workers fell from 925,000 in February to 126,000 in December.

Monetary conditions remained very loose throughout 2021. However, rising inflationary pressures in the latter part of the year are leading to a change in central banks' stance after years of fighting the risk of deflation. Price acceleration is more structural in the US, which may lead to rate hikes in the coming months, while in Europe quantitative easing will continue with debt purchases at least until the end of the third quarter of 2022, and no rate hikes are expected at least until the end of the year.

The year 2021 was very positive for most stock markets. The US S&P 500 rose by 26.9% and the European Stoxx 600 by 22.2%. The Ibex lagged somewhat behind with a rise of 7.9% and a close below the highs of the year. All Stoxx 600 sectors closed 2021 in positive territory. The biggest gainers were banks (34.0%), the technology sector (33.7%), audiovisuals (31.7%) and construction (31.1%). Only two sectors did not show double-digit gains: electricity (5.4%) and travel and leisure (3.7%).

Government bond interest rates remained very low by historical standards in 2021, although there was some recovery from the lows reached in 2020. This rise could continue in 2022 in the face of rising price pressures and less expansionary central bank policies.

The 12-month Euribor traded around -0.50% for most of 2021, something that may change as upward movements in intervention rates start to be priced in.

2.2 – The Ibercaja Group

Ibercaja is a national banking institution specialised in personal and corporate banking whose objective is to generate value for its customers, shareholders and society in general.

The Bank was created in 2011 following the spin-off and transfer to Ibercaja Banco of the financial business of the former Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja, now transformed into the Ibercaja Banking Foundation, in accordance with the provisions of the Banking Foundations Act. In 2013, the Bank absorbed Banco Cajatres, 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 since that time have been transformed into foundations and are the Bank's current minority shareholders, together with Fundación Bancaria Ibercaja which is its majority shareholder.

The Group, with a balance sheet of € 58,631 million, is the ninth largest in terms of assets in the Spanish banking system. The Bank develops a "universal banking" model to meet all its customers' financial needs. It has a wide range of banking and financial products and services, focusing particularly on first home mortgages, SME financing, asset management and life-savings and risk insurance products. At the national level, it has a market share of 2.4% in lending to households and non-financial companies, 3.6% in the segment of individual house purchases and 2.7% in household and corporate deposits, according to statistics published by the Bank of Spain.

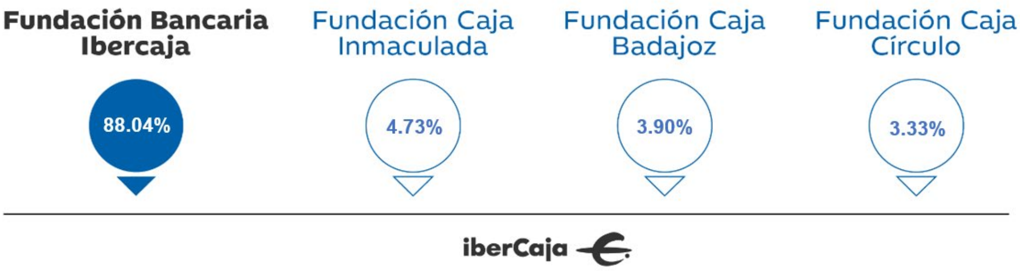
Ibercaja owns its entire Financial Group, which is made up of subsidiaries specialising in the management of investment funds and pension plans, bancassurance, and leasing and renting. Ibercaja's Financial Group makes the Bank the fourth largest financial institution in Spain in terms of asset management and life insurance with a volume of more than € 32,800 million in assets under management and technical provisions, reaching an aggregate market share in this range of products of 5.1% by 31 December 2021.

In April 2021, the Chairman and CEO of Ibercaja presented the new Strategic Plan 2021-2023, which, under the name "Desafío 2023" (Challenge 2023), will be the Bank's roadmap for the three-year period. The main objectives of this Plan are to improve the Bank's recurring profitability, reinforce Ibercaja's leadership in customer experience as a differential value and accelerate its transformation to ensure competitiveness in the future while maintaining its own independent and sustainable project. The two major programmes defined in the Plan are: "Customer and Profitable Growth" and "Productivity and Efficiency".

2.3 - Shareholding and functional structure

Ibercaja Banco is majority owned, with 88.04% of its capital, by the *Fundación Bancaria Ibercaja*. As a result of the acquisition in June 2013 of *Banco Grupo Cajatres, S.A.U.,* the following are also shareholders of Ibercaja: *Fundación Caja Inmaculada* (4.73%), *Fundación Caja Badajoz* (3.90%) and *Fundación Bancaria Caja Círculo* (3.33%).

Shareholder structure



From an organisational point of view, the Bank is the head of a group of subsidiaries, the most important of which, from the point of view of both the diversification of the range of banking products and profitability, are those of the Financial Group, comprising companies specialising in mutual funds, pension plans, bancassurance and leasing-renting.

Organisational Structure

2.4 - Financial year 2021 in the Ibercaja Group

Ibercaja has completed the first year of the new Strategic Plan 2021-2023, achieving a large part of the demanding commercial objectives it set itself and, at the same time, achieving a decisive boost to the transformation of the operating and business model on the road to improving its competitiveness.

Commercial activity developed at a good pace, as evidenced by the progress of the Bank's strategic business lines: Corporate Banking, Personal Banking and asset management and insurance. In lending, € 5,421 million of loans and credits were at pre-covid levels and normal financing to companies increased 6.9% year-on-year. At the same time, customer funds gathered grew 7.3% year-on-year. Asset management activity reached a record level for the Bank, with advances in market share in mutual funds (22 b.p.) and pension plans (6 b.p.).

There were no signs of deterioration in the quality of the loan portfolio. Doubtful assets continued to decline, more sharply than the sector's (-29.2% vs. -4.8% according to the Bank of Spain's statistics), and the NPL ratio fell to 2.30%. Real estate asset sales reactivated (+52%) after the standstill in 2020. Refinancings continued to fall (-26.9%) and the percentage of the loan portfolio classified as stage 2 is very low (5.0%). Exposure to economic sectors that have been particularly affected by the economic consequences of the covid-19 pandemic, such as transport and storage, hotels and restaurants, and arts, entertainment and recreation, amounted to a total of EUR 631 million, representing only 2.0% of gross lending. However, the Group continuously monitors the main indicators in order to anticipate possible negative impacts.

The Group's net profit was € 151 million, € 127 million higher than in the previous year. Income from banking activity grew 2.5%, thanks to the progress in asset management business, while provisions for credit and real estate risk normalised following the extraordinary provisions made in 2020 to cover the potential economic impact of the pandemic on the loan portfolio.

Ibercaja has a solid solvency position that has been reinforced during 2021. The CET1 phased-in ratio reached 13.41%, well above the minimum requirements communicated by the Supervisor. The CET1 fully loaded ratio was 12.71%, 12 basis points higher than in 2020.

The liquidity available at year-end exceeds € 15.25 billion and allows for ample coverage of debt maturities.

2.5 – Regulatory Framework

2.5.1 - Introduction

On 27 October 2021, the European Commission adopted the 2021 banking package, aimed to ensure that the regulatory framework governing the prudential regime applicable to credit institutions fosters their resilience to potential economic shocks. The transposition of these Basel reforms was planned in Europe for mid-2020, but the covid-19 crisis delayed it. The banking package is divided into three parts: (i) implementation of Basel III, (ii) contribution to the green transition and sustainability, and (iii) stronger supervision to ensure sound management of EU banks in order to protect financial stability.

The first part refers to the completion of the implementation of the Basel III reforms, which has the objective of improving cross-sectoral comparability by reducing the existing variability at the level of risk-weighted assets.

The Basel Committee's regulatory framework is based on three pillars: Pillar I establishes the minimum capital requirement and includes the possibility of using internal ratings and models for the calculation of risk-weighted exposure amounts. Pillar II establishes a system of supervisory review of capital adequacy based on risk profile and internal risk management. Pillar III refers to disclosure and market discipline.

In this regard, in June 2019, the regulatory framework applicable in the European Union was amended. Regulation (EU) 575/2013 on prudential requirements for credit institutions and investment firms was amended by Regulation (EU) 2019/876, which implies a change from CRR to CRR2. For its part, Directive 2013/36 on access to the activity of credit institutions and their prudential supervision was updated by Directive 2019/878, known as CRDV. This directive requires transposition into national law for its direct application, having been developed in Spain by Royal-Decree Law 7/2021 and Royal Decree 970/.

CRR2 entered into force on 28 June 2021, excluding certain provisions whose period of entry into force extends from 1 January 2019 to 28 June 2023, notably the entry into force of the main changes in the areas of own funds, capital deductions, standardised credit risk and IRB and authorisations. CRD V entered into force on 27 June 2019 and applies to member states from 28 December 2020.

The final texts of the review of the capital framework and the resolution framework were published, incorporating the Basel standards in accordance with the European Commission's draft of the new CRR (CRR2) and the new CRD IV (CRD V) of 23 November 2016, such as the Fundamental Review of the Trading Book for market risk, the Net Stable Funding Ratio for liquidity risk and the SA-CCR for the calculation of the EAD for counterparty risk. Amendments were also introduced relating to the treatment of central counterparties, the MDA, Pillar II, the leverage ratio and Pillar III, among others. The most relevant new feature was the implementation of the TLAC Term Sheet issued by the FSB (Financial Stability Board) in the capital framework, obliging systemic institutions to comply with the TLAC requirements (or MREL at European level) in Pillar I, while non-systemic institutions only have to comply with MREL in Pillar II, which the resolution authority will communicate on a case-by-case basis. These latter developments were incorporated in the amendment of the BRRD, which was replaced by BRRD II. In addition, the BRRDII establishes, for banks whose total assets exceed € 100 billion or those considered by the resolution authority to be systemic, a minimum subordination requirement of the higher of 13.5% of risk-weighted assets or 5% of the leverage ratio exposure. In all other cases, the subordination requirement will be determined on an ad-hoc basis by the resolution authority.

The final implementation of Basel III will culminate with the approval of the draft proposal for CRR3 and CRDVI, published on 27 October 2021 by the European Commission. The current drafting proposes 1 January 2025 as a potential general effective date for CRR3, postponing the entry into force of resolution issues to the first months of 2022.

The second part of the banking package aims to strengthen the resilience of the banking sector to environmental, social and governance (ESG) risks. Thus, in line with supervisory priorities, banking regulation will incorporate greater sustainability considerations and banks will be obliged to identify, disclose and manage these risks.

Finally, the banking package provides the supervisor with more robust tools to assess the suitability of management staff by assessing whether they have the necessary skills and knowledge to manage the institution. In addition, they are given powers to supervise fintech groups and the establishment of third country branches in the EU, harmonising European rules in these areas.

2.5.2 - Solvency

The CRR2 and the CRDV represent a further step in the transposition of Basel III into European law. The progressive adaptation of these regulations to the European framework places eligible capital and capital buffer requirements above the minimum regulatory levels, and therefore regulates the levels of capital and the composition of own funds that institutions must hold.

Article 434a of CRR2 mandates the EBA to develop draft implementing technical standards (ITS) specifying the uniform disclosure formats and related instructions according to which the disclosures required by Part Eight, Titles II and III of CRR2 are to be made with the objective of creating a single, comparable Pillar III framework. Following this mandate, the EBA has updated its strategy in relation to its policy on Pillar III disclosures by institutions by establishing in ITS 2020/04 a set of quantitative templates and qualitative tables to ensure consistency and homogeneity in the disclosure of information to allow for greater comparability across banks.

The contagion of the covid-19 crisis to the economy highlighted the importance of banking institutions in the recovery process, in their capacity as financiers of the economy. With this objective in mind, supervisory authorities lowered prudential requirements in 2020 and throughout 2021.

To this end, among other measures, the Basel Committee on Banking Supervision decided in March 2020 to postpone the application of Basel III by one year. This strengthens banks' capital so that they do not have to use their resources to reinforce their solvency and so that financing for families and households can be guaranteed due to the impact of the coronavirus. Thus, the first measures, which were to come into force on 1 January 2022, are postponed to the same date in 2023.

The same measure was adopted by the ECB, which has encouraged banks to use their capital and liquidity buffers to lend and absorb losses and has exempted them from restoring capital buffers before the capital buffer reaches the maximum fall level.

Another measure envisaged by the ECB was to commit to allow banks to operate below the Pillar 2 (P2G) recommendation and the combined capital buffer requirement at least until the end of 2022, and below the LCR at least until the end of 2021, without automatically triggering supervisory measures.

2.5.3 - Liquidity

The publication of the final version of the "Net Stable Funding Ratio: Disclosure Standards" framework in October 2014 introduced a set of stable funding requirements for short-term exposures against their regular sources of funding, avoiding potentially higher systemic stress. The NSFR is a minimum requirement that came into force on 28 June 2021.

In addition, in June 2015, the Net Stable Funding Ratio (NSFR) disclosure standards were published. These requirements improve the transparency of regulatory funding requirements, reinforce the principles for the proper management and supervision of liquidity risk, strengthen market discipline and reduce uncertainty in the markets when applying the NSFR.

Following prior consultations in 2016, in 2017 the EBA published final proposals on the disclosure of the LCR Liquidity Coverage Ratio (LCR) and Asset Encumbrance aimed at making them more concrete.

The new regulatory package, which is articulated through CRR2 and CRD V, implements a number of elements agreed in the Basel Committee and the FSB, including the Net Stable Funding Ratio (NSFR).

With the disruption of the pandemic in the economy, the response given by governments has been to lower both capital and liquidity requirements so that banks could continue with the necessary financing to maintain the economy. To this end, measures have been taken such as the possibility of operating below the LCR without automatically activating supervisory measures or recommending that banks refrain from distributing dividends until 30 September 2021, as indicated by the ECB.

With regard to the disclosure of liquidity requirements, ITS 2020/04 also contains a number of quantitative templates and qualitative tables that provide information on compliance with LCR and NSFR requirements.

2.5.4 - Securitisation

In December 2017, a new general framework for securitisation and a specific framework for simple, transparent and standardised (STS) securitisation were published. In addition, a new capital treatment for securitisations was established, which modifies the current CRR treatment, and a preferential capital treatment for securitisations that meet the STS criteria. The implementation of these regulatory frameworks is mandatory as of 1 January 2019, thus affecting this financial year.

In May 2018, the Basel Committee published the Capital treatment for short-term simple, transparent and comparable (STC) securitisations, as well as the criteria for identifying such securitisations in "Capital treatment for short-term simple, transparent and comparable securitisations" and "Criteria for identifying simple, transparent and comparable short-term securitisations".

In 2020, the Basel Committee published the technical amendment for the prudential treatment of securitisations of non-performing loans.

In 2021, Regulation (EU) 2021/557 is introduced amending the general securitisation framework by creating a specific framework for STS securitisation to contribute to the recovery from the covid-19 crisis. The main objective is for the securitisation framework to provide an additional tool to foster economic recovery in the aftermath of the covid-19 crisis.

In addition, as regards the disclosure of securitisations, the ITS 2020/04 also presents quantitative templates and qualitative tables to inform the public about securitisations.

2.5.5 - Bank Restructuring and Resolution

In 2014, Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 was adopted, defining the framework for the restructuring and resolution of European credit institutions and investment services, in order to harmonise post-crisis measures for financial institutions in Europe, while minimising the cost to the taxpayer.

In July 2016, the Commission published Delegated Regulation 2016/1075 on restructuring and resolution plans under the BRRD, which details: the content of restructuring plans, resolution plans and group resolution plans, the minimum criteria to be assessed by the competent authority with regard to restructuring plans and group resolution plans, the conditions for group financial support, the requirements relating to independent valuers, the contractual recognition of write-down and conversion powers, the procedure in relation to notification requirements and the notice of suspension and the content thereof and the operational functioning of the resolution colleges.

Over the last few years, the Basel Committee and the Financial Stability Board (FSB) have continued with the steps started previously. In 2015, the standard for requiring a minimum loss absorbing capacity sufficient to recapitalise an institution in the event of resolution, i.e. Total Loss Absorbing Capacity (TLAC), was finalised for institutions classified as Global Systemically Important Banks (G-SIBs). In 2017, the FSB published the following:

- The Internal TLAC framework.
- Two relevant consultations aimed at, on the one hand, securing funding in resolution and, on the other hand, ensuring the successful execution of a bail-in.
- In November 2017 it updated the list of G-SIBs for 2019.

In 2019, the FSB issued a report on the implementation of TLAC in different jurisdictions, concluding that no changes were necessary.

During 2020, the FSB continued to monitor the implementation of Total Loss-Absorbing Capacity (TLAC) across jurisdictions. It is estimated that all G-SIBs are now compliant with their 2022 TLAC requirement.

For its part, the EBA published, in line with CRR2, ITS 2020/06 developing the reporting and disclosure requirements for MREL and TLAC requirements. The objective is to provide a higher degree of consistency between the international TLAC reporting and disclosure standards and the alignment between the MREL and TLAC standards. For reporting and disclosure, new quantitative templates are introduced and an existing qualitative template for collecting information is modified.

2.5.6 - Regulatory capital calculation models

The Basel III review was finalised in December 2017. This final Basel III framework was approved thanks to the agreement reached on the calibration of capital floors, which limit the capital savings generated by applying internal models.

This revision of the frameworks for the calculation of capital requirements for credit, market and operational risk aims to ensure improved simplicity, comparability and risk sensitivity, as well as to reduce the variability of risk-weighted assets not justified by different risk profiles.

The final agreement on the capital framework will enter into force on 1 January 2022. However, implementation will not be complete until 2027. This process will be gradual for capital floors. On the other hand, the Basel Committee announced that the implementation of the new market risk framework (BRRF) will start on 1 January 2022 instead of 2019 as initially planned.

This final framework includes significant improvements over the proposals initially put forward by the Basel Committee, most notably:

Floors:

The level of capital floors has been set at 72.5% at the aggregate level for all risks, with a maximum impact limit of 25% of RWA per institution. The CRR3 proposal foresees a gradual implementation by introducing a floor of 50% as of 1 January 2025, rising to 72.5% in 2030.

Credit Risk:

The revision to the standardised approach for the calculation of credit risk capital introduces the use of external ratings on a non-mechanical basis for exposures to banks and corporates and increased risk sensitivity for certain exposures.

The review of advanced approaches to the calculation of credit risk capital for low default portfolios includes the following:

- It sets limitations on parameter estimation across floors at exposure level.
- It standardises the methodology for estimating risk parameters.
- The treatment of risk mitigation techniques is reviewed.

Credit Risk Valuation Adjustments (CVA):

The revision of the credit risk adjustment (CVA) includes the elimination of internal models and the standardised methods are revised to align them with the revised market risk framework.

During 2020, the Basel Committee's revisions to the Credit Risk Valuation Adjustment were published. They replace the 2017 version and will come into effect in January 2023.

Operational Risk:

In 2019, a standardised approach for the calculation of operational risk capital was introduced, which combines size with indicators of losses from past events. This new approach will replace the current internal AMA models and standardised methods and will be implemented in 2025.

In August 2020, the document containing revisions to principles for good practice in operational risk management was launched for consultation. In this consultation, the Committee has chosen to address aspects such as principles for operational risk management and principles for operational resilience.

It also recognises the increased potential for significant disruptions to banking operations due to pandemics, natural disasters, destructive cyber security incidents or technological failures.

Leverage Ratio:

The final calibration of the leverage ratio is set at 3% for all institutions and, for systemic G-SIBs, an additional surcharge is set at 50% of the G-SIB buffer.

Along these lines, the Basel Committee published the final document on the treatment of the leverage ratio for derivatives cleared in Central Counterparty Clearing Houses, with the objective of maintaining linearity with the standardised approach to counterparty risk (SA-CCR).

With the postponement of the application of some provisions of CRR2 to January 2023, the leverage ratio buffer requirements are delayed, and the possibility to exclude exposures to central banks from the leverage ratio calculation has also been introduced.

2.5.7 – ESG Risks

In recent years, environmental, social and governance (hereinafter ESG) risk management regulations have been extensively developed in line with social, institutional and supervisory concerns.

Throughout 2021, the range of regulations that make up the regulatory framework for sustainability continued to expand.

For its part, the European Commission has developed six sets of measures to lay the foundations for sustainable finance that will enable the financial sector to play a key role in achieving the objectives of the European Green Pact. The measures include:

- Expanding existing sustainable financing tools to facilitate access to transition finance.
- Improve the inclusion of SMEs and consumers by providing tools and incentives to access transition financing.
- Increase the resilience of the economic and financial system to sustainability risks.
- Ensure the integrity of the European financial system by promoting an orderly transition to sustainability.
- Encourage sustainable finance initiatives.

Thus, the Taxonomy Regulation (EU) 2020/852 has been further developed by establishing homogeneous criteria for the classification of an activity as sustainable. In this regard, in July 2021 the final version of the Delegated Act on Article 8 of the Taxonomy Regulation was published, regarding disclosure requirements by financial and non-financial companies by introducing various indicators (such as the Green Asset Ratio) to be disclosed by those subject to the Non-Financial Reporting Directive (NFDR, hereinafter).

In addition, in November 2020 the European Central Bank published a Guide to Supervisory Expectations for Climate and Environmental Risks, which has been assessed by the supervisor for the financial year 2021. Furthermore, the ECB announced in 2021 that climate stress tests will be conducted in the financial year 2022.

In July, the EBA issued a report on the management and supervision of ESG risks by banks and investment firms. The report details measures, procedures and strategies for identifying, assessing and managing ESG factors; clarifies how to integrate risks into supervisory models; and provides a standardised approach to ESG risks and factors.

These ECB and EBA recommendations should be taken into account as part of the implementing regulatory framework for the measurement, management and mitigation of ESG risks.

Finally, the EBA's ITS on quantitative and qualitative disclosure of ESG risk management is expected to be published in compliance with the provisions of CRR2. In this regard, institutions should start disclosing information from 2023, based on the actions of 2022.

2.5.8 - Other policy initiatives

In the wake of the covid-19 pandemic, the EBA issued a statement detailing measures to reduce the impact of the health crisis. This communication included measures such as the postponement of the stress tests to 2021 or clarifications regarding the recommendations made to the remuneration policy.

Of particular note is the publication of the Guidelines on legislative and non-legislative standstills issued on 2 April 2020 (EBA/GL/2020/02) and their amendments of June 2020 (EBA/GL/2020/08). These guidelines set out a set of conditions that must be satisfied in order for legislative and non-legislative moratoria introduced in response to covid-19 to be considered eligible for the specific prudential treatment developed therein. In particular, this treatment specifies that the transactions subject to them will not be automatically classified as: default; restructured/refinanced or forced restructuring.

With regard to the measures encouraged by covid-19, it is worth noting the entry into force of the quick-fix, which seeks to make the prudential framework applicable to banks more flexible in response to the covid-19 crisis:

- Extension of the transitional period granted before the pandemic due to the entry into force of IFRS 9 with Regulation 2017/2395.

- Implementation of a temporary prudential filter that neutralises the impact of volatility in government bond financial markets.

- Delay in the application of the leverage ratio buffer, the application of which is postponed to 1 January 2023, and the possibility to exclude exposures to central banks from the leverage ratio buffer, the application of which was originally foreseen from June 2021.

- Bringing forward the date of application of provisions favourable to institutions such as: the prudential treatment of loans to employees or pensioners with an open-ended contract, the application of the partial deduction of software assets and the SME and infrastructure supporting factor.

Another of the EBA's initiatives was the publication of draft technical standards on the favourable prudential treatment of software assets. In order for the treatment to be in the institution's favour, they revise their capital requirements and will be able to deduct part, rather than all, of the investment amount from CET1.

In line with the sectoral trend towards digitalisation in the banking sector, both the banking regulator and supervisor are making progress in regulating and supervising the various risks. In particular, digitalisation and its risks are once again among the European Central Bank's supervisory priorities and the regulator has continued in 2021 to develop regulatory initiatives in this regard.

These initiatives include the following:

- Proposed Regulation on crypto-asset markets, known as MiCA Regulation, for the creation of a supervisory framework for crypto-asset service providers that do not qualify as financial instruments.

- Proposal for a Regulation on Digital Operational Resilience, known as the DORA Regulation, which seeks to introduce a global regulatory framework at EU level by including rules on digital operational resilience aimed at financial institutions. Among the most relevant new features is that those technological service providers that are considered critical will be supervised directly by the supervisors of credit institutions.

- Proposed Regulation on digital marketplaces, which seeks to end unfair trading practices by online platforms by establishing new obligations and prohibitions that apply directly to market "gatekeepers".

- Preliminary proposal by the Basel Committee on Banking Supervision on the prudential treatment of banks' exposures to crypto-assets. This proposal will be further developed in the course of 2022.

- National Securities Market Commission (CNMV) Circular establishing a framework for regulating the advertising of crypto-assets considered as financial instruments.

- Proposed Artificial Intelligence Regulation, the first legislation worldwide in this field. It focuses on high-risk systems, including systems used to assess the creditworthiness or credit rating of customers.

In line with the increasing importance of technological risks, the European Commission presented a new proposal on 20 July 2021 to adapt the current EU framework for the prevention of money laundering and terrorist financing to the new challenges related to technological innovation. A package of legislative proposals aimed at strengthening existing regulation in this field was presented as part of the Commission's commitment to protect citizens and the financial system through the elaboration of four legislative proposals:

- Proposal for a Regulation establishing a new European Union authority for the prevention of money laundering and terrorist financing.

- Proposal for a Regulation on the prevention of money laundering and terrorist financing, including directly applicable rules in this regard.

- Proposal for a sixth Directive on the fight against money laundering and terrorist financing, which will contain provisions to be transposed in relation to national supervisory rules and rules on financial intelligence units.

- Proposed revision of the Funds Transfers Regulation (EU) 2015/847 to track transfers of crypto-assets. It introduces new requirements for virtual asset service providers to collect and make publicly available data on the originators and beneficiaries of such transfers.

Finally, the final guidelines on Loan Origination and Monitoring, applicable from June 2021, have been published. Its objectives are aimed at establishing an internal control framework for loan origination and monitoring.

2.5.9 - Single Oversight and Resolution Mechanism

The first key element in the Banking Union is the Single Supervisory Mechanism (SSM), which assigns the role of direct banking supervisor to the European Central Bank in order to ensure that the largest European banks are subject to a single independent supervision with common rules.

In parallel to the intense supervisory agenda in the framework of the Supervisory Review and Evaluation Process (SREP), the SSM has continued to make a major effort, on the one hand, to harmonise supervisory policies across countries and, on the other hand, to make its expectations more transparent.

The second pillar of the Banking Union after the SSM is the Single Resolution Mechanism (SRM), which is responsible for preparing for the possibility of entry into resolution, i.e., bankruptcy, in order to ensure that the situation can be resolved in an orderly manner with minimal costs to taxpayers.

The SRM is working together with national resolution authorities to develop MREL (Minimum Requirement of Eligible Liabilities) policies. Institutions will have to comply with their MREL requirement after receiving the requirement from the SRM, within a transition period of no more than four years. Failure to comply could result in the institution being deemed unresolvable.

In addition to the above, the SRM also manages the Single Resolution Fund. The period of gradual mutualisation of the Single Resolution Fund will allow the transition from the National Resolution Funds, in place in several Eurozone countries until 2016, to the Single Resolution Fund, which will be fully implemented in 2024. The funding target of this fund is 1% of guaranteed deposits in 2024.

In November 2020, a reform of the European Stability Mechanism (ESM) was approved, which will have more supervisory powers in future bailouts. In particular, the ESM's competences are strengthened to give it greater supervisory powers in bail-out situations. In early 2021 the ESM member states signed the ESM Treaty reform agreement, which will enter into force when it is ratified by all 19 ESM member parliaments.

3

PILLAR III GENERAL ASPECTS

3. Pillar III General Aspects

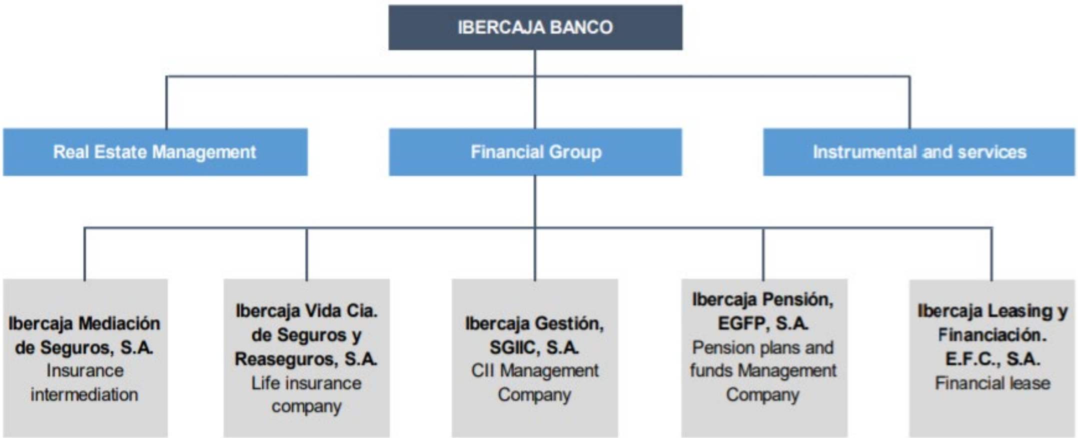
3.1 - Introduction

Ibercaja Banco, S.A. is a credit institution 88.04% owned by *Fundación Bancaria Ibercaja*, subject to the rules and regulations determined by the Spanish and European Union economic and monetary authorities.

The Bank is the head of a group of subsidiaries. The entities that make up the consolidable group carry out different types of activities. Of particular importance, both from the point of view of the diversification of the range of financial products and profitability, are those of the Financial Group, made up of entities specialising in mutual funds, savings and pension plans, insurance banking and leasing-renting.

The most relevant companies that make up the consolidation perimeter are:

Illustration 1: Scope of consolidation



Its mission is to help manage the finances of families and businesses, offering a comprehensive and personalised service that helps them achieve their own goals. To this end, it seeks to offer solutions tailored to the financial needs of its almost three million customers.

Its activity is supported by an infrastructure of 914 offices located throughout Spain.

For further details on the Entity, please consult the Ibercaja Banco 2021 website (Corporative Website | Ibercaja Banco).

3.2 – Government Bodies

This section covers the provisions of letter (d) of the OVB requirement - Disclosure of Governance Arrangements.

The governing bodies of the Ibercaja Group, their composition and standards of operation are regulated by the Bylaws and the Regulations of the Board of Directors, the content of which is in accordance with Law 10/2014 of June 26, on the organisation, supervision and solvency of credit institutions and its implementing regulations, Royal Decree Law 1/2010 of July 2, which approves the revised text of the Law on Corporations and the Unified Code of Good Governance. The composition and members of the different governing bodies and the management team are detailed in the Corporate Governance Report.

A summary table of the composition of the Board of Directors and the Committees is shown below. In addition, the main governing bodies are detailed below, as well as the policies that ensure the suitability and diversity of the members of the Board of Directors, according to article 435.2 of the CRR.

Illustration 2: Governing bodies

Board of Directors						Commissions					
		Dominical	Independent	Executive	External	Executive Commission	Audit and Compliance Commission	Appointments Commission	Remunerations Commission	Major Risks and Solvency Commission	Strategy Commission
Chairman	Mr. José Luis Aguirre Loaso	■				C					C
Vice-chairman	Mr. Jesús Máximo Bueno Arrese	■				M	M			M	
CEO	Mr. Víctor Iglesias Ruiz			■		M					
Secretary Counsellor	Mr. Jesús Barreiro Sanz					S	S	S	S	S	S
Members	Mrs. Gabriela González-Bueno Lillo		■					M	M		
	Mr. Jesús Solchaga Loitegui		■					C	C	M	M
	Mr. Vicente Cóndor López		■			M	M			C	
	Mr. Jesús Tejel Giménez		■			M	C			M	
	Mr. Félix Longás Lafuente		■				M	M	M		M
	Mr. Emilio Jiménez Labrador	■				M	M				M
	Mr. Enrique Arrufat Guerra	■									M
	Mrs. María Pilar Segura Bas		■					M	M	M	

C	Chairman
M	Member
S	Secretary

3.2.1 - Board of Directors

The Board of Directors has the broadest powers for the management, administration and representation of the Bank and, except in matters reserved for the General Meeting, is the Bank's highest decision-making body. The Board has six committees: the Executive

Commission , the Appointments Commission , the Remuneration Commission, the Audit and Compliance Commission, the Major Risks and Solvency Commission and the Strategy Commission.

Within the Board of Directors, only the Chief Executive Officer is an executive director and therefore forms part of the Senior Management of the Bank.

Table 2: Members of the Board of Directors

Board of Directors			
Position	Name	Categorization	Date of last appointment
Chairman	Mr. José Luis Aguirre Loaso	Dominical	27/08/2021
1st Vice Chairman	Mr. Jesús Máximo Bueno Arrese	Dominical	27/08/2021
CEO	Mr. Víctor Iglesias Ruiz	Executive	29/08/2019
Member	Mrs. Gabriela González-Bueno Lillo	Independent	13/11/2018
Member	Mr. Jesús Solchaga Loitegui	Independent	13/11/2018
Member	Mr. José Miguel Echarri Porta	Dominical	28/10/2021
Member	Mr. Vicente Cóndor López	Independent	09/04/2019
Member	Mr. Félix Longás Lafuente	Independent	27/08/2021
Member	Mr. Jesús Tejel Giménez	Independent	27/08/2021
Member	Mr. Enrique Arrufat Guerra	Dominical	30/08/2017
Member	Mrs. María Pilar Segura Bas	Independent	30/08/2017

In the 2021 Annual Accounts (Information of Prudential Relevance - Corporative Website | Ibercaja Banco), the powers of the Board of Directors in relation to risk management and control are developed.

Hereinafter the information on the knowledge and experience of the members of the Board of Directors:

	Training	Experience
Mr. José Luis Aguirre Loaso	Licensed in Economics and Law from the University of Deusto and Master in Organizational Development from IOD Leuven (Belgium).	He has been General Manager of Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja, and CEO of Ibercaja Banco. He has been a member of the American Bank Marketing Association and the European Financial Management Association (EFMA), Chairman of the VISA Committee of the Euro 6000 System and has been a member of the Boards of Directors of, among others, Banco de Huesca, S.A. and EBN Banco, S.A. He has also been Chairman of Ibercaja Vida, S.A., Ibercaja Leasing, S.A. and Ibercaja Gestión, S.A. and Director of Banco Grupo Cajatres, S.A.U. until its absorption by Ibercaja Banco. Currently, member of the Board of Directors of CECA, and member of the Board of Directors of CASER.
Mr. Jesús Máximo Bueno Arrese	Professor of commerce at the Escuela Superior de Comercio de Zaragoza, certified auditor, graduate in business management from IESE (University of Navarra), and Master's degree in Applied Social Sciences (University of Zaragoza).	He has been a trustee of the Fundación Bancaria Ibercaja, Chairman of the Board of Directors of Ibercaja Vida, S.A., and a member of the Board of Directors of Ibercaja Mediación Seguros, S.A. He has also been a member of the Board of Directors of Banco Grupo Cajatrés, S.A.U. until it was absorbed by Ibercaja Banco.
Mr. Víctor Manuel Iglesias Ruiz	Licensed in Economics and Business Administration from the University of Zaragoza. Completed his training in several business banks in London.	Appointed Deputy General Manager in January 2010, he has been a member of its Management Committee since May 2001. Prior to his appointment as CEO, he was in charge of several strategic areas of Ibercaja Banco, including, among others, Capital Markets, Credit Investments and Business, which integrated the management of the Branch Network, Marketing and Multichannel Banking, Corporate Banking and the Financial Group. He has also represented Ibercaja in numerous investee companies: member of the Board of Directors of Heraldo de Aragón, member of the Business Strategy Committee of CASER and Chairman of the Board of Directors of Ibercaja Mediación de Seguros S.A.U., among others. He is currently a member of the Board of Directors and the Risk Committee of CECABANK.kxº

Mrs. Gabriela González-Bueno Lillo	Licensed in Economics and Business Studies from the Universidad Complutense de Madrid. Insurance Actuary, Inspector of the Insurance and Savings Inspectorate.	Member of the the State Body of Financial Inspectors (on leave). She has been a member of the Board of the Insurance Companies Liquidation Committee (CLEA) by appointment of the Ministry of Economy and Finance, and General Manager and Member of the Board of Directors of CASER. She has been Chairman of the Audit and Compliance Commission of Ibercaja Banco, and was a Member of the Board, Chairman of the Audit and Compliance Commission and of the Appointments and Remuneration Committee of Banco Grupo Cajatres, S.A.U., until its absorption by Ibercaja Banco.
Mr. Jesús Solchaga Loitegui	Licensed in Law from the University of Zaragoza.	State Attorney (1967-2010). Associate of the Civil and Commercial Court of Arbitration (CIMA) of Madrid since its creation. He has been General Counsel, Member of the Board of Directors (2002-2008), and Chairman of the Control Committee of the Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (2008-2013), freely appointed member of the Territorial Council of Aragón, member of the Advisory Council of the Government of Aragón and member of the Court for the Defence of Competition of Aragón. He has been a member of the boards of directors of the companies in the Ibercaja Residencial Murillo Group, Cerro Murillo, S.A. and Ibercaja Mediación de Seguros, S.A.U.
Mr. Vicente Cóndor López	Licensed and Doctor in Economic and Business Sciences from the University of Valencia.	He is Professor of Financial Economics and Accounting at the University of Zaragoza. Certified Public Accountant and Auditor registered in the ROAC. He has been a member of the Board of Directors (1998-2006) and Chairman of the Control Committee (2006-2008) of Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja, and a member of the Board of Directors of SODIAR (1998-2008), Avalia (2008-2012) and Corporación de Empresas Públicas de Aragón (2008-2012).
Mr. Jesús Tejel Giménez	Licensed in Economics and Business Studies from the University of Zaragoza (Spain) and Certified Public Accountant and Diploma in General Management from IESE Business School.	Certified Public Accountant registered in the Official Register of Auditors. Gold Medal of the Official Association of Economists of Aragón. He has been a Trustee of the ETNOR Foundation -Business Ethics- and of the Foundation for Stock Market and Financial Studies - FEBF. He was Managing Partner of the Aragón and Rioja Areas, and of the Valencian Community and Murcia of DELOITTE, S.L. until 2013. Professor of Business Management in university degrees and MBAs taught by EDEM Escuela de Empresarios.
Mr. Félix Santiago Longás Lafuente	Licensed in Industrial Psychology (specialization in Work and Organization) from the National University of Distance Education.	He has held senior management positions in trading companies (Grupo Ágora and Grupo Hierros Alfonso). He is Vice-Chairman of the Regional Confederation of Businessmen of Aragón (CEOE Aragón), Chairman of its Economics Committee, Chairman of the Association for the Progress of Management of Aragón (APD) and Director of the Economic and Social Council of Spain.
Mr. José Miguel Echarri Porta	Licensed in Law and Economics and Business Studies. University of Deusto, 1971 and Master's Degree in Strategy from IESE.	He was appointed as a proprietary director of the Bank on 28 October 2021, representing the Fundación Caja Inmaculada, Mr. José Miguel Echarri Porta is Vice-President of the Fundación Caja Inmaculada. He has developed his professional career in the private sector for twenty years, particularly in the banking, construction, industrial and education sectors. He is one of the founders of the Instituto de Prospectiva Estratégica, a company specialising in forecasting and strategy in social, economic, political and technological matters, where he held the position of Director until his retirement. He has participated as a speaker at several conferences and is the author of several publications such as "España 2020, Reflexiones prospectivas".
Mrs. María Pilar Segura Bas	Licensed in Economics and Business Studies from the University of Deusto (Bilbao).	Since 1980 she has held various positions and posts in Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (CAMPZAR) until the segregation of its financial activity in favor of Ibercaja Banco, in October 2011: Head of the Analytical and Budgetary Accounting Department (1987-1999), Head of the Information Systems and Management Control Department (1999-2004) and as Director of Information Systems and Management Control (from June 2004 to September 2011). Subsequently, she was appointed Deputy General Manager of the Entity (Control Management), a position she held until March 1, 2017. She has held management positions in various Ibercaja Group companies (Member of the Board of Directors of the management company Ibercaja Gestión S.G.I.I.C., S.A. member and Chairman of the insurance and reinsurance company Ibercaja Vida, Chairman of the pension fund management company Ibercaja; member and Chairman of the Board of Directors of Tipo Línea S.A., Chairman of the companies Servicios Financieros a Distancia IBD, S.L. and Ibercaja Servicios Inmobiliarios, and member of the Board of Ibercaja Participaciones Empresariales and Gestión de Inmuebles Salduvia).

Mr. Luis Enrique Arrufat Guerra	He holds a degree and a PhD in mathematics, completed an advanced course in international finance in 1987, the Executive Development Programme PDD at IESE (academic year 96/97) and the Senior Management Programme at Instituto de Empresa in 2005.	He has carried out his professional activity in Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (CAMPZAR), until the segregation of its financial activity in Ibercaja Banco: Capital Markets Operator, Head of Treasury, appointed Deputy Director (May 2001), Head of Resources (from December 1997 to July 31, 2002), Deputy General Manager (June 2004), Marketing Director (July 2002 to October 2011). In January 2010 he was appointed Deputy General Manager and in October 2011 (with the segregation of CAMPZAR's financial activity in Ibercaja Banco) he became Head of the Financial Area, a position he held until February 2015, when he was appointed Deputy to the CEO. Additionally, he has held various management positions in companies of the Ibercaja Financial Group: Ibercaja Pensión E.G.F.P., S.A., Ibercaja Gestión S.G.I.I.C., S.A. and Ibercaja Vida Compañía de Seguros y Reaseguros, S.A.; real estate investees (Ibercaja Servicios Inmobiliarios and Cerro Murillo, S.A.). Outside the Ibercaja Group, he has been Chairman of the Board of Directors of Euro6000, S.A., Chairman of the Board of Directors of Viacajas and Member of the Board of Directors of EBN Banco de Negocios, S.A., as well as member of the Boards of Ahorro Corporación.

Table 3: Composition of the Board of Directors

Composition	
Category	%
% Executive Directors	9.1%
% Dominical Directors	36.4%
% Independent Directors	54.5%
% Other externals	-
Number of meetings (2021)	25

All appointments of members of the Board of Directors have been favourably reported by the Appointments Committee. Currently, there are no Board Members who hold directorships or executive positions in other entities that are part of the Group.

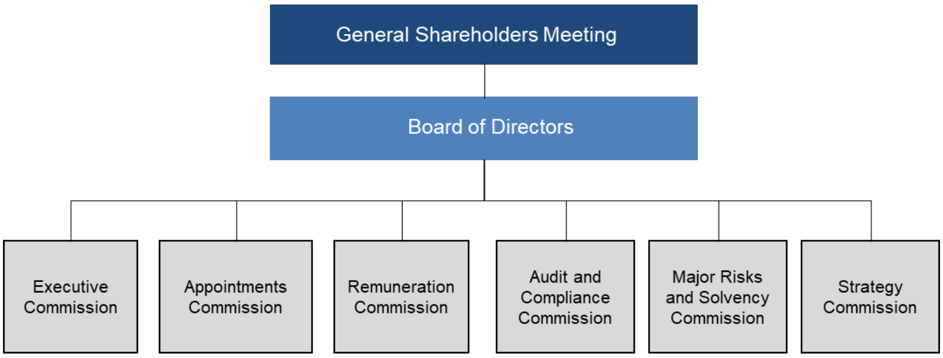
It should be noted that, due to the provisions and recommendations of the authorities due to the health crisis caused by covid-19, the development of the meetings of the Board of Directors and its Committees, held in 2021, were held in person or have taken place by means of telephone conference or multiple videoconference, depending on the epidemiological situation. These procedures have allowed the normal development of the sessions, guaranteeing the simultaneity and participation in real time of all the Board Members.

As in the previous year, the monitoring of the impacts arising from or related to the pandemic were given special consideration by the Board and its Committees (Delegate Committee, the Major Risks and Solvency Committee and the Audit and Compliance Committee), within the scope of their respective functions and competencies.

3.2.2 - Committees of the Board of Directors

This section covers the provisions of letter (d) of the OVB requirement - Disclosure of Governance Arrangements and partially covers the provisions of letter (a) of the REMA Requirement - Remuneration Policy.

Illustration 3: Committees of the Board of Directors



Executive Commission

Illustration 4: Members of the Executive Commission

Position	Name	Categorization
Chairman	Mr. José Luis Aguirre Loaso	Dominical
Member	Mr. Víctor Iglesias Ruiz	Executive
Member	Mr. Jesús Máximo Bueno Arrese	Dominical
Member	Mr. Vicente Cóndor López	Independent
Member	Mr. Jesús Tejel Giménez	Independent

Table 4: Composition of the Executive Commission

Composition	
Category	%
% Executive Directors	20%
% Dominical Directors	40%
% Independent Directors	40%
% Other externals	-
Number of meetings (2021)	23

In accordance with the provisions of the Bylaws and the Regulations of the Board of Directors, the Executive Commission has been delegated the following powers by the Board of Directors:

- Acknowledge of and agree on proposals for the granting, modification or novation and cancellation of risk operations which, in accordance with the provisions of the Manual of Policies and Procedures for Risk Management in Credit Investment approved by the Board of Directors, are within its competence. Likewise, it will be aware of and resolve the proposals for the acquisition of assets by the Bank in or for payment of debts that must be submitted for its consideration in accordance with the Asset Management Policies and Manuals.

- Acknowledge and agree on matters relating to personnel (disciplinary proceedings, granting of leave of absence, etc.) except those cases in which the decision corresponds to the Chief Executive Officer or to the plenary session of the Board of Directors, as these are employees who report directly to the CEO.

- Acknowledge of and agree on matters related to the Bank's assets (real estate, expense records, purchase records, etc.) and investments and divestments in investee companies, which must be submitted to its consideration in accordance with internal policies and manuals, except those that by law correspond to the General Shareholders' Meeting.

- Grant, when appropriate, the powers that are necessary or convenient for the execution of the adopted agreements.

Its resolutions are valid and binding without the need for subsequent ratification by the plenary session of the Board. However, in those cases in which, in the opinion of the Chairman, the CEO or three members of the Commission, the importance of the matter so requires, the resolutions adopted by the Commission shall be submitted to the Board for ratification.

The Commission shall be validly constituted with the attendance, present or represented, of at least half plus one of its members, and shall adopt its resolutions by a majority of the votes of the directors who are members of the Commission, present or represented at the meeting, with the Chairman having the casting vote. The resolutions adopted shall be kept in a minute book, available to all members of the Board of Directors.

In the course of its regular meetings, the Executive Commission has had access to the reports of the Chairman and the CEO, which have reported, among other issues, the main macroeconomic magnitudes and the performance of the Bank's data: balance sheet and income statement; performance of the Bank's securities portfolio; customer funds and loans to customers; market shares; liquidity management; non-performing loans and coverage ratios; business volumes; and the results of the Group's subsidiaries. It also gave its opinion on the financing operations submitted for its consideration, as it is authorized or ratified by the Bank on the basis of the amount or the status of the applicants. It also ratified the transactions approved, rejected or ratified by the Credit Risk Committee, adopted various resolutions on the divestment of investments in investees and took cognizance of the disciplinary proceedings under the terms of labour legislation and the Collective Labour Agreement.

Audit and Compliance Commission

Illustration 5: Members of the Audit and Compliance Commission

Position	Name	Categorization
Chairman	Mr. Jesús Tejel Giménez	Independent
Member	Mr. Jesús Máximo Bueno Arrese	Dominical
Member	Mr. Félix Santiago Longás Lafuente	Independent
Member	Mr. José Miguel Echarri Porta	Dominical
Member	Mr. Vicente Cóndor López	Independent

Table 5: *Composition of the Audit and Compliance Commission*

Composition	
Category	%
% Executive Directors	-
% Dominical Directors	40%
% Independent Directors	60%
% Other externals	-
Number of meetings (2021)	11

The functions of the Commission are expressly gathered in the Regulations of the Board of Directors. In particular:

- Report to the General Meeting on issues raised by shareholders on matters within its competence.

- Monitor the effectiveness of internal control: the compliance function and internal audit.

- Supervise the process of preparing and presenting regulated financial information.

- Propose the appointment or re-appointment of the auditor.

- Establish the appropriate relationships with the external auditor in order to receive information on matters relating to its independence.

- Receive annual written confirmation from the external auditor of its independence from the Entity or its Group, issuing the corresponding report.

The Commission is chaired by an independent director, who must be replaced every four years and may be re-elected after a period of one year has elapsed since he left office. The Secretary of the Board of Directors shall act as Secretary of the Commission.

It shall be validly constituted with the attendance, present or represented, of at least half plus one of its members; and it shall adopt its resolutions by a majority of the votes of the directors who are members of the commission, present or represented at the meeting, with the chairman having the casting vote. The resolutions shall be kept in a book of minutes, available to all members of the Board of Directors.

The Commission shall meet as often as it is convened by agreement of the committee itself or its chairman and at least once per quarter. The Commission may also request the attendance of the bank's auditor. One of its meetings shall necessarily be devoted to preparing the information to be approved by the Board and included in the annual public documentation.

During the year, the Commission was informed of the requirements and communications received from the supervisory bodies within the scope of its powers; it was informed of the transactions to be entered into with related parties; it was informed of the periodic reports of the regulatory compliance and internal audit functions, as well as the reports issued by the external auditor. In relation to financial reporting, it was aware of and supervised the process of preparing and presenting regulated financial information, reviewed the Bank’s quarterly, half-yearly and annual financial statements, as well as the periodic financial information to be provided by the Board to the markets and supervisory bodies.

Appointments Commission

Illustration 6: Members of the Appointments Commission

Position	Name	Categorization
Chairman	Mr. Jesús Solchaga Loitegui	Independent
Member	Mrs. Gabriela González-Bueno Lillo	Independent
Member	Mr. Félix Santiago Longás Lafuente	Independent
Member	Mrs. Maria Pilar Segura Bas	Independent

Table 6: Composiition of the Appointments Commission

Composition	
Category	%
% Executive Directors	-
% Dominical Directors	-
% Independent Directors	100%
% Other externals	-
Number of meetings (2021)	7

The Appointments Committee is responsible for reporting to the Board on proposals for appointments. In particular, it is responsible for:

- Assessing the suitability of directors.
- Submitting proposals to the General Meeting for the appointment, re-election or removal of independent directors.
- Reporting on proposals for the appointment and removal of senior managers and persons with key functions and the basic terms of their contracts.
- Examining and organising the succession of the Chairman and Chief Executive Officer.

In addition, in accordance with the Regulations of the Board of Directors, an Appointments Committee has been set up within the Board of Directors, the main functions of which are as follows:

- Defining the criteria for the composition of the Board of Directors and ensure that the selection procedures for candidates reflect diversity of gender, experience and expertise and are not biased by any discrimination.
- Assessing the skills, knowledge and experience required on the Board of Directors, defining the roles and capabilities required of candidates, and assessing the time and dedication necessary for them to perform their duties.
- Communicating to the Board of Directors proposals for the appointment of Directors and independent Directors to be submitted to the General Meeting of Shareholders, as well as proposals for the re-election or removal of such Directors by the General Meeting of Shareholders.
- Reporting on proposals for the appointment and removal of senior executives that the chief executive proposes to the Board of Directors.

The Commission shall be composed of a minimum of three and a maximum of five non-executive directors, at least two of whom must be independent directors. The Commission will meet as often as it is convened by agreement of the commission itself and at least once per quarter. The Chairman (who shall in any case be independent) shall have the casting vote in the event of a tie.

