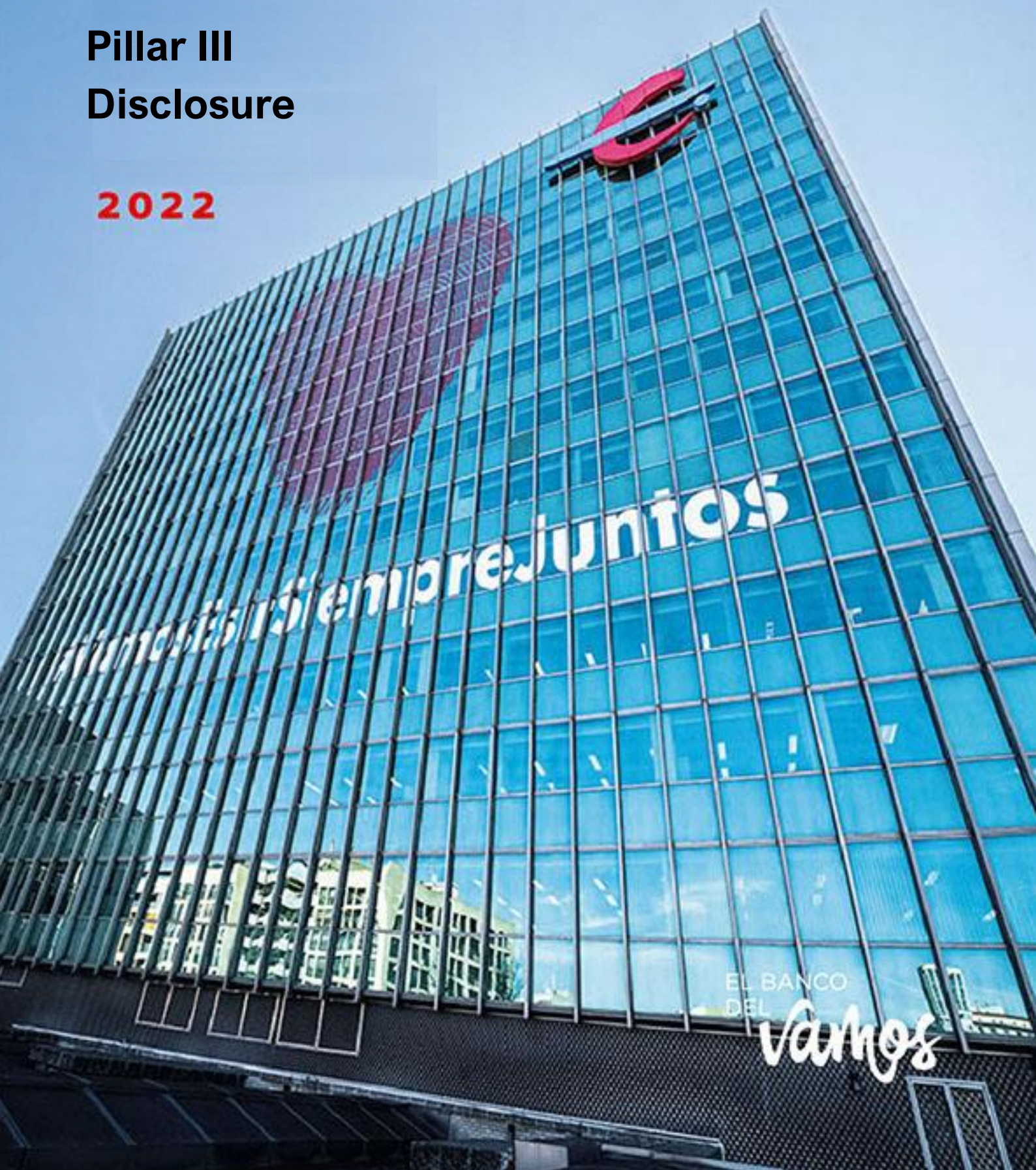


## Pillar III Disclosure

**2022**



# Content

1. EXECUTIVE SUMMARY	7
2. REGULATORY CONTEXT OF THE GROUP	17
2.1 – MACROECONOMIC CONTEXT	17
2.2 – THE IBERCAJA GROUP	18
2.3 – SHAREHOLDING AND FUNCTIONAL STRUCTURE	19
2.4 – FINANCIAL YEAR 2022 IN THE IBERCAJA GROUP	20
2.5 – REGULATORY FRAMEWORK	21
2.5.1 - INTRODUCTION	21
2.5.2 - LIQUIDITY	23
2.5.3 - SECURITISATION	23
2.5.4 - BANK RESTRUCTURING AND RESOLUTION	24
2.5.5 - SOLVENCY	25
2.5.6 - ESG RISKS	27
2.5.7- OTHER POLICY INITIATIVES	27
2.5.8 - SINGLE OVERSIGHT AND RESOLUTION MECHANISM	29
3. PILLAR III GENERAL ASPECTS	32
3.1 - INTRODUCTION	32
3.2 - GOVERNMENT BODIES	33
3.2.1 - BOARD OF DIRECTORS	34
3.2.2 - COMMITTEES OF THE BOARD OF DIRECTORS	37
3.2.3 - PROCEDURES TO ENSURE THE SUITABILITY OF THE MEMBERS OF THE BOARD OF DIRECTORS	44
3.2.4 - POLICY ON THE DEDICATION OF DIRECTORS	45
3.2.5 - TRAINING ACTIONS FOR THE BOARD OF DIRECTORS IN RISK AND REGULATORY MATTERS	46
3.2.6 - DIVERSITY IN GOVERNING BODIES	46
3.3 - CONSOLIDATION PERIMETER	47
3.4 - DIFFERENCES BETWEEN THE ACCOUNTING CONSOLIDATION METHOD AND THE REGULATORY CAPITAL METHOD	51
3.5 - IDENTIFICATION OF SUBSIDIARIES WITH OWN FUNDS BELOW THE MINIMUM CAPITAL REQUIREMENTS AND EXEMPTIONS FROM THE REQUIREMENTS	56
3.6 - FINANCIAL CONGLOMERATE	57
4. COMPUTABLE OWN RESOURCES	59
4.1 - RECONCILIATION OF REGULATORY CAPITAL AND STOCKHOLDERS' EQUITY ON THE CONSOLIDATED BALANCE SHEET	61
4.3 - COUNTERCYCLICAL CAPITAL BUFFER AND PRUDENT VALUATION ADJUSTMENTS	67
4.3.1 - COUNTERCYCLICAL CAPITAL BUFFER	67
4.3.2 - PRUDENT VALUATION ADJUSTMENTS	69
5. MINIMUM REQUIREMENTS ON OWN RESOURCES	71
5.1 - PROCEDURES APPLIED TO ASSESS THE ADEQUACY OF INTERNAL CAPITAL	72
5.2 - CAPITAL REQUIREMENTS FOR CREDIT, COUNTERPARTY AND DILUTION RISK	74
5.3 - SUPPORTING FACTOR APPLIED TO SME EXPOSURES AND CRITICAL INFRASTRUCTURE	75
5.4 - CAPITAL REQUIREMENTS FOR POSITION RISK	75
5.5 - CAPITAL REQUIREMENTS FOR FOREIGN EXCHANGE RISK	75



5.6 - CAPITAL REQUIREMENTS FOR OPERATIONAL RISK	76
5.7 - CAPITAL REQUIREMENTS FOR CREDIT VALUATION ADJUSTMENT (CVA)	76
<b>6. RISKS</b>	<b>78</b>
6.1 - RISK MANAGEMENT POLICIES AND OBJECTIVES	78
6.2 - RISK MANAGEMENT POLICIES AND OBJECTIVES	80
6.2.1 - FRAMEWORK FOR ACTION AND MANAGEMENT	80
6.2.2 - GOVERNANCE STRUCTURE	82
6.2.3 - RISK MANAGEMENT, CONTROL AND MEASUREMENT STRATEGIES	84
6.2.4 - FUNCTIONS OF THE BOARD OF DIRECTORS	102
6.2.6 - RISK INFORMATION REPORTING	105
<b>7. CREDIT RISK</b>	<b>108</b>
7.1 - ACCOUNTING DEFINITIONS AND METHODOLOGICAL DESCRIPTIONS	108
7.2 - CREDIT RISK EXPOSURE	116
7.2.1 - OVERVIEW OF PERFORMING AND NON-PERFORMING EXPOSURES AND RELATED PROVISIONS	116
7.2.2 - OVERVIEW OF EXPOSURES ACCORDING TO THEIR WEIGHTING IN THE STANDARDISED APPROACH	118
7.2.3 - OVERVIEW OF EXPOSURES (BY MATURITY AND QUALITY BY ACTIVITY)	119
7.2.4 - OVERVIEW OF NON-PERFORMING AND PERFORMING EXPOSURES BY MATURITY, GEOGRAPHIC AREA AND VARIATION IN NON-PERFORMING LOANS	120
7.2.5 - OVERVIEW OF FORBORNE EXPOSURES AND SECURITY INTERESTS OBTAINED THROUGH TAKEOVER AND ENFORCEMENT PROCESSES	122
7.3 - INFORMATION ON THE GROUP'S COUNTERPARTY CREDIT RISK	123
7.4 - IDENTIFICATION OF THE EXTERNAL RATING AGENCIES	131
7.5 - RISK MITIGATION TECHNIQUES AND THE EFFECT ON RISK EXPOSURES OF THE APPLICATION OF RISK REDUCTION TECHNIQUES	131
7.5.1 - GENERAL INFORMATION	131
7.5.2 - QUANTITATIVE INFORMATION	135
7.6 - SECURITISATIONS	138
7.6.1 - GENERAL DESCRIPTION AND OBJECTIVES	138
7.6.2 - RISKS OF THE GROUP'S SECURITISATION ACTIVITY	139
7.6.3 - FUNCTIONS PERFORMED IN THE SECURITISATION PROCESSES AND DEGREE OF INVOLVEMENT	141
7.6.4 - ACCOUNTING TREATMENT OF TRANSFERS OF FINANCIAL ASSETS	144
7.6.5 - ORIGINATED SECURITISATIONS	145
7.6.6 - CALCULATION OF RISK-WEIGHTED EXPOSURE AMOUNTS FOR SECURITISATION POSITIONS	146
7.7 - IMPACTS OF COVID-19 AND THE WAR BETWEEN RUSSIA AND UKRAINE	147
<b>8. MARKET RISK</b>	<b>153</b>
8.1 - DEFINITION OF MARKET RISK	153
8.2 - MARKET RISK MANAGEMENT	153
<b>9. OPERATIONAL RISK</b>	<b>157</b>
9.1 - CAPITAL REQUIREMENTS FOR OPERATIONAL RISK	158
9.2 - OPERATIONAL RISK MANAGEMENT OBJECTIVES AND JUSTIFICATION	158
9.3 - STRUCTURE AND ORGANISATION OF OPERATIONAL RISK MANAGEMENT	159
9.4 - OPERATIONAL RISK CATEGORIES	159
9.5 - METHODOLOGIES FOR MEASURING OPERATIONAL RISK	160
9.6 - LOSS DATABASE	160

9.7 - SELF-ASSESSMENTS	161
9.8 - OPERATIONAL RISK INDICATORS	161
9.9 - ACTION PLANS	161
10. HOLDINGS AND EQUITY INSTRUMENTS NOT INCLUDED IN THE TRADING PORTFOLIO	163
10.1 - CLASSIFICATION, VALUATION AND ACCOUNTING CRITERIA	163
10.2 - QUANTITATIVE INFORMATION	163
11. STRUCTURAL INTEREST RATE RISK	166
11.1 - CHANGES IN INTEREST RATES	168
12. LIQUIDITY AND FINANCING RISK	171
12.1 - REGULATORY LIQUIDITY RATIOS IN 2022	175
12.2 - LIQUIDITY AND FINANCING PERSPECTIVE	180
13. ASSET ENCUMBRANCE	182
13.1 - GENERAL INFORMATION	182
13.2 - QUANTITATIVE INFORMATION	183
14. LEVERAGE	187
14.1 - GENERAL INFORMATION	187
14.2 - BREAKDOWN OF TOTAL EXPOSURE MEASURE	187
14.2.1 - RECONCILIATION OF THE LEVERAGE RATIO WITH THE PUBLISHED FINANCIAL STATEMENTS	192
14.3 - INFORMATION ON QUALITATIVE ASPECTS	192
14.3.1 - PROCEDURES APPLIED TO MANAGE THE RISK OF EXCESSIVE LEVERAGE	192
14.3.2 - FACTORS THAT HAVE INFLUENCED THE LEVERAGE RATIO	193
15. ESG RISKS	195
15.1 - BUSINESS MODEL AND STRATEGY	195
15.2 - GOVERNANCE	198
15.3 - RISK MANAGEMENT	204
15.3.1 - COMMITMENTS, REFERENCES, AND INTERNATIONAL FRAMEWORKS TO WHICH THE ENTITY ADHERES DETERMINATION OF OBJECTIVES	206
15.3.2 - ESG RISK IDENTIFICATION AND MANAGEMENT PROCESSES	207
15.3.3 - AVAILABILITY, QUALITY AND ACCURACY OF DATA:	214
15.4 - CREDIT QUALITY OF EXPOSURES	215
15.5 - LOANS SECURED BY REAL COLLATERAL CONSISTING OF REAL ESTATE	222
15.6 - HARMONISATION PARAMETERS	223
15.7 - EXHIBITION WITH THE 20 MOST POLLUTING COMPANIES	225
15.8 - EXPOSURES SUBJECT TO PHYSICAL RISK	228
15.9 - OTHER MITIGATION MEASURES	231
16. REMUNERATIONS	233
16.1 - BACKGROUND	233
16.2 - PURPOSE AND SCOPE OF THE REMUNERATION POLICY	233
16.3 - PRINCIPLES OF THE REMUNERATION POLICY	237

16.4 - MAIN CHARACTERISTICS OF THE REMUNERATION POLICY	238
16.5 - DECISION-MAKING PROCESS FOLLOWED TO ESTABLISH THE REMUNERATION POLICY FOR THE IDENTIFIED GROUP	239
16.6 - CHARACTERISTICS OF THE SENIOR MANAGEMENT REMUNERATION SYSTEM	241
16.6.1 - DETERMINATION OF OBJECTIVES	242
16.6.2 - PERFORMANCE ASSESSMENT	243
16.7 - PAYMENT WITH INSTRUMENTS AND RETENTION PERIOD	244
16.8 - DEFERRAL	245
16.9 - MALUS CLAUSES	245
16.10 - CLAW BACK CLAUSES	247
16.11 - INCENTIVE PLAN (ILP)	248
16.12 - CHARACTERISTICS OF THE REMUNERATION SYSTEM OF THE MEMBERS OF THE GOVERNING BODIES	248
16.12.1 - REMUNERATION OF THE EXECUTIVE DIRECTOR: CHIEF EXECUTIVE OFFICER	249
16.12.2 - REMUNERATION OF DIRECTORS IN THEIR CAPACITY AS SUCH	249
16.13 - REMUNERATION RECEIVED	251
<b>ANNEXES</b>	<b>256</b>
ANNEX I: MAIN FEATURES OF REGULATORY OWN FUNDS INSTRUMENTS AND ELIGIBLE LIABILITIES INSTRUMENTS (TEMPLATE EU CCA)	256
ANNEX II: OWN FUNDS AND PHASE-IN AND FULLY-LOADED CAPITAL REQUIREMENTS	260
ANNEX III: PHASED-IN AND FULLY-LOADED CAPITAL RATIOS	261
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	262
ANNEX V: GEOGRAPHICAL DISTRIBUTION OF RELEVANT CREDIT EXPOSURES	264
ANNEX VI: CRR MAPPING	265
<b>INDEX OF TABLES</b>	<b>280</b>
<b>INDEX OF ILLUSTRATIONS</b>	<b>283</b>

# 1

## EXECUTIVE SUMMARY

## 1. Executive Summary

Pillar III Disclosure complies 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, ESG risks and remuneration policy.

The Ibercaja Banco Group (hereinafter Ibercaja or the Group) is among the ten largest Spanish banking group in terms of asset volume. Its main activity focuses on retail banking, carrying out its entire 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 all its clients.

The Group reported a net profit of 202 million euros in 2022. 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

Table 1: Template EU RRM – Key metrics template						
(thousands of euros)		Key metrics template				
		Dec-22	Sep-22	Jun-22	Mar-22	Dec-21
		a	b	c	d	e
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	2,322,796	2,312,996	2,332,826	2,374,513	2,420,441
2	Tier 1 capital	2,672,796	2,662,996	2,682,826	2,724,513	2,770,441
3	Total Capital	3,172,796	3,162,996	3,182,826	3,224,513	3,270,441
Risk-weighted exposure amounts						
4	Total risk exposure amount	18,045,437	18,028,638	18,227,117	18,297,180	18,051,935
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	12.87%	12.83%	12.80%	12.98%	13.41%
6	Tier 1 ratio (%)	14.81%	14.77%	14.72%	14.89%	15.35%
7	Total capital ratio (%)	17.58%	17.54%	17.46%	17.62%	18.12%
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 (%)	2.15%	2.15%	2.15%	2.15%	2.00%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.21%	1.21%	1.21%	1.21%	1.125%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.61%	1.61%	1.61%	1.61%	1.50%
EU 7d	Total SREP own funds requirements (%)	10.15%	10.15%	10.15%	10.15%	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 (%)	12.65%	12.65%	12.65%	12.65%	12.50%
12	CET1 available after meeting the total SREP own funds requirements (%)	7.16%	7.12%	7.09%	7.27%	7.79%
Leverage Ratio						
13	Total exposure measure	48,270,672	53,421,968	54,563,677	47,424,135	46,071,839
14	Leverage ratio (%)	5.54%	4.98%	4.92%	5.74%	6.01%
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 (%)	3.00%	3.00%	3.00%	3.22%	3.22%
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 (%)	3.00%	3.00%	3.00%	3.22%	3.22%
Liquidity Coverage Ratio*						
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	12,857,746	13,614,354	13,682,494	13,593,768	13,492,705
EU 16a	Cash outflows - Total weighted value	3,700,314	3,643,755	3,589,603	3,517,833	3,521,161
EU 16b	Cash inflows - Total weighted value	477,509	455,890	449,797	443,676	444,415
16	Total net cash outflows (adjusted value)	3,222,805	3,187,865	3,139,806	3,074,156	3,076,747
17	Liquidity coverage ratio (%)	400%	427%	436%	442%	439%
Net Stable Funding Ratio						
18	Total available stable funding	38,580,765	42,963,076	43,281,855	44,959,534	44,865,394
19	Total required stable funding	25,269,382	26,736,849	26,791,137	29,614,256	29,485,546
20	NSFR ratio (%)	153%	161%	162%	152%	152%

\* The liquidity coverage ratio (LCR), calculated as the simple average of month-end observations over the previous twelve months. Regarding KM2, it is not applicable to the Group as it is not considered a G-SIB.



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

**Consolidated Balance Sheet as of December 31, 2022 (in millions of euros)**

<b>ASSETS</b>		<b>LIABILITIES AND NET EQUITY</b>	
Cash, balance of cash equivalents in Central Banks and other deposits	1,582	15	Trading Book
Trading Book	25		
Non-trading financial assets mandatorily measured at fair value through profit or loss	1,548	43,724	Financial liabilities at amortised cost
Financial assets at fair value through profit or loss	6		
Financial assets at fair value through other comprehensive income	5,318	610	Hedge derivatives
Financial assets at amortised cost	42,768	-140	Changes in the fair value of the hedged items in a portfolio hedging interest rate risk
Hedging derivatives	199		
Investments in joint business and associates	90	6,403	Liabilities covered by insurance or reinsurance contracts
Other assets	128	219	Allowances
Tangible assets	978	134	Tax liabilities
Intangible assets	303	218	Other liabilities
Tax assets	1,238	3,288	Own funds
Non-current assets for sale	176	-110	Other comprehensive income
	<b>54,361</b>	<b>54,361</b>	

**Equity and solvency ratios**

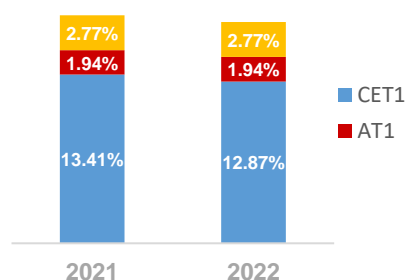
The Group's own resources are:

<b>Computable Own Funds</b>	
(thousands of euros)	Amount
Computable Own Funds 2022	3,172,796
Computable Own Funds 2021	3,270,441

In accordance with the regulations in force within the framework of the Basel Capital Accord for determining solvency, on December 31, 2022, 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 12.87% and Total Capital of 17.58% (both phased-in), are 4.66 and 4.93 points, respectively, above the regulatory requirements established for 2023.

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 12.37%.

<b>Capital Ratios</b>	
	%
Common Equity Tier 1 ratio (CET1)	12.87%
Minimum required CET1	4.50%
Tier 1 Capital ratio (T1)	14.81%
Minimum required T1	6.00%
Total Capital ratio	17.58%
Minimum Total Capital requirement	8.00%



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

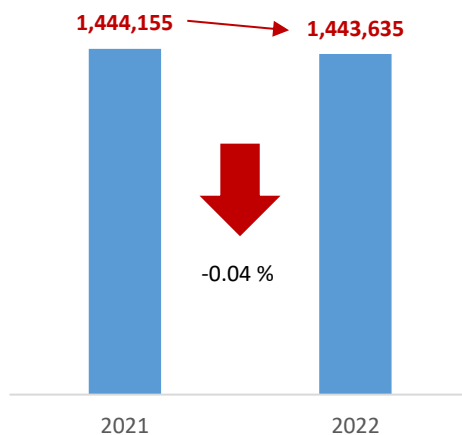
### Capital Requirements

During 2022, credit risk requirements accounted for 92.22% of capital requirements, operational risk requirements accounted for 7.71%.



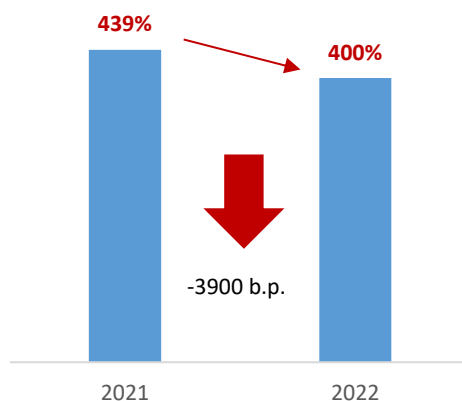
Minimum capital requirements	
(thousands of euros)	Amount
<b>Minimum capital requirements</b>	<b>1,443,635</b>
Capital requirements for credit risk, counterparty risk and incomplete trades	1,331,329
Market risk capital requirements	-
Operational risk capital requirements	111,302
Credit Valuation Adjustment Capital Requirement	1,004
<b>Risk-weighted assets</b>	<b>18,045,437</b>

The minimum capital requirement for Pillar I risks has been reduced by 0.04% compared to 2021.

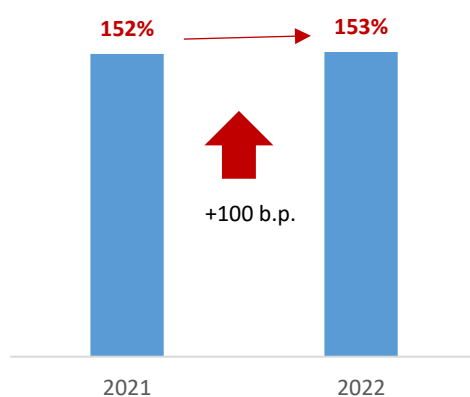


### Liquidity Ratio

The liquidity coverage ratio (LCR hereinafter), calculated as the simple average of month-end observations over the previous twelve months, has decreased in 2022 from 439% in December 2021 to 400% as of December 2022.

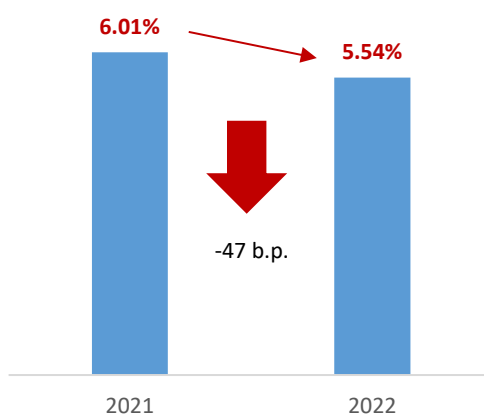


The net stable funding ratio (NSFR) improved by one percentage point in 2022, from 152% to 153% in 2022.



### Leverage ratio

The leverage ratio has fallen 47 basis points from 6.01% as of December 2021 to 5.54% as of December 2022.





### **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 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, February 2, 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, 2022 by the consolidable Group of Ibercaja Banco S.A. and has been published on 24 March 2023 on the Ibercaja Banco website ([Information of Prudential Relevance - Corporate 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) Area Control Management: providing information on RAF, leverage, self-assessment of capital, unencumbered assets, interest rate structural risk and liquidity, and capital requirements for operational risk.
- c) Personnel Area Management: provides quantitative and qualitative information on remuneration of the Identified Collective.

- 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.
- g) General Secretariat: provides information on Governing Bodies and on remuneration policies for Governing Bodies and Senior Management.

In accordance with Standard 59 of Bank of Spain Circular 2/2016, the Group has commissioned an independent external party (PwC) 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 2022 Prudential Relevance Report.

In this way, and to the extent of its procedures, the information disclosed in the Prudential Relevance Report for the 2022 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 considered:

- 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.



- Implementing regulation that amends the implementing technical standards (ITS) established in the Implementing Regulation (EU) 2021/637 regarding the disclosure of information on environmental, social, and governance risks. This ITS (Implementing Technical Standards) proposes, on the one hand, comparable quantitative disclosures related to climate change and physical and transition risks; and, on the other hand, a qualitative description of environmental, social, and governance risk and how they are integrated within entities.

The Group's Prudential Relevance Report is structured in 16 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 2022 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 15 describe the Group's risk function and detail by section the aspects relating to credit, securitisation, operational, liquidity, interest rate, leverage risk and ESG risks. Section 16 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.

The data collected in the report is expressed in thousands of euros, unless otherwise stated, with the data originally being in euro units. In this sense, subtotals may present deviations when the rounded base data is taken as a reference instead of the sum of its elements.

## 2

## REGULATORY CONTEXT OF THE GROUP

## 2. Regulatory context of the group

### 2.1 – Macroeconomic Context

In 2022, world economy was severely affected by the war in Ukraine and by some inflationary pressures which were unknown for decades. The sharp increase in prices was due in large part to the increase in the cost of raw materials, especially energy, and to the strong recovery of demand, faster than the recovery of supply, after the hardest periods of COVID-19 crisis. The IMF estimates that the global GDP increased by 3.4%, decelerating after the strong rebound occurred in 2021 that ended up in a GDP increase of 6.2%.

Following these estimations, the expansion was more dynamic on the emerging countries (3.9%) than in the developed ones (2.7%), although, the difference would be smaller than other periods because of China's moderate growth (3.0%) and Russia's GDP fall (-2.2%), while some regions of developed countries, as the Eurozone, presented remarkable results (3.5%) because of the delayed recovery of the activity.s

China's economy, which was the first country to get out of the 2020 and 2021 pandemic crisis, had been affected by consecutive COVID-19 waves and a zero-tolerance policy which ended up in some periods of relapse of the activity. In addition, the problems in construction and Real State sectors kept on going and had the usual spillover effect on the economy.

The US economy continued showing a remarkable strength despite presenting a GDP drop in two quarters. These setbacks were due to a negative report of the inventories and the external demand, while the domestic demand, in particular the private consumption, kept showing positive results and relevant variables as the industrial production reached its historical high.

This year the GDP of the United States grew only by 2.0%, after 2021's 5.9% growth. The labour market gave out a good response by recovering the lost occupation during the pandemic and drop the unemployment ratio to a minimum of a 3.5%, making it the lowest level since 1969. On the other side, it should be noted that there were high pressures over the prices during the entire year. The CPI reached a 9.1% year-on-year growth in June, a rate not seen in four decades. The underlying ratio reached a 6.7% year-on-year.

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 regions, which ended in a still high dynamism in 2022: the GDP grew by 3.5% after the 5.3% of 2021. The labour market continued recovering and the unemployment ratio ended the year in a 6.6%, lower than the pre-pandemic 7.4%. On the other hand, the Eurozone was particularly affected by the Ukrainian war and the sanctions applied, due to the dependence of the energetic supply from Russia. In summer, gas prices reached 300 euros a MWh which was ten times greater than the maximum values in the previous cycles. The increase of gas and electricity prices were transferred to the supply and consumer chains causing serious inflation problems. The CPI increased to a 10.6% year-on-year in October, and the underlying rate to a 5.2% in December. Energy prices reached an increase of 44.3% year-on-year.



In response to the inflationary pressures, the top central banks made a U-turn to their policies after years of fighting against deflation. They increased the interest rates in an unusual pace and they used movements of 75 bps, unusual in other cycles (unknown in the European Central Bank). The US reference rate, which began the year at 0.25%, had grown to 4.5% in December. In the case of the European Central Bank, the increase went from 0% to 2.5%. In addition, after years of expansive quantitative policies, mostly by public debt purchase, balance sheets stopped expanding. After stabilizing them, the Federal Reserve started reducing its size and the European Central Bank announced that it will do it as of March 2023.