The resolutions shall be kept in a minute book, available to all members of the Board of Directors.

During the year, following the non-executive chairman's intention to resign once the financial statements for the year had been prepared, the Commission promoted the process of selecting a candidate for non-executive chairman of the Bank, submitting to the Board a proposal for a candidate for the position; it reported on proposals for the appointment of proprietary directors and proposals for the appointment of positions on the Board Commissions, as well as on the review of the classification of a member of the board and the proposal to modify the top-level structure of the Bank's senior management.

Remunerations Commission

Illustration 7: Members of the Remuneration Commission

Position	Name	Categorization
Chairman	Mr. Jesús Solchaga Loitegui	Independent
Member	Mrs. Gabriela González-Bueno Lillo	Independent
Member	Mr. Félix Santiago Longás Lafuente	Independent
Member	Mrs. Maria Pilar Segura Bas	Independent

Table 7: Composition of the Remuneration Commission

Composition	
Category	%
% Executive Directors	-
% Dominical Directors	-
% Independent Directors	100%
% Other externals	-
Number of meetings (2021)	5

The Remuneration Commission is responsible for informing, advising and proposing the remuneration of directors, general managers or similar and of persons whose professional activity has a significant impact on the Entity's risk profile.

The Remuneration Commission will be made up of a minimum of three and a maximum of five non-executive directors, at least two of whom must be independent directors (and, in any case, its Chairman), appointed by the Board of Directors, taking into account the knowledge, skills and experience of the directors and the duties of the Commission. The Board of Directors also appoints its Chairman, who must in any case be an independent director. The secretary of the Board of Directors shall act as secretary of the Commission. During the financial year 2021, the Commission met five times.

The Commission shall be validly constituted when half plus one of the directors are present or represented. The Chairman shall have the casting vote in the event of a tie. The resolutions, which shall be adopted by a majority of the members of the Commission, shall be kept in a minute book, which shall be available to all members of the Board of Directors.

During 2021, the Committee reported on the proposed revision of the Group's Remuneration Policy, the Directors' Remuneration Policy (for which external consultants were not engaged to provide advice), the establishment of a Long-Term Incentive for certain senior executives of the Bank, the achievement of the OVR targets for the previous year for the identified group and assessed the new OVR targets for the year.

Major Risks and Solvency Commission

Illustration 8: Members of the Major Risks and Solvency Commission

Position	Name	Categorization
Chairman	Mr. Vicente Condor López	Independent
Member	Mr. Jesús Solchaga Loitegui	Independent
Member	Mr. Jesús Bueno Arrese	Dominical
Member	Mr. Jesús Tejel Giménez	Independent
Member	Mrs. Maria Pilar Segura Bas	Independent

Table 8: Composition of the Major Risks and Solvency Commission

Composition	
Category	%
% Executive Directors	-
% Dominical Directors	20%
% Independent Directors	80%
% Other externals	-
Number of meetings (2021)	15

The Commission’s main function is to advise the Board of Directors on the current and future overall risk appetite of the Bank and its Group and its strategy in this area, and to assist the Board in monitoring the implementation of that strategy by senior management and to monitor the Bank's solvency levels and propose the actions it considers appropriate for their improvement.

It shall be composed of a minimum of 3 and a maximum of 5 directors, who do not perform executive functions and who possess the knowledge, ability and experience to understand and control the strategy and risk appetite of the Entity. At least one third of the members shall be independent and in any case its Chairman. The Commission shall adopt its resolutions by a majority of votes of the directors who are members of the Commission, with the Chairman having the casting vote in the event of a tie.

During 2021, the Commission reported to the Board of Directors on the evolution of the Bank's various financial and non-financial risk indicators, the review of the Risk Appetite Framework and its monitoring, the review and monitoring of the Capital and Liquidity Self-Assessment Reports, the review of the Bank's Recovery Plan, the review of the various aspects of Resolution, as well as other matters relating to the review of the strategic plan for divestment of non-performing assets and its monitoring, and the proposal for new debt issues.

Strategy Commission

Illustration 9: Members of the Strategy Commission

Position	Name	Categorization
Chairman	Mr. José Luis Aguirre Loaso	Dominical
Member	Mr. Jesús Solchaga Loitegui	Independent
Member	Mr. José Miguel Echarri Porta	Dominical
Member	Mr. Félix Santiago Longás Lafuente	Independent
Member	Mr. Enrique Arrufat Guerra	Dominical

Table 9: Composition of the Strategy Commission

Composition	
Category	%
% Executive Directors	-
% Dominical Directors	60%
% Independent Directors	40%
% Other externals	-
Number of meetings (2021)	9

The main function of the Commission is to inform the Board of Directors about the Bank's strategic policy, ensuring that there is a precise organization for its implementation.

The Commission shall consist of a minimum of 3 and a maximum of 5 directors, who shall be appointed taking into account the knowledge, skills and experience of the directors and the duties of the Commission. The Board of Directors shall appoint its Chairman, and its Secretary shall be the Secretary of the Board.

The Commission shall meet as often as it is convened by resolution of the Commission itself or its Chairman, and at least quarterly. The Commission shall adopt its resolutions by majority vote of the directors forming part of the Commission, with the Chairman having the casting vote in the event of a tie. The resolutions adopted are recorded in the corresponding minute book, which is available to all members of the Board of Directors.

In the 2021 financial year, the Commission regularly monitored the Strategic Plan approved by the Board of Directors, reported on Ibercaja's new Strategic Plan Desafío 2023, and also monitored quarterly the evolution of the budget and the Business Plan, as well as the progress of the new Strategic Plan.

Information on the Group's corporate governance can be accessed via the corporate website (Corporative Website | Ibercaja Banco) in the section on Corporate Governance and General Remuneration Policy (Corporate Governance and Remuneration Policy - Corporative Website | Ibercaja Banco).

3.2.3 - Procedures to ensure the suitability of the members of the Board of Directors

This section covers the provisions of letters (a) and (b) of the OVB requirement - Disclosure of Governance Arrangements.

The Entity has a policy for assessing the suitability and diversity of the members of the Board of Directors and the suitability of persons with key functions, approved by the Board of Directors, which is reviewed and, where appropriate, updated on an annual basis. This policy defines the criteria that the Entity will apply to assess the suitability of the members of the Board of Directors, general managers or similar, those responsible for internal control functions and other relevant positions in the development of the Entity's activity. The Board of Directors has approved the Policies on Suitability and Diversity of the members of the Board of Directors and on the evaluation of the suitability of senior officers and the Policy on the Dedication of Board members.

In accordance with these Policies, which include the regulations in force from time to time on these matters, in particular on the assessment of the suitability of persons to sit on the Board of Directors, such assessment must take into account the commercial and professional integrity of the proposed director, his or her knowledge and experience, as well as his or her disposition to the good governance of the company, with express mention of the necessary concurrence of the principle of independence of judgement (independence of ideas) to be assessed in the suitability assessment process.

One of the main duties of directors in these policies is that of diligence, with the obligation to attend the meetings of the governing bodies of which they form part, with the corresponding right to information. In this respect, the director's capacity for dedication to the exercise of his office should be assessed, establishing rules to limit the maximum number of directorships or executive positions he may hold in other companies (all taking into account the applicable regulations). In this respect, the number of directorships held by directors in other companies is shown below.

Table 10: Number of directorships held by members of the management body in other companies

	Position	Number of companies in which he/she holds a position on the management body
Mr. José Luis Aguirre Loaso	Non-executive	2
Mr. Victor M. Iglesias Ruiz	Non-executive	1
Mrs. Gabriela González-Bueno	Non-executive	3
Mr. José Miguel Echarri Porta	Non-executive	1
Mr. Jesús Barreiro (secretary non-counselor)	Non-executive	1

The Policy also contemplates rules and procedures to ensure that directors are not affected by conflicts of interest or to act in the event that such a conflict should arise. The members of the identified group must be checked annually to ensure that they do not incur in supervening causes of incompatibility, without prejudice to the obligation of all of them to report such circumstances, in the hypothetical event that they should arise.

The suitability assessment policy is available to the supervisory authorities.

3.2.4 - Policy on the dedication of Directors

This policy develops the criteria that guarantee the availability of the members of the Board of Directors for the good governance of the Entity and that they can dedicate sufficient time to the performance of their duties. Of particular note are the duty of diligence; the obligation to attend the meetings of the governing bodies of which they form part; the right to information and their obligations as directors; and the limitation on the maximum number of governing bodies of other entities of which they may form part.

3.2.5 - Training actions for the Board of Directors in Risk and Regulatory Matters

Based on article 435 of the CRR on the knowledge and competences of the Board of Directors, the Entity provides training sessions for the members of the Board of Directors.

During financial year 2021, various training activities were carried out virtually by videoconference and in person, to the extent that the health situation permitted at any given time. The members of the Board of Directors attended the following training sessions:

- Four sessions on IRB models, to learn the key aspects related to the IRB approval process and how it influences the Entity's strategy; to understand the different components of capital calculation, IRB parameters, conservatism margins, to understand the rating philosophy adopted and its implications; to learn the approval process, including all aspects of model governance, to understand the importance of the use of risk models in the capital calculation and in the different processes in the management area.

- Two sessions on technology in the Entity, to learn in depth about various aspects related to it.

3.2.6 - Diversity in Governing Bodies

This section covers the provisions of letter (c) of the OVB requirement - Disclosure of Governance Arrangements.

The Entity ensures at all times that its internal governance rules do not discriminate or contain implicit biases that prevent diversity (gender, age, geographical origin, etc.) in the selection of persons to be appointed as members of the governing bodies and senior management.

On the other hand, a specific section entitled "Principles for promoting diversity of directors" was introduced in the Policy for evaluating the suitability and diversity of directors approved by the Board of Directors, referred to above. Thus, it is expressly established that the following principles shall be taken into account in the selection of candidates to form part of the Board of Directors in order to foster the diversity of its members:

- The process of selecting candidates shall be based on a prior analysis of the Entity's needs, on the basis of a report by the Appointments Committee.

- Care shall be taken to ensure that the number of independent directors is adequate in relation to the total number of directors, bearing in mind, in all cases, the regulatory requirements relating to the composition and positions to be held by this category of directors on internal committees of the Board of Directors.

- Care will be taken to ensure that the selection criteria take into account the diversity of knowledge, training, professional experience, age and gender, and that there is no implicit bias that could lead to discrimination (in particular on grounds of sex, ethnic origin, age or disability).

The aim is to promote a diverse and balanced composition as a whole, which, in addition to meeting the aforementioned requirements in terms of knowledge and experience, enriches analysis, debate and decision-making.

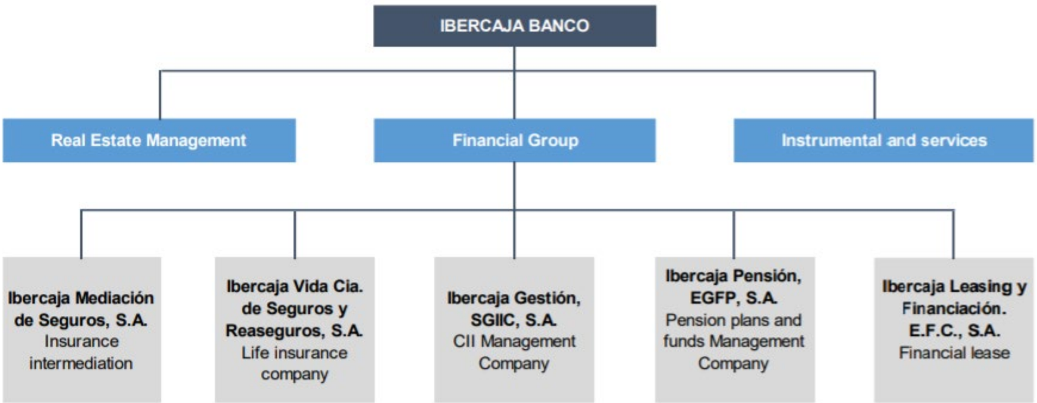
3.3 - Consolidation Perimeter

The information contained in this report refers to the Consolidated Group of credit institutions whose parent company is Ibercaja Banco S.A.

From an organisational point of view, the Bank is the head of a group of subsidiaries, the most important of which, both from the point of view of diversification of the range of banking products and profitability, are those of the Financial Group, comprising companies specialising in mutual funds, savings and pension plans, asset management and leasing-renting.

The most relevant companies that make up the consolidation perimeter are:

Illustration 10: Companies within the consolidation perimeter



The main differences in terms of the accounting principles, policies and measurement bases applied in the preparation of the Group's consolidated financial statements for 2021 are described below, in accordance with Regulation (EU) No. 575/2013, the provisions of Rule 3 of Bank of Spain Circular 4/2017 of 27 November and, taking into account the International Financial Reporting Standards adopted by the European Union (EU-IFRS) applicable at the end of 2021.

Subsidiaries

“Subsidiaries" are defined as entities over which the Entity has the capacity to exercise control, which is evidenced, generally but not exclusively, by direct or indirect ownership of more than 50% of the voting power of the investees or, even if this percentage is lower or zero, by the existence of other circumstances or agreements that give it control. In accordance with current legislation, control is understood to mean the power to direct the financial and operating policies of an entity in order to obtain benefits from its activities.

In preparing the financial statements, the subsidiaries have been consolidated following the full integration method, as defined in current regulation. Consequently, all significant balances arising from transactions between fully consolidated entities have been eliminated in the consolidation process.

In addition, the participation of third parties in:

- the Group's equity is presented under "Minority interests" in the consolidated balance sheet.

- the consolidated results for the year are presented under "Profit for the Year Attributable to Minority Interests" in the consolidated income statement.

The consolidation of the results generated by subsidiaries acquired in a fiscal year is carried out taking into account only those corresponding to the period between the date of acquisition and the end of that fiscal year. At the same time, the consolidation of the results generated by subsidiaries disposed of in a fiscal year is carried out taking into account only those corresponding to the period between the beginning of the fiscal year and the date of disposal.

Multi-group entities

“Multi-group entities" are defined as companies over which, although not subsidiaries, there are contractual arrangements for joint control whereby decisions on relevant activities are made unanimously by the entities sharing control and having the right to their net assets.

Holdings in multi-group entities that are in turn consolidable by virtue of their activity are consolidated using the proportionate consolidation method for the purposes of applying solvency requirements. Interests in joint ventures that are not consolidable by activity are accounted for using the equity method.

Associated entities

“Associated entities" are considered to be those over which the Group has the capacity to exercise significant influence, although they do not constitute a decision-making unit with the investee and are not under joint control. In general, although not exclusively, this capacity is presumed to exist when an interest (direct or indirect) equal to or greater than 20% of the voting rights of the investee is held.

In the consolidated financial statements, associated entities are accounted for using the equity method in accordance with the applicable accounting framework.

If, as a result of losses incurred by an associate, its equity were negative, it would be shown in the consolidated balance sheet with a zero value, unless there is an obligation on the part of the Group to support it financially, in which case a provision for liabilities would be recorded under "Provisions" on the liability side of the balance sheet.

Structured entities

A structured entity is an entity that has been designed in such a way that voting and/or similar rights are not the decisive factor in deciding who controls it.

In those cases, in which the Group participates in or forms entities for the transfer of risks, or for the purpose of allowing access to certain investments, a determination is made as to whether control exists and, therefore, whether the entities formed should be consolidated, taking into account the following factors in particular:

- Analysis of the Group's influence on the Entity's activities that are relevant to determining its performance.
- Implicit or explicit commitments to provide financial support to the Entity.
- Significant exposure of the Group to variable returns on the Entity's assets.

These entities include so-called "asset securitisation funds", which the Group consolidates due to the existence of contractual financial support agreements (commonly used in the securitisation market). In securitisations carried out by the Group, the risks transferred cannot be removed from the assets side of the balance sheet and the issues of the securitisation funds are recorded 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.

In accordance with the above criteria, the following is a detail of the companies comprising the group as of December 31, 2021:

a) Subsidiaries of the Group consolidable for solvency purposes, to which the full consolidation method has been applied:

Table 11: Subsidiaries, full consolidation

Entity name	
Ibercaja Banco, S.A.	TDA 2 Ibercaja Fondo Titulización
Ibercaja Leasing, S.A.	TDA 3 Ibercaja Fondo Titulización
Ibercaja Gestión, S.A.	TDA 4 Ibercaja Fondo Titulización
Ibercaja Pensión, S.A.	TDA 5 Ibercaja Fondo Titulización
Ibercaja Mediación de Seguros, S.A.	TDA 6 Ibercaja Fondo Titulización
Ibercaja Cajaragón, S.A.U.	TDA 7 Ibercaja Fondo Titulización
Ibercaja Connect, S.L.	TDA ICO Ibercaja Fondo Titulización
Inmobinsa Inversiones Inmobiliarias, S.A.	Badajoz Siglo XXI, S.L.
Cerro Murillo, S.A.	CAI Inmuebles, S.A. (en liquidación)
Cerro Goya, S.A.	Residencial Murillo, S.A.
Ibercaja Gestión de Inmuebles, S.A.	

b) Subsidiaries or multigroup companies of the Group that are not consolidated for solvency purposes have not been fully consolidated and have been accounted for using the equity method:

Table 12: Subsidiaries or multi-group companies, equity method

Entity name
Ibercaja Vida, S.A.

c) There are no multigroup companies to which the proportionate consolidation method has been applied.

<u>Changes in the scope of consolidation and corporate operations</u>

There are no changes in the scope of consolidation in 2021.

3.4 - Differences between the accounting consolidation method and the regulatory capital method

This section covers LIA requirement - Explanations of differences between accounting and regulatory exposure amounts.

The following table shows the reconciliation between the public balance sheet and the balance sheet for the purposes of the solvency rules for credit institutions (Prudential Balance Sheet) as at 31 December 2021. This is intended to show the transition between accounting information and prudential information.

Table 13: Template EU LI1 - Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories

Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories

	(thousands of euros)	a	b	c	d	e	f	g
				Carrying values of items				
	Breakdown by asset classes according to the balance sheet in published financial statements	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
1	Cash, balances in cash at central banks and other demand deposits	6,388,624	6,388,624	6,388,624	-	-	-	-
2	Financial assets held for trading	2,864	2,864	-	2,864	-	-	-
3	Non-trading financial assets mandatorily measured at fair value through profit or loss	1,668,437	1,496	1,496	-	-	-	-
4	Financial assets designated at fair value through profit or loss	7,451	-	-	-	-	-	-
5	Financial assets at fair value through other comprehensive income	6,464,034	970,416	970,416	-	-	-	-
6	Financial assets at amortised cost	40,989,400	40,842,220	38,802,651	2,039,569	-	-	-
7	Derivatives - hedge accounting	71,866	71,866	-	71,866	-	-	-
8	Changes in the fair value of the hedged items in a portfolio hedging interest rate risk	-	-	-	-	-	-	-
9	Investments in joint ventures and associates	101,328	473,734	445,716	-	-	-	28,018
10	Assets covered by insurance or reinsurance contracts	390	-	-	-	-	-	-
11	Tangible assets	1,004,091	965,936	965,936	-	-	-	-
12	Intangible Assets	269,167	250,254	30,772	-	-	-	219,482
13	Tax assets	1,304,032	1,302,154	903,936	-	-	-	398,218
14	Other assets	148,297	224,799	145,801	-	-	-	78,998
15	Non-current assets and disposal groups classified as held for sale	211,428	211,428	211,428	-	-	-	-
16	**Total assets**	**58,631,409**	**51,705,791**	**48,866,776**	**2,114,299**	**-**	**-**	**724,716**

Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories

	(thousands of euros)	a	b	c	d	e	f	g
				Carrying values of items				
	Breakdown by liability classes according to the balance sheet in published financial statements	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
1	Financial liabilities held for trading	8,775	8,775	-	8,775	-	-	-
2	Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
3	Financial liabilities at amortised cost	47,285,113	47,493,098	-	656,264	-	-	46,836,834
4	Derivatives - hedge accounting	275,690	275,690	-	275,690	-	-	-
5	Changes in the fair value of the hedged items in a portfolio hedging interest rate risk	17,758	17,758	-	-	-	-	17,758
6	Liabilities covered by insurance or reinsurance contracts	7,121,494	-	-	-	-	-	-
7	Provisions	268,943	268,944	16,707	-	--	-	252,237
8	Tax liabilities	160,221	149,472	52,596	-	-	-	96,876
9	Other liabilities	223,014	221,660	-	-	-	-	221,660
10	Liabilities included in disposal groups of items that have been classified as held for sale	-	-			-	-	-
11	**Total liabilities**	**55,361,008**	**48,435,397**	**69,303**	**940,729**	**-**	**-**	**47,425,365**

Columns a) and b) of the EU LI1 template show the differences between the book values reflected in the published financial statements and the book values under the scope of prudential consolidation. The Ibercaja Group companies included in the scope of prudential consolidation, for the purposes of calculating the solvency ratio by virtue of their activity, are consolidated using the full consolidation method.

Only the Group's insurance company, Ibercaja Vida, is not consolidable due to its activity and is accounted for using the equity method, consuming it as an equity exposure.

The EU LI3 template shows the companies that have different consolidation methods depending on the applicable regulations.

Table 14: Template EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity)

Outline of the differences in the scopes of consolidation (entity by entity)							
a	b	c	d	e	f	g	h
Name of the entity	Method of accounting consolidation	Method of regulatory consolidation					Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
Ibercaja Vida, S,A,	Full consolidation			X			Insurance entity

Table EU LI2 provides a breakdown of the differences between the prudential exposure amounts and the prudentially consolidated carrying amounts. The main differences are justified by:

- The effect of prudent valuation adjustments, as provided for in Part Two, Title I, Chapter 2, Article 34 and Part Three, Title I, Chapter 3, Article 105 of the CRR for both trading book and non-trading book exposures measured at fair value in accordance with the applicable accounting framework, amounting to € -1,822 thousand.

- The effect of the application of the specific compensation rules of part three, title II, chapter 4 of the CRR in the amount of € -7,538,174 thousand.

- The impact on the exposure value under the prudential consolidation scope of the application of credit risk mitigation techniques, as defined in the CRR, amounting to € -15,380 thousand.

- The effect of the application of the regulatory CCFs established in article 111 of the CRR in the amount of € -3,788,172 thousand.

- Other differences increasing the prudential exposure by € 115,013 thousand.

Table 15: Template EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

	Main sources of differences between regulatory exposure amounts and carrying values in financial statements					
	(thousands of euros)	a	b	c	d	e
		Total	Items subject to			
			Credit risk framework	CCR framework	Securitisation framework	Market risk framework
1	**Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)**	**50,981,075**	**48,866,776**	**2,114,299**	**-**	**-**
2	**Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)**	**1,010,032**	**69,303**	**940,729**	**-**	**-**
3	**Total net amount under the regulatory scope of consolidation**	**49,971,043**	**48,797,473**	**1,173,570**	**-**	**-**
4	**Off-balance-sheet amounts**	**11,373,097**	**4,647,968**	**6,725,129**	**-**	
5	*Differences in valuations*	-1,822	-1,463	-359	-	
6	*Differences due to different netting rules, other than those already included in row 2*	-7,538,174	-	-7,538,174	-	
7	*Differences due to consideration of provisions*	-	-	-	-	
8	*Differences due to the use of credit risk mitigation techniques (CRMs)*	-15,380	-15,380	-	-	
9	*Differences due to credit conversion factors*	-3,788,172	-3,788,172	-	-	
10	*Differences due to securitisations with risk transfer*	-	-	-	-	
11	*Other differences*	115,013	114,654	359	-	
12	**Exposure amounts considered for regulatory purposes**	**50,115,606**	**49,755,081**	**360,525**	**-**	**-**

3.5 - Identification of subsidiaries with own funds below the minimum capital requirements and exemptions from the requirements

This section covers the LIB requirement - Other qualitative information on the scope of application.

Pursuant to Article 7 of Regulation (EU) No. 575/2013, the competent authorities may exempt any subsidiary of an institution as well as the parent institution from complying individually and, where appropriate, on a sub-consolidated basis, with the minimum capital requirements for credit and dilution risk, counterparty risk, trading book position and settlement risk, foreign exchange and gold position risk, and operational risk; as well as internal corporate governance requirements, and limits on the concentration of large exposures, when both the subsidiary and the parent institution are subject to authorisation and supervision by the Bank of Spain and are included in consolidated supervision.

As there are no material, practical or legal impediments to the immediate transfer of equity or repayment of liabilities between the Group's subsidiaries and the Bank, and there is no indication that such impediments may exist in the future, the parent company and Ibercaja Leasing SA requested the aforementioned exemption.

Ibercaja Leasing SA, as a wholly-owned subsidiary credit institution, has been exempted, according to a resolution of the Executive Committee of the Bank of Spain dated 30 July 2010, from individual compliance with the obligations on capital requirements and limits on large exposures and corporate governance. Likewise, Ibercaja Banco S.A. has also been exempted by the European Central Bank.

At 31 December 2021 all subsidiaries subject to minimum capital requirements at individual level and not included in the Group complied with the regulatory requirements.

The subsidiaries included in the consolidable group (Ibercaja Gestión and Ibercaja Pensión) also comply with the minimum capital requirements applicable to them in accordance with their specific regulations.

Table 16: Own Resources Ibercaja Gestión

Own Resources Ibercaja Gestión	
(thousands of euros)	2021 Data
Own Resources	13,182
Minimum Requirements Own Resources RRPP	10,236
Surplus	2,946

Table 17: Own Resources Ibercaja Pensión

Own Resources Ibercaja Pensión	
(thousands of euros)	2021 Data
Own Resources	20,411
Minimum Requirements Own Resources RRPP	11,146
Surplus	9,265

There are no legal or practical impediments to the transfer of own funds or repayment of liabilities between subsidiaries and their parent entity.

3.6 - Financial conglomerate

The Joint Supervisory Authority composed of the EBA, ESMA and EIOPA published on 17 December 2021 the 2021 list of financial conglomerates with a parent in the European Union. Where appropriate, the European Central Bank acts as coordinator and the Relevant Competent Authority is the Directorate General for Insurance and Pension Funds.

As a financial conglomerate, the Group must calculate the amount of additional own funds requirements of the conglomerate and the capital adequacy ratio to verify that it complies with the requirements.

Table 18: Template EU INS2 - Financial conglomerates information on own funds and capital adequacy ratio

	Financial conglomerates information on own funds and capital adequacy ratio	
	(thousands of euros)	a dec-21
1	Supplementary own fund requirements of the financial conglomerate (amount)	242,705
2	Capital adequacy ratio of the financial conglomerate (%)	13.66%

Below is a detail of the significant holdings in insurance entities owned by the consolidable Group at 31 December 2021 which, belonging to the economic group as defined in Bank of Spain Circular 4/2017, their underlying book value has not been deducted directly from equity but, for the purposes of calculating minimum capital requirements, has been included weighted at 100% in the risk-weighted assets, in accordance with the provisions of article 49 of Regulation (EU) No. 575/2013 and as authorised by the Executive Commission of the Bank of Spain.

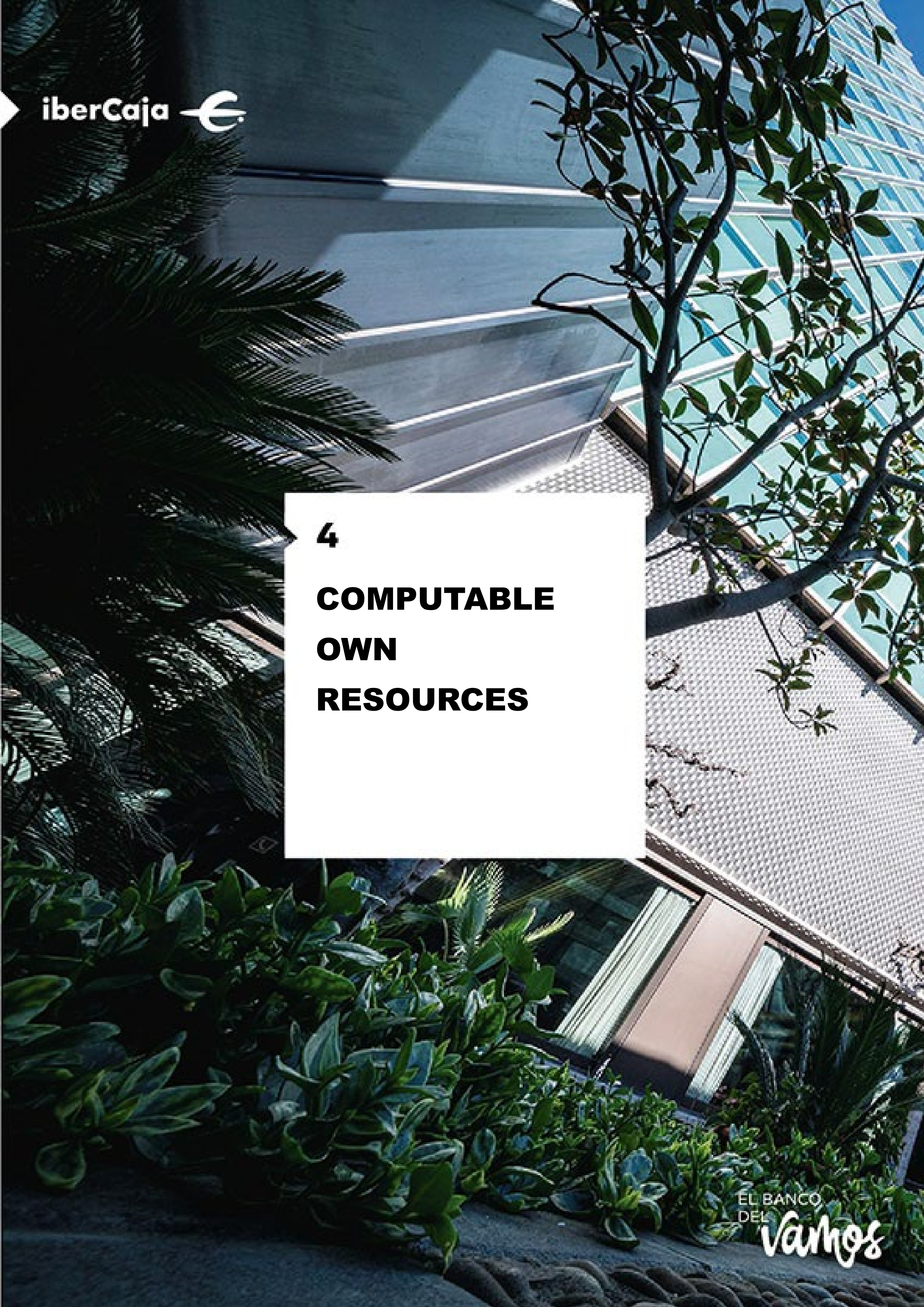
Table 19: Significant holdings in insurance companies

Entity name
Ibercaja Vida S.A.

Finally, the amount of own funds instruments held in insurance and reinsurance companies that have not been deducted from own funds is detailed.

Table 20: Template EU INS1 - Insurance participations

	Insurance participations		
	(thousands of euros)	a Exposure value	b Risk exposure amount
1	Own fund instruments held in insurance or re-insurance undertakings or insurance holding company not deducted from own funds	355,537	355,537



4

COMPUTABLE OWN RESOURCES

4. Computable Own Resources

The different levels of capital that make up the Entity's own funds, as well as the items that comprise them, are set out in Title I of Part Two of Regulation (EU) No. 575/2013 of the European Parliament and of the Council. Bank of Spain Circulars 2/2014 and 2/2016 complete the adaptation of the Spanish legal system to Directive 2013/36 EU and Regulation (EU) No. 575/2013 and specify the progressive implementation schedules to be used when computing certain items.

A distinction is made between 3 categories within the Group's computable equity:

1) **Common Equity Tier I instruments**, as defined in Part Two, Title I, Chapter 2 of Regulation (EU) No. 575/2013 (CRR), are characterized as own resources components that can be used immediately and without restriction to cover risks or losses as soon as they occur, their amount being recorded free of any foreseeable tax at the time they are calculated. These elements show a stability and permanence over time, a priori, superior to additional Tier 1 capital instruments. As indicated in chapter 4.2 below, the Group's Common Equity Tier 1 instruments at December 31, 2021 consist of:

    - Equity.
    - Retained earnings and other reserves, including revaluation reserves.
    - The net profit for 2021 that the Bank plans to allocate to reserves.
    - Valuation adjustments of financial assets at fair value with changes in other comprehensive income.

    The following items are deducted:

    - Valuation adjustments due to prudent valuation requirements.
    - Intangible assets and goodwill recognized on the Group's balance sheet. This item takes into account the Quick Fix of the CRR bringing forward the date of application of the RTS on the prudential treatment of software asset.
    - Deferred tax assets that are dependent on future income and do not receive the alternative treatment provided for in the applicable regulations for those arising from temporary differences, after applying the schedule provided for in CBE 2/2014 and EU 2016/445.
    - Insufficient coverage of doubtful exposures in accordance with Article 47quarter of Regulation (EU) No. 575/2013 (CRR).
    - Additional deductions from Common Equity Tier 1 capital in accordance with Article 3 of Regulation (EU) No. 575/2013 (CRR).

2) **Additional Tier 1 capital instruments**, defined in Part Two, Title I, Chapter 3 of Regulation (EU) No. 575/2013. These own funds are characterized by having, a priori, a higher volatility or lower degree of permanence than the elements considered as ordinary tier 1 capital instruments. As broken down in chapter 4.2 below, at December 31, 2021, the Group's additional tier 1 capital instruments are composed of:
    - Preferred shares.

3) **Tier 2 capital instruments,** defined in Part Two, Title I, Chapter 4 of Regulation (EU) No. 575/2013. As broken down in chapter 4.2 below, at December 31, 2021 the Group's tier 2 capital instruments are composed of:
    - Subordinated debt.

<u>Supervisory Review and Evaluation Process (SREP) and Capital Buffers</u>

The ECB has communicated the final results of the Supervisory Review and Evaluation Process (SREP) that sets the individual capital needs of each bank for 2022 based on business model, capital, liquidity and funding risk, governance and internal control. Ibercaja must maintain a Common Equity Tier 1 (CET1) phased-in ratio of 8.21% and a total capital ratio of 12.65%. This total capital requirement includes the minimum Pillar 1 requirement (4.5% CET1 and 8% total capital), the Pillar 2 requirement (1.21% for CET1 and 2.15% for total capital) and the capital conservation buffer (2.5%).

As of December 31, 2021, Ibercaja Banco's ratios on a consolidated basis, CET1 of 13.41% and total capital of 18.12%, were 5.2 and 5.47 points, respectively, above the regulatory requirements established for 2022.

In accordance with the Bank of Spain, Ibercaja does not have a countercyclical buffer requirement for 2021.

The following table shows the requirements in detail:

Table 21: Solvency requirements

Solvency requirements	
% over APRs	2021
Min. CET1	4.50%
Min. Tier I	6.00%
Min. solvency ratio	8.00%
Capital Conservation Buffer	2.50%
Min. Pilar II CET1	1.21%
Min. Pilar II Total Capital	2.15%
Min. CET1 + Conservation Buffer + Pilar II (CET1)	8.21%
Min. Solvency Coef. + Conservation Buffer + Pilar II (CT)	12.65%

4.1 - Reconciliation of regulatory capital and stockholders' equity on the consolidated balance sheet

There are differences between regulatory consolidation and accounting consolidation, specifically between the information used in the calculation of computable own funds and the own funds in the published financial statements. Below is the reconciliation between the regulatory own funds and the accounting own funds according according to the Template EU CC2 – Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements on ITS de la EBA 2020/04:

Table 22: Template EU CC2 – Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements

Reconciliation of regulatory shareholders' equity to the balance sheet in the audited financial statements

	(thousands of euros)	a	b	c
		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		As at period end	As at period end	
	Assets - Breakdown by assets classes according to the balance sheet of the published financial statements			
1	Cash, balances in cash at central banks and other demand deposits	6,388,624	6,388,624	
2	Financial assets held for trading	2,864	2,864	
3	Non-trading financial assets mandatorily measured at fair value through profit or loss	1,668,437	1,496	
4	Financial assets designated at fair value through profit or loss	7,451	-	
5	Financial assets at fair value with changes in other comprehensive income	6,464,034	970,416	
6	Financial assets at amortised cost	40,989,400	40,842,220	
7	Derivatives - hedge accounting	71,866	71,866	
8	Investments in subsidiaries, joint ventures and associates	101,328	473,734	
9	Assets covered by insurance or reinsurance contracts	390	-	
10	Tangible assets	1,004,091	965,936	(e)
11	Intangible assets	269,167	250,254	
12	Tax assets	1,304,032	1,302,154	
13	Other assets	148,297	224,799	
14	Non-current assets and disposal groups classified as held for sale	211,428	211,428	
15	**Total assets**	**58,631,409**	**51,705,791**	
	Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statement			
1	Financial liabilities held for trading	8,775	8,775	
2	Financial liabilities at amortised cost	47,285,113	47,493,098	
3	*from which: subordinated liabilities*	*500,000*	*500,000*	*(h)*
4	Derivatives - hedge accounting	275,690	275,690	
5	Changes in the fair value of hedged items in a portfolio hedging against interest rate risk	17,758	17,758	
6	Liabilities covered by insurance or reinsurance contracts	7,121,494	0	
7	Provisions	268,943	268,944	
8	Tax liabilities	160,221	149,472	(f)
9	Other liabilities	223,014	221,660	
10	**Total Liabilities**	**55,361,008**	**48,435,397**	

	Reconciliation of regulatory shareholders' equity to the balance sheet in the audited financial statement			
	(thousands of euros)	a	b	c
		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		As at period end	As at period end	
	Shareholders' Equity			
1	Capital	214,428	214,428	(a)
2	Share premium	-	-	(a)
3	Issued equity instruments other than equity	350,000	350,000	(g)
4	Other equity items	-	-	
5	Accumulated earnings	621,589	642,667	(b)
6	Revaluation reserves	3,288	3,288	(c)
7	Other reserves	1,960,567	1,939,482	(c)
8	Profit attributable to the owners of the parent entity	150,985	150,985	(d)
9	(-) Dividends on account	-47,000	-47,000	(d)
10	Other accumulated global result	16,544	16,544	(c)
11	Minority interests [non-controlling interests]	-	-	
12	**Total shareholders' equity**	**3,270,401**	**3,270,394**	

References in table EU CC2 are to be read in conjunction with table EU CC1.

The following table shows the reconciliation between the computable own funds for prudential purposes and the own funds of the Audited Financial Statements, offering the comparison between the years 2020 and 2021:

Reconciliation of regulatory shareholders' equity to the audited financial statements		
(thousands of euros)	2021	2020
Subscribed capital	214,428	214,428
Issued equity instruments other than equity	350,000	350,000
Retained earnings	621,589	602,663
Revaluation reserves	3,288	3,297
Other reserves	1,960,567	1,966,640
Profit attributable to the parent entity	150,985	23,602
Dividends on account	-47,000	-
Equity on public balance sheet	3,253,857	3,160,630
Other comprehensive income accumulated	16,544	57,790
Minority interests	-	-
Equity on the public balance sheet	**3.270.401**	**3.218.420**
Intangible assets	-275,742	-245,635
Adjustment for prudent amortization of intangible assets	30,772	25,369
Deferred tax assets	-265,415	-263,693
Common Equity Tier 1 adjustments due to prudential filters	23,151	-9,940
Transitional adjustment first application IFRS9	74,110	114,002
of which due to modifications introduced by Quick Fix	23,607	40,359
Dividend distribution proposal	-51,140	-3,849
Insufficient coverage deduction for doubtful operations	-3,689	-
Additional deductions ordinary Tier 1 capital	-32,000	-
Equity instruments not computable as CET1	-350,000	-350,000
Convertible Contingent Obligations	-	-
Differences in public equity and for prudential purposes	-7	-9
Total adjustments and deductions	-849,960	-733,752
Total Common Equity Tier 1 Capital (CET1)	2,420,441	2,484,668
Equity instruments computable as AT1	350,000	350,000
Other transitional adjustments to additional tier 1 capital	-	-
Total Additional Tier 1 Capital (AT1)	350,000	350,000
Total Tier 1 Capital (T1)	2,770,441	2,834,668
Subordinated financing and others	500,000	500,000
Total Tier 2 Capital (T2)	500,000	500,000
Total computable own funds	**3,270,441**	**3,334,668**

4.2 - Equity details

The following table shows, information on the composition of the regulatory own funds according to the format of the Template EU CC1 – Composition of Regulatory Own Funds of the ITS of the EBA 2020/04:

Table 23: Template EU CC1 – Composition of Regulatory Own Funds

	Composition of Regulatory Own Funds		
		a)	b)
	(thousands of euros)	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	214,428	(a)
	of which: Instrument type 1	-	
	of which: Instrument type 2	-	
	of which: Instrument type 3	-	
2	Retained earnings	642,667	(b)
3	Accumulated other comprehensive income (and other reserves)	1,959,314	(c)
EU-3a	Funds for general banking risk	-	
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	
5	Minority interests (amount allowed in consolidated CET1)	-	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	52,845	(d)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**2,869,254**	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	-1,822	
8	Intangible assets (net of related tax liability) (negative amount)	-244,970	(e) less (f)
9	Empty set in the EU		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-321,839	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	24,973	(c)
12	Negative amounts resulting from the calculation of expected loss amounts	-	
13	Any increase in equity that results from securitised assets (negative amount)	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	
15	.Defined-benefit pension fund assets (negative amount)	-	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	

19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
20	Not applicable		
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	-	
EU-20c	of which: securitisation positions (negative amount)	-	
EU-20d	of which: free deliveries (negative amount)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	
22	Amount exceeding the 17,65% threshold (negative amount)	-	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	
24	Not applicable		
25	of which: deferred tax assets arising from temporary differences	-	
EU-25a	Losses for the current financial year (negative amount)	-	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	
26	Not applicable		
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	94,844	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	-448,814	
29	**Common Equity Tier 1 (CET1) capital**	**2,420,441**	
	Additional Tier 1 (AT1) capital: regulatory adjustments		
30	Capital instruments and the related share premium accounts	350,000	(g)
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) CRR	-	
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-	
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**350,000**	
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	

40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
41	Not applicable		
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	
42a	Other regulatory adjustments to AT1 capital	-	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	**-**	
44	Additional Tier 1 (AT1) capital	**350,000**	
45	Tier 1 capital (T1 = CET1 + AT1)	**2,770,441**	
	Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts	500,000	(h)
47	Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-	
EU-47a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2	-	
EU-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2	-	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Credit risk adjustments	-	
51	**Tier 2 (T2) capital before regulatory adjustments**	**500,000**	
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	
53	Direct, indirect and synthetic goldings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
EU-54a	Not applicable		
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
56	Not applicable	-	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	**-**	
EU-56b	Other regulatory adjustments to T2 capital	**-**	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**	
58	**Tier 2 (T2) capital**	**500,000**	
59	**Total capital (TC = T1 + T2)**	**3,270,441**	
60	**Total Risk exposure amount**	**18,051,935**	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	13.41%	
62	Tier 1 (as a percentage of total risk exposure amount)	15.35%	
63	Total capital (as a percentage of total risk exposure amount)	18.12%	

		2021
64	Institution CET1 overall capital requirement	8.125%
65	of which: capital conservation buffer requirement	-
66	of which: countercyclical buffer requirement	-
67	of which: systemic risk buffer requirement	-
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-
EU-67b	Of which: additional own funds requirements to address risks other than the risk of excessive leverage (%).	1.125%
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)**	7.785%
	National minimum (if they differ from Basel III)	
69	Not applicable	
70	Not applicable	
71	Not applicable	
	Amounts below the thresholds for deduction (before risk weighting)	
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	139.170
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	2.524
74	Not applicable	
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	205,768
	Applicable caps on the inclusion of provisions in Tier 2	
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	158,106
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)	
80	Current cap on CET1 instruments subject to phase out arrangements	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-
		-

References in table EU CC1 are to be read in conjunction with table EU CC2.

Changes in Own Funds during the year 2021

On December 2, 2021, Ibercaja Banco, SA issued preferential ordinary bonds for an amount of € 50 million, computable as eligible liabilities in accordance with Law 11/2015, of June 18, on the recovery and resolution of credit institutions and companies of investment services, maturing on December 2, 2027. The issue price was 99.754% and they will accrue a fixed annual coupon of 1.25% until December 2, 2022. From this date they will accrue interest fixed equal to the 1-year swap rate plus a margin of 1.25%.

4.3 – Countercyclical capital buffer and prudent valuation adjustments

4.3.1. Countercyclical capital buffer

The Entity must comply at all times with the combined capital buffer, one of whose components is the countercyclical capital buffer (CCyB). This buffer depends on the moment of the economic cycle in which each jurisdiction is and must be constituted when excessive growth occurs with the aim of reinforcing the solidity of the Entity so that it can be released when that growth slows down.

This requirement is calculated ad-hoc for each entity as a weighted average of the requirements set by the national competent authority, according to the buffers applicable in the jurisdictions in which the relevant credit exposures of the Entity are located.

Table 24: Template EU CCyB2 – Amount of Institution-Specific Countercyclical Capital Buffer

	Amount of Institution-Specific Countercyclical Capital Buffer	
		a
1	Total risk exposure amount	18,051,935
2	Institution specific countercyclical capital buffer rate	0%
3	Institution specific countercyclical capital buffer requirement	0%

The Group, in accordance with Delegated Regulation (EU) No. 1152/2014, includes in Spain the exposures of the trading portfolio or the credit exposures abroad since they represent less than 2% of the aggregate total of its risk-weighted exposures. These exposures are broken down in Annex V of this document.

Table 25: Template EU CCyB1 – Geographical Distribution of Credit Exposures Relevant for the Calculation of the Countercyclical Buffer

		a		b	c	d	e	f	g	h	i	j	k	l
	(thousands of euros)	General credit exposures		Relevant credit exposures - Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own funds requirements				Risk-weighted exposure amounts	Own funds requirements weights (%)	Countercyclical buffer rate (%)
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit risk exposures - Market risk	Relevant credit exposures - Securitisation positions in the non-trading book	Total			
010	Spain	29,910,637	-	-	-	-	29,910,637	1,237,851	-	-	1,237,851	15,473,138	100%	0%
020	**Total**	**29,910,637**	**-**	**-**	**-**	**-**	**29,910,637**	**1,237,851**	**-**	**-**	**1,237,851**	**15,473,138**	**100%**	

4.3.2. Prudent Valuation Adjustments

Entities must calculate, for all their exposures accounted for at fair value, either with changes in the profit and loss account or in equity, additional value adjustments (AVA, hereinafter). Their application implies the transformation of fair values to prudent values, which must always be equal to or less than fair value in the case of assets and equal to or greater in the case of liabilities. These AVAs ultimately result in an adjustment to Common Equity Tier 1 capital.

The amount for the total AVA has been calculated in accordance with Article 5 of Chapter II of Delegated Regulation (EU) 2016/101, on prudent valuation, since the Group's portfolios are subject to the simplified approach. This amount is detailed in the table below:

Table 26: Template EU PV1 – Prudent Valuation Adjustments (PVA)

	Prudent Valuation Adjustments (PVA)										
	(thousands of euros)	a	b	c	d	e	EU e1	EU e2	f	g	h
		Risk category					Category level AVA- Valuation uncertainty		Total category level post-diversification		
	Category level AVA	Equity	Interest Rates	Foreign exchange	Credit	Commo-dities	Unearned credit spreads AVA	Investment and funding costs AVA		Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
1	Market price uncertainty	-	-	-	-	-	-	-	-	-	-
2	Not applicable						-	-			
3	Close-out cost	-	-	-	-	-	-	-	-	-	-
4	Concentrated positions	-	-	-	-	-	-	-	-	-	-
5	Early termination	-	-	-	-	-	-	-	-	-	-
6	Model risk	-	-	-	-	-	-	-	-	-	-
7	Operational risk	-	-	-	-	-	-	-	-	-	-
8	Not applicable										
9	Not applicable										
10	Future administrative costs	-	-	-	-	-	-	-	-	-	-
11	Not applicable										
12	**Total Additional Valuation Adjustments (AVAs)**								**1,822**	**-**	**-**

5

MINIMUM REQUIREMENTS ON OWN RESOURCES

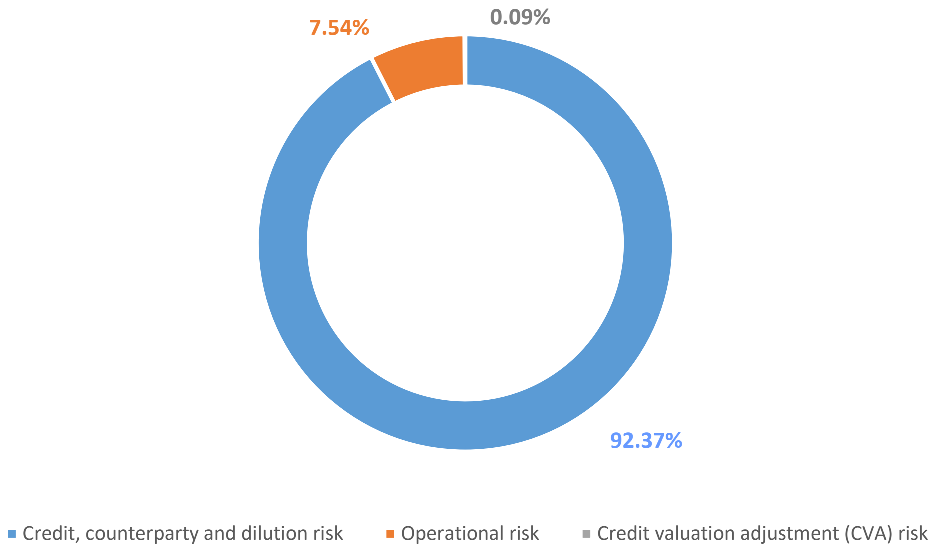
5. Minimum requirements on own resources

The following table shows the capital requirements in accordance with Part Three of Regulation (EU) No. 575/2013 for each of the risk typologies, calculated as 8% of risk-weighted assets.

Table 27: Template EU OV1 – Overview of total risk exposure amounts

	Overview of total risk exposure amounts			
	(thousands of euros)	a	b	c
		Total risk exposure amounts (TREA)		Total own funds requirements
		dec-21	sep-21	dec-21
1	Credit Risk (excluding CCR)	16,643,730	16,761,106	1,331,498
2	Of which the standardised approach	16,643,730	16,761,106	1,331,498
3	Of which the foundation IRB (FIRB) approach	-	-	-
4	Of which slotting approach	-	-	-
EU 4a	Of which equities under the simple riskweighted approach	-	-	-
5	Of which the advanced IRB (AIRB) approach	-	-	-
6	Counterparty credit risk- CCR	46,592	50,230	3,727
7	Of which the standardised approach	15,738	24,237	1,259
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	8,480	6,294	678
EU 8b	Of which credit valuation adjustment - CVA)	16,716	19,125	1,337
9	Of which other CCR	5,658	574	453
10	Empty set in the EU			
11	Empty set in the EU			
12	Empty set in the EU			
13	Empty set in the EU			
14	Empty set in the EU			
15	Settlement risk			
16	Securitisation exposures in the non-trading book (after the cap)			
17	Of which SEC-IRBA approach			
18	Of which SEC-ERBA (including IAA)			
19	Of which SEC-SA approach			
EU 19a	Of which 1250%/ deduction	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	-	-	-
21	Of which the standardised approach	-	-	-
22	Of which IMA	-	-	-
EU 22a	Large exposures	-	-	-
23	**Operational risk**	1,361,613	1,353,928	108,929
EU 23a	Of which basic indicator approach	-	-	-
EU 23b	Of which standardised approach	1,361,613	1,353,928	108,929
EU 23c	Of which advanced measurement approach	-	-	-
24	**Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)**	527,040	556,388	42,163
25	Empty set in the EU			
26	Empty set in the EU			
27	Empty set in the EU			
28	Empty set in the EU			
29	**Total**	**18,051,935**	**18,165,264**	**1,444,155**

Illustration 11: Own funds minimum requirements



5.1 - Procedures applied to assess the adequacy of internal capital

This section covers OVC requirement – ICAAP information.

Basel's Pillar II aims to guarantee the appropriate relationship between the Group's risk profile and the own resources it actually holds.

To this end, the Group carries out a recurring capital self-assessment process, in which it:

- Applies a series of risk identification and measurement procedures.
- Determines the capital required to cover it. In addition to the minimum requirements, it maintains a level in line with the risks inherent in its activity, the economic environment in which it operates, the management and control it carries out of these risks, the governance and internal audit systems it has in place and its strategic business plan.
- Plans the capital in the medium term.
- Sets the capital target.

The Group uses the following perspectives in the ongoing capital self-assessment exercise, in which available, current and future capital is compared in relation to identified material risks:

- Economic perspective: using internal methodologies for quantifying capital requirements for the risks assumed.
- Normative perspective: quantifying the risks in accordance with the CRR regulation and considering the regulatory requirements of Pillar I, Pillar II, capital conservation buffers and capital guidelines established by the supervisor.

Both comparisons are made both at the time of measurement and in projected 3-year scenarios, in normal business situations, as well as in plausible adverse scenarios.

In order to plan the Group's future capital needs, projections have been made of capital sources and consumption derived from the evolution of the activity and the expected results with a three-year time horizon. The Group also estimates the projected capital levels under adverse scenarios.

The capital self-assessment process is carried out in accordance with the ECB Guidelines on the internal capital adequacy assessment process (ICAAP).

The Bank's Board of Directors approves the "Declaration of Capital Adequacy" which is submitted to the supervisor. The self-assessment report is the basis for dialogue with the supervisor on the Bank's risk profile, capital adequacy, and medium-term plans.

The volume of the Group's own funds is higher than the minimum required to cover all the relevant risks, both the capital guidelines in the base scenario and the regulatory requirements of Pillar I and Pillar II, in adverse scenarios and quantified economic capital.

Likewise, the capital strategy, the own funds held, the recurring profits, the corporate and internal governance and the risk management and control systems are appropriate to the activities that the Group carries out and the risks assumed.

The volume of the Group's own funds is higher than the minimum required to cover all the relevant risks, both the capital guidelines in the baseline scenario and the regulatory requirements of Pillar I and Pillar II, in the adverse scenarios. Additionally, the Group participates in the supervisory stress tests that the EBA/ECB carry out periodically and whose results are public, showing its capacity to continue operating in the face of very adverse situations. For all these reasons, the Group considers that the internal capital is sufficient to support not only current activities but also future ones.

5.2 - Capital requirements for credit, counterparty and dilution risk

The minimum capital requirements of the consolidable Group for credit risk at December 31, 2021, calculated as 8% of the risk-weighted exposures for each of the categories to which the standard method has been applied, are shown below:

Table 28: Capital Requirements for Credit Risk

Capital requirements for Credit Risk		
(thousands of euros)	2021	2020
Central governments or central banks	85,003	85,738
Regional administrations and local authorities	-	-
Public sector entities and other non-profit public institutions	2,787	2,324
Multilateral Development Banks	-	-
International Organizations	-	-
Institutions	8,077	7,586
Corporates	266,883	236,416
Retail customers	220,811	233,240
Exposures secured by real estate	512,166	528,782
Exposures in default	35,602	42,115
High-risk exposures	24,888	29,621
Covered bonds	340	863
Exposures to institutions and companies with short-term credit ratings	597	-
Exposure to collective investment institutions (CIIs)	2,760	1,593
Equity exposures	58,102	61,485
Other exposures	115,702	120,626
Contribution to the default guarantee fund of a CCP	170	214
Securitisation positions	-	-
Total capital requirements for credit risk	**1,333,888**	**1,350,605**

The aforementioned requirements for credit risk include those corresponding to counterparty risk for the following amount:

Table 29: Capital Requirements for Counterparty Risk

Capital requirements for counterparty risk		
(thousands of euros)	2021	2020
Standard method*	2,220	
Simplified standard method*	-	
Market to market method**		1,763
Original risk method**		-
Stadard method**		-
Internal models method**		-
Total capital requirements	**2,220**	**1,763**

*Based on the new methods for calculating capital requirements for counterparty risk provided by CRR2
** Methods for calculating RRPP requirements for counterparty risk according to CRR

With the entry into force of the CRR2, since June 2021, the Group has stopped calculating its requirements under the mark-to-market method by opting for the implementation of the SA-CCR standard method.

5.3 - Supporting factor applied to SME exposures and critical infrastructure

Law 14/2013 of September 27, 2013, on support for entrepreneurs, in its fourteenth additional provision establishes a "supporting factor" applicable to credit risk-weighted exposures of small and medium-sized companies. For the application of such factor, the provisions of Article 501.2 of Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms shall be taken into account. During 2020 the Quick Fix of the CRR came into force which brought forward the date of application of Regulation 2019/876 (CRR2) by modifying the criteria for applying a support factor between 0.7619 and 0.85 to risk-weighted exposures.

The above credit risk requirements include the reduction applied to exposures to small and medium-sized companies:

Table 30: SME exposures subject to supporting factor

SME exposures subject to supporting factor		
(thousands of euros)	2021	2020
Requirements for exposures applying the supporting factor	266,616	266,404
Requirements for exposures without applying the supporting factor	338,939	339,424
Total supporting factor adjustment of capital requirements	**-72,323**	**-73,020**

The Entity does not use the 0.75 support factor for exposures to entities that manage or finance physical structures or facilities, systems and networks that provide or support essential public services.

5.4 - Capital requirements for position risk

As of December 31, 2021, there are no capital requirements for position risk for the Group, as shown in the following table:

Table 31: Capital requirements for Position Risk

Capital requirements for position risk		
(thousands of euros)	2021	2020
Positions in debt instruments	-	-
Equity positions	-	-
Total capital requirements	**-**	**-**

5.5 - Capital requirements for foreign exchange risk

In accordance with the provisions of Article 351 of Regulation (EU) No. 575/2013, the Group's capital requirements as of December 31, 2021 for foreign exchange risk and gold position are zero, since the sum of the overall net positions in foreign currencies, gold and instrumental currencies, regardless of their sign, does not exceed 2% of total eligible capital.

5.6 - Capital requirements for operational risk

As of December 31, 2021, the operational risk requirements for the Group are as follows:

Table 32: Capital Requirements for Operational Risk

Capital requirements for Operational Risk		
(Thousands of euros)	2021	2020
Basic indicator method	-	-
Standard method	108,929	108,314
Alternative standard method	-	-
Advanced methods	-	-
Total capital requirements	**108,929**	**108,314**

The Group has calculated the requirements under the Standardized Approach, upon meeting the requirements indicated in Article 320 of Regulation (EU) No. 575/2013, as a simple average of the last three years of the aggregation, for each year, of the maximum value between zero and the sum of the relevant revenues of each of the business lines referred to in Table 2 of paragraph 4 of Article 317 of Regulation (EU) No. 575/2013 multiplied by their corresponding weighting coefficients provided for in that table: Retail Brokerage, Retail Banking and Asset Management at 12%; Commercial Banking and Agency Services at 15%; Corporate Finance, Trading and Sales and Payment and Settlement at 18%.

5.7 - Capital requirements for credit valuation adjustment (CVA)

In accordance with Part Three, Title VI of Regulation (EU) No. 575/2013 "credit valuation adjustment" means an adjustment to the mid-market valuation of the counterparty transaction portfolio. Such adjustment reflects the current market value of the counterparty credit risk towards the Entity.

At December 31, 2021, the credit valuation adjustment risk requirements for the Group are as follows:

Table 33: Capital Requirements for CVA

Capital requirements for credit valuation adjustment (CVA)		
(thousands of euros)	2021	2020
Advanced method	-	-
Standard method	1,337	957
Based on the original exposure method	-	-
Total capital requirements	**1,337**	**957**

The requirements have been calculated by the standard method in accordance with Article 384 of Regulation (EU) No. 575/2013.

6

RISKS

6. Risks

6.1 – Risk management policies and objectives

This section covers the provisions of letter (e) of OVB requirement – Disclosure on governance arrangements and the provisions of letter (a) of OVA requirement – Institution risk management approach.

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

- Maintenance of a medium-low risk profile.
- Compliance with regulatory requirements at all times, as well as with the capital and liquidity objectives established in the capital and liquidity self-assessment processes.
- Good risk governance with the effective involvement of senior management and the Board of Directors.
- Foster a risk culture and facilitate a better understanding by the Entity of the level and nature of risks to which it is exposed.
- Maintain and promote the confidence of customers, investors, employees, suppliers and other agents.
- Maintain credit, market and interest rate risk levels that ensure a medium-low risk profile and profitability and solvency objectives.
- Avoid the concentration of risks in any of their manifestations (individual, economic groups, sectorial...).
- Avoid the materialization of operational, regulatory compliance, legal or reputational risks through active and constant management of the same.
- Maintain a liquidity position that ensures meeting payment obligations.
- Maintenance of appropriate levels of risk-adjusted returns to ensure that performance targets are met.

This risk statement includes different key indicators representative of the material risks identified by the Entity, all of which forms the Risk Appetite Framework. This Framework establishes thresholds for each of the metrics that jointly determine the scope of the Group's risk appetite and tolerance profile.

The relationship between the Risk Appetite Framework and the Strategic Plan, Capital Planning and the Group's Financing Plan is reflected in the following points:

i. The Strategic Plan is defined for a long-term horizon, which has its financial projection in the Business Plan and is specified annually in the budget for each year;

ii. The Business Plan establishes the projection of capital and liquidity;

iii. The Risk Appetite Framework and the establishment of risk limits take into consideration the desired risk profile and the objectives of the Strategic Plan;

iv. The Group's Strategic Plan is analysed in order to identify those metrics that take on special relevance in the strategic objectives;

v. In this way, it is verified that the profitability objectives are met within the defined time horizon, including the structure and quality of the balance sheet, and the regulatory and supervisory requirements of capital and liquidity;

vi. Any change considered in the Strategic Plan, Capital Planning, the Financing Plan or the budget will be analysed and may lead to a modification of the Risk Appetite Framework.

The Group's risk management is organized through the Risk Appetite Framework (hereinafter RAF). The main objective of the Ibercaja Group's RAF is to establish a set of principles, procedures, controls and systems through which the Entity's risk appetite is defined, communicated and monitored.

This selection and review process has been coordinated by the General Secretariat and the Control Directorate and the Risk Control Department with the participation of the Technology and Systems Department and the Brand and Corporate Reputation Management. Monitoring of the measurement results corresponds to the Risk Control Department. Lastly, the proposal to the Global Risk Committee of the necessary action plans to remedy excesses or non-compliance corresponds to the General Secretariat and Control Directorate and the Risk Control Department, the Media Area Directorate and the Brand and Corporate Reputation Management.

Risk appetite is considered to be the level or profile of risk that the Ibercaja Group is willing to assume and maintain, both in terms of its type and amount, as well as its level of tolerance, and must be oriented towards the achievement of the objectives of the strategic plan, in accordance with the lines of action established therein. The objective in the management of the different risks is the achievement of a risk profile within the desired risk appetite level, defined on the basis of the established limits, carrying out those management measures considered most appropriate to achieve it.

In accordance with the methodologies implemented by the Entity in measuring the risk profile, it is concluded that the Group's global risk profile is low. All of the material risks present an adequate or high control environment, based on risk governance, management, control and auditing. This rating is monitored and reported to the Board of Directors.

6.2 - Corporate governance of risk management

6.2.1 - Framework for action and management

This section covers the provisions of letter (e) of OVB requirement – Disclosure on governance arrangements.

The Board of Directors ensures that the risk management systems are in line with the Entity's risk appetite and strategy.

Likewise, the Risk Appetite Framework includes a statement of risk limits, risk tolerance and risk appetite, as well as the roles and responsibilities of the different governance and management bodies that supervise its implementation and are responsible of monitoring it.

The risk profile defined by the Board of Directors is characterized by:

- Being aligned with the strategic plan and capital planning.
- Being integrated into the Bank's risk culture, with the involvement of all levels of responsibility.
- Being flexible, capable of adapting to changes in business and market conditions, and therefore be subject to periodic review, at least annually.
- Being linked to information management systems.

The RAF takes a global view of the consolidated Group and considers all the risks that affect the development of the Group's activity and the achievement of its business objectives as described.

The Ibercaja Group's Risk Appetite Framework is based on strategic, corporate governance and risk management principles that together constitute the Group's Risk Appetite Statement. The risks considered are as follows: business and profitability risk, credit risk, concentration risk, operational risk (which includes the sub-categories of reputational risk, legal risk and technological risk), interest rate risk, market risk, liquidity and financing risk and insurance business risk.

The risk appetite is expressed both in qualitative terms, through the principles contained in the Risk Appetite Statement, and in quantitative terms by establishing the limits that the Entity can assume in the different risks inherent to its activity. The Risk Appetite Framework sets the thresholds for each of the risk metrics aligned with the Entity's strategic objectives, whose definition and periodic review corresponds to the Board of Directors. The thresholds defined for each of the metrics come from the Risk Appetite Statement and the business objectives and jointly determine the scope of the Entity's risk appetite profile.

The limits' structure is articulated around the following axes:

CREDIT RISK
- Default
- Non performing assets
- Cost of risk
- Concentration

OPERATIONAL RISK
- Reputational risk
- Operational losses
- Technological infrastructure availability

MARKET RISK
- Sensitivity to lossess in the financial portfolios actively managed

INTEREST RATE RISK
- Economic Value impact
- NII impact

OPERATIONAL RISK
- Profitability
- Revenues
- Efficiency

LIQUIDITY RISK
- Financing structure
- Short term liquidity
- Long term liquidity

OWN RESOURCES ADEQUACY
- Solvency
- Leverage

The periodic measurement and monitoring of the indicators and their risk appetite limits contemplates the current and future evolution of the projected metrics in the context of the Entity's Business Plan, thus ensuring the integration of the strategy defined by the Entity and the plans and resulting annual budgets consistent with the defined Risk Appetite.

The risk appetite indicators contained in the RAF are subject to regular monitoring by Senior Management and Governing Bodies. A set of dashboards, limits and alerts have been established that are reported quarterly to the members of the Global Risk Commission (first and second level metrics), as well as to the Major Risks and Solvency Commission and the Board of Directors. Administration (first level metrics). The reporting analyses the main most significant circumstances that may have affected management in the period and their impact on the risk profile, measured through the situation of the first level indicators for each of the risks in terms of risk appetite, tolerance or capacity.

In this way, each Area Director knows the current situation of the relevant risks and channels said information to the corresponding units and risk takers, thus facilitating the integration of the Risk Appetite Framework into the risk culture of the Ibercaja Group. Additionally, the frameworks and manuals of policies and procedures for each risk management, which develop the disclosure procedures, are based on the principles and limits defined in the Risk Appetite Framework and are also reviewed and approved annually by the Board of Directors.

The Risk Appetite Framework is consistent with the capital and liquidity planning of Basel's Pillar II, the objective of which is to ensure that the relationship between the risk profile of the Entity and its own resources and liquidity levels maintains stable. The Entity carries out a recurring process of self-assessment of capital and liquidity through the identification, measurement and aggregation of risks, determines the capital and liquidity necessary to cover them, plans the capital and liquidity in the medium term and establishes the capital and liquidity target that allows it to maintain an adequate buffer over the minimum legal requirements and supervisory guidelines.

The entry into force of the Single Supervisory Mechanism (SSM) in November 2014 entailed the adaptation of the European financial sector's risk policies and procedures, as well as its control environment. The "Supervisory Review and Evaluation Process" (SREP) is set up as the procedure for the ongoing assessment of institutions by the SSM. The internal Pillar II capital and liquidity adequacy assessment processes (also called ICAAP & ILAAP) together with the stress tests carried out by the European Banking Authority (EBA) and the ECB are a key part of the SREP process.

In addition, the Ibercaja Group has a Recovery Plan, prepared in accordance with the Bank Recovery and Resolution Directive (Directive 2014/59, BRRD), as well as the guidelines and recommendations of the EBA, which lays the foundations for the process of restoring the Group's financial strength and viability, should a severe stress situation occur.

These management frameworks (RAF, ICAAP & ILAAP and Recovery Plan) are consistent with each other, are integrated into the existing risk management processes and are reviewed and approved by the Bank's Board of Directors on an annual basis.

The Risk Management System operates in an integral, continuous manner, consolidating such management by business areas, geographic areas and subsidiaries at the corporate level.

Finally, regarding operations with related parties and intra-group transactions, the Entity has internal policies and procedures to approve, supervise and control said operations, applying in all of them terms equivalent to those of transactions carried out under market conditions. In Note 43 of the Consolidated Annual Accounts for the year 2021 (Periodic Information - Corporative Website | Ibercaja Banco) there is a breakdown of the balances from these operations and transactions recorded in the consolidated balance sheet and in the consolidated profit and loss account.

6.2.2 - Governance structure

This section covers the provisions of letter (b) of OVA requirement – Institution risk management approach.

The Entity has a robust organizational structure that ensures effective risk management and control. The governance structure provides adequate communication channels to transmit information and decisions to all levels of the organization.

The governing bodies are structured as follows:

- The Board of Directors is the body responsible for establishing and supervising the information and risk control systems, for approving the Risk Appetite Framework, as well as the policies, manuals and procedures relating to risk management.

- The Major Risks and Solvency Commission, whose powers include proposing the establishment of limits by type of risk and business, reporting on the Group's Risk Appetite Framework in a manner consistent with the Entity's other policies and strategic frameworks, assessing risk management in the Group, reviewing risk control systems and proposing measures to mitigate the impact of the risks identified.

- The Strategy Commission is mainly responsible for informing the Board of Directors about the Entity's strategic policy, ensuring that there is a precise organization for its implementation.

- The Audit and Compliance Commission, whose powers include the supervision of the effectiveness of internal control, internal audit and risk management systems, periodically reviewing them so that the main risks are properly identified, managed and disclosed.

In addition, the following Executive Committees have been set up with the participation of the Bank's Senior Management:

- The Global Risk Committee is responsible for defining and monitoring the Group's strategies and risk policies. The Committee's functions and responsibilities include: to periodically report to the Major Risks and Solvency Commission on the degree of compliance with the metrics established in the Risk Appetite Statement, proposing, where appropriate, the necessary action plans to remedy excesses or failures to comply; to submit the RAF proposal, the internal capital and liquidity adequacy assessment reports (ICAAP & ILAAP) and the Recovery Plan to the Major Risks and Solvency Commission for evaluation and analysis of their consistency with the Group's risk management policy and strategic plan; to evaluate and approve the action plans on situations of alert or excess, prior to their submission to the Major Risks and Solvency Commission; and to ensure that the Group has the appropriate procedures and means for identifying, measuring, following up and monitoring the risk profile.

- Among the functions of the Audit Committee is to be aware of the annual Operational Plan of the Internal Audit function that is presented to the Audit and Compliance Commission, to be informed periodically of the results of the internal audit reports and to promote the implementation of the improvement recommendations proposed to mitigate the weaknesses observed.

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

- First line of defence: Configured by the Group's business and support units, which are the risk takers.

- Second line of defence: Organizationally located in the General Secretariat-Directorate of Control as the holder of the second line, it acts independently of the business units. It is made up of the Risk Control functions, which follow up and report on risks and review the application of management policies and control procedures by the first line, and the Regulatory Compliance function, which is responsible for reviewing that operations are being carried out in accordance with applicable legislation, regulations and internal policies.

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

During 2021, there have been no changes in those responsible for the functions of internal control, risk management, compliance and internal audit.

6.2.3 - Risk management, control and measurement strategies

This section covers the provisions of letters (f) and (g) of OVA requirement– Institution risk management approach and the provisions of letter (a) of ORA requirement – Qualitative information on operational risk and LIQA requirement – Liquidity risk management.

The Entity carries out internal stress tests applied both to the portfolios with exposure to the main material risks (credit, market, liquidity, interest rate, etc.) and to the main business variables, in order to have an evaluation of the impact of stressed scenarios to different degrees on the key parameters of solvency, asset quality, profitability and liquidity.

Its implementation takes as its starting point the internal generation of adverse medium-term scenarios. These scenarios are obtained from internal projection models of macroeconomic variables, for the generation of adverse macro scenarios; they take as a reference the stressed scenarios applied by the supervisor in liquidity stress, in combination with the internal behavioural models used in interest rate risk management, for the generation of adverse scenarios for liquidity risk; and based on internal models for launching financial market shocks, for the generation of adverse scenarios for market and sovereign risks.

The methodology for applying stress tests combines the use of internal statistical models with expert management assessment. These stress tests are applicable to the recurring capital and liquidity self-assessment processes, the basis for capital and liquidity planning, which are also used as an input in the Entity's Risk Appetite, being the reporting of conclusions raised to government bodies. Likewise, they are applicable in the evaluation of the financial projections and medium-term business plan and their specification in the annual budgeting.

The main policies and strategies for the most relevant risks, as described in Note 3 to the Consolidated Financial Statements, are presented below (Periodic Information - Corporative Web | Ibercaja Banco).

Credit risk

It is defined as the possibility of incurring losses arising from the failure of borrowers to meet their payment obligations, as well as losses in value due to the deterioration of their credit quality.

- *Strategies and policies for credit risk management*

Credit risk management is aimed at facilitating the growth of lending in a sustained and balanced manner, guaranteeing at all times the soundness of the Entity's assets and financial position, with the objective of optimizing the return/risk ratio within the tolerance levels set by the Board of Directors on the basis of the defined management principles and action policies.

The Board of Directors approves the management framework, strategies, policies and limits for the management of this risk, following a report from the Major Risks and Solvency Commission, documented in the "Credit Risk Management Framework", "Irregular Assets Management Framework" and "Risk Models Management Framework" as well as the various policy manuals developed on the basis thereof. These manuals include, among others, the criteria for action in the main business segments and the maximum risk lines with the main borrowers, sectors, markets and products. The Board of Directors is responsible for authorizing risks that exceed the competence of the operating circuit.

In the current context of the health pandemic, the Entity, through the various support measures (public and private) implemented as a result of the covid-19 crisis, has offered its customers solutions in line with their financial situation while implementing the guidelines issued by the regulator regarding the treatment and accounting recognition of this aid. (Note 11.6.1 of the Consolidated Financial Statements - Periodic Information - Corporative Web | Ibercaja Banco).

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

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

- *Credit risk granting, monitoring and recovery policies*

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

a) In the area of **credit risk granting**, the following policies are established:

  - Risk classifications for groups of borrowers, through the establishment of prior exposure limits, in order to avoid inappropriate risk concentrations.
  - Criteria for the admission of new operations and limits to the powers of concession according to the customer segment to be financed.
  - Methodology of analysis of operations according to their typology and belonging to the different segments.
  - Internal credit rating models integrated into the decision systems for the different areas of the retail business.
  - Necessary requirements to provide legal certainty to each operation.
  - Risk mitigation techniques.
  - Pricing policies according to the credit quality of the customers.

The credit risk management structure presents a decentralized operation granting scheme, which is based on a formally established delegation of powers set forth in the risk manuals.

The Bank has established in its "Manual of Admission Policies" risk granting policies in accordance with Law 2/2011, of March 4, on Sustainable Economy, Order EHA/2899/2011, of October 28, on transparency and protection of banking services customers and Bank of Spain Circular 5/2012, of June 27, on transparency of banking services and responsibility in the granting of loans and credits the general framework of Annex 9 of Circular 4/2017 and in accordance with the provisions of the Guidelines on Loan Origination and Monitoring EBA/GL/2020/06 published in May 2020.

In the granting of loans, the manual contemplates as fundamental criteria the reasonableness of the proposal, the analysis of the borrower's payment capacity and the prudent valuation of the guarantees. In the case of real estate guarantees, they are always appraised by independent third parties (appraisal companies authorized by the Bank of Spain).

With regard to transparency and protection of banking services customers, the Group carries out the following actions:

- The current rates (interest rates, commissions and expenses) applied to the different financial products are displayed in the branches.
- The Bank of Spain is informed quarterly of the current rates.
- The rates applied to the different products are available on the Bank's website (Transparency - Corporative Web | Ibercaja Banco).
- The customer is given a document with the contractual conditions prior to signing. Subsequently, a copy of the contract is given to the customer.
- Annually, in January, the customer receives a personal communication detailing the interest, commissions and expenses applied during the previous year to the different products contracted.

Internal Audit, as part of the controls carried out at the offices, is in charge of ensuring compliance with the established policies and procedures.

b) **Risk monitoring**

In the area of credit risk monitoring, the main objective is to identify in advance possible deteriorations in the risk quality of the borrowers, in order to adopt corrective measures and minimize the negative impact that would result from the entry into default of the exposure, or its classification in Stage 2.

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

Part of the credit risk monitoring carried out in the Entity, including the classification and estimation of coverage of exposures, is based on the provisions of Annex IX: Analysis and Coverage of Credit Risk, of Bank of Spain Circular 4/2017 of November 27. This regulation establishes that entities must have policies for the evaluation, monitoring and control of credit risk that require the utmost care and diligence in the study and rigorous evaluation of the credit risk of transactions, not only at the time they are granted, but also during its life. Within the scope of this Circular, the Entity considers as individually significant borrowers those with which the exposure exceeds € 3 million.

The fundamental principles, procedures and tools on which the monitoring function relies to carry out its work effectively are set out in the Entity's Credit Risk Monitoring Policy.

c) **Recovery**

Comprehensive risk management is completed with recovery policies aimed at avoiding or minimizing possible losses through specific recovery circuits depending on the amount and type of transaction and with the intervention of different internal and external managers to adapt the necessary actions to each situation.

- *Three lines of defence of credit risk*

The first line of defence is configured around the business units located in the Bank's distribution network and the Financial Department, as originators of the operations, as well as the Credit Risk Committee responsible for risk management in the areas of admission, follow-up and recovery and in whose field also resides the construction of internal models.

The second line of defence is located organizationally in the General Secretariat-Directorate of Control and for the development of this function it has the Risk Control and Regulatory Compliance directorates. The Credit Risk Control tracks the indicators to monitor the evolution of the Entity's risk profile, performs evaluation reviews of the adequacy and sufficiency of the control environment in the procedures established in the first lines with the issuance of reports and recommendations, as well as the independent reporting of its conclusions to Senior Management and Governing Bodies. The Regulatory Compliance function ensures that credit risk operations are carried out in accordance with applicable laws, regulations and internal policies. Among others, proper compliance with internal procedures respecting the principles of information and transparency towards customers, as well as the prevention of money laundering and financing of terrorism. Likewise, it submits independent reporting to Senior Management and Governing Bodies

The Internal Audit function, as the third line of defence, integrates into its Annual Operating Plan the review of functions and procedures for both the first and second lines of credit risk, with the issuance of reports with recommendations for improvement, proposals to mitigate the weaknesses observed, also raising independent reporting to Senior Management and Governing Bodies.

Country risk

It is defined as the possibility of incurring losses arising from a country's failure to meet its payment obligations on a global basis due to circumstances other than normal commercial risk. It comprises sovereign risk, transfer risk and the remaining risks arising from international financial activity.

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

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

Operational risk

It is defined as the risk of loss resulting from an inadequacy or failure of internal processes, personnel and systems, or from external events, thus contemplating risk subcategories such as behavioral risk, ICT risk or model risk, among others.

- *Strategies and policies for operational risk management*

The Board of Directors approves the strategies, policies and limits for managing this risk, following a report from the Major Risks and Solvency Commission, as documented in the "Operational Risk Management Framework".

For the concretion of risk appetite statement regarding operational risk (avoiding the materialization of operational, compliance, legal or reputational risks through active and constant management thereof) a set of first level metrics, with their corresponding risk limits, have been selected and revised and are considered relevant in the area of management and control.

The Group currently has a model for managing and evaluating this risk, which basically covers the following points:

- General aspects: definition of operational risk, risk categorization and assessment.
- Methodologies applied for the identification, evaluation and measurement of operational risks.
- Scope of application of the methodologies and personnel involved in the management of this risk.
- Indicators, limits and tolerance thresholds.
- Generation of stress scenarios.
- Management support models (management, control and mitigation of operational risk): information derived from the above methodologies and implementation of measures aimed at mitigating this risk.

The scope of application of the operational risk management and assessment model extends to the business and support units of Ibercaja Banco, as well as to the Group's companies.

Its application and effective use in each of the units and subsidiaries is carried out in a decentralized manner. For its part, the Market, Operational and Reputational Risk Control Unit coordinates risk measurement together with the subsidiary units and companies, and carries out risk monitoring, analysis and communication.

During the 2021 financial year, the Market, Operational and Reputational Risk Control Unit has been incorporating into its activity those aspects related to Environmental Risk that affect the area of Operational Risk.

- *Management, control and measurement procedures*

The Group, in application of the model adopted for operational risk management, uses a combination of the following methodologies, which are supported by specific IT tools:

- Qualitative methodology, based on the identification and expert assessment of operational risks and existing controls in processes and activities, together with the collection and analysis of risk indicators. During fiscal year 2021, 606 operational risks have been reviewed and self-assessed, concluding from this process, a low risk profile.
- Quantitative methodology based on the identification and analysis of actual losses incurred in the Group which are recorded in the database established for this purpose (BDP).

The quantification of the actual losses recorded in the loss database in 2021 shows that the total annual amount of losses (net of direct and insurance recoveries) for operational risk events is € 39,584 thousand corresponding to 15,457 events, of which 667 events for

€ 22,182 thousand derive from losses related to floor clauses (return of interest for € 20,631 thousand and legal costs for € 1,551 thousand). If the provisions associated with these losses due to floor clauses, as well as other provisions associated with various extraordinary losses, are deducted, the total net annual amount of losses is € 13,121 thousand.

Excluding the aforementioned extraordinary impact due to floor clauses, the actual operating losses are reduced in relation to the capital requirements, consistent with the overall result of the aforementioned qualitative assessment.

The advances in the operational risk management and control processes resulting from the established policies, allow the Entity to calculate, from December 2010, the capital consumption for Operational Risk under the Standard Approach, in accordance with the provisions of Regulation (EU) No. 575/2013.

Interest rate risk

Interest rate risk is defined as the current or future risk to the Entity's capital or earnings resulting from adverse fluctuations in interest rates affecting its investment portfolio positions.

The sources of interest rate risk are gap, base and optionality risk. In particular, gap risk arises from the different timing structure of interest rate-sensitive balance sheet instruments, which arises from differences in the timing of their repricing or maturity; base risk arises from the different reference index used for repricing interest rate-sensitive asset and liability instruments; and optionality risk arises from implicit or explicit options, which arise when either the Entity or the customer has the option to alter future cash flows if it is beneficial to them.

- *Strategies and policies for interest rate risk management*

The objective of interest rate risk management is to contribute to maintaining current and future profitability at appropriate levels, while preserving the Entity's economic value.

The Board of Directors establishes the strategies, policies and limits for the management of this risk, following a report from the Major Risks and Solvency Commission, documented in the " Manual of Policies and Procedures for the Management of Interest Rate Risk”.

- *Measurement and control procedures*

The Group manages the risk exposure deriving from its portfolio transactions, both at the time they are contracted and during subsequent monitoring and incorporates into its analysis horizon the expected evolution of the business and expectations regarding interest rates, as well as management and hedging proposals, simulating different behavior scenarios.

The tools available to the Entity make it possible to measure the effects of interest rate variations on net interest income and economic value, to simulate scenarios based on the hypotheses of interest rate and commercial activity evolution and to estimate the potential impact on capital and results derived from abnormal market fluctuations so that their results are considered in the establishment and review of risk policies and limits as well as in the planning and decision-making process.

In relation to optionality risk, there are behavioral models that establish the essential assumptions on the sensitivity and duration of demand savings transactions, since their maturity date is not contractually established, as well as on early loan repayments, early cancellation of time deposits, and duration of non-performing assets, all based on historical experience for different scenarios.

Likewise, the effect that interest rate variations have on the financial margin and economic value is controlled through the establishment of exposure limits. The limits allow interest rate risk exposure to be kept within levels consistent with approved policies.

Liquidity risk

It is defined as the possibility of incurring losses due to not having or not being able to access sufficient liquid funds to meet payment obligations.

- *Strategies and policies for liquidity risk management*

The management and control of liquidity risk is governed by the principles of financial autonomy and balance sheet equilibrium, ensuring business continuity and the availability of sufficient liquid resources to meet the payment commitments associated with the cancellation of liabilities on their respective due dates without compromising the capacity to respond to strategic market opportunities.

Additionally, with the aim of limiting significant concentrations in certain products or lines, the Entity's main policy is the diversification of available sources of financing (short, medium, and long term), to wholesale market financing, to both secured and unsecured financing, or by type of instrument.

The Board of Directors establishes the strategies, policies and limits for managing this risk, following a report from the Major Risks and Solvency Commission, documented in the "Manual of Policies and Procedures for the Management of Liquidity Risk".

The strategies for raising funds in the retail segments and the use of alternative sources of short, medium and long-term liquidity provide the Group with the necessary resources to meet the solvent credit demand arising from commercial activity and to maintain cash positions within the management parameters established in the Risk Appetite Framework and the Liquidity Manual.

The Entity has an organization for liquidity management that allows:

- Compliance with the principle of involvement at the highest level, which ensures the participation of the Board of Directors and Senior Management.
- The involvement of the three lines of defence.

The Board of Directors establishes the strategies, policies, limits and appetite for risk following a report from the Major Risks and Solvency Committee, with the Global Risk Committee being responsible for monitoring the management, monitoring and control of liquidity risk.

- *Management, control and measurement procedures*

The measurement of liquidity risk considers the estimated cash flows of assets and liabilities, as well as the guarantees or additional instruments available to ensure alternative sources of liquidity that may be required. Liquidity risk management is done centrally with a conglomerate vision, ensuring that each subsidiary complies with its own different regulatory requirements, with its specific requirements, metrics and liquidity limits, consistent with the Entity's risk appetite.

It also incorporates the expected evolution of the business and expectations regarding interest rates, as well as management and hedging proposals, simulating different behavior scenarios. These procedures and analysis techniques are reviewed as often as necessary to ensure their correct functioning.

Short, medium and long-term forecasts are made to ascertain financing needs and compliance with limits, which take into account the most recent macroeconomic trends, due to their impact on the evolution of the different assets and liabilities on the balance sheet, as well as on contingent liabilities and derivative products. Similarly, liquidity risk is controlled through the establishment of tolerance thresholds compatible with the approved policies.

In addition, the Entity is prepared to face possible crises, both internal and in the markets in which it operates, with action plans that guarantee sufficient liquidity at the lowest possible cost.

The methodologies for the identification, measurement, management and monitoring of financing positions include the analysis of current and forecast cash flows of assets, liabilities and memorandum account items, including contingent liabilities.

The information is available at an individual and consolidated level and allows the liquidity position to be assessed in the short, medium and long term, including the classification of all assets and liabilities by maturity dates and the effects on the liquidity position of the positions of out of balance.

Regulatory ratios and internal metrics are periodically reported in accordance with the Entity's Risk Appetite Framework and are contrasted with the approved liquidity risk tolerance thresholds and limits.

Liquidity risk management is carried out both in normal market situations and in extraordinary stress scenarios originating from internal causes or from the market situation, calculating its potential impact on the liquidity position so that its results are taken into account in the establishment and review of policies and limits to liquidity risk.

In the construction of the stress scenarios, the Entity takes into account the most relevant aspects based on the nature of the business and its vulnerabilities, including, among other situations, the disappearance of wholesale financing, significant withdrawals of funds by retail clients, erosion of assets liquid assets, demand for replacement of guarantees, contingent obligations, credit rating reductions, etc.

It is further reported, among others:

- Capacity to issue covered bonds.
- Available liquid assets, both eligible and ineligible, and encumbered assets.
- Retail deposits segmented according to their stability and degree of linkage.

- Concentration of the main depositors.
- Intraday liquidity.

The Entity has a Contingency Plan to deal with an unexpected liquidity reduction within a normal situation.

The Global Risk Committee is informed at least quarterly of the situation of the different Risk Appetite metrics and the one in charge of assessing the need to activate contingency plans, analysing the proposed measures aimed at reducing risk, taking appropriate corrective measures, prioritising them according to the time of implementation and their cost.

The catalogue of measures assesses their viability in the event of stress, execution times, risks, external and systemic impact, and the action and communication plan.

- *Liquidity risk hedging and reduction policies and strategies for monitoring their effectiveness*

The Entity has liquidity risk mitigation measures that are generally used in management. Thus, the Global Risk Committee has at its disposal the adoption of measures in the retail area (strengthening the attraction of stable liabilities, slowing down the pace of investments, transfer of off-balance sheet resources [funds, insurance, plans...], self-financing of commercial activity, etc.) or in the wholesale area (recourse to the wholesale market, diversification of maturities of wholesale financing, diversification of issues and financial instruments, etc.).

These measures and the action plans in which they fit are subject to periodic review and contrast to guarantee their effectiveness and operational viability at least once a year. Additionally, and continuously from the Finance Department, the ability to access capital markets is evaluated, including volumes and indicative costs for each instrument.

With regard to action plans, the Global Risk Committee, after analyzing all available information, shall be responsible for taking corrective measures, if necessary, including their escalation to the Governing Bodies, in the event of stress situations.

- *Statements approved by the management body concerning liquidity risk*

a) Regarding the adequacy of the liquidity risk management systems established in relation to the Entity's profile and strategy.

The Risk Appetite Framework is consistent with the internal liquidity adequacy assessment process (ILAAP) that ensures the appropriate relationship between the funding profile and the Group's liquid asset holdings.

To this end, the Group has developed a self-assessment methodology, based primarily on the metrics and thresholds defined and approved in its RAF to determine inherent and residual liquidity risk. In addition, the control environment is evaluated in accordance with the SREP methodology, assessing the areas of governance, risk appetite and the internal risk management and control framework. As a result of the above, the liquidity risk profile of the Ibercaja Group is at a low level as of December 2021, with ample availability of liquid assets. Thus, the relationship between the Group's funding profile and the availability of liquid assets is adequate.

The Entity carries out a recurring internal liquidity assessment process (ILAAP) to ensure an adequate relationship between its liquidity and funding risk profile and its available liquid assets. The " Liquidity Adequacy Statement" is approved annually by the Board of Directors, concluding that the Entity's liquidity strategy, the liquid assets held, the corporate and internal governance and the risk management and control systems are adequate for the activities that the Entity develops, and the risks assumed.

The following reasons justify the Liquidity Adequacy Statement:

- The level of liquid assets available to the Group makes it possible to manage and control short and medium-term liquidity needs, avoiding misalignments in the business model.

- The LCR and NSFR ratios are well above the requirements established by the regulator.

- Prudent liquidity policy, based on financing the lending activity with retail resources, with limited recourse to the wholesale markets.

- Comfortable liquidity position and a reduced dependence on wholesale financing.

- Diversified wholesale financing in different financial instruments.

- Emission maturity schedule evenly spread over the different time frames.

- High capacity for issuing mortgage and territorial bonds.

- Degree of over-collateralization, measured as outstanding mortgage bonds over eligible portfolio, far exceeding the legal minimum.

- The volume of liquid assets is greater than the minimum necessary to cover all relevant risks and face prolonged adverse scenarios

b) Statement on the general profile of the liquidity risk of the Entity associated with the business strategy.

Ibercaja Banco has traditionally been characterized by adopting a prudent liquidity risk management policy, based on a clear vocation to finance the growth of the lending activity with retail resources, with limited recourse to the wholesale markets. This circumstance has allowed the Group to maintain a comfortable liquidity position and a reduced dependence on wholesale financing.

A buffer of unencumbered high-quality liquid assets is available as insurance against liquidity stress scenarios.

This buffer consists of a core of high-quality liquid assets, government debt or similar instruments, designated to protect the Group against the most severe stress scenarios as evidenced by the level of the LCR ratio at December 31, 2021, which stands at 452%, well above the minimum requirements set at 100%.

The size of the liquid asset buffer is set in line with the risk tolerance level set by Ibercaja in the RAF.

Along the same lines, the "Available liquidity over assets" ratio reached 26.01% on December 31, 2021.

For lower intensity but longer duration scenarios, a portfolio of unencumbered eligible assets is available, which can be converted into cash without incurring excessive losses or discounts.

Long-term obligations are also met through a variety of stable funding instruments, as shown by the net stable funding ratio (NSFR) of 152% as of December 31, 2021, well above the minimum requirement of 100%.

Based on the liquidity situation analyzed in the previous chapters and the assessment of inherent and residual risk, the Ibercaja Group does not consider it necessary to have additional liquidity buffers.

See other ratios and key figures supporting the liquidity risk profile in chapter 12 of this report.

ESG Risks

In recent years, there has been an unprecedented institutional, social and business mobilization to respond to the great challenges of sustainability: social, environmental and good governance (ESG).

Ibercaja's challenge is to ensure that its business objectives drive sustainable development, preserving natural resources and promoting a fairer and more inclusive society. To this end, it is making progress in integrating ESG aspects (environmental, social and good governance) into its strategy, business model and risk management.

- *Sustainability governance*

In December 2020, the Board of Directors approved the Sustainability Policy, as a manifestation of its firm will to contribute to the development of a more sustainable economy and financial activity, aligned with the principles, guidelines and regulations in force on the matter. This policy demonstrates and formalizes the Ibercaja Group's commitment to sustainable development and the creation of value through its activity. It also establishes the global framework of action for the Group in the area of sustainability, containing the commitments voluntarily assumed by Ibercaja with its stakeholders to promote sustainable, inclusive and environmentally friendly growth, with a long-term vision.

The Policy establishes the Bank's commitments to its main stakeholders and to the environment. Thus, Ibercaja is committed to:

- Analysing the impact of climate change, detecting needs that the transition to a decarbonized economy may present, in order to respond with business solutions that support environmental sustainability.

- Analysing climate and environmental risks, their impact on customers and on its financial activity, for their gradual integration in compliance with regulatory requirements.

- Communicating progress in environmental sustainability in a transparent manner, raising awareness internally and externally to foster a sense of environmental responsibility.
- Assuming and endorsing the main national and international commitments that help protect the environment and fight against climate change, working on their implementation.

In defining the Sustainability Policy, the recommendations of the TCFD (Task Force for Climate Related Financial Disclosures) and the Principles of Responsible Banking, signed by Ibercaja Banco in 2019, were taken as a guide to respond to the challenges of their implementation.

Additionally, the Board of Directors has reviewed and approved elements necessary to advance in the sustainable and responsible planning of the Entity: 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 inspiring goal: "To help people build the story of their lives, because it will be our story."

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 this area, in accordance with the following scheme:

Ibercaja's commitment to sustainability has been reinforced by the Bank's adherence to the United Nations Principles for Responsible Banking, as a framework for a financial system that acts as a lever for sustainable development. The Entity is also a member of UNEP-FI, the United Nations Environment Program Finance Initiative, which aims to mobilize private sector financing for sustainable development, promoting a financial sector that generates positive impacts for people and the planet.

Ibercaja has also joined other initiatives that reflect its commitment to sustainability, such as TCFD and Net Zero Banking Alliance. Ibercaja's objective with these adhesions is that they serve as a lever to continue improving its impact on the environment and its contribution to society.

- *Identification of climatic and environmental risks*

Ibercaja considers climate and environmental risks as risk factors in the risk categories currently managed by the Entity. In accordance with the indications of the TCFD (Task Force for Climate Related Financial Disclosures), they are defined and categorized as follows:

- Transition risks: are those risks linked to the evolution towards a low-carbon economy as a response to climate change. They refer to the financial losses that an entity may suffer directly or indirectly due to the process of adjusting to changes in policies or regulations, such as the establishment of limits on CO2 emissions or carbon taxes; as well as changes or technological advances and changes in consumer preferences. They are classified in:
    - Political and legal risks
    - Technological risk
    - Market risk
    - Reputational risk
- Physical risks: financial impact of a changing climate. Are those risks that come 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 financial implications for organizations, such as direct damage to assets or indirect impacts caused by production chain disruptions. They are classified in:
    - Acute risks
    - Chronic risks

Ibercaja has worked on the identification of these risks with the objectives of:

- Advance in the understanding of the characteristics and particularities of climatic and environmental risks.
- Identify the main climate risks affecting the Ibercaja Group and how they translate into current risk categories.
- Advance in the establishment and consolidation of the management model for these risks based on three lines of defence in the Entity.

In order to respond to the commitment to align the commercial strategy with the Principles of Responsible Banking and meet the ECB's climate and environmental risk management expectations, in 2021 the Entity carried out an analysis of the impacts that climatic factors could have on Spain, focusing such analysis on its main areas of action and on those economic sectors in which it has a greater presence. This analysis has focused on two large segments of Ibercaja's portfolio: the retail segment and the productive activities segment, with the aim of:

- Identifying sectors potentially most affected by climate change
- Identifying new needs for adaptation to climate change
- Identifying potential emerging risks
- Identifying business opportunities for both segments

In order to achieve this, two previous exercises were carried out; on the one hand, an analysis of the climatic vulnerability of the credit portfolio where the most relevant sectors of activity were identified by their volume of exposure and their predisposition to climatic vulnerability; and, on the other hand, an analysis of the climatic risks of real estate guarantees using data provided by the Sociedad de Tasación (SOTASA).

The purpose of the first analysis is to estimate the potential climate vulnerability of the Entity's credit portfolio, resulting in a preliminary segmentation of economic sectors with a greater predisposition to climate risk. It has been carried out based on a tool developed by ECODES in collaboration with the University of Barcelona. See more information in section 6.12.6 of the Ibercaja 2021 Annual Report (Annual Report - Corporative Website | Ibercaja Banco).

For its part, the analysis of the climatic risks of real estate guarantees, carried out based on information provided by SOTASA, focuses on the evaluation of the physical risk of the real estate portfolio, using the geographical location of the properties in guarantee, and in the evaluation of the transition risk, through the energy efficiency certificates of the houses. See more information in section 6.12.6 of the Ibercaja 2021 Management Report (Annual Report - Corporative Website | Ibercaja Banco).

The exercise analyses the physical risks related to the geographical location of the guarantees, according to specific maps of climate events. In the transition risk assessment, it is noted that the ratings of the properties in the Ibercaja portfolio are in line with the national housing park in Spain, highlighting in Ibercaja a higher percentage of homes qualified as sustainable (categories A and B).

For the segment of productive activities, in the industries identified as most predisposed to being impacted by climate risks, the main risks derive from their intensity of CO2 emissions. Given their significant weight in the Entity's portfolio, the manufacturing industry or the agriculture, livestock, forestry and fishing sectors stand out as the most relevant sectors.

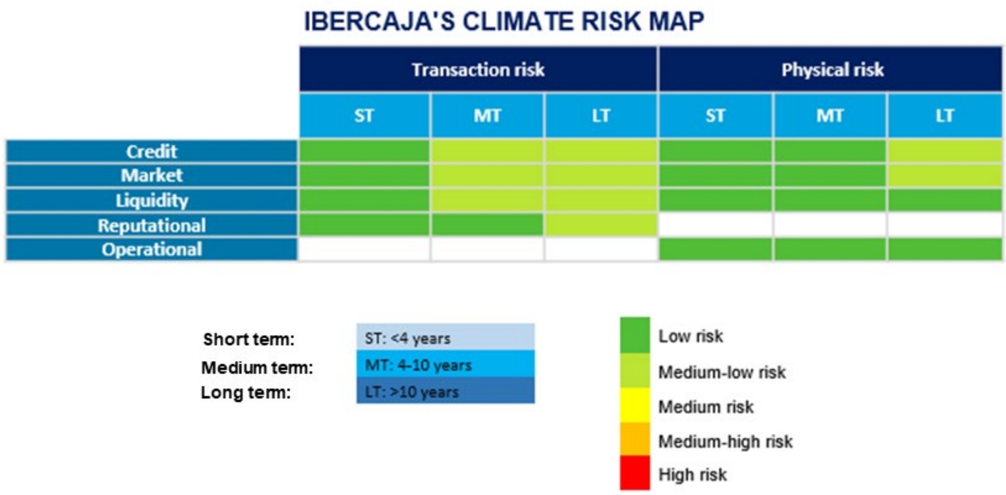
As a result of this analysis, business opportunities have been identified for the Entity related to both the retail segment (insurance ranges that cover the risk of property deterioration due to natural disasters, financing solutions for improving the energy efficiency of homes or solutions based on renting, leasing and loans for electric or hybrid vehicles), as well as with the segment of productive activities (financing of CAPEX investments necessary to improve the energy efficiency of machinery and installations, the efficiency of irrigation systems and the waste management, financing of renewable energy sources and practices that promote the decarbonisation of the agricultural sector, etc.).

- *Climate risk management*

To continue forward in the understanding of climatic and environmental risks and their transmission channels to prudential risks, Ibercaja has developed a map of climatic risks. To this end, work was done in coordination with the first lines of the main prudential risks, based on a qualitative methodology developed with a top-down approach.

First, Ibercaja prepared an inventory of climatic events, likely to impact prudential risks through its counterparties and/or assets invested through certain transmission channels. Based on the events identified in the inventory, Ibercaja carried out an initial qualitative assessment of the materiality of climate risks and their potential impact on prudential risks (credit, liquidity, market, operational and reputational) over different time horizons (short, medium long term).

This exercise resulted in a map of climate risks in which the highlighted impacts are concentrated in credit and market risk, with the most relevant risks being those of transition in the medium and long term, as well as the possible impact of physical risks in the long run.



Potential climate risk impact on prudential risks on the short, medium and long term.
Source: Prepared by the authors on the basis of the consolidated results of the risk evaluation questionnaire.

Likewise, during the year 2021 the map of operational risks was updated, identifying the environmental and climatic events that impact on this prudential risk and it has been considered how events related to the climate could negatively affect the continuity of operations.

Regarding the management of climatic and environmental risks, Ibercaja is working on the inclusion of ESG factors in the credit risk admission and monitoring processes, in line with the EBA Guide for Loan Origination and Monitoring, that defines the internal governance mechanisms and procedures of financial entities in relation to credit operations and concessions. In this sense, it has incorporated in its admission policies a reference to the consideration of ESG risks in the evaluation of clients and operations. During the 2022 financial year, the Bank will work on the implementation of an exclusion policy, as well as on the ESG rating of its corporate clients. In aspects related to the monitoring of the portfolio of productive activities, monitoring will begin on the evolution of Ibercaja's exposures with a greater predisposition to climate vulnerability.

This work will continue throughout 2022 with the aim of integrating ESG risks into the scope of their management and control activity.

Regarding liquidity risk management, the depreciation of additional liquid assets for ESG assets (including climate and environmental risks) has been included to ESG assets (including climate and environmental risks) as a novelty within the main types of risk. Finally, in market risk management, work has been done in the field of portfolio management activity by monitoring indicators that define ESG criteria (which include aspects related to climate and environmental risks) and certain selection criteria of assets that make it possible to characterize private fixed-income and variable-income portfolios.