The increase of short-term interest rates and the lower public debt demand by Central Banks were the two main reasons that led long term interest rates to levels not seen in the last decade. The sovereign debt yield to ten years in the United States began the year at 1.5%, reached 4.25% at the end of October and 3.5% at the end of the year. In the case of German bonds for the same period, the increase was from -0.1% to 2.55% at the end of the year, while Spanish interest rates to ten years went from 0.6% to 3.65%. This situation represents a big change after a long period of negative real interest rates, which is very favourable to business investments and households, however, it disturbs the financial markets by encouraging a high risk taking and penalizing the savings as there is no real positive return on the safest assets.

2022 was very negative for most of the stock markets, which accused the interest rates increase, the uncertainty of the Ukrainian war and the inflation. The S&P 500 dropped 19.4% and the Stoxx Europe 600 12.9%. The Ibex, which hadn't had that positive behaviour on previous years, dropped a little less, 5.6%. Only two Stoxx 600 sectors closed 2022 upwards significantly, the oil sector (24.4%) and the raw materials one (4.3%). The biggest drops were suffered by the technology (28.4%), the distribution (32.6%) and the Real State (40.1%) sectors.

## 2.2 – The Ibercaja Group

Ibercaja is a banking institution specialised in business for individuals and companies whose objective is to generate value for its customers, shareholders and society in general.

The Group has as its main activity retail banking, developing their entire business in the national territory. Their corporate purpose is to carry out all types of activities, operations, acts, contracts and characteristic services of the banking business in general, allowed by the current legislation at every moment, including the provision of investment and auxiliary services.

The Bank was created in 2011 following the spin-off and transfer to *Ibercaja Banco* of the financial business of the former *Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja*, now transformed into the *Ibercaja Banking Foundation*, in accordance with the provisions of the Banking Foundations Act. In 2013, the Bank 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.

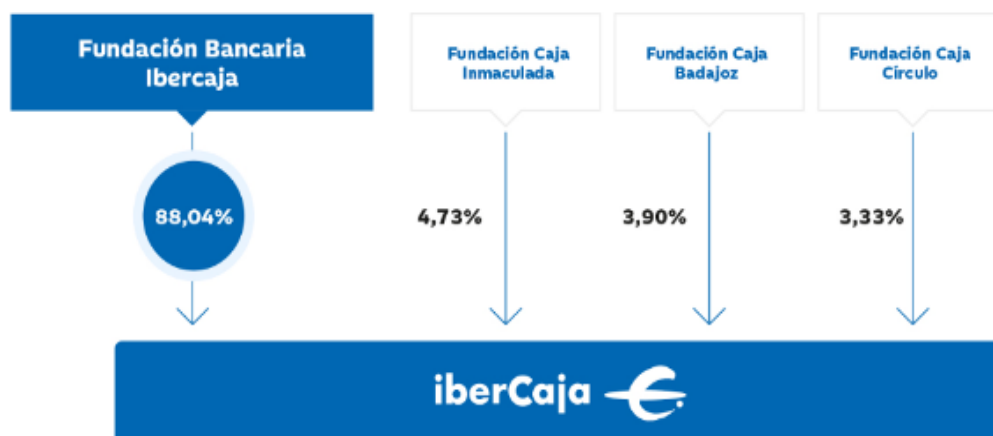
The Group, closes 2022 with a balance sheet of 54,361 million euros, standing within the top 10 largest entities in terms of assets in the Spanish banking system. The Bank develops a "universal banking" model to meet all its customers' financial needs. It has a wide range of banking and financial products and services, focusing particularly on first home mortgages, SME financing, asset management and lifesavings and risk insurance products. At the national level, it has a market share of 2.4% in lending to households and non-financial companies, 3.5% 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 31,600 million euros in assets under management and technical provisions, reaching an aggregate market share in this range of products of 5.1% on December 31, 2022.

## 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%).

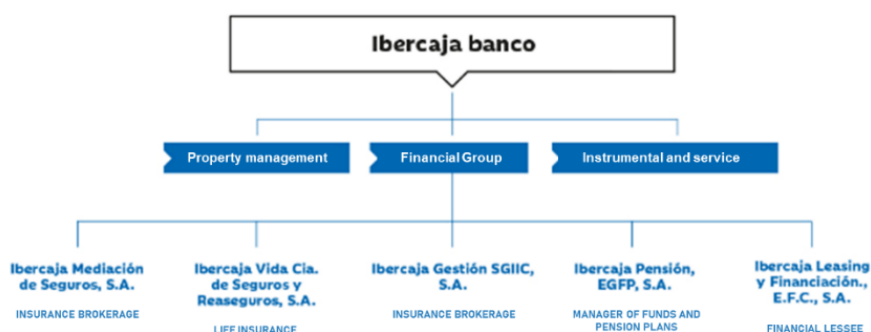
### Shareholder Structure



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, leasing and renting.

## Organisational Structure

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



## 2.4 – Financial year 2022 in the Ibercaja Group

2022 has been a specifically complex year due to the Ukrainian invasion, which has had important macroeconomic consequences, an inflation upturn and an economic deceleration, which have affected negatively to the main variables of the banking business, such as the lower accumulation of available income by families, the lower investment by the business sector or the increase of volatility in financial markets. Despite these uncertainties, Ibercaja's progress at the second year of its Strategic Plan, "*Plan Estratégico Desafío 2023*", has been very successful.

The Entity continues to make progress towards achieving the demanding business objectives set in the strategic segments defined in the plan (Corporate Banking, Individual Banking, Asset Management and Insurance), achieving market share gains in corporate lending, investment funds, pension plans, and life insurance in a highly competitive market context. Additionally, the Entity continues to make progress in its digital transformation process, and by the end of the year, the number of digital customers of the Bank has already exceeded 914 thousand, with mobile banking app users totalling 676 thousand customers. Digital sales account for 40.5% of the total.

Regarding financial objectives, the balance sheet quality has continued to improve with a new reduction in the volume of non-performing assets, despite the economic activity slowdown over the past 12 months. In terms of solvency, Ibercaja continues to maintain one of the highest solvency surpluses compared to the ECB requirements in the Spanish financial system. The Group's profit before taxes amounts to 283 million euros. After deducting the amount paid in corporate income tax, the net profit attributed to the parent entity was 202 million euros, exceeding 2021 by 51 million euros, which represents an annual increase of 34%. In terms of profitability, the 2022 ROTE improves by 1.9 percentage points up to 7.6% thanks to the improvement in recurring revenues, the drop in operating costs and the lower cost of risk. Thanks to this solid balance and improved profitability, the Entity expects to distribute 60% of the 2022 profit in the form of dividends to its shareholders.

All of this commercial and financial progress is being achieved without neglecting the Entity's historical social sensitivity, which has been reflected, among others, in the decalogue of specific measures to reinforce financial services and care for elderly people, and in the adherence to the new Mortgages Code of Practices. Additionally, the Entity continues to make progress in its commitment to sustainability, as evidenced by the milestones achieved in governance (having reached a 40% ratio of female representation in non-executive director positions on the Board of Directors) and in the integration of climate risk management (the ECB has rated Ibercaja's climate stress test framework as "medium-advanced," higher than the average score of the banks analysed in the first climate risk resilience test).

Over a successful 2022 and despite the high macroeconomic and financial uncertainties, Ibercaja reiterates its medium-term financial objectives defined in its Strategic Plan, which involve achieving a ROTE of 9%, a gross non-performing assets ratio of around 4%, and a CET 1 FL of 12.5%, distributing 60% of profits in the form of dividends.

## 2.5 – Regulatory Framework

### 2.5.1 - Introduction

On October 27, 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 package consists of the following proposals, among others:

- i) A legislative proposal to amend the Capital Requirements Directive (CRD VI), transposed at national level through Royal Decree-Law 7/2021 and Royal Decree 970/2021, as well as Circular 3/2022, to be developed in section 2.5.2 of this report, Circular 2/2014 on credit institutions exercise of regulatory options under Regulation (EU) N° 575/2013, and Circular 5/2012 on transparency of banking services and responsibility in granting loans.
- ii) A legislative proposal to amend the Capital Requirements Regulation (CRR III, which will replace the currently applicable CRR II).

On a general note, it is expected that starting on 1<sup>st</sup> January 2025, the proposals will be gradually incorporated starting from

The banking package is divided into three sections: (i) Implementing Basel III, (ii) contribution to the green transition and to the 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 970/2021.

CRR2 entered into force on June 28, 2021, excluding certain provisions whose period of entry into force extends from January 1, 2019, to June 28, 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 June 27, 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 November 23, 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 euros 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 October 27, 2021, by the European Commission. The current drafting proposes January 1, 2025, as a potential general effective date for CRR3.

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 - 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 in 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 the prior consultations made 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).

The Bank of Spain (*BdE*) has published "*Circular 1/2022*" to credit financial institutions regarding liquidity, prudential rules, and information obligations, which modifies "*Circular 1/2009*" and "*Circular 3/2019*". This document details the liquidity regulations applied to credit institutions and adapts the information obligations of credit entities in matters of solvency and shareholding structure to the activity, business model, size and relative importance of these institutions.

Additionally, in 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.

## 2.5.3 - 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.

The EBA has published its final RTS draft, specifying the requirements for originators, sponsors, original lenders and servicers relating to risk retention. On July 8 2022, the new law on covered bonds came into force in Spain, which transposes the European Directive and affects both existing covered bonds and future issuances.

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

## 2.5.4 – 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.

Moreover, 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.

In relation to resolution issues, the changes related to the Daisy Chain were implemented on the 14<sup>th</sup> of November 2022, including a series of reforms related to the resolution framework with a special impact on Multiple Point of Entry banks, in which capital and liquidity are managed independently in the Entity's subsidiaries.

The Single Resolution Board (SRB) has published its operational guidelines on the identification and mobilisation of collateral in resolution, which complement the document of 'Expectations for Banks' and ease the understanding of the operational and legal requirements that banks must consider maximising the amount of assets that could be mobilised as collateral during and after resolution.

## 2.5.5 - 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.

After the transposal at a national level of the CRDV in 2021 through Royal Decree-law 7/2021 and Royal Decree 970/2021, modifications in solvency and supervision have been included in the Spanish legal system, through Circular 3/2022 of March 30, from the Bank of Spain, which modifies Circular 2/2016 on supervision and solvency.

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.

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 entered into force on the 2<sup>nd</sup> of February 2022. However, the 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 (FRTB) is in progress.

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 Adjustment (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.

## 2.5.6 – ESG Risks

The regulatory framework on sustainability is still under development with several initiatives proposed both by the European Commission and the EBA. It is worth noting the final Pillar 3 disclosure framework, defined by the EBA, and approved in 2022, which includes obligations for the banking sector of any member state in terms of disclosure on climate risks (physical and transition), whose implementation will be gradual.

It is also noteworthy EBA's publication early in 2022 of ITS/2022/01, *"Final Technical Implementation Report on Prudential ASG Risk Standards in accordance with Article 449 of the CRR"*.

This ITS proposes comparable quantitative disclosures related to climate change and physical risks, including information on exposures to carbon-related assets and assets subject to chronic and acute risks. It also includes disclosures on institutions support actions for their counterparts in the transition to a zero-carbon footprint economy. In addition, it includes the Green Asset Ratio (percentage of investment in entities that engage in environmentally sustainable activities, according to the EU Taxonomy Regulation), an indicator of great relevance in the banking sector.

On the other hand, the Bank for International Settlements (BIS) published, through the Basel Committee, *"Frequently asked questions on climate related financial risks"* at the end of 2022, which serves as a guide to the banking sector on climate risk.

In addition, multiple initiatives have been carried out during 2022, highlighting at an international level the principles for managing and supervising ASG risks published by the Basel Committee on Banking Supervision in June 2022.

Finally, as new features in 2022, new criteria in the Taxonomy Regulation has been introduced through the publication of Commission Delegated Regulation 2022/1214, which applies to the banking sector with disclosure requirements for greater transparency.

## 2.5.7- Other policy initiatives

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.

Regarding transparency, in June 2022, the EBA published EBA/GL/2022/06, a Final report on Guidelines on the benchmarking exercises on remuneration practices, the gender pay gap and approved higher ratios under Directive 2013/3, which regulates, among other things, in remuneration matters, the presentation of qualitative disclosure templates to be included in the Pillar 3 Report.

Lastly, the Implementing Regulation (EU) 2022/631 from the Commission on April 13, 2022, has been published, by which the technical standards of execution established in Implementing Regulation (EU) 2021/637 are modified regarding the disclosure of information on interest rate risk exposures related to non-trading book positions, which was published in the Official Journal of the European Union (OJEU) on 19 April 2022.

## 2.5.8 – 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

## **PILAR III GENERAL ASPECTS**

## 3. Pillar III General Aspects

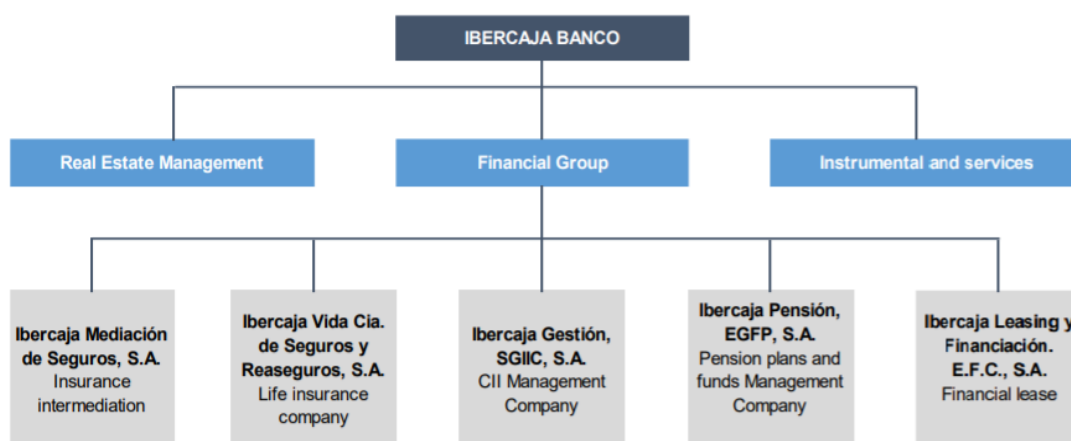
### 3.1 - Introduction

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 all their customers.

Its activity is supported by an infrastructure of 894 offices located throughout Spain.

For further details on the Entity, please consult the Ibercaja Banco 2022 website ([Corporate 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.

During this financial year, Mr. Francisco Serrano Gill de Albornoz was appointed Chairman of the Bank's Board of Directors, replacing Mr. José Luis Aguirre Loaso, who had already announced his desire to leave office due to age at the end of 2021. In addition, for the same reasons, Mr. Jesús Bueno Arrese, Mr. Jesús Solchaga Loitegui and Mrs. Gabriela González - Bueno have ceased to exercise their position as directors of the Bank, being replaced by Mrs. María Luisa García Blanco, Mrs. Natividad Blasco de las Heras and Mrs. María López Valdés, appointed by the General Meeting held on October 27, 2022. The four new members were considered suitable by the Entity's Governing Bodies and by the European Central Bank.

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		Dominical	Independent	Executive	External	Committees					
						Executive Commission	Audit and Compliance Commission	Appointments Commission	Remunerations Commission	Major Risk and Solvency Commission	Strategy Commission
Chairman	Mr. Francisco Serrano Gill de Albornoz					C					C
CEO	Mr. Víctor Manuel Iglesias Ruiz					M					
Secretary Non Counsellor	Mr. Jesús Barreiro Sanz					S	S	S	S	S	S
Members	Mr. Vicente E. Condor López					M	M			C	
	Mr. Jesús Tejel Giménez					M	C			M	
	Mrs. María Pilar Segura Bas							C	C	M	
	Mr. Luis Enrique Arrufat Guerra					M				M	M
	Mr. José Miguel Echarri Porta						M				M
	Mr. Félix Santiago Longás Lafuente						M	M	M		
	Mrs. María López Valdés							M	M		M
	Mrs. Natividad Blasco de las Heras						M			M	
	Mrs. María Luisa García Blanco							M	M		M

C Chairman  
M Member  
S Secretary Non Counsellor

### 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	Categorisation	Date of last appointment
Chairman	Mr. Francisco Serrano Gill de Albornoz	Dominical	30/03/2022
CEO	Mr. Víctor Manuel Iglesias Ruiz	Executive	29/08/2019
Member	Mr. Vicente E. Condor López	Independent	09/04/2019
Member	Mr. Jesús Tejel Giménez	Independent	27/08/2021
Member	Mrs. María Pilar Segura Bas	Independent	27/10/2022
Member	Mr. Luis Enrique Arrufat Guerra	Dominical	27/10/2022
Member	Mr. José Miguel Echarri Porta	Dominical	28/10/2021
Member	Mr. Félix Santiago Longás Lafuente	Independent	27/08/2021
Member	Mrs. María López Valdés	Independent	27/10/2022
Member	Mrs. Natividad Blasco de las Heras	Dominical	27/10/2022
Member	Mrs. María Luisa García Blanco	Dominical	27/10/2022

In the 2022 Annual Accounts ([Information of Prudential Relevance - Corporate 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
<b>Mr. Francisco Serrano Gill de Albornoz</b>	Licensed in Law from the University of Zaragoza. State Attorney on leave of absence	Chairman of the Board of Directors, of the Delegated Committee and of the Strategy Committee. State Attorney on leave of absence. He has been General Secretary - Deputy General Director of the Bank and Chief Risk Officer (CRO) prior to his appointment as President, depending on him the General Secretary, Risk Control, Legal Advice, Tax Advice, Regulatory Compliance, Service Customer Service and Security, at the same time that he held the positions of President of <i>Ibercaja Pension EGFP</i> , SAU and <i>Ibercaja Gestión S.G.I.I.C.</i> , S.A., as well as a member of the Board of the Henneo Group and <i>Aramon</i> on behalf of the Bank. Previously, he was CEO of <i>Banco Grupo Cajates</i> , S.A. piloting the merger by absorption of this Bank into Ibercaja Banco, S.A. The current President of the Bank began his professional career at Ibercaja as Head of the Legal Department of the then <i>Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja</i> on January 1 <sup>st</sup> , 2000, participating in numerous Internal Committees; in May 2007, he was appointed Deputy Director and Director of Legal Advice, which he made compatible with the Secretary of numerous councils of different Companies such as " <i>EBN Banco de Negocios, S.A.</i> ", " <i>Aramón Montañas de Aragón, S.A.</i> " among others.



<b>Mr. Víctor Manuel Iglesias Ruiz</b>	Licensed in Economics and Business Administration from the University of Zaragoza. Completed his training in several business banks in London.	Mr. Víctor Iglesias Ruiz was appointed member of the Board of Directors and Chief Executive Officer of Ibercaja Banco on January 28, 2015. Since 1988 he has been the Director of various strategic areas of Ibercaja Banco, highlighting, among others, the position of Deputy General Director, the Capital Markets, Credit Investments and, which integrated the management of the Branch Network Department, Marketing and Multichannel Banking, Corporate Banking and the Financial Group, and member of the Management Committee. In 2010 he was appointed member of the Council of Henneo (previously Heraldo group); He was also a member of the Strategy Committee of CASER and President of the Council of <i>Ibercaja Mediación</i> .
<b>Mr. Vicente Cándor López</b>	Licensed and Doctor in Economic and Business Sciences from the University of Valencia.	Mr. Vicente Condor López appointed independent director of the Bank on January 27, 2014. He has been a member of the Board of Directors (1998-2006) and Chairman of the Control Committee (2006-2008) of <i>Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja</i> , and a member of the Board of Directors of SODIAR (1998-2008), <i>Avalia</i> (2008-2012) and <i>Corporación de Empresas Públicas de Aragón</i> (2008-2012). He is Professor of Financial Economics and Accounting at the University of Zaragoza. Certified Public Accountant and Auditor registered in the ROAC.
<b>Mr. Jesús Tejel Giménez</b>	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.	Mr. Jesús Tejel Giménez was appointed independent director of the Bank on August 30, 2016. He has been a member of the Association of Economists of Aragón (Gold Medal of the Association), 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. Certified Public Accountant registered in the Official Register of Auditors. Professor of Business Management in university degrees and MBAs taught by <i>EDEM Escuela de Empresarios</i> .
<b>Mrs. María Pilar Segura Bas</b>	Licensed in Economics and Business Studies from the University of Deusto (Bilbao).	Mrs. Pilar Segura Bas was appointed "External" director on August 30, 2017. Since 1980, she has held various posts and positions at the <i>Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (CAMPZAR)</i> until the segregation of its financial activity in favor of Ibercaja Banco, in October 2011: Head of the Analytical Accounting and Budgetary Department (1987-1999), Head of the Information Systems and Management Control Department (1999-2004) and as Director of Information and Control Systems Management (from June 2004 to September 2011). Subsequently, she was appointed Deputy General Director of the Entity (Control Department), a position she held until March 1, 2017. She has held management positions in various companies of the Ibercaja Group (Member of the Board of Directors of the management company <i>Ibercaja Gestión SGIC</i> , SA member and President of the insurance and reinsurance company <i>Ibercaja Vida</i> , President of the pension fund management company Ibercaja, Member and President of the Board of Directors of <i>Tipo Línea SA</i> , President of the mercantile <i>Servicios Financieros a Distancia IBD</i> , SL and <i>Ibercaja Servicios Inmobiliarios</i> , and member of the Board of Ibercaja Business Participations and Real Estate Management Saldivia).
<b>Mr. Luis Enrique Arrufat Guerra</b>	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 <i>Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (CAMPZAR)</i> , 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: <i>Ibercaja Pensión E.G.F.P.</i> , S.A., <i>Ibercaja Gestión S.G.I.I.C.</i> , S.A. and <i>Ibercaja Vida Compañía de Seguros y Reaseguros</i> , S.A.; real estate investees ( <i>Ibercaja Servicios Inmobiliarios</i> and <i>Cerro Murillo</i> , 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 <i>EBN Banco de Negocios</i> , S.A., as well as member of the Boards of <i>Ahorro Corporación</i> .
<b>Mr. José Miguel Echarri Porta</b>	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 <i>Fundación Caja Inmaculada</i> . Mr. José Miguel Echarri Porta is Vice-President of the <i>Fundación Caja Inmaculada</i> . 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 <i>Instituto de Prospectiva Estratégica</i> , 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 " <i>España 2020, Reflexiones prospectivas</i> ".

**Mr. Félix Santiago Longás Lafuente**

Licensed in Industrial Psychology (specialisation in Work and Organisation) from the National University of Distance Education..

Mr. Félix Longas Lafuente was appointed independent director of the Bank on August 30, 2016. He has held senior management positions in commercial companies in different companies with a sales volume of approximately 175 million euros and 1,000 employees (such as *Grupo Ágora*). He was Vice President of the Regional Confederation of Businessmen of Aragón (CEOE Aragón), President of its Economic Commission, President of the Association for the Progress of Management of Aragón (APD) and is a Director of the Economic and Social Council of Spain.

**Mrs. María López Valdes**

Licensed in Mathematics from the University of Zaragoza and Master in Business Administration (MBA) from IE Economic and Social Business School of Spain.

Founding partner and CEO of Bitbrain Technologies. Previously, she was a professor and researcher at the University of Zaragoza that she combined with research stays in Germany and the United States. She is a member of the board of trustees of the Aitiip Technology Center, advisory member of the plenary session of the Zaragoza Chamber of Commerce, Netexplo Expert, Observatory on digital innovation sponsored by UNESCO, member of the Think Tank of the More Business Ecosystem, Godmother in the Innovatia 8.3 program of the Institute of the woman. She combines her usual activity with her assistance as a visiting professor at different Business Schools such as ESADE, IE Business School and at Spanish public universities, teaching "Behavioral Economics, Consumer Neuroscience and Technological Innovation". She has received numerous recognitions on a personal level such as the ADEA Award for innovation or the ASTER Award for the best Entrepreneur and also more than fifteen national and international awards to Bitbrain Technologies such as: the Creative Business Cup, Ibero-American Award for Innovation, ICT Best company among others.

**Mrs. Natividad Blasco de las Heras**

Licensed in Business and Economic Sciences from the University of Zaragoza. PhD from the University of Zaragoza.

Member of the Board of Directors, of the Audit and Compliance Committee and of the Bank's Large Risk and Solvency Committee. Professor at the University of Zaragoza in the area of Financial Economics and Accounting. In addition, she is currently a Member of the Technical Advisory Committee (CAT) of the Ibex Indices since 2018. She was Chairman of the Economic and Social Council of Aragón. At an academic level, she has held the positions of Vice-Rector for Planning, Quality and Resources at the University of Zaragoza, Director of the Official Master's Degree in Accounting and Finance at the University of Zaragoza, Delegate of the University at the Defence University Center (General Academy Military of Zaragoza). Previously, he was part of the Control Commission of the Savings Bank and Monte de Piedad of Zaragoza, Aragón and Rioja, member of the Board of Directors of the Spanish Finance Association, of the Governing Council of the Technological Institute of Aragón, of the Governing Council of the Laboratory Subterráneo de Canfranc as well as a member of the Board of Directors of the Official College of Economists of Aragón. His research facet also stands out, publishing in highly renowned specialised magazines such as Financial Innovation, Quantitative Finance, Journal of Behavioral Finance among others.

**Mrs. María Luisa García Blanco**

Graduated in Law from the University of Córdoba and State Attorney on leave of absence.

Member of the Board of Directors, the Strategy Committee, the Remuneration Committee and the Appointments Committee of the Bank. State attorney on leave. She is currently a founding partner of the Salama-García Blanco law firm; Independent Director of the Board of Directors of Telefónica, SA, President of its Sustainability and Quality Committee and Member of its Regulation and Institutional Affairs, and Appointments, Remuneration and Good Governance Committees; President of the Committee of Experts of 65YMAS.COM; Arbitrator at the Spanish Court of Arbitration, the Madrid Court of Arbitration and the Civil and Mercantile Court of Arbitration -CIMA- and Member of the CIMA Governance and Control Commission. From 2002 to 2013, she was Deputy Director General of Constitutional and Human Rights, State Attorney-Head of the Department of Constitutional and Human Rights and Coordinator-head of the Spanish Delegation to the various United Nations Committees in Geneva and coordination activities and cooperation in the promotion and defence of human rights in Uruguay, Colombia, Chile and Guatemala. She was also Secretary of the Board of Directors of the State Society for Agrarian Infrastructures of the North (SEISA DEL NORTE) and Secretary of its Audit and Control Commission ; Director of the State Society for Agrarian Infrastructures (SEIASA), of the State Water Company of the Northern Basin (ACUANORTE) and of the State Water Company of the Basins of Spain (AcuaEs).

Table 3: Composition of the Board of Directors

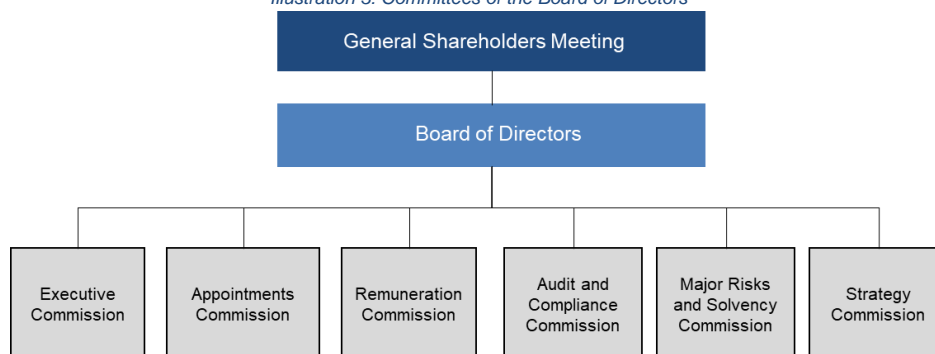
Composition	
Category	%
% Executive Directors	9%
% Dominical Directors	45.5%
% Independent Directors	45.5%
% Other externals	-
Number of meetings (2022)	26

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.

### 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	Categorisation
Chairman	Mr. Francisco José Serrano Gill de Albornoz	Dominical
Member	Mr. Víctor Manuel Iglesias Ruiz	Executive
Member	Mr. Luis Enrique Arrufat Guerra	Dominical
Member	Mr. Vicente E. 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 (2022)	24

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 authorised 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 cognisance 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	Categorisation
Chairman	Mr. Jesús Tejel Giménez	Independent
Member	Mrs. Natividad Blasco de las Heras	Dominical
Member	Mr. Félix Santiago Longás Lafuente	Independent
Member	Mr. José Miguel Echarri Porta	Dominical
Member	Mr. Vicente E. Córdor 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 (2022)	12

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	Categorisation
Chairman	Mrs. M <sup>a</sup> . Pilar Segura Bas	Independent
Member	Mr. Félix Santiago Longás Lafuente	Independent
Member	Mrs. María López Valdés	Independent
Member	Mrs. María Luisa García Blanco	Dominical

*Table 6: Composition of the Appointments Commission*

Composition	
Category	%
% Executive Directors	-
% Dominical Directors	25%
% Independent Directors	75%
% Other externals	-
Number of meetings (2022)	4

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, the Chief Executive Officer informed the Committee of the need to make certain changes in the management functional structure as a result of the appointment of Francisco Serrano Gill de Albornoz as Non-Executive Chairman of Ibercaja Banco. The Committee carried out the evaluation of suitability for the performance of the powers entrusted to the holders of the new structure, in accordance with the provisions of the Policy for the evaluation of suitability and diversity of the members of the Board of Directors and of the suitability of people with key features. After the preparation and analysis of the corresponding suitability assessment reports, the Appointments Committee gave a favourable report on the modification of the Entity's management functional structure. In addition, the Committee reported the suitability for re-election of two directors, one proprietary and the other independent. It also carried out the suitability assessment of the candidates proposed for appointment as new directors to replace three who had submitted their resignation from office for personal and age reasons. An assessment of the suitability of the composition of the Board of Directors as a whole was also carried out. Additionally, it reported favourably on the suitability of the head of the Ibercaja Group's Customer Service Department. Lastly, the Committee studied the proposal to modify the current policy for the Suitability Assessment of the members of the Board of Directors for its adaptation to European regulations, directives and Guides in order to comply with the assessment criteria used by the Supervisor, agreeing to report favourably on the proposal presented.