Along the same lines, the asset managers of the Financial Group (Ibercaja Pension and Ibercaja Management), committed to the development of society and caring for and protecting the environment through socially responsible investment, are developing an internal and progressive model of selection of investments and management of extra-financial risks that is incorporated into the traditional fundamental analysis. Thus, in 2021 the following policies have been approved:

- Sustainability Policy, to highlight and formalize the Financial Group's commitment to sustainable development and the creation of value through its activity, and to establish the framework for action in terms of sustainability, containing the commitments voluntarily assumed to promote a sustainable growth, inclusive and respectful of the environment, with a long-term vision.

- Sustainability Risk Integration Policy, which establishes the principles, processes and governance framework that govern the integration of ESG risks in investment decisions.

- Exclusion Policy, in order to ensure that the investment portfolios are not exposed to unethical, irresponsible or unsustainable activities, and contribute to the achievement of the United Nations Sustainable Development Goals (SDG) within the framework of the ESG Risk Integration Policy.

- Adverse Incidents Policy, for the identification, analysis and management of the impacts of investment decisions that may have negative effects on sustainability factors.

- Involvement Policy, which includes the general principles, criteria and procedures for promoting the long-term involvement of shareholders in listed companies.

For more information, please see 2021 Annual Report of Ibercaja Banco SA and Subsidiaries (Annual Report - Corporative Website | Ibercaja Banco).

Exposure to other risks

Exposure to Market and Counterparty Risk

- *Strategies and policies for market and counterparty risk management*

a) Market risk

Market risk is defined as the possibility of incurring losses by maintaining positions in the markets as a result of an adverse movement of financial variables or risk factors (interest rates, exchange rates, share prices, etc.), which determine the value of such positions.

The Entity manages market risk in an attempt to obtain an adequate financial return in relation to the level of risk assumed, taking into account certain levels of global exposure, exposure by type of segmentation (portfolios, instruments, ratings), portfolio structure and return/risk objectives. In its management and control, sensitivity analyses and stress scenario simulations are applied to estimate its impact on results and equity.

The Board of Directors approves the strategies, policies and limits for the management of this risk, following a report from the Major Risks and Solvency Commission, as documented in the “Capital Markets Management Policy Manual”.

For the management of market risk, there are policies for the identification, measurement, monitoring, control and mitigation, as well as transaction policies regarding trading, revaluation of positions, classification and valuation of portfolios, cancellation of transactions, approval of new products, relations with intermediaries and delegation of functions.

b) Counterparty risk

It is defined as the possibility of non-payment 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 Major Risks and Solvency Commission, as documented in Ibercaja Banco's "Risk Lines Manual".

For the management of counterparty risk, the Entity has policies for identification, measurement, monitoring, control and mitigation. In addition, the Ibercaja Banco “Risk Lines Manual" establishes the criteria, methods and procedures for the granting of risk lines, the proposal of limits, the process of formalization and documentation of the transactions, as well as the procedures for monitoring and controlling the risks for financial entities, public administrations with a rating and listed and/or rated companies with a rating, with the exception of promoter entities.

The risk lines are basically established on the basis of the ratings assigned by the credit rating agencies, the reports issued by such agencies and the expert analysis of their financial statements.

For the granting of transactions related to counterparty risk to the aforementioned entities, the Capital and Balance Sheet Management Unit and the Governing Bodies are responsible for managing the assumption of risk, in accordance with the limits established for the credit lines.

The Entity uses specialized tools for the management, control and measurement of counterparty risk in order to consider the risk consumption of each product and gather under the same application the risk calculation at Group level.

- *Management, control and measurement procedures*

a) Market risk

The portfolios exposed to Market Risk are characterized by their high liquidity and the absence of materiality in the trading activity, which means that the Market Risk assumed by the trading activity is insignificant overall.

The Entity monitors the evolution of the expected loss of the management portfolio given a confidence level of 99% and a time horizon (1 day or 10 days) as a result of variations in the risk factors that determine the price of financial assets through the VaR (value at risk) indicator.

VaR is calculated using different methodologies:

- The parametric VaR assumes normality of the relative variations of the risk factors for the calculation of the expected loss of the portfolio given a confidence level of 99% and a time horizon (1 day or 10 days).
- The diversified parametric VaR takes into account the diversification offered by the correlations of risk factors (interest rates, exchange rates, share prices, etc.). It is the standard measure.
- The non-diversified parametric VaR assumes no diversification between these factors (correlations equal to 1 or -1 as the case may be) and is useful in periods of stress or changes in risk factor correlations.
- The Historical VaR Simulation uses the relative changes made in the last year in the risk factors to generate the scenarios in which the potential loss of the portfolio is assessed given a 99% confidence level and a time horizon.
- The VaR Shortfall measures, given a VaR calculated at 99% and with a time horizon of 1 day, the expected loss in the 1% of the worst results beyond the VaR. It provides a measure of losses in the event of a VaR breakout.
- In any case, the impact in absolute terms of VaR is relativized on equity.

Thus, at December 31, 2021, VaR measurement shows the following values:

(thousands of euros) Confidence level.: 99%	Diversified parametric VaR	Parametric VaR vs Own Resources	Non-diversified Parametric VaR	Non-diversified parametric VaR vs Own Resources	Historical VaR simulation	Historical VaR simulation vs Own Resources	Shortfall VaR	Shortfall VaR vs Equity
Temp. horizon: 1 day	(4,769)	0.15%	(12,966)	0.40%	(6,587)	0.20%	(6,587)	0.20%
Temp. horizon: 10 days	(15,080)	0.46%	(41,003)	1.25%	-	-	-	-

The calculation of VaR at December 31, 2020 showed the following values:

(thousands of euros) Confidence level.: 99%	Diversified parametric VaR	Parametric VaR vs Own Resources	Non-diversified Parametric VaR	Non-diversified parametric VaR vs Own Resources	Historical VaR simulation	Historical VaR simulation vs Own Resources	Shortfall VaR	Shortfall VaR vs Equity
Temp. horizon: 1 day	(5,422)	0.16%	(9,831)	0.29%	(4,411)	0.13%	(5,430)	0.16%
Temp. horizon: 10 days	(17,147)	0.51%	(31,089)	0.93%	-	-	-	-

In addition, and complementing the VaR analysis, stress tests have been performed to analyze the impact of different risk factor scenarios on the value of the portfolio being measured.

b) Counterparty risk

The limits authorized by the Board of Directors are established by investment volume weighted by the credit quality of the borrower, the term of the investment and the type of instrument.

In addition, the legal limits on concentration and large exposures are observed in application of Regulation (EU) No. 575 / 2013.

The monitoring systems ensure that the risks consumed are always within the established limits. They incorporate controls on variations in ratings and, in general, on the creditworthiness of borrowers.

Counterparty risk mitigation techniques include netting contracts, guarantee contracts, portfolio reduction in the event of adverse credit events, reduction of risk lines in the event of rating downgrades or negative news about a company, and timely monitoring of the companies' financial information.

With those entities with which a risk compensation and guarantee contribution agreement is agreed, in accordance with the requirements of the Bank of Spain, the risk may be computed by the resulting net position.

Exchange Rate Risk Exposure

It is defined as the possibility of incurring losses arising from adverse fluctuations in the exchange rates of the currencies in which the Entity's assets, liabilities and off-balance sheet transactions are denominated.

The Entity does not hold significant speculative foreign currency positions. The Entity does not hold significant open positions in foreign currencies of a non-speculative nature.

The Entity's policy is to limit this type of risk, generally mitigating it when it arises by arranging symmetrical asset or liability transactions or through financial derivatives that allow it to be hedged.

Exposure to Reputational Risk

Reputational risk is defined as the unfavorable impact that an event may have on the corporate reputation of the entities that are part of the Group. It is associated with a negative perception by stakeholders (customers, employees, society in general, regulators, shareholders, suppliers, counterparties, investors, market analysts...) that affects the Group's ability to maintain existing business relationships or establish new ones.

The management of this risk aims to protect one of the main intangible assets such as corporate reputation, avoiding the occurrence of events that could have a negative effect on it.

Reputational risk is closely related to other risks due to the amplifying effect it can have on them. In most cases, reputational risk arises from the materialization of other risks that may affect any of the Group's entities, especially regulatory risk or the risk of non-compliance with regulations (imposition of sanctions, especially in the event that they are publicly disclosed). For this reason, it has implemented policies and procedures aimed at ensuring compliance with the applicable regulations, whether internal or external.

In addition, and as a key control function, in order to mitigate the risk of experiencing possible negative impacts derived from regulatory non-compliance, the Entity and various financial entities of the Group have a regulatory compliance verification function, with supervisory powers in particularly relevant areas such as anti-money laundering and the financing of terrorism, investor protection in the marketing of financial instruments and provision of investment services (MIFID), the rules of conduct in the Securities Market, the regulations on reporting suspicious transactions of market abuse, etc.

The Group therefore attaches the utmost importance to corporate reputation management as a method for preventing, avoiding and/or managing possible reputational risks, and for its positive impact on the generation of value. Reputation metrics are developed, with recurring periodic measurements, to monitor the perception of the Entity by the general public, customers and employees, as well as the evolution of the Group in Social Networks. The results are the basis for identifying strengths, areas for improvement, possible reputational risk areas and preparing action plans to improve reputation.

During 2021, the measurement of the Entity's reputational risk has continued, identifying strengths and areas for improvement and continuing with action plans to improve reputation involving the main areas of the Entity.

Exposure to significant financial risks arising from the pandemic

In the area of financial risks, it is worth highlighting the continuity of the current scenario of low interest rates, which negatively affects commercial margins and profitability, although the capacity of the Entity to generate value in the medium and long term is high.

During 2021, the Entity has observed an improvement in credit risk due to the decrease in the levels of doubtful assets, non-performing assets and low levels of the cost of risk. A future deterioration in the quality of the Entity's credit investments as a consequence of the transfer of the aforementioned crisis to a high percentage of economic sectors cannot be ruled out. In this sense, the Entity has carried out an important reinforcement of the credit risk monitoring and control activities and has anticipated this possible impact by setting up provisions during 2020 in order to mitigate a sudden deterioration in the following years.

6.2.4 - Functions of the Board of Directors

This section covers the provisions of letter (c) of the OVA requirement – Institution risk management approach

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 the policies, manuals and procedures related to risk management. Among its competencies in relation to risk management and control are the following:

- Establish and approve the Ibercaja Group's Risk Appetite Framework (RAF) following a report from the Major Risks and Solvency Commission and review it at least annually or whenever necessary depending on the circumstances.
- Evaluate and supervise the risk profile and its adequacy to the established framework and the Group's strategy and approve the capital and liquidity self-assessment reports (ICAAP & ILAAP).
- Approve and periodically review the strategies and policies for the assumption, management, supervision and reduction of the risks to which the Group is or may be exposed, including those presented by the macroeconomic situation in which it operates in relation to the phase of the economic cycle.
- Actively participate in the management of the material risks contemplated in the solvency regulations and ensure that the organization has adequate resources for such management.
- Ensure that the necessary action plans and corrective measures are established for the management of excess limits.
- To establish and supervise the Group's risk information and control systems, subject to a report from the Major Risks and Solvency Commission.
- To ensure that all aspects of capital planning are integrated into management in line with the scenarios used in the Strategic Plan, the Risk Appetite Framework and the Funding Plan.

In this regard, the Major Risks and Solvency Committee has informed the Board of Directors that the Risk Appetite Framework of the Ibercaja Banco Group and the Risk Appetite Statement are consistent with the other policies and strategic frameworks of the Ibercaja Banco Group.

6.2.5 - Functions of the Internal Audit and Compliance Area

Internal Audit Department

Within the framework of the Ibercaja Group, the scope of the internal audit is total, thus influencing the parent company and its dependent subsidiaries, so that no activity, information system or internal control system may be excluded from its scope of action.

The general functions of the Internal Audit area in the area of risks are as follows:

- To propose, through the Audit and Compliance Commission, for approval by the Board of Directors, the Internal Audit Charter of the Ibercaja Group, which will establish the position of the Internal Audit Function in the organization, its responsibilities, the way in which these are to be developed; and the procedure for reporting the results of its verifications to the Board of Directors and Senior Management.

- To plan, coordinate and develop the Strategic Plan and the Annual Operating Plan of the Internal Audit Department.

- To propose to the Audit and Compliance Commission the Strategic Plan and the Annual Operating Plan of the Internal Audit Department, and to report periodically on the degree of monitoring.

- To ensure the quality of the methodologies, actions and reports of the Internal Audit functions.

- To permanently evaluate the adequacy and proper functioning of the governance framework, internal control information systems and risk management systems inherent to the activities of the Entity or its Group, proposing, with a preventive approach, recommendations for their improvement.

- To inform the Chief Executive Officer, Senior Management and the Internal Audit Committee of the main conclusions and recommendations resulting from the internal audits carried out, as well as the degree of implementation of these recommendations.

- To report periodically to the Board of Directors, through its Audit and Compliance Commission, on the results of the verification work carried out by Internal Audit and the degree of implementation of the recommendations.

- To participate in the dialogue with the regulatory or supervisory bodies, within the scope of its functions, and to coordinate with them the scope and content of the Internal Audit reports required by the aforementioned bodies.

Specifically, the Internal Audit area has the following specific functions:

- Functions related to technical and quality supervision:

    - Coordinate the preparation and monitoring of the Strategic Plan and the Annual Operating Plan of the Internal Audit Department.

    - Coordinate the preparation of documentation for the Internal Audit Committee and the Entity's Governing Bodies in relation to the internal audit function.

    - Prepare the information requirements of the Supervisory Bodies in relation to the internal audit function.

    - Coordinate and/or execute the work determined from time to time by the Internal Audit Department, particularly those involving a transversal scope.

- To keep the Internal Audit Statute, procedures and "normative" knowledge on internal audit matters up to date.

- Functions related to the protection of technological and information assets:

    - To ensure the correct administration and control of the technological and informational assets assigned to the Area or dependent Units and of the data deposited or managed in such applications, databases or other tools.

- Functions related to the ownership and quality of the data within the scope of the functions of the area:

    - Collaborate in the correct functional description of the data, files or reports assigned to the Area or dependent Units, defining rules that allow him/her to perform an effective control of their quality level and to establish tolerance and error thresholds.

    - Perform the correct data entry according to the established procedures, identifying improvements that minimize the operational risk.

    - Analyze data quality errors, registering incidents in the corporate database if they are not and define remediation and improvement plans to achieve the required quality levels. Collaborate in the supervision and/or execution of those remediation plans determined in the Data Governance framework.

- Functions related to information demand:

    - Control the informational demand of the Area or Dependent Units, prioritizing the attention according to the contribution of value for the Entity and the available budgetary framework, documenting in a complete way the required needs and certifying the result of the requests of the Area or Dependent Units.

- Functions related to operational risk:

    - Manage the Operational Risk implicit in the Area's functions, identifying and assessing the possible operational risks associated with them, promoting continuous improvement systems and complying with the Operational Risk Management Framework.

Regulatory Compliance Department

The functions performed in the Regulatory Compliance Unit in relation to risk control and review, in general:

- Perform the internal control competencies attributed to the regulatory compliance function in the regulations of credit institutions and entities that provide investment services.

- Ensure compliance with regulations on matters within its competence, which may affect the development of the activity of Ibercaja, and non-compliance with which may cause risks of sanction by regulators and reputational risks for the Entity.

- Ensure the correct application of the procedures established in the regulations on transparency and customer protection (both for banking products and in the field of investment services) -customer compliance-.

- Ensure the proper application of the procedures related to the Customer Care Service in accordance with the provisions of Order ECO/734/2004, of March 11, on customer care departments and services and the customer ombudsman of financial institutions, and Order ECC/2502/2012, of November 16, which regulates the procedure for submitting complaints to the complaint's services of the Bank of Spain, the National Securities Market Commission and the Directorate General of Insurance and Pension Funds.

- Carry out, in collaboration with the Customer Service Department, the Legal Department and the Marketing and Digital Strategy Department and the Branch Network Department, a systematic evaluation of complaints in order to identify and correct their origin and mitigate possible associated risks.

- Ensure that the development and updating of the Entity's Policies and Manuals are in line with current regulations, the guidelines and agreements adopted by the Entity's governing bodies, as well as the consistency and absence of inconsistencies between them.

- To verify, in coordination with the various competent Departments and Units, the correct identification and compliance with their legal obligations within the scope of their respective competencies, supervising the effective application of the procedures and controls established for such purpose, particularly in matters of prevention of money laundering, tax matters, protection of personal data, protection of consumers and users, and the provision of services in the area of the securities market.

- Coordinate the implementation and monitoring of the Entity's criminal risk prevention model, as well as the application by the Departments and Units involved of high-level and specific controls in the Entity's different areas of activity.

Specifically, the Regulatory Compliance area has the following specific functions:

- Functions referring to Information and Office Services:

    - Prepare, in coordination with the Regulations Unit, the instructions and guidelines referring to matters within its competence, proposing their publication and ensuring their permanent updating.

    - Collaborate with the Internal Consultation System for the efficient resolution of user queries regarding matters within its competence.

- Functions related to Training:

    - Collaborate with the Personnel Area Management and with the Legal Department in the preparation and definition of contents of training programs for directors and employees in the field of regulatory compliance in the securities market environments, prevention of money laundering and financing of terrorism.

- Prepare and periodically supervise the effective implementation of the Regulatory Compliance Program approved by the Entity's governing bodies.

- Submit to senior management and the governing bodies, through the General Secretary, the corresponding periodic reports within the scope of its competencies, as well as the periodic reports on the degree of monitoring of the Regulatory Compliance Program, assisting them in the establishment of improvement or updating plans when appropriate.

- Act as interlocutor, within the scope of its competencies, with supervisory bodies (Bank of Spain, European Central Bank, SEPBLAC, CNMV), including the control of the coordination of responses to requirements and the review of compliance with recommendations.

Relating to the scope of control of regulatory monitoring, the Regulatory Compliance Unit has the following functions:

- Study and monitor regulatory standards (in particular the EBA Guidelines or any other body or authority with competence in banking matters) and supervisory standards and criteria in the area of internal governance of the institution, transparency and rules of conduct in the provision of banking and investment services to customers, as well as risk management and control.

- Analyse the impact that the aforementioned regulations and criteria may have on the entity's internal policies and manuals, sending the necessary reports to the units involved for their consideration.

- Ensure that the Regulatory Programmes Unit, which reports to the Directorate of Organisation, together with the various Area Directorates and competent Units, undertake the projects and actions required to adapt to the new provisions in force in the aforementioned areas, based on the impact map and the corresponding GAP analysis that these Directorates have carried out.

- Periodically inform the Regulation and Supervision Committee of the follow-up of the projects of adaptation to the new regulatory provisions that are most relevant for the Entity in the area of its competencies.

- Promote knowledge of changes in regulatory and supervisory standards in the aforementioned areas among the units involved, participating, where appropriate, in training tasks in coordination with the Personnel Area and the Regulations Unit.

- Participate, in coordination with the Personnel Area, in training programmes for employees who are to perform functions related to the regulatory and supervisory environment, promoting and preparing, where appropriate, the contents of such training.

6.2.6 – Risk Information Reporting

This section covers the provisions of letters (d) and (e) of OVA requirement – Institution risk management approach.

Ibercaja Group has determined, for each of the significant risks identified in the Risk Appetite Framework, a list of metrics that reflect and manage the Group's risk profile and business model.

Once the Risk Appetite Framework has been established, which is updated at least once a year, a set of dashboards, limits and alerts have been established, which are reported quarterly to the members of the Global Risk Committee (metrics of first and second level), as well as the Major Risks and Solvency Committee and the Board of Directors (first level metrics). The reporting analyses the main most significant circumstances that may have affected management in the period and their impact on the risk profile, measured through the situation of the first level indicators for each of the risks in terms of risk appetite, tolerance or capacity.

A distinction can be made between quantitative metrics and qualitative metrics. Quantitative metrics will be identified for those risks that can be measured or quantified, while other risks, such as regulatory compliance, for example, will be monitored using qualitative criteria.

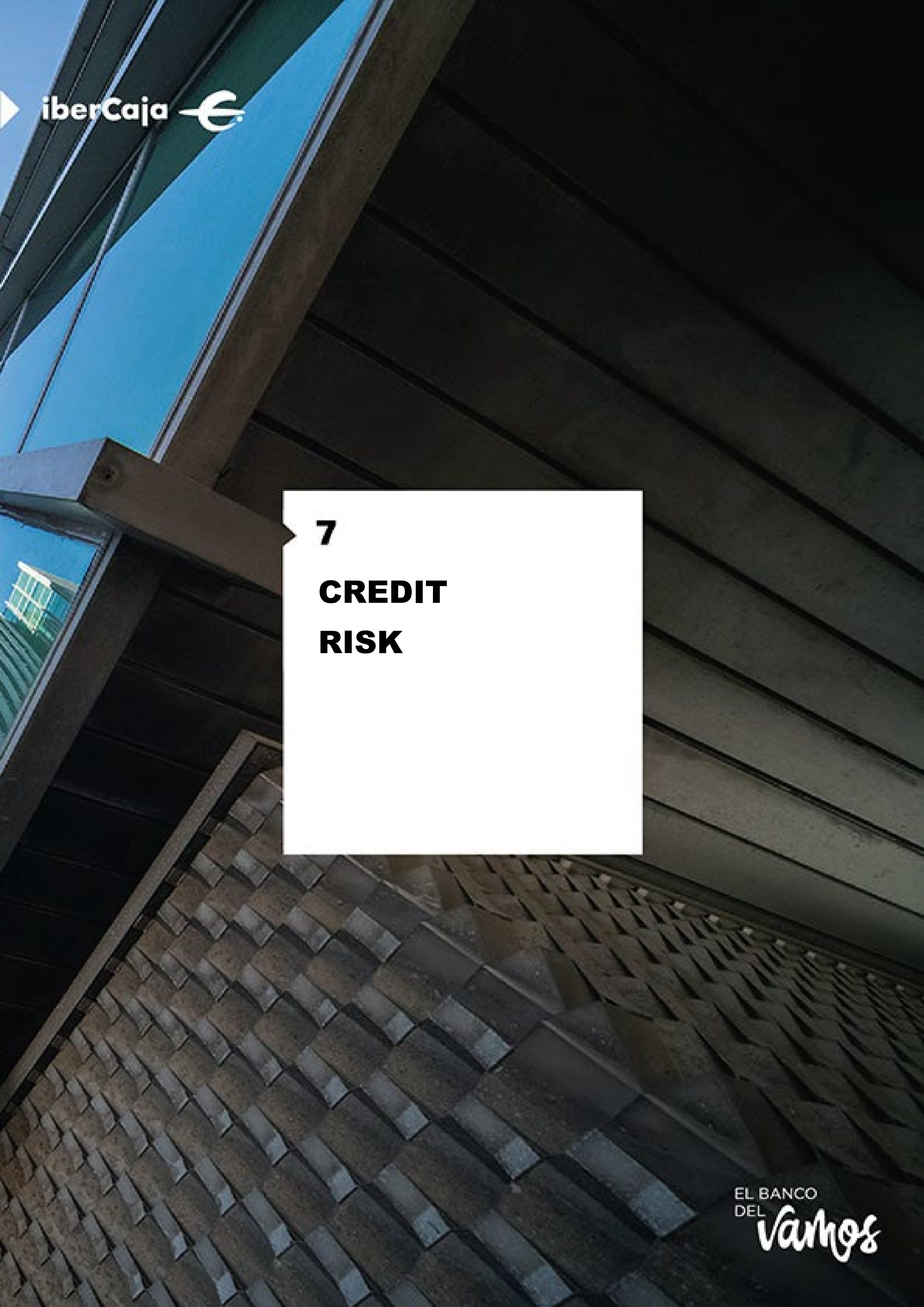
The metrics are also divided into:

- First-level metrics: High-level indicators with thresholds, monitored periodically by the Global Risk Committee, the Major Risks and Solvency Commission and the Board of Directors.

- Operational or second level limits: Risk management and control limits required to ensure compliance with the risk appetite defined by the Group. The operating limits are developed in the corresponding risk management policies and procedures manuals. The monitoring of these limits is carried out by the Global Risk Committee and is submitted to higher bodies in those cases where it is deemed necessary.

Additionally, a set of scorecards, limits and alerts have been established for monitoring and reporting to Senior Management and Governing Bodies. In relation to the Risk Appetite Framework, Recovery Plan and ICAAP on a quarterly basis, and in relation to each of the risks (credit, liquidity, market, operational, etc.) on a monthly basis, monitoring reports are submitted to the Global Risk Committee, which are subsequently submitted to the Major Risks and Solvency Commission and the Board of Directors. The reporting analyses the main most significant circumstances that may have affected management in the period and their impact on the risk profile, measured through the situation of the first level indicators for each of the risks in terms of risk appetite, tolerance or capacity.

In this way, each Area Manager is aware of the current situation of the relevant risks and channels this information to the corresponding units and risk takers, thus facilitating the integration of the Risk Appetite Framework into the Entity's risk culture.



7 CREDIT RISK

7. Credit risk

7.1 – Accounting definitions and methodological descriptions

This section covers CRB requirement – Additional disclosure related to the credit quality of assets.

Credit risk management is one of the Group's priorities, aimed at facilitating the growth of lending in a sustained and balanced manner, guaranteeing at all times financial and equity solidity, with the objective of optimizing the risk-return ratio within the tolerance levels set by the Board of Directors on the basis of the management principles and action policies defined.

The Board of Directors approves the management framework, strategies, policies and limits for the management of this risk, following a report from the Major Risks and Solvency Commission, documented in the "Credit Risk Management Framework", "Irregular Assets Management Framework" and "Risk Models Management Framework" as well as the various policy manuals developed on the basis thereof. These manuals include, among others, the criteria for action in the main business segments and the maximum risk lines with the main borrowers, sectors, markets and products. The Board of Directors is responsible for authorizing risks that exceed the competence of the operating circuit.

The monitoring and accounting treatment of credit risk carried out in the Entity is based on the provisions of IFRS 9 and Annex IX of Bank of Spain Circular 4/2017 of November 27 and its subsequent amendments.

<u>Definition of the classification categories</u>

Credit exposures are classified, based on credit risk, into:

- Normal risk (stage 1): a transaction shall be understood to be in this stage when there has been no significant increase in risk since its initial recognition. If applicable, the allowance for losses (or provision) will reflect the expected credit losses resulting from possible defaults during the 12 months following the reporting date.

- Normal risk under special surveillance (stage 2): in the event that a significant increase in risk has occurred since the date on which it was initially recognized, without impairment having materialized, the transaction will fall within this stage. In this case, the amount related to the valuation adjustment for losses will reflect the expected losses due to defaults over the residual life of the financial instrument.

- Doubtful risk (stage 3): a transaction will be classified within this stage when it shows effective signs of impairment as a result of one or more events that have already occurred and that will materialize in a loss. In this case, the amount related to the valuation adjustment for losses will reflect the expected losses due to credit risk over the expected residual life of the financial instrument. Its classification may occur:

    - Due to the holder's default: transactions with an overdue amount of principal, interest or contractually agreed expenses, generally more than 90 days old, unless they should be classified as defaulted. This category also includes guarantees granted when the guaranteed party has defaulted on the guaranteed transaction. Also included are the amounts of all the transactions of a holder when the transactions with amounts overdue in general, as indicated above, of more than 90 days old, are greater than 20% of the amounts pending collection.

- For reasons other than the holder's delinquency: transactions in which, without meeting the circumstances to classify them as write-offs or doubtful due to delinquency, there are reasonable doubts as to their full repayment under the contractually agreed terms; as well as off-balance sheet exposures not classified as doubtful due to delinquency whose payment by the Group is probable and their recovery doubtful.

To determine the existence of reasonable doubt as to the total repayment of these transactions, the Entity performs an analysis of indicators in transactions that do not present amounts overdue more than 90 days, which may or may not automatically classify the transaction as stage 3.

- Write-off risk: transactions for which, after an individualized analysis, it is considered that there is no reasonable expectation of recovering all or part of them, due to a notorious or unrecoverable deterioration of the solvency of the transaction or of 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 in insolvency proceedings for which it is recorded that the liquidation phase has been declared or is about to be declared, unless they have effective collateral covering at least 10% of the gross carrying amount of the transaction.

  - Doubtful risks for reasons of default with an age of 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, except for those balances that have effective collateral covering at least 10% of the gross book value of the transaction.

  In the above situations, the Group removes from the balance sheet any amount recorded together with its provision, without prejudice to any actions that may be taken to attempt to collect it until the rights to receive it have been definitively extinguished, whether due to expiration of the statute of limitations, forgiveness or other causes.

Refinancing and restructuring

The credit risk management policies and procedures applied by the Group guarantee a detailed monitoring of borrowers, highlighting the need to make provisions when there is evidence of deterioration in their solvency. Therefore, the Group establishes the required loan loss provisions for those transactions in which the borrower's situation so requires before formalizing the restructuring/refinancing transactions.

For refinanced transactions, the algorithm establishes their initial classification based on their characteristics, mainly the existence of financial difficulties in the borrower and the existence of certain clauses such as extended grace periods; subsequently, the algorithm modifies the initial classification based on the cure periods established.

The refinancing, restructuring, renewal and renegotiation policies established by the Group are detailed in Note 3.5.5.2 to the Consolidated Financial Statements 2021 (Periodic Information - Corporative Website | Ibercaja Banco).

Determination of hedges

Once the accounting classification of the borrower and consequently of its operations has been determined, the hedges for credit risk losses are calculated. These hedges can be obtained by individual or collective analysis.

The criteria for the selection of portfolios for the development of internal models in the collective evaluation of impairment, have followed the principles of significance and complexity, and offer results adequate to the reality of the operations in the current economic environment.

The Group applies the criteria described below for the calculation of credit risk loss hedges:

The amount of the hedges for impairment losses is calculated based on 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, coverage for impairment losses on transactions is equal to:

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

- Expected credit losses over the life of the transaction, if the risk of the occurrence of an event of default on the transaction has increased significantly since its initial recognition (stage 2).

- Expected credit losses over the life of the transaction, when an event of default has occurred in the transaction (stage 3).

The Group incorporates forward-looking information in the calculation of the expected loss, for which it uses scenario projection models.

The application of different scenarios to reflect the effect of the non-linearity of losses leads to the estimation of the necessary hedges for different scenarios, including those that are unlikely but plausible. Specifically, 3 macroeconomic scenarios have been considered, a central scenario, an adverse scenario and a favorable 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 evolution of the pandemic and the moment of normalization of a large part of the economy. The projections of these scenarios are based on 3-year time horizons, with the variables considered being the evolution of GDP, the unemployment rate and housing prices, among others.

The Group has also estimated prepayment rates for different products and segments based on observed historical data. These prepayment rates are applied in the determination of the expected loss of the exposures classified in Stage 1 and Stage 2. In addition, the amortization schedule agreed upon for each transaction is applied.

On the other hand, a coverage percentage of 0% is applied to transactions identified as having no appreciable risk (basically those carried out with central banks, public administrations and companies and financial entities, all of them belonging to the European Union or to certain countries considered to be risk-free) (based on the historical analysis of these transactions and the backtesting analyses performed), except in the case of transactions classified as doubtful, in which an individualized estimate of the impairment is made. In the estimation process, the amount required to hedge the credit risk attributable to the holder on the one hand and the country risk on the other is calculated. When there are simultaneous reasons for hedging the holder's credit risk and country risk, the most strict hedging criteria are applied.

The Group considers as exposure metrics for hedging the current balances drawn down and the estimate of the amounts expected to be disbursed in the event of default on off-balance sheet exposures by applying a Credit Conversion Factor (CCF).

For transactions classified as doubtful, an estimate is made of the expected losses, understood as the difference between the current exposure amount and the estimated future cash flows.

Subsequently, these cash flows are discounted at the current effective interest rate of the financial asset (if its contractual rate is fixed) or at the effective contractual interest rate at the discount date (when this is variable).

The following sections describe the Group's different methodologies:

<u>Individualized estimates of hedges</u>

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

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

The Group has developed a methodology for estimating these hedges, calculating the difference between the carrying amount of the asset and the present value of future cash flows expected to be collected (excluding future credit losses not incurred), discounted at the current effective interest rate of the financial asset. Likewise, the calculation of the present value of the estimated future cash flows of a collateralized financial asset shall reflect the cash flows that could result from the enforcement of the collateral, less the costs of obtaining and selling the collateral, regardless of whether the enforcement of the collateral is probable or not, through the application of a haircut on the collateral.

The following methods are established for the calculation of the recoverable value of assets evaluated at an individual level:

- Generation of cash flows from the borrower's own activity (Going Concern): this will be applied to borrowers for whom it is estimated that they will be able to generate future cash flows from the development of their own business that will allow repayment of part or all of the debt contracted. Additionally, it is possible that such cash flows may be complemented with potential sales of non-essential assets for the generation of the aforementioned cash flows.

- Foreclosure of guarantees (Gone Concern): will be applied for those borrowers who do not have the capacity to generate cash flows with the development of their own business, and the only way to recover the investment is the foreclosure and subsequent liquidation of their assets.

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

The Group incorporates the application of macroeconomic scenarios in its methodology for calculating provisions for individually significant borrowers, through the incorporation of an add-on calculated from the Group's internal models.

Collective estimation of hedges

The Group estimates expected credit losses collectively in those cases in which they are not estimated on an individual basis.

The criteria for the selection of portfolios for the development of internal models have followed the principles of significance, complexity and offer results appropriate to the reality of the operations in the current economic environment.

The Group has carried out a prior study of the transactions subject to collective hedge calculation. As a result of this study, the Group has selected the following portfolios for the development of internal methodologies:

- Home purchase,

- Credit cards, and

- Corporates (SMEs).

The following portfolios are excluded from using internal models:

- Consumer,

- Self-employed,

- Large Companies, and

- Developers.

For the excluded portfolios, apart from the borrowers that are subject to individualized analysis, the Group performs the collective 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 on future conditions. In any case, these models are periodically tested retrospectively to ensure the reasonableness of the provision.

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

- The impairment estimation process takes into account all credit exposures, except those without appreciable risk and not doubtful, for which impairment estimation methods are used based on data and statistical models that aggregate the average behavior of entities in the banking sector in Spain. The Group recognizes an impairment loss equal to the best estimate by internal models available, taking into account all relevant information available on the conditions existing at the end of the period over which it is calculated. The Group has identified the following transactions with no appreciable risk for the estimation of credit risk coverage:

    - Transactions with central banks.

    - Transactions with Public Administrations of European Union countries, including those derived from reverse repurchase loans of securities representing public debt.

    - Transactions with Central Governments of countries classified in Group 1 for country-risk purposes.

    - Transactions in the name of deposit hedge funds and resolution funds, provided that their credit quality is comparable to those of the European Union.

    - Transactions in the name of credit institutions and financial credit establishments 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 public bodies or companies of other countries classified in Group 1 for country-risk purposes whose main activity is the underwriting or guaranteeing of credit.

    - Transactions with non-financial companies that are considered to be in the public sector.

    - Advances on pensions and payrolls corresponding to the following month, provided that the paying entity is a public administration and that they are domiciled in the entity.

    - Advances other than loans.

- In order to make a collective assessment of impairment, financial assets are grouped according to the similarity of their credit risk characteristics (such as type of product, purpose of financing, trade identifier, collateral, etc.) in order to estimate differentiated risk parameters for each homogeneous group. This segmentation is different according to the estimated risk parameter and makes it possible to obtain a more accurate calculation of expected losses by taking into account the different elasticities of the risk parameters to the cycle and maturities. The segmentation takes into account the historical experience of losses observed for a homogeneous group of assets (segment), once conditioned to the current economic situation, which is representative of the unreported incurred losses that will occur in that segment. This segmentation discriminates risk, is aligned with management and is used in the Group's internal models with various uses contrasted by the internal control units and the supervisor. Finally, it is subject to recurrent back-testing and frequent updating and revision of estimates to incorporate 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 based on the following parameters:

- Probability of Default (PD): probability that impairment of an asset (corresponding to a borrower or homogeneous set of borrowers) will occur over a certain time horizon (appropriate to the period of identification/emergence of impairment).

- Probability of recovery: percentage of recovery on the asset, in the event that the impairment event occurs (determined by the previous parameter, probability of impairment).

- Collateral discount: percentage of loss in value of collateral.

- Exposure at the time of default: risk exposure that the Group will have at the time of the impairment of the borrower (from which the aforementioned probability of impairment is determined).

Based on the descriptions set out in Note 2.3. of the Consolidated Financial Statements for 2021 (Periodic Information - Corporative Website | Ibercaja Banco), the following accounting criteria are considered within the Group:

- A financial asset or other exposure involving credit risk is considered to be impaired and its carrying amount is written down when there is objective evidence that events have occurred that give rise to:

  - In the case of debt instruments (loans and advances, and debt securities), a negative impact on future cash flows that were estimated at the time the transaction was entered into.

  - In the case of other exposures involving credit risk, other than debt instruments, a negative impact on the future cash flows that would be expected in the event of drawdown of the loan commitment and the cash flows expected to be received if the commitment is drawn down, or in the case of financial guarantees granted, on the payments that the Entity expects to make.

- Impairment losses for the period on debt instruments are recognized as an expense under "Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss and net gains or losses on modification" in the consolidated income statement. For debt instruments classified as financial assets at amortized cost, such impairment losses are recognized against an allowance account that reduces the carrying amount of the asset, while for debt instruments classified at fair value through other comprehensive income, impairment losses are recognized against "accumulated other comprehensive income".

- Hedges 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 for the period for these exposures are recorded as an expense in the consolidated income statement.

- Subsequent reversals of previously recognized impairment loss hedges are recorded immediately as income in the consolidated income statement for the period.

Further information on accounting descriptions and methodologies can be found in the aforementioned note to the Consolidated Financial Statements for 2021 (Periodic Information - Corporative Website | Ibercaja Banco).

To calculate the requirements for credit risk, the Entity uses the definition of default contained in the EBA/GL/2016/07 Guidelines published by the European Banking Authority on the application of the definition of default in accordance with article 178 of Regulation (EU) No. 575/2013. The ranking will be determined based on the following factors:

a) the debtor maintains amounts past due for more than 90 days with respect to any significant credit obligation to the entity, the parent company or any of its subsidiaries. An overdue credit obligation is considered to be any amount of principal, interest or commissions that has not been paid on the date it was due.

b) the Entity considers that there are reasonable doubts, through the activation of probable non-payment indicators, about the payment of all of its credit obligations to the entity itself, the parent company or any of its subsidiaries, without resorting to actions such as the execution of guarantees.

For retail exposures, the definition of default is applied first at the level of a specific credit facility, rather than relative to a borrower's total obligations.

The Entity applies the double threshold of importance of overdue credit obligations established by the competent authorities in Regulation (EU) 2018/1845, so that credit obligations overdue for more than 90 days will only not be considered in default when they do not exceed both thresholds:

a) the sum of all the amounts in respect of which the debtor is in arrears with the credit institution, its parent company or any of its subsidiaries is equal to:

   i. for retail exposures, € 100,

   ii. for other exposures, € 500;

b) the amount of the credit default obligation is equal to 1% of the total amount of exposures to that debtor on the balance sheet of the credit institution, its parent company or any of its subsidiaries, excluding equity exposures.

The definition of what constitutes a restructured exposure used for the purposes of applying Article 178(3)(d) of the CRR, as specified by the EBA Default Guidelines pursuant to Article 178 of the CRR matches the definition of restructured and refinanced exposures that is included in Annex V of Commission Implementing Regulation (EU) 2021/451.

7.2 - Credit risk exposure

7.2.1 - Overview of performing and non-performing exposures and related provisions

The following table corresponds to EU CR1 template as of December 31, 2021, showing the Entity's non performing exposures, performing exposures and related provisions.

Table 34: Template EU CR1 - Performing and non-performing exposures and related provisions.

Performing and non-performing exposures and related provisions

	(thousands of euros)	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount / nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
5	Cash balances at central banks and other demand deposits	6,167,138	6,167,138	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Loans and advances	30,705,103	29,244,010	1,461,093	850,212	103,497	716,343	-149,530	-45,844	-103,686	-390,904	-7,593	-381,859	-	24,497,498	455,712
20	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	General governments	672,785	672,785	-	178	-	178	-2	-2	-	-178	-	-178	-	46,151	-
40	Credit institutions	358,060	358,060	-	-	-	-	-	-	-	-	-	-	-	-	-
50	Other financial corporations	1,782,989	1,782,959	31	30	-	30	-184	-181	-2	-29	-	-29	-	1,624,243	-
60	Non-financial corporations	6,994,963	6,313,192	681,772	354,128	27,028	309,814	-82,537	-26,789	-55,747	-222,978	-2,472	-219,104	-	4,052,711	128,480
70	Of which SMEs	5,109,289	4,543,437	565,853	333,027	26,196	296,282	-73,104	-21,526	-51,577	-215,338	-2,296	-211,639	-	3,533,827	115,227
80	Households	20,896,305	20,117,015	779,289	495,876	76,469	406,320	-66,808	-18,872	-47,937	-167,719	-5,122	-162,549	-	18,774,392	327,232
90	Debt securities	10,499,959	10,499,959	-	-	-	-	-370	-370	-	-	-	-	-	1,823,065	-
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	10,357,556	10,357,556	-	-	-	-	-	-	-	-	-	-	-	1,815,843	-
120	Credit institutions	67,365	67,365	-	-	-	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	7,043	7,043	-	-	-	-	-30	-30	-	-	-	-	-	-	-
140	Non-financial corporations	67,996	67,996	-	-	-	-	-340	-340	-	-	-	-	-	7,221	-
150	Off-balance-sheet exposures	4,085,308	3,992,403	92,905	53,353	1,061	35,474	7,304	5,240	2,064	9,403	39	9,361		1,521,345	23,681
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170	General governments	228,315	228,315	-	1	-	1	-	-	-	-	-	-		2,763	-
180	Credit institutions	52	52	-	-	-	-	-	-	-	-	-	-		-	-
190	Other financial corporations	114,479	114,478	1	-	-	-	5	5	-	-	-	-		3,420	-
200	Non-financial corporations	2,677,177	2,595,142	82,036	49,537	566	32,429	6,555	4,753	1,803	8,599	9	8,589		1,348,199	22,876
210	Households	1,065,284	1,054,416	10,869	3,816	495	3,044	745	482	262	803	30	772		166,965	804
220	**Total**	**51,457,508**	**49,903,510**	**1,553,998**	**903,565**	**104,558**	**751,817**	**-142,596**	**-40,974**	**-101,622**	**-381,501**	**-7,554**	**-372,498**	**-**	**27,841,908**	**479,393**

7.2.2 - Overview of exposures according to their weighting in the standardized approach

The EU CR5 template, included below, provides information on exposures according to their weighting using the standardized approach.

Table 35: Template EU CR5 – Standardised approach

	Standardised approach																	
	(thousands of euros)	Risk weight															Total	Of which unrated
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Otras		
	Exposure classes	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1	Central governments or central banks	17,344,593	-	-	-	-	-	-	-	-	616,497	-	178,418	-	-	-	18,139,508	18,139,508
2	Regional government or local authorities	851,005	-	-	-	-	-	-	-	-	-	-	-	-	-	-	851,005	851,005
3	Public sector entities	636,745	-	-	-	30,915	-	57,317	-	-	-	-	-	-	-	-	724,977	667,660
4	Multilateral development banks	7,385	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,385	7,385
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	- 0	70,923	-	-	353,507	-	57,650	-	-	14	-	-	-	-	-	482,094	420,352
7	Corporates	-	247,003	-	-	4,809	-	16,213	-	-	3,715,842	3,937	-	-	-	-	3,987,804	3,790,808
8	Retail exposures	-	-	-	-	-	-	-	-	4,214,184	-	-	-	-	-	-	4,214,185	4,214,185
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	17,592,856	696,787	-	-	-	-	-	-	-	-	18,289,644	18,289,644
10	Exposures in default	-	-	-	-	-	-	-	-	-	363,647	54,253	-	-	-	-	417,900	417,900
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	207,401	-	-	-	-	207,401	207,401
12	Covered bonds	-	-	-	-	21,268	-	-	-	-	-	-	-	-	-	-	21,268	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	14,926	-	-	-	-	-	-	-	-	14,926	-
14	Units or shares in collective investment undertakings	123,871	-	-	-	2,190	-	-	-	32	15,057	-	-	-	1,518	-	142,668	142,668
15	Equity exposures	-	-	-	-	-	-	-	-	-	719,970	-	2,524	-	-	-	722,494	722,494
16	Other items	446,074	-	-	-	-	-	-	-	-	1,446,273	-	-	-	-	-	1,892,346	1,892,346
17	**Total**	**19,409,673**	**317,926**	**-**	**-**	**412,689**	**17,592,856**	**842,893**	**-**	**4,214,216**	**6,877,300**	**265,591**	**180,942**	**-**	**1,518**	**-**	**50,115,606**	**49,763,357**

7.2.3 - Overview of exposures (by maturity and quality by activity)

Below is the EU CQ5 template as of December 31 2021, showing by sector, the credit quality of loans and advances to non-financial corporations.

Table 36: Template EU CQ5 - Credit quality of loans and advances to non-financial corporations by industry

	Credit quality of loans and advances to non-financial corporations by industry						
	(thousands of euros)	a	b	c	d	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment		
				Of which defaulted			
010	Agriculture, forestry and fishing	387,064	14,322	14,322	385,568	-11,742	-
020	Mining and quarrying	16,411	781	781	16,411	-328	-
030	Manufacturing	1,480,546	40,670	40,670	1,480,546	-38,481	-
040	Electricity, gas, steam and air conditioning supply	170,456	568	568	170,456	-1,636	-
050	Water supply	61,902	758	758	61,902	-798	-
060	Construction	1,472,554	93,056	92,898	1,472,554	-60,396	-
070	Wholesale and retail trade	1,559,723	67,277	67,214	1,559,723	-65,349	-
080	Transport and storage	402,365	13,817	13,817	402,365	-14,406	-
090	Accommodation and food service activities	186,787	24,246	24,246	186,787	-25,835	-
100	Information and communication	120,061	5,503	5,503	120,061	-3,972	-
110	Real estate activities	458,597	33,351	19,748	458,597	-29,672	-
120	Financial and insurance actvities	242,223	764	764	242,223	-4,180	-
130	Professional, scientific and technical activities	305,333	32,900	32,809	305,333	-24,570	-
140	Administrative and support service activities	223,935	10,080	10,080	223,935	-8,805	-
150	Public administration and defense, compulsory social security	50,037	-	-	50,037	-1	-
160	Educaction	26,905	1,508	1,507	26,905	-1,144	-
170	Human health services and social work activities	70,138	3,289	3,288	70,138	-3,511	-
180	Arts, entertainment and recreation	42,141	9,630	9,630	40,863	-7,876	-1,278
190	Other services	71,914	1,608	1,608	71,914	-1,534	-
200	**Total**	**7,349,092**	**354,128**	**340,211**	**7,346,318**	**-304,236**	**-1,278**

The maturities of the exposures as of December 31 2021, included in the EU CR1a template, are detailed below:

Table 37: Template EU CR1-A - Maturity of exposures

	(thousands of euros)	a	b	c	d	e	f
		Net exposure value					
		On demand	≤ 1 year	> 1 year ≤ 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	4,403	3,940,094	3,798,735	21,643,505	1,628,144	31,014,881
2	Debt securities	-	978,915	4,032,751	5,487,922	-	10,499,589
3	**Total**	**4,403**	**4,919,010**	**7,831,486**	**27,131,427**	**1,628,144**	**41,514,470**

7.2.4 - Overview of non-performing and performing exposures by maturity, geographic area and variation in non-performing loans.

The EU CQ4 template is not prepared by the Entity because the NPL ratio does not exceed 5% and the original non-domestic exposures in all countries other than its own and in all exposures are less than 10% of the total original exposures (domestic and non-domestic).

Variations in the volume of non-performing loans and advances are shown below, detailing the amount of inflows and outflows of the Entity's non-performing portfolios.

Table 38: Template EU CR2 - Changes in the stock of non-performing loans and advances

	Changes in the stock of non-performing loans and advances (thousands of euros)	a
		Gross carrying amount
10	**Initial stock of non-performing loans and advances**	**1,012,937**
20	Inflows to non-performing portfolios	320,852
30	Outflows from non-performing portfolios	483,577
40	Outflows due to write-offs	150,943
50	Outflow due to other situations	332,634
60	**Final stock of non-performing loans and advances**	**850,212**

The following table shows a breakdown of non-doubtful and doubtful exposures by past due days:

Table 39: Template EU CQ3 - Credit quality of performing and non-performing exposures by past due days

	Credit quality of performing and non-performing exposures by past due days												
	(thousands of euros)	a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount / nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	6,167,138	6,167,138	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	30,705,103	30,625,604	79,498	850,212	271,163	38,989	61,661	91,258	195,493	86,882	104,765	849,092
020	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
030	*General governments*	672,785	672,785	-	178	-	-	-	-	147	-	-	174
040	*Credit institutions*	358,060	358,060	-	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	1,782,989	1,782,962	28	30	-	-	-	-	12	-	-	30
060	*Non-financial corporations*	6,994,963	6,983,639	11,325	354,128	114,957	13,429	23,444	48,496	99,006	16,418	38,378	353,811
070	*Of which SMEs*	5,109,289	5,098,741	10,548	333,027	101,809	12,383	21,297	46,175	97,261	16,418	37,684	332,711
080	*Households*	20,896,305	20,828,159	68,146	495,876	156,206	25,559	38,218	42,714	96,328	70,465	66,387	495,076
090	Debt securities	10,499,959	10,499,959	-	-	-	-	-	-	-	-	-	-
100	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
110	*General governments*	10,357,556	10,357,556	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	67,365	67,365	-	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	7,043	7,043	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	67,996	67,996	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	4,085,308	-	-	53,353	-	-	-	-	-	-	-	52,692
160	*Central banks*	-			-								-
170	*General governments*	228,315			1								1
180	*Credit institutions*	52			-								-
190	*Other financial corporations*	114,479			-								-
200	*Non-financial corporations*	2,677,177			49,537								49,292
210	*Households*	1,065,284			3,816								3,401
220	**Total**	**51,457,508**	**47,292,701**	**79,498**	**903,565**	**271,163**	**38,989**	**61,661**	**91,258**	**195,493**	**86,882**	**104,765**	**901,784**

7.2.5 - Overview of forborne exposures and security interests obtained through takeover and enforcement processes

The following table shows the detail of the forborne exposures as of December 31, 2021:

Table 40: Template EU CQ1 - Credit quality of forborne exposures

		Credit quality of forborne exposures							
		a	b	c	d	e	f	g	h
	(thousands of euros)	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	170,809	367,776	367,595	327,993	-9,760	-143,520	355,267	206,299
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	3	12	12	12	0	-13	2	-
060	Non-financial corporations	32,452	153,981	153,824	138,569	-2,880	-82,205	89,397	62,497
070	Households	138,354	213,783	213,759	189,412	-6,880	-61,303	265,867	143,802
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	1,798	2,000	2,000	1,860	71	223	2,852	1,394
100	**Total**	**172,607**	**369,776**	**369,595**	**329,853**	**-9,689**	**-143,297**	**358,119**	**207,693**

The EU CQ7 template below shows the collateral obtained through takeover and enforcement processes:

Table 41: Template EU CQ7 - Collateral obtained by taking possession and execution processes

	(thousands of euros)	a	b
		Collateral obtained by taking possession and execution processes	
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
010	Property, plant and equipment (PP&E)	-	-
020	Other than PP&E	401,610	-185,264
030	*Residential immovable property*	105,230	-26,946
040	*Commercial Immovable property*	296,079	-158,318
050	*Movable property (auto, shipping, etc.)*	301	-
060	*Equity and debt instruments*	-	-
070	*Other collateral*	-	-
080	**Total**	**401,610**	**-185,264**

The EU CQ2, CQ6 and CQ8 templates are not elaborated by the Entity because the default rate does not exceed 5%.

7.3 - Information on the Group's counterparty credit risk

This section covers CCRA requirement - Qualitative disclosure related to CCR.

Counterparty credit risk is defined as the credit risk incurred by the Group in transactions involving derivative financial instruments, repurchase agreements, securities or commodities lending, deferred settlement and collateral financing transactions.

The Group has established procedures to place limits on exposures to credit and counterparty risk, including deposit, fixed income, derivative, credit and listed equity transactions.

A distinction is made between risks with financial entities, companies and public bodies.

The general criteria for line assignment are as follows:

- For those borrowers for which a specific line of credit is established in the Risk Lines Manual, this will apply. A specific line is assigned to the most relevant borrowers. A specific line is also assigned to unrated listed companies since no limit can be set on the basis of their rating. The specific lines are assigned by means of an expert analysis of the borrowers, using their financial statements, reports issued by rating agencies or other analysis companies, as well as macroeconomic and sectorial reports prepared by different units of the Financial Area Management as support for such analysis. The amount of the specific line is established based on the results of this analysis, as well as on the operating needs and the type of positions held with each borrower.

- Those borrowers for which a specific line is not established will be granted a risk line based on their rating. The tables of rating lines included in the following points are the same for financial institutions, companies and regional governments.

In view of the reduced risk involved in operations through Central Counterparties, and insofar as it is imposed by regulations and market best practices, these operations are not limited by a risk line.

These limits are approved by the Bank's Board of Directors.

The various instruments consume the line according to one of these formulas: either by applying a percentage of their nominal value (original risk method); or according to their replacement value (if this is positive) plus a percentage of their nominal value representing their potential future risk (mark-to-market method). In both cases, the percentages to be applied may vary depending on the residual term of the transaction and its risk profile.

In relation to derivative transactions, the Entity applies various counterparty risk mitigation techniques. On the one hand, and for all those derivatives that in application of EMIR regulations are susceptible to centralized settlement in a central counterparty clearing house, the Entity has the means for these transactions to be made with a central entity, which through its internal risk and collateral management ensures an effective reduction of counterparty risk for all entities that settle transactions with it. On the other hand, and for non-centrally settled transactions, the Entity has signed netting and collateral agreements with all its financial counterparties that allow counterparty risk management. It is worth mentioning that the agreements signed are in line with the recommendations of the regulators in terms of best practices in daily valuation, non-establishment of thresholds, exchange of cash and not securities, etc.

With respect to repo, simultaneous or securities lending operations, the situation is analogous. On the one hand, the Entity has access to central clearing houses that ensure a decrease in counterparty risk and, on the other hand, for bilateral transactions it applies counterparty risk reduction mechanisms with the signing of netting and collateral agreements (GMRA, EMA, GMSLA).

In all its netting and collateral agreements, the collateral accepted for the exchange is only cash.

Likewise, the Entity complies with the requirements of transparency and reporting to information repositories for derivatives transactions as well as repo, simultaneous and securities lending transactions established in the EMIR and SFTR Regulations, respectively.

These actions are described in the Financial Markets Management Policies and Procedures Manual. In addition, the Manual describes the procedure for calculating the CVA and DVA at the accounting level, which reflect the provision to be made for a deterioration in the credit quality of counterparties in transactions that generate counterparty risk. The following are the transactions subject to CVA's risk-based equity requirements as of December 31, 2021.

Table 42: Template EU CCR2 – Transactions subject to own funds requirements for CVA risk

	Transactions subject to own funds requirements for CVA risk		
	(thousands of euros)	a	b
		Exposure value	RWEA
1	Total transactions subject to the Advanced method	-	-
2	(i) VaR component (including the 3× multiplier)		-
3	(ii) stressed VaR component (including the 3× multiplier)		-
4	Transactions subject to the Standardised method	38,056	16,716
EU-4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	**Total transactions subject to own funds requirements for CVA risk**	**38,056**	**16,716**

As of today, the Group does not have contractual agreements dependent on the rating level, so that a downgrade of the credit rating would not imply a direct impact on the increase of the collateral. Additionally, the Risk Control Department is analyzing the impact on the Central Bank policies for the portion corresponding to the lowering of the price of the retained bonds, which is a loss of the available amount of the policy that would not imply the additional contribution of guarantees. However, the Entity has control mechanisms in place to control fluctuations in Sovereign Risk and its credit quality.

Below is the CCR5 as of December 31, 2021 showing the composition of collateral for counterparty risk exposures.

Table 43: Template EU CCR5 – Composition of collateral for CCR exposures

		Composition of collateral for CCR exposures							
	(thousands of euros)	a	b	c	d	e	f	g	h
		Collateral used in derivative transactions				Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	Collateral type	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	45,179	-	267,759	-	10,113	600,972	142,959	1,615,114
2	Cash – other currencies	-	-	-	-	-	-	-	-
3	Domestic sovereign debt	-	-	-	-	-	1,268,818	-	597,754
4	Other sovereign debt	-	-	-	-	-	256,745	-	-
5	Government agency debt	-	-	-	-	-	-	-	-
6	Corporate bonds	-	-	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-	-	-
9	**Total**	**45,179**	**-**	**267,759**	**-**	**10,113**	**2,126,536**	**142,959**	**2,212,868**

With regards to the adverse correlation risk (wrong-way risk), two types can be defined:

- General adverse correlation risk: it arises when the probability of counterparty default is positively correlated with general market risk factors.

- Specific adverse correlation risk: it arises when the future exposure to a specific counterparty is reliably correlated with the probability of default of the counterparty due to the nature of the transactions with the counterparty (or, in other words, inversely related to the credit quality of the counterparty). An entity is considered to be exposed to specific adverse correlation risk if the future exposure to a specific counterparty can be expected to be high when the probability of default of the counterparty is also high.

Exposure to this type of risk is not material in the Entity. The Entity takes it into account in specific transactions and does not accept the exchange of collateral with another entity in which the assets received are also issued by the counterparty.

Information on the calculation method

The value of the exposure has been calculated, using the mark-to-market valuation method, in accordance with the provisions of Part Three, Title II, Chapter 6 of Regulation (EU) No. 575/2013 (CRR). By applying this method, the value of the exposure is determined by the result of multiplying by 1.4 the sum of the replacement cost and the amount of the potential future exposure of each netting set, calculated in accordance with the provisions of Article 274 of Regulation (EU) No. 575/2013 (CRR) and taking into account the particularities contained in that article.

The following is a breakdown of counterparty risk exposure information as of December 31, 2021 according to the applicable method and counterparty risk exposures subject to the standardized approach by regulatory exposure categories and risk weightings.

Table 44: Template EU CCR1 – Analysis of CCR exposure by approach

	Analysis of CCR exposure by approach								
	(thousands of euros)	a	b	c	d	e	f	g	h
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU-1	EU - Original Exposure Method (for derivatives)	-	-		1.4	-	-	-	-
EU-2	EU - Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
1	SA-CCR (for derivatives)	7,161	26,250		1.4	46,530	46,776	40,882	21,053
2	IMM (for derivatives and SFTs)			-	-	-	-	-	-
2a	*Of which securities financing transactions netting sets*			-		-	-	-	-
2b	*Of which derivatives and long settlement transactions netting sets*			-		-	-	-	-
2c	*Of which from contractual cross-product netting sets*			-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					1,718	1,718	1,718	344
5	VaR for SFTs					-	-	-	-
6	**Total**					**48,249**	**48,494**	**42,600**	**21,397**

Table 45: Template EU CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights

	CCR exposures by regulatory exposure class and risk weights, standardised approach												
	(thousands of euros)	Risk weight											
		a	b	c	d	e	f	g	h	i	j	k	l
	Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Otras	Total exposure value
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	70,923	-	-	4,004	35,770	-	-	-	-	-	110,697
7	Corporates	-	247,003	-	-	-	-	-	-	2,368	-	-	249,371
8	Retail	-	-	-	-	-	-	-	458	-	-	-	458
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	**Total exposure value**	**-**	**317,925**	**-**	**-**	**4,004**	**35,770**	**-**	**458**	**2,368**	**-**	**-**	**360,525**

The exposures to both qualified and non-qualified central counterparties (QCCPs and non-QCCPs, respectively) are detailed below.

Table 46: Template EU CCR8 – Exposures to CCPs

	Exposures to CCPs		
	(thousands of euros)	a	b
		Exposure value	RWEA
1	**Exposures to QCCPs (total)**		**8,480**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	317,925	6,359
3	(i) OTC derivatives	-	-
4	(ii) Exchange-traded derivatives	27,805	556
5	(iii) SFTs	290,120	5,802
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	-	-
9	Prefunded default fund contributions	13,737	2,121
10	Unfunded default fund contributions	-	-
11	**Exposures to non-QCCPs (total)**		**-**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

The Entity does not prepare the EU CCR4 template as it does not use the IRB method, nor the EU CCR6 template as there are no hedges through credit derivatives, nor the EU CCR7 template as it does not use MMI.

7.4 - Identification of the external rating agencies

This section covers the CRD requirement - Qualitative disclosure requirements related to the standardised approach.

The Group uses the ratings available from the rating agencies authorized by the Bank of Spain, *Moody's, Standard and Poor's, Fitch Ratings and Dominion Bond Rating Service Limited.*

Table 47: External rating agencies

External rating agencies				
	Standard and Poor's	*Fitch Ratings*	*Moody's*	*Dominion Bond Rating Service*
Central governments or central banks	X	X	X	X
Regional governments and local authorities	X	X	X	X
Public sector entities and other non-profit public institutions	X	X	X	X
Multilateral Development Banks	X	X	X	
International Organizations				
Institutions	X	X	X	X
Corporates	X	X	X	X
Retail customers				
Exposures secured by real estate				
Exposures in default situation	X	X	X	X
High-risk exposures				
Covered bonds	X			X
Exposures to institutions and corporates with a short-term credit rating	X			
Exposures to collective investment institutions (CIIs)	X	X	X	X
Equity exposures	X	X	X	X
Other exposures				

There is currently no process in place to transfer the credit ratings of issues and issuers to comparable assets that are not included in the trading book.

The Entity uses the standard association published by EBA of each ECAI's external rating to the credit quality steps set out in Part Three, Title II, Chapter 2 of the CRR.

7.5 - Risk mitigation techniques and the effect on risk exposures of the application of risk reduction techniques

This section covers the CRC requirement - Qualitative disclosure requirements related to credit risk mitigation techniques.

7.5.1 - General information

Within the guarantees admitted in the standard calculation as eligible credit risk mitigation techniques provided for in Part Three, Title II, Chapter 4 of Regulation (EU) No. 575/2013 (CRR), the Group admits and manages mainly the following:

- Financial collateral: These include cash deposits; debt securities issued by public administrations, central banks, institutions or companies; listed convertible shares or bonds; investment funds shares and gold.

- Personal guarantees provided by solvent coverage providers such as: administrations and central banks, regional and local administrations, multilateral development banks, international organizations, public sector entities, institutions and insurance companies.

- Master netting agreements relating to capital market transactions, where collateral assignment agreements, generally cash deposits, have been concluded to cover the net credit risk position originated.

The Group has defined the legal requirements and criteria that must be considered for the formalization and execution of such guarantees. Each type of guarantee has its own admission, concession, formalization and control circuit that contemplates its volatility and effectiveness.

The value of the mortgage guarantees provided must be supported by an updated appraisal, the maximum term allowed is detailed in the following table:

Type of operation	Maximum term (months)
Mortgage lending to natural or legal persons, except subrogation of PHP developer	6 months
Mortgage lending in subrogation processes by legal persons and for purposes other than house purchase	6 months
Mortgage lending in subrogation processes due to the extinction of condominiums (separations, divorces, etc.), inheritances, sales between private individuals...	12 months

In accordance with current legislation, any appraisal of a property provided by the client is accepted, as long as it is not out of date and has been carried out by an approved appraisal company registered with the Bank of Spain, in accordance with mortgage market regulations.

Of the aforementioned credit risk reduction techniques, the Group is including in the credit risk mitigation calculation personal guarantees, real guarantees materialized in reverse repurchase agreements and netting agreements with collateral agreements.

Credit risk management at Ibercaja is carried out dynamically. This involves, among other things, continually assessing the degree of coverage of the guarantees provided.

At Ibercaja, the main types of collateral available are as follows, as detailed in the Admission Policy, approved by the Board of Directors:

- Mortage guarantees

  Fundamentally constituted by households in the operations where the holders are families and individuals, with the general criterion of not exceeding 80% of the appraisal value. In the case of transactions carried out by clients in the Productive Activities segment, excluding developers, the real estate assets involved are mainly warehouses, premises and rural properties and, to a lesser extent, commercial premises. The general criterion of not exceeding 70% of the appraised value has been established, although it will be adjusted downwards depending on the quality of the asset subject to the guarantee.

  In financing the developer segment, the guarantees are constituted by the land on which future projects will be carried out or, in the case of development of real estate projects, on the land and work in progress.

  The value of the mortgage guarantees provided must be supported by an updated appraisal. The Entity has specialized appraisal agencies that provide specific support for the necessary risk coverage. In the event that the appraisal has not been carried out by these companies, this will be specifically stated in the file, with each case being studied individually.

The subrogation operations of property development loans for the acquisition of housing are not required to obtain an updated appraisal of the property. This exception is made without prejudice to the fact that, at the discretion of an expert, it is considered advisable to request a new appraisal.

- Pledging of deposits and account balances

These presuppose the existence of a certain monetary guarantee which, in the event of non-payment, allows the recovery (total or partial) of the financing operation. They therefore reduce the risk of the operation and increase its repayment capacity.

The deposits and pledged accounts are formalized in Ibercaja and their disposal is blocked while the financing operation is still alive.

The bodies that authorize the different operations are responsible for assessing the actions of unblocking or disposing of in the event of cancellations or extraordinary situations.

Additionally, Ibercaja accepts other real and personal guarantees, under an individualized study of each case, being among them:

- Pledging of investment funds and real estate

  The value of these assets may be altered during the life of the risk, so the pledged funds or securities must be deposited at Ibercaja or at the Group's Management Entity, and their disposition will be blocked upon formalization of the financing transaction.

- Pledging of goods

- Assignment of credit rights (subsidies, rents, VAT, etc.) and advance payment of certifications from Public Bodies.

- Guarantors and Third-Party Guarantors (Mutual Guarantee Society, Financial Institutions, Public Bodies...). In this respect, it is worth mentioning that the Entity participates in the granting of financing managed and guaranteed by the Official Credit Institute (ICO) within the scope of its competencies, with the aim of facilitating access to financing for companies and the self-employed and thus being able to mitigate the possible negative effects on the economy derived from the COVID-19 pandemic. This financing is guaranteed by the ICO, with the guarantee percentage varying between 60% and 80% of the amount financed, depending on the type of financing and the size of the company.

- Comfort letter.

- Assignment of insurance collection rights.

- CESCE insurance in Factoring.

- Repayment insurance in single-person operations of significant amount.

The Entity has defined protocols for action, evaluation and control of the risks for each of the types of guarantees admitted. Control and monitoring exercises are carried out on a recurring basis, established for each type, such as re-evaluations, updating of amounts, values.

In any case, as regards credit risk mitigation techniques, the Entity does not use offsetting of items, in accordance with NIC 32.

7.5.2 - Quantitative information

Below is the EU CR4 template with information on the exposure and effects of credit risk mitigation following the standardized approach.

Table 48: Template EU CR4 – standardised approach – Credit risk exposure and CRM effects

	Standardised Approach – Credit risk exposure and CRM effects						
	(thousands of euros)	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWAs	RWAs density (%)
	Exposure classes	a	b	c	d	e	f
1	Central governments or central banks	15,208,945	-	18,136,160	3,348	1,062,543	5.86%
2	Regional government or local authorities	845,880	196,874	848,915	2,090	-	0.00%
3	Public sector entities	723,905	13,548	723,672	1,305	34,842	4.81%
4	Multilateral development banks	1,000	-	7,385	-	-	0.00%
5	International organisations	-	-	-	-	-	0.00%
6	Institutions	255,255	375	370,935	463	100,959	27.18%
7	Corporates	5,316,357	1,853,964	3,273,562	464,872	3,336,037	89.24%
8	Retail	5,038,120	1,765,818	4,057,213	156,515	2,760,132	65.50%
9	Secured by mortgages on immovable property	18,249,182	85,327	18,249,182	40,461	6,402,080	35.00%
10	Exposures in default	439,796	41,977	404,757	13,143	445,026	106.49%
11	Exposures associated with particularly high risk	180,103	54,596	180,103	27,298	311,101	150.00%
12	Covered bonds	21,268	-	21,268	-	4,254	20.00%
13	Institutions and corporates with a short-term credit assessment	14,926	-	14,926	-	7,463	50.00%
14	Collective investment undertakings	19,191	617,387	19,191	123,477	34,496	24.18%
15	Equity	721,226	1,268	721,226	1,268	726,280	100.52%
16	Other items	1,892,346	-	1,892,346	-	1,446,273	76.43%
17	**Total**	**48,927,500**	**4,631,134**	**48,920,841**	**834,240**	**16,671,486**	**33.51%**

Finally, the EU CR3 template is included, which offers information on the use of credit risk reduction techniques.

Table 49: Template EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

	CRM techniques overview: Disclosure of the use of credit risk mitigation techniques					
	(thousands of euros)	Unsecured carrying amount	Secured carrying amount			
				Of which secured by collateral	Of which secured by financial guarantees	
						Of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances	12,769,245	24,953,208	22,169,906	2,783,302	-
2	Debt securities	8,676,894	1,823,065	-	1,823,065	-
3	Total	21,446,139	26,776,273	22,169,906	4,606,367	-
4	*Of which non-performing exposures*	394,500	455,712	411,637	44,075	-
EU-5	*Of which defaulted*	393,973	455,121	411,046	44,075	-

The application of risk mitigation techniques based on the use of collateral and personal guarantees has, as of December 31, 2021, the following effect on exposures net of value adjustments:

Table 50: Exposure net of value adjustments

Exposure net of value adjustments		
(thousands of euros)	Amount 2021	Amount 2020
Exposure net of corrections and provisions	53,919,158	52,794,070
Fully adjusted exposure value	53,903,778	52,776,998
Effect of applying reduction techniques (*)	**15,380**	**17,072**

(*) It does not include exposures to Central Counterparties, since they have a clearing mechanism with the constitution of deposits in collateral that are due daily, nor the collateral received in contractual clearing agreements.

The following table details the breakdown by exposure category and by credit quality grades (measured by the percentage applied for the purpose of calculating the risk-weighted exposure value) that are affected by the application of mitigation techniques:

Table 51: Exposure categories and quality levels

Breakdown by exposure categories and credit quality levels							
(thousands of euros) Risk Category	Measurement	0%	20%	75%	100%	150%	Total
Central governments or central banks	Net exposure	14,414,030	-	-	-	-	14,414,030
	Adjusted value	17,559,925	-	-	-	-	17,559,925
Regional governments and local authorities	Net exposure	1,042,754	-	-	-	-	1,042,754
	Adjusted value	1,046,029	-	-	-	-	1,046,029
Public sector entities and other non-profit public institutions	Net exposure	-	31,560	-	-	-	31,560
	Adjusted value	-	31,327	-	-	-	31,327
Multilateral Development Banks	Net exposure	1,000	-	-	-	-	1,000
	Adjusted value	7,385	-	-	-	-	7,385
International Organizations	Net exposure	-	-	-	-	-	-
	Adjusted value	-	-	-	-	-	-
Institutions	Net exposure	-	237,740	-	-	-	237,740
	Adjusted value	-	360,473	-	-	-	360,473
Corporates	Net exposure	-	-	-	7,097,487	-	7,097,487
	Adjusted value	-	-	-	5,000,881	-	5,000,881
Retail	Net exposure	-	-	6,804,396	-	-	6,804,396
	Adjusted value	-	-	5,642,926	-	-	5,642,926
Exposures secured by real estate	Net exposure	-	-	-	-	-	-
	Adjusted value	-	-	-	-	-	-
Exposures in default	Net exposure	-	-	-	395,187	86,587	481,774
	Adjusted value	-	-	-	366,044	80,369	446,413
High-risk exposures	Net exposure	-	-	-	-	-	-
	Adjusted value	-	-	-	-	-	-
Covered bonds	Net exposure	-	-	-	-	-	-
	Adjusted value	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit rating	Net exposure	-	-	-	-	-	-
	Adjusted value	-	-	-	-	-	-
Exposure to collective investment institutions (CIIs)	Net exposure	-	-	-	-	-	-
	Adjusted value	-	-	-	-	-	-
Equity exposures	Net exposure	-	-	-	-	-	-
	Adjusted value	-	-	-	-	-	-
Other exposures	Net exposure	-	-	-	-	-	-
	Adjusted value	-	-	-	-	-	-
Securitisation positions	Net exposure	-	-	-	-	-	-
	Adjusted value	-	-	-	-	-	-
Total	**Net exposure**	**15,457,784**	**269,300**	**6,804,396**	**7,492,674**	**86,587**	**30,110,741**
	Adjusted value	**18,613,339**	**391,800**	**5,642,926**	**5,366,925**	**80,369**	**30,095,359**
Full reduction effect		**-3,155,555**	**-122,500**	**1,161,470**	**2,125,749**	**6,218**	**15,382**

7.6 – Securitisations

This section covers the SECA requirement - Qualitative disclosure requirements related to securitization exposures.

7.6.1 - General description and objectives

Securitisations are defined below from the regulatory perspective, in accordance with Regulation (EU) No. 575/2013 and with Regulation (EU) nº 2017/2042:

Securitisation: a financial transaction or mechanism whereby the credit risk associated with an exposure or set of exposures is divided into tranches and which has the following two characteristics:

- The payments of the transaction or facility depend on the performance of the securitised exposure or pool of exposures.

- The subordination of the tranches determines the distribution of losses during the period of validity of the operation or mechanism.

Traditional securitisation: securitisation that involves the economic transfer of the securitised exposures to a special purpose securitisation vehicle that issues securities. The transaction may be conducted through the sale by the originator of the ownership of the securitised exposures or through sub-participation, which for these purposes shall include the underwriting of mortgage-backed securities, mortgage transfer certificates and similar securities by the special purpose vehicle. The securities issued by the vehicle do not represent payment obligations of the originator.

Synthetic securitisation: securitisation in which the transfer of risk is carried out through the use of credit derivatives or guarantees, and the securitised exposures remain the exposures of the originator.

Securitisation position: exposure to a securitisation. For this purpose, providers of credit protection with respect of positions in a particular securitisation shall be deemed to hold positions in that securitisation.

Tranche: a contractually established segment of credit risk associated with an exposure or set of exposures, such that a position in the segment involves a risk of credit loss that is greater or less than a position of the same amount in each of the other segments, without taking into account the credit protection offered by third parties directly to the holders of the positions in the segment in question or in the other segments. For these purposes, any securitisation position is either part of a tranche or constitutes a tranche in itself. The following can thus be defined:

- First loss tranche: the most subordinate tranche of a securitisation which is the first tranche to bear the losses incurred in relation to the securitised exposures and therefore provides protection to the second loss tranche and, where appropriate, to the higher-ranking tranches.

- Intermediate risk tranche: this is the tranche, other than a first loss tranche, that has a lower priority in payments than the position with the highest priority in payments of the securitisation and a lower priority than any securitisation position in the same to which a credit quality level 1 is assigned, when it is a securitisation treated under the standard approach.

- Senior tranche: this is any tranche other than a first loss or intermediate risk tranche. Within the senior tranche, the 'maximum preference tranche' means the tranche that ranks first in the order of priority of the securitisation payments, without taking into account, for these purposes, the amounts due under interest rate or currency derivatives contracts, brokerage or other similar payments.

The assessment of these characteristics for the purpose of determining whether or not a securitisation transaction exists is made on the basis of both the legal form and the economic substance of the transaction.

The Group carries out both asset and liability (covered bonds) securitisation transactions, which enable it to obtain liquidity by mobilising part of its loan portfolio, homogenising heterogeneous assets in its portfolio in order to manage them more efficiently with third parties or the market.

Securitisation transactions in which the institution acts as originator are configured as an ideal instrument for the following purposes:

- Credit risk management of the securitized portfolio (risk transfer).
- Management of the Entity's own resources.
- Financing in the institutional market for retail credit activity.
- Obtaining collateral for use as security for the ECB's monetary policy operations.

Therefore, asset securitisation is not a business in itself. The origination of the loans is not intended for their subsequent and systematic distribution or assignment to a securitisation fund.

Furthermore, the quality of the portfolio to be securitised is analysed in detail in terms of LTV, seasoning, geographical diversification, granularity, etc. The portfolio to be securitised is compared with the standard portfolio of the institution in order to maintain on the balance sheet a portfolio of at least the same quality as the securitised portfolio.

7.6.2 - Risks of the Group's securitisation activity

Securitisation activity means better liquidity and risk management. However, there are risks associated with the securitisation activity that are mainly assumed by the originator and/or the investing entities:

- **Credit risk**: risk that the borrower will not meet the contractual obligations assumed in a timely manner, such that the underlying asset that is supporting the originated securitization positions will deteriorate. This is the main risk that is transmitted to investors through the securities issued in the securitisation. The Entity carries out continuous monitoring of the published data on the underlying's default, the originator's credit quality and ratings.

- **Prepayment risk**: risk arising from the total or partial early amortisation of the securitisation's underlying assets, which means that the actual maturity of the securitisation positions is shorter than the contractual maturity of the underlying assets. The assumptions on the early amortisation rates of the underlying assets should be taken into account in monitoring this risk.

- **Base Risk**: occurs when interest rates, or the terms of the securitized assets do not match those of the securitization positions. This risk can be covered by an interest rate swap.

- **Liquidity risk**: liquidity risk is reduced by the securitisation process, which is based on the transformation of illiquid assets into debt securities traded in organised financial markets, so that, from the originator's point of view, liquidity risk is mitigated. Although, in some securitisations, from the investor's point of view, there is no certainty that the bonds will actually be traded in the market with the minimum frequency or volume that will allow positions to be undone at any given time.

Generally, the Group hedges a portion of the credit risk associated with the issues made by the asset securitization funds in which it acts as originator, by acquiring certain subordinated tranches of such issues ("First loss tranches") issued by the securitization funds. However, there is no implicit commitment to support the securitization transactions carried out by the Group.

The Group does not carry out securitizations under the STS framework or synthetic securitizations. As regards the Entity's investment policy in securitization transactions, it is sporadically directed towards:

a) Bonds issued by securitisation funds whose assets are composed of mortgage bonds from other entities (multiseller bonds). In practice, the bonds are equivalent to mortgage bonds in which the securitisation fund is used as a vehicle to issue homogeneous securities guaranteed by bonds from various entities. In this case, the issues invested in must be of good credit quality and must present a high degree of diversification and quality of the entities issuing the underlying mortgage bonds (in addition to the rating and solvency of the entities, it is important to know, among other factors, their mortgage delinquency and the level of over-collateralisation of the bonds issued to date).

b) Bonds issued by securitisation funds whose assets are composed of various assets, generally mortgage loans. In this case, the issues invested in must be of high credit quality and an analysis of the risk parameters of the securitised portfolio must be carried out beforehand (average LTV, weight of high LTV, seasoning, geographical diversification, etc.) and the credit enhancements that the tranches to be invested may benefit from.

Pursuant to Article 5 of Regulation (EU) No 2017/2042, the Entity shall conduct a due diligence process in relation to the identity of the originator or original lender and in relation to the assessment of the risks involved in the investment prior to holding a securitization position. In addition, for those securitization positions that are held, procedures shall be established commensurate with the risk profile of the securitization position in order to monitor on an ongoing basis the identity of the originator or original lender and the risks involved in the investment, recording:

- The risk characteristics of each securitization position.

- The risk characteristics of the exposures underlying the securitization position.

- The reputation and loss history in prior securitizations of the originators or sponsors with respect to the relevant categories of exposures underlying the securitization position.

- The originators' or sponsors' declarations and disclosures regarding due diligence on the securitized exposures and, if applicable, the quality of collateral supporting the securitized exposures.

- Where applicable, the methodologies and concepts underlying the valuation of collateral supporting the securitized exposures and the policies adopted by the originator or sponsor with a view to ensuring the independence of the valuer, and all structural features of the securitization that may have a material impact on the performance of the securitization position.

- All structural features of the securitization that may have a material impact on the evolution of the Entity's securitization position, such as contractual seniority and related triggers, credit and liquidity enhancements, market value triggers and transaction-specific default definitions.

In accordance with Article 6 of Regulation (EU) No 2017/2042, the Entity shall know whether the originator, sponsor or original lender has explicitly disclosed that it is prepared to maintain, on an ongoing basis, a significant net economic interest, which, in any event, may not be less than 5%.

Pursuant to Article 270a of Regulation (EU) No. 575/2013, in the event that the requirements set out in Chapter 2 of Regulation (EU) No 2017/2042 are not satisfied in relation to any material aspect by reason of negligence or omission of the Entity the competent authorities shall impose a proportionate additional risk weight, not less than 250% of the risk weight (capped at 1,250%), to be applied to the relevant securitization positions.

7.6.3 - Functions performed in the securitisation processes and degree of involvement

The main functions that the Group performs in the securitisation operations in which it participates are the following:

- Originator of the credit rights: in its securitisation activity, the Group may participate in various securitisation funds.

- Assignor and Administrator of the assets assigned to the Securitisation Funds: in its securitisation activity, the Entity may assign part of its loans and act as administrator of the securitised assets, managing the collection of amortisations and interest, recovery service and monitoring and recovery of impaired assets.

- The management of the securitisation funds originated by the Group is carried out by TDA, S.G.F.T., S.A. However, in the case of new securitisation transactions, the choice of management entity would be made taking into account the capabilities and experience of the potential candidates.

- Investor entity through the acquisition of securitization bonds issued by other entities: The Group may hold positions in securitization funds originated by entities outside the Group, whose underlying assets are mainly loans to companies, SMEs and mortgages.

Of the categories of specialized vehicles mentioned in article 449.d CRR2, Ibercaja Banco exclusively maintains exposures in vehicles specialized in securitizations included in the scope of regulatory consolidation of the entities. The exposures held with the aforementioned vehicles consist of different tranches of bonds, some fully hold and others partially hold (senior tranches, intermediate risk and first loss tranches). In addition to these bond exposures, the Entity has exposure in the form of loans for amounts borrowed for initial expenses, for the constitution of the reserve fund, etc.

Process of monitoring and/or tracking variations in the associated risk:

Regarding the processes applied to monitor the variations of the Credit Risk of the securitization exposures, in addition to periodically reviewing the corresponding external credit rating of the exposures, a periodic, continuous and timely monitoring shall be carried out, in proportion to the risk profile of the investments in securitization positions and of the information related to the evolution of the exposures underlying the securitization positions, being able to analyze, among other parameters and provided that they are applicable and the information is available, the type of exposures, the percentage of loans that are more than 30, 60 and 90 days past due, default rates, early repayment rates, foreclosed loans, type and occupancy of collateral, frequency distribution of credit quality measures of the various underlying exposures, sector and geographic diversification, frequency distribution of loan-to-value ratios, with bandwidths that facilitate an appropriate sensitivity analysis, or others.

Finally, the process of securitisation of the Entity's assets is described:

- Securitisation must be approved by the Entity's governing bodies.

- To this end, the General Shareholders' Meeting is periodically asked to authorise the Board of Directors to agree to the securitisation of assets for a certain amount at the time when market conditions advise so.

- With this agreement in force, the Global Risk Committee decides on the most appropriate time to carry out a securitisation and establishes ranges in which the securitisation transaction can be carried out for certain relevant parameters. Among others, the parameters it must determine are the following:

    - Volume to be securitized.

    - Minimum rating to be obtained by the rating agencies.

    - Quality of the loan portfolio to be securitised (LTV, seasoning, geographical diversification, granularity, etc.).

    - Financial costs and expenses to be assumed in the operation

    - Degree of risk transfer that should occur in the securitisation.

    - Impact on solvency ratios as a result of securitisation.

- The Financial Markets Department determines with the rating agencies the necessary credit improvements (reserve fund, subordination below the highest credit rating bracket, interest rate swap differential, etc.) to obtain the requested credit rating.

- Similarly, the Directorate of Financial Markets shall take into account the provisions of Chapter 2 of Regulation (EU) No 2017/2042 in relation to Ibercaja, as the originator of a securitization transaction, shall communicate to investors the level of its commitment to maintain a net economic interest in the securitization, in accordance with Article 5 of the aforementioned Regulation. In addition, as originator, it shall ensure that investors have easy access to all relevant data on the credit quality and performance of the various underlying exposures, cash flows and collateral backing a securitization exposure, as well as any information necessary to conduct thorough and documented stress tests on the cash flows and value of the collateral backing the underlying exposures.

- With the information obtained, the General Accounting Unit verifies that the degree of risk transfer and the effect on the solvency ratios obtained are within the range approved by the Global Risk Committee. If this is not the case, the Global Risk Committee must again discuss the suitability of the securitisation transaction.

- In addition, at the time of carrying out this securitisation transaction, the Managing Director requests authorisation from the Board of Directors to carry it out.

- Once the securitisation operation has been carried out, the tasks of administration, risk monitoring and recovery of the irregular investment are carried out in the same way for the securitised loans as for the rest of the Entity's credit operations. The classification of a loan or, in general, of an asset as securitised does not therefore affect the investing offices so that such operations are treated in the same way as those of the non-securitised portfolio.

- The loan portfolio to be securitized must be adequately documented in order to be approved by the external audit required by the CNMV. To this end, the documentation of all the operations in the portfolio to be securitised will be reviewed in order to previously correct any possible errors in its main characteristics (purpose of the loan, holders, date of formalisation, date of maturity, reference interest rate, spread, outstanding balance, valuation, etc.) prior to the aforementioned audit.

- All legal documentation is examined by the Legal Department. The main documents are the public deed of incorporation of the Asset Securitization Fund and the Securities Note of the securitization bond issue which will be verified by the CNMV. The entity works in coordination with the securitization manager, the rating agencies and the CNMV throughout this process.

The Group's asset securitisation procedure is supported by internal controls set out in documentation such as the Policies and Procedures Manual of Ibercaja's Capital Markets Department.

7.6.4 - Accounting treatment of transfers of financial assets

Circular 4/2017 determines that securitisations in which the assignor assumes subordinated financing or another type of credit improvement for a part of the transferred asset are operations where the risks and benefits associated to the ownership of the financial asset are not substantially transferred, this being a necessary condition to be able to remove the securitised assets from the balance sheet.

In accordance with Bank of Spain Circular 4/2017, the accounting treatment of transfers of financial assets is conditioned by the way in which the risks and rewards associated with the transferred assets are transferred to third parties:

- If the risks and rewards of the transferred assets are transferred substantially to third parties, the transferred financial asset is derecognised and any rights or obligations retained or created as a result of the transfer are simultaneously recognised.

- If the risks and rewards associated with the transferred financial asset are substantially retained, in the case of financial asset securitisations in which subordinated financing or other types of credit enhancement are held that substantially absorb the expected credit losses for the securitised assets, the transferred financial asset is not derecognised from the consolidated balance sheet and continues to be measured using the same criteria as those used prior to the transfer. On the contrary, they are recognized for accounting purposes, without offsetting each other:

    - An associated financial liability for an amount equal to the consideration received, which is subsequently measured at amortised cost.

    - Both the income from the financial asset transferred, but not derecognised, and the expenses of the new financial liability.

Accordingly, financial assets are only derecognised when the cash flows they generate have been extinguished or when substantially all the risks and rewards associated with the transferred assets have been transferred to third parties.

The securitisation transactions carried out by the Group are considered traditional securitisation transactions and no synthetic securitisation transactions have been carried out.

7.6.5 - Originated securitisations

As of December 31, 2021, the Group holds positions in securitisations in which it has participated as originator. In the originated securitisations Ibercaja does not provide support through operations that have not been duly taken into account in the evaluation of the significant transfer of credit risk, either directly or indirectly, beyond their contractual obligations in order to reduce potential or real lossess for investors. The Group does not hold positions in re-securitisation nor does it hold securitisation positions in the trading portfolio.

As a general criterion, bonds issued in the first loss tranche are rated by one rating agency and the remaining tranches are rated by two. The external rating agencies used in the securitizations performed to date have been Standard and Poor's and Moody's.

Currently, the Group currently has no outstanding securitization assets or securitized credit lines subject to early repayment treatment.

The securitization exposures originated by the Group at December 31, 2021 are shown below, indicating the exposures in default and the corresponding specific credit risk adjustments.

Table 52: Template EU SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments

	Exposures securitised by the institution - Exposures in default and specific credit risk adjustments			
	(thousands of euros)	a	b	c
		Exposures securitised by the institution - Institution acts as originator or as sponsor		
		Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period
			Of which exposures in default	
1	**Total exposures**	**2,117,588**	**31,096**	**-3,641**
2	Retail (total)	2,117,588	31,096	-3,641
3	residential mortgage	2,117,588	31,096	-3,641
4	credit card	-	-	-
5	other retail exposures	-	-	-
6	re-securitisation	-	-	-
7	Wholesale (total)	-	-	-
8	loans to corporates	-	-	-
9	commercial mortgage	-	-	-
10	lease and receivables	-	-	-
11	other wholesale	-	-	-
12	re-securitisation	-	-	-

Of these securitizations originated by the Group, Ibercaja Vida holds a position of € 19,242 thousand as of December 31, 2021.

The Entity does not disclose the EU SEC1, EU SEC2, EU SEC3 and EU SEC4 templates as its securitization positions do not meet the requirements to be included in them.

7.6.6 - Calculation of risk-weighted exposure amounts for securitisation positions

The Group calculates its capital requirements for positions held in securitization transactions by applying the standardized approach defined in Part Three, Title II, Chapter 5, Section Three, Subsection Three of Regulation (EU) No. 575/2013 (CRR).

For own securitizations, the Group calculates regulatory capital for positions held in the securitization only in case the securitization fund meets the regulatory conditions determining effective and significant risk transfer set out in Article 244 of Regulation (EU) No. 575/2013. Otherwise, capital is calculated for the securitized exposures as if they had not been securitized.

For the securitizations indicated below, the underlying securitized assets compute as credit risk, as there is no substantial transfer of risk, as indicated in Article 244 of Regulation (EU) No. 575/2013 (CRR):

- Securitization carried out in 2005 by TDA Ibercaja 2, FTA, with an outstanding position at year-end of € 120,669 thousand and with retained positions of € 67,238 thousand.

- Securitization carried out in 2006 by TDA Ibercaja 3, FTA, with an outstanding position at year-end of € 176,950 thousand and with retained positions of € 121,897 thousand.

- Securitization carried out in 2006 by TDA Ibercaja 4, FTA, with an outstanding position at year-end of € 310,553 thousand and with retained positions of € 194,312 thousand.

- Securitization carried out in 2007 by TDA Ibercaja 5, FTA, with an outstanding position at year-end of € 280,562 thousand and with retained positions of € 245,752 thousand.

- Securitization carried out in 2008 by TDA Ibercaja 6, FTA, with an outstanding position at year-end of € 468,989 thousand and with retained positions of € 455,411 thousand.

- Securitization carried out in 2009 by TDA Ibercaja 7, FTA, with an outstanding position at year-end of € 878,494 thousand and with retained positions of € 878,494 thousand.

- Securitization carried out in 2009 by TDA Ibercaja ICO-FTVPO, FTH, with an outstanding position at year-end of € 99,390 thousand and with retained positions of € 48,025 thousand.

As of December 31, 2021, there is no outstanding balance of assets securitized by the Group in transactions to which the regime contained in Part Three, Title II, Chapter 5 of Regulation (EU) No. 575/2013 (CRR) for the calculation of credit risk-weighted exposure amounts for the purpose of determining capital requirements applies.

7.7 - Covid-19

From the beginning of the pandemic, the Entity, through the various support measures (public and private) implemented as a result of the covid-19 crisis during fiscal year 2020 and whose application deadlines have been extended during fiscal year 2021 due to the persistence of the effects caused by this crisis, has offered to its customers solutions in line with their financial situation while implementing the guidelines issued by the regulator regarding the treatment and accounting recognition of this aid. The support measures offered by the Group to its customers have mainly consisted of:

- Legal moratoria in accordance with the provisions of Royal Decree-Law 8/2020, of March 17, on extraordinary urgent measures to address the economic and social impact of COVID-19 and Royal Decree-Law 11/2020, of March 31, adopting complementary urgent measures in the social and economic field to address covid-19, which amended the previous Royal Decree-Law 8/2020, introducing modifications that improve or extend it. The publication of Royal Decree-Law 34/2020, of November 17, on urgent measures to support business solvency and the energy sector, and in tax matters, allowed the application period for these publicly guaranteed financing operations to be extended until on June 1, 2021.

- Sectoral moratoria in accordance with the provisions of the Sectoral agreement on the deferral of financing transactions for customers affected by the coronavirus crisis approved by the Board of the Spanish Confederation of Savings Banks (CECA), in line with the EBA/GL/2020/02 and EBA/GL/2020/15 Guidelines. At the end of the 2020 financial year, CECA issued an addendum to the aforementioned Sector

Agreement, by which it adapted its validity until March 30, 2021, the maximum date for submitting applications under this Sector Agreement, in accordance with the new provisions contained in the EBA/GL/2020/15.

- Liquidity lines guaranteed by the State and managed by the Official Credit Institute (ICO), in accordance with the provisions of the aforementioned Royal Decree-Law 8/2020, as well as Royal Decree-Law 25/2020 and Royal Decree-Law 34/2020.

  Regarding this measure, it should be noted that Royal Decree-Law 5/2021, of March 12, on extraordinary measures to support business solvency in response to the covid-19 pandemic, extended until December 31, 2021, and subsequently until June 1, 2022 in the Agreement of Ministers of November 30, the deadline for applying for guarantees under the ICO covid-19 line guarantee, and approved three possible levels of action regarding the financing guaranteed by the ICO to reinforce business solvency. The Agreement of the Council of Ministers of May 11, 2021 approved the Code of Good Practices, to which the Entity adhered, and from which the three possible levels of action regulated by this Royal Decree-Law are structured: extension of the maturity of the guarantees, conversion of the guaranteed financing into participative loans and transfers to reduce the outstanding principal of guaranteed loans.

The Group has carried out exercises to identify the borrowers affected by this crisis, including an analysis of its loan portfolio taking into account the different typology and segmentation of the customers affected by the new economic situation (affected by ERTE, unemployment or equivalent circumstances), by their characteristics (companies, individuals, self-employed...) as well as the sector to which each of the borrowers belongs (CNAE), in order to evaluate their payment capacity. Based on the results of the credit risk monitoring analyses of the Group's loan portfolio described above, the Group has considered the classification on stage 2 of those exposures in companies (not individually significant, since these are analyzed by means of an individualized expert analysis) belonging to economic sectors especially affected by the health crisis or which, within the credit risk monitoring carried out by the Group, have been determined to have a low capacity to overcome this crisis.

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

Additionally, the Group, in its process of recalibrating the credit risk models, has updated, using the information available at year-end, the macroeconomic variables that affect the forward-looking information of the impairment hedge models. For this purpose, the probability of occurrence of each scenario used has been reweighted, as described in section 7.1 of this Pillar 3 Disclosure Report.

For more information on the measures related to COVID-19, please refer to section 11.6 of the Consolidated Financial Statements (Periodic Information - Corporative Website | Ibercaja Banco).

Additionally, regarding the disclosure of information by institutions, the EBA published guidelines in fiscal year 2020, specifying the information to be disclosed on the exposures subject to the measures applied in response to the covid-19 crisis (EBA/GL/2020/07). The templates and supplementary explanations required by these guidelines are shown below:

Table 53: Covid-19 Template 1 - Information on loans and advances subject to legislative and non-legislative moratoria

	(thousands of euros)	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Information on loans and advances subject to legislative and non-legislative moratoria														
		Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
			Performing			Non-performing				Performing			Non-performing			
				Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
1	Loans and advances subject to moratorium	25,533	25,121	728	4,637	413	237	237	-475	-352	-22	-134	-123	-70	-70	27
2	of which: Households	19,442	19,029	728	3,878	413	237	237	-255	-132	-22	-113	-123	-70	-70	27
3	*of which: Collateralised by residential immovable property*	18,481	18,111	728	3,437	370	237	237	-216	-114	-22	-99	-102	-70	-70	-
4	of which: Non-financial corporations	6,091	6,091	-	759	-	-	-	-220	-220	-	-22	-	-	-	-
5	*of which: Small and Medium-sized Enterprises*	5,924	5,924	-	759	-	-	-	-218	-218	-	-22	-	-	-	-
6	*of which: Collateralised by commercial immovable property*	5,432	5,432	-	677	-	-	-	-215	-215	-	-21	-	-	-	-

Table 54: Covid-19 Template 2 - Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

	(thousands of euros)	a	b	c	d	e	f	g	h	i
			Gross carrying amount							
						Residual maturity of moratoria				
		Number of obligors		Of which: legislative moratoria	Of which: expired	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances for which moratorium was offered	9,790	872,228							
2	Loans and advances subject to moratorium (granted)	7,985	740,683	638,921	715,150	22,757	622	2,154	-	-
3	*of which: Households*		699,476	597,714	680,034	18,633	622	186	-	-
4	of which: Collateralised by residential immovable property		654,698	560,327	636,217	17,712	583	186	-	-
5	of which: Non-financial corporations		41,207	41,207	35,115	4,124	-	1,968	-	-
6	of which: Small and Medium-sized Enterprises		34,194	34,194	28,270	3,956	-	1,968	-	-
7	*of which: Collateralised by commercial immovable property*		38,611	38,611	33,179	3,465	-	1,968	-	-

Table 55: Covid-19 Template 3 - Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

	(thousands of euros)	a	b	c	d
		Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
			'of which: forborne	Public guarantees received	Inflows to non-performing exposures
1	**Newly originated loans and advances subject to public guarantee schemes**	**1,667,880**	**2,748**	**1,286,159**	**20,082**
2	of which: Households	71,371			821
3	of which: Collateralised by residential immovable property	-			-
4	of which: Non-financial corporations	1,593,239	2,620	1,226,556	19,261
5	of which: Small and Medium-sized Enterprises	1,267,287			16,760
6	of which: Collateralised by commercial immovable property	-			-

The characteristics of the financial instruments under which the measures implemented to mitigate the impacts of COVID-19 have been implemented are as follows:

Legal moratoria

It 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, if applicable, was included in the loan contract with mortgage guarantee. During the term, the Bank may not demand payment of the mortgage installment, nor of any of the items comprising it (amortization of the principal or payment of interest), either in full or as a percentage. Until December 31, 2021, legal moratoria measures have been formalized affecting 7,760 transactions, with the outstanding risk of transactions with this type of moratorium in force amounting to € 17,173 thousand (7,695 transactions with an outstanding risk of 39,743 thousand at December 31, 2020). In accordance with IFRS 9, these measures have entailed a non-substantial modification of the contract and, therefore, the affected assets have not been derecognized, although the Group has recorded the adjustment to the carrying amount of these assets as a result of the modification of the cash flows under "Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss and net gains or losses on modification - Financial assets at amortized cost" in the consolidated income statement. In any case, the effect of the changes on the consolidated income statement for 2021 and 2020 has not been significant.

Sectoral moratoria

This applies both to those individuals who do not have operations with defaults of more than two payments on March 14, 2020 and who, as a result of the health crisis, have been economically affected, and to those individuals who, meeting these requirements and whose legal moratoria has expired, so request, thus linking a legal moratoria with a sectorial moratoria. In these moratoria, the repayment of the principal of the loan is deferred during the term of the moratoria, although the client will assume the payment of interest on the principal outstanding during the period of the moratoria. The term of the moratoria is a maximum of 12 months for loans or credits with mortgage guarantee, and a maximum of 6 months in the case of personal loans or credits. In the case of customers who are granted these moratoria after having exhausted the legal moratoria granted, the maximum term of the sectoral moratoria will be reduced by the term of the legal moratoria. At December 31, 2021, the Group had formalized sectoral moratoria measures affecting 3,808 transactions, of which 2,641 transactions have been formalized after the customer has exhausted the legal moratoria granted, with the outstanding risk of transactions with this type of moratoria in force amounting to 8,360 thousand (3,645 transactions, of which 2,676 transactions have been formalized after the customer has exhausted the legal moratoria granted, with the outstanding risk of the transactions with this type of moratoria ascending to € 326,386 thousand as of December 31, 2020).

ICO line covid-19

Royal Decree-Law 8/2020 establishes that the Ministry of Economic Affairs and Digital Transformation will grant up to € 100,000 million in guarantees for financing granted by credit institutions to meet their needs arising from the management of invoices, working capital requirements, financial or tax obligations, payment of employees' salaries or other liquidity needs that allow them to maintain their economic activity. Companies and self-employed persons have access to these guarantees, through the formalization of new financing operations or the renewal of existing ones. As of December 31, 2020, the lines of guarantees activated by the Government already totaled the 100,000 million euros established in Royal Decree-Law 8/2020, in five lines, approved by Agreement of the Council of Ministers on March 24, April 10, May 5, May 19, 2020 and June 16, whose total amounts are destined in € 67,500 million to SMEs and self-employed, € 25,000 million to other companies, € 4,000 million for the issuance of promissory notes, € 2,500 million for SMEs and self-employed persons in the tourism sector and related activities, € 500 million for self-employed persons and companies for the acquisition or financial or operating lease of road transport motor vehicles for professional use and € 500 million for CERSA (Compañía Española de Reafianzamiento, S.A.).

Additionally, Royal Decree-Law 25/2020 establishes that the Ministry of Economic Affairs and Digital Transformation will grant up to € 40,000 million in guarantees for financing granted by credit institutions to meet, mainly, the financial needs arising from the implementation of new investments. Companies and the self-employed have access to these guarantees, through the formalization of new financing operations. Until December 31, 2021, six tranches of this line of guarantees have been activated by the Government, some of which will be managed by the ICO, for a total of € 26,800 million, approved by Agreement of the Council of Ministers on July 28, November 24, December 22, 2020 and May 28, 2021, whose total amounts are destined in € 15,000 million to SMEs and self-employed, € 8,000 million to other companies, € 2,550 million euros to guarantee financing operations for companies and self-employed workers that are in the process of executing a bankruptcy agreement within an insolvency proceeding (but are up to date with their obligations under the agreement and can prove it by means of a judicial or administrator's report), € 250 million to guarantee promissory notes issued in the MARF (*Mercado Alternativo de Renta Fija*) by companies that could not benefit from the tranche available in the first line as they are in the process of renewing their promissory note program, € 500 million to meet the investment and liquidity needs of SMEs and the self-employed in the tourism, hospitality and related activities sectors, and € 500 million to strengthen CERSA's guarantees and increase the capacity of the SGRs.

At December 31, 2021 the number of operations formalized by the Group for self-employed, SMEs and other companies amounts to 19,643 with an outstanding balance of € 1,667,880 thousand, and an ICO guarantee amount of € 1,286,160 thousand (17,082 operations with an outstanding balance of € 1,454,067 thousand, and an ICO guarantee amount of € 1,089,024 thousand at December 31, 2020).

8

MARKET RISK

8. Market risk

8.1 - Definition of market risk

Market risk is defined as the possibility of incurring a loss in the value of financial investments due to a change in their price. Market risk can materialize in various financial variables or risk factors such as interest rates, exchange rates, share prices, raw material prices, etc.