## Remunerations Commission

Illustration 7: Members of the Remuneration Commission

Position	Name	Categorisation
Chairman	Mrs. M <sup>a</sup> .Pilar Segura Bas	Independent
Member	Mr. Félix Santiago Longás Lafuente	Independent
Member	Mrs. María López Valdés	Independent
Member	Mrs. María Luisa García Blanco	Dominical

Table 7: Composition of the Remuneration Commission

Composition	
Category	%
% Executive Directors	-
% Dominical Directors	25%
% Independent Directors	75%
% Other externals	-
Number of meetings (2022)	4

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 2022, the Commission met four 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 the 2022 financial year, the Commission reported on the proposals to amend art. 34 of the Bylaws and the modification of the remuneration policy for directors in order to replace their remuneration through attendance allowances with fixed remuneration, taking into account the duties and responsibilities assumed, in accordance with the best market practices. Likewise, it agreed to report favourably on the proposal to amend art. 31.2 of the Board Regulations, art. 34.2 of the Bylaws and arts. 3, 4, 6, 7 and 8 of the Remuneration Policy for the members of the Board of Directors to adapt them to the proposal presented. In adapting the remuneration policy to the best practices in the market and in the financial sector, the Entity entrusted the firm Spencer & Stuart with a report to comparatively analyse the remuneration of Ibercaja's external directors, as well as of the members of the Board and of its commissions with that of other comparable companies.

## Major Risks and Solvency Commission

Illustration 8: Members of the Major Risks and Solvency Commission

Position	Name	Categorisation
Chairman	Mr. Vicente Condor López	Independent
Member	Mr. Jesús Tejel Giménez	Independent
Member	Mrs. Natividad Blasco de las Heras	Dominical
Member	Mrs. María Pilar Segura Bas	Independent
Member	Mr. Luis Enrique Arrufat Guerra	Dominical

Table 8: Composition of the Major Risks and Solvency Commission

Composition	
Category	%
% Executive Directors	-
% Dominical Directors	40%
% Independent Directors	60%
% Other externals	-
Number of meetings (2022)	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 2022, 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	Categorisation
Chairman	Mr. Francisco José Serrano Gill de Albornoz	Dominical
Member	Mrs. María López Valdés	Independent
Member	Mrs. María Luisa García Blanco	Dominical
Member	Mr. Luis Enrique Arrufat Guerra	Dominical
Member	Mr. José Miguel Echarri Porta	Dominical

Table 9: Composition of the Strategy Commission

Composition	
Category	%
% Executive Directors	-
% Dominical Directors	80%
% Independent Directors	20%
% Other externals	-
Number of meetings (2022)	8

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 organisation 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 their knowledge, skills and experience of the directors as well as 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.

During the year, the Committee has carried out periodic monitoring of the Strategic Plan *Desafío 2023* approved by the Board of Directors, as well as quarterly monitoring of the budgetary evolution and the Capital Scorecard, as a fulfilment of the mandates contained in the afore mentioned Plan Strategic, notifying the Board of Directors of the conclusions obtained.

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



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 (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. Victor M. Iglesias Ruiz	Non-executive	2
Mr. José Miguel Echarri Porta	Non-executive	1
Mrs. María Luisa García Blanco	Non-executive	2
Mrs. María López Valdés	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 is 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 competencies of the Board of Directors, the Entity regularly provides training sessions for the members of the Board of Directors who actively participate in training sessions promoted by the Entity in those areas that, due to their relevance, novelty or potential impact on the financial sector, could be considered appropriate to impart.

During the 2022 financial year, an exhaustive training program was carried out for the three new female directors, which consisted of internal training, both online and in person, given by various areas of the Entity (Regulatory Compliance, Internal Audit, Financial Area, Control Area, General Secretary, Brand and Reputation) and external training in collaboration with ESCA.

### 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 process of selecting 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.
- 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). Specifically, the policy includes:
  - Academic and professional profile

For these purposes, knowledge in banking and finance, economics, law, accounting, audit, administration, financial regulation, information technology and quantitative methods will generally be considered relevant for the financial services sector.

- Gender

In the process of selecting a candidate, the criteria of gender diversity will be taken into account to guarantee a balanced presence of women on the Board of Directors. In this sense, this Policy aims for the least represented gender to reach, by January 1, 2023, at least thirty-three percent (33%) of the total members of the Board of Directors.

- Age

The existence of directors of different ages will be valued, so that the afore mentioned difference can serve to provide a positive variety in the perception and focus of the debate on the issues that must be analysed and agreed upon by the Board of Directors.

The Entity will ensure that the principle of equal opportunities is respected, that there is no discrimination based on gender, race, skin colour, ethnic or social origin, genetic characteristics, religion or convictions, belonging to a national minority, heritage, birth, disability, age or sexual orientation.

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.

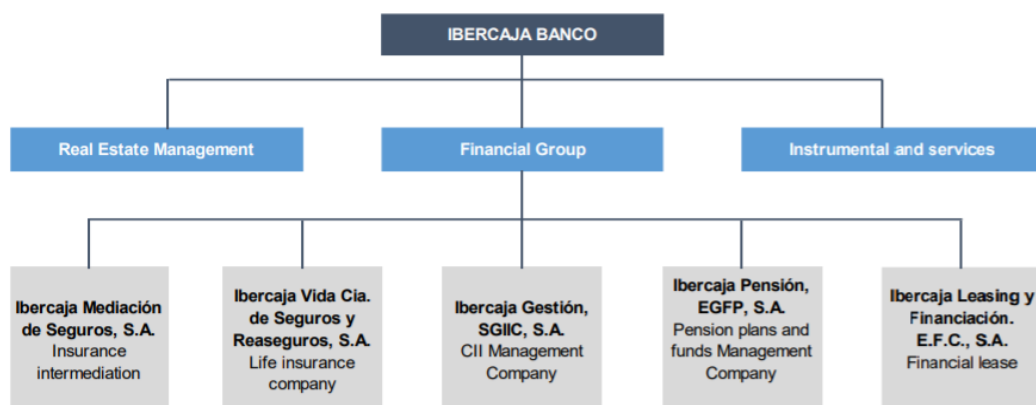
### 3.3 - Consolidation Perimeter

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 2022 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 2022.

### *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 was 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, 2022:

- 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
Inmobinsa Inversiones Inmobiliarias, S.A.	TDA ICO Ibercaja Fondo Titulización
Cerro Murillo, S.A.	Badajoz Siglo XXI, S.L.
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.

Below is the detail of the significant holdings in insurance entities owned by the consolidated Group as of December 31, 2022 which, belonging to the economic group as defined in Bank of Spain Circular 4/2017, their underlying book value does not has been deducted directly from own resources but, for the purposes of calculating the minimum own resources requirements, it has been included weighting 100% in the risk-weighted assets, in accordance with the provisions of article 49 of the Regulation (EU ) nº 575/2013 and according to the authorisation of the Executive Commission of the Bank of Spain:

Table 13: Significant holdings in insurance companies

Entity name
Ibercaja Vida S.A.

### **Changes in the scope of consolidation and corporate operations**

The changes in the scope of consolidation are presented below, as a result of the corporate operations carried out during 2022:

Table 14: Changes in the scope Companies liquidated in 2022

Entity name
CAI Inmuebles, S.A.

### 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 of December 31, 2022. This is intended to show the transition between accounting information and prudential information.

Table 15: 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
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	Carrying values of items				
			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	1,582,223	1,582,223	1,582,223	-	-	-	-
2 Financial assets held for trading	25,177	25,177	-	25,177	-	-	-
3 Non-trading financial assets mandatorily measured at fair value through profit or loss	1,547,710	11,518	11,518	-	-	-	-
4 Financial assets designated at fair value through profit or loss	5,530	-	-	-	-	-	-
5 Financial assets at fair value through other comprehensive income	5,318,133	787,690	787,690	-	-	-	-
6 Financial assets at amortised cost	42,768,427	42,451,646	39,990,392	2,461,254	-	-	-
7 Derivatives - hedge accounting	199,034	199,034	-	199,034	-	-	-
8 Changes in the fair value of the hedged items in a portfolio hedging interest rate risk	-	-	-	-	-	-	-
9 Investments in joint ventures and associates	89,810	286,894	258,876	-	-	-	28,018
10 Assets covered by insurance or reinsurance contracts	1,162	-	-	-	-	-	-
11 Tangible assets	978,150	939,079	939,079	-	-	-	-
12 Intangible Assets	302,950	282,830	58,211	-	-	-	224,619
13 Tax assets	1,238,035	1,208,165	828,883	-	-	-	379,282
14 Other assets	128,073	191,130	191,130	-	-	-	-
15 Non-current assets and disposal groups classified as held for sale	176,292	176,293	176,293	-	-	-	-
16 Total assets	54,360,706	48,141,678	44,824,294	2,685,465	-	-	631,919

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
<i>Breakdown by liability classes according to the balance sheet in published financial statements</i>		Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
				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	14,589	14,589	-	14,589	-	-	-
2	Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
3	Financial liabilities at amortised cost	43,724,222	43,912,465	-	2,302,063	-	-	41,610,402
4	Derivatives - hedge accounting	609,795	609,795	-	609,795	-	-	-
5	Changes in the fair value of the hedged items in a portfolio hedging interest rate risk	-140,313	-140,313	-	-	-	-	-140,313
6	Liabilities covered by insurance or reinsurance contracts	6,403,447	-	-	-	-	-	-
7	Provisions	219,055	219,055	20,001	-	-	-	199,054
8	Tax liabilities	134,242	132,925	39,716	-	-	-	93,209
9	Other liabilities	217,726	215,228	-	-	-	-	215,228
10	Liabilities included in disposal groups of items that have been classified as held for sale	-	-	-	-	-	-	-
11	<b>Total liabilities</b>	<b>51,182,763</b>	<b>44,963,743</b>	<b>59,717</b>	<b>2,926,447</b>	<b>-</b>	<b>-</b>	<b>41,977,579</b>

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 16: 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 -1,794 thousand euros.
- The effect of the application of the specific compensation rules of part three, title II, chapter 4 of the CRR in the amount of -7,897,803 thousand euros.
- 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 -14,657 thousand euros.
- The effect of the application of the regulatory CCFs established in article 111 of the CRR in the amount of -3,613,436 thousand euros.
- Other differences increasing the prudential exposure by 86,495 thousand euros.



Table 17: 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	Securitisation framework	CCR framework	Market Risk framework
1 Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	47,509,759	44,824,294	-	2,685,465	-
2 Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	2,986,164	59,717	-	2,926,447	-
3 Total net amount under the regulatory scope of consolidation	44,523,595	44,764,577	-	-240,982	-
4 Off-balance-sheet amounts	13,126,888	4,482,000	-	8,644,888	
5 Differences in valuations	-1,794	-946	-	-849	
6 Differences due to different netting rules, other than those already included in row 2	-7,897,803	-	-	-7,897,803	
7 Differences due to consideration of provisions	-	-	-	-	
8 Differences due to the use of credit risk mitigation techniques (CRMs)	-14,657	-14,657	-	-	
9 Differences due to credit conversion factors	-3,613,436	-3,613,436	-	-	
10 Differences due to securitisations with risk transfer	-	-	-	-	
11 Other differences	86,495	85,647	-	848	
12 Exposure amounts considered for regulatory purposes	46,209,291	45,703,185	-	506,103	-

### 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 July 30, 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.

On December 31, 2022, 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 18: Own Resources Ibercaja Gestión

Own Resources Ibercaja Gestión	
(thousands of euros)	2022 Data
Own Resources	12,276
Minimum Requirements Own Resources RRPP	10,658
Surplus	1,618

Table 19: Own Resources Ibercaja Pensión

Own Resources Ibercaja Pensión	
(thousands of euros)	2022 Data
Own Resources	20,411
Minimum Requirements Own Resources RRPP	10,826
Surplus	9,585

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 December 17, 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 20: 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-22
1 Supplementary own fund requirements of the financial conglomerate (amount)	243,273
2 Capital adequacy ratio of the financial conglomerate (%)	13.35%

Below is a detail of the significant holdings in insurance entities owned by the consolidable Group on December 31, 2022 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 21: 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 22: Template EU INS1 - Insurance participations

Insurance participations		
(thousands of euros)	a	b
	Exposure value	Risk exposure amount
1 Own fund instruments held in insurance or re-insurance undertakings or insurance holding company not deducted from own funds	180,215	180,215



# 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 characterised 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 as of December 31, 2022, consist of:

- Equity.
- Retained earnings and other reserves, including revaluation reserves.
- The net profit for 2022 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 recognised 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 47 quarter 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 characterised 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, as of December 31, 2022, 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, as of December 31, 2022, the Group's tier 2 capital instruments are composed of:

- Subordinated debt.

### **Supervisory Review and Evaluation Process (SREP) and Capital Buffers**

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 2023 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, 2022, Ibercaja Banco's ratios on a consolidated basis, CET1 of 12.87% and total capital of 17.58%, were 4.66 and 4.93 points, respectively, above the requirements established for 2023.

In accordance with the Bank of Spain, Ibercaja does not have a countercyclical buffer requirement for 2022.

The following table shows the requirements in detail:

Table 23: Solvency requirements

Solvency requirements	
% over RWA's	
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 (TC)	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 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 24: Template EU CC2 – Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements

Reconciliation of Regulatory Own Funds to 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	1,582,223	1,582,223	
2	Financial assets held for trading	25,177	25,177	
3	Non-trading financial assets mandatorily measured at fair value through profit or loss	1,547,710	11,518	
4	Financial assets designated at fair value through profit or loss	5,530	-	
5	Financial assets at fair value with changes in other comprehensive income	5,318,133	787,690	
6	Financial assets at amortised cost	42,768,427	42,451,646	
7	Derivatives - hedge accounting	199,034	199,034	
8	Investments in subsidiaries, joint ventures and associates	89,810	286,894	
9	Assets covered by insurance or reinsurance contracts	1,162	-	
10	Tangible assets	978,150	939,079	
11	Intangible assets	302,950	282,830	(e)
12	Tax assets	1,238,035	1,208,165	
13	Other assets	128,073	191,130	
14	Non-current assets and disposal groups classified as held for sale	176,292	176,293	
15	Total assets	54,360,706	48,141,679	
Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statement				
1	Financial liabilities held for trading	14,589	14,589	
2	Financial liabilities at amortised cost	43,724,222	43,912,465	
3	from which: subordinated liabilities	500,000	500,000	(h)
4	Derivatives - hedge accounting	609,795	609,795	
5	Changes in the fair value of hedged items in a portfolio hedging against interest rate risk	-140,313	-140,313	
6	Liabilities covered by insurance or reinsurance contracts	6,403,447	-	
7	Provisions	219,055	219,055	
8	Tax liabilities	134,242	132,925	(f)
9	Other liabilities	217,726	215,228	
10	Total Liabilities	51,182,763	44,963,743	

Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements			
	a	b	c
(thousands of euros)	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period end	As at period end	
Shareholders' equity			
Capital	214,428	214,428	(a)
Share premium	-	-	(a)
Issued equity instruments other than equity	350,000	350,000	(g)
Other equity items	-	-	
Accumulated earnings	678,673	796,848	(b)
Revaluation reserves	3,280	3,280	(c)
Other reserves	1,940,826	1,822,644	(c)
Profit attributable to the owners of the parent entity	202,120	202,120	(d)
(-) Dividends on account	-101,072	-101,072	(d)
Other accumulated global result	-110,312	-110,312	(c)
Minority interests [non-controlling interests]	-	-	
Total shareholders' equity	3,177,943	3,177,936	

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 2021 and 2022:

Reconciliation of regulatory shareholders' equity to the audited financial statements		
(thousands of euros)	2022	2021
Subscribed capital	214,428	214,428
Issued equity instruments other than equity	350,000	350,000
Retained earnings	678,673	621,589
Revaluation reserves	3,280	3,288
Other reserves	1,940,826	1,960,567
Profit attributable to the parent entity	202,120	150,985
Dividends on account	-101,072	-47,000
Equity on public balance sheet	3,288,255	3,253,857
Other comprehensive income accumulated	-110,312	16,544
Minority interests	-	-
<b>Equity on the public balance sheet</b>	<b>3,177,943</b>	<b>3,270,401</b>
Intangible assets	-308,318	-275,742
Adjustment for prudent amortisation of intangible assets	58,211	30,772
Deferred tax assets	-270,802	-265,415
Common Equity Tier 1 adjustments due to prudential filters	-707	23,151
Transitional adjustment first application IFRS9	66,031	74,110
Dividend distribution proposal	-20,200	-51,140
Insufficient coverage deduction for doubtful operations	-5,155	-3,689
Additional deductions ordinary Tier 1 capital	-24,200	-32,000
Equity instruments not computable as CET1	-350,000	-350,000
Convertible Contingent Obligations	-	-
Differences in public equity and for prudential purposes	-7	-7
<b>Total adjustments and deductions</b>	<b>-855,147</b>	<b>-849,960</b>
<b>Total Common Equity Tier 1 Capital (CET1)</b>	<b>2,322,796</b>	<b>2,420,441</b>
Equity instruments computable as AT1	350,000	350,000
Other transitional adjustments to additional tier 1 capital	-	-
<b>Total Additional Tier 1 Capital (AT1)</b>	<b>350,000</b>	<b>350,000</b>
<b>Total Tier 1 Capital (T1)</b>	<b>2,672,796</b>	<b>2,770,441</b>
Subordinated financing and others	500,000	500,000
<b>Total Tier 2 Capital (T2)</b>	<b>500,000</b>	<b>500,000</b>
<b>Total computable own funds</b>	<b>3,172,796</b>	<b>3,270,441</b>

## 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 25: Template EU CC1 – Composition of Regulatory Own Funds

Composition of Regulatory Own Funds		
(thousands of euros)	a)	b)
	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>		
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	796,848	(b)
3 Accumulated other comprehensive income (and other reserves)	1,715,612	(c)
<b>EU-3a</b> 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)	-	
<b>EU-5a</b> Independently reviewed interim profits net of any foreseeable charge or dividend	80,848	(d)
<b>6 Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>2,807,736</b>	
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>		
7 Additional value adjustments (negative amount)	-1,794	
8 Intangible assets (net of related tax liability) (negative amount)	-250,107	(e) less (f)
9 Not applicable		
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)	-298,962	
11 Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	1,087	(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)	64,836	
28	<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>-484,940</b>	
29	<b>Common Equity Tier 1 (CET1) capital</b>	<b>2,322,796</b>	
<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>			
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	<b>Additional Tier 1 (AT1) capital before regulatory adjustments</b>	<b>350,000</b>	
<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>			
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	<b>Additional Tier 1 (AT1) capital</b>	<b>350,000</b>	
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>2,672,796</b>	
<b>Tier 2 (T2) capital: instruments</b>			
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	<b>Tier 2 (T2) capital before regulatory adjustments</b>	<b>500,000</b>	
<b>Tier 2 (T2) capital: regulatory adjustments</b>			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	
53	Direct, indirect and synthetic holdings 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	<b>Total regulatory adjustments to Tier 2 (T2) capital</b>	<b>-</b>	
58	<b>Tier 2 (T2) capital</b>	<b>500,000</b>	
59	<b>Total capital (TC = T1 + T2)</b>	<b>3,172,796</b>	
60	<b>Total Risk exposure amount</b>	<b>18,045,437</b>	
<b>Capital ratios and buffers</b>			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	12.87%	
62	Tier 1 (as a percentage of total risk exposure amount)	14.81%	

63	Total capital	17.58%
64	Institution CET1 overall capital requirement	8.21%
65	of which: capital conservation buffer requirement	2.50%
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 (%).	1.21%
68	<b>Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)</b>	<b>7.16%</b>
<b>National minimum (if they differ from Basel III)</b>		
69	Not applicable	
70	Not applicable	
71	Not applicable	
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
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)	129,331
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)	130,662
<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
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	154,106
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)</b>		
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 2022

On June 15, 2022, Ibercaja Banco, SA issued preferential ordinary bonds for an amount of 500 million euros, 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 June 15, 2025. The issue price was 99.862% and they will accrue a fixed annual coupon of 3.75% until June 15, 2024. From this date they will accrue interest fixed equal to the 1-year swap rate plus a margin of 2.5%.

## 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 26: Template EU CCyB2 – Amount of Institution-Specific Countercyclical Capital Buffer

Amount of Institution-Specific Countercyclical Capital Buffer	
	a
1 Total risk exposure amount	18,045,437
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 27: Template EU CCyB1 – Geographical Distribution of Credit Exposures Relevant for the Calculation of the Countercyclical Buffer

Geographical Distribution of Credit Exposures Relevant for the Calculation of the Countercyclical Buffer													
(thousands of euros)	a	b	c	d	e	f	g	h	i	j	k	l	m
	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	29,619,880	-	-	-	-	29,619,880	1,240,922	-	-	1,240,922	15,511,525	100%	0%
020 Total	29,619,880	-	-	-	-	29,619,880	1,240,922	-	-	1,240,922	15,511,525	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 28: 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
Category level AVA	Risk category					Category level AVA- Valuation uncertainty		Total category level post-diversification		
	Equity	Interest Rates	Foreign exchange	Credit	Commodities	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 <b>Total Additional Valuation Adjustments (AVAs)</b>								<b>1,794</b>	<b>-</b>	<b>-</b>



# 5

## MINIMUM REQUIREMENTS ON OWN RESOURCES



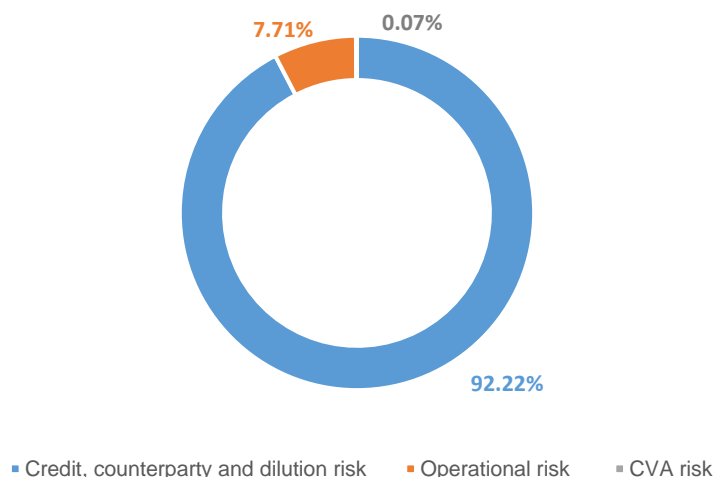
## 5. Minimum requirements on own resources

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 29: 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-22	Sep-22	Dec-22
1 Credit Risk (excluding CCR)	16,603,426	16,600,513	1,328,274
2 Of which the standardised approach	16,603,426	16,600,513	1,328,274
3 Of which the foundation IRB (F-IRB) approach	-	-	-
4 Of which slotting approach	-	-	-
EU 4a Of which: equities under the simple risk weighted approach	-	-	-
5 Of which the advanced IRB (A-IRB) approach	-	-	-
6 Counterparty credit risk - CCR	50,730	66,511	4,058
7 Of which the standardised approach	27,074	46,337	2,166
8 Of which internal model method (IMM)	-	-	-
EU 8a Of which exposures to a CCP	10,398	11,530	832
EU 8b Of which credit valuation adjustment - CVA)	12,545	8,021	1,004
9 Of which other CCR	713	623	57
10 Not applicable			
11 Not applicable			
12 Not applicable			
13 Not applicable			
14 Not applicable			
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	1,391,281	1,361,613	111,302
EU 23a Of which basic indicator approach	-	-	-
EU 23b Of which standardised approach	1,391,281	1,361,613	111,302
EU 23c Of which advanced measurement approach	-	-	-
24 Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	339,275	459,195	27,142
25 Not applicable			
26 Not applicable			
27 Not applicable			
28 Not applicable			
29 Total	18,045,437	18,028,637	1,443,635

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 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.

With the aim of planning 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.

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 as of December 31, 2022, 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 30: Capital Requirements for Credit Risk

Capital requirements for Credit Risk		
(thousands of euros)	2022	2021
Central governments or central banks	75,428	85,003
Regional administrations and local authorities	-	-
Public sector entities and other non-profit public institutions	4,266	2,787
Multilateral Development Banks	-	-
International Organisations	-	-
Institutions	10,599	8,077
Corporates	322,102	266,883
Retail Customers	200,670	220,811
Exposures secured by real estate	508,044	512,166
Exposures in default	26,840	35,602
High-risk exposures	25,758	24,888
Covered Bonds	-	340
Exposures to institutions and companies with short-term credit ratings	3,797	597
Exposure to collective investment institutions (CIIs)	3,553	2,760
Equity exposures	40,505	58,102
Other exposures	109,652	115,702
Contribution to the default guarantee fund of a CCP	114	170
Securitisation positions	-	-
<b>Total capital requirements for credit risk</b>	<b>1,331,329</b>	<b>1,333,888</b>

The above-mentioned credit risk requirements include those corresponding to counterparty risk for the following amount:

Table 31: Capital Requirements for Counterparty Risk

Capital requirements for counterparty risk		
(thousands of euros)	2022	2021
Standard method	2,941	2,220
Simplified standard method	-	-
<b>Total capital requirements</b>	<b>2,941</b>	<b>2,220</b>

The Group has calculated the requirements according to the standard method for counterparty credit risk, in accordance with the provisions of Part Three, Title II, Chapter 6 of Regulation (EU) No. 575/2013 (CRR).

## 5.3 - Supporting factor applied to SME exposures and critical infrastructure

In its fourteenth additional provision, Law 14/2013 of September 27, on support for entrepreneurs, defines a "support factor" between 0.7619 and 0.85 that is applied to credit risk-weighted exposures of small and medium-sized enterprises. The provisions of Article 501.2 of Regulation (EU) No. 575/2013, on the prudential requirements of credit institutions and investment enterprises, will be taken into consideration for the application of that factor.

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

Table 32: SME exposures subject to supporting factor

SME exposures subject to supporting factor		
(thousands of euros)	2022	2021
Requirements for exposures applying the supporting factor	260,386	266,616
Requirements for exposures without applying the supporting factor	332,015	338,939
<b>Total supporting factor adjustment of capital requirements</b>	<b>-71,629</b>	<b>-72,323</b>

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, 2022, there are no capital requirements for position risk for the Group, as shown in the following table:

Table 33: Capital requirements for Position Risk

Capital requirements for position risk		
(thousands of euros)	2022	2021
Positions in debt instruments	-	-
Equity positions	-	-
<b>Total capital requirements</b>	<b>-</b>	<b>-</b>

## 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, 2022, 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, 2022, the operational risk requirements for the Group are as follows:

Table 34: Capital Requirements for Operational Risk

Capital requirements for Operational Risk		
(thousands of euros)	2022	2021
Basic indicator method	-	-
Standard method	111,302	108,929
Alternative standard method	-	-
Advanced methods	-	-
<b>Total capital requirements</b>	<b>111,302</b>	<b>108,929</b>

The Group has calculated the requirements under the Standardised 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.

As of December 31, 2022, the credit valuation adjustment risk requirements for the Group are as follows:

Table 35: Capital Requirements for CVA

Capital requirements for credit valuation adjustment (CVA)		
(thousands of euros)	2022	2021
Advanced method	-	-
Standard method	1,004	1,337
Based on the original exposure method	-	-
<b>Total capital requirements</b>	<b>1,004</b>	<b>1,337</b>

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 Group risk profile while at the same time achieving profitability, liquidity and solvency objectives.
  - Maintain a low or moderate level of exposure to all risks.
  - Diversify your risks to prevent becoming overly focused on any of its manifestations.
  - Maintain a favorable liquidity position to meet financial commitments and safeguard depositor interests.
  - Generate adequate levels of risk-adjusted recurrent profitability backed by a strong liquidity and capital basis.
  - Assure sensible caps on exposures to risks related to the environment and climate.
- Compliance at all times with regulatory requirements, as well as the capital and liquidity objectives established in the capital and liquidity self-assessment processes.
- Maintain effective risk governance that, headed by the Board of Directors and Senior Management, extends to all the areas involved.
- Foster a risk culture and facilitate a better understanding by the Entity of the level and nature of risks to which it is exposed.
- Ensure the confidence of customers, investors, employees, supplies 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 materialisation 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 Risk Appetite Framework serves as the framework for the Group's risk management. Establishing a set of guidelines, practices, checks, and systems through which the Entity's risk appetite is specified, communicated, and tracked is the main goal of the RAF of the Ibercaja Group. The Control Area Directorate, together with the Directorates of the First Lines of Risk Taking, coordinates this procedure. The Risk Control Department is responsible for tracking the measurement's outcomes. Ultimately, the Control Area Department and the Risk Control Department, in coordination with the Departments of the first lines of action, propose to the Global Risk Committee the action plans required to correct excesses or non-compliance. risk.

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 Ibercaja Group's risk appetite is regarded as the level or profile of risk that it is prepared to take on and maintain, both in terms of type and amount as well as tolerance level, and it must be focused on achieving the strategic plan's goals in accordance with the action plans outlined therein. The goal of managing various risks is to achieve a risk profile that is within the desired level of appetite, as determined by the stated limitations, while implementing the management practices thought to be most effective to do so.



It is determined that the Group's overall risk profile is medium-low in accordance with the methodology used by the Entity to measure the risk profile. When considering risk governance, management, control, and auditing, there is a control environment for all material hazards that is either appropriate or high. The Board of Directors is informed about this rating and it is monitored.