Among the activities exposed to market risk in the Group's management scope is Regulatory Trading, understood as the trading of cash positions and derivatives on fixed-income and/or equity instruments with the aim of obtaining short-term profits with limited risk. The Regulatory Trading Portfolio is documented in the " Financial Markets Policies and Procedures Manual".

The instruments admitted within the regulatory trading sub-portfolios are clearly delimited within the Policies and Procedures Manual of the Financial Markets Division, these being standard market instruments with high liquidity. The procedures for unwinding a strategy are detailed in this Manual and consist of the following:

- Positions taken in instruments other than OTC derivatives will be unwound in the corresponding market.
- OTC derivatives contracted:
  - they may either be cancelled with the counterparty with whom they were originally contracted, or
  - mirror transactions can be contracted in the opposite direction to the original ones with a market counterparty, so that the market risk of each derivative is cancelled.

8.2 - Market risk management

This section covers the MRA requirement - Qualitative disclosure requirements related to market risk.

The Entity carries out different operations in the financial markets subject to market risk within a framework of action defined in the "Financial Markets Policies and Procedures Manual". The Entity documents the strategies, policies and limits in the aforementioned Manual, approved by the Board of Directors, which implies its active participation in the risk management process.

Within this framework of action, and with the objective of measuring and controlling the market risk of the Regulatory Trading Portfolio, there are a series of stipulated limits. In particular, the “Value at Risk” (VaR) of the Regulatory Trading Portfolio is analyzed. Likewise, and for a more efficient management of market risk, the portfolio is divided into two sub-portfolios, fixed income and interest rate and variable income, which are subject to their respective measurement and control of market risk through the analysis of the “Value at Risk”.

In addition, management procedures and operating limits have been implemented to reinforce market risk control.

The most important sensitivity parameters for each type of instrument (fixed income: duration, modified duration; options: delta, gamma, vega, etc.) are used to measure positions' market risk, as well as the approach of maximum loss scenarios in a stress scenario and/or simulation of relevant historical scenarios.

For market risk management and control, the evolution of the expected loss is monitored through the VaR indicator (for a confidence level of 99% and a time horizon of 1 or 10 days), and sensitivity analysis and simulation of stress scenarios are carried out to estimate their impact on results and equity. The Risk Control Department monitors these results in order to ensure that they are in line with the Risk Appetite Framework, and they are monitored and reported periodically to the Governing Bodies.

The Entity carries out hedging strategies to mitigate the various risks to which it is exposed. The hedging policy is extensively documented in the "Financial Markets Policies and Procedures Manual". The Finance Department will also carry out regular monthly monitoring of these operations, verifying the effectiveness of the hedges. This Department will present the conclusions of its monthly analysis at the meetings of the Global Risk Commission or the Management Committee.

The Governance of the Market Risk management function is duly and extensively documented in the "Financial Markets Policies and Procedures Manual", which establishes the processes and persons responsible for Market Risk management.

The market risk associated with the Entity's own investment portfolios is managed in the Financial Markets Department through the Financial Risk Management Unit in accordance with the policies prepared in collaboration with the Capital Strategy and Balance Sheet unit and subsequently proposed for approval to the Global Risk Committee or the Management Committee.

The Board of Directors approves the strategies, policies and limits for managing this risk, following a report from the Major Risks and Solvency Commission, as documented in the "Capital Markets Management Policy Manual". This Manual includes policies for identification, measurement, monitoring, control and mitigation, as well as transaction policies regarding trading, revaluation of positions, classification and valuation of portfolios, cancellation of transactions, approval of new products, relations with intermediaries and delegation of functions.

The application of these market risk management policies, together with the control environment established thereon, seeks to maintain market risk levels that ensure a medium-low risk profile, in accordance with the provisions of the Entity's Risk Appetite Statement. In this context, the Entity manages market risk taking into consideration the levels of global exposure, exposure by type of segmentation (portfolios, instruments, ratings), portfolio structure and profitability/risk objectives.

As of December 31, 2021, the Entity has no exposure to market risk, which is why the EU MR1 template - Market risk under the standardized approach is not provided.

9

OPERATION
AL RISK

9. Operational risk

This section covers the ORA requirement - Qualitative information on operational risk. The provisions of letters (c) and (d) of the ORA requirement are not applicable to the Entity when using the standard method for the determination of capital for operational risk.

Operational Risk is defined as "the risk of loss due to the inadequacy or failure of internal procedures, people and systems, or to external events, including legal risk" in accordance with the provisions of Directive 2013/36/EU (CRD IV) and Regulation (EU) No. 575/2013 (CRR), both dated June 26, 2013.

Specifically, the CRR develops in its Title III, the capital requirements for Operational Risk and the general principles governing the use of the different methods for its calculation.

The main purpose of Law 10/2014, of June 26, on the regulation, supervision and solvency of credit institutions is to adapt our legal system to the regulatory changes imposed at the international level and in its Article 39 it establishes that Regulation (EU) No. 575/2013, of June 26 constitutes solvency regulations for credit institutions.

In this context, Ibercaja has an organizational, methodological and risk management model, among which operational risk is included, which has tools, procedures and models that favor efficient management and, in particular, in the case of Operational Risk, that enable the measurement of the equity requirements by the Standardized Approach.

Table 56: Template EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

	Operational risk own funds requirements and risk-weighted exposure amounts					
		a	b	c	d	e
	(thousands of euros)	Relevant indicator			Own funds requirements	Risk exposure amount
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	-	-	-	-	-
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	883,144	836,672	883,598	108,929	1,361,613
3	<u>Subject to TSA:</u>	883,144	836,672	883,598		
4	<u>Subject to ASA:</u>	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

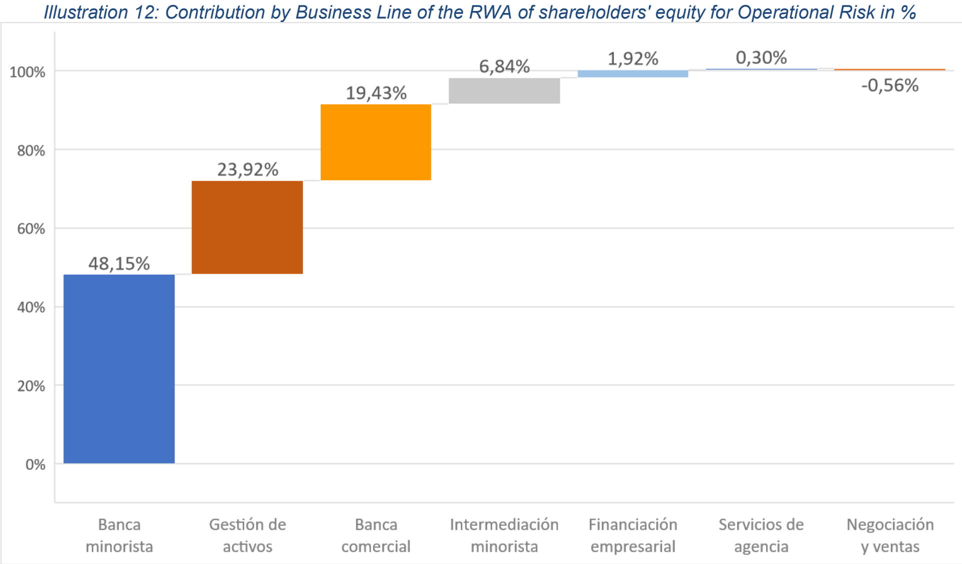
9.1 - Capital requirements for operational risk

Ibercaja Group has opted for the application of the Standardized Approach for the determination of capital for operational risk.

In compliance with Regulation (EU) No. 575/2013 (CRR), Article 318, the Entity has developed and documented the specific policies and criteria to integrate the relevant indicator of its business lines and activities within the framework of the Standardized Approach.

The contribution by Business Line as of December 2021 of the RWA of equity for Operational risk, is as follows:

Illustration 12: Contribution by Business Line of the RWA of shareholders' equity for Operational Risk in %



9.2 - Operational Risk Management. Objectives and justification

The main objective of Operational Risk management at Ibercaja is to "improve the quality and security of business and support processes, providing information on operational risks, defining and developing measures for their mitigation and control and ensuring compliance with the established regulatory framework".

Improving the quality of process management involves:

- The ongoing evaluation of operational risks associated with the activity,
- The determination and monitoring of the desired level of exposure in the management of the business,
- The establishment, in the different areas, of techniques that facilitate the management of these risks: contingency plans, insurance, increasing the effectiveness of controls, etc.

Thus, in order to achieve compliance with the management objectives of this risk, the Entity must, among other aspects, identify its exposures to operational risk and record data on the losses derived from this type of risk, identifying, in addition, the type of loss event in accordance with the categories established by the Regulations.

The Entity has strengthened its Operational Risk management during the pandemic through the implementation of various actions and protocols within the framework of its Continuity strategy. The bodies involved in the Business Continuity Plan were activated, as well as the Pandemic Contingency Plan to achieve the greatest possible isolation of personnel and preserve the Entity's critical functions.

Existing cybersecurity controls for the detection and prevention of threats have also been reinforced, and new training and awareness measures have been implemented for employees.

On the other hand, in order to provide an efficient and adapted response to the disruptive consequences of the pandemic, since 2020, *Ibercaja Próxima* has been launched for individuals, a service that is accompanied by a digital manager who helps the customer to carry out any operation, provides advice on issues related to savings and investment and provides information on Ibercaja products, including the contracting of almost all of them.

9.3 - Structure and Organization of Operational Risk Management

The day-to-day management of operational risk is the responsibility of the Business and Support Units, as well as the subsidiaries. To this end, an operational risk coordinator is identified in each of them, responsible for identifying, managing and reporting the operational risks in their area of activity and all the processes under their responsibility.

The Market, Operational and Reputational Risk Control Unit, which reports to the Risk Control Department and, in turn, to the General Secretariat and Control Department as the second line of defense, defines and coordinates the application of operational risk assessment and measurement methodologies; analyzes, informs and advises the different business units and corporate departments on the best way to measure, analyze and report operational risk; and generates the supporting information for decision-making by Senior Management.

Finally, Internal Audit acts as a third line of defense, supervising the actions of the first and second lines of defense. Within the framework of the Ibercaja Group, the scope of internal audit is total, thus influencing the parent company and its subsidiaries, so that no activity, information system or internal control system is excluded from its scope of action.

9.4 - Operational Risk Categories

Ibercaja has defined its main risk/event categorisation based on the analysis (identification and definition) of specific operational risks, carried out in the different units and subsidiaries, in a homogeneous manner for the entire Group, allowing the linkage between qualitative and quantitative methodologies, the latter based on the identification and recording of operational losses in a specific database.

The main categorisation of risks/events in Ibercaja has been based on levels 1 and 2 defined by Basel, identifying - additionally - specific individual risks by specifying level 2 typologies in a process and an organisational unit. Likewise, new subcategories of operational risk have been defined, adopting the definition established in EBA/GL/2014/13, in the section on Operational Risk Assessment.

This methodology has made it possible to obtain subcategories of Operational Risk: new risk typologies associated with individual risks are included. These subcategories include, among others, the following risks

- Conduct Risk
- ICT risk
- Model Risk

9.5 - Methodologies for measuring Operational Risk

Ibercaja uses a combination of the following operational risk measurement methodologies

- **Quantitative methodologies based on:**
  - Identification, recording of losses derived from operational risk in a loss database and evolutionary analysis of the latter.
- **Qualitative methodologies based on:**
  - Operational risk map, consisting of the identification and evaluation of operational risks and existing controls in processes and activities (self-assessments).
  - Compilation and analysis of operational risk indicators
- **Management support solutions based on:**
  - A management information model for the generation of reports to monitor Ibercaja's exposure to operational risk
  - Identification and monitoring of action plans to mitigate this risk.

9.6 - Loss Database

The internal Loss Database is one of the pillars on which the Entity's operational risk measurement and management is based. In this regard, Ibercaja has a series of processes and sources that allow the capture of events at source, automatically registering them in the database, with the minimum information required for their registration and classification.

Below is a chart showing the distribution of the Group's operational loss events during the 2021 financial year by regulatory category:

Illustration 13: Loss events by risk category as a %.

The Operational Loss Database has a control or filtering system that, depending on the amount, requires subsequent validation by the corresponding unit or subsidiary, or by the

Market, Operational and Reputational Risk Control Unit, giving greater reliability and integrity to the data and the homogeneous application of criteria.

9.7 - Self-assessments

This self-assessment process, which is carried out annually, is one of the pillars on which operational risk management revolves and, together with other tools and methodologies, it supports the identification of exposures to operational risks.

Among the objectives of the qualitative methodology are:

- Identify and evaluate the various operational risks that could potentially affect the different processes, in terms of frequency and impact.

- Obtain information on the existence and effectiveness of the control structure implemented for its mitigation.

- Identify opportunities for improvement in activities with greater exposure

Likewise, this process incorporates the assessment of the reputational impact of the risks, responding to the regulatory recommendations on the matter.

During 2021, the annual update of the self-assessment of operational risks (around 600 risks) was completed, concluding a medium-low risk profile.

9.8 - Operational Risk Indicators

Risk indicators or metrics, often financial, may reveal the risks to which the Entity is or may be exposed. The evolution of such indicators should be reviewed periodically to alert to changes that may be indicative of exposures to certain risks.

The use of risk indicators pursues the following fundamental objectives through the measurement of variables that affect that risk:

- Identify the causes that generate the risks.
- Act as a warning signal for increased levels of risk.
- Check the effectiveness of controls and improvements made to them.

9.9 - Action Plans

One of the objectives of the implementation of the operational risk management model in the Ibercaja Group refers to the establishment by the units and subsidiaries of procedures to improve operational processes and the existing control structure.

Thus, together with obtaining the Entity's operational risk profile, the Ibercaja Group periodically adopts measures aimed at mitigating operational risk, using procedures that enable mitigation plans to be established and monitored.

10

HOLDINGS AND EQUITY INSTRUMENTS NOT INCLUDED IN THE TRADING PORTFOLIO

10. Holdings and equity instruments not included in the trading portfolio

10.1 - Classification, valuation and accounting criterio

Notes 2.1 and 2.2.4 to the Group's consolidated financial statements for 2021 include a description of the portfolios into which the Group's investments and equity instruments are classified, together with the accounting policies and measurement bases applied to each of them. These notes also indicate the models and assumptions applied to determine the value of the instruments included in each portfolio. The Report forms part of the annual financial statements, which are available on the Ibercaja Banco website 2021 (Periodic Information - Corporative Website | Ibercaja Banco).

The Group has interests in entities in whose management and decision-making processes it is involved to a greater or lesser extent, with which it pursues the achievement of objectives that are integrated into the Group's strategy and in which there is an intention to maintain a relationship of permanence in its shareholding ("strategic investments"). It also has interests in other entities with different objectives, basically consisting of maximizing the results obtained through their management ("Financial assets at fair value through other comprehensive income"). Investments and equity instruments owned by the Group that are classified for accounting purposes as Group companies, associates and jointly controlled entities are held for strategic purposes.

In addition, there are some participations classified in the category of financial assets at fair value through other comprehensive income that are also held for strategic purposes. Among the strategic investments classified in the category of financial assets at fair value with changes in other comprehensive income, there is the holding in *Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. (Caser).*

10.2 - Quantitative information

The carrying value of the equity investments owned by the Group at December 31, 2021, which are not included in the trading portfolio, is € 473,734 thousand.

Below is a detail of the exposures in equity investments and equity instruments held by the Group at December 31, 2021, excluding the exposures in instruments that are part of the trading portfolio, as defined for the purposes of equity requirements in section 10.1 above of this report:

Table 57: Value of exposures to equity and capital instruments

Exposure to equity and capital instruments		
(thousands of euros)	Exposure amount 2021	Exposure amount 2020
Listed equity instruments	149,485	171,186
Unlisted equity instruments	626,334	644,910
Total	**775,819**	**816,096**

The Group has recorded in equity an amount of € 38,894 thousand as a result of changes in the value of holdings in equity instruments other than those included in the trading portfolio.

The amount of the gains recorded by the Group in 2021 on sales of holdings that are part of the consolidable Group amounted to € 395 thousand.

11

STRUCTURAL INTEREST RATE RISK

11. Structural interest rate risk

This section covers the IRRBBA requirement - Qualitative information on IRRBB. Provisions of letters (e) and (i) do not apply in the absence of behavioral models and parametric assumptions other than those used for the EU IRRBB1 template disclosure and other relevant information regarding IRRBB measures not disclosed in IRRBB1.

Interest rate risk is defined as the possibility that the Group's net interest margin or economic value will be affected by adverse changes in interest rates that affect the cash flows from financial instruments. Internally, it is defined as the current or future risk to the economic value or income of the bank due to adverse fluctuations in interest rates that affect sensitive positions in its structural balance sheet (thus excluding trading activities).

The sources of interest rate risk are:

- Gap risk: risk associated with the different time structure of interest-rate-sensitive balance sheet instruments, arising from differences in the timing of their repricing or maturity.

- Basis risk: Risk arising from the different benchmarks used for their repricing, the asset and liability instruments that are sensitive to interest rates.

- Optionality risk: risk arising from implicit or explicit options, which arises when either the entity or the customer has the option to alter future cash flows if it is beneficial to them. It includes the risk of customer behaviour according to the evolution of interest rates (behavioural option).

The objective of this risk management is to contribute to maintaining current and future profitability at optimal levels while preserving the Entity's economic value.

Risk management is based on the identification and evaluation of the different sources of risk according to the sensitivity of the various on- and off-balance sheet items. It is complemented by monthly measurements of the economic value and net interest income under a base scenario and its comparison with stressed scenarios as a measure of risk. The main measures used to manage and control interest rate risks include:

- Measures of economic value sensitivity to changes in market interest rate curves on static balance sheets.

- Margin sensitivity measures to instantaneous and gradual movements in market interest rate curves over 12- and 24-months periods on static and dynamic balance sheets incorporating new business projections.

- Measures of repricing gap and balance sheet duration.

These measurements, calculated on a monthly basis, are performed in both static and dynamic situations that incorporate the future evolution of the bank's balance sheet.

The Bank applies various shifts in its interest rate stress scenarios, which are described below:

- Parallel and instantaneous +/- 200 bp.

- Non-parallel in the same direction with different intensities (rate rises or falls with greater intensity in the short term than in the long term).

- Non-parallel in different direction (flattening and pointing of the slope).

- Parallel and progressive +/- 50 bp.

For the regulatory stress scenarios, floors of -100bp (with 5bp annual increments for 20 years) are applied to the interest rate curve.

Additionally, these measures are contrasted with:

- The thresholds established in the Risk Appetite Framework approved by the Board of Directors.

- Regulatory limits.

The modeling of interest rate risk metrics is based on:

- Interest rate curves.
- Behavioral models to determine the cash flows of products with implicit optionality.
- Projections of future balance sheet evolution.

The Entity has behavioral models that establish the essential assumptions on sensitivity and duration based on historical experience and econometric models for the following product categories:

- Demand savings accounts

  For accounts without contractual maturity (NMD), models are applied which, through statistical calculations, identify unstable balances (with immediate sensitivity) and stable balances (with little probability of repricing in the event of significant changes in interest rates), their evolution over time and their potential migration to other deposits or products.

- Loan prepayments

  In order to calculate a prepayment rate for fixed-rate loans by customers before their contractual maturity date, an analysis is performed on historical data and the evolution of interest rates.

- Early cancellation of term deposits

  Model used to determine the rate of term deposits cancellations.

- Disposition of credits and cards

  It models the behavior of these asset items based on the evolution of interest rates and historical data.

These models are used both in regulatory metrics and at management level.

The Entity actively manages interest rate risk mitigation through natural hedges generated by the composition of the various balance sheet items, as well as by contracting macro and micro fair value accounting hedges in the financial markets.

11.1 - Changes in interest rates

The sensitivity profile of the Group's balance sheet to interest rate risk at December 31, 2021 is shown below, indicating the carrying value of those financial assets and liabilities affected by this risk, which are classified according to the estimated term until the interest rate review or maturity date.

As of December 31, 2021:

Table 58: Balance sheet sensitivity profile at December 31, 2021

Terms until the effective interest rate or maturity adjustment							
(millions of euros)	< 1 month	Between 1 and 3 months	3 months to 1 year	Sensitive Balance	Non-sensitive balance	Between 1 and 5 years	> 5 years
Assets	12,337	7,082	13,883	33,302	18,404	6,523	11,881
Liabilities	13,283	2,159	9,176	24,618	27,088	21,698	5,390
Gap Period	**-946**	**4,924**	**4,707**	**8,684**	**-8,684**	**15,175**	**6,491**

Sensitive balances are considered to be those whose maturity or repricing occurs within the next twelve months. This period is established as a reference to quantify the effect of changes in interest rates on the Group's annual net interest margin.

The Gap shown in the table represents the difference between sensitive assets and liabilities in each period, i.e. the net balance exposed to price changes. The average gap for the period amounted to €5,107.6 million, or 9.88% of assets.

The impact of structural balance sheet interest rate risk on the margin and economic value due to interest rate changes is presented below:

Table 59: Impact of changes in interest rates

Impact of changes in interest rates		2021		2020	
		Increase	Decrease	Increase	Decrease
Impact on the Group's net interest income	200 points	19.07%	-17.03%	40.45%	-17.69%
Impact on the Economic Value /Own Funds	200 points	-4.18%	1.41%	2.27%	0.77%

With data as of December 31, 2021, the impact on the Entity's net interest income in the event of a 200 basis points increase in interest rates is € 79.03 million, 19.07% of the net interest income for the next 12 months, and in the event of a decrease of 200 basis points is -€ 70.58 million, -17.03% of the net interest income for the next 12 months (in December 2020, € 160.03 million and 40.45% in the event of increases and € -69.98 million and -17.69% in the event of decreases) under the hypothesis of a static balance sheet and maintenance of the size and structure of the balance sheet, assuming that interest rate movements occur instantaneously and are the same for all points on the curve, with a progressive floor ranging from minus 100 bp, rising 5 bp each year to zero.

The impact on the economic value of the Entity in the event of a 200 basis points increase in interest rates is € -245.65 million, -4.18% of the economic net worth, and in the event of a decrease of 200 basis points is € 82.99 million, 1.41% of the economic net worth (in December 2020, € 141.58 million and 2.27% on increases and € -47.73 million and -0.77% on decreases) 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 bp, rising 5 bp each year to zero.

Table 60: Template EU IRRBB1 - Interest rate risks of non-trading book activities

	Interest rate risks of non-trading book activities				
	(thousands of euros)	a	b	c	d
		Changes of the economic value of equity		Changes of the net interest income	
	Supervisory shock scenarios	Current period	Last period	Current period	Last period
1	Parallel up	-245,646	-47,730	79,026	160,028
2	Parallel down	82,988	141,579	-70,584	-69,977
3	Steepener	-279,559	-146,990		
4	Flattener	198,597	120,910		
5	Short rates up	125,286	255,994		
6	Short rates down	-381,259	-83,707		

Changes in the volume and composition of the items most sensitive to interest rate variations (demand savings accounts, financial portfolios, fixed-rate loans) have resulted in a greater sensitivity of the economic value to interest rate movements. This greater sensitivity occurs mainly in scenarios of parallel increases and short-term regulatory decreases. The sensitivity of the margin to interest rate movements remains stable in scenarios of rate decreases, and reduces its sensitivity in scenarios of parallel increases.

Finally, the Group's average and maximum repricing maturities are shown below.

Table 61: Sections (1) (2) of the Template EU IRRBBA – Disclosure of the average and longest repricing maturity assigned to non-maturity deposits

isclosure of the average and longest repricing maturity assigned to non-maturity deposits				
(months)	Average repricing maturity		Longest repricing maturity	
	Core volume	Total volume	Core volume	Total volume
Retail	53.7	41.6	60	60
Non-financial wholesale	40.7	12.6	60	60

12

LIQUIDITY AND FINANCING RISK

12. Liquidity and financing risk

This module covers the LIQA requirement - Liquidity risk management.

Liquidity risk is defined as the possibility of incurring losses as a result of not having or not being able to access sufficient liquid funds to meet payment obligations so that it can continue to develop its normal business operations

The objective of the Entity approved by its governing bodies is "to maintain a loose liquidity position that ensures that payment obligations are met."

The Risk Appetite Framework materializes through its indicators, limits and thresholds that risk profile objective. To this end, and in addition to the regulatory ratios, the Entity has defined first level metrics that allow controlling the financing structure of the retail activity, maintaining a loose liquidity position and adequate reliance on wholesale markets include the following metrics and levels on 31 December 2021:

- Ratio Credit on Deposits (Loans to Deposits) of 78.2%
- Drawn balance on ECB policy as a percentage of total assets (net of ECB account balance) with a level of -1.90%
- Available Liquidity on Total Assets, with a value of 26%
- Wholesale Funding Ratio (percentage of wholesale funding over total assets) at 17.2%
- Survival horizon (period the Entity can withstand liquidity outflows in a prolonged adverse scenario) greater than 180 days

At December 31, 2021, the Group's available liquidity amounted to € 15,250 million (€ 14,959 million at December 31, 2020), and issuance capacity € 8.776 million (€ 8,380 million at December 31, 2020). Thus, total availability stands at € 24.027 million (€ 23.339 million at December 31, 2020), an increase of € 687million compared with the end of last year. During 2021, wholesale maturities were serviced for a nominal amount of € 605 million: mortgage covered bonds (€ 525million), securitization bonds owned by third parties (€ 80 million). In addition, repurchases of own issues were carried out for € 14 thousand, instrumented in asset-backed securities.

A breakdown of available liquidity is given below:

Table 62: Breakdown of available liquidity

Breakdown of available liquidity		
(thousands of euros)	2021	2020
Cash and Central Banks	6,183,416	7,319,717
Available in policy	1,050,679	891,981
Eligible out-of-policy assets	7,590,280	6,421,078
Other marketable assets not eligible for the Central Bank	425,796	326,665
Accumulated available balance	**15,250,171**	**14,959,441**

The collateral policy with the ECB includes pledged assets for the discounted value of € 6,938 million on December 31, 2021 (€ 6,278 million on December 31, 2020), of which € 5,959 million have been drawn down, leaving € 1,051 million available (€ 892 million on December 31, 2020) to meet its liquidity needs.

In addition to the aforementioned policy, the Entity has very diverse sources of funding:

- Thus, the broad base of retail deposits stands out for € 33,298 million, of which 85% correspond to stable balances.

- The entity has collateral financing of € 6,560 million, of which € 512 million are contracted with central counterparties.

- Wholesale issues for € 2,786 million, characterized by the diversification of their maturities.

- Deposits from Group financial institutions of € 309 million.

- Deposits from other customers of € 3,400 million, among others.

The Entity's balance sheet does not present significant concentrations of liquidity risk in its assets or in its sources of financing.

The following table shows the breakdown by term of the contractual maturities of assets and liabilities (liquidity gap) on December 31, 2021 and December 31, 2020:

Table 63: Breakdown by term of contractual maturities of assets and liabilities

Breakdown by term of contractual maturities of assets and liabilities*							
(thousands of euros)	On demand	1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
ASSETS							
Deposits with credit institutions	35,825	3,343	42,935	-	-	123,716	205,820
Loans to other financial institutions	-	6	1,482	310	1,522	34,934	38,255
Temporary acquisitions of securities and lending of securities	-	1,615,394	-	-	-	-	1,615,394
Loans (includes past due, doubtful, failed, and foreclosed)	-	745,825	1,111,982	2,472,290	8,453,918	17,959,748	30,743,764
Settlement of securities portfolio	-	211,000	232,741	223,151	3,690,115	5,094,077	9,451,084
Hedging derivatives	-	49	4,381	33,821	16,586	1,291	56,128
Trading derivatives	-	-	-	-	-	-	-
Interest margin	-	48,120	61,074	313,670	-	-	422,864
Total at December 31, 2021	**35,825**	**2,623,735**	**1,454,596**	**3,043,243**	**12,162,141**	**23,213,766**	**42,533,307**
Total at December 31, 2020	**71,500**	**2,150,026**	**1,488,861**	**2,948,161**	**11,452,035**	**23,046,654**	**41,157,236**
LIABILITIES							
Wholesale issues	-	3,343	6,664	48,996	2,447,215	279,792	2,786,010
Deposits from credit institutions	17,256	10,928	2,000	-	290	2,371	32,845
Deposits from other financial institutions and organizations	381,698	303	435	8,655	39,635	-	430,726
Deposits from large non-financial companies	169,579	1	-	2,200	-	-	171,779
Financing of the rest of the clientele	33,968,149	321,502	484,036	1,518,114	403,988	2,694	36,698,483
Funds for mediation credits	-	2,928	2,881	19,954	59,508	26,246	111,517
Financing with securities collateral	-	511,906	89,066	-	5,959,000	-	6,559,972
Other net outflows	-	35,670	61,094	278,008	43,364	51,284	469,421
Hedging derivatives	-	6,249	4,746	-7,807	16,680	4,121	23,989
Formalized loans pending disbursement	-	487,454	-	-	-	-	487,454
Commitments available from third parties	3,220,412	-	-	-	-	-	3,220,412
Financial guarantees issued	9,015	3,041	278	1,468	1,782	1,122	16,707
Total at 31 December, 2021	**37,766,108**	**1,383,325**	**651,200**	**1,869,589**	**8,971,462**	**367,631**	**51,009,315**
Total at 31 December, 2020	**36,193,873**	**1,636,669**	**926,745**	**2,685,645**	**8,793,922**	**472,884**	**50,709,739**
Gap of the period 2021	**-37,730,283**	**1,240,411**	**803,396**	**1,173,654**	**3,190,679**	**22,846,135**	
Gap of the period 2020	**-36,122,373**	**513,356**	**562,115**	**262,515**	**2,658,113**	**22,573,770**	
Accumulated gap (without on-demand savings) 2021	**-**	**1,240,411**	**2,043,807**	**3,217,461**	**6,408,140**	**29,254,275**	
Accumulated gap (without on-demand savings) 2020	**-**	**513,356**	**1,075,471**	**1,337,987**	**3,996,100**	**26,569,870**	

**Includes principal and interest maturities and no assumptions of new business.*

The maturity of demand deposits is not determined contractually. It has been recorded in the first-time window (overnight) although these deposits are mostly stable.

With regard to other contingent risks, the Group controls the position of:

- Financing received from investment funds and pension plans with clauses that trigger repayment based on downgrades in Ibercaja Banco's credit rating. At the end of 2021, there were no amounts affected by the downgrade of one notch in the rating.

- Derivative liabilities for €250 million, which have required the provision of additional guarantees for €253 million, as well as asset derivatives for €4 million, for which additional guarantees have been received for €4 million. Additionally, those made by the camera have required additional guarantees for €21 million.

- Securities collateral financing of €601 million, which required the provision of additional guarantees of €142 million in cash (guarantees include both disposals and temporary acquisitions of assets).

- International operations with cards with CECA, require the provision of €11 million in fixed income guarantees.

In addtion, Ibercaja Banco has signed master netting agreements, and their annexes for the exchange of collateral, with all the entities with which it operates in over-the-counter (OTC) derivatives and simultaneous operations. Its signature is a prerequisite for those entities with which this type of operation is to be initiated. Ibercaja Banco participates as a direct member of the central clearing houses for simultaneous operations LCH Clearnet and MEFFClear, and in Eurex for operations with some types of interest rate derivatives, being a common market practice that has spread among participants after the entry into force of EMIR regulations.

In relation to the financial guarantee contracts issued, the nominal amount of the guarantee does not necessarily represent an actual disbursement obligation or liquidity requirement, which will depend on the fulfillment of the conditions for the amount of the committed guarantee to be disbursed.

On the other hand, the Ibercaja Group does not hold speculative foreign currency positions.

Neither does it hold any significant open positions in foreign currencies of a non-speculative nature (the largest overall net foreign currency position in state C.22 does not exceed 2% of total eligible capital).

The main intragroup liquidity policies and flows are summarized below:

Financial Group

- Ibercaja Group receives the Financial Group's contribution to the consolidated income statement in the form of dividends and fees.

- Investment activity of the Financial Group's subsidiaries in the parent entity: the Financial Group's main subsidiaries maintain active positions with the parent entity in term deposits, current accounts or other financial instruments, linked to the management of their cash and equity.

- Ibercaja Leasing's activity: as Ibercaja Leasing's credit activity increases, the parent entity provides financing either directly or through agreements with *the Instituto de Crédito Oficial* - ICO.

Real Estate Group

- Real Estate Group also contributes to the consolidated result of the Ibercaja Group. Ibercaja Banco finances its member companies through capital increases, as well as loans for the purchase of assets (real estate or land) from foreclosures or dations in payment arising from the parent entity's credit operations.

Instruments and services

- As for the service provision subsidiaries, there are no significant financial relationships

Financing Vehicles

- With regard to the Securitisation Funds, Ibercaja Banco carried out securitisations until 2009 with the aim of obtaining liquidity, improving the consumption of own resources and transferring credit risk. Most were placed on the wholesale market except for the latest securitisations (2008 - 2009) which were retained by the Bank to serve as collateral in the ECB's guarantee policy.

- After the issue, the Bank carried out buybacks from third parties in order to strengthen its balance sheet, which resulted in a portfolio of securitized bonds.

No other additional items have been considered relevant for the calculation of LCR, not included in this section, but relevant to its liquidity profile.

12.1 – Regulatory liquidity ratios in 2021

This section covers the LIQB requirement - Qualitative information on the liquidity coverage ratio, which complements template EU LIQ1. Moreover, provisions of letter (f) do not apply to the Entity as there is no material exposure to other currencies.

The level of liquid assets available to the Group makes it possible to manage and control short and medium-term liquidity needs, avoiding misalignments in the business model, even under periods of stress or in the face of significant variations in market conditions. The LCR ratio is a good indicator of the capacity to cover liquidity needs.

The LCR (Liquidity Coverage Ratio) of the Ibercaja Group on December 31, 2021 amounts to 452.0% (468.1% at December 31, 2020), while the NSFR (Net Stable Funding Ratio) at December 31, 2020 stands at 152.2% (151.5% at December 31, 2020).

The values for each quarter of 2021 and 2020, on a consolidated basis, are shown below:

Table 64. Quarterly evolution of the LCR - values at March 31

(millions of euros)		
Quarter end date	31-mar-21	31-mar-20
Liquidity buffer	13,091	8,653
Total net cash outflow	3,076	2,530
Liquidity Coverage Ratio (%)	425%	342%

Table 65. Quarterly evolution of the LCR - values at June 30

(millions of euros)		
Quarter end date	30-jun-21	30-jun-20
Liquidity buffer	13,414	9,338
Total net cash outflow	3,080	2,633
Liquidity Coverage Ratio (%)	436%	354%

Table 66. Quarterly evolution of the LCR - values at September 30

(millions of euros)		
Quarter end date	30-sep-21	30-sep-20
Liquidity buffer	13,416	10,467
Total net cash outflow	3,067	2,792
Liquidity Coverage Ratio (%)	438%	371%

Table 67. Quarterly evolution of the LCR - values at December 31

(millions of euros)		
Quarter end date	31-dec-21	31-dec-20
Liquidity buffer	13,493	11,752
Total net cash outflow	3,077	2,923
Liquidity Coverage Ratio (%)	439%	398%

In addition, the EU LIQ1 template provides quantitative information on the different components of the LCR ratio, offering a comparison of its evolution in the last four quarters of 2021.

During 2021 the level of liquid assets has increased, from € 11,752 million (average of the last 12 months to date December 2020) to € 13,493 million (average of the last 12 months to date December 2021), leaving a real level of liquid assets at 31/12/2021 of € 14,481 million. This increase has occurred for two factors, on the one hand, the disposition of TLTROs made by the entity on 24/06/2020 for an amount of € 5,400 million (after amortizing the previous € 2,650 million) and the subsequent provision of 24/03/2021 for a further € 559 million. The other factor is the increase in liquidity of the entity due to the strong increase of creditors since the beginning of the pandemic (more than € 4,000 million). In the same period, the 30-day outflows have increased proportionally to the increase in creditors. That is why the LCR ratio goes from 398% (average of the last 12 months, to date December 2020) to 439% (average of the last 12 months, to date December 2021) leaving a real ratio to 31/12/2021 of 452%.

The most influential factors in the result of the LCR are, on the one hand, the level of liquid assets that the entity has and has been increasing throughout 2021, and on the other hand, the amount of deposits of creditors, which influence the outflows to 30 days, and that have also been increasing throughout the year, mainly retailers.

The main source of funding for the entity is deposits from retail customers, which are liabilities of a very stable nature and lead to fewer potential outflows in the LCR ratio. The ECB policy (TLTROs) is also a very important source of financing. On the other hand, the level of liquid assets of the group is of very high quality, approximately 99% of the assets that are part of the mattress of the LCR, are of Level 1, because the asset portfolio is composed mainly of national public debt. The liquidity buffer consists mainly of reserves in the ECB's account and national government debt.

Derivative guarantees do not count as liquid assets. Every month, the variation of the required guarantees is reviewed and the entity considers as a 30-day liquidity outflow, the maximum variation produced in the 24 months, according to the regulations, to cover these possible requests for guarantees.

Table 68: Template EU LIQ1 – Quantitative Information of LCR

	Quantitative information of LCR								
	(thousands of euros)	a	b	c	d	e	f	g	h
		Total unweighted value (average)				Valor ponderado total (promedio)			
EU 1a	Scope of consolidation: Consolidated	dec-21	sep-21	jun-21	mar-21	dec-21	sep-21	jun-21	mar-21
EU 1b	**Number of data points used in the calculation of averages**	**12**	**12**	**12**	**12**	**12**	**12**	**12**	**12**
	High-quality liquid assets (HQLA)								
1	**Total high-quality liquid assets (HQLA)**					**13,492,705**	**13,416,108**	**13,414,293**	**13,090,659**
	Cash - Outflows								
2	Retail deposits and deposits from small business customers, of which:	32,171,116	31,895,741	31,568,093	31,178,899	1,834,497	1,818,634	1,800,773	1,779,108
3	Stable deposits	27,652,286	27,418,810	27,120,718	26,775,629	1,382,614	1,370,940	1,356,036	1,338,781
4	Less stable deposits	4,518,830	4,476,932	4,447,375	4,403,270	451,883	447,693	444,737	440,327
5	Unsecured wholesale funding	3,771,424	3,902,660	3,985,343	4,056,316	1,332,415	1,370,803	1,393,893	1,410,118
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	1,207,476	1,290,020	1,406,536	1,552,811	301,869	322,505	351,634	388,203
7	Non-operational deposits (all counterparties)	2,563,947	2,612,640	2,578,807	2,503,504	1,030,546	1,048,298	1,042,259	1,021,915
8	Unsecured debt	-	-	-	-	-	-	-	-
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	2,396,841	2,370,525	2,341,552	2,317,369	268,105	250,900	254,929	268,037
11	Outflows related to derivative exposures and other collateral requirements	55,293	40,040	39,940	39,188	55,293	40,040	39,940	39,188
12	Outflows related to loss of funding on debt products	47,778	47,679	56,553	76,642	47,778	47,679	56,553	76,642
13	Credit and liquidity facilities	2,293,770	2,282,806	2,245,059	2,201,539	165,034	163,180	158,436	152,207
14	Other contractual funding obligations	-	-	-	-	-	-	-	-
15	Other contingent funding obligations	1,684,601	1,620,294	1,614,066	1,621,435	86,144	75,997	68,477	58,344
16	Total cash outflows					**3,521.161,301**	**3,516,333,360**	**3,518,071,850**	**3,515,607,104**
	Cash - Inflows								
17	Secured lending (e.g. reverse repos)	1,554,525	1,517,397	1,374,508	1,279,337	1	1	-	-
18	Inflows from fully performing exposures	773,183	766,260	760,671	775,833	410,696	414,934	415,178	425,246
19	Other cash inflows	168,585	170,800	113,698	73,777	33,717	34,160	22,740	14,755
EU 19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU 19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
	Total cash inflows	2,496,294	2,454,456	2,248,877	2,128,948	444,415	449,096	437,918	440,001
20	Fully exempt inflows	-	-	-	-	-	-	-	-
EU 20a	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
	Inflows subject to 75% cap	2,496,294	2,454,456	2,248,877	2,128,948	444,415	449,096	437,918	440,001
	Total adjusted value								
EU-20b	LIQUIDITY BUFFER					13,492,705	13,416,108	13,414,293	13,090,659
	TOTAL NET CASH OUTFLOWS					3,076,747	3,067,238	3,080,154	3,075,606
EU 20-c	LIQUIDITY COVERAGE RATIO					438.94%	437.95%	436.04%	425.19%

In relation to the net stable funding ratio, which seeks a balance sheet structure in which both assets and off-balance sheet positions are funded with stable liabilities, the following quantitative information is provided below.

Table 69: Template EU LIQ2 - Net Stable Funding Ratio

	Net Stable Funding Ratio					
	(thousands of euros)	a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	1 year or more	
	Available stable funding (ASF) items					
1	**Capital items and instruments**	**3,219**	**-**	**-**	**500**	**3,719**
2	*Own funds*	3,219	-	-	500	3,719
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		31,874	740	376	31,131
5	*Stable deposits*		27,445	599	307	26,949
6	*Less stable deposits*		4,429	141	69	4,182
7	Wholesale funding:		3,488	166	7,858	9,279
8	*Operational deposits*		1,206	26	121	737
9	*Other wholesale funding*		2,281	140	7,738	8,542
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	205	2,200	-	-	-
12	*NSFR derivative liabilities*	205				
13	*All other liabilities and capital instruments not included in the above categories*		2,200	-	-	-
	Total available stable funding (ASF)					**44,865**
	Required stable funding (RSF) items					
15	Total high-quality liquid assets (HQLA)					2,392
EU-15a	Assets encumbered for more than 12m in cover pool		-	-	-	-

16	Deposits held at other financial institutions for operational purposes		82	-	124	165
17	Performing loans and securities:		3,350	1,571	23,861	22,190
18	*Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut*		-	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		2	0	36	37
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		1,981	720	8,107	8,241
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		3	2	33	29
22	*Performing residential mortgages, of which:*		1,368	851	15,337	13,563
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		1,368	851	15,337	13,563
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		-	-	380	351
25	Interdependent assets		-	-	-	-
26	Other assets	-	280	-	4,502	4,537
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		29			
29	*NSFR derivative assets*		-			10
30	*NSFR derivative liabilities before deduction of variation margin posted*		205			
31	*All other assets not included in the above categories*		47	-	4,502	4,502
32	Off-balance sheet items		**1,406**	**341**	**2,283**	**202**
33	**Total RSF**					**29,486**
34	**Net stable funding ratio (%)**					**152.16%**

12.2 - Liquidity and financing perspective

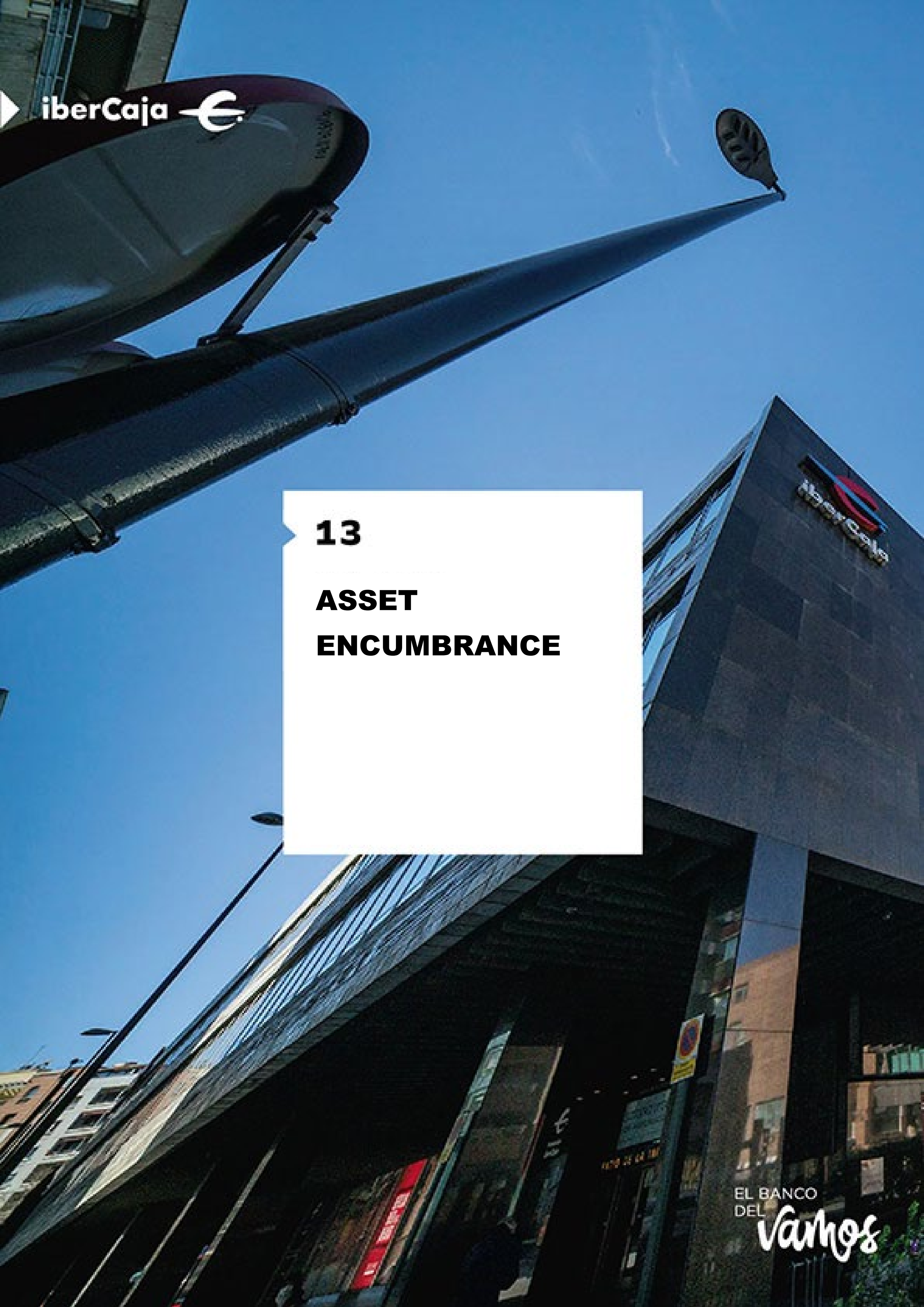
The following table shows the maturities of the long-term wholesale financing at December 31, 2021:

Table 70: Maturities of wholesale financing

Maturities of wholesale financing							
(thousand of euros)	On demand	1 month	1-3 months	3 months – 1 year	1-5 years	>5 years	Total
Senior debt	-	-	-	-	50,000	-	50,000
State-guaranteed debt	-	-	-	-	-	-	-
Subordinate and preferential	-	-	-	-	850,000	-	850,000
Mortgage and territorial bonds and certificates	-	-	19,444	-	1,416,026	165,000	1,600,470
Securitisations	3,343	6,664	29,551	3,343	131,190	114,792	285,540
Promissory notes and certificates of deposit	-	-	-	-	-	-	-
Wholesale emissions	**-**	**3,343**	**6,664**	**48,996**	**2,447,215**	**279,792**	**2,786,010**
Long-term securities collateral financing	**-**	**-**	**-**	**-**	**5,959,000**	**-**	**5,959,000**
Expiry dates of the period	**-**	**3,343**	**6,664**	**48,996**	**8,406,215**	**279,792**	**8,745,010**
Accumulated maturities	**-**	**3,343**	**10,006**	**59,002**	**8,465,217**	**8,745,010**	

Wholesale issues appear net of treasury stock. However, multi-cedent bonds are listed for their gross amount issued while treasury stock is recorded as available liquidity in accordance with the Bank of Spain's LQ statement preparation criteria.

The policy of diversification of the maturities of wholesale issues over time will allow the Entity to cover the maturities of the coming years, maintaining a comfortable liquidity position. Thus, taking into account the available liquidity (€ 15,250 million), the Entity could cover the total maturities of long-term wholesale financing (€ 2,786 million). In addition, it has an issuance capacity of € 8,776 million (total availability of € 24,027 million).



13

ASSET ENCUMBRANCE

13. Asset encumbrance

This section covers the EU AE4 requirement - Accompanying narrative information.

13.1 - General information

The concept of asset encumbrance refers to the part of the Entity's assets that are committed as a result of their use in secured financing transactions.

In this regard, the European Banking Authority has developed Guidelines regarding the disclosure of information on encumbered and unencumbered assets in compliance with the mandate set out in the Capital Requirements Regulation (EU) No. 575/2013.

According to the guidelines set by the EBA for the disclosure of information regarding encumbered and unencumbered assets (EBA/GL/2014/3), an asset is considered encumbered when it has been pledged or is subject to any type of arrangement, from which it cannot be freely drawn, under which it is intended to serve as collateral or to enhance the credit quality of any on-balance sheet or off-balance sheet transaction.

The process of encumbering assets consists of using such assets to secure or collateralize specific obligations of the Group to certain creditors.

The Group has established identification and management policies and has developed procedures for measuring and monitoring the exposure of encumbered assets.

Ibercaja is a retail bank, whose financing structure is based mainly on the base of stable deposits of customers. This feature facilitates a prudent collateral management strategy, facilitating access to funding sources at any time. The main source of collateral is the portfolio of loans for bond issues and securitisations, as well as public debt and fixed-income assets, which continue to produce returns. In addition, some of the funding sources generated with the loaded assets, in particular the TLTROs and repos, are also a source of income generation for the entity.

The policy is covered by the treasury stock (bonds and securitisations) and part of Autonomous Communities' fixed income and part of SAREB bonds. All repos are covered by State Debt. The coverages of the cards, which are not in treasury stock, covered by eligible loans, sanitized and current payments. Third-party securitisations are also covered by eligible, healthy loans and current payments.

The exposure value, shown in the following tables, has been determined as the median of the values reported in the regulatory information for the four quarters of the year, as provided in the guidelines of the European Banking Authority.

13.2 - Quantitative information

Information regarding encumbered assets is presented below. This information has been prepared in accordance with the EBA Guidelines on disclosure of information on encumbered and unencumbered assets, using the median of the previous twelve months' moving quarterly values (as per Commission Delegated Regulation EU 2017/2295).

There are no significant differences between the scope used in this document and the scope of liquidity management on a consolidated basis, as required by Regulation (EU) No. 575/2013.