## 6.2 - Risk management policies and objectives

### 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 characterised 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
- Stage 2
- Refinancing
- Concentration

**MARKET RISK**

- Sensivity to losses in the financial portfolios actively managed
- Fixed income credit quality

**INTEREST RATE RISK**

- Economic Value impact
- NII Impact

**OPERATIONAL RISK**

- Operational losses
- Perception (reputational risk)
- Technological risk (infrastructure availability and incidents)

**BUSINESS RISK**

- Profitability
- Revenues
- Efficiency

**LIQUIDITY RISK**

- Financing structure
- Short term liquidity
- Long term liquidity

**SOLVENCY: OWN RESOURCES ADEQUACY**

- CET 1; TIER1; Total capital
- Leverage
- MREL requirements
- Financial conglomerate

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 2022 ([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 organisational 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 organisation.



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 organisation 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: The highest authority in charge of performing internal control duties in risk management (CRO), working independently of the business and support units, is situated organisationally inside the Control Area Department. The Customer Service Unit, the Regulatory Compliance Department, which is in charge of ensuring that the operation is carried out in accordance with the relevant laws, regulations, and internal policies, and the Risk Control Department are configured for the development of its functions. The Risk Control Department monitors and reports risks as well as reviews the application of management policies and control procedures by the first line.
- Third line of defence: Internal Audit, as an independent function that provides an assessment and proposals for improvement of risk management and control processes.

The Second Line of Defence (CRO) was transferred from the General Secretariat-Control Directorate, which was under the direction of Mr. Francisco Serrano Gill de Albornoz, to the Control Area Directorate, under the direction of Mrs. Ana Sangrós Orden, in March 2022. The roles of risk control, compliance, and internal audit have not changed at all in 2022.

### 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 - Corporate 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. The Board of Directors is responsible for authorizing risks that exceed the competence of the operating circuit.

In the context of the health pandemic, the Entity, through the different support measures (public and private) implemented as a result of the COVID-19 crisis, offered its clients solutions according to their financial situation while implementing the guidelines issued by the regulator regarding the treatment and accounting recognition of these aids<sup>3</sup>. (Note 11.6.1 to the Consolidated Financial Statements - [Periodic Information - Corporate Web | Ibercaja Banco](#))

With the intention of assessing their ability to pay, identification exercises for borrowers affected by this crisis were conducted and were later expanded to include those affected by the deterioration of the current macroeconomic situation. These clients and exposures were identified as having a higher profile. The Entity has taken several steps in risk management and account for it in its financial reporting.

The impact of these 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 decentralised 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 authorised 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 minimise 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 individualised 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, 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 euros.

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.

##### *o 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 organisationally in the Control Area Department and for the development of this function it has the Risk Control and Regulatory Compliance directorates, and the Customer Service Department is also part of this Department. 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 materialisation 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 categorisation 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 decentralised manner. For its part, the Risk Control Department, through 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.

Likewise, the Market, Operational and Reputational Risk Control Unit is 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 2022, 615 operational risks have been reviewed and self-assessed, concluding from this process, a medium-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 real losses recorded in the loss database in 2022 shows that the total annual amount of losses (net of direct recoveries and insurance) for operational risk events is 26,561 thousand euros corresponding to 11,535 events, of which 1,037 events for 14,141 thousand euros derive from losses related to floor clauses (return of interest for 11,560 thousand euros and legal costs for 2,581 thousand euros). If the provisions associated with these losses due to floor clauses are discounted, and also considering the extraordinary provisions for operational risk made throughout the year, the total net annual amount of losses amounts to 27,678 thousand euros.

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 organisation 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 2022, 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-collateralisation, 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 characterised 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 on December 31, 2022, which stands at 306%, 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 25.72% on December 31, 2022.

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 153% as of December 31, 2022, well above the minimum requirement of 100%.

Based on the liquidity situation analysed 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 mobilisation 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. ESG risk management makes it possible to identify opportunities and threats that can positively or negatively influence entities:

- Environmental risks ("E") are linked to exposures with legal entities that could potentially be affected by, or contribute to, the negative impacts of environmental trends, such as climate change.
- Social risks ("S") measure possible indirect adverse financial or reputational impacts on society, derived from the provision of services that do not respect human rights or the health and safety of its employees, among other factors.
- Governance risks ("G") derive from a negative financial or reputational impact resulting from weaknesses on the part of commercial counterparties or companies in which it has invested, such as transparency, conduct in markets, anti-corruption policies, the compliance with tax obligations or other behaviors considered ethical by stakeholders.

Ibercaja approved its Sustainability Policy in 2020 as part of its commitment to advancing the integration of ESG risks. This action reflected Ibercaja's commitment to sustainable development and the creation of value through its activities and established the framework for international action on sustainability issues, which has since developed concurrently with the supervisory requirements.

The United Nations Principles for Responsible Banking (PBR), the alignment of its actions with reference to the fulfillment of the Sustainable Development Goals (SDG), and the signing of the Net Zero Banking Alliance are just a few examples of sustainable commitments that Ibercaja adheres to (hereinafter NZBA).

Ibercaja has made strides in integrating environmental risk into its governance structure, its business model, and its risk management as part of its commitment to keep working to incorporate the climate risks of its counterparties into the management in compliance with supervisory expectations. However, mindful of the importance of social and governance risks, the Entity will work overtime to gather data on counterparty governance and social issues, as well as to incorporate this data and the results into its internal management processes, in line with changes in the legal landscape and market norms.

A greater level of detail on this integration is provided in Section 15, ESG Risks.

### Exposure to other risks

#### **Exposure to Market and Counterparty Risk**

- *Strategies and policies for managing market and counterparty risk*
  - 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 formalisation 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 Financial Area Department 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 specialised 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 characterised 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 relativised on equity.

Thus, on December 31, 2022, 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	(4,676)	0.15%	(35,301)	1.11%	(8,169)	0.26%	(8,169)	0.26%
Temp. horizon: 10 days	(14,786)	0.47%	(111,631)	3.52%	-	-	-	-

The calculation of VaR on December 31, 2021, 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	(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%	-	-	-	-

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

#### b) Counterparty risk

The limits authorised by the Board of Directors are established by investment volume weighted by the 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 current or future risk to the entity's profits, equity or liquidity, derived from a negative perception of its stakeholders (customers, employees, society in general, regulators, shareholders, suppliers, counterparties, investors, market analysts...) that may adversely affect the Group's ability to maintain its activity or establish new business relationships.

The management of this risk aims to protect one of the Group's main intangible assets, its corporate reputation, avoiding the occurrence of events that could negatively impact its image and the perception of its stakeholders.

Due to the amplifying effect it may have on the other risks, reputational risk is intimately tied to them. The operational risk that is managed as if it were simply another operational risk and has the ability to affect the entity's business reputation makes up a significant portion of this risk. The Group manages and assesses the regulatory risk or non-compliance with regulations (imposition of sanctions, particularly in the event that they were made public) within this category of risks using controls, processes, and procedures designed to ensure compliance with regulations, whether internal or external, as applicable.

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 Group has 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.

A number of indicators have been identified that are included in the reputational control panel as part of its proactive approach to the management and control of reputational risk. It consists of managerial indicators and indicators at the RAF level. The effect and scope of social networks, the perception and expectations of the major interest groups, media mentions, brand positioning, and employee perception are just a few of the things that these indicators assess. Strong points, places for improvement, potential sources of reputational risk, and action plans to improve reputation are also discovered through the studies conducted by the RepTrak consultancy. 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.

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

The reputational risk map has also been created as an important part of the management process using a qualitative methodology that is in line with the operational risk management framework for the Entity. As a result, the reputational risk map entails the identification of reputational risks and their classification according to their nature as either pure reputational risks or risks generated from operational risk (including reputational risks derived from climatic and environmental events). Risk managers and mitigating factors are shown on the map.

Through this, the Group strengthens its dedication to reputational risk measurement, management, and control, thereby fostering a culture of risk management.

### **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.

## 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 organisation 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

### 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 organisation, 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.
  - 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.
- 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 minimise the operational risk.
- Analyse 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.

## 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: 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, always guaranteeing financial and equity solidity, with the objective of optimizing the risk-return ratio within the tolerance levels set by the Board of Directors based on 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.

#### Definition of the classification categories

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 recognised, without impairment having materialised, 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 materialise 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 individualised 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 ([Periodic Information - Corporate 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.

In the event that internal methodologies are not developed in the Bank for collective estimates, the estimates prepared by the Bank of Spain are used as an alternative solution based on its experience and the information it has on the Spanish banking sector.

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 there has been a significant increase in credit risk since the initial recognition of the transaction, and whether 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, with the current lack of confidence over the direction 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 amortisation 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 individualised 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 strictest 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:

#### Individualised estimates of hedges

In order to estimate the provisions for credit risk due to insolvency of a financial instrument, the Group makes an individualised 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 euros), since based on its historical experience and the hedge monitoring analyses performed, the individualised estimate of the hedges of these borrowers would be considerably lower than that calculated by the collective estimate.

The Group has developed a 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 collateralised 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

The following portfolios are excluded from using internal models:

- Consumer,
- Self-employed,
- Developers.

For the excluded portfolios, apart from the borrowers that are subject to individualised 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 considers 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 recognises an impairment loss equal to the best estimate by internal models available, considering 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 guaranteed 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 considering 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 2022 ([Periodic Information - Corporate 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.
- 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 recognised 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 amortised cost, such impairment losses are recognised 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 recognised 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 recognised 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 2022 ([Periodic Information - Corporate Website | Ibercaja Bank](#)).

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 euros,
  - ii. for other exposures, 500 euros;
- 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, 2022, showing the Entity's nonperforming exposures, performing exposures and related provisions.

Table 36: 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				
005	Cash balances at central banks and other demand deposits	1,349,699	1,349,699	-	-	-	-	-	-	-	-	-	-	-	-	-	
010	Loans and advances	31,353,059	30,010,286	1,342,773	652,078	136,879	492,730	-181,208	-86,837	-94,371	-264,697	-10,469	-251,251	-	24,099,491	381,608	
020	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
030	General governments	710,819	710,730	88	178	-	178	-1	-1	-	-	-	-1	-	41,989	-	
040	Credit institutions	656,931	656,931	-	-	-	-	-	-	-	-	-	-	-	-	-	
050	Other financial corporations	1,990,223	1,990,091	132	37	-	37	-230	-227	-4	-32	-	-32	-	1,623,885	4	
060	Non-financial corporations	7,207,326	6,589,218	618,108	285,378	65,290	210,725	-69,857	-36,568	-33,289	-131,551	-5,837	-122,793	-	3,664,727	148,463	
070	Of which SMEs	4,593,282	4,111,023	482,260	256,595	62,542	187,196	-48,853	-25,583	-23,270	-119,844	-5,482	-113,064	-	2,982,586	134,462	
080	Households	20,787,760	20,063,316	724,444	366,484	71,589	281,790	-111,120	-50,042	-61,078	-133,113	-4,632	-128,425	-	18,768,891	233,141	
090	Debt securities	11,523,209	11,523,209	-	-	-	-	-457	-457	-	-	-	-	-	1,765,319	-	
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
110	General governments	11,362,905	11,362,905	-	-	-	-	-	-	-	-	-	-	-	1,758,161	-	
120	Credit institutions	81,618	81,618	-	-	-	-	-	-	-	-	-	-	-	-	-	
130	Other financial corporations	8,039	8,039	-	-	-	-	-53	-53	-	-	-	-	-	-	-	
140	Non-financial corporations	70,648	70,648	-	-	-	-	-404	-404	-	-	-	-	-	7,159	-	
150	Off-balance-sheet exposures	4,047,073	3,950,754	96,318	39,138	968	34,860	10,557	7,543	3,014	9,444	33	9,403		1,550,844	10,022	
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-
170	General governments	61,754	61,752	1	31	-	1	-	-	-	-	-	-		-	3,426	-
180	Credit institutions	57	56	1	-	-	-	-	-	-	-	-	-		-	-	-
190	Other financial corporations	129,724	129,717	6	-	-	-	5	5	-	-	-	-		-	251	-
200	Non-financial corporations	2,482,025	2,404,332	77,693	35,608	384	32,252	9,169	6,575	2,594	8,612	14	8,596		1,117,503	9,002	
210	Households	1,373,513	1,354,897	18,616	3,499	584	2,608	1,383	964	420	831	20	806		429,665	1,021	
220	Total	48,273,040	46,833,948	1,439,091	691,216	137,847	527,590	-192,222	-94,837	-97,385	-274,141	-10,502	-260,654	-	27,415,654	391,630	

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

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

Table 37: Template EU CR5 – Standard approach

Standard 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		
	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1 Central governments or central banks	13,258,557	-	-	-	-	-	-	-	-	616,197	-	130,662	-	-	-	14,005,417	14,005,417
2 Regional government or local authorities	990,430	-	-	-	-	-	-	-	-	-	-	-	-	-	-	990,430	990,430
3 Public sector entities	658,207	-	-	-	60,844	-	82,315	-	-	-	-	-	-	-	-	801,366	719,051
4 Multilateral development banks	4,491	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,491	4,491
5 International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Institutions	-	303,725	-	-	385,254	-	98,733	-	-	-	-	-	-	-	-	787,712	679,880
7 Corporates	-	145,011	-	-	6,236	-	43,276	-	-	4,380,017	22,639	-	-	-	-	4,597,180	4,284,079
8 Retail exposures	-	-	-	-	-	-	-	-	3,859,838	-	-	-	-	-	-	3,859,838	3,859,838
9 Exposures secured by mortgages on immovable property	-	-	-	-	-	17,482,082	654,412	-	-	-	-	-	-	-	-	18,136,494	18,136,494
10 Exposures in default	-	-	-	-	-	-	-	-	-	283,864	34,422	-	-	-	-	318,286	318,286
11 Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	214,651	-	-	-	-	214,651	214,651
12 Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	14,953	-	-	39,989	-	-	-	-	-	54,942	-
14 Units or shares in collective investment undertakings	107,250	-	-	-	944	-	3,815	-	2,356	13,716	-	-	-	2,147	-	130,228	130,228
15 Equity exposures	-	-	-	-	-	-	-	-	-	499,998	-	2,524	-	-	-	502,522	502,522
16 Other items	435,088	-	-	-	-	-	-	-	-	1,370,646	-	-	-	-	-	1,805,734	1,805,734
17 Total	15,454,023	448,736	-	-	453,278	17,482,082	897,504	-	3,862,193	7,204,427	271,712	133,186	-	2,147	-	46,209,291	45,651,100



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

Below is the EU CQ5 template as of December 31, 2022, showing by sector, the credit quality of loans and advances to non-financial corporations.

Table 38: 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			Of which loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing	Of which defaulted			
010 Agriculture, forestry and fishing	340,162	9,969	9,969	338,666	-4,865	-
020 Mining and quarrying	11,836	582	582	11,836	-110	-
030 Manufacturing	1,222,907	41,296	41,296	1,222,907	-33,585	-
040 Electricity, gas, steam and air conditioning supply	112,619	217	217	112,619	-1,290	-
050 Water supply	73,310	702	702	73,310	-877	-
060 Construction	918,385	58,126	58,118	916,768	-23,955	-1,617
070 Wholesale and retail trade	1,086,426	46,895	46,800	1,086,426	-25,599	-
080 Transport and storage	373,850	14,518	14,518	373,850	-7,562	-
090 Accommodation and food service activities	145,962	16,542	16,493	145,962	-6,140	-
100 Information and communication	105,118	4,967	4,967	105,118	-3,453	-
110 Real estate activities	359,072	24,390	18,891	359,072	-13,974	-
120 Financial and insurance activities	406,831	2,940	2,940	406,831	-6,345	-
130 Professional, scientific and technical activities	312,714	25,487	25,484	312,714	-15,842	-
140 Administrative and support service activities	226,407	7,728	7,726	226,407	-4,163	-
150 Public administration and defence, compulsory social security	75,776	-	-	75,776	-	-
160 Education	25,032	1,056	1,056	25,032	-665	-
170 Human health services and social work activities	61,480	2,064	2,064	61,480	-2,431	-
180 Arts, entertainment and recreation	32,549	9,190	9,190	31,271	-6,432	-1,278
190 Other services	1,602,268	18,707	18,698	1,602,268	-41,223	-
200 <b>Total</b>	<b>7,492,703</b>	<b>285,377</b>	<b>279,711</b>	<b>7,488,312</b>	<b>-198,512</b>	<b>-2,896</b>

The maturities of the exposures as of December 31, 2022, included in the EU CR1a template, are detailed below:

Table 39: Template EU CR1-A - Maturity of exposures

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	4,824	4,755,038	3,537,321	21,153,800	2,108,248	31,559,231
2 Debt securities	-	1,552,129	4,750,641	5,219,981	-	11,522,752
3 Total	4,824	6,307,167	8,287,963	26,373,781	2,108,248	43,081,983

## 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 40: 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
010 Initial stock of non-performing loans and advances	850,212
020 Inflows to non-performing portfolios	220,015
030 Outflows from non-performing portfolios	418,150
040 Outflows due to write-offs	123,327
050 Outflow due to other situations	294,823
060 Final stock of non-performing loans and advances	652,078

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

Table 41: 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

	a	B	c	d	e	f	g	h	i	j	k	l
(thousands of euros)	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
Cash balances at central banks and other demand deposits	1,349,699	1,349,699	-	-	-	-	-	-	-	-	-	-
005												
Loans and advances	31,353,059	31,268,779	84,280	652,078	282,949	38,008	57,429	63,424	100,001	40,617	69,648	650,647
010												
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
020												
General governments	710,819	710,819	-	178	178	-	-	-	-	-	-	178
030												
Credit institutions	656,931	656,931	-	-	-	-	-	-	-	-	-	-
040												
Other financial corporations	1,990,223	1,990,222	1	37	-	9	4	-	24	-	-	37
050												
Non-financial corporations	7,207,326	7,194,504	12,821	285,378	143,974	12,678	23,718	31,605	50,950	5,318	17,135	285,193
060												
Of which SMEs	4,593,282	4,580,461	12,821	256,595	123,243	12,487	20,443	30,212	47,796	5,318	17,097	256,412
070												
Households	20,787,760	20,716,302	71,458	366,484	138,796	25,321	33,707	31,819	49,028	35,299	52,513	365,239
080												
Debt securities	11,523,209	11,523,209	-	-	-	-	-	-	-	-	-	-
090												
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
100												
General governments	11,362,905	11,362,905	-	-	-	-	-	-	-	-	-	-
110												
Credit institutions	81,618	81,618	-	-	-	-	-	-	-	-	-	-
120												
Other financial corporations	8,039	8,039	-	-	-	-	-	-	-	-	-	-
130												
Non-financial corporations	70,648	70,648	-	-	-	-	-	-	-	-	-	-
140												
Off-balance-sheet exposures	4,047,073	-	-	39,138	-	-	-	-	-	-	-	38,351
150												
Central banks	-			-								-
160												
General governments	61,754			31								31
170												
Credit institutions	57			-								-
180												
Other financial corporations	129,724			-								-
190												
Non-financial corporations	2,482,025			35,608								35,281
200												
Households	1,373,513			3,499								3,040
210												
220 Total	48,273,040	44,141,687	84,280	691,216	282,949	38,008	57,429	63,424	100,001	40,617	69,648	688,998

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

The following table shows the detail of the forbore exposures as of December 31, 2022:

Table 42: Template EU CQ1 - Credit quality of forbore exposures

Credit quality of forbore exposures								
(thousands of euros)	a	b	c	d	e	f	g	h
	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 forbore exposures	
	Performing forbore	Non-performing forbore		Of which defaulted	Of which impaired	On performing forbore exposures	On non-performing forbore exposures	Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
005 Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010 Loans and advances	139,538	262,974	262,959	203,562	-12,651	-100,256	267,008	148,885
020 Central banks	-	-	-	-	-	-	-	-
030 General governments	88	-	-	-	-	-	-	-
040 Credit institutions	-	-	-	-	-	-	-	-
050 Other financial corporations	-	6	6	6	-	-6	-	-
060 Non-financial corporations	32,859	119,732	119,732	81,569	-4,664	-52,746	84,619	59,140
070 Households	106,591	143,236	143,221	121,987	-7,987	-47,504	182,388	89,746
080 Debt Securities	-	-	-	-	-	-	-	-
090 Loan commitments given	2,224	1,358	1,358	1,183	69	273	3,092	1,014
100 Total	141,762	264,332	264,317	204,745	-12,582	-99,983	270,100	149,899

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

Table 43: Template EU CQ7 - Collateral obtained by taking possession and execution processes

Collateral obtained by taking possession and execution processes		
(thousands of euros)	a	b
	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
010 Property, plant and equipment (PP&E)	-	-
020 Other than PP&E	295,493	-129,071
030 Residential immovable property	97,157	-29,764
040 Commercial Immovable property	198,035	-99,307
050 Movable property (auto, shipping, etc.)	301	-
060 Equity and debt instruments	-	-
070 Other collateral	-	-
080 <b>Total</b>	<b>295,493</b>	<b>-129,071</b>

The EU CQ2, CQ6, CQ8 and CR2-A templates are not elaborated by the Entity because the default rate does not exceed 5%.

Likewise, Ibercaja does not use IRB models for credit risk, therefore the CR7-A and CR10 templates are not applicable to the Entity.

## 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 based on 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 Risk Line Policy of Ibercaja Banco, which is the same for financial institutions, companies, and regional governments, uses tables of lines by rating to accomplish this.

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 centralised 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, 2022.

Table 44: Template EU CCR2 – Transactions subject to own funds requirements for CVA risk

Transactions subject to own funds requirements for CVA risk		
	a	b
(thousands of euros)	Exposure value	RWEA
1 Total transactions subject to the Advanced method	-	-
2 (i) VaR component (including the 3x multiplier)		-
3 (ii) stressed VaR component (including the 3x multiplier)		-
4 Transactions subject to the Standardised method	53,101	12,545
EU-4 Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5 <b>Total transactions subject to own funds requirements for CVA risk</b>	<b>53,101</b>	<b>12,545</b>

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, 2022, showing the composition of collateral for counterparty risk exposures.

Table 45: 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 type	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	
	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1 Cash – domestic currency	2,430	-	510,724	-	-	2,299,633	321,502	1,613,670
2 Cash – other currencies	-	-	-	-	-	-	-	-
3 Domestic sovereign debt	-	-	-	-	-	1,375,858	-	2,275,116
4 Other sovereign debt	-	-	-	-	-	226,831	-	-
5 Government agency debt	-	-	-	-	-	-	-	-
6 Corporate bonds	-	-	-	-	-	-	-	-
7 Equity securities	-	-	-	-	-	-	-	-
8 Other collateral	-	-	-	-	-	-	-	-
9 <b>Total</b>	<b>2,430</b>	<b>-</b>	<b>510,724</b>	<b>-</b>	<b>-</b>	<b>3,902,322</b>	<b>321,502</b>	<b>3,888,785</b>

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, 2022, according to the applicable method and counterparty risk exposures subject to the standardised approach by regulatory exposure categories and risk weightings.

Table 46: 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
<b>EU-1</b> EU - Original Exposure Method (for derivatives)	-	-		1.4	-	-	-	-
<b>EU-2</b> EU - Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
<b>1</b> SA-R (for derivatives)	22,403	23,945		1.4	58,511	64,888	54,803	27,074
<b>2</b> IMM (for derivatives and SFTs)				-	-	-	-	-
<b>2a</b> Of which securities financing transactions netting sets				-	-	-	-	-
<b>2b</b> Of which derivatives and long settlement transactions netting sets				-	-	-	-	-
<b>2c</b> Of which from contractual cross-product netting sets				-	-	-	-	-
<b>3</b> Financial collateral simple method (for SFTs)					-	-	-	-
<b>4</b> Financial collateral comprehensive method (for SFTs)					2,563	2,563	2,563	713
<b>5</b> VaR for SFTs					-	-	-	-
<b>6 Total</b>					<b>61,075</b>	<b>67,452</b>	<b>57,367</b>	<b>27,787</b>

Table 47: 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) Exposure classes	Risk weight											
	a	b	c	d	e	f	g	h	i	j	k	l
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	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	-	303,725	-	-	5,675	22,363	-	-	-	-	-	331,763
7 Corporates	-	145,011	-	-	-	27,152	-	-	1,047	-	-	173,210
8 Retail	-	-	-	-	-	-	-	1,130	-	-	-	1,130
9 Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10 Other items	-	-	-	-	-	-	-	-	-	-	-	-
11 Total exposure value	-	448,736	-	-	5,675	49,515	-	1,130	1,047	-	-	506,103

The exposures to both qualified and non-qualified central counterparties (QCCPs and non-QCCPs, respectively) are detailed below.

Table 48: Template EU CCR8 – Exposures to CCPs

Exposures to CCPs		
(Thousands of euros)	a	b
	Exposure value	RWEA
<b>1 Exposures to QCCPs (total)</b>		<b>10,398</b>
<b>2</b> Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	448,736	8,975
<b>3</b> (i) OTC derivatives	-	-
<b>4</b> (ii) Exchange-traded derivatives	45,619	912
<b>5</b> (iii) SFTs	403,117	8,062
<b>6</b> (iv) Netting sets where cross-product netting has been approved	-	-
<b>7</b> Segregated initial margin	-	
<b>8</b> Non-segregated initial margin	-	-
<b>9</b> Prefunded default fund contributions	15,358	1,423
<b>10</b> Unfunded default fund contributions	-	-
<b>11 Exposures to non-QCCPs (total)</b>		<b>-</b>
<b>12</b> Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
<b>13</b> (i) OTC derivatives	-	-
<b>14</b> (ii) Exchange-traded derivatives	-	-
<b>15</b> (iii) SFTs	-	-
<b>16</b> (iv) Netting sets where cross-product netting has been approved	-	-
<b>17</b> Segregated initial margin	-	
<b>18</b> Non-segregated initial margin	-	-
<b>19</b> Prefunded default fund contributions	-	-
<b>20</b> 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 internal models.



## 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 authorised by the Bank of Spain, Moody's, Standard and Poor's, Fitch Ratings and Dominion Bond Rating Service Limited.

Table 49: 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 Organisations				
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				
Exposures to institutions and corporates with a short-term credit rating	X	X	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 organisations, 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 formalisation and execution of such guarantees. Each type of guarantee has its own admission, concession, formalisation, 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, if 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.

Among the aforementioned credit risk reduction techniques, the Group is integrating personal guarantees, genuine guarantees manifested in temporary acquisition operations, and netting agreements with collateral arrangements in the credit risk mitigation calculation.

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:

- Mortgage 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 specialised appraisal agencies that provide specific support for the necessary risk coverage. If 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 formalised in Ibercaja and their disposal is blocked while the financing operation is still alive.

The bodies that authorise 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 individualised 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 formalisation 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 guaranteed 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.

Ibercaja's risk appetite statement is articulated with the objective of maintaining a medium-low risk profile and for this it establishes different metrics and limits in its Risk Appetite Framework, among which are those related to avoiding risk concentration in any of its manifestations.

In this regard and in relation to credit risk concentration metrics, the Bank has established as first level metrics in 2022 those relating to exposure to the public sector and the real estate sector, in both cases with respect to total assets, large exposures on own resources and exposures affected by the COVID-19 crisis on exposure in productive activity, all of them being within the appetite limits set for the aforementioned metrics at the end of the year. Similarly, in addition to the above, the Entity has set a second level metric to measure exposure of the financial sector with respect to total assets, which at year-end is within the level of declared appetite.

## 7.5.2 - Quantitative information

Below is the EU CR4 template with information on the exposure and effects of credit risk mitigation following the standard approach.

Table 50: Template EU CR4 – standard 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 (%)
	a	b	c	d	e	F
<b>Exposure classes</b>						
1 Central governments or central banks	11,291,545	-	14,005,166	250	942,853	6.73%
2 Regional government or local authorities	984,082	31,678	986,784	3,646	-	-
3 Public sector entities	798,720	18,472	798,485	2,880	53,326	6.65%
4 Multilateral development banks	850	-	4,491	-	-	-
5 International organisations	-	-	-	-	-	-
6 Institutions	319,407	33	455,433	517	132,492	29.06%
7 Corporates	5,918,200	1,929,349	3,954,243	469,726	4,026,280	91.01%
8 Retail	4,537,160	1,753,624	3,698,642	160,065	2,508,381	65.01%
9 Secured by mortgages on immovable property	18,099,240	77,891	18,099,240	37,253	6,350,551	35.02%
10 Exposures in default	370,749	27,482	312,310	5,976	335,497	105.41%
11 Exposures associated with particularly high risk	162,047	105,208	162,047	52,604	321,976	150.00%
12 Covered bonds	-	-	-	-	-	-
13 Institutions and corporates with a short-term credit assessment	54,942	-	54,942	-	47,466	86.39%
14 Collective investment undertakings	27,199	515,145	27,199	103,029	44,413	34.10%
15 Equity	501,254	1,268	501,254	1,268	506,308	100.75%
16 Other items	1,805,734	-	1,805,734	-	1,370,646	75.91%
17 <b>Total</b>	<b>44,871,129</b>	<b>4,460,150</b>	<b>44,865,970</b>	<b>837,215</b>	<b>16,640,188</b>	<b>36.41%</b>

Finally, the EU CR3 template is included, which offers information on the use of credit risk reduction techniques.

Table 51: 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			
		b	Of which secured by collateral	Of which secured by financial guarantees	
				d	Of which secured by credit derivatives
	A		c		e
1 Loans and advances	8,427,829	24,481,100	21,648,425	2,832,675	-
2 Debt securities	9,757,433	1,765,319	-	1,765,319	-
3 Total	18,185,262	26,246,419	21,648,425	4,597,994	-
4 Of which non-performing exposures	5,773	381,608	296,488	85,120	-
EU-5 Of which defaulted	5,649	380,577	295,457	85,120	-

The application of risk mitigation techniques based on the use of collateral and personal guarantees has, as of December 31, 2022, the following effect on exposures net of value adjustments:

Table 52: Exposure net of value adjustments

Exposure net of value adjustments		
(Thousands of euros)	2022	2021
Exposure net of corrections and provisions	49,837,382	53,919,158
Fully adjusted exposure value	49,822,725	53,903,778
<b>Effect of applying reduction techniques (*)</b>	<b>14,657</b>	<b>15,380</b>

(\*) 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 53: Exposure categories and quality levels

Breakdown by exposure categories and credit quality levels							
(Thousands of euros)	Measurement	0%	20%	75%	100%	150%	Total
Risk Category							
Central governments or central banks	Net exposure	10,544,686	-	-	-	-	10,544,686
	Adjusted value	13,447,731	-	-	-	-	13,447,731
Regional governments and local authorities	Net exposure	1,015,760	-	-	-	-	1,015,760
	Adjusted value	1,018,670	-	-	-	-	1,018,670
Public sector entities and other non-profit public institutions	Net exposure	-	61,585	-	-	-	61,585
	Adjusted value	-	61,351	-	-	-	61,351
Multilateral Development Banks	Net exposure	850	-	-	-	-	850
	Adjusted value	4,491	-	-	-	-	4,491
International Organisations	Net exposure	-	-	-	-	-	-
	Adjusted value	-	-	-	-	-	-
Institutions	Net exposure	-	248,742	-	-	-	248,742
	Adjusted value	-	395,287	-	-	-	395,287
Corporates	Net exposure	-	-	-	7,753,355	-	7,753,355
	Adjusted value	-	-	-	5,745,056	-	5,745,056
Retail	Net exposure	-	-	6,291,914	-	-	6,291,914
	Adjusted value	-	-	5,288,686	-	-	5,288,686
Exposures secured by real estate	Net exposure	-	-	-	-	-	-
	Adjusted value	-	-	-	-	-	-
Exposures in default	Net exposure	-	-	-	337,403	60,828	398,231
	Adjusted value	-	-	-	287,148	52,047	339,195
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	-	-	-	-	-	-
<b>Total</b>	<b>Net exposure</b>	<b>11,561,296</b>	<b>310,327</b>	<b>6,291,914</b>	<b>8,090,758</b>	<b>60,828</b>	<b>26,315,123</b>
	<b>Adjusted value</b>	<b>14,470,892</b>	<b>456,638</b>	<b>5,288,686</b>	<b>6,032,204</b>	<b>52,047</b>	<b>26,300,467</b>
<b>Full reduction effect</b>		<b>-2,909,596</b>	<b>-146,311</b>	<b>1,003,228</b>	<b>2,058,554</b>	<b>8,781</b>	<b>14,657</b>

## 7.6 – Securitisations

This section covers the SECA requirement - Qualitative disclosure requirements related to securitisation 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) n° 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 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 mobilizing part of its loan portfolio, homogenizing 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 securitised 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 securitisation 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 securitised assets do not match those of the securitisation 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 securitisation funds in which it acts as originator, by acquiring certain subordinated tranches of such issues ("First loss tranches") issued by the securitisation funds. However, there is no implicit commitment to support the securitisation transactions carried out by the Group.

The Group does not carry out securitisations under the STS framework or synthetic securitisations. As regards the Entity's investment policy in securitisation 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 securitisation position. In addition, for those securitisation positions that are held, procedures shall be established commensurate with the risk profile of the securitisation 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 securitisation position.
- The risk characteristics of the exposures underlying the securitisation position.
- The reputation and loss history in prior securitisations of the originators or sponsors with respect to the relevant categories of exposures underlying the securitisation position.
- The originators' or sponsors' declarations and disclosures regarding due diligence on the securitised exposures and, if applicable, the quality of collateral supporting the securitised exposures.
- Where applicable, the methodologies and concepts underlying the valuation of collateral supporting the securitised 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 securitisation that may have a material impact on the performance of the securitisation position.
- All structural features of the securitisation that may have a material impact on the evolution of the Entity's securitisation 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 securitisation 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 securitisation bonds issued by other entities: The Group may hold positions in securitisation funds originated by entities outside the Group, whose underlying assets are mainly loans to companies, SMEs and mortgages.

Of the categories of specialised vehicles mentioned in article 449.d CRR2, Ibercaja Banco exclusively maintains exposures in vehicles specialised in securitisations 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 securitisation 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 securitisation positions and of the information related to the evolution of the exposures underlying the securitisation positions, being able to analyse, 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 securitised.
  - 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 securitisation transaction, shall communicate to investors the level of its commitment to maintain a net economic interest in the securitisation, 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 securitisation 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 securitised 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 Securitisation Fund and the Securities Note of the securitisation bond issue which will be verified by the CNMV. The entity works in coordination with the securitisation 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 recognised 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, 2022, 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 losses 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 securitisations performed to date have been Standard and Poor's and Moody's.

Currently, the Group currently has no outstanding securitisation assets or securitised credit lines subject to early repayment treatment.

The securitisation exposures originated by the Group on December 31, 2022, are shown below, indicating the exposures in default and the corresponding specific credit risk adjustments.

Table 54: 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	1,810,339	14,329	-1,376
2 Retail (total)	1,810,339	14,329	-1,376
3 residential mortgage	1,810,339	14,329	-1,376
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 securitisations originated by the Group, *Ibercaja Vida* holds a position of 16,749 thousand euros as of December 31, 2022.

The Entity does not disclose the EU SEC1, EU SEC2, EU SEC3 and EU SEC4 templates as its securitisation 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 securitisation transactions by applying the standardised approach defined in Part Three, Title II, Chapter 5, Section Three, Subsection Three of Regulation (EU) No. 575/2013 (CRR).

For own securitisations, the Group calculates regulatory capital for positions held in the securitisation only in case the securitisation 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 securitised exposures as if they had not been securitised.

For the securitisations indicated below, the underlying securitised 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):

- Securitisation carried out in 2005 by TDA Ibercaja 2, FTA, with an outstanding position at year-end of 98,260 thousand euros and with retained positions of 54,732 thousand euros.

- Securitisation carried out in 2006 by TDA Ibercaja 3, FTA, with an outstanding position at year-end of 150,175 thousand euros and with retained positions of 103,713 thousand euros.
- Securitisation carried out in 2006 by TDA Ibercaja 4, FTA, with an outstanding position at year-end of 267,673 thousand euros and with retained positions of 166,376 thousand euros.
- Securitisation carried out in 2007 by TDA Ibercaja 5, FTA, with an outstanding position at year-end of 242,983 thousand euros and with retained positions of 213,335 thousand euros.
- Securitisation carried out in 2008 by TDA Ibercaja 6, FTA, with an outstanding position at year-end of 405,302 thousand euros and with retained positions of 393,832 thousand euros.
- Securitisation carried out in 2009 by TDA Ibercaja 7, FTA, with an outstanding position at year-end of 780,635 thousand euros fully retained.
- Securitisation carried out in 2009 by TDA Ibercaja ICO-FTVPO, FTH, with an outstanding position at year-end of 80,916 thousand euros and with retained positions of 42,567 thousand euros.

As of December 31, 2022, there is no outstanding balance of assets securitised 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 – Impacts of COVID-19 and the war between Russia and Ukraine

Since the beginning of the pandemic, the Group has offered COVID-19 support measures to its clients, which have consisted of both granting legal moratoria (from legislative packages) and sectoral ones (from sectoral agreements of the Spanish Confederation of Savings Banks). Savings of current loans, such as in the granting of new financing operations to cover liquidity and investment needs with public guarantee, to reach a greater number of those affected by this health crisis.

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 55: COVID-19 Template 1 - Information on loans and advances subject to legislative and non-legislative moratoria

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
	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
	Performing				Non-performing			Performing				Non-performing			Inflows to non-performing exposures
	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		
1 Loans and advances subject to moratorium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2 of which: Households	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3 of which: Collateralised by residential immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4 of which: Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5 of which: Small and Medium-sized Enterprises	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 of which: Collateralised by commercial immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Table 56: 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
	Number of obligors	Gross carrying amount							
			Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
					<= 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	9,801	774,237							
2 Loans and advances subject to moratorium (granted)	8,167	661,778	572,213	661,778	-	-	-	-	-
3 of which: Households		627,138	537,573	627,138	-	-	-	-	-
4 of which: Collateralised by residential immovable property		590,103	506,697	590,103	-	-	-	-	-
5 of which: Non-financial corporations		34,640	34,640	34,640	-	-	-	-	-
6 of which: Small and Medium-sized Enterprises		34,008	34,008	34,008	-	-	-	-	-
7 of which: Collateralised by commercial immovable property		32,600	32,600	32,600	-	-	-	-	-

Table 57: 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: forbore	Public guarantees received	Inflows to non-performing exposures
1 Newly originated loans and advances subject to public guarantee schemes	1,448,817		6,398	1,112,000
2 of which: Households	54,430			1,158
3 of which: Collateralised by residential immovable property	-			-
4 of which: Non-financial corporations	1,392,071		5,536	1,066,681
5 of which: Small and Medium-sized Enterprises	1,083,913			14,585
6 of which: Collateralised by commercial immovable property	-			-



It should be noted that as of December 31, 2022, the measures that are still in force correspond entirely to the ICO COVID-19 financing lines. However, for informational purposes, the characteristics of the financial instruments under which the measures implemented to mitigate the impacts of COVID-19 were operationalised are as follows:

- **Legal moratorium**

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 (amortisation of the principal or payment of interest), either in full or as a percentage. In accordance to circular 4/2017, these measures have entailed a non-substantial modification of the contract and, therefore, the affected assets have not been derecognised, 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 amortised cost" in the income statement. In any case, the effect of the changes on the consolidated income statement for 2022 and 2021 has not been significant.

- **Sectoral moratorium**

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 moratorium with a sectorial moratorium. 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.

- **ICO line COVID-19**

Guarantees for financing granted to SMEs and self-employed individuals by credit institutions to meet their needs arising from invoice management, working capital requirements, financial or tax obligations, payment of employee salaries or the other liquidity needs that enable them to maintain economic activity. Companies and self-employed individuals have access to these guarantees by formalizing new financing operations or renewing existing ones.

During the year 2022, given the complex international context, marked mainly by the armed conflict between Russia and Ukraine in February 2022, there has been a sharp rise in prices globally, driven by the energy component and food prices. Inflationary pressures have led to a rapid shift in monetary policies, starting a cycle of increases in benchmark interest rates that have quickly spread to money and debt markets. The tightening of monetary policy has led to a rise in the Euribor, which is causing a sharp increase in monthly mortgage payments for families that will extend over the coming months as the corresponding periodic revisions occur.

Therefore, through Royal Decree-Law 19/2022, which establishes a Code of Good Practices to alleviate the rise in interest rates on mortgages for primary residences, urgent measures are adopted for mortgage debtors at risk of vulnerability, which include, among others, the following: the extension of amortisation periods, the establishment of temporary fixed payments or a particular regime for the applicable interest rate, and the presentation of offers to convert loans to fixed rates. The Entity has adhered to this Code of Good Practices, so affected clients may make their requests as of January 2023.

The Group has carried out exercises to identify borrowers affected by this crisis, including an analysis of its loan portfolio considering the different types and segmentation of customers affected by the economic situation, their characteristics (companies, individuals, self-employed...) as well as the sector to which each borrower belongs (CNAE), to assess their ability to pay. Based on the results of the credit risk monitoring analyses of its loan portfolio described above, the Group has classified those exposures in companies (not individually significant, since these are analysed through an individualised expert analysis) belonging to economic sectors especially affected by the current macroeconomic situation or, within the credit risk monitoring carried out by the Group, a low ability to overcome this crisis has been determined.

All these uncertainties have been considered in the financial projections for the coming years, with special attention paid to the foreseeable evolution of arrears inflows and outflows, credit provisions and solvency.

Additionally, in its process of recalibrating its credit risk models, the Group has updated, using the information available at the end of the year, the macroeconomic variables that affect the forward-looking information of the impairment coverage models, as described in section 7.1 of this Prudential Relevance Report.

For more information on the measures related to COVID-19 and the war between Russia and Ukraine, consult section 11.6 of the Consolidated Annual Accounts ([Periodic Information - Corporate Website | Ibercaja Banco](#)).

# 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 materialise 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 analysed. 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 Shortfall indicator (for a confidence level of 99% and a time horizon of 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, 2022, the Entity has no exposure to market risk by applying the exception to small-volume trading portfolios not exceeding the thresholds established in article 94 of Regulation (EU) no 575/2013 (CRR), reason for which the template EU MR1 – Market risk according to the standardized method is not included. Likewise, MMI is not used, so the normative templates MR2-A, MR3 and MR4 are not applicable either.

Ibercaja established various indicators and constraints in its Risk Appetite Framework, including those related to avoiding risk concentration throughout its various manifestations, with the objective of preserving a medium-low risk profile.

In relation to market risk, the first level metric that measures the Credit Rating Level of the Private Fixed Income portfolio, both recorded at maturity and at market, with a compliance threshold of a weighted average credit rating equal to or greater than BBB, consistent with the Entity's medium-low risk profile, is also within the declared appetite limit.

# 9

## OPERATIONAL 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 organisational, 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 Standardised Approach.

Table 58: Template EU OR1 – Operational risk own funds requirements and risk-weighted exposure amounts

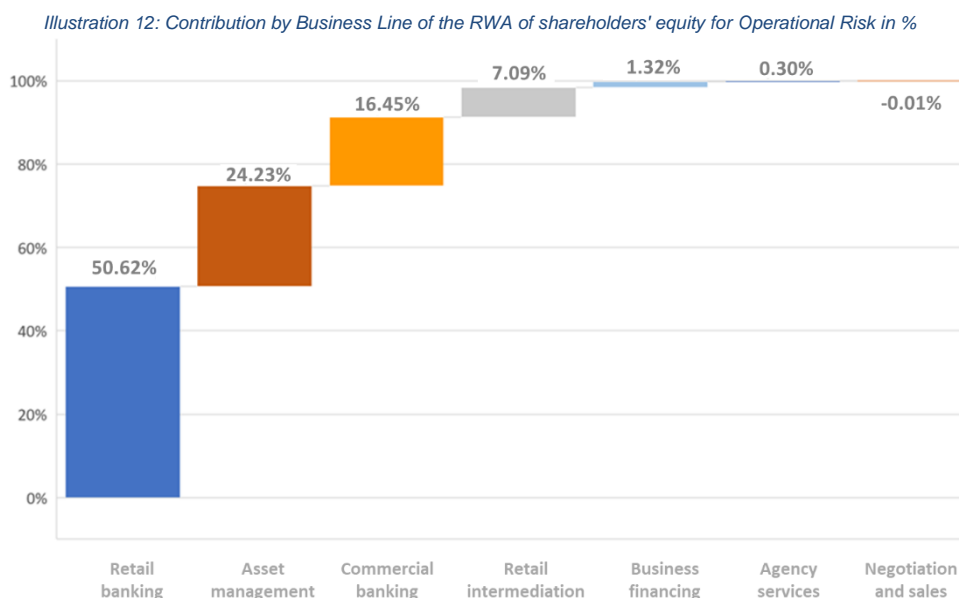
Operational risk own funds requirements and risk-weighted exposure amounts					
(thousands of euros)	a	b	c	d	e
	Relevant indicator			Own funds requirements	Risk exposure amount
	Year -3	Year -2	Last year		
1 Banking activities subject to basic indicator approach (BIA)	-	-	-	-	-
2 Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	836,672	883,598	956,940	111,302	1,391,281
3 <u>Subject to TSA:</u>	836,672	883,598	956,940		
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 Standardised 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 Standardised Approach.

The contribution by Business Line as of December 2022 of the RWA of equity for Operational risk, is as follows:



## 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.

With the aim of achieving compliance with the risk management objectives, 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.

### 9.3 - Structure and Organisation 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 defence, defines and coordinates the application of operational risk assessment and measurement methodologies; analyses, informs and advises the different business units and corporate departments on the best way to measure, analyse and report operational risk; and generates the supporting information for decision-making by Senior Management.

Finally, Internal Audit acts as a third line of defence, supervising the actions of the first and second lines of defence. 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

Additionally, and linked to the Entity's scope of application of the ESG Risk Management and Sustainability Policies, those aspects associated with said scope are considered in the field of Operational Risk.

## 9.5 - Methodologies for measuring Operational Risk

Ibercaja uses a combination of the following operational risk measurement methodologies:

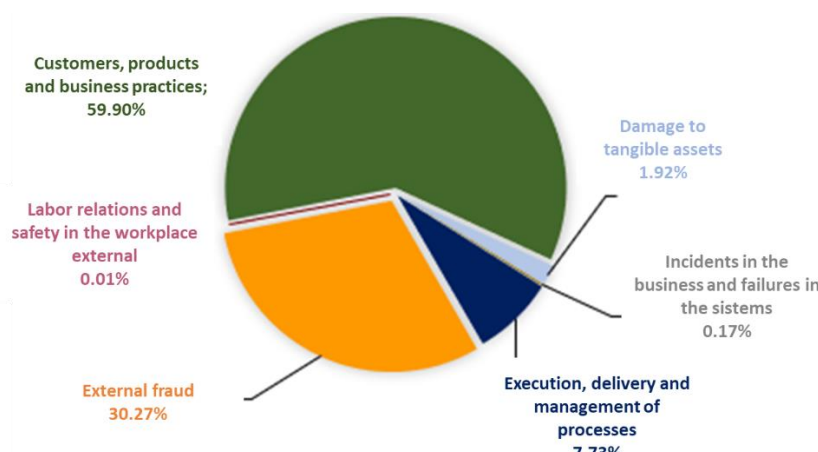
- **Quantitative methodologies based on:**
  - Identification, recording of losses derived from operational risk in a loss database and evolutionary analysis of the latter.
- **Qualitative methodologies based on:**
  - Operational risk map, consisting of the identification and evaluation of operational 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 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 2022 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 2022, the annual update of the self-assessment of 615 operational risks has been completed, concluding from this process, 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.

Therefore, 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 criteria

Notes 2.1 and 2.2.4 to the Group's consolidated financial statements for 2022 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 ([Periodic Information - Corporate 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 as of December 31, 2022, which are not included in the trading portfolio, is 286,894 thousand of euros.

Below is a detail of the exposures in equity investments and equity instruments held by the Group on December 31, 2022, 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 59: Value of exposures to equity and capital instruments

Exposure to equity and capital instruments		
(thousands of euros)	Exposure 2022	Exposure 2021
Listed equity instruments	125,363	149,485
Unlisted equity instruments	438,038	626,334
<b>Total</b>	<b>563,401</b>	<b>775,819</b>

In addition to the foregoing, the Group has recorded an increase in equity as a result of changes in the value of holdings in equity instruments other than those included in the trading portfolio for an amount of 27,043 thousand euros.

The amount of the gains recorded by the Group in 2022 on sales of holdings that are part of the consolidable Group amounted to 10,152 thousand euros.



# 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:

- Regulatory scenarios: scenarios will be applied in accordance with current regulations.
- Management Scenarios: different scenarios are defined to try to capture in each one of them the interest rate movements that can most affect both Economic Value and Interest Margin.

For regulatory stress scenarios, the floors established in current regulations are applied.

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 for the following product categories:

- Demand savings accounts  
To identify unstable balances (with immediate sensitivity) and stable balances (with little probability of repricing in the event of significant changes in interest rates), as well as stable balances that start with is sensitive and to what extent is it affected by movements in interest rates, statistical models are applied to accounts with no contractual maturity (NMD).
- 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 December 31, 2022 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, 2022:

Table 60: Balance sheet sensitivity profile on December 31, 2022

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	6,644	6,575	10,224	23,443	24,699	9,799	14,900
Liabilities	13,354	3,826	6,121	23,301	24,841	7,690	17,151
<b>Gap Period</b>	<b>-6,709</b>	<b>2,749</b>	<b>4,103</b>	<b>142</b>	<b>-142</b>	<b>2,109</b>	<b>-2,251</b>

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 -2,377 million euros, or -4.94% 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 61: Impact of changes in interest rates

Impact of changes in interest rates					
		2022		2021	
		Increase	Decrease	Increase	Decrease
Impact on the Group's net interest income	200 points	-8.50%	-12.68%	19.07%	-17.03%
Impact on the Economic Value /Own Funds	200 points	1.32%	-0.87%	-4.18%	1.41%

With data as of December 31, 2022, the impact on the Entity's net interest income in the event of a 200 basis points increase in interest rates is -41 million euros, -8.50% of the net interest income for the next 12 months, and in the event of a decrease of 200 basis points is -61.14 million euros, -12.68% of the net interest income for the next 12 months (in December 2021, 79.03 million euros and 19.07% in the event of increases and -70.58 million euros and -17.03% 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 82.93 million euros, 1.32% of the economic net worth, and in the event of a decrease of 200 basis points is -54.16 million euros, -0.87% of the economic net worth (in December 2021, -245.65 million euros and -4.18% on increases and 82.99 million euros and 1.41% 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 62: Template EU IRRBB1 - Interest rate risks of non-trading book activities

Interest rate risks of non-trading book activities				
(thousands of euros) Supervisory shock scenarios	a	b	c	d
	Changes of the economic value of equity		Changes of the net interest income	
	Current period	Last period	Current period	Last period
1 Parallel up	82,933	-245,646	-40,995	79,026
2 Parallel down	-54,156	82,988	-61,139	-70,584
3 Steepened	181,381	-279,559		
4 Flatteners	-159,700	198,597		
5 Short rates up	-104,410	125,286		
6 Short rates down	120,090	-381,259		

The evolution of interest rates in 2022 with the return to positive interest rates, balance sheet management, as well as changes in the volume and composition of the items most sensitive to changes in interest rates (savings accounts sight, financial portfolios, fixed-rate loans, TLTRO amortisation) have resulted in a reduction in the sensitivity of the economic value to movements in interest rates.

The most sensitive regulatory scenarios in economic value would correspond to the flattening scenarios of the slope.

In a scenario where interest rates fall, the sensitivity of the margin with respect to 2021 remains stable, while scenarios where rates rise have the opposite effect.

The Group's average and maximum repricing maturity are provided below as a main conclusion.

Table 63: Sections (1) (2) of the Template EU IRRBBA – Disclosure of the average and longest repricing maturity assigned to non-maturity deposits

Disclosure of the average and longest repricing maturity assigned to non-maturity deposits			
(months)	Average repricing maturity		Longest repricing maturity
	Core volume	Total volume	Total volume
Retail	60	50	60
Non-financial wholesale	80	42	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 materialises 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 December 31, 2022:

- Ratio Credit on Deposits (Loans to Deposits) of 78.36%.
- Drawn balance on ECB policy as a percentage of total assets (net of ECB account balance) with a level of 0%.
- Available Liquidity on Total Assets, with a value of 25.72%.
- Wholesale Funding Ratio (percentage of wholesale funding over total assets) at 10.46%.
- Survival horizon (period the Entity can withstand liquidity outflows in a prolonged adverse scenario) greater than 180 days.

As of December 31, 2022, the Group's available liquidity amounted to 13,345 million euros (15,250 million euros on December 31, 2021), and issuance capacity 6,880 million euros (8,776 million euros on December 31, 2021). Thus, total availability stands at 20,225 million euros (24,027 million euros on December 31, 2021), a decrease of 3,801 million euros compared with the end of last year. During 2022, wholesale maturities were serviced for a nominal amount of 68 million euros: mortgage covered bonds (19 million euros), securitisation bonds owned by third parties (49 million euros).

A breakdown of available liquidity is given below:

Table 64: Breakdown of available liquidity  
Breakdown of available liquidity

(thousands of euros)	2022	2021
Cash and Central Banks	1,351,694	6,183,416
Available in policy	5,798,903	1,050,679
Eligible out-of-policy assets	5,838,121	7,590,280
Other marketable assets not eligible for the Central Bank	356,274	425,796
<b>Accumulated available balance</b>	<b>13,344,992</b>	<b>15,250,171</b>



The collateral policy with the ECB includes pledged assets for the discounted value of 5,799 million euros on December 31, 2022 (6,938 million euros on December 31, 2021), of which, as of December 31, 2022, nothing is available, therefore, there is a large amount available that can be accessed to meet 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 33,417 million euros, of which 85% correspond to stable balances.
- The entity has collateral financing of 2,300 million euros, of which 2,198 million euros are contracted with central counterparties.
- Wholesale issues for 3,218 million euros, characterised by the diversification of their maturities.
- Deposits from Group financial institutions of 520 million euros.
- Deposits from other customers of 3,355 million euros, 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, 2022, and December 31, 2021:

Table 65: 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
<b>ASSETS</b>							
Deposits with credit institutions	60,033	2,932	53,128	-	-	114,141	230,234
Loans to other financial institutions	-	42	1,022	497	15,189	34,158	50,908
Temporary acquisitions of securities and lending of securities	-	1,386,313	227,033	-	-	-	1,613,345
Loans (includes past due, doubtful, failed, and foreclosed)	-	891,033	1,289,041	2,685,033	7,826,152	17,427,846	30,119,104
Settlement of securities portfolio	-	-	261,833	16,897	5,332,704	078,871	10,690,306
Hedging derivatives	-	-	-6,112	-24	54,692	122,562	171,119
Trading derivatives	-	-	-	-	-	-	-
Interest margin	-	68,588	129,492	711,652	-	-	909,732
<b>Total on December 31, 2022</b>	<b>60,033</b>	<b>2,348,908</b>	<b>1,955,437</b>	<b>3,414,055</b>	<b>13,228,737</b>	<b>22,777,579</b>	<b>43,784,747</b>
<b>Total on December 31, 2021</b>	<b>35,825</b>	<b>2,623,735</b>	<b>1,454,596</b>	<b>3,043,243</b>	<b>12,162,141</b>	<b>23,213,766</b>	<b>42,533,307</b>
<b>LIABILITIES</b>							
Wholesale issues	-	2,932	5,708	949,458	2,160,110	99,561	3,217,768
Deposits from credit institutions	6,264	12,074	290	-	-	2,369	20,997
Deposits from other financial institutions and organisations	654,947	-77,424	300	39,785	-	-	617,608
Deposits from large non-financial companies	140,532	-	-	-	-	-	140,532

Financing of the rest of the clientele	34,708,821	244,732	357,712	1,267,609	187,530	4,938	36,771,342
Funds for mediation credits	-	2,567	2,586	16,209	54,920	20,499	96,781
Financing with securities collateral	-	2,299,633	-	-	-	-	2,299,633
Other net outflows	-	31,869	50,128	275,272	25,653	47,610	430,532
Hedging derivatives	-	8,917	2,669	71,047	179,764	-	262,396
Formalised loans pending disbursement	-	455,160	-	-	-	-	455,160
Commitments available from third parties	3,180,128	-	-	-	-	-	3,180,128
Financial guarantees issued	8,910	2,986	361	2,840	3,457	1,446	20,001
<b>Total on December 31, 2022</b>	<b>38,699,602</b>	<b>2,983,446</b>	<b>419,754</b>	<b>2,622,220</b>	<b>2,611,434</b>	<b>176,423</b>	<b>47,512,878</b>
<b>Total on December 31, 2021</b>	<b>37,766,108</b>	<b>1,383,325</b>	<b>651,200</b>	<b>1,869,589</b>	<b>8,971,462</b>	<b>367,631</b>	<b>51,009,315</b>
<b>Gap of the period 2022</b>	<b>-38,639,569</b>	<b>-634,538</b>	<b>1,535,683</b>	<b>791,835</b>	<b>10,617,303</b>	<b>22,601,155</b>	<b>-</b>
<b>Gap of the period 2021</b>	<b>-37,730,283</b>	<b>1,240,411</b>	<b>803,396</b>	<b>1,173,654</b>	<b>3,190,679</b>	<b>22,846,135</b>	<b>-</b>
<b>Accumulated gap (without on-demand savings) 2022</b>	<b>-</b>	<b>-634,538</b>	<b>901,145</b>	<b>1,692,980</b>	<b>12,310,282</b>	<b>34,911,438</b>	<b>-</b>
<b>Accumulated gap (without on-demand savings) 2021</b>	<b>-</b>	<b>1,240,411</b>	<b>2,043,807</b>	<b>3,217,461</b>	<b>6,408,140</b>	<b>29,254,275</b>	<b>-</b>

*\*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.

Regarding 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 2022, there were no amounts affected by the downgrade of one notch in the rating.
- Derivative liabilities for 312 million euros, which have required the provision of additional guarantees for 314 million euros, as well as asset derivatives for 2 million euros, for which additional guarantees have been received for 2 million euros. Additionally, those made by the camera have required additional guarantees for 199 million euros.
- Securities collateral financing of 2,282 million euros, which required the provision of additional guarantees of 332 million euros in cash (guarantees include both disposals and temporary acquisitions of assets).
- International operations with cards with CECA, require the provision of 11 million euros in fixed income guarantees.
- The coverage of principal and interest maturities of the next 6 months of mortgage bonds requires a contribution of guarantees of 68 million euros in fixed income.

In addition, 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 summarised 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 securitised 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 2022

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, 2022 amounts to 306% (452% on December 31, 2021), while the NSFR (Net Stable Funding Ratio) on December 31, 2022 stands at 153% (152% on December 31, 2021).