Table 71: Template EU AE1 — Encumbered and unencumbered assets

	(thousands of euros)	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which: notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		10	30	40	50	60	80	90	100
010	**Assets of the reporting institution**	**10,443,264**	**3,706,954**			**40,478,991**	**11,515,374**		
030	Equity instruments	-	-	-	-	343,641	120,521	-	-
040	Debt securities	3,721,076	3,706,954	3,771,354	3,757,233	6,578,206	6,385,321	6,620,553	6,425,765
050	of which: covered bonds	22,827	22,827	23,539	23,539	4,010	4,010	4,147	4,147
060	of which: securitisations	160,137	160,137	162,022	162,022	27,004	27,004	27,342	27,342
070	of which: issued by general governments	3,648,455	3,648,455	3,697,856	3,697,856	6,513,794	6,362,027	6,554,094	6,402,322
080	of which: issued by financial corporations	48,647	41,051	49,440	41,763	20,862	7,894	23,020	8,031
090	of which: issued by non-financial corporations	19,759	15,463	19,942	15,645	44,520	15,722	44,434	15,753
120	Other assets	6,763,186	-			34,031,883	5,422,883		

Below is information on collateral received that does not qualify for on-balance sheet recognition under the applicable accounting standard and therefore, remains out of balance. A distinction is made between collateral received that acts as a hedge of another position and that which is unencumbered:

Tabla 72: Template EU AE2 - Collateral received and own debt securities issued

	Collateral received and own debt securities issued				
	(thousands of euros)	Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		10	30	40	60
130	**Collateral received by the disclosing institution**	**-**	**-**	**1.599.015**	**1.599.015**
140	Loans on demand	-	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	-	-	1.599.015	1.599.015
170	*of which: covered bonds*	-	-	-	-
180	*of which: securitisations*	-	-	-	-
190	*of which: issued by general governments*	-	-	1.110.679	1.110.679
200	*of which: issued by financial corporations*	-	-	405.981	405.981
210	*of which: issued by non-financial corporations*	-	-	-	-
220	Loans and advances other than loans on demand	-	-	-	-
230	Other collateral received	-	-	-	-
240	Own debt securities issued other than own covered bonds or securitisations	-	-	-	-
241	Own covered bonds and securitisations issued and not yet pledged			**777.361**	**-**
250	**Total collateral received and own debt securities issued**	**10.443.264**	**3.706.954**		

Table 73: Template EU AE3 — Sources of encumbrance

	Sources of encumbrance		
	(thousands of euros)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		10	30
10	Carrying amount of selected financial liabilities	9,034,268	10,443,264

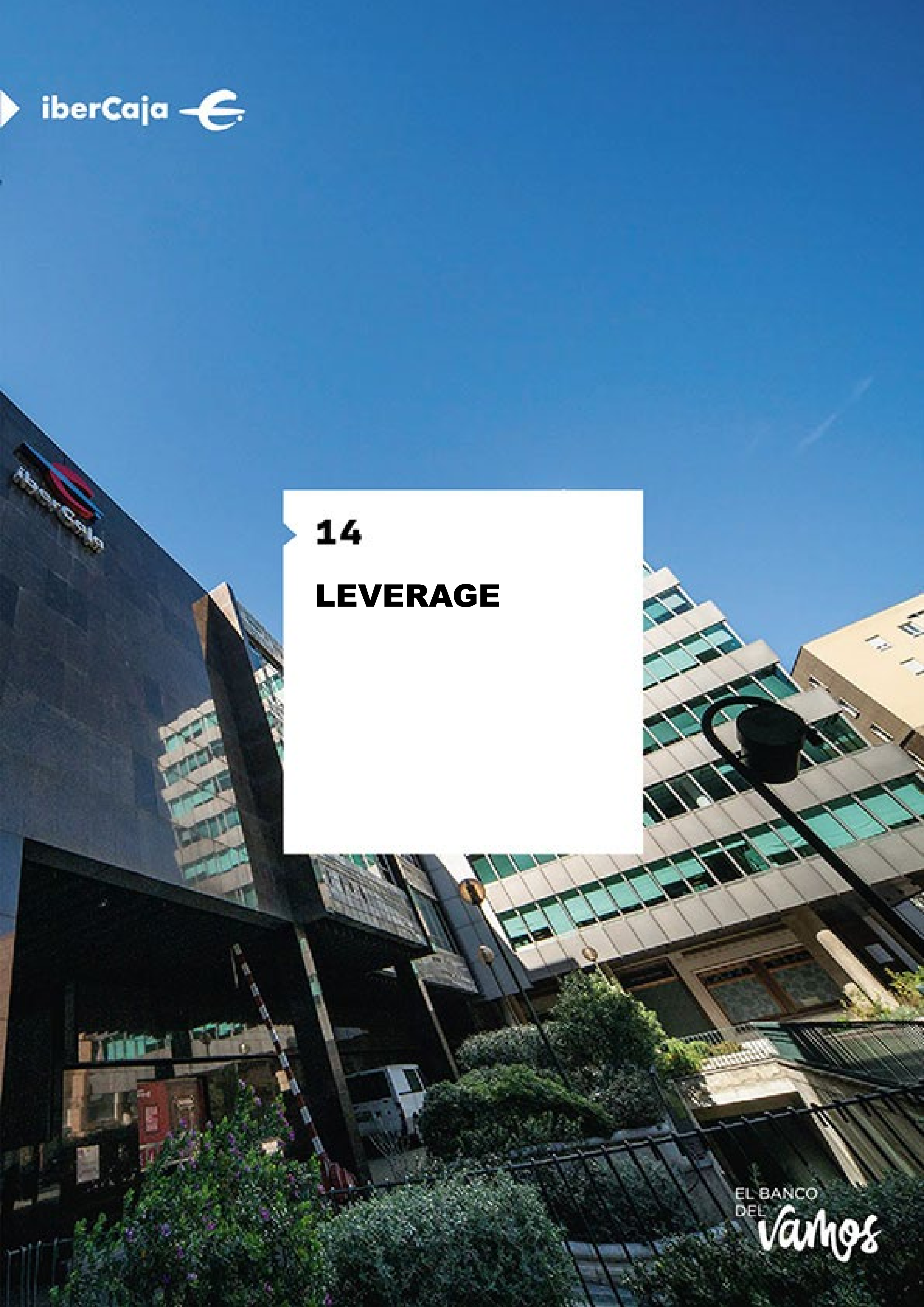
The encumbered assets and collateral received amount to € 10,443,264 thousand. 70% of the encumbered assets correspond to loans and credits. Most of these are mortgage loans that act as underlying assets in mortgage bond and securitization bond transactions, either sold to third parties or retained in the self-portfolio and subsequently pledged and disposed of in an ECB policy. On the other hand, fixed-income securities acting as collateral in repurchase agreements and drawdowns under ECB policy account for 30% of the total.

The encumbered assets and guarantees belong to the parent company Ibercaja Banco S.A.

Regarding unencumbered assets, the Entity does not consider available for encumbrance, in the normal course of its operations, € 3,724,520 thousand under the section "other assets" that includes intangible assets, deferred tax assets, property, plant and equipment and derivatives assets.

Encumbered assets, which are mostly of high quality, act as collateral for certain obligations. € 9,034,268 thousand and include mortgage bonds, ECB policy drawdowns and financing through fixed-income repurchase agreements. To a lesser extent, securitization bonds and passive derivatives with collateral requirements.

During 2021, financing through fixed-income repurchase agreements, mortgage bonds and asset-backed securities has been reduced, but the amount drawn on ECB policies has increased. Charges on fixed-income securities increased. Own non-pledged collateralized bonds decreased. Overall, there was a reduction in assets and collateral received with charges. The percentage of encumbered assets over total assets and guarantees received is 19.23% as of December 31, 2021, expressed in annual average terms.



14

LEVERAGE

EL BANCO DEL vamos

14. Leverage

14.1 – General information

The leverage ratio is a measure that complements the other capital indicators, whose objective is to ensure prudence in the institutions' financing structures, limiting excessive dependence on third-party resources and avoiding destabilisation of the economy and the banking system.

In order to reduce risk, the entry into force of Basel III resulted in the measurement of the leverage ratio as the ratio of top-quality capital (Tier 1 capital) to risk exposure, both on and off the balance sheet, without taking into account risk weights. The leverage ratio provides a view of the percentage of assets that are financed with Tier 1 capital.

Its calculation is set out in Article 429 of Regulation (EU) No. 575/2013 (CRR). In October 2014, the European Commission amended Regulation (EU) No. 575/2013 (by means of a delegated act) to adopt the new form of calculation. This ratio is calculated as the quotient between the Tier 1 calculated in accordance with the solvency regulations, divided by the leverage exposure calculated as the sum of balance sheet assets, memorandum accounts, derivative exposures and securities financing and adjustments that ensure consistency with the numerator.

During 2017, the Basel Committee reviewed the definition of the leverage ratio and made a number of technical adjustments to the method of calculating total exposure (denominator), mainly in relation to derivative exposures and the treatment of off-balance sheet exposures. The final calibration of the leverage ratio was set at 3% for all entities.

The leverage ratio is intended to provide additional protection against so-called "model risk", i.e. underestimating the regulatory capital required by calculating through sophisticated models allowed by Basel II and III.

As of December 31, 2021, the Group has a leverage ratio of 6.01%

14.2 - Breakdown of total exposure measure

In calculating the leverage ratio, the following is taken into account:

- The exposure measure used to calculate the leverage ratio is the carrying amount of all asset items, except for derivatives, where the net value of the assets is included (less collateral if they meet certain criteria) plus a surcharge for potential future exposure.

- The assets that are deducted and those that are part of Tier I transitional adjustments are subtracted from the exposure measure to avoid double counting.

- For off-balance-sheet transactions (memoranda accounts), the balance is weighted by different percentages in accordance with Article 429 of Regulation (EU) No. 575/2013 (CRR).

The breakdown of the total exposure measure corresponding to the leverage ratio as of December 31, 2021, according to the “LRCom” and “LRSpl” templates defined in Annex I of the Implementing Regulation (EU) 200/2016 is presented below:

Table 74: Template EU LR3 - LRSpl: Breakdown of on balance sheet exposures (excluding derivatives, SFTs and excluded exposures)

	Breakdown of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	
	(thousand of euros)	a
		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	43,800,984
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	43,800,984
EU-4	Covered bonds	21,268
EU-5	Exposures treated as sovereigns	12,174,229
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	723,672
EU-7	Institutions	370,935
EU-8	Secured by mortgages of immovable properties	18,249,182
EU-9	Retail exposures	4,057,213
EU-10	Corporate	3,273,562
EU-11	Exposures in default	404,757
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	4,526,166

Table 75: Template EU LR2 - LRCom: Leverage ratio common disclosure

	Leverage Ratio Common Disclosure		
	(thousand of euros)	CRR leverage ratio exposures	
		a	b
		dec-21	jun-21
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	44,053,737	43,035,795
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-252,752	-66,147
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	-471,964	- 379,896
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**43,329,020**	**42,589,752**
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	13,772	-
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	50,765	61,226
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
EU-9b	Exposure determined under Original Exposure Method	-	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original exposure method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivatives exposures**	**64,537**	**61,226**

	Securities financing transactions (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	1,615,394	1,727,247
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	**Total securities financing transaction exposures**	**1,615,394**	**1,727,247**
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	4,622,411	4,020,932
20	(Adjustments for conversion to credit equivalent amounts)	-3,559,523	-3,103,611
21	(General provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	**Off-balance sheet exposures**	**1,062,888**	**917,321**
	Excluded exposures		
EU-22a	(Exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks - Public sector investments)	-	-
EU-22d	(Excluded promotional loans of public development banks: - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units): - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-

EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)		
EU-22k	**(Total exempted exposures)**	-	-
	Capital and total exposure measure		
23	**Tier 1 capital**	2,770,441	2,834,668
24	**Leverage ratio total exposure measure**	**46,071,839**	**45,295,546**
	Leverage ratio		
25	Leverage ratio	6.01%	6.26%
EU-25	Leverage ratio (without the adjustment due to excluded exposures of public development banks - Public sector investments) (%)	6.01%	6.26%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	5.32%	5.49%
26	Regulatory minimum leverage ratio requirement (%)	3.22%	3.23%
EU-26a	Additional leverage ratio requirements (%)	0.00%	0.00%
EU-26b	Of which: comprised of Common Equity Tier 1 capital	0.00%	0.00%
27	Required leverage buffer (%)	0.00%	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.22%	3.23%
	Choice on transitional arrangements and relevant exposures		
EU-27b	Choice on transitional arrangements for the definition of the capital measure		
	Disclosure of mean values		
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	53,923	63,244
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	1,615,394	1,727,247
30	Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	44,510,368	43,631,543
30a	Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	44,510,368	43,631,543
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	6.22%	6.50%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.49%	5.68%

14.2.1 - Reconciliation of the leverage ratio with the published financial statements

The following table presents the reconciliation of the measure of total exposure corresponding to the leverage ratio to the information in the financial statements published as at December 31, 2021, in accordance with the "LRSum" template defined in Annex I of the Implementing Regulation (EU) 200/2016:

Table 76: Template EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

	Summary reconciliation of accounting assets and leverage ratio exposures	
	(thousands of euros)	a
		Applicable amount
1	Total assets as per published financial statements	58,631,409
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-6,925,619
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central bank (if applicable))	-5,961,931
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with point (i) of point (i) of Article 429a(1) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	-10,193
9	Adjustment for securities financing transactions (SFTs)	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	1,062,888
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
EU-11a	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
12	Other adjustments	-724,716
13	**Total exposure measure**	**46,071,839**

14.3 - Information on qualitative aspects

This module covers LRA requirement - Disclosure of LR qualitative information

The information required in the reporting template on qualitative aspects "LRQua" set out in Annex I of the Implementing Regulation (EU) 200/2016 on the procedures applied to manage the risk of excessive leverage, and the factors that had an impact on the leverage ratio published as of December 31, 2021, is detailed below.

14.3.1 - Procedures applied to manage the risk of excessive leverage

The leverage ratio is part of the Ibercaja Group's Risk Appetite Framework, where compliance and non-compliance thresholds are established.

This information is reviewed quarterly and is presented to the different Governing Bodies, where if deficiencies in this ratio are detected, action plans are established for their solution.

On an annual basis, a 3-year forward-looking projection is carried out in which both the numerator (Tier I) and the denominator (exposure value, total book assets) are shown, so that the Entity has forward-looking leverage ratio measurements. These measurements are compared with the thresholds of the risk appetite framework, so that in the event of detecting non-compliance, there would be sufficient slack to take the necessary measures for remediation.

Additionally, as part of the Group's Capital Planning, estimates of the three-year leverage ratio are made under macroeconomic scenarios, including recession scenarios.

14.3.2 - Factors that have influenced the Leverage Ratio

The leverage ratio has remained stable from 6.26% in December 2020 to 6.01% in December 2021.

During 2021, the capital base (Tier 1) decreased slightly by €64 million (2% in relative terms) mostly justified by the progress of the gradual implementation of certain negative adjustments to the capital base such as the impact of the first application of IFRS9 or the deductibility of certain intangible assets and deferred tax assets, while the exposure value increased by €776 million (2% in relative terms) mostly justified by the increase in financing obtained during the year. It should be noted that Decision (EU) 2020/1306 of the European Central Bank of 16 September 2020 on the temporary exclusion of certain exposures to central banks from the total exposure measure in view of the covid-19 pandemic (ECB/2020/44), applicable to significant banks directly supervised by the ECB, remains in force as of 31 December 2021. Article 500 ter of CRR2 allows for the temporary exclusion of certain exposures to central banks from the calculation of the total exposure measure of the leverage ratio before 28 June 2021, where the competent authorities determine that there are exceptional circumstances that justify it. For this purpose, the ECB determined that both the situation caused by the covid-19 pandemic and the fragility and vulnerabilities of the euro area economies and of the banking transmission channel of monetary policy justified the application of such exclusion in order to facilitate the implementation of monetary policy. The ECB has already communicated that as of March 2021 such exemption has been abolished. As shown above, Ibercaja's leverage ratio, excluding the exemption for not counting central bank exposure, is well above the required 3% and remains, even in the projections considered, within the declared risk appetite levels.

15. Remunerations

This section covers the REMA requirement - Remuneration policy. Provisions of letters (h) and (i) of the REMA requirement do not apply to the Entity.

This chapter details quantitative and qualitative aspects of Ibercaja Banco's remuneration policy for members of the Entity included in the "Identified Group", due to its significant impact on the Entity's risk profile.

The purpose of this is to make public the Bank's remuneration policy and practices in accordance with Law 10/2014, Royal Decree 84/2015, Bank of Spain Circular 2/2016 and Articles 13 and 450 of Regulation (EU) No. 575/2013.

15.1 – Background

Since 2012, Ibercaja Banco has had a General Remuneration Policy for the Bank approved by the Board of Directors, which is reviewed and updated, if necessary, on an annual basis. The remuneration policy covers all Ibercaja Banco personnel and the principles included in the Remuneration policies of the consolidated group must be consistent with the Remuneration Policies of the parent company.

In addition, it has a Remuneration Policy for the members of the Board of Directors, which is available on the Bank's website.

15.2 - Purpose and scope of the Remuneration Policy

The Risk Appetite Framework establishes the limits that can be assumed by the Entity in the different risks inherent to its activity, through the establishment of metrics and thresholds whose definition corresponds to the Board of Directors and which are subject to periodic monitoring by Senior Management and Governing Bodies. The measurement and periodic monitoring contemplates the current and future evolution of the projected metrics in the context of the Entity's Business Plan, thus ensuring the integration of the strategy defined by the Entity and the resulting business plans and annual budgets in consistency with the defined Risk Appetite.

The aforementioned risk appetite framework also extends to the Entity's remuneration practices, which, in accordance with Article 29.1.d) of the Law 10/2014 and paragraph 14 of the EBA Remuneration Guidelines, must promote adequate and effective risk management, so that the remuneration policy to be applied does not contribute to excessive risk-taking, including reputational risks and risks arising from the mis-selling of products, and avoids potential conflicts of interest in its definition and application. For this purpose, a list of persons has been identified who, due to their professional activity, have or may have a significant impact on the Entity's risk profile (Identified Group), to whom measures for deferring the receipt of part of the variable component of the remuneration, the possibility of applying malus clauses and ex post adjustments are applicable, under the terms established in current legislation and in the aforementioned EBA Guidelines.

The Entity, in accordance with paragraph 1 of Article 32 of Law 10/2014 of June 26, on the regulation, supervision and solvency of credit institutions *(LOSS hereinafter*) includes in its General Remuneration Policy the quantitative and qualitative criteria provided for in Commission Delegated Regulation (EU) 604/2014 of March 4, 2014, for the determination of the categories of personnel whose professional activities have a material impact on the risk profile of an entity.

In this sense, except for exclusions, they are part of the Identified Group:

- Based on qualitative criteria:
  - Members of the Board of Directors, whether executive or non-executive.
  - The members of Senior Management, i.e., the members of the Management Committee.
  - Managers in charge of internal audit, regulatory compliance and risk control functions.
  - Managers responsible for legal matters, accounting and the Entity's budgets.
  - Employees who manage a principal activity branch, as defined in Article 1.2.36 of Directive 2014/59.
  - Employees who have the power to approve or veto the introduction of new products or are part of a committee with such power.
  - Employees who have decision-making authority in relation to credit risk exposures exceeding the thresholds defined in the General Remuneration Policy.
  - Any other member in which other qualitative criteria contemplated in Delegated Regulation (EU) 604/2014 or any other applicable rule in this regard concur.
- Based on quantitative criteria:
  - Members who have received total remuneration equal to or greater than €500,000 in the previous fiscal year.
  - Staff members who are among the 0.3% of staff members who have been granted the highest total remuneration in the previous financial year.
  - A member who was granted in the previous year a total remuneration equal to or higher than the lowest total remuneration granted during that year to a member of the Identified Group, provided that due to his/her professional activity and responsibilities he/she has a significant impact on the Entity's risk profile.

In addition, the regulations include exclusion assumptions for both the qualitative and quantitative criteria mentioned above.

Likewise, the remuneration model is consistent with the Sustainability Policy and with the Entity's principles and values 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, insofar as it establishes a remuneration system based on equal opportunities and non-discrimination, contributes to the Entity's good corporate governance, as it is also aligned with the internal code of conduct.

On the other hand, a basic principle of the remuneration model has been established, among others, the necessary proportionality between remuneration and risk assumed, according to the different levels of responsibility and risk profiles identified, taking into account that a very significant part of the remuneration is fixed, defined in accordance with the salary tables established in the Collective Bargaining Agreement - which, by definition, do not encourage undue risk-taking - and that any variable component of the remuneration must be sufficiently flexible to be neutralized (or not paid), insofar as the variable component of the remuneration is not guaranteed, in such a way that in the event of materialization of relevant risks, or situations that could affect the solvency or stability of the Entity, it could be agreed not to pay it. Indeed, in those cases in which the personnel remuneration schemes have a fixed component and a variable component, the Policy establishes that:

- the relationship between them shall be balanced and efficient, so that the fixed component constitutes a sufficiently large part of the total remuneration;

- the variable component of the remuneration shall be linked, in any case, to the performance of its recipients, which shall be assessed on the basis of the results of the Entity, the business units and the employee, and shall take into account the risks assumed;

- the variable component will have sufficient flexibility to allow for its modulation, to the point where it can be completely eliminated, if necessary;

- guaranteed variable remuneration is not compatible with sound risk management and the principle of rewarding performance, and will not form part of any remuneration plans. Consequently, guaranteed variable remuneration will be exceptional, will only be paid when new staff are recruited and the Entity has a healthy and solid capital base, and will be limited to the first year of employment.

Ibercaja Banco's General Remuneration Policy defines the specific characteristics of the remuneration system for Ibercaja's Identified Group, and regulates the form and dates of payment of such remuneration, as well as the requirements and conditions for the payment thereof, for the following purposes:

- To achieve an appropriate balance between the interests and business objectives of the Entity and the professional effort and motivation of the Identified group.

- To promote sound and effective risk management that does not entail the assumption of excessive risks by the identified group.

There are no differences with respect to remuneration at group level, at the level of the parent company, and at the level of the subsidiaries, since the group entities subject to the regulations governing remuneration follow the same guidelines and criteria as those established by the parent company, Ibercaja Banco.

The main elements that make up Ibercaja's remuneration structure are as follows:

1.- Fixed remuneration

The fixed component of the Identified group's remuneration mainly reflects the relevant professional experience and responsibility in the Entity as stipulated in the job description as part of the working conditions and is based on equal pay between male and female employees for equal work or for work of equal value.

2.- Variable remuneration

In total remuneration, the fixed and variable components are appropriately balanced. The fixed component constitutes a sufficiently large part of the total remuneration, so that a fully flexible policy can be applied with regard to the variable components of the remuneration, to the extent that it is possible not to pay these components.

The variable component of the remuneration of Identified group members who have management responsibilities or who participate in control procedures is determined on the basis of the achievement of objectives related to their function, regardless of the results of the business units they control, and without prejudice to the fact that they may be considered overall results of the Entity. In relation to the latter, care is taken to ensure that a) the amounts involved are not significant in relation to the total amount to be received by the person in question, without prejudice to the maximum limits established above, and b) that the objectives are not susceptible to direct influence by personnel with control functions and, therefore, to generating potential conflicts of interest.

The Remuneration Policy contains specific provisions applicable to the persons comprising the Identified group, defined in accordance with the qualitative and quantitative criteria set forth in Delegated Regulation (EU) No. 604/2014 and other applicable regulations in force (Law 10/2014, RD 84/2015 and Bank of Spain Circular 2/2016). Likewise, the Guidelines on appropriate remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and the disclosure of information under Article 450 of Regulation (EU) No. 575/2013 (EBA/GL/2015/22) have been taken into consideration, which contain interpretative criteria in development of Directive 2013/36/EU, and which the Bank of Spain has assumed as its own.

Special mention should be made of the inclusion in the Identified Group of the heads of units whose functions have a material impact on the Entity's control structure, and whose remuneration is determined on the basis of the achievement of objectives related to their function, regardless of the results of the business units they control; however, their remuneration may take into account the overall results of the Entity, over which they have no influence due to their activities.

The persons who make up the Identified Group, as well as the quantitative and qualitative criteria to be taken into consideration for the inclusion or exclusion of employees in the same, are described in the Entity's General Remuneration Policy.

Even if they are not part of the Identified Group, the principles that inform the General Remuneration Policy apply to all Central Services employees included in the variable remuneration by objectives (RVO) system. In compliance with current regulations, a portion of the CEO's and Management Committee members' RVO is paid in the form of instruments based on the revaluation or depreciation of theoretical shares into which the share capital is divided ("phantom shares"): 50% of non-deferred variable compensation and 55% of variable compensation subject to deferral will be paid in the form of these instruments.

The Board of Directors, at its meeting held on December 30, 2021, with the favourable report of the Remuneration Commission, approved:

- the modifications introduced in Ibercaja's General Remuneration Policy, as a consequence of the new legislation published in 2021 and

- the update and modifications with respect to the Identified Group and the list of persons comprising the Identified Group with an effective date of January 1, 2022.

Among the modifications introduced are:

- Equal pay and non-discrimination on the basis of gender:

  - A new General Principle has been introduced: "Non-discrimination in terms of gender, so that remuneration is based on equal pay between male and female workers for equal work or for work of equal value."

  - Regarding Fixed Remuneration "The fixed component of the remuneration of the Identified Group shall primarily reflect the relevant professional experience and responsibility in the Entity as stipulated in the job description as part of the working conditions and shall be based on equal pay between male and female workers for equal work or for work of equal value".

- Deferral period:

  - 40% of the variable remuneration element will be deferred over a period of 5 years.

  - The deferred remuneration will be paid over the 5 years immediately following the year in which the non-deferred portion is received by fifths, thus not receiving the remuneration payable under the deferral provisions more quickly than on a pro-rata basis.

- Principle of proportionality:

  - The Entity has determined to neutralize the requirements of deferral, payment in instruments and malus clauses, for those members of the Identified Group whose annual variable compensation does not exceed €50,000 gross and does not represent more than 1/3 of their total annual compensation.

  - It shall not apply in any case to the Chief Executive Officer and members of the Management Committee.

15.3 - Principles of the Remuneration Policy

The principles that inspire the Remuneration Policy are the following:

- Transparency.
- Consistency with the business strategy, objectives, values and long-term interests of the Entity.
- Remuneration schemes shall present a balanced and efficient relationship between the fixed and the variable part, so that the variable part constitutes a sufficiently high part of the total remuneration.
- The fixed component of the remuneration is determined by the salary tables of the collective agreement applicable to the staff, as well as the different types of supplements to the basic salary attached.
- Where applicable, the variable component of the remuneration:
  - It will be linked, in any case, to the performance of the beneficiaries in accordance with the global and specific objectives approved annually by the competent body.
  - The variable remuneration system must not, at any time, entail a future cost for the Bank for the purposes of the recipients' retirement, without prejudice to the possibility that the latter may voluntarily allocate all or part of their amount to deferred remuneration, after deduction of the related taxes, expenses and charges.
  - The variable component shall have sufficient flexibility to allow for its modulation, to the extent that it can be removed entirely, if necessary.
  - Under no circumstances may it exceed the percentage of fixed remuneration established for each level of employee.
- Promotion of appropriate and effective risk management, within the risk appetite framework defined by the Entity, which is consistent with the internal capital adequacy assessment process, and which does not encourage the assumption of risks that are incompatible with that risk profile.
- Proportionality between remuneration and risk assumed, according to the different levels of responsibility and risk profiles identified.

In addition, the policies establish the following criteria in relation to the granting of guaranteed variable compensation and severance payments:

- Guaranteed variable remuneration is not compatible with sound risk management or the principle of rewarding performance and does not form part of possible remuneration plans. Consequently, guaranteed variable remuneration is exceptional, is only paid when new staff are recruited and the Entity has a healthy and solid capital base and is limited to the first year of employment.
- Payments for early termination of contracts: In general, the obligations regarding indemnities assumed by the Entity arise from the application of labor, common or Senior Management regulations, as applicable, which establish the obligation to pay a certain indemnity exclusively in those cases specified in the Workers' Statute or in the contract, respectively.

Notwithstanding the foregoing, early termination payments are based on performance over time, and in no case reward poor performance or misconduct.

15.4 - Main characteristics of the Remuneration Policy

The elements that make up the remuneration of the people who make up the Identified Group are a fixed component and a variable component, which are approved annually by the Board of Directors.

The fixed component of remuneration is determined by the salary tables of the collective agreement applicable to personnel.

The variable component of the remuneration is referenced, in any case, to the performance of the recipients based on the global and specific objectives approved annually by the Board of Directors at the proposal of the CEO, following a report from the Remuneration Committee, and It must not suppose, at any time, a future cost for the Entity for the purpose of retirement of the recipients. It will have sufficient flexibility to allow its modulation, to the point that it is possible to eliminate it completely, if necessary, and it may not exceed, in any case, 40% of the fixed remuneration established for each managerial level.

In relation to the approach of the corporate objectives for 2021, continuity is given to the key objective indicators of the previous year, increasing the focus on profitability in accordance with the lines established in the Business Plan 2021-2023. The indicators that activate the malus clause are maintained, relating them directly to the triggers established in the Recovery Plan.

The Entity's corporate objectives for the year 2021 are encompassed in five areas:

- Solvency
- Profitability
- Asset Management
- Customers
- Strategic Plan

		Objective	Indicator
Corporate Objectives	CET 1	Improve CET1 Fully Loaded	CET1 Fully Loaded
	Profitability	Risk-adjusted return on capital (RAROC)	RAROC Reference (%)
		Recurring revenue	Recurring revenue budget
		Reduction of operating expenses	Operating expenses budget
	Non-performing assets management	Non-performing assets – Irregular investment management	Total net change in doubtful loans
		Reduction of non-performing assets – Property sale	Net change in inventories of foreclosed assets (inflows+additional disbursements -sales)
	Clients	Customer acquisition	Customer acquisition of Personal Banking and Private Banking
		Customer acquisition	Acquisition of portfolio companies
		Customer bonding	Individuals with more than 10k in Savings and with 4 or more product families
		Customer bonding	Corporate clients with Collections and Payments and Financing
		Customer experience	Perceived Quality_Global Satisfaction BMKS Ranking
		Customer experience	Objective Quality_IQUOS Index Ranking
	SP	Strategic Plan	Strategic Plan Assessment 2021 (Assessment to be carried out by the Strategy Committee at the request of the CEO).

15.5 - Decision-making process followed to establish the Remuneration Policy for the Identified Group

The Remuneration Committee is responsible for proposing and reporting to the Board of Directors on the following:

- The remuneration policy for the Directors and the other conditions of their contracts.
- The periodic review of the remuneration programs, assessing their adequacy and performance.
- Transparency of remuneration and compliance with the remuneration policy established by the Bank.

The main activities carried out by the Commission in the area of remuneration consisted of informing the Board of Directors of the degree of monitoring and compliance with the objectives established in the previous year, as well as the determination of the objectives that will determine, if applicable, the accrual of the variable remuneration of the Identified Group.

In addition, at least once a year, an independent evaluation of the application of the Remuneration Policy is carried out in order to verify whether the adopted remuneration guidelines and procedures are being complied with. The conclusions of the evaluation carried out by the external expert are reported to the Remuneration Commission so that it can make any appropriate recommendations and proposals for changes to the Board of Directors.

The Committee's proposals and reports are submitted to the Board of Directors, which is responsible for:

- Approve the variable remuneration system for the persons included in the Identified Group.

- Verify, as an integral part of the general supervisory function referred to in the Regulations of the Board of Directors, the correct and effective application of variable remuneration.

- To adopt, as the case may be, the corrective measures that may be necessary or appropriate for the adequate and effective application of the provisions of the Policy.

- Agree on the inclusion or removal of persons in the Identified Group.

The Board of Directors, at the proposal of the Chief Executive Officer and following a report from the Remuneration Committee, is responsible for determining Ibercaja's Identified Group at any given time, in accordance with the identification policy approved by the Bank.

The general remuneration policy applied by Ibercaja is subject to prior review by the Internal Control functions (Regulatory Compliance, Risk Control and Internal Audit - within the framework of the annual centralized and independent review referred to in the Law 10/2014) and submitted to the consideration of the Remuneration Committee prior to its approval by the Board of Directors.

The People Area Management is in charge of preparing and applying the Entity's General Remuneration Policy, supervising the overall compensation structure.

The Risk Control Department shall annually assess whether the compensation policy is aligned with the Entity's risk profile. In particular, it must assist and report on the definition of appropriate risk adjusted performance measures (including ex post adjustments), as well as with the evaluation of how the variable compensation structure affects the risk profile and culture of the Entity.

The Regulatory Compliance Department shall review, at least on an annual basis, the adequacy of the Remuneration Policy with the applicable regulations in force at any given time, and shall report its conclusions to Senior Management and the competent governing bodies

The Internal Audit Area Management must carry out, at least once a year, a central and independent internal evaluation, in order to verify whether the remuneration guidelines and procedures adopted by the Board of Directors in its supervisory function are complied with, under the terms established in the Law 10/2014 and its implementing regulations, as well as in the EBA Guide.

In relation to the control and supervision of the policy, the Board of Directors of Ibercaja is responsible for establishing a system of control and supervision of the specific requirements of the Remuneration Policy applicable to the Identified Group that guarantees compliance with and effective application of the precepts established in the Policy.

The Remuneration Committee is responsible for monitoring and supervising the application of the aforementioned system, for which purpose periodic controls and evaluations of its effectiveness are established for the purpose of adopting the appropriate measures to remedy any deficiencies.

Once a year, the Internal Audit Department carries out an internal, central and independent evaluation of the application of the Remuneration Policy of the Identified Group, which is submitted to the Remuneration Committee, in order to verify whether the adopted remuneration guidelines and procedures are being complied with. The conclusions of the evaluation are reported to the Remuneration Committee and the Board of Directors, proposing, where appropriate, the measures to be adopted.

15.6 - Characteristics of the remuneration system of the members of the governing bodies

In accordance with the provisions of the Company's Bylaws, the position of Board Member is remunerated, distinguishing between non-executive and executive Board Members. The purpose of this distinction is to adequately remunerate the "senior management" services provided by the Board Members, taking into account, in any case, not only the principles that inspire this Policy but also the remuneration concepts used by other entities in the sector.
According to the minutes of the single shareholder's decision, on September 22, 2011, the Board of Directors of the Bank was authorized to set the allowance for the members of the governing bodies to attend the meetings called, up to the limit of the amount paid at that time by the parent company, *Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja*, as attendance and expense allowance.

Based on this authorization, the Board of Directors, at its meeting held on September 22, 2011, agreed to establish the amount of the allowance for attendance at the meetings of the members of the Group's governing bodies at 700 euros gross per meeting, without this amount having been subsequently modified.

15.6.1 - Remuneration of the Executive Director: Chief Executive Officer

The remuneration system for the CEO, the Entity's Chief Executive Officer, consists of the following remuneration items:

- a fixed part, appropriate to the services and responsibilities assumed;
- a variable part, correlated with some indicator of the performance of the director or of the Entity;
- an assistance component, which will include appropriate welfare and insurance systems; and
- compensation in the event of separation or any other form of termination of the legal relationship with the Entity not due to a breach attributable to the director.

The contract signed with the CEO details all the items for which he may obtain remuneration for the performance of executive functions, including, where appropriate, any compensation for early termination of such functions and the amounts to be paid by the Bank as insurance premiums or contributions to savings schemes.

The CEO may not receive any remuneration for the performance of executive duties for which the amounts or concepts are not provided for in the aforementioned contract. In accordance with Article 94, paragraph 1 g) of the CRD, the ratio between fixed and variable remuneration of the CEO has been set at 40%.

15.6.2 - Remuneration of Directors in their capacity as such

In accordance with the provisions of the Articles of Association and the Policy on the Remuneration of Directors, the remuneration scheme for directors in their capacity as such and the specific scheme for the Chairman and Chief Executive Officer is as follows:

- **Directors in their capacity as such**

  The components that make up the remuneration of the directors in their capacity as such are, in accordance with the Articles of Association: (i) the allowances for attending the meetings of the Board of Directors and its commissions, without prejudice to the reimbursement of the corresponding expenses, and (ii) an annual allowance to be determined by the Board for those directors who have special dedication and functions, who are the Chairmen of the Board Commissions, in addition to the Chairman of the Board.

- **Chairman of the Board**

  Due to the performance of his office and his exclusive dedication, the Chairman of the Board of Directors receives a remuneration consisting of a fixed amount, established by the Board of Directors. This remuneration is independent of the allowances for attending the meetings of the governing bodies of which he is a member.

- **Chief Executive Officer**

  The CEO, the only executive director of the Bank, according to the Articles of Association, shall be entitled to receive a remuneration composed of: (a) a fixed part, appropriate to the services and responsibilities assumed; (b) a variable part, correlated to some indicator of the director's or Entity's performance; (c) a welfare part, which shall contemplate the appropriate welfare and insurance systems; and (d) a compensation in the event of separation or any other form of termination of the legal relationship with the Entity not due to a breach attributable to the CEO.

The amount of remuneration that the Entity can pay to all of its directors for these items does not exceed the amount determined for this purpose by the General Meeting. The amount fixed shall remain unchanged until it is amended by a new resolution of the General Meeting. The determination of the exact amount to be paid within this limit, its distribution among the different directors, and the periodicity of its perception corresponds to the Board of Directors. Comparable credit institutions (peers) have been taken into account in the definition of the Entity's remuneration policy, with the collaboration of the EY firm, as external advisor, in the design phase of the initial Policy approved in the year 2018.

15.7 - Characteristics of the senior management remuneration system

The remuneration of senior management consists of the following items:

- a fixed component, which shall be governed by the salary tables in the applicable collective agreement, comprising the basic salary or wage and any supplements or bonuses applicable in each case;
- a variable component, to be determined in accordance with the parameters and criteria set out below.

15.7.1 - Determination of objectives

It is the responsibility of the Board of Directors, at the proposal of the Remuneration Commission, to determine and review, on an annual basis, for each professional category included in the Identified Group, the proportion that the variable remuneration component should represent in relation to its fixed remuneration, as well as the percentage of weighting between the Global Objectives and Specific Objectives applicable in each case.

The setting of global and specific targets for variable remuneration is linked to prudent risk management, some of the main features of which are related to ex ante adjustments:

- Dependent and appropriate to the individual performance of the employees and to the results of the Entity, considering the impact of the underlying economic cycle, as well as the present and future risks.
- Flexibility and alignment with the Bank's strategic interests, without limiting the capacity to strengthen its solvency.
- Establishment of certain upper and lower limits that provide a clear mitigation of risks associated with their potential impact on the Entity's income statement and equity.

In accordance with the above, the annual objectives that apply to the Identified Group are generally measured in terms of two types of indicators:

- Overall objectives: these objectives are both quantitative (profit and loss account) and qualitative (customer satisfaction/quality of service).
- Specific objectives: depending on the activity and area of responsibility of each member of the Identified Group, both quantitative and qualitative indicators are defined and linked to the Strategic Plan and the annual Budget.

In general, the overall and specific objectives are weighted by 50%, except for the Deputy Directors-General whose overall objectives are weighted by 70% and the specific objectives by 30%. For the other members of the Identified Group, not included among the members of the management team, who receive variable compensation for objectives, global objectives are weighted at 30 percent and specific objectives are weighted at 70 percent, except for Territorial Directors, who weight global objectives at 20 percent and specific objectives at 80 percent.

The definition of these objectives will be based on the decisions adopted by the Board of Directors, within the framework of the Remuneration Policy approved by the General Meeting of Shareholders, in the terms provided for in the applicable regulations in force. In any case, a substantial part, and in any case at least 40%, of the variable remuneration element is deferred over the duration of the Strategic Plan in order to take into account the economic cycle, the nature of the business, its risks and the activities of the employee concerned, and in no case may the deferral period be less than three years.

In addition, Ibercaja applies KPI's directly related to the most relevant current triggers of the Recovery Plan approved by the Board of Directors on December 30, 2020. Failure to comply with any of these metrics would result in the loss of the entire variable remuneration

1) Solvency: CET 1 phased-in

2) Credit quality: extended NPL ratio

3) Liquidity: Stable funding ratio NSFR

The variable component of remuneration is not guaranteed, and is sufficiently flexible to allow for its modulation, to the point where it can be completely eliminated if necessary. In other words, it will only be paid if it is sustainable according to the situation of the Entity as a whole, and if it is justified in terms of the Entity's results and the level of performance of the individuals concerned.

Variable remuneration, including the deferred portion, shall be paid or vested only if it is sustainable according to the financial situation of the Entity as a whole, and if it is justified on the basis of the results of the Entity, the business unit and the individual concerned.

The variable component of the remuneration of the Identified Group members who participate in the control procedures shall be determined on the basis of the achievement of objectives related to their function, regardless of the results of the business units they control, and without prejudice to the fact that they may be considered as overall results of the Entity. In relation to the latter, care shall be taken to ensure that a) the amounts involved are not significant in relation to the total amount to be received by the person in question and b) that the objectives are not susceptible to direct influence by personnel with control functions and, therefore, to generate potential conflicts of interest.

Ibercaja has established pre-malus, malus and clawback clauses that may apply up to 100% of the total variable remuneration. In these clauses, specific criteria are determined that include, in particular, situations in which the member of the Identified Group has participated in or is responsible for conduct that has generated significant losses for the Entity and in which he/she fails to comply with the appropriate requirements of suitability and propriety.

In accordance with Article 94, paragraph 1, letter g) of the CRD, the ratio between fixed and variable remuneration of senior management has been set from 15% to 40% of variable over fixed remuneration.

15.7.2 - Incentive Plan (ILP)

Management incentive plans

On April 15, 2021, the General Shareholders' Meeting of Ibercaja Banco approved the terms and conditions of a long-term incentive plan for the Bank's key executives in the context of the Strategic Plan mentioned in section 2 of this document. This Plan is aimed at a group of 29 staff members (hereinafter, the "Beneficiaries") whose professional activities have a significant impact on the Bank's risk profile.

The purpose of the Incentive Plan is to preserve, motivate and compensate its participants by promoting the creation of mutual value for the company and its employees and, at the same time, to compensate the creation of sustainable value for our shareholders in the long term, through the definition of variable compensation in a multi-year context.

The Plan is linked to the permanence of the Beneficiaries and to the fulfilment of objectives in the period 2021-2023. The evaluation of the degree of compliance with the multi-year objectives will be measured from the start date to the end date.

The maximum amount of the incentive will be set as a percentage of the annual fixed remuneration corresponding to each Beneficiary. The deferred incentive will be paid in the first quarter of fiscal years 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 value of the Bank and subject to a one-year hold period.

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

i. Compliance with the Bank's shareholder return set for the period 2021-2023.

ii. Achievement of the tangible equity return target for the 2023 financial year.

iii. Compliance with the "Fully Loaded" common equity tier I capital ratio target set for 2023.

iv. Compliance with sustainability objectives for the 2023 fiscal year.

15.7.3 - Performance Assessment

This is a systematic process of assessing how managers carry out activities and assume responsibilities for the positions they hold.

The variable component of the remuneration is determined according to the achievement by the member of the Identified Group of the Global Objectives and the Specific Objectives that have been approved for each financial year by the Board of Directors, at the proposal of the Managing Director and following a favourable report from the Remuneration Commission, and which will be subject to a weighting taking into account especially the professional category of the person concerned.

The evaluation of the results taken as a reference for determining variable remuneration will be included in the multi-year framework coinciding with the Strategic Plan to ensure that the evaluation process is based on long-term results and that it takes into account the Entity's underlying business cycle and its risks.

15.8 - Payment with instruments and retention period

In general, 50% of the variable remuneration, both deferred and non-deferred, will be paid in instruments linked to the value and performance of the Bank.

Notwithstanding the above, in the case of the Managing Director and the members of the Management Committee, 50% of the non-deferred variable remuneration and 55% of the deferred variable remuneration will be paid in instruments.

In this way, the receipt of the amount of accrued variable remuneration will be divided into:

- 60% non-deferred (except for the Chief Executive Officer in which case the percentage will be 40%), in turn divided into:
    - 50% in cash in the year of payment.
    - 50% in instruments ("Phantom shares").
- 40% deferred (except for the Chief Executive Officer in which case the percentage will be 60%) in a 3 years period (except for the Chief Executive Officer in which case the deferral period is of 5 years), divided into:
    - 45% in cash in each of the deferral years.
    - 55% in instruments (“Phantom shares”) in each of the deferral years.

To comply with the provisions of this section, the Entity will use a payment system based on the revaluation or depreciation of theoretical shares into which the share capital is divided ("*phantom shares"* or "instruments" without distinction).

The instruments granted will be valued at underlying book value on the grant date of the non-deferred part of the variable remuneration, and on each anniversary of that date.

In application of the principle of proportionality, Ibercaja has determined to neutralize the requirements of deferral, payment in instruments and malus clauses, for those members of the Identified Group whose annual variable remuneration does not exceed 50,000 euros gross and does not represent more than one third of their total annual remuneration. The foregoing shall not apply in any case to the Chief Executive Officer and members of the Management Committee.

The Bank's instruments delivered to the members of the Identified Group by application of this section will be subject to a one-year hold period from the date of delivery, this being conceived as an appropriate practice to ensure that the incentives are in line with the long-term interests of the Bank.

After the unavailability period has elapsed, the instruments will be settled at the underlying book value at that date, which may be higher or lower than their valuation on the grant date, taking into account the limits set forth above.

15.9 - Deferral

The Board of Directors, at the proposal of the Chief Executive Officer and following a report from the Remuneration Commission, is responsible for setting and reviewing the criteria for the temporary deferral of the variable remuneration element, as well as the criteria for determining the composition of the variable remuneration element (whether deferred or not), distributing it between payment in cash and payment through non-monetary instruments, if applicable.

A substantial part, and in any case at least 40%, of the variable remuneration element will be deferred over the duration of the Strategic Plan in order to take into account the economic cycle, the nature of the business, its risks and the activities of the employee concerned, and in no case may the deferral period be less than three years.

Notwithstanding the foregoing, the variable remuneration of the Chief Executive Officer shall be subject to the following deferral clause:

- 60% of the variable remuneration element will be deferred for a period of five years.
- This deferred remuneration shall be paid over the five years immediately following the receipt of the non-deferred component in equal parts, the remuneration payable under the deferral provisions not being received more rapidly than proportionally.

By way of exception, in the hypothetical event that a particularly high variable remuneration element was to occur in the future, notwithstanding the fact that this provision does not apply currently, the deferral rate would be 60% of the variable remuneration element, at a rate of 20% per year. For this purpose, any variable remuneration in an amount equivalent to that of the CEO will be considered a particularly high amount.

Variable remuneration, including the deferred part, will be paid only if it is sustainable in accordance with the situation of the Entity as a whole, and if it is justified on the basis of the results of the Entity, the business unit and the employee concerned.

Finally, the deferred amounts will not give rise to the payment of interest or dividends.

15.10 - Malus clauses

The malus clauses are activated in the event that the Bank's relative situation worsens in the fundamental financial parameters (solvency, credit quality and liquidity) established in each case by the Board of Directors, following a report from the Remuneration Commission.

The parameters of comparison determining, if applicable, the application of the malus clauses, are established by the Board of Directors on an annual basis, following a report from the Remuneration Commission.

When, during the period of deferral until the consolidation of the variable remuneration, there is a restatement of annual accounts that does not arise from a regulatory change and provided that, in accordance with the aforementioned restatement, the variable remuneration to be paid is lower than that initially accrued or no remuneration has been paid in accordance with Ibercaja's variable remuneration system, the deferred variable remuneration, both in cash and in instruments, that is pending payment, will be subject to a reduction in proportion to the impact of the restatement on the level of achievement of the variable remuneration, in accordance with Ibercaja's variable remuneration system, the deferred variable remuneration, both in cash and in instruments, which is pending payment, will be subject to a reduction in a proportion equivalent to the impact that the restatement of the annual accounts has had on the level of achievement of the variable remuneration of the member of the Identified Group.

The deferred variable remuneration, both in cash and in instruments, which is pending payment, will be subject to a 100% reduction if, during the period until its consolidation, any of the following circumstances occurs:

- A fraudulent action by the member of the Identified Group that gives rise to the commission of a very serious infringement in accordance with the provisions of the collective bargaining agreement for savings banks and financial institutions.

- That the member of the Identified Group has been sanctioned for an infringement of the rules of regulation and discipline referred to in Title IV of Law 10/2014, of June 26, on the regulation, supervision and solvency of credit institutions, classified as serious or very serious.

- That a level corresponding to a recovery trigger is reached in the fundamental financial parameters (solvency, credit quality and liquidity) to be established in each case by the Board of Directors, following a report from the Compensation Committee.

The activation of the malus clauses will lead to a reduction or even the elimination of the variable component of the remuneration, depending on the degree of deviation of the financial parameters from those of comparison.

In addition, the internal policies also include pre-malus clauses. Thus, the variable remuneration of a member of the Identified Group may be reduced at the time of performance evaluation, in the event of a negative performance of the entity's results or 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 budgeted objectives, and provided that a requirement or recommendation by the competent authority to the entity to restrict its dividend policy is in force.

15.11 - Claw Back Clauses

When, during the deferral period and the retention period of the instruments applicable to the variable remuneration granted for the performance of a given year, regardless of the payment procedure in accordance with this Policy, the Entity reformulates its financial statements for the year to which the variable remuneration refers, and provided that, in accordance with the aforementioned reformulation, if the variable remuneration to be settled is lower than that initially accrued or if no remuneration has been paid in accordance with the variable remuneration system implemented by Ibercaja Banco, the gross variable remuneration already paid, both in cash and in instruments, whether deferred or not, will be recovered in a proportion equivalent to the impact that the reformulation of the financial statements has had on the level of achievement of the variable remuneration of the member of the Identified Group.

The gross variable remuneration already paid, both in cash and in instruments, whether or not it has been deferred, will be 100% recovered when, during the period of deferral and the period of retention of the instruments applicable to the variable remuneration granted for the performance of a given year, it is demonstrated that the payment of the variable remuneration was due to objectives whose fulfilment was achieved as a direct or indirect consequence of one of the following circumstances:

- A fraudulent action by the member of the Identified Group that leads to a very serious infringement in accordance with the provisions of the collective agreement for savings banks and financial institutions.
- That the member of the Identified Group has been sanctioned for an infringement of the rules of order and discipline referred to in Title IV of Law 10/2014 of 26 June, on the order, supervision and solvency of credit institutions, classified as serious or very serious.
- When during the deferral period and the retention period of the instruments applicable to the variable remuneration granted for the performance of a given year, it is demonstrated that the payment of the variable remuneration was due to objectives whose fulfilment was achieved as a consequence, directly or indirectly, of a fraudulent action by the member of the Identified Group that leads to the commission of a serious or minor infringement in accordance with the provisions of the collective agreement for savings banks and financial institutions, the gross variable remuneration already paid, both in cash and in instruments, whether deferred or not, shall be subject to recovery in the proportion determined by the Board of Directors in each case.

The determination by the Board of Directors, following a report from the Remuneration Commission, that the circumstances that should trigger the application of this clause have occurred and the percentage that should be returned to the Entity, based on the above, and the procedure by which the Entity can claim the proportional refund of the gross amount paid or even compensate it against other remunerations of any nature that the individual is entitled to receive, as well as the obligation of the individual to refund part or all of the gross amount to the Entity, will be made in accordance with the policy for the application of the clause for the refund of remunerations

15.12 - Remuneration received

The information regarding the remuneration received by the members of the Entity's management body is detailed in sections 5.1 and 5.2 of the 2021 Financial Statements.

The aggregate quantitative information received by the members of the Board of Directors in financial year 2021 (in thousands of euros) is detailed below:

Table 77: Breakdown of aggregate remuneration of the Board of Directors

Breakdown of aggregate remuneration of the Board of Directors	
(thousands of euros)	2021
Fixed remuneration	755
Variable remuneration	131
Assistance allowances	423
Other remunerations	245
Total	**1,554**

No member of the Identified Group receives remuneration exceeding one million euros per financial year, for which reason the Entity does not disclose the EU REM4 template. In addition, no special payments are made to the Identified Group, which is why the EU REM2 template is not disclosed.