The values for each quarter of 2022 and 2021, on a consolidated basis, are shown below:

Table 66. Quarterly evolution of the LCR - values on March 31

(millions of euros)		
Quarter end date	31-Mar-22	31-Mar-21
Liquidity buffer	13,594	13,091
Total net cash outflow	3,074	3,076
Liquidity Coverage Ratio (%)	442%	425%

Table 67: Quarterly evolution of the LCR - values on June 30

(millions of euros)		
Quarter end date	30-Jun-22	30-Jun-21
Liquidity buffer	13,682	13,414
Total net cash outflow	3,140	3,080
Liquidity Coverage Ratio (%)	436%	436%

Table 68: Quarterly evolution of the LCR - values on September 30

(millions of euros)		
Quarter end date	30-Sep-22	30-Sep-21
Liquidity buffer	13,614	13,416
Total net cash outflow	3,188	3,067
Liquidity Coverage Ratio (%)	427%	438%

Table 69: Quarterly evolution of the LCR - values on December 31

(millions of euros)		
Quarter end date	31-Dec-22	31-Dec-21
Liquidity buffer	12,858	13,493
Total net cash outflow	3,223	3,077
Liquidity Coverage Ratio (%)	400%	439%

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 2022.

Throughout the last quarters, the level of weighted liquid assets has been maintained (except the last one), from 13,594 million euros (average data for the last 12 months as of March 2022) to 13,614 million euros, average data for the last 12 months as of September 2022), decreasing as of December 2022 to 12,858 million euros. The level of real liquid assets as of December 31, 2022, is 10,032 million euros, after the early amortisation of the TLTROs. In the same period, 30-day outflows have increased due to the increase in creditors. That is why the LCR ratio goes from 442% (average of the last 12 months, as of March 2022) to 427% (average of the last 12 months, as of September 2022), decreasing to 400% (average of the last 12 months, as of December 2022) and leaving a real ratio as of December 31, 2022, of 306%.

The most influential factors in the result of the LCR are, on the one hand, the level of liquid assets that the entity has, which has been maintained throughout the last quarters (except the last one, due to the early amortisation of the TLTROs), and on the other, the amount of deposits from creditors, which influence 30-day outflows, and which has been increasing throughout this period.

The main source of financing is the bank's creditors, mainly retail and with stable balances. The ECB policy (TLTROs) has ceased to be one of the important sources of financing, since as of December 2022 it is no longer used.

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 guarantee.

Table 70: Template EU LIQ1 – Quantitative Information of LCR

Liquidity Coverage Ratio (LCR)									
(thousands of euros)		a	b	c	d	e	f	g	h
		Total unweighted value (average))				Total weighted value (average)			
EU 1a	Scope of consolidation: Consolidated	Dec-22	Sep-22	Jun-22	Mar-22	Dec-22	Sep-22	Jun-22	Mar-22
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)					12,857,746	13,614,354	13,682,494	13,593,768
	Cash – Outflows								
2	Retail deposits and deposits from small business customers, of which:	33,179,239	33,066,236	32,763,562	32,419,876	1,899,665	1,890,912	1,870,177	1,848,673
3	Stable deposits	28,365,178	28,314,232	28,123,588	27,866,296	1,418,259	1,415,712	1,406,179	1,393,315
4	Less stable deposits	4,814,061	4,752,004	4,639,973	4,553,580	481,406	475,200	463,997	455,358
5	Unsecured wholesale funding	4,034,359	3,938,969	3,879,941	3,776,872	1,410,056	1,387,294	1,372,352	1,336,010
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	1,465,146	1,390,520	1,322,016	1,231,926	366,287	347,630	330,504	307,982
7	Non-operational deposits (all counterparties)	2,559,201	2,541,029	2,551,802	2,544,338	1,033,758	1,032,244	1,035,725	1,027,421
8	Unsecured debt	10,012	7,419	6,123	608	10,012	7,419	6,123	608
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	2,146,440	2,205,436	2,290,460	2,346,468	246,689	247,977	242,950	237,350
11	Outflows related to derivative exposures and other collateral requirements	98,677	98,677	83,524	70,545	98,677	98,677	83,524	70,545
12	Outflows related to loss of funding on debt products	340	1,367	2,632	3,529	340	1,367	2,632	3,529
13	Credit and liquidity facilities	2,047,423	2,105,393	2,204,305	2,272,394	147,673	147,933	156,794	163,276
14	Other contractual funding obligations	-	-	-	-	-	-	-	-
15	Other contingent funding obligations	1,806,248	1,788,499	1,775,491	1,766,424	143,903	117,572	104,125	95,800
16	Total cash outflows					3,700,314	3,643,755	3,589,603	3,517,833
	Cash – Inflows								
17	Secured lending (e.g. reverse repos)	1,541,943	1,544,380	1,556,739	1,562,158	-	-	1	1
18	Inflows from fully performing exposures	893,527	857,653	820,517	793,685	465,574	445,668	428,848	418,035
19	Other cash inflows	59,675	51,109	104,737	128,201	11,935	10,222	20,947	25,640
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	2,495,145	2,453,142	2,481,993	2,484,045	477,509	455,890	449,797	443,676
20	Fully exempt inflows	-	-	-	-	-	-	-	-
EU 20a	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
	Inflows subject to 75% cap	2,495,145	2,453,142	2,481,993	2,484,045	477,509	455,890	449,797	443,676
	Total adjusted value								
EU 20b	Liquidity buffer					12,857,746	13,614,354	13,682,494	13,593,768
	Total net cash outflows					3,222,805	3,187,865	3,139,806	3,074,156
EU 20c	Liquidity coverage ratio (%)					399.51%	427.29%	435.93%	442.25%

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 71: 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	3,158	-	-	500	3,658
2	Own funds	3,158	-	-	500	3,658
3	Other capital instruments		-	-	-	-
4	Retail deposits		32,247	654	176	31,196
5	Stable deposits		27,647	524	146	26,909
6	Less stable deposits		4,601	130	30	4,287
7	Wholesale funding:		6,549	720	1,337	3,727
8	Operational deposits		584	2	94	363
9	Other wholesale funding		5,965	717	1,243	3,365
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	421	2,801	-	-	-
12	NSFR derivative liabilities	421				
13	All other liabilities and capital instruments not included in the above categories		2,801	-	-	-
14	Total available stable funding (ASF)					38,581
Required stable funding (RSF) items						
15	Total high-quality liquid assets (HQLA)					59
EU-15a	Assets encumbered for more than 12m in cover pool		-	-	-	-

16	Deposits held at other financial institutions for operational purposes		116	-	114	172
17	Performing loans and securities:		3,681	1,638	23,539	20,178
18	Performing securities financing transactions with financial customers collateralised 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		1	-	49	50
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		2,177	775	8,018	8,270
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		-	2	29	3
22	Performing residential mortgages, of which:		1,502	862	15,084	11,499
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		1,502	862	15,084	11,499
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		-	-	387	360
25	Interdependent assets					
26	Other assets	-	566	-	4,744	4,860
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs			112		95
29	NSFR derivative assets			-		-
30	NSFR derivative liabilities before deduction of variation margin posted			421		21
31	All other assets not included in the above categories		33	-	4,744	4,744
32	Off-balance sheet items		-	-	-	-
33	<b>Total RSF</b>					<b>25,269</b>
34	<b>Net stable funding ratio (%)</b>					<b>152.68%</b>

(\*) For column (e) "Weighted value" the mapping for rows 20-23 has not been followed in order to be consistent with the values reported in columns b-d.

## 12.2 - Liquidity and financing perspective

The following table shows the maturities of the long-term wholesale financing on December 31, 2022:

Table 72: Maturities of wholesale financing

Maturities of wholesale financing							
(thousands of euros)	On demand	1 month	1-3 months	3 months – 1 year	1-5 years	>5 years	Total
Senior debt	-	-	-	-	550,000	-	550,000
State-guaranteed debt	-	-	-	-	-	-	-
Subordinate and preferential	-	-	-	350,000	500,000	-	850,000
Mortgage and territorial bonds and certificates	-	-	-	575,000	1,006,026	-	1,581,026
Securitisations	-	2,932	5,708	24,458	104,084	99,561	236,742
Promissory notes and certificates of deposit	-	-	-	-	-	-	-
<b>Wholesale emissions</b>	-	<b>2,932</b>	<b>5,708</b>	<b>949,458</b>	<b>2,160,110</b>	<b>99,561</b>	<b>3,217,768</b>
<b>Long-term securities collateral financing</b>	-	-	-	-	-	-	-
<b>Expiry dates of the period</b>	-	<b>2,932</b>	<b>5,708</b>	<b>949,458</b>	<b>2,160,110</b>	<b>99,561</b>	<b>3,217,768</b>
<b>Accumulated maturities</b>	-	<b>2,932</b>	<b>8,640</b>	<b>958,098</b>	<b>3,118,207</b>	<b>3,217,768</b>	

Wholesale issues appear net of treasury stock. However, multi-creditor 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 (13,345 million euros), the Entity could cover the total maturities of long-term wholesale financing (3,218 million euros). In addition, it has an issuance capacity of 6,880 million euros (total availability of 20,225 million euros).



# 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 collateralise 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.

All repos are covered by State Debt. The bonds, which are not in treasury stock, are backed by eligible, healthy loans and up to date with payments. Third-party securitisations are also backed by eligible, healthy and up-to-date loans.

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 73: Template EU AE1 - Encumbered and unencumbered assets

Encumbered and unencumbered assets								
(thousands euros)	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
	010	of which notionally eligible EHQLA and HQLA	040	of which notionally eligible EHQLA and HQLA	060	of which EHQLA and HQLA	090	of which EHQLA and HQLA
		030		050		080		100
<b>010 Assets of the reporting institution</b>	<b>10,771,170</b>	<b>4,337,223</b>			<b>42,754,443</b>	<b>12,066,054</b>		
<b>030 Equity instruments</b>	-	-	-	-	283,798	110,184	283,798	110,184
<b>040 Debt securities</b>	4,355,472	4,337,223	4,224,955	4,207,054	7,274,155	7,094,889	6,886,771	6,708,256
<b>050 of which: covered bonds</b>	22,123	22,123	21,002	21,002	4,077	4,077	3,890	3,890
<b>060 of which: securitisations</b>	158,037	158,037	150,881	150,881	29,121	29,121	27,804	27,804
<b>070 of which: issued by general governments</b>	4,301,809	4,301,809	4,172,470	4,172,470	7,201,009	7,072,089	6,814,510	6,685,591
<b>080 of which: issued by financial corporations</b>	39,498	22,123	37,514	21,002	27,485	4,766	27,209	4,579
<b>090 of which: issued by non-financial corporations</b>	11,991	11,602	11,725	11,336	49,515	18,757	48,546	18,723
<b>120 Other assets</b>	5,876,964	-			35,278,664	5,458,787		

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:

Table 74: 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
	010	030	040	060
<b>130 Collateral received by the disclosing institution</b>	-	-	<b>1,469,111</b>	<b>1,452,648</b>
<b>140 Loans on demand</b>	-	-	-	-
<b>150 Equity instruments</b>	-	-	-	-
<b>160 Debt securities</b>	-	-	1,469,111	1,452,648
<b>170 of which: covered bonds</b>	-	-	-	-
<b>180 of which: securitisations</b>	-	-	-	-
<b>190 of which: issued by general governments</b>	-	-	1,469,111	1,452,648
<b>200 of which: issued by financial corporations</b>	-	-	-	-
<b>210 of which: issued by non-financial corporations</b>	-	-	-	-
<b>220 Loans and advances other than loans on demand</b>	-	-	-	-
<b>230 Other collateral received</b>	-	-	-	-
<b>240 Own debt securities issued other than own covered bonds or securitisations</b>	-	-	-	-
<b>241 Own covered bonds and securitisations issued and not yet pledged</b>			762,495	-
<b>250 Total collateral received and own debt securities issued</b>	<b>10,771,170</b>	<b>4,337,223</b>		

Table 75: 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
	010	030
<b>010 Carrying amount of selected financial liabilities</b>	<b>9,485,057</b>	<b>10,771,170</b>

The total value of the encumbered assets and collateral received is 10,771,170 thousand euros. Approximately half of the encumbered assets correspond to loans and credits. For the most part, these are mortgage loans that act as underlying in mortgage-backed bonds and securitisation bonds, whether they are sold to third parties or retained in treasury stock.

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, 3,692,201 thousand euros 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. 9,485,057 thousand euros and include mortgage bonds, ECB policy drawdowns and financing through fixed-income repurchase agreements. To a lesser extent, securitisation bonds and passive derivatives with collateral requirements.

In November 2022, the early amortisation of the TLTROs was carried out, with which there is no balance drawn down in the BCE policy. Overall, there is a significant reduction in assets and guarantees received with charges. The percentage of encumbered assets over total assets and guarantees received is 19.59% as of December 31, 2022, expressed in average annual terms.



# 14

## LEVERAGE



## 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.

With the aim of reducing 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, 2022, the Group has a leverage ratio of 5.54%.

### 14.2 - Breakdown of total exposure measure

The leverage ratio calculation takes the following into consideration.

- 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, 2022, according to the “LRCom” and “LRSpl” templates defined in Annex I of the Implementing Regulation (EU) 200/2016 is presented below:

Table 76: 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)		
		a
	(thousands of euros)	CRR leverage ratio exposures
<b>EU-1</b>	<b>Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:</b>	<b>45,990,325</b>
<b>EU-2</b>	Trading book exposures	-
<b>EU-3</b>	Banking book exposures, of which:	45,990,325
<b>EU-4</b>	Covered Bonds	-
<b>EU-5</b>	Exposures treated as sovereigns	14,005,166
<b>EU-6</b>	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	798,485
<b>EU-7</b>	Institutions	455,433
<b>EU-8</b>	Secured by mortgages of immovable properties	18,099,240
<b>EU-9</b>	Retail Exposures	3,698,642
<b>EU-10</b>	Corporates	3,954,243
<b>EU-11</b>	Exposures in default	312,310
<b>EU-12</b>	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	4,666,806

Table 77: Template EU LR2 - LRCom: Leverage ratio common disclosure

Leverage Ratio Common Disclosure		
(miles de euros)	CRR leverage ratio exposures	
	a	b
	Dec-22	Jun-22
<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>		
1 On-balance sheet items (excluding derivatives, SFTs, but including collateral)	46,304,122	52,435,940
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)	-313,797	-306,227
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)	-484,233	-488,797
7 <b>Total on-balance sheet exposures (excluding derivatives and SFTs)</b>	<b>45,506,092</b>	<b>51,640,915</b>
<b>Derivatives Exposures</b>		
8 Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	35,432	14,114
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	62,560	209,266
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 <b>Total derivatives exposures</b>	<b>97,992</b>	<b>223,380</b>

Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	1,613,345	1,624,566
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	1,613,345	1,624,566
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	4,450,650	4,468,262
20	(Adjustments for conversion to credit equivalent amounts)	-3,397,407	-3,393,446
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	-
22	Off-balance sheet exposures	1,053,243	1,074,816
Excluded exposures			
EU-22a	(Exposures excluded from the 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 (or units) - Public sector investments)	-	-
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-
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-22i	(Excluded CSD related services of designated institutions in accordance with point (p) 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	2,672,796 2,682,826
24	Total exposure measure	48,270,672 54,563,677
Leverage ratio		
25	Leverage ratio	5.54% 4.92%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	5.54% 4.92%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	5.54% 4.92%
26	Regulatory minimum leverage ratio requirement (%)	3.00% 3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00% 0.00%
EU-26b	of which: to be made up of CET1 capital (percentage points)	0.00% 0.00%
27	Leverage ratio buffer requirement (%)	0.00% 0.00%
EU-27a	Overall leverage ratio requirement (%)	3.00% 3.00%
Choice on transitional arrangements and relevant exposures		
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Yes Yes
Disclosure of mean values		
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	53,939 53,954
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	1,613,345 1,624,566
30	Total exposure measure (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)	46,711,265 52,993,065
30a	Total exposure measure (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)	46,711,265 52,993,065
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)	5.72% 5.06%
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) <sup>4</sup>	5.72% 5.06%

## 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 on December 31, 2022, in accordance with the "LRSum" template defined in Annex I of the Implementing Regulation (EU) 200/2016:

Table 78: 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	54,360,706
2 Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-6,219,028
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 banks (if applicable))	-
5 (Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with 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	-126,219
9 Adjustment for securities financing transactions (SFTs)	-
10 Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	1,053,243
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 total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-11b (Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
12 Other adjustments	-798,030
13 <b>Total exposure measure</b>	<b>48,270,672</b>

## 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 "LRA" 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, 2022, 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 been slightly decreased from 6.01% on December 2021 to 5.54% in December 2022.

During 2022, the Tier 1 capital base has slightly decreased by 97 million euros (3.50% in relative terms), mostly justified by the loss of value of financial assets valued at fair value caused by the adverse performance of financial markets experienced in 2022. Meanwhile, the exposure value has increased by 2,199 million euros (5% in relative terms), mostly due to the completion on March 31, 2022, of the temporary exclusion of certain exposures to central banks from the exposure measure of the leverage ratio in view of the COVID-19 pandemic. Article 500 of the 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 June 28, 2021, when competent authorities determine that exceptional circumstances 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 economies of the euro area and the bank transmission channel of monetary policy justified the application of this exclusion in order to facilitate the implementation of monetary policy. The ECB has already communicated that this exemption has been abolished from March 2022. As shown above, Ibercaja's leverage ratio, without taking into account the exemption from not calculating the exposure in central banks, is well above the required 3% and remains, even in the contemplated projections, within the declared risk appetite levels.

# 15

## ESG RISKS

## 15. ESG Risks

This section covers the requirements for disclosure of information on environmental, social and governance risks: Table 1 – Qualitative information on environmental risk; Table 2 - Qualitative information on social risk and Table 3 - Qualitative information on governance risk.

### 15.1 – Business model and strategy

Ibercaja, aware of its role in the transition towards a sustainable world, contemplates in its strategy decisions the impact that its activities will have on the environment and society, and assumes the challenge that business objectives promote sustainable development, preserving natural resources and promoting a more fair and inclusive society.

The Entity signed the United Nations Principles for Responsible Banking (PBR) in November 2019, becoming part of a coalition of banks worldwide whose purpose is to promote and favour the sustainable development of the economy, aligning the actions of the banks with the Paris Agreement and the achievement of the Sustainable Development Goals (SDG) of the 2030 Agenda, to which the Entity is also committed.

By signing these Principles and through its Sustainability Policy, the Entity maintains its commitment to align its commercial strategy with long-term objectives, which not only allow economic growth, but also face and contribute to responding to the challenges social and environmental, identifying their greatest potential contribution.

Within the Ibercaja Strategic Plan defined for 2021-2023, “*Desafío 2023*”, a new initiative is developed “*Propósito y Sostenibilidad*”, which has a specific line of work for ESG risk management, coinciding with one of the axes of its sustainability strategy, with the aim of incorporating ESG risks into global risk management frameworks, as well as into existing risk policies and procedures, proving response to supervisory expectations and acquired commitments. Likewise, Ibercaja is working on the incorporation of ESG criteria, and specifically climatic and environmental factors, in the Budget and Business Plan of the Entity. Social factors will be incorporated in the long term, after the definition of a new roadmap that meets supervisory requirements as the regulatory framework evolves.

In 2022, new training sessions have been included within the internal training Sustainability Program, accompanying the development of the strategic initiative “*Propósito y Sostenibilidad*”, in order to transfer to all the people of the Entity its commitment to sustainability and provide them with the necessary tools for the integration of ESG aspects in their professional decisions.

Another of the axis on which Ibercaja’s sustainability strategy is based, affects the protection of the environment and its resources, favouring mitigation and adaptation to climate change and the development of a more inclusive society based on equal opportunities.

In 2021 Ibercaja carried out a materiality study with the aim of identifying priority financial, economic, social and environmental issues for its stakeholders and for its business, determining what information should be reported and how should it be dimensioned. The assessment of ESG issues, which were identified as priorities, was carried out through a materiality matrix that reflects how all issues that are characterised as having a “very high” priority, both for the Bank and for its stakeholders, coincide with the strategic objectives of Ibercaja. Among these topics the following features can be identified:

- Strategic aspects related to the generation of value for clients and shareholders, as well as an increase in transparency towards all stakeholders.
- The maintenance of the highest standards in ethics, integrity and corporate culture of the Bank and the high demand regarding regulatory compliance and risk management.
- Digital transformation, transparency, communication and excellence in customer service, as well as the total guarantee of data privacy.
- The integration into the business and risk management of ESG aspects and, specifically, those related to climate change.

Additionally, the following are identified among the topics classified as “high” priority:

- Commitment to Society and respect for Human Rights.
- The attraction and development of the best talent.
- Implementation of diversity, equality and conciliation policies.
- Creation of products with high social and/or environmental value.

In 2022, Ibercaja has carried out a qualitative analysis of its impacts taking into account the double materiality approach with the aim of assessing the impacts, both potential and real, generated by the Bank on the environment and society, as well as the impacts the environment can have in the business and in the company.

The materiality study of interest groups, together with the assessment and analysis of the importance of the impacts generated by the Bank in the issues identified as priorities, will be updated periodically.

In order to respond to the environmental commitment and the supervisory expectations regarding the management of climate-related and environmental risks of the ECB, the Entity has updated the analysis of the impacts of climatic factors in the financial year of 2022. Said analysis focuses on its main areas of activity and on those economic sectors in which it has a greater presence. The analysis has focused on two large segments of Ibercaja’s portfolio: mortgage portfolio and segment of productive activities of the credit portfolio.

This exercise will continue to be updated on an annual basis in order to analyse the evolution of weather-related risks and their impact on the Entity’s portfolio.

Likewise, Ibercaja is a signatory to the *Task Force on Climate-Related Financial Disclosures* (hereinafter, TCFD), as well as to the *Net Zero Banking Alliance* (hereinafter, NZBA) as a founding member. These agreements are related to Ibercaja’s objective of promoting activities that take into account environmental and climate risks and their integration into the Entity’s business model and strategy.



In relation to the commitment to act in order to achieve the decarbonisation of the economy, the Entity has established sectoral decarbonisation paths, through the selection of decarbonisation scenarios based on the criteria established by the NZBA. Ibercaja is committed to achieving zero emissions by 2050, for which it has defined intermediate objectives for the year 2030 in three sectors that have been determined according to their relevance in the Entity's credit portfolio, intensity of GHG emissions and availability, quality and granularity of the data.

Said objectives have been jointly defined by the Credit Risk Area Departments, the Business Banking Network and the Brand, Reputation and Sustainability Department, and must be reviewed and, if necessary, modified at least every five years to guarantee consistency with the latest scientific advances. Ibercaja will define its 2023 Action Plan in line with the decarbonisation commitments adopted for 2030.

Ibercaja also maintains a clear social vocation in the development of its activity from its origin, focused on supporting the territory, the business fabric and the most vulnerable groups. The Entity is a signatory to the 10 principles of the United Nations Global Compact and continues to advance to respond to the growing needs linked to sustainability.

On the one hand, because of its commitment to the 2030 Agenda, Ibercaja has identified a series of SDGs to which its activity can contribute substantially through concrete actions; its progress is reported on an annual basis. In 2018, the Entity carried out a materiality analysis of the SDGs to identify those Objectives in which it has the greatest capacity to influence. The result of the analysis concluded that Ibercaja has a greater capacity to contribute to the progress of seven SDGs: good health and well-being; quality education; gender equality; decent work and economic growth; industry, innovation, and infrastructure; climate action; and partnerships for the goals. In 2022, the projects carried out by Ibercaja during the year and the actions implemented with the aim of expanding their impact on the SDGs have been analysed, assessing their path and scope.

On the other hand, the Entity is firmly committed to carrying out its activity responsibly, respecting and promoting human rights (DDHH) as a fundamental part of its strategy. In addition to being adhered to related international initiatives, such as the United Nations Global Compact, the defence of Human Rights is a key principle of action included in both its Sustainability Policy and its Code of Ethics.

Regarding the fight against corruption and bribery, Ibercaja has a criminal risk prevention system to limit the risk of commission of actions by members of the organisation that may constitute crimes in this area. The Entity also has an internal control system to prevent and disrupt operations that may be related to money laundering or the financing of terrorist activities.

In this sense, Ibercaja has a Supplier Code of Conduct, in which it transfers its principles of responsible management, with a focus on social aspects, in which interaction and dialogue are key aspects to promote a stable and enriching relationship with its suppliers, based in ethics, transparency and compliance with agreed commitments. In Ibercaja's commercial contracts with its suppliers, they undertake to accept the principles of the United Nations Global Compact on Human Rights, Labour Rights, Environmental Protection and Anti-corruption, committing Ibercaja to adopt, in their organisation, the measures that are favourable to the fulfilment of these and to promote, among the third parties with whom it contracts, the fulfilment of the mentioned principles.

With the aim of advancing in the achievement of its sustainable business objectives (both environmental and social), Ibercaja works to adapt its offer to respond to these needs, promoting business models and sustainable practices, raising awareness among customers in their necessary transition towards the decarbonisation of the economy and identifying their preferences in the field of sustainability.

In this regard, the Entity has expanded its range of products, investment and financing. In the financing products, aimed at the business segment, there is a wide offer aimed at supporting accessibility and improvement of energy efficiency in homes, sustainable mobility and access to the *Next Generation EU* aid. The +Sustainable Mortgage has recently been added to this offer, aimed at financing homes with an A or B energy rating, and therefore, further removed from the transitional climate risks. With the aim of achieving an ideal investment proposal for each client, whatever their investor profile, throughout 2022 five new ESG investment funds have been incorporated, a new sustainable pension scheme and a Systematic Individual Savings Plan (PIAS for its acronym in Spanish) that it also follows sustainable criteria in the selection of its investment.

In this line, Ibercaja is working on the development of metrics to determine the volume of sustainable financing and monitor environmentally and socially eligible products. Likewise, the Entity has calculated that close to 50% of its assets exposed to economic activities are eligible in relation to the objectives of mitigation and adaptation to climate change, considering the technical criteria included in Regulation 2020/852 on Taxonomy. Moreover, Ibercaja has begun to work on calculating a new ratio for the identification of environmentally friendly assets aligned with the Taxonomy for financing “green” activities (GAR).

The Entity has planned for year 2023 the development of an internal exercise to identify sustainable operations that allows the establishment of objectives in terms of environmental and social risks.

Lastly, to create permanent and continuous communication over time with the rest of the interest groups that reinforces the Ibercaja Group’s commitment to sustainability and transparency, the II Ibercaja Planet Week was held in October 2022, coinciding with the International Day Against Climate Change. The objective was to accompany customers, employees and society on the path to sustainability, creating constant communication and thus achieving wide dissemination and impact on customers, employees and society. In this second edition, with a focus on social aspects, different business conferences, round tables, volunteer actions, publications on sustainability blogs, contests, eco-advice, etc. were organised with a national scope, thus achieving wide spreading and repercussions in the media.

## 15.2 – Governance

The Ibercaja Group’s commitment to sustainable growth was endorsed with the approval, in December 2020 by the Board of Directors of Ibercaja Banco, of the Sustainability Policy. This document includes said commitment and establishes the global framework for action in terms 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. Thus, Ibercaja will continue working on:

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



- Analysing climate and environmental risks, their impact on clients and their financial activity, for their gradual integration in compliance with regulatory requirements.
- Transparently communicating progress in environmental sustainability, 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 the fight against climate change, working on their implementation.

The Board of Directors is conferred as the highest level body in the Entity's governance model, whose job is to ensure Ibercaja's progress in sustainability; has reviewed and approved the necessary elements to advance in the Entity's sustainable and responsible planning: Thus, in 2018 it approved the Code of Ethics, which contains the seven ethical principles that govern the actions of the Ibercaja Group; It also agreed on and approved the corporate Purpose, which focuses on a shared inspirational objective: "To help people build the story of their lives, because it will be our story."

Ibercaja has a governance framework that enables it to effectively manage sustainability and assist the execution of the PBRs, which it has signed:

- Brand, Reputation and Sustainability Department, reporting directly to the CEO, in charge of promoting, defining, and coordinating Ibercaja Banco's sustainability strategy, collaborating with the areas involved in its implementation.
- Reputation and Sustainability Committee, at management level and chaired by the CEO, in charge of validating and supervising the Entity's Sustainability Strategy, as well as monitoring and approving the necessary measures to advance the integration of sustainability in Ibercaja. This Committee also has the task of monitoring the implementation of the Principles of Responsible Banking.
- Board of Directors, ultimately responsible for the approval and promotion of the Sustainability Policy; has the support of the Strategy Commission, in charge of supervising the Sustainability Policy.

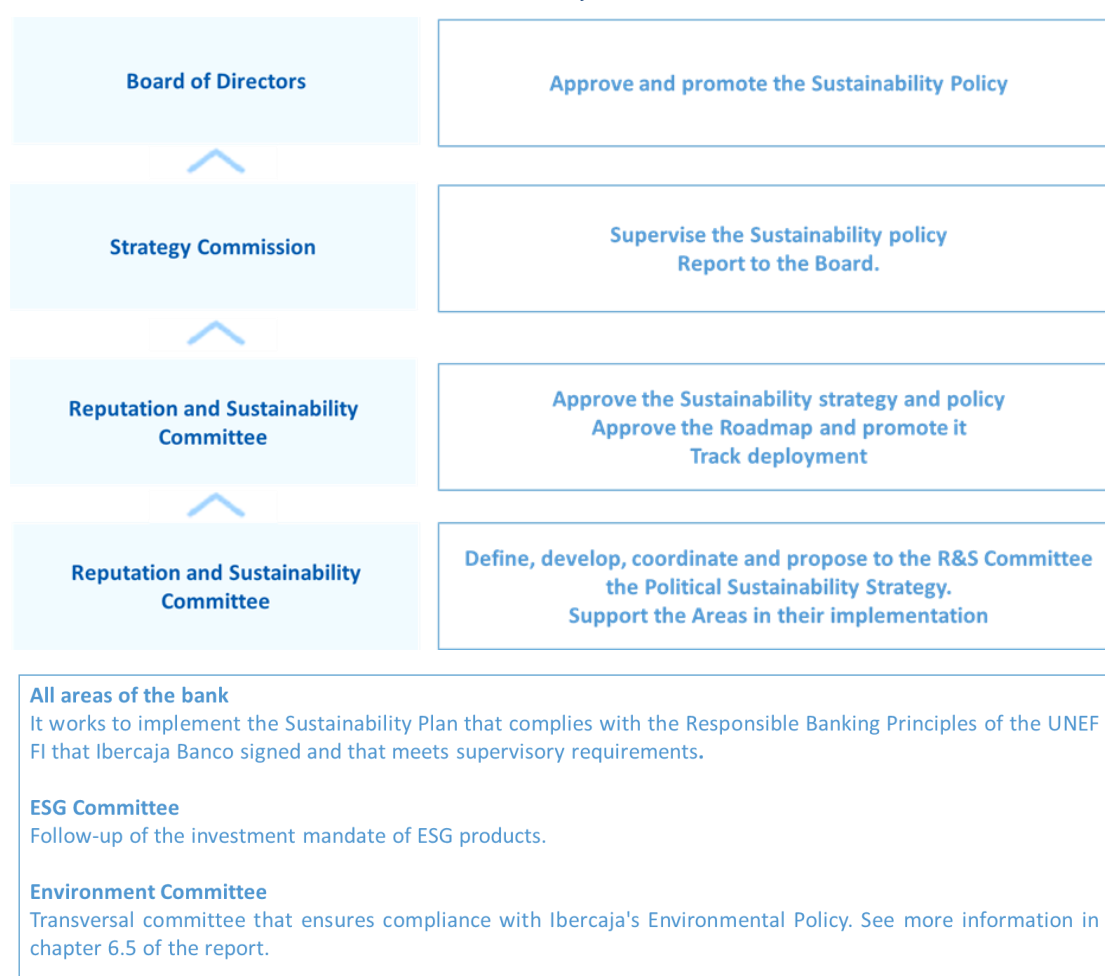
Within the Purpose and Sustainability Initiative, Ibercaja has the Management Committee as a sponsor to integrate the Corporate Purpose into its culture and sustainability into the Organisation's strategy. Guaranteeing its commitment to the PBR requires the design of an effective governance structure and the promotion of a responsible banking culture. Therefore, the Entity is working with transversal and multidisciplinary teams, with the previous Committees and the following Working Groups:

- Sustainability work team, cross-sectional team made up of different Areas of the Entity for the implementation of the global strategic sustainability project, which is developed through six specific challenges.
- Environmental Committee, responsible for supervising and complying with the Entity's environmental management system and promoting environmental awareness and protection initiatives.
- EFR Committee, is in charge of promoting conciliation management, which promotes the balance between personal, family and work life under the so-called "EFR plan".

- Editorial Committee, of a transversal nature, aims to define messages, plan content and channels, to achieve a greater reach and effectiveness of this communication, including everything related to sustainability.

Based on this assignment of tasks and responsibilities, the sustainability governance scheme has its basis on the work of all the Bank's Departments and the different working groups. Specifically, the Department of Marketing and Digital Strategy Area has a specific unit, the Sustainable Finance Unit, whose task is to promote the ESG business strategy. The sustainability project is coordinated by the Brand, Reputation and Sustainability Department, which, in turn, reports progress and proposals to the Reputation and Sustainability Committee. The approval of the proposed strategies and roadmap corresponds to the Strategy Committee, with the Board of Directors being ultimately responsible for the approval and promotion of the Entity's Sustainability Policy.

Illustration 14: Sustainability Governance Scheme



## A) Sustainability strategy:

As coordinator of the sustainability project at Ibercaja, the Brand, Reputation and Sustainability Department has defined and planned the goals that favour the transition towards a sustainable economy in its Sustainability Policy and the Strategic Plan "Desafío 2023", an action plan that responds to supervisory expectations, regulatory requirements and voluntarily acquired commitments.

The “*Plan Estratégico Desafío 2023*” includes the “*Propósito y Sostenibilidad*” initiative, of a transversal nature, which is based on the objective of “creating a corporate culture aligned with our Purpose and helping to achieve a better world, integrating sustainability into the business (risks and opportunities) and in our way of doing banking”.

This initiative is developed through lines of work in relation to ESG risk management, the sustainable business strategy, communication and reporting, and development of lines of collaboration with shareholder foundations. The work of monitoring the indicators and milestones of the Sustainability Initiative of the 2021-2023 Strategic Plan, coordinated by the Brand, Reputation and Sustainability Department, is carried out periodically by the Steering Committee and the Board of Directors.

The sustainability strategy incorporates among its priorities the identification, management and control of climatic and environmental risks for their progressive incorporation into the Entity’s global risk framework, following a model of three lines of defence:

- The first line is composed by the Areas in charge of identifying and managing risks, including climate risks, as transversal risk factors that have an impact on prudential risks.
- The Risk Control Department and the Regulatory Compliance Department, as a second line of defence, include among their functions those related to climatic risks.
- The Internal Audit Department, as the third line of defence, has among its functions to verify the adequacy and proper functioning of the governance, internal control and ESG risk management systems.

In turn, the Brand, Reputation and Sustainability Department maintains direct contact with the Risk Control and Regulatory Compliance Departments to guarantee exposure to environmental risks according to the analysis of impacts and metrics developed and to ensure a response to all regulatory requirements or from the supervisor in a timely manner.

The lines of action in sustainability and action planning are guided by the following elements:

- Sustainability Policy (2020): it is considered the framework for the development of the sustainability strategy since it defines the principles of sustainability and the Entity’s commitments with its main stakeholders, to promote sustainable and inclusive growth through a gradual development process of different courses of action.
- Environmental Policy (2021): identifies the Entity’s environmental commitments and promotes good practices, in accordance with the principles established in the Sustainability Policy.
- Principles of the Global Compact: Ibercaja has been a signatory to the United Nations Global Compact since 2006, ratifying that its activity is carried out in accordance with these principles.
- Corporate Purpose, as the Entity’s reason for existing and the basis of its corporate strategy, which aligns efforts, inspires, and mobilises action: “Help people build the story of their lives, because it will be our story”.

- Ethical Management Model, made up of the Entity's Code of Ethics, the Ethical Management Manual, with the structure and functions necessary in the entity to put the Code into practice, and the Ethics Channel, as an independent communication channel to report possible breaches of the Code (approved by the Board of Directors).
- Code of Conduct for suppliers, with the aim of conveying them to the commitment to sustainability and involving them in its progress.
- Family conciliation EFR plan, which contains the actions to be developed to promote the balance between personal, family and professional life, in accordance with the proactive management and continuous improvement defined by the Family-Responsible Company (EFR) certification. Ibercaja has obtained the EFR recertification in 2022, thus reinforcing its commitment to the people who are part of the organisation, in accordance with its purpose and corporate values and guaranteeing its continuous evolution, through a standardised management model.

Additionally, Ibercaja has defined in 2023 the ESG Risk Governance Policy to incorporate in a single document the functions and responsibilities of the management bodies in the management of environmental, social and governance risks, as well as the frequency of their actions.

Ibercaja is aware that the ESG risk management is constantly evolving and, therefore, the assignment of functions and responsibilities in environmental, social and governance risks on an individual basis will gradually be incorporated into the Entity's governance systems. Gradually, as progress is made in the identification and management of these risks. This Policy will include in the coming years an analysis of the commitment of the counterparties in social aspects.

## B) Lines and frequency of reporting:

Complying with its commitment to transparency included in the Sustainability Strategy, as well as with the defined communication criteria (diligence, neutrality, and veracity), Ibercaja has an Editorial Committee, of a transversal nature, whose objective is to define messages, plan content and channels, to achieve greater reach and effectiveness of communication activities.

In relation to ESG factors, the Brand, Reputation and Sustainability Department coordinates the information reported to the Reputation and Sustainability Committee to ensure that all progress achieved and improvement proposals to integrate environmental risks are transmitted and approved. social and governance. In turn, Ibercaja informs the different government bodies of the exercises carried out for the correct management of ESG risks, focusing on climatic factors.

In recent years, the Internal Communication Plan on sustainability, launched in 2020, has been implemented with the aim of disclosing Ibercaja's objectives in this area and promoting awareness among the Entity's staff, helping to create a new "culture of sustainability".

Specifically, during 2022, the Brand, Reputation and Sustainability Department, in coordination with the first and second lines of defence, presented for approval the advances in environmental risk management in three sessions held by the Reputation and Sustainability Committee in February, July and December, including:

- Climate risk map
- Progress in the inclusion of ESG aspects in credit risk
- Supervisory requirements on climate risks (Thematic Review and Deep Dive Disclosure).
- Climate stress test results
- Proposal for the integration of climate risks in the Risk Appetite Framework
- Carbon Footprint Strategy: NZBA decarbonisation objectives

In addition, the following aspects related to climate risks were discussed in government bodies:

- Strategy Committee and Board of Directors: Carbon Footprint strategy and NZBA decarbonisation objectives (strategic milestone IN02 Sustainability) and ECB Thematic Review Action Plan on climate risks.
- Large Risk and Solvency Committee and Board of Directors: Proposal for the integration of weather risks in the risk appetite framework.

Beyond the employees, Ibercaja plans actions and content related to the environment and the fight against climate change throughout the year to transmit them to all its stakeholders. It is disclosed through the different horizontal, vertical, ascending and descending communication channels, both internal and external, that the Entity has (Daily Information, *Ibercaja Contigo* App, social networks, etc.). It is worth noting the host of the II Planet Week in 2022, coinciding with the International Day to Combat Climate Change, with the aim of transferring to society, customers and employees the Bank's commitment to the transition towards a more sustainable economy, also seeking the awareness and involvement of all its stakeholders.

Likewise, during the pandemic caused by COVID-19, internal communication channels were updated to mitigate the impact of this crisis. Thus, an operational communication channel was opened to circulate daily measures related to the pandemic and a two-way emotional communication channel through letters to each employee, messages of encouragement and recognition, etc. Additionally, to maintain close contact between colleagues, the *Ibercaja Contigo* blog was created to share prevention recommendations, advice, solidarity initiatives, didactic resources, etc.

Finally, labour relations in the Entity are based on open and transparent dialogue with the representation of the employees. These relationships try to promote mutual commitment to advance in the improvement of working conditions and minimise internal risks in social matters related to the professionals who work at Ibercaja.

### C) Remuneration policy

The maximum amount of annual remuneration of the members of the Governing Bodies and Senior Management is limited by the General Shareholders' Meeting and is established considering the duties and responsibilities of each position.

The remuneration of directors is based on the principles of prudent and effective risk management, aligned with the business strategy and long-term or transparency interests; aspects in which Ibercaja is gradually integrating ESG factors and, specifically, social factors. The setting of global and specific targets for variable remuneration is linked to said prudent risk management.

Ibercaja's Remuneration Policy is consistent with the Sustainability Policy and with the principles and values of the Entity in the management of environmental, social and governance risks and complies with the provisions of Regulation (EU) 2019/2088 of the Parliament European Parliament and of the Council, of November 27, 2019, on sustainability-related disclosures in the financial services sector, establishing a remuneration system based on equal opportunities and non-discrimination.

In 2022, specific goals related to sustainability have been established in the corporate objectives. Thus, in assessing the Strategic Plan, greater weight is provided to meeting the milestones of the strategic sustainability initiative, related to climate risk management and the ESG business strategy.

Additionally, the Entity defines a long-term incentive, with the aim of aligning the interests of certain key managers of the Bank with the corporate strategy and with the creation of long-term value. These multi-year objectives include:

- Percentage of women managers
- CO2 emissions
- Achievement of the major sustainability milestones contained in the '*Plan Estratégico Desafío 2023*'

More detail is included on the remuneration of directors in chapter 4.4. of the 2022 "Consolidated Directors Report".

## 15.3 – Risk management

Ibercaja is aware of the potential impact that ESG risks can have on prudential risks through various transmission channels, as well as on the Entity's business model, strategy, and activity. For this reason, it has been working on the development of procedures that make it possible to identify its most sensitive exposures to ESG risks, with the aim of being able to quantify and monitor them progressively to minimise their impacts.

The sustainability strategy designed by Ibercaja includes among its priorities the identification, management and control of ESG risks for their progressive incorporation into the Entity's global risk framework, committing to contribute to the decarbonisation of the economy and promote sustainable activities, online with the Paris Agreement and the European Green Pact.

For its development, within the framework of the strategic sustainability project, a Working Group coordinated by Risk Control and made up of specialists in the management and control of the Group's risks, belonging to the following areas:

- Credit Risk Area.
- Financial Area. Market and liquidity risks



- Risk Control Department. Operational risk.
- Directorate of Regulatory Compliance
- Brand, Reputation and Sustainability Management (Reputational risk).

This Working Group is involved in the identification of potential ESG risks, currently prioritising climate risks, their transmission channels to prudential risks and the qualitative assessment of their impact.

Within the areas of credit, operational, liquidity, market, and reputational risk, ESG aspects are incorporated into the management frameworks and procedures for these risks, in which the desire to keep them in mind in the field of management and control activity. This work has continued to develop throughout 2022, examining the integration of climate and environmental risks into the Risk Appetite Framework (RAF) processes based on the assessment of the exposure of the credit and securities portfolio in sectors with high emission intensity. Likewise, during 2022 a climatic stress test exercise has been carried out and the financed carbon footprint has been measured, with the intention of setting decarbonisation objectives.

To guide its actions to prevent or avoid damage to the environment, the Entity has also made progress in understanding the impact and transmission channels of different climate events on prudential risks by developing a climate risk map.

Ibercaja is working on the inclusion of ESG factors in credit risk admission and monitoring processes, in line with the EBA Guide for Loan Origination and Monitoring, which defines the internal governance mechanisms and procedures of entities in relation to credit operations.

Following supervisory expectations, Ibercaja is currently focusing on climate change, but will continue to work on financial inclusion and the promotion of diversity, focusing efforts on gender equality and access for people with disabilities to the labour market, as well as on the governance risks. Ibercaja is aware that the management of social and governance risks is in continuous evolution and, therefore, the advances in the identification and management of risks in this area will be incorporated into the risk management systems of the Entity of gradually, in line with regulatory, market and methodological breakthroughs.

In this regard, Ibercaja works to keep up to date with regard to new regulations or regulations and the best practices and trends in relation to the management of social risks. The Entity participates in the Sustainable Finance Sector Group and in the Sustainability Observatory, coordinated by Cecabank, in which legislative advances and supervisory expectations in terms of sustainability are analysed, in order to identify the applicable requirements and respond to them. through action plans. Likewise, it participates in the Sustainable Finance Sectoral Working Group, to analyse and adapt to the legislative proposals promoted by the European Commission, in its Action Plan to Finance Sustainable Development.

### 15.3.1 - Commitments, references, and international frameworks to which the Entity adheres Determination of objectives

Since 2019, Ibercaja's framework of action has been based on the PBR to achieve sustainable development in its commercial strategy, adapting the offer to respond to the new needs derived from sustainable development, promoting more sustainable business models and practices and integrating ESG factors in the Entity's global risk management. Likewise, in relation to this objective, the Entity is part of UNEP-FI, Financial Initiative of the United Nations Environment Program.

Also in 2019, the Entity joined the Task Force on Climate-Related Financial Disclosures (TCFD) to facilitate investor decision-making based on comparable reports on the effect that an economic activity has on the climate. With this adhesion, Ibercaja took a step forward in the disclosure, in a clear, consistent, and standardised manner, of the impacts of the risks and opportunities of climate change on its business and its implications for the Entity's strategy.

Along these lines, it is also a signatory to other international agreements such as the Global Compact, thus ratifying that its activity is carried out in defence of human rights, in accordance with the principles established by this initiative and reporting annually on its performance.

Additionally, Ibercaja continues to work to align its ESG risk management framework with regulatory references and international standards on the matter. To do this, it draws on the main guidelines issued by regulators and supervisors, such as the European Central Bank (ECB) or the European Banking Authority (EBA), which in recent years have published guides and reports regarding the integration of ESG risks in the internal risk management processes of entities.

Within the framework of COP25, in December 2019, Ibercaja signed the Collective Commitment to Climate Action to measure the carbon footprint of its balance sheets and reduce the climate impact of its financial activity. In addition, Ibercaja has been neutral in its own emissions since 2020: 100% of the Entity's electricity consumption is of renewable origin and it invests in offsetting direct emissions (scope 1) through ZeroCO2 projects.

Likewise, since November 2019, Ibercaja has a supplier management tool with a more evolved and complete portal, which allows the improvement and systematisation of supplier risk management and approval processes, facilitating relationships and active listening to the Entity with suppliers. The portal includes, within the documentation requirements, standards related to sustainability, social and environmental (ISO14001, ISO 45001, ISO 26001, ISO 50001, EMAS), as well as aspects related to corporate social responsibility.

The asset managers of the Ibercaja Group, Ibercaja Pensión and Ibercaja Gestión, committed to the development of society and the care and protection of the environment through socially responsible investment, are developing an internal and progressive investment selection and risk management model extra financial that is incorporated into the traditional fundamental analysis. In 2021, a series of policies were developed in relation to the integration of ESG risks, which are periodically reviewed to integrate the progress achieved in line with the new regulations and market practices. In 2022 the first updates on these policies have been made.

Specifically, the ESG Risk Integration Policy of investment entities refers, among others, to the following international frameworks: ILO, OECD, Human Rights and the United Nations Global Compact.

### 15.3.2 – ESG risk identification and management processes

The main phases of ESG risk management in which Ibercaja is working, as shown in the following figure, are the identification of risks, their measurement, management and monitoring or follow-up:

Illustration 15: ESG risk management phases



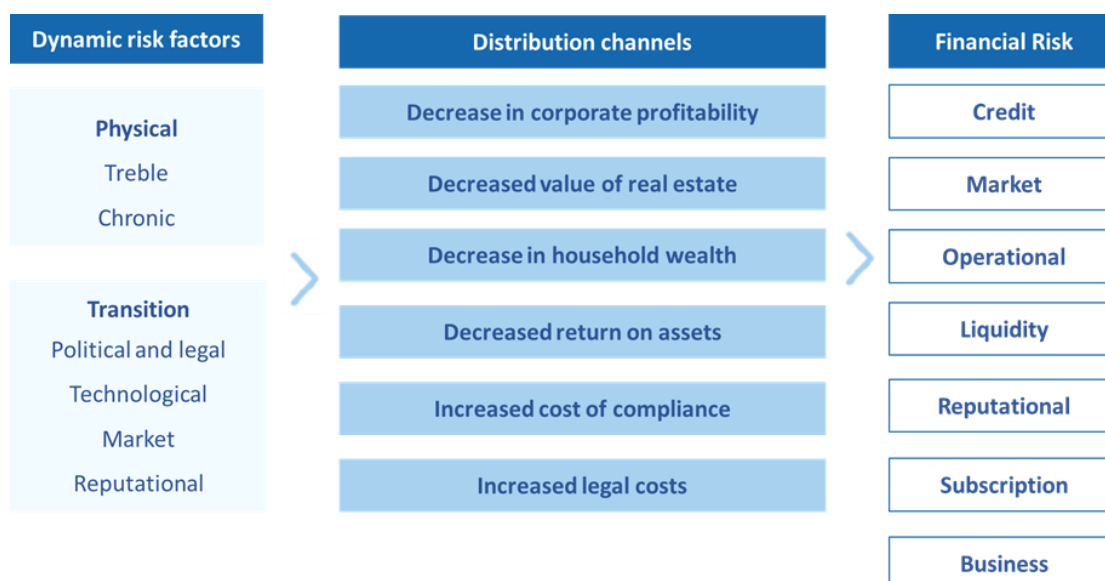
Source: Own elaboration

In this regard, the Entity seeks to respond to its ESG commitments, and the regulatory requirements related to these, trying to integrate ESG aspects transversally in the Entity, identifying and controlling its activities and exposures vulnerable to ESG risks with the development of a series of action plans that have been worked on over the past few years and which will continue to be regularly reviewed and updated in order to assess how those risks may evolve over time; due to developments in technology, the political framework, the business environment, stakeholder preferences and changes in the physical environment itself. Among these action plans, the following stand out in each of the phases:

#### ESG risk identification:

Ibercaja identifies ESG risks, and especially climate and environmental risks, as risk factors that are likely to impact prudential risks through its counterparties and/or invested assets through certain transmission channels (decrease in profitability, decrease in value of real estate, decreased return on assets, among others) considering the Entity's own business, which represent the causality chain by which an ESG factor and/or inefficient management of the factor come to have a negative impact on the Entity:

Illustration 16: Matrix of transmission channels for environmental risks



Source: Own adaptation of the EBA report on management and supervision of ESG risks for credit institutions and investment firms. European Banking Authority (EBA), 2021.

In this area, Ibercaja has made its greatest improvements in the identification of environmental risks, specifically climatic, physical and transition risks. An example of this is the climate risk map, developed in 2021, which makes it possible to qualitatively assess the potential impacts of physical and transition risks on prudential risks in different time horizons (short, medium and long term). This risk map has been updated in the 2022 financial year with the aim of identifying other climatic events and how they affect Ibercaja's Balance Sheet in the three scenarios defined by the Network for Greening the Financial Sector (hereinafter, NGFS): orderly, disorderly and Hot House World. Additionally, the scope to assess how climate and environmental aspects affect strategic and underwriting risk has been expanded, and consideration of events involving disputes and litigation over reputational risk has been added.

The development of the climate risk map constitutes a first step in its interpretation and its transmission channels to prudential risks. The objectives of the climate and environmental risk map are:

- Improve in the comprehension and understanding of the characteristics and particularities of climate risks.
- Identify the main climate risks that affect the Ibercaja Group, and how they translate into the current risk categories.
- Progress in the establishment and consolidation of the risk management model based on three lines of defence in the Entity.

To this end, we worked in coordination with the first lines of the main prudential risks, based on a qualitative methodology developed with a top-down approach, for the homogeneous and coordinated identification of the main climate risk events and the transmission channels that may result in the currently managed risk categories. As part of the climate risk mapping exercise carried out by Ibercaja, an inventory of climatic events was drawn up that are likely to materialise the different risks previously defined in the three established time horizons. This exercise is updated annually, and its results are submitted to the Global Risk Committee for approval.

As a result, in 2022, three climate risk maps have been prepared, one for each scenario analysed. In the orderly transition scenario (which is taken as the base scenario) the notable impacts are concentrated in credit, liquidity and reputational risk, the most relevant risks being those of transition in the medium and long term, as well as the possible impact of physical risks in the long term in credit risk. The disorderly transition scenario stands out for an increase in the transition risk impacts in the medium and long term. On the other hand, the Hot House World scenario stands out for an increase in the impact of physical risks, also in the medium and, above all, in the long term.

Illustration 17: Climate risk map (Orderly scenario, disorderly scenario and Hot House World Scenario)

A. Orderly Scenario

	Transition Risk			Physical Risk		
	ST	MT	LT	ST	MT	LT
Credit	Low risk	Medium-Low risk	Medium-Low risk	Low risk	Low risk	Medium-Low risk
Market	Low risk	Low risk	Low risk	Low risk	Low risk	Low risk
Liquidity	Low risk	Medium-Low risk	Medium-Low risk	Low risk	Low risk	
Reputational	Low risk	Medium-Low risk	Medium-Low risk			
Operational	Low risk	Low risk	Low risk	Low risk	Low risk	Low risk
Business	Low risk	Low risk	Low risk			
Subscription				Low risk	Low risk	Low risk

B. Disorderly Scenario

	Transition Risk			Physical Risk		
	ST	MT	LT	ST	MT	LT
Credit	Low risk	Medium risk	Medium risk	Low risk	Low risk	Medium-Low risk
Market	Low risk	Medium-Low risk	Medium-Low risk	Low risk	Low risk	Low risk
Liquidity	Low risk	Medium-Low risk	Medium risk	Low risk	Low risk	
Reputational	Low risk	Medium-Low risk	Medium-Low risk			
Operational	Low risk	Medium-Low risk	Medium-Low risk	Low risk	Low risk	Low risk
Business	Low risk	Low risk	Medium-Low risk			
Subscription				Low risk	Low risk	Low risk

C. Hot House World Scenario

	Transition Risk			Physical Risk		
	ST	MT	LT	ST	MT	LT
Credit	Low risk	Low risk	Medium-Low risk	Low risk	Medium-Low risk	Medium risk
Market	Low risk	Low risk	Low risk	Low risk	Medium-Low risk	Medium risk
Liquidity	Low risk	Low risk	Low risk	Low risk	Medium-Low risk	Medium risk
Reputational	Low risk	Low risk	Medium-Low risk			
Operational	Low risk	Low risk	Low risk	Low risk	Medium-Low risk	Medium-Low risk
Business	Low risk	Low risk	Medium-Low risk			
Subscription				Low risk	Low risk	Medium-Low risk

Short Term:	< 4 years	Low risk	Medium-Low risk	Medium risk	Medium-High risk	High risk
Medium Term:	4-10 years					
Long Term:	> 10 years					

Source: Own elaboration based on the consolidated results of the risk assessment questionnaires (2022).

The analysis of the portfolio of productive activities has allowed a preliminary segmentation of the portfolio based on its predisposition to be impacted by transition or physical risks. The results of the analysis show that more than 80% of Ibercaja's portfolio of productive activities presents a low predisposition to transition risks, as it is associated with sectors with low emission intensity.

Regarding exposure to physical risks, the impact analysis carried out in 2022 concludes that more than 85% of the portfolio of productive activities is not sensitive to extreme weather events, depending on the nature of each economic activity.



Likewise, in 2022, the reputational risk map has been prepared using a qualitative methodology, aligned with that defined for the Entity's operational risk management. Thus, the reputational risk map consists of the identification of reputational risks classified by their nature as: risks derived from operational risk and pure reputational risks (including reputational risks derived from climatic and environmental events, as well as the assessment of risk from *greenwashing*). This map identifies risk managers and mitigating factors.

On the other hand, in 2022, the Entity has continued to develop the operational risk map incorporating, in addition to physical risks in the field of climate and environmental risks, also those related to transition risk, such as bad *greenwashing* practices, incorporating them likewise in the assessment tools.

Additionally, in 2022 Ibercaja has begun to analyse the impact of physical risks on its own-use properties based on the data provided by the *Sociedad de Tasación (SOTASA)* with the aim of contributing to the definition of the Entity's continuity plan. The methodology defined by SOTASA for the assessment of flood risks in the Spanish provinces is based on the SNCZI definition of flood-prone areas, to generate hazard maps, and on the evaluation of the potential adverse consequences associated with floods, with the aim of to obtain risk maps<sup>1</sup>.

### ESG risk measurement:

During 2022, Ibercaja has carried out different exercises that have allowed it to advance in the measurement of ESG risks.

One of the notable milestones is Ibercaja's involvement in the ECB's climatic stress test (CST) exercise, as the first step to integrate climate factors into the Entity's internal stress test framework. This exercise is not about capital adequacy but has been carried out for learning purposes for both financial institutions and supervisors.

The Entity has responded to the qualitative questionnaire on the Entity's CST framework, management and modelling practices and has calculated KPIs based on the Entity's exposure to transition risks and, specifically, the most carbon-intensive sectors.

The overall results obtained by Ibercaja show how the ECB has categorised the Entity's CST framework with a "medium-advanced" degree of progress, higher than the average score of the banks analysed.

In relation to the business segment, in 2022 the Entity's exposure to the most carbon-intensive industries has been evaluated, based on sectoral emissions data calculated and provided by PCAF, with the aim of segmenting the credit portfolio and securities portfolio of Ibercaja according to its intensity in CO<sub>2</sub> emissions.

This analysis has allowed the development of two transition risk concentration metrics that make it possible to segment the portfolio of productive activities or securities on a scale of five levels according to the intensity of emissions of the economic sectors in which Ibercaja is exposed (very low, low, medium, high, very high). This segmentation has been carried out considering the real activity of the holding companies and headquarters considering their associated CNAE<sup>2</sup>.

<sup>1</sup> Seismic and fire risks are not considered material because they do not offer conclusive results, as well as the risk of desertification because they are not considered relevant in the Entity's operations.

<sup>2</sup> The methodological approach of the CNAE associated with Ibercaja's holding companies and headquarters is based on the activity and relevance (depending on the volume of assets) of its dependent companies.

Additionally, the Entity, committed to reaching zero emissions by 2050, has calculated its financed carbon footprint, prioritizing the most intensive sectors to define medium-term decarbonisation objectives and mitigate its exposure to climate risks. This calculation has been developed using the methodology and emission factors by sector of economic activity provided by PCAF.

The carbon footprint has been estimated considering the scope 1+2 emissions of its counterparts and the emissions financed in three of the most carbon-intensive sectors with the aim of designing decarbonisation paths and establishing intermediate decarbonisation targets. by 2030 in these industries: Electricity generation, Iron and steel production and Residential Real Estate.

The evaluation of the physical risks on the portfolio of productive activities of the Entity has been carried out based on a heat map, designed after the qualitative analysis of the assessment of the potential physical risks, acute or chronic, in the usual functions of each economic activity published, by different official sources, in reports of national or international reference. This heat map has been defined on the sectors most vulnerable to physical risks according to the EBA and allows knowing the level of sensitivity to severe climatic impacts associated with each economic activity.