Below is the quantitative (aggregate) information of the Identified Group:

Table 78: Template EU REM1 - Remuneration awarded for the financial year

		(thousands of euros)	a MB Supervisory function	b MB Management function	c Other senior management	d Other identified group
		Remuneration awarded for the financial year				
1	Fixed remuneration	Number of identified group	10	1	11	54
2		Total fixed remuneration	945	488	1,896	4,454
3		Of which: cash-based	829	446	1,827	4,386
4		(No aplicable en la UE)				
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
6		(No aplicable en la UE)				
7		Of which: other forms	116	41	69	68
8		(No aplicable en la UE)				
9	Variable remuneration	Number of identified group	-	1	11	54
10		Total variable remuneration	-	131	492	1,609
11		Of which: cash-based	-	62	236	1,609
12		Of which: deferred	-	35	89	-
EU-13a		Of which: shares or equivalent ownership interests	-	-	-	-
EU-14a		Of which: deferred	-	-	-	-
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	70	256	-
EU-14b		Of which: deferred	-	43	108	-
EU-14x		Of which: other instruments	-	-	-	-
EU-14y		Of which: deferred	-	-	-	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	**Total remuneration**		**945**	**619**	**2,388**	**6,064**

Table 79: Template EU REM3 - Deferred remuneration

	(thousands of euros) Deferred and retained remuneration	a	b	c	d	e	f	EU - g	EU - h
	Deferred remuneration								
		Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function	-	-	-	-	-	-	-	-
2	Cash-based	-	-	-	-	-	-	-	-
3	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
5	Other instruments	-	-	-	-	-	-	-	-
6	Other forms	-	-	-	-	-	-	-	-
7	**MB Management function**	**224**	**58**	**166**	**-**	**-**	**-**	**52**	**33**
8	Cash-based	86	25	61	-	-	-	25	-
9	Shares or equivalent ownership interests			-	-	-	-	-	-
10	Share-linked instruments or equivalent non-cash instruments	138	33	105	-	-	-	27	33
11	Other instruments	-	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-
13	**Other senior management**	**396**	**155**	**241**	**-**	**-**	**-**	**165**	**87**
14	Cash-based	132	68	64	-	-	-	68	-
15	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
16	Share-linked instruments or equivalent non-cash instruments	264	87	177	-	-	-	96	87
17	Other instruments	-	-	-	-	-	-	-	-
18	Other forms	-	-	-	-	-	-	-	-
19	**Other identified group**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
20	Cash-based	-	-	-	-	-	-	-	-
21	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
22	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
23	Other instruments	-	-	-	-	-	-	-	-
24	Other forms	-	-	-	-	-	-	-	-
25	**Total amount**	**620**	**214**	**407**	**-**	**-**	**-**	**217**	**120**

Table 80 Template EU REM5 — Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

	(thousand of euros)	a	b	c	d	e	f	g	h	i	j
		Management body remuneration			**Business areas**						Total
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	
1	**Total number of identified group**										**76**
2	Of which: members of the MB	10	1	11							
3	Of which: other senior management				1	4	1	3	1	1	
4	Of which: other identified group				3	21	2	15	9	4	
5	**Total remuneration of identified group**	**945**	**619**	**1,564**	**471**	**3,181**	**374**	**2,245**	**1,003**	**1,178**	
6	Of which: variable remuneration	-	131	131	81	604	71	670	89	587	
7	Of which: fixed remuneration	945	488	1,433	390	2,577	303	1,576	914	590	

ANNEXES

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ANNEX I: Main features of regulatory own funds instruments and eligible liabilities instruments (Template EU CCA)

	– Main features of regulatory own funds instruments and eligible liabilities instruments		
1	Issuer	Ibercaja Banco, S.A.	Ibercaja Banco, S.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	ES0844251001
2a	Public or private placement	Private	Public
3	Governing law(s) of the instrument	Regulation (EU) No. 575/2013	Regulation (EU) No. 575/2013
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes	Yes
	Regulatory treatment		
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 1 Capital	Additional Tier 1 Capital
5	Post-transitional CRR rules	Tier 1 Capital	Additional Tier 1 Capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Individual and (sub)consolidated	Individual and (sub)consolidated
7	Instrument type (types to be specified by each jurisdiction)	Actions	Preference shares
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	214	350
9	Nominal amount of instrument	214	350
9a	Issue price	N/A	1
9b	Redemption price	N/A	1
10	Accounting classification	Equity	Equity
11	Original date of issuance	N/A	06/04/2018
12	Perpetual or dated	Perpetual	Perpetual
13*	Original maturity date	No expiry date	No expiry date
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	06/04/2023, and at any time for tax reasons or a capital event, and with the prior consent of the Competent Authority. Repurchase price, 100%.
16	Subsequent call dates, if applicable	N/A	Each payment date after the first early redemption date.
	Coupons / dividends		
17	Fixed or floating dividend/coupon	Variable	From fixed to variable
18	Coupon rate and any related index	N/A	7% payable quarterly until 06/04/2023. Thereafter MS 5 years + 680.9 bps.
19	Existence of a dividend stopper	No	Yes
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	N/A	Yes
31	If write-down, write-down trigger(s)	N/A	CET1 ratio below 5.125%
32	If write-down, full or partial	N/A	Partial, and may become total
33	If write-down, permanent or temporary	N/A	Temporary
34	If temporary write-down, description of write-up mechanism	N/A	Mechanism defined in the Issue Document
34a	Type of subordination (only for eligible liabilities)		
34b	Ranking of the instrument in normal insolvency proceedings	Rank1-Rankingininsolvency(masterscale)	Rank2-Rankingininsolvency(masterscale)
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Last position	After subordinate creditors
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A
37a	Link to the full term and conditions of the intrument (signposting)	-	https://www.ibercaja.com/public/documentos/ref04999_alcoraz.pdf

	Main Characteristics of CET 1 and additional TIER 1 Capital Instruments		
1	Issuer	Ibercaja Banco, S.A.	Ibercaja Banco, S.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	ES0244251015	ES0244251023
2a	Public or private placement	Public	Private
3	Governing law(s) of the instrument	Regulation (EU) No. 575/2013	Law 11/2015, of June 18, on the recovery and resolution of credit institutions and investment services companies.
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes	Yes
	Regulatory treatment		
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 Capital	Subordinated debt
5	Post-transitional CRR rules	Tier 2 Capital	Subordinated debt
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Individual and (sub)consolidated	Individual and (sub)consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated Liabilities	Ordinary liabilities
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	500	50
9	Nominal amount of instrument	500	50
9a	Issue price	1	0.99754
9b	Redemption price	1	1
10	Accounting classification	Liabilities (at amortised cost)	"Liabilities (at amortised cost)
11	Original date of issuance	23/01/2020	02/12/2021
12	Perpetual or dated	Due date determined	Due date determined
13*	Original maturity date	23/07/2030	02/12/2027
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	23/07/2025, and at any time for tax reasons or a capital event, and with the prior consent of the Bank of Spain. Repurchase price, 100%.	02/12/2026, and at any time for tax reasons or for a subordinated debt disqualifying event, and with prior consent of the Bank of Spain. Repurchase price, 100%.
16	Subsequent call dates, if applicable	N/A	N/A
	Coupons / dividends		
17	Fixed or floating dividend/coupon	From fixed to variable	From fixed to variable
18	Coupon rate and any related index	2.75% up to 23/7/2025. Thereafter, MS 5 years + 288.2 bps.	1,.25% until 23/7/2025. Thereafter MS 1 year + 125 bps.
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	N/A	N/A
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	N/A	N/A
31	If write-down, write-down trigger(s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
34a	Type of subordination (only for eligible liabilities)		No subordination
34b	Ranking of the instrument in normal insolvency proceedings	Rank3-Rankingininsolvency(masterscale)	Rank7-Rankingininsolvency(masterscale)
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the common creditors	After preferential creditor
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A
37a	Link to the full term and conditions of the intrument (signposting)	https://www.ibercaja.com/public/documentos/ref05679_matarrana-prospectus.pdf	https://www.ibercaja.com/archivo/sp/6425

ANNEX II: Own funds and phase-in and fully-loaded capital requirements

Own Funds and phase-in and fully-loaded capital requirements		
(thousands of euros)	2021 *phased-in*	2021 *fully loaded*
TOTAL COMPUTABLE OWN FUNDS	**3,270,441**	**3,139,907**
Tier 1 Capital (T1)	**2,770,441**	**2,639,907**
Common Equity Tier 1 Capital (CET1)	**2,420,441**	**2,289,907**
Disbursed equity instruments	214,428	214,428
Share premium	-	-
Retained earnings from previous years	642,667	642,667
Eligible results	52,845	52,845
Other reserves	2,016,880	1,942,770
Common Equity Tier 1 Capital Instruments under the preemptive regime	-	-
Minority interests	-	-
Other accumulated comprehensive income	16,544	16,544
Deductions from Common Equity Tier 1 (CET 1) capital instruments	-522,925	-579,349
Losses for the current year		
Intangible assets	-244,970	-244,970
Defined benefit pension fund assets	-	-
Treasury stock: Direct holdings of CET1 instruments	-	-
Reciprocal holdings of CET1 instruments	-	-
Deferred tax assets dependent on future returns	-265,415	-321,839
Holdings in financial sector entities with significant influence	-	-
Excess shareholdings in financial sector entities in which there is no significant influence	-	-
Exposures that would be weighted at 1250% not included in the requirements	-	-
Other deductions from Common Equity Tier 1 (CET1) capital	-12,540	-12,540
Additional Tier 1 Capital (AT1)	**350,000**	**350,000**
Additional Tier 1 capital instruments under the preemptive regime	350,000	350,000
Deductions from Additional Tier 1 (AT1) capital instrument	-	-
Treasury stock: Direct holdings of AT1 instruments	-	-
Reciprocal holdings of AT1 instruments	-	-
Intangible assets	-	-
Holdings in financial sector entities with significant influence	-	-
Excess shareholdings in financial sector entities in which there is no significant influence	-	-
Other Deductions from Additional Tier 1 Capital	-	-
Tier 2 Capital (T2)	**500,000**	**500,000**
Subordinated financing and subordinated loans and others	500,000	500,000
Deductions from Tier 2 (T2) capital instruments	-	-
Treasury stock: Direct holdings of AT1 instruments	-	-
Reciprocal holdings of T2 instruments - -	-	-
Subordinated debt and subordinated debt in financial sector entities with significant influence	-	-
Excess shareholdings in financial sector entities in which there is no significant influence	-	-
Other Tier 2 capital deductions	-	-
Total capital requirements	**1,444,155**	**1,441,155**
Capital requirements for credit, counterparty and dilution risk	1,333,888	1,330,889
Capital requirements for market risk	-	-
Capital requirements for operational risk	108,929	108,929
Capital requirements for credit valuation adjustment (CVA)	1337	1337
Risk-weighted assets	**18,051,935**	**18,014,439**

ANNEX III: Phased-in and fully-loaded capital ratios

Phase-in and fully-loaded capital ratios		
(thousands of euros and %)	*2021 phased-in*	*2021 fully loaded*
Common Equity Tier 1 capital ratio (CET1)	**13.41%**	**12.71%**
Minimum required CET1	4.50%	4.50%
Tier 1 Capital Ratio (T1)	**15.35%**	**14.65%**
Minimum required T1	6.00%	6.00%
Total capital requirements	**18.12%**	**17.43%**
Minimum total capital requirement	8.00%	8.00%
Total capital requirements	**1,444,155**	**1,441,155**
Capital requirements for credit, counterparty and dilution risk	1,333,888	1,330,889
Capital requirements for market risk - -	-	-
Capital requirements for operational risk	108,929	108,929
Capital requirements for credit valuation adjustment (CVA)	1,337	1,337
Risk-weighted assets	**18,051,935**	**18,014,439**
Leverage ratio	**6.01%**	**5.75%**

ANNEX IV: Template IFRS 9-FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR

Grupo Ibercaja applies the transitory provisions of IFRS 9 established in article 473 bis of Regulation No. 575/2013 (introduced in article 1 of Regulation 2395/2017) and modified by Regulation (EU) 2020/873 (Quick Fix of the CRR), mitigating the impact of the adoption of IFRS 9 by applying a static and dynamic phased-in in their capital ratios. In order to recalculate the requirements established in this Regulation without taking into account the effects of the provisions for expected credit losses that have been included in its Common Equity Tier 1 capital, it has been chosen to assign a risk weight of 100% to these amounts, according to section 7 bis.

The Entity has not made use of the temporary treatment of accumulated unrealized gains and losses as of December 31, 2019, valued at fair value with changes in other comprehensive income, corresponding to exposures to central administrations, regional administrations or the local authorities and public sector entities pursuant to article 468 of Regulation No. 575/2013.

Comparison of the own funds and the capital and leverage ratios of the entities with and without the application of the transitory provisions of IFRS 9 or similar ECL.				
(thousands of euros)		a	b	c
		dec-21	jun-21	dec-20
Available capital (amounts)				
1	Common Equity Tier 1 (CET1) capital	2.420.441	2.480.049	2.484.668
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	2.342.642	2.386.494	2.365.575
2a	CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	-	-	-
3	Tier 1 Capital (T1)	2.770.441	2.830.049	2.834.668
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	2.692.642	2.736.494	2.715.575
4a	Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	-	-	-
5	Total capital	3.270.441	3.330.049	3.334.668
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3.192.642	3.236.494	3.215.575
6a	Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	-	-	-
Risk-weighted assets (amounts)				
7	Total risk-weighted assets	18.051.935	18.364.194	18.248.449
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18.014.439	18.319.505	18.191.427
Capital ratios				
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	13,41%	13,50%	13,62%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	13,00%	13,03%	13,00%
10a	CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	-	-	-
11	Tier 1 (as a percentage of risk exposure amount)	15,35%	15,41%	15,53%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14,95%	14,94%	14,93%
12a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	-	-	-
13	Total capital (as a percentage of risk exposure amount)	18,12%	18,13%	18,27%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17,72%	17,67%	17,68%
14a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	-	-	-
Leverage ratio				
15	Leverage ratio total exposure measure	46.071.839	46.983.026	45.295.546
16	Leverage ratio	6,01%	6,02%	6,26%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5,84%	5,82%	6,00%
17a	Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	-	-	-

ANNEX V: Geographical distribution of relevant credit exposures

Below is a breakdown by country of the Group's credit exposures included in Spain, in accordance with Delegated Regulation (EU) No. 1152/2014, since they do not represent 2% of the aggregate total of its risk-weighted exposures.

Geographical distribution of relevant credit exposures (thousands of euros)					
	Country	Exposure		Country	Exposure
1	SPAIN	29,569,683	35	SAUDI ARABIA	462
2	THE NETHERLANDS	61,302	36	MOROCCO	424
3	GERMANY	54,993	37	UKRAINE	375
4	FRANCE	44,044	38	ARGENTINA	316
5	LUXEMBOURG	31,030	39	ICELAND	288
6	UNITED STATES OF AMERICA	28,711	40	TUNISIA	233
7	UNITED KINGDOM	20,580	41	KUWAIT	232
8	ITALY	12,823	42	ARGELIA	223
9	CANADA	11,932	43	LITHUANIA	221
10	IRELAND	10,063	44	AUSTRIA	207
11	BELGIUM	9,383	45	PANAMA	201
12	SWITZERLAND	8,476	46	COLOMBIA	188
13	RUSSIA	8,305	47	HUNGARY	151
14	PORTUGAL	5,436	48	UZBEKISTAN	146
15	AUSTRALIA	4,190	49	DOMINICAN REPUBLIC	125
16	SWEDEN	3,909	50	BELARUS	101
17	FINLAND	3,358	51	INDONESIA	100
18	ANDORRA	2,115	52	LETONIA	90
19	UNITED ARAB EMIRATES	1,803	53	POLAND	81
20	QATAR	1,422	54	JAPAN	67
21	DENMARK	1,349	55	ROMANIA	59
22	MEXICO	1,290	56	TAIWAN	57
23	GIBRALTAR	1,280	57	TURKEY	45
24	HONG KONG	1,012	58	LEBANON	44
25	PERU	985	59	SYRIAN ARAB REPUBLIC	44
26	IRAN	902	60	CZECH REPUBLIC	23
27	VENEZUELA	860	61	KAZAKHSTAN	23
28	CHILE	830	62	STATE OF LIBYA	20
29	SLOVAKIA	823	63	PHILIPPINES	18
30	EQUATORIAL GUINEA	799	64	INDIA	3
31	CHINA	775	65	MOZAMBIQUE	3
32	NORWAY	603	66	CUBA	2
33	BRAZIL	508	67	GREECE	1
34	COSTA RICA	485	68	OTHER COUNTRIES	4

ANNEX VI: CRR Mapping

CRR Mapping			
Article	Content	Location in the IRP 2021	Tables
431. Scope of disclosure requirements			
431.1	Requirement to publish Pillar 3 disclosures	Pillar III Disclosure Report (Ibercaja Group website)	
431.2	Permission granted by the competent authorities under Part Three for the instruments and methodologies referred to in Title III shall be subject to the public disclosure by institutions of the information laid down therein.	Chapter 1	
431.3	The management body or senior management shall adopt formal policies to comply with the disclosure requirements laid down in this Part and put in place and maintain internal processes, systems and controls to verify that the institutions' disclosures are appropriate and in compliance with the requirements laid down in this Part. At least one member of the management body or senior management shall attest in writing that the relevant institution has made the disclosures required under this Part in accordance with the formal policies and internal processes, systems and controls. The written attestation and the key elements of the institution's formal policies to comply with the disclosure requirements shall be included in institutions' disclosures. Information to be disclosed in accordance with this Part shall be subject to the same level of internal verification as that applicable to the management report included in the institution's financial report. Institutions shall also have policies in place to verify that their disclosures convey their risk profile comprehensively to market participants. Where institutions find that the disclosures required under this Part do not convey the risk profile comprehensively to market participants, they shall publicly disclose information in addition to the information required to be disclosed under this Part. Nonetheless, institutions shall only be required to disclose information that is material and not proprietary or confidential as referred to in Article 432.	Policy for the disclosure and verification of information with prudential relevance of Ibercaja Banco, S.A. and its Consolidated Group Chapter 1	
431.4	All quantitative disclosures shall be accompanied by a qualitative narrative and any other supplementary information that may be necessary in order for the users of that information to understand the quantitative disclosures, noting in particular any significant change in any given disclosure compared to the information contained in the previous disclosures. request.	Pillar III Disclosure Report (Ibercaja Group website)	
431.5	Institutions shall, if requested, explain their rating decisions to SMEs and other corporate applicants for loans, providing an explanation in writing when asked. The administrative costs of that explanation shall be proportionate to the size of the loan.	N/A	
432. Non-material, proprietary or confidential information			
432.1	Institutions may omit information that is not material if certain conditions are respected.	Chapter 1	
432.2	Institutions may omit information that is proprietary or confidential if certain conditions are respected.	Chapter 1	

432.3	Where 432.2 applies this must be stated in the disclosures, and more general information must be disclosed.	Chapter 1	
433. Frequency of disclosure			
433	Disclosures must be published on an annual basis at a minimum, and more frequently if necessary.	Chapter 1	
433a. Disclosures by large institutions			
433a	Large institutions shall disclose the information outlined below with the following frequency	Chapter 1	
433b. Disclosures by small and non-complex institutions			
433b	Small and non-complex institutions shall disclose the information outlined below with the following frequency	N/A	
433 c. Disclosures by other institutions			
433c	Institutions that are not subject to Article 433a or 433b shall disclose the information outlined below with the following frequency	N/A	
434. Means of disclosures			
434.1	Institutions shall disclose all the information required under Titles II and III in electronic format and in a single medium or location.	Chapter 1	
434.2	Disclosures made under other requirements (e.g. accounting, listing) can be used to satisfy Pillar 3 requirements, if appropriate	Chapter 1	
434a. Uniform disclosure formats			
434a	EBA shall develop draft implementing technical standards specifying uniform disclosure formats, and associated instructions in accordance with which the disclosures required under Titles II and III shall be made.	N/A	
435. Risk management objectives and policies			
435.1	Disclose information for each separate category of risk:	Chapter 6	
435.1.a	The strategies and processes to manage risks.	Chapter 6.2.3	
435.1.b	Structure and organization of the risk management function.	Chapters 6.2.2, 6.2.4 and 6.2.5	
435.1.c	Risk reporting and measurement systems	Chapters 6.2.3 and 6.2.6	
435.1.d	Hedging and mitigating risk - policies, strategies and processes.	Chapters 6.2.1 and 6.2.3	
435.1.e	A declaration of adequacy of risk management arrangements approved by the Board.	Chapters 1, 6.1 and 6.2.1	
435.1.f	A concise risk statement approved by the management body succinctly describing the relevant institution's overall risk profile associated with the business strategy; that statement shall include: (i) key ratios and figures providing external stakeholders a comprehensive view of the institution's management of risk, including how the risk profile of the institution interacts with the risk tolerance set by the management body; (ii) information on intragroup transactions and transactions with related parties that may have a material impact of the risk profile of the consolidated group.	Chapters 1, 6.1 and 6.2.1	KM1

435.2	Information on governance arrangements, including information on Board composition and recruitment, and risk committees.		
435.2.a	Number of directorships held by Board members.	Chapter 3.2.1	
435.2.b	Recruitment policy for the selection of Board members, their actual knowledge, skills and expertise.	Chapters 3.2.2 y 3.2.3 Cross reference to the Notes to the Financial Statements	
435.2.c	Policy on diversity of Board membership, objectives, and achievement status.	Chapter 3.2.6	
435.2.d	Existence of a dedicated risk committee, and number of meetings during the year.	Chapter 3.2.2	
435.2.e	Description of the information flow on risk to the Board.	Chapter 3.2.2	
436. Scope of application of the requirements			
436	Institutions shall disclose the following information regarding the scope of application of the requirements of this Regulation in accordance with Directive 2013/36/EU:		
436.a	Name of institution to which the requirements of this Regulation applies.	Chapters 1 and 3	
436.b	Difference in the basis of consolidation for accounting and prudential purposes, briefly describing entities that are: (i) fully consolidated (ii) proportionally consolidated (iii) deducted from own funds (iv) neither consolidated nor deducted	Chapters 3.3 and 3.4	LI1, LI2 and LI3
436.c	A breakdown of assets and liabilities of the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation pursuant to Sections 2 and 3 of Title II of Part One	Chapters 3.4	LI1
436.d	A reconciliation identifying the main sources of differences between the carrying value amounts in the financial statements under the regulatory scope of consolidation as defined in Sections 2 and 3 of Title II of Part One	Chapter 3.4	LI1 and LI2
436.e	A breakdown of the amounts of the constituent elements of an institution's prudent valuation adjustment, by type of risks, and the total of constituent elements separately for the trading book and non-trading book positions;	Chapter 4.3.2	PV1
436.f	Impediments to transfer of own funds between parent and subsidiaries.	Chapters 3.5 and 3.6	
436.g	Capital shortfalls in any subsidiaries outside the scope of consolidation.	Chapter 3.5	
436.h	The circumstance of making use of articles on derogations from: a) Prudential requirements b) Liquidity requirements for individual subsidiaries/entities.	Chapter 3.6	
437. Own Funds			
437.1	Institutions shall disclose the following information regarding their own funds:	Chapter 4.1	
437.1.a	A full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and filters and deductions applied pursuant to Articles 32 to 35, 36, 56, 66 and 79 to own funds of the institution and the balance sheet in the audited financial statements of the institution.	Chapter 4.1 and Annex I	CC1, CC2 and CCA

437.1.b	Description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution.	Chapter 4.2 and Annex I	CCA and CC1
437.1.c	Dull terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments.	Chapter 4.2 and Annex I	CCA and CC1
437.1.d	Disclosure of the nature and amounts of the following: (i) Each prudential filter applied pursuant to Articles 32 to 35; (ii) Each deduction made pursuant to Articles 36, 56 and 66; (iii) Items not deducted in accordance with Articles 47, 51, 56, 66 and 79.	Chapter 4.2	CC1
437.1.e	Description of all restrictions applied to the calculation of own funds in accordance with this Regulation and the instruments, prudential filters and deductions to which those restrictions apply.	Chapter 4.2	CC1
437.1.f	Explanation of the calculation basis of the disclosed capital ratios estimated using elements of own funds determined, on a basis other than that laid down in this Regulation.	N/A	
437a. Disclosure of own funds and eligible liabilities			
437a	Institutions that are subject to Article 92a or 92b shall disclose the following information regarding their own funds and eligible liabilities: (a) the composition of their own funds and eligible liabilities, their maturity and their main features; (b) the ranking of eligible liabilities in the creditor hierarchy; (c) the total amount of each issuance of eligible liabilities instruments referred to in Article 72b; (d) the total amount of excluded liabilities referred to in Article 72a(2).	N/A	
438. Capital requirements			
438	Institutions shall disclose the following information regarding the compliance by the institution with the requirements laid down in Article 92 of this Regulation and in Article 73 of Directive 2013/36/EU:		
438.a	A summary of their approach to assessing the adequacy of their internal capital to support current and future activities;	Chapter 5.1	
438.b	The amount of the additional own funds requirements based on the supervisory review process as referred to in point (a) of Article 104(1) of Directive 2013/36/EU and its composition in terms of Common Equity Tier 1, additional Tier 1 and Tier 2 instruments;	Chapters 1 and 5.1	
438.c	Upon demand from the relevant competent authority, the result of the institution's internal capital adequacy assessment process;	Chapter 5.1	
438.d	The total risk-weighted exposure amount and the corresponding total own funds requirement determined in accordance with Article 92, to be broken down by the different risk categories set out in Part Three and, where applicable, an explanation of the effect on the calculation of own funds and risk-weighted exposure amounts that results from applying capital floors and not deducting items from own funds;	Chapter 5	OV1
438.e	The on- and off-balance-sheet exposures, the risk-weighted exposure amounts and associated expected losses for each category of specialised lending referred to in Table 1 of Article 153(5) and the on- and off-balancesheet exposures and risk-weighted exposure amounts for the categories of equity exposures set out in Article 155(2);	N/A	

438.f	The exposure value and the risk-weighted exposure amount of own funds instruments held in any insurance undertaking, reinsurance undertaking or insurance holding company that the institutions do not deduct from their own funds in accordance with Article 49 when calculating their capital requirements on an individual, sub-consolidated and consolidated basis;	Chapter 3.6	INS1
438.g	The supplementary own funds requirement and the capital adequacy ratio of the financial conglomerate calculated in accordance with Article 6 of Directive 2002/87/EC and Annex I to that Directive where method 1 or 2 set out in that Annex is applied;	Chapter 3.6	INS2
438.h	The variations in the risk-weighted exposure amounts of the current disclosure period compared to the immediately preceding disclosure period that result from the use of internal models, including an outline of the key drivers explaining those variations.	N/A	
439. Exposure to counterparty credit risk			
439	Institutions shall disclose the following information regarding the institution's exposure to counterparty credit risk as referred to in Part Three, Title II, Chapter 6:		
439.a	Description of process to assign internal capital and credit limits to CCR exposures.	Chapter 7.3	CCR8
439.b	Discussion of policies for securing collateral and establishing credit reserves.	Chapter 7.3	CCR5
439.c	Discussion of management of wrong-way risk exposures.	Chapter 7.3	
439.d	Disclosure of collateral to be provided (outflows) in the event of a ratings downgrade.	Chapter 7.3	
439.e	The amount of segregated and unsegregated collateral received and posted per type of collateral,	Chapter 7.3	CCR5
439.f	For derivative transactions, the exposure values before and after the effect of the credit risk mitigation	Chapters 5.2 and 7.3	CCR1
439.g	For securities financing transactions, the exposure values before and after the effect of the credit risk mitigation	Chapters 7.3 and 7.5.2	CCR1
439.h	The exposure values after credit risk mitigation effects and the associated risk exposures for credit valuation adjustment capital charge	Chapters 7.3 and 7.5.2	CCR2
439.i	The exposure value to central counterparties and the associated risk exposures	Chapter 7.3	CCR8
439.j	The notional amounts and fair value of credit derivative	N/A	
439.k	The estimate of alpha where the institution has received the permission of the competent authorities to use its own estimate of alpha	Chapter 7.3	CCR1
439.l	Separately, the disclosures included in point (e) of Article 444 and point (g) of Article 452;	Chapter 7.3	CCR1,CCR3 and CCR5
439.m	For institutions using the methods set out in Sections 4 to 5 of Chapter 6 of Title II Part Three, the size of their on- and off-balancesheet derivative business	Chapter 7.3	CCR1
440. Capital buffers			
440	Disclosure of the following information in relation to its compliance with the requirement for a countercyclical capital buffer referred to in Title VII, Chapter 4 of Directive 2013/36/EU:		
440.a	Geographical distribution of credit exposures relevant for the calculation of countercyclical capital buffer.	Chapter 4	

440.b	Amount of the specific countercyclical capital Buffer.	N/A	
441. Indicators of global systemic importance			
441	Disclosure of the indicators of global systemic importance.	N/A	
442. Credit risk adjustments			
442	Institutions shall disclose the following information regarding the institution's exposure to credit risk and dilution risk:		
442.a	The scope and definitions that they use for accounting purposes of 'past due' and 'impaired' and the differences, if any, between the definitions of 'past due' and 'default' for accounting and regulatory purposes;	Chapter 7.1	
442.b	A description of the approaches and methods adopted for determining specific and general credit risk adjustments;	Chapter 7.1	
442.c	Information on the amount and quality of performing, nonperforming and forborne exposures for loans, debt securities and off-balance-sheet exposures, including their related accumulated impairment, provisions and negative fair value changes due to credit risk and amounts of collateral and financial guarantees	Chapters 7.2.1 7.2.3 and 7.2.5	CR1, CQ1, CQ5 and CQ7
442.d	An ageing analysis of accounting past due exposures;	Chapter 7.2.4	CQ3
442.e	The gross carrying amounts of both defaulted and non-defaulted exposures, the accumulated specific and general credit risk adjustments, the accumulated write-offs taken against those exposures and the net carrying amounts and their distribution by geographical area and industry type and for loans, debt securities and off balance-sheet exposures;	Chapters 7.2.1 and 7.2.3	CR1 and CQ5
442.f	Any changes in the gross amount of defaulted on- and off-balancesheet exposures, including, as a minimum, information on the opening and closing balances of those exposures, the gross amount of any of those exposures reverted to non-defaulted status or subject to a write-off;	Chapter 7.2.4	CR2
442.g	Breakdown of loans and debt securities by residual maturity	Chapter 7.2.3	CR1-A
443. Unencumbered assets			
443	Institutions shall disclose information concerning their encumbered and unencumbered assets. For those purposes, institutions shall use the carrying amount per exposure class broken down by asset quality and the total amount of the carrying amount that is encumbered and unencumbered.	Chapter 13	AE1, AE2 and AE3
444. Use of ECAIs			
444	For institutions calculating the risk-weighted exposure amounts in accordance with Part Three, Title II, Chapter 2, the following information shall be disclosed for each of the exposure classes specified in Article 112:		
444.a	Names of the ECAIs used in the calculation of Standardised approach risk-weighted assets and reasons for any changes.	Chapter 7.4	Table 47
444.b	Exposure classes associated with each ECAI.	Chapter 7.4	Table 47
444.c	Description of the process used to transfer credit assessments to non-trading book items.	Chapter 7.4	
444.d	Mapping of external rating to credit quality steps (CQS).	N/A	

444.e	Exposure value pre and post-credit risk mitigation,by CQS.	Chapter 7.5	Tables 50 and 51
445. Exposure to market risk			
445	Disclosure of position risk, large exposures exceeding limits, FX, settlement and commodities risk.	Chapters 1 and 5.4	Annexes II and III
446. Operational risk			
446	Institutions shall disclose the following information about their operational risk management:		
446.a	The approaches for the assessment of own funds requirements for operation risk that the institution qualifies for;	Chapter 9	OR1
446.b	A discussion of the relevant internal and external factors being considered in the institution's advanced measurement approach;	Chapter 9	OR1
446.c	In the case of partial use, the scope and coverage of the different methodologies used.	Chapter 9	OR1
447. Exposures in equities not included in the trading book			
447	Institutions shall disclose the following key metrics in a tabular format:		
447.a	The composition of their own funds and their own funds requirements as calculated in accordance with Article 92;	Chapter 1	KM1
447.b	The total risk exposure amount as calculated in accordance with Article 92(3);	Chapter 1	KM1
447.c	Where applicable, the amount and composition of additional own funds which the institutions are required to hold	Chapter 1	KM1
447.d	Their combined buffer requirement which the institutions are required to hold	Chapter 1	KM1
447.e	Their leverage ratio and the total exposure measure as calculated in accordance with Article 429	Chapter 1	KM1
447.f	The following information in relation to their liquidity coverage ratio as calculated in accordance with the delegated act referred to in Article 460(1): (i) the average or averages, as applicable, of their liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period; (ii) the average or averages, as applicable, of total liquid assets, after applying the relevant haircuts, included in the liquidity buffer pursuant to the delegated act referred to in Article 460(1), based on end-of-themonth observations over the preceding 12 months for each quarter of the relevant disclosure period; (iii) the averages of their liquidity outflows, inflows and net liquidity outflows as calculated pursuant to the delegated act referred to in Article 460(1), based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period;	Chapter 1	KM1

447.g	The following information in relation to their net stable funding requirement as calculated in accordance with Title IV of Part Six: (i) the net stable funding ratio at the end of each quarter of the relevant disclosure period; (ii) the available stable funding at the end of each quarter of the relevant disclosure period; (iii) the required stable funding at the end of each quarter of the relevant disclosure period;	Chapter 1	KM1
447.h	Their own funds and eligible liabilities ratios and their components, numerator and denominator, as calculated in accordance with Articles 92a and 92b and broken down at the level of each resolution group, where applicable.	N/A	
448. Exposure to interest rate risk on positions not included in the trading book			
448.1	As from 28 June 2021, institutions shall disclose the following quantitative and qualitative information on the risks arising from potential changes in interest rates that affect both the economic value of equity and the net interest income of their non-trading book activities		
448.1.a	The changes in the economic value of equity calculated under the six supervisory shock scenarios for the current and previous disclosure periods;	Chapter 11	IRRBB1
448.1.b	The changes in the net interest income calculated under the two supervisory shock scenarios for the current and previous disclosure periods;	Chapter 11	IRRBB1
448.1.c	A description of key modelling and parametric assumptions used to calculate changes in the economic value of equity and in the net interest income	Chapter 11	IRRBB1
448.1.d	An explanation of the significance of the risk measures disclosed under points (a) and (b) of this paragraph and of any significant variations of those risk measures since the previous disclosure reference date;	Chapter 11	IRRBB1
448.1.e	The description of how institutions define, measure, mitigate and control the interest rate risk of their nontrading book activities for the purposes of the competent authorities' review in accordance with Article 84 of Directive 2013/36/EU, including:	Chapter 11	IRRBB1
448.1.e.i	A description of the specific risk measures that the institutions use to evaluate changes in their economic value of equity and in their net interest income;	Chapter 11	IRRBB1
448.1.e.ii	A description of the key modelling and parametric assumptions used in the institutions' internal measurement systems that would differ from the common modelling and parametric assumptions referred to in Article 98(5a) of Directive 2013/36/EU for the purpose of calculating changes to the economic value of equity and to the net interest income, including the rationale for those differences;	Chapter 11	IRRBB1
448.1.e.iii	A description of the interest rate shock scenarios that institutions use to estimate the interest rate risk;	Chapter 11	IRRBB1
448.1.e.iv	The recognition of the effect of hedges against those interest rate risks, including internal hedges that meet the requirements laid down in Article 106(3);	Chapter 11	IRRBB1
448.1.e.v	An outline of how often the evaluation of the interest rate risk occurs;	Chapter 11	IRRBB1
448.1.f	The description of the overall risk management and mitigation strategies for those risks;	Chapter 11	IRRBB1
448.1.g	Average and longest repricing maturity assigned to non-maturity deposits.	Chapter 11	IRRBB1

448.2	By way of derogation from paragraph 1 of this Article, the requirements set out in points (c) and (e)(i) to (e) (iv) of paragraph 1 of this Article shall not apply to institutions that use the standardised methodology or the simplified standardised methodology referred to in Article 84(1) of Directive 2013/36/EU.	Chapter 11	IRRBB1
449. Exposure to securitisation positions			
449	Institutions calculating risk weighted exposure amounts in accordance with Part Three, Title II, Chapter 5 or own funds requirements in accordance with Article 337 or 338 shall disclose the following information, where relevant, separately for their trading and non-trading book:		
449.a	A description of their securitisation and re-securitisation activities, including their risk management and investment objectives in connection with those activities, their role in securitisation and re-securitisation transactions, whether they use the simple, transparent and standardised securitisation (STS) as defined in point (10) of Article 242, and the extent to which they use securitisation transactions to transfer the credit risk of the securitised exposures to third parties with, where applicable, a separate description of their synthetic securitisation risk transfer policy;	Chapters 7.6.1 and 7.6.2	
449.b	The type of risks they are exposed to in their securitisation and re-securitisation activities by level of seniority of the relevant securitisation positions providing a distinction between STS and non-STS positions and: (i) the risk retained in own-originated transactions; (ii) the risk incurred in relation to transactions originated by third parties;	Chapter 7.6.2	
449.c	Their approaches for calculating the risk-weighted exposure amounts that they apply to their securitisation activities, including the types of securitisation positions to which each approach applies and with a distinction between STS and non-STS positions;	Chapter 7.6.6	
449.d	A list of sspes falling into any of the following categories, with a description of their types of exposures to those sspes, including derivative contracts: (i) sspes which acquire exposures originated by the institutions; (ii) sspes sponsored by the institutions; (iii) sspes and other legal entities for which the institutions provide securitisation-related services, such as advisory, asset servicing or management services; (iv) sspes included in the institutions' regulatory scope of consolidation;	Chapter 7.6.5	
449.e	A list of any legal entities in relation to which the institutions have disclosed that they have provided support in accordance with Chapter 5 of Title II of Part Three;	Chapter 7.6.5	
449.f	A list of legal entities affiliated with the institutions and that invest in securitisations originated by the institutions or in securitisation positions issued by sspes sponsored by the institutions;	Chapter 7.6.5	
449.g	A summary of their accounting policies for securitisation activity, including where relevant a distinction between securitisation and re-securitisation positions;	Chapter 7.6.4	
449.h	The names of the ecais used for securitisations and the types of exposure for which each agency is used;	Chapter 7.6.5	

449.i	Where applicable, a description of the Internal Assessment Approach as set out in Chapter 5 of Title II of Part Three, including the structure of the internal assessment process and the relation between internal assessment and external ratings of the relevant ECAI disclosed in accordance with point (h), the control mechanisms for the internal assessment process including discussion of independence, accountability, and internal assessment process review, the exposure types to which the internal assessment process is applied and the stress factors used for determining credit enhancement levels;	N/A	
449.j	Separately for the trading book and the non-trading book, the carrying amount of securitisation exposures, including information on whether institutions have transferred significant credit risk in accordance with Articles 244 and 245, for which institutions act as originator, sponsor or investor, separately for traditional and synthetic securitisations, and for STS and non-STS transactions and broken down by type of securitisation exposures;	N/A	
449.k	For the non-trading book activities, the following information:	N/A	
449.k.i	The aggregate amount of securitisation positions where institutions act as originator or sponsor and the associated risk-weighted assets and capital requirements by regulatory approaches, including exposures deducted from own funds or risk weighted at 1 250 %, broken down between traditional and synthetic securitisations and between securitisation and re-securitisation exposures, separately for STS and non-STS positions, and further broken down into a meaningful number of risk-weight or capital requirement bands and by approach used to calculate the capital requirements;	N/A	
449.k.ii	The aggregate amount of securitisation positions where institutions act as investor and the associated riskweighted assets and capital requirements by regulatory approaches, including exposures deducted from own funds or risk weighted at 1 250 %, broken down between traditional and synthetic securitisations, securitisation and re-securitisation positions, and STS and non-STS positions, and further broken down into a meaningful number of risk weight or capital requirement bands and by approach used to calculate the capital requirements;	N/A	
449.l	Full dfor exposures securitised by the institution, the amount of exposures in default and the amount of the specific credit risk adjustments made by the institution during the current period, both broken down by exposure type.	Chapter 7.6	SEC5
449a. Disclosure of environmental, social and governance risks (ESG risks)			
449a	From 28 June 2022, large institutions which have issued securities that are admitted to trading on a regulated market of any Member State, as defined in point (21) of Article 4(1) of Directive 2014/65/EU, shall disclose information on ESG risks, including physical risks and transition risks, as defined in the report referred to in Article 98(8) of Directive 2013/36/EU. The information referred to in the first paragraph shall be disclosed on an annual basis for the first year and biannually thereafter.	Chapter 6.2.3	

450. Remuneration policy			
450	Institutions shall disclose the following information regarding their remuneration policy and practices for those categories of staff whose professional activities have a material impact on the risk profile of the institutions:		
450.1.a	Information concerning the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, where applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders;	Chapters 3.2.2 y 15	
450.1.b	Information about the link between pay of the staff and their performance;	Chapters 15.7.1 y 15.7.2	
450.1.c	The most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria;	Chapters 15.2, 15.4, 15.7.1, 15.9	
450.1.d	The ratios between fixed and variable remuneration set in accordance with point (g) of Article 94(1) of Directive 2013/36/EU;	Chapter 15.4	
450.1..e	Information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based;	Chapters 15.2, 15.7.1 y 15.7.2	
450.1.f	The main parameters and rationale for any variable component scheme and any other non-cash benefits;	Chapters 15.4, 15.7.1, 15.7.2	
450.1.g	Aggregate quantitative information on remuneration, broken down by business area;	Chapter 15.12	
450.1.h	Aggregate quantitative information on remuneration, broken down by senior management and members of staff whose professional activities have a material impact on the risk profile of the institutions, indicating the following: (i) the amounts of remuneration awarded for the financial year, split into fixed remuneration including a description of the fixed components, and variable remuneration, and the number of beneficiaries; (ii) the amounts and forms of awarded variable remuneration, split into cash, shares, share-linked instruments and other types separately for the part paid upfront and the deferred part; (iii) the amounts of deferred remuneration awarded for previous performance periods, split into the amount due to vest in the financial year and the amount due to vest in subsequent years; (iv) the amount of deferred remuneration due to vest in the financial year that is paid out during the financial year, and that is reduced through performance adjustments; (v) the guaranteed variable remuneration awards during the financial year, and the number of beneficiaries of those awards; (vi) the severance payments awarded in previous periods, that have been paid out during the financial year; (vii) the amounts of severance payments awarded during the financial year, split into paid upfront and deferred, the number of beneficiaries of those payments and highest payment that has been awarded to a single person;	Chapter 15.12	REM1 and REM3

450.1.i	The number of individuals that have been remunerated EUR 1 million or more per financial year, with the remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500 000 and with the remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million;	N/A	
450.1.j	Upon demand from the relevant Member State or competent authority, the total remuneration for each member of the management body or senior management;	Chapter 15.12 Cross-reference to notes 5.1 and 5.2 of the Financial Statements	
450.1.k	Information on whether the institution benefits from a derogation laid down in Article 94(3) of Directive 2013/36/EU.	N/A	
450.2	For large institutions, the quantitative information on the remuneration of institutions' collective management body referred to in this Article shall also be made available to the public, differentiating between executive and non-executive members.	Chapter 15.2	
451. Leverage			
451.a	Leverage ratio.	Chapter 14.2	LR2
451.b	A breakdown of the total exposure measures, including the reconciliation to financial statements.	Chapter 14.2	LR1, LR2 and LR3
451.c	If applicable, the total amount of the derecognized fiduciary items.	Chapter 14.2	LR2
451.d	Description of the processes used to manage the risk of excessive leverage	Chapter 14.3.1	
451.e	Description of the factors that impacted the leverage ratio during the year.	Chapter 14.3.1	
451.2	Public development credit institutions as defined in Article 429a(2) shall disclose the leverage ratio without the adjustment to the total exposure measure determined in accordance with point (d) of the first subparagraph of Article 429a(1).	Chapter 14.2	LR2
451.3	Large institutions shall disclose the leverage ratio and the breakdown of the total exposure measure.	Chapter 14.2	LR2
451a. Disclosure of liquidity requirements			
451a.1	Institutions that are subject to Part Six shall disclose information on their liquidity coverage ratio, net stable funding ratio and liquidity risk management in accordance with this Article.	Chapter 12	
451a.2	Institutions shall disclose the following information in relation to their liquidity coverage ratio as calculated in accordance with the delegated act referred to in Article 460(1):	Chapter 12	LIQ1
451a.2.a	The average or averages, as applicable, of their liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period;	Chapter 12	LIQ1
451a.2.b	The average or averages, as applicable, of total liquid assets, after applying the relevant haircuts, included in the liquidity buffer pursuant to the delegated act referred to in Article 460(1), based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period, and a description of the composition of that liquidity buffer;	Chapter 12	LIQ1
451a.2.c	The averages of their liquidity outflows, inflows and net liquidity outflows as calculated in accordance with the delegated act referred to in Article 460(1), based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period and the description of their composition.	Chapter 12	LIQ2

451a.3	Institutions shall disclose the following information in relation to their net stable funding ratio as calculated in accordance with Title IV of Part Six:	Chapter 12	LIQ2
451a.3.a	Quarter-end figures of their net stable funding ratio calculated in accordance with Chapter 2 of Title IV of Part Six for each quarter of the relevant disclosure period;	Chapter 12	LIQ2
451a.3.b	An overview of the amount of available stable funding calculated in accordance with Chapter 3 of Title IV of Part Six;	Chapter 12	LIQ2
451a.3.c	An overview of the amount of required stable funding calculated in accordance with Chapter 4 of Title IV of Part Six.	Chapter 12	LIQ2
451a.4	Institutions shall disclose the arrangements, systems, processes and strategies put in place to identify, measure, manage and monitor their liquidity risk in accordance with Article 86 of Directive 2013/36/EU.	Chapters 6.2.3 and 12	
452. Use of the IRB Approach to credit risk			
452	Institutions calculating the risk-weighted exposure amounts under the IRB Approach shall disclose the following information:	N/A	
452.a	Permission for use of the IRB approach from the competent authority.	N/A	
452.b	For each exposure class referred to in Article 147, the percentage of the total exposure value of each exposure class subject to the Standardised Approach or to the IRB Approach, as well as the part of each exposure class subject to a roll-out plan.	N/A	
452.c	The control mechanisms for rating systems at the different stages of model development, controls and changes, which shall include information on: (i) the relationship between the risk management function and the internal audit function; (ii) the rating system review; (iii) the procedure to ensure the independence of the function in charge of reviewing the models from the functions responsible for the development of the models; (iv) the procedure to ensure the accountability of the functions in charge of developing and reviewing the models;	N/A	
452.d	The role of the functions involved in the development, approval and subsequent changes of the credit risk models;	N/A	
452.e	The scope and main content of the reporting related to credit risk models;	N/A	
452.f	A description of the internal ratings process by exposure class, including the number of key models used with respect to each portfolio and a brief discussion of the main differences between the models within the same portfolio, covering:	N/A	
452.f.i	The definitions, methods and data for estimation and validation of PD, which shall include information on how PDs are estimated for low default portfolios, whether there are regulatory floors and the drivers for differences observed between PD and actual default rates at least for the last three periods;	N/A	
452.f.ii	Where applicable, the definitions, methods and data for estimation and validation of LGD, such as methods to calculate downturn LGD, how LGDs are estimated for low default portfolio and the time lapse between the default event and the closure of the exposure;	N/A	
452.f.iii	Where applicable, the definitions, methods and data for estimation and validation of conversion factors, including assumptions employed in the derivation of those variables;	N/A	

452.g	As applicable, the following information in relation to each exposure class referred to in Article 147:	N/A	
452.g.i	Their gross on-balance-sheet exposure;	N/A	
452.g.ii	Their off-balance-sheet exposure values prior to the relevant conversion factor;	N/A	
452.g.iii	Their exposure after applying the relevant conversion factor and credit risk mitigation;	N/A	
452.g.iv	Any model, parameter or input relevant for the understanding of the risk weighting and the resulting risk exposure amounts disclosed across a sufficient number of obligor grades (including default) to allow for a meaningful differentiation of credit risk;	N/A	
452.g.v	Separately for those exposure classes in relation to which institutions have received permission to use own LGDs and conversion factors for the calculation of risk-weighted exposure amounts, and for exposures for which the institutions do not use such estimates, the values referred to in points (i) to (iv) subject to that permission;	N/A	
452.h	Institutions' estimates of PDs against the actual default rate for each exposure class over a longer period, with separate disclosure of the PD range, the external rating equivalent, the weighted average and arithmetic average PD, the number of obligors at the end of the previous year and of the year under review, the number of defaulted obligors, including the new defaulted obligors, and the annual average historical default rate.	N/A	
453. Use of credit risk mitigation techniques			
453	Institutions applying credit risk mitigation techniques shall disclose the following information:		
453.a	Use of on and off-balance sheet netting.	Chapter 7.3	
453.b	How collateral valuation is managed.	Chapter 7.5.1	
453.c	Description of types of collateral used by the institution.	Chapter 7.5.1	
453.d	Main types of guarantor and credit derivative counterparty, creditworthiness.	Chapter 7.5.2	
453.e	Market or credit risk concentrations within risk mitigation exposures.	Chapter 7.5	
453.f	For institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, the total exposure value not covered by any eligible credit protection and the total exposure value covered by eligible credit protection after applying volatility adjustments	Chapter 7.5.2	CR3
453.g	The corresponding conversion factor and the credit risk mitigation associated with the exposure and the incidence of credit risk mitigation techniques with and without substitution effect;	Chapter 7.5.2	CR4
453.h	For institutions calculating risk-weighted exposure amounts under the Standardised Approach, the on- and off-balance-sheet exposure value by exposure class before and after the application of conversion factors and any associated credit risk mitigation;	Chapter 7.5.2	CR4
453.i	For institutions calculating risk-weighted exposure amounts under the Standardised Approach, the riskweighted exposure amount and the ratio between that risk-weighted exposure amount and the exposure value after applying the corresponding conversion factor and the credit risk mitigation associated with the exposure	Chapter 7.5.2	CR4
453.j	For institutions calculating risk-weighted exposure amounts under the IRB Approach, the risk-weighted exposure amount before and after recognition of the credit risk mitigation impact of credit derivatives	N/A	

454. Use of the Advanced Measurement Approaches to operational risk		
454	Description of the use of insurance or other risk transfer mechanisms to mitigate operational risk.	N/A
455. Use of internal market risk models		
455	Institutions calculating their capital requirements in accordance with Article 363 shall disclose the following information:	N/A
455.a	For each sub-portfolio covered: (i) the characteristics of the models used; (ii) where applicable, for the internal models for incremental default and migration risk and for correlation trading, the methodologies used and the risks measured through the use of an internal model including a description of the approach used by the institution to determine liquidity horizons, the methodologies used to achieve a capital assessment that is consistent with the required soundness standard and the approaches used in the validation of the model; (iii) a description of stress testing applied to the sub-portfolio; (iv) a description of the approaches used for back-testing and validating the accuracy and consistency of the internal models and modelling processes;	N/A
455.b	Scope of permission for use of the models.	N/A
455.c	Policies and processes to determine trading book classification, and to comply with prudential valuation requirements.	N/A
455.d	The highest, the lowest and the mean of the following: (i) the daily value-at-risk measures over the reporting period and at the end of the reporting period; (ii) the stressed value-at-risk measures over the reporting period and at the end of the reporting period; (iii) the risk numbers for incremental default and migration risk and for the specific risk of the correlation trading portfolio over the reporting period and at the end of the reporting period;	N/A
455.e	The elements of the own fund calculation.	N/A
455.f	The weighted average liquidity horizon for each sub-portfolio covered by the internal models for incremental default and migration risk and for correlation trading;	N/A
455.g	A comparison of the daily end-of-day value-at-risk measures to the one-day changes of the portfolio's value by the end of the subsequent business day together with an analysis of any important overshooting during the reporting period.	N/A

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