Regarding the Entity's mortgage portfolio, an analysis of physical and transition risks has been carried out using as a source the valuation calculated by an external data provider. This analysis has made it possible to analyse the risk associated with Ibercaja's real estate guarantees due to desertification, fires, fluvial or coastal floods, seismic and volcanic activity according to their geographical location, as well as the transition risk associated with the mortgage portfolio based on the rating of energy rating of homes under guarantee.

Regarding social risks, and following the United Nations Principles of Responsible Banking, Ibercaja elevated aspects such as diversity, equality or work-life balance to a strategic nature as a sign of the Entity's commitment to balance in life personal, family and labour of the employees and with the aim of responding to the material issue on excellence, professionalism and customer support. In this sense, gender equality is identified as one of the priority areas, the main objective of which is to achieve 40% of women in management positions.

To achieve it, Ibercaja has identified some internal processes of the organisation that contribute to the impact produced. Among these processes, it can be found the number of applications of women for vacancies in managerial positions, the number of women in managerial positions, monitoring of female representation globally and by age range, monitoring of promotions for women regardless of position, the percentage of top female leaders and the recognition of women for achieving objectives or for achieving strategic milestones of the organisation.

#### ESG risk management:

Ibercaja is working on the inclusion of ESG factors in credit risk admission and monitoring processes, in line with the EBA Guidelines on Loan Origination and Monitoring, which defines the entities' internal governance mechanisms and procedures in relation to credit operations. In this sense, a reference to the consideration of ESG risks in the evaluation of clients and operations at credit risk is included within its admission policies.

On the other hand, the Entity is developing an Exclusions Policy that mitigates the impact of ESG factors on credit risk and the Bank's own investments. Ibercaja's objective is to avoid any investment or financing operation that may be considered controversial due to its high environmental, social, ethical, or reputational risk.

Within the exclusion criteria, those related to the environment stand out, for example, energy production from coal, tar sands, radioactive minerals, etc.; with human and labour rights, establishing criteria that exclude companies that violate regulations or participate in abuses in this matter, as well as those that do not respect the rights of child labour or forced labour; or in relation to the manufacture of controversial weapons or adult entertainment, among others.

The limits and the cases that trigger exclusion in the event of non-compliance have also been defined within the exclusion criteria that the Entity has set out regarding social factors. Thus, in accordance with the established criteria, depending on the percentage of income of a company that comes from controversial activities, the purpose of the operations or the breach of certain legal provisions, the limits are set both in the processes of admission and follow-up of credit risk as well as in the Bank's investment processes.

With the same objective, Ibercaja is working on the development of ESG Questionnaires that allow the collection and management of its customers' information on environmental, social and governance matters with the aim of analysing the management of ESG factors in customer assessment and or transactions.

These questionnaires make it possible to effectively assess the risk associated with each client or transaction to measure the counterparty's ability to manage environmental, social and governance risks.

In collaboration with external data providers and relying on internal data sources, the Entity collects information on the evaluation of training capacities, aspects of continuity of the shareholding, aspects related to the governing bodies and their commitments, etc. of its client portfolio. Likewise, it is also working on including two new issues to gather information on related to the professionalism and capacity of the management team and the quality and transparency of financial information.

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

In order to quantify the climate and environmental risk of its exposures for its solvency, Ibercaja has scheduled the development of internal methodologies for 2023. This plan has been shared with the ECB as a response to the thematic review carried out by the Supervisor.

Additionally, work has been carried out in the portfolio management area for market risk management by following up on indicators that define ESG criteria (which include factors related to environmental and climate risks) and specific asset selection criteria that allow for the characterisation of private fixed-income and variable-income portfolios.

### ESG risk monitoring

The Entity has developed two sectoral concentration metrics based on Ibercaja's exposure to productive activities with high emission intensity in order to properly monitor the identified climate opportunities and risks. These metrics will be included in the Risk Appetite Framework as first-level metrics in 2023.

Both indicators will be assessed quarterly, where the Entity's Governing Bodies will be participant, in order to reduce exposure to carbon-intensive industries (see Measurement section) and to reduce Ibercaja's exposure to transition risks,

In addition, these metrics have been constructed on the portfolio of productive activities and the securities portfolio to limit the Entity's exposure to climatic factors, taking into account the intensity of emissions of the sectors to which it is exposed. The portfolio of productive activities that Ibercaja engages in is carried out in sectors with low transition risk, according to an examination of the intensity of emissions that PCAF correlates with the economic sectors.

Ibercaja has defined the risk limits, which allow concentration in intensive sectors to be monitored, for three possible situations: appetite, tolerance, and capacity.

In conclusion, Ibercaja adheres to ECB expectations by focusing most of its efforts on mitigating the environmental risks posed by its counterparties. The Entity will work on the long run to include tools for identification, measurement, management, and monitoring of social and governance risks along the same lines as those that are already being implemented for climate and environmental risks after defining a new roadmap that complies with supervisory requirements as the regulatory framework evolves.

The availability of ESG information from the counterparties is now in a preliminary stage and should be developed over the course of the next few years given that the majority of Ibercaja's productive activities portfolio are comprised of SMEs. In this regard, Ibercaja has made the progress mentioned in this Pillar III document, regarding ESG risk management and continues to define action plans to gather more precise data from its counterparties, primarily social and governance data; as well as, it will keep on integrating this information and results in its internal management processes, in accordance with the evolution of the regulatory framework and sectoral progresses.

### **15.3.3 – Availability, quality and accuracy of data:**

Ibercaja is aware of the relevance of the non-financial information of its clients for the correct integration of ESG factors and for progressing in the metrics and in the objectives necessary to evaluate and manage the risks and opportunities derived from them. Hence, Ibercaja has created a specific line within the Strategic Sustainability Initiative to work on non-financial data, incorporating it as one of the informational areas.

Due to the lack of uniform standards and the lack of external and internal requirements, a Data Dictionary needs to be generated, built from internal or external ESG data depending on the information source of each one, which will be the subject to analysis in this year.

The Entity is working with external data providers to gather this non-financial information from its customers and to incorporate it into its systems, evaluating its availability, transparency, quality, and external verifications to which it is submitted. The availability of said data is relevant for the integration of climatic factors in the business and in decision-making.

The availability of environmental policies, waste management plans and their breakdown, harmful emissions, water and energy consumption, or ISO14001 certification are a few examples of the fields that can be found. The social sphere is notable for areas including the wage gap, work-life balance indicators, job creation, training, employee gender ratios, etc. Lastly, areas pertaining to the governance of its clients are covered, including, among other things, the number of directors, the number of independent directors, the compensation of the Board, and the representation of men and women on the Board.

Our clients are currently required to publish information on ESG issues, and we get a total of 102 pieces of information from them; this number will rise in accordance with regulatory requirements. Throughout the previous three years for which information is available, said non-financial information shall be accessible for consultation in internal tools.

The information on Ibercaja's real estate guarantees, on the other hand, is provided by SOTASA (*Sociedad de Tasación SA*) and is stored in an information environment that, while not accessible to the full Entity, permits the use of that information in processes. Moreover, efforts are being made to manage credit risk and include the Energy Efficiency Certificate at the entrance level.

Ibercaja intends to progressively integrate counterparty corporate governance information (as well as other non-financial information) into its credit risk analysis as a complement to traditional economic-financial analyses.

Ibercaja seeks to gather accurate information on the scope 1, 2, and 3 emissions data of its counterparties and to identify all the information required to analyse its exposure to physical hazards due to the importance that environmental risks now have for the supervisor. or determine the proportion of your portfolio that is in line with the EU Taxonomy.

In this regard, a specific line has been developed under the Strategic Sustainability Initiative in order to work on non-financial data, which is one of the informational areas produced within the framework of the Data Governance Project. Ibercaja has already started developing an ESG information model, identifying and ranking the environmental, social, and governance data required to meet regulatory requirements, as well as internal and external reporting, and has started laying the groundwork for some of the highest priority data's integration into systems.

Additionally, the Entity takes part in meetings and sector work groups with the aim of pooling resources and expertise to attempt to standardise the data and procedures that are currently accessible, enabling comparability exercises with related entities.

## 15.4 – Credit quality of exposures

### Methodology and sources used in the calculation of emissions

Based on the businesses' economic activities, Ibercaja estimated the scope 1+2 financed emissions. Because of the inadequate information and methodology available at this time, the Entity does not currently estimate its scope 3 financed emissions.

The Entity calculated its financed emissions using the PCAF (*Partnership for Carbon Accounting Financials*) methodology, with a data quality rating of 4 on the PCAF's methodology scale.

The PCAF provides a framework of globally financed emissions, differentiated by countries or geographic regions, and with emission components by sectoral economic activity in accordance with the European NACE categorisation system, available to the initiative's signatory entities. The equivalence between NACE and CNAE-2009 codes (used by Ibercaja) and the expansion of the PCAF database's sectors to include CNAE-2009 codes without equivalence with NACE codes served as the foundation for this exercise's methodology.

As a result, an emission intensity has been obtained for each sector according to their 4-digit CNAE code.

The total emissions (tCO<sub>2</sub>eq) of each of the counterparties have been estimated based on the intensity of emissions by CNAE code by multiplying the emission factor (tCO<sub>2</sub>eq/million euros) that corresponds to it by the volume of business associated with that CNAE<sup>3</sup> code (millions of euros).

The attribution factor (AF) has then been determined using the formula:  $AF = \text{Drawn} / (\text{Net Equity} + \text{Financial Debt})$ , in percentage, based on the information of the available balance (€) that the Entity has with each counterparty, as well as the values of net worth (€) and financial debt (€) of each counterparty.

The total emissions of each counterparty (tCO<sub>2</sub>eq) are multiplied by the AF (%) to produce the emissions of each counterparty financed by Ibercaja.

#### Calculation perimeter:

The initial perimeter on which the relevant modifications were performed includes 45,628 clients, whose combined Gross Book Value is 7,563,352 thousand of euros. The following things have been excluded from this:

##### A. Exclusions for residual values:

The initial perimeter also excludes any businesses with whom the Entity has no available balance drawn and which only present cumulative impairments.

##### B. Exclusions by risk segment

The following risk segments are all counterparties that are not included in the calculation perimeter: Town Hall, CCAA and Provincial Council, Owners' Community, Public Company, Credit Institution, State, Financial Institution, Other Public Administrations, Other Organisations and Associations, and Other Legal Entities.

---

<sup>3</sup> The analytical CNAE (that representative CNAE according to its main activity) assigned to holding companies (CNAE 6420) and headquarters (CNAE 7010) has been considered. Additionally, the CNAEs corresponding to the energy sector (3515, 3516, 3517, 3518, 3519) have been manually reviewed.



### C. Exclusions due to lack of data

Furthermore, in line with the following criteria, all counterparties for which there are no data are excluded from the calculation perimeter and so establish a limitation for doing the exercise: (i) the amount drawn down was zero, negative or not available at the individual level; (ii) the volume of business was zero, negative, or not available at an individual level; and (iii) the years of information on balance drawn and financial information did not coincide (at an individual and/or consolidated levels, depending on the corresponding approach used).

*Table 79. Exclusions made on the initial perimeter (progressively).*

	Nº Companies	% Companies
INICIAL PERIMETER	45,628	100%
A. Companies Excluded by Stock Portfolio:	48	0.11%
B. Companies excluded for residual values:	1,599	3.50%
C. Companies excluded by risk segment:	63	0.14%
D. Companies excluded due to data quality:	15,582	34.15%
Total companies excluded	17,292	37.90%
<b>FINAL PERIMETER</b>	<b>28,336</b>	<b>62.10%</b>

### Limitations and plans:

Ibercaja hasn't calculated scope 3 financed emissions because there isn't much information available and there aren't many established methodologies. In order to strengthen its analysis for the report in 2024, the Entity will endeavour to improve climate and environmental information during 2023.

To examine the transition risk in the credit portfolio, the Entity is also creating complementary analyses. For more detail see Chapter 6.12 of the 2022 "Consolidated Directors Report".

Table 80. Template 1: Banking book- Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity

Template 1: Banking book- Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity																
Sector/subsector	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Gross carrying amount (Min EUR)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Min EUR)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
		Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions						
1 Exposures towards sectors that highly contribute to climate change*	6,135.4	127.4	-	477.8	227.3	-156.6	-16.8	-100.4	1,442,632.3	-	2.26%	4,260.2	1,005.1	403	467.1	5.2
2 A - Agriculture, forestry and fishing	375.1	-	-	37.4	10.8	-6.4	-1.2	-3.9	296,507.8	-	-	209.9	114.1	50.5	0.6	4.9
3 B - Mining and quarrying	19.6	-	-	0.6	0.7	-0.3	-	-0.2	12,222.6	-	5.16%	16.4	3.2	-	-	2.7
4 B.05 - Mining of coal and lignite	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.4
5 B.06 - Extraction of crude petroleum and natural gas	2.5	-	-	-	-	-	-	-	-	-	-	0.5	2.0	-	-	6.8
6 B.07 - Mining of metal ores	2.1	-	-	0.1	-	-	-	-	137.7	-	49.03%	2	0.1	-	-	1.4
7 B.08 - Other mining and quarrying	15	-	-	0.5	0.7	-0.2	-	-0.1	12,084.9	-	-	13.9	1.1	-	-	2.2
8 B.09 - Mining support service activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.2

9	C - Manufacturing	1,812.4	30	-	119.3	47.5	-39.7	-4.4	-17.4	563,705.2	-	1.80%	1,456.7	322.1	28.8	4.8	2.5
10	C.10 - Manufacture of food products	612.7	-	-	49.2	5.6	-6.1	-2	-2.2	102,326.5	-	-	527	75.4	10.1	0.1	2.2
11	C.11 - Manufacture of beverages	106.6	-	-	8.5	8.5	-2	-0.3	-1.4	13,947.5	-	17.85%	79.7	22.4	4.4	0.1	3.1
12	C.12 - Manufacture of tobacco products	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	C.13 - Manufacture of textiles	19.7	-	-	1.4	0.8	-4.3	-	-0.4	4,358.1	-	-	17.5	2.2	0.1	-	1.6
14	C.14 - Manufacture of wearing apparel	13.6	-	-	2.1	1	-0.6	-	-0.6	250	-	-	10.6	2.3	0.7	-	2.2
15	C.15 - Manufacture of leather and related products	17.9	-	-	1	0.7	-0.3	-	-0.2	191.6	-	-	16.3	1.5	-	-	1.3
16	C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	36.3	-	-	2.4	0.7	-0.3	-0.1	-0.2	15,453.1	-	-	29.2	5.5	1.7	-	2.6
17	C.17 - Manufacture of pulp, paper and paperboard	117	-	-	2.2	0.6	-0.5	-0.1	-0.2	13,192	-	-	36.8	79.8	0.4	-	4
18	C.18 - Manufacture of paper and paper products	29.9	-	-	2.6	1.8	-0.7	-0.1	-0.5	4,991.9	-	-	24.9	4.2	0.8	0.1	2.8
19	C.19 - Manufacture of coke oven products	30.9	30	-	-	-	-	-	-	46,381.3	-	-	30.9	-	-	-	0.2
20	C.20 - Production of chemicals	96.3	-	-	3.1	0.8	-0.9	-	-0.6	71,044.9	-	-	74.6	21.3	0.4	-	2.5
21	C.21 - Manufacture of pharmaceutical preparations	10.6	-	-	0.7	4.4	-1.7	-	-1.7	4,113.1	-	-	6	4.6	-	-	3.8
22	C.22 - Manufacture of rubber products	75.3	-	-	2.1	2.9	-1.4	-0.1	-0.8	13,564.4	-	2.60%	61.9	12.9	0.5	-	2.8
23	C.23 - Manufacture of other non-metallic mineral products	91.4	-	-	1.7	1.9	-1.7	-0.1	-1.3	117,036.3	-	1.41%	73.8	16.9	0.7	-	2.7
24	C.24 - Manufacture of basic metals	89.3	-	-	2.7	0.6	-8.6	-0.3	-0.3	71,172.4	-	-	78.8	9.7	0.5	0.2	1.8
25	C.25 - Manufacture of fabricated metal products, except machinery and equipment	171.7	-	-	12.8	3.8	-3.1	-0.4	-2.2	39,771.9	-	4.21%	144.7	23.9	2.8	0.3	2.4
26	C.26 - Manufacture of computer, electronic and optical products	19.9	-	-	0.7	1	-0.4	-	-0.3	3,067.8	-	16.16%	16.1	3.7	-	-	2.9

27	C.27 - Manufacture of electrical equipment	40.6	-	-	2.3	0.6	-0.3	-	-0.2	6,940.5	-	-	35.7	1.1	1	2.7	1.5
28	C.28 - Manufacture of machinery and equipment n.e.c.	80.9	-	-	14.9	1.8	-1.5	-0.6	-0.6	9,945.8	-	-	58.3	19.3	3.2	-	3.3
29	C.29 - Manufacture of motor vehicles, trailers and semi-trailers	27.2	-	-	2.1	4.5	-2.4	-	-1.4	2,678.8	-	-	22.3	3.9	-	1	2.6
30	C.30 - Manufacture of other transport equipment	46.3	-	-	2	0.2	-0.4	-0.1	-0.1	1,473.4	-	-	44.8	1.4	0.1	-	3.8
31	C.31 - Manufacture of furniture	32.9	-	-	2	0.6	-0.5	-0.1	-0.4	12,786.7	-	-	29.2	3.3	0.4	-	2.5
32	C.32 - Other manufacturing	20.4	-	-	0.7	3.8	-1.5	-	-1.5	4,034.4	-	-	17.6	2.5	0.2	-	2.6
33	C.33 - Repair and installation of machinery and equipment	25.1	-	-	2.1	0.9	-0.4	-	-0.3	4,982.6	-	-	20	4.1	0.8	0.2	3.3
34	D - Electricity, gas, steam and air conditioning supply	155	97.4	-	3.6	0.4	-1.3	-	-0.3	152,351.9	-	16.14%	102	20.2	28.6	4.2	4.2
35	D35.1 - Electric power generation, transmission and distribution	122.5	66.2	-	3.5	0.4	-1.3	-	-0.2	104,636.4	-	20.42%	69.9	19.8	28.6	4.2	5.2
36	D35.11 - Production of electricity	97.4	66.2	-	0.8	0.3	-1.1	-	-0.2	22,466.6	-	25.68%	46.9	17.8	28.5	4.1	4.8
37	D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	32.4	31.2	-	-	-	-	-	-	42,649.6	-	-	31.9	0.4	-	-	0.3
38	D35.3 - Steam and air conditioning supply	0.1	-	-	-	-	-	-	-	5,065.8	-	-	0.1	-	-	-	1.4
39	E - Water supply; sewerage, waste management and remediation activities	86.1	-	-	1.4	1.2	-1.2	-	-0.7	39,740.2	-	8.55%	49.3	35.6	1.1	0.1	4.4
40	F - Construction	1,081.4	-	-	58.2	60.9	-40.5	-2.3	-35.7	93,670.7	-	0.98%	483.4	61.3	111.3	425.3	13.6
41	F.41 - Construction of buildings	738.6	-	-	31.8	44.6	-28.4	-1.5	-25.7	50,170.7	-	0.71%	185.7	34.1	100.3	418.5	18.7
42	F.42 - Civil engineering	82.6	-	-	5.6	1.6	-1.4	-0.1	-1.1	9,734.5	-	-	79.8	1.5	1.2	0.1	1.9
43	F.43 - Specialised construction activities	260.1	-	-	20.9	14.8	-10.7	-0.7	-8.9	33,765.6	-	2.06%	218	25.7	9.8	6.7	2.9
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	1,675.5	-	-	123.9	53.5	-36.5	-4.1	-24.5	209,435	-	2.88%	1,443.8	194.9	35.4	1.4	2.2
45	H - Transportation and storage	433.1	-	-	44.8	16.4	-15	-1.2	-7.1	64,009.9	-	5.38%	351.7	74.6	6.2	0.7	3.3

46	H.49 - Land transport and transport via pipelines	319	-	-	27.4	12.9	-12.4	-0.5	-5.7	27,292.5	-	-	268.7	47.7	2.2	0.4	3.3
47	H.50 - Water transport	20.1	-	-	0.1	-	-0.2	-	-	7,724.9	-	67.15%	15.1	5	-	-	3.8
48	H.51 - Air transport	15.5	-	-	12.4	0.1	-0.7	-0.6	-	23,176.7	-	63.39%	3.2	12.2	-	0.1	5
49	H.52 - Warehousing and support activities for transportation	64.3	-	-	4.1	2.9	-1.6	-0.1	-1.2	5,660.9	-	-	51.5	8.6	4	0.2	3.1
50	H.53 - Postal and courier activities	14.3	-	-	0.7	0.5	-0.2	-	-0.2	154.9	-	-	13.1	1.2	-	-	2.6
51	I - Accommodation and food service activities	148.8	-	-	52.5	16.4	-6.7	-1.5	-4.9	7,878.2	-	-	59.6	68.9	19.5	0.8	5.8
52	L - Real estate activities	348.4	-	-	36.3	19.5	-8.9	-2.1	-5.6	3,110.8	-	-	87.2	110.4	121.7	29	10.2
53	<b>Exposures towards sectors other than those that highly contribute to climate change*</b>	1,427.9	-	-	99.9	58.1	-45.2	-5.3	-31.2	82,796.3	-	-	1,053	176.4	76.9	121.7	3.5
54	K - Financial and insurance activities	423.6	-	-	22.8	3	-6.5	-1.4	-1.1	1,779.6	-	-	364.5	49.7	7.2	2.2	3.2
55	Exposures to other sectors (NACE codes J, M - U)	1,004.3	-	-	77.1	55.1	-38.7	-3.9	-30	81,016.7	-	-	688.5	126.6	69.7	119.5	3.6
56	<b>TOTAL</b>	<b>7,563.4</b>	<b>127.4</b>	<b>-</b>	<b>577.7</b>	<b>285.4</b>	<b>-201.8</b>	<b>-22.2</b>	<b>-131.6</b>	<b>1,525,428.6</b>	<b>-</b>	<b>1.96%</b>	<b>5,313.2</b>	<b>1,181.5</b>	<b>479.9</b>	<b>588.8</b>	<b>4.9</b>

\* In accordance with the Commission delegated regulation (EU) 2020/1818 supplementing regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks -Climate Benchmark Standards Regulation - Recital 6: Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006

## 15.5 – Loans secured by real collateral consisting of real estate

Table 81. Template 2: Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral

Template 2: Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral																
	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
Counterparty sector	Total gross carrying amount (in MEUR)															
	Level of energy efficiency (EP score in kWh/m <sup>2</sup> of collateral)							Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
	0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500		A	B	C	D	E	F	G		Of which level of energy efficiency (EP score in kWh/m <sup>2</sup> of collateral) estimated
1 Total EU area	19,553	2,745	7,622	5,567	1,054	405	306	159	199	211	630	2,515	371	463	15,006	88%
2 Of which Loans collateralised by commercial immovable property	1,188	22	21	13	2	3	2	8	12	19	14	12	5	3	1,115	13%
3 Of which Loans collateralised by residential immovable property	18,072	662	1,380	1,766	420	100	54	151	187	191	611	2,486	363	454	13,630	95%
4 Of which Collateral obtained by taking possession: residential and commercial immovable properties	294	2	12	12	4	2	1	-	-	1	4	17	4	6	261	26%
5 Of which Level of energy efficiency (EP score in kWh/m <sup>2</sup> of collateral) estimated	13,222	2,059	6,209	3,776	628	301	248								13,222	100%
6 Total non-EU area	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7 Of which Loans collateralised by commercial immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8 Of which Loans collateralised by residential immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9 Of which Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Of which Level of energy efficiency (EP score in kWh/m <sup>2</sup> of collateral) estimated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-



## 15.6 – Harmonisation parameters

The 2030 decarbonisation targets for the industries with the highest GHG emission rates must be developed and published by Ibercaja by October 2022, as per the agreement reached with the Net Zero Banking Alliance.

In Template 3 information is presented on the sectors chosen by the Entity for defining targets, the Gross Book Value (€) that each sector represents, the alignment metric selected for each sector and the reference year.

However, due to the state of the housing stock in Spain, the NZE2050 scenario in the residential real estate sector starts from a much lower baseline in 2021 than the value of the metric calculated by Ibercaja (whose value is aligned with that of its peers) and has been aligned to the scenario "Global Decarbonisation Pathways 1.5 °C," published by the Carbon Risk Real Estate Monitor (CRREM), which is not included in the NZBA planned scenarios.

Also, the justification for the 2030 goal is reported in this document because it is not necessary for the NZBA to set goals three years after the year of reference's starting point.

### Selection of priority sectors:

The priority sectors must be among those that, in terms of total GHG emissions, contribute the most to global warming in order to be deemed material for the Entity. Ibercaja also considers the importance of these to its portfolio as well as the availability of appropriate methodology to carry out the activity.

After carrying out an analysis of all the sectors, it was finally decided to focus the exercise on:

- **Energy.** The industry is regarded as priority since it not only has a pertinent weight in the portfolio but also methodologies and scenarios that are in line with the NZBA. The EBA's inclusion of metrics as suggestions for Pillar III ESG is another significant component of this sector.
  - ➔ CNAEs – Electric power generation
    - 3515 - Production of hydroelectric energy
    - 3516 - Production of conventional thermal power
    - 3517 - Production of nuclear power
    - 3518 - Production of wind power
    - 3519 - Production of electricity from other sources
- **Iron and Steel.** The sector is classified as priority for having a significant weight in the portfolio, having available methodologies and scenarios aligned with the NZBA, and being included in the EBA's Pillar III ESG metric proposals.
  - ➔ CNAEs Iron & Steel – Iron and steel production
    - 2410 - Manufacture of basic iron and steel and of ferro-alloys
    - 2420 - Manufacture of tubes, pipes, hollow profiles and related fittings, of steel
    - 2431 - Cold drawing of bars

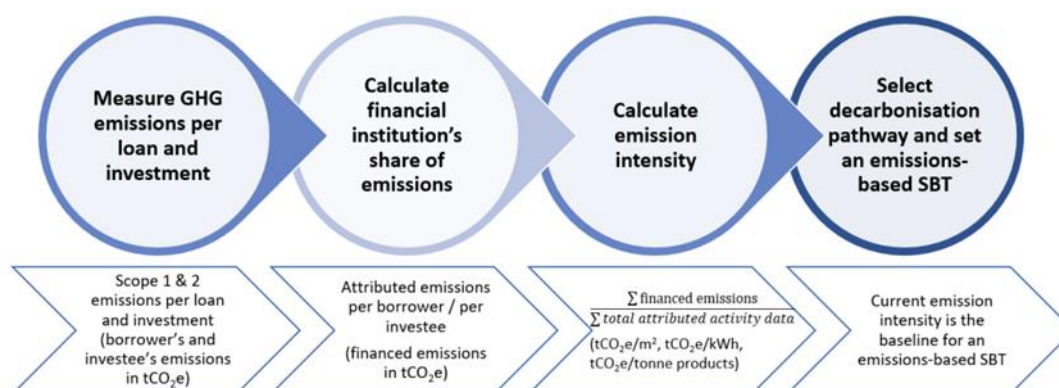
- 2432 - Cold rolling of narrow strip
- 2433 - Cold forming or folding
- 2434 - Cold drawing of wire
- 2451 – Casting of iron
- 2452 – Casting of steel
- 2454 – Casting of other non-ferrous metals

Additionally, the **residential Real Estate** sector has been chosen. Although the sector's transitory financing structure makes decarbonisation challenging in the short term, it is suggested as a priority because it is the most substantial in the portfolio and has methodologies and scenarios that are in line with Net Zero in 2050.

### I. Goal Setting Methodology

For the development of the objectives, the SBTi SDA methodology was followed, taking into account the following phases:

*Illustration 18: Steps for calculating the intensity of base year emissions using the SDA methodology*



### II. Selection and treatment of reference scenarios:

Two reference scenarios have been chosen in order to conduct the exercise to identify sectoral decarbonisation objectives:

- “Net Zero 2050” Scenario, published by the International Energy Agency (IEA).
- “Global Decarbonisation Pathways 1.5 °C” scenario, published by the Carbon Risk Real Estate Monitor (CRREM).

We resorted to the original sources of information on the websites of the organisations that publish them to find the facts for the chosen situations.

### III. Calculation of intensity metrics




Once the scenario has been worked on to ensure its comparability, intensity metrics are built based on production for those priority sectors to decarbonise.

The starting point is a metric built from two components:

- The **volume of emissions associated with the financed portfolio** for each priority sector to be decarbonised, which comes from measuring the financed footprint of scope 3 category 15.
- A **magnitude of specific production volume for each sector** (MWh, tons of merchandise, m<sup>2</sup>, etc.).

After the calculation made, the intensity metrics obtained for each priority sector are the following:

Illustration 19: Intensity metrics and 2030 targets for each priority sector. SDA

Sector	Scenario	Emissions	Metrics	Baseline	Objective 2030 <sup>4</sup>
 <b>Electricity Generation</b>	NZE 2050 (IEA)	Scope 1 y 2	kg CO <sub>2e</sub> / MWh	<b>164</b> (2021)	<b>103</b> (-37%)
 <b>Iron and Steel Production</b>	NZE 2050 (IEA)	Scope 1 y 2	kg CO <sub>2e</sub> / t	<b>576</b> (2021)	<b>518</b> (-10%)
 <b>Residential Real Estate</b>	NZE 2050 (IEA) y CRREM 1.5°C	Scope 1 y 2	kg CO <sub>2</sub> / m <sup>2</sup>	<b>42</b> (2021)	<b>36</b> (-16%)

## 15.7 – Exhibition with the 20 most polluting companies

One of the data sources suggested by the EBA was used in the analysis to determine the exposure to the twenty most carbon-intensive industries globally.

The **CDP Carbon Majors Report**, released in 2017, has been used as a database to compile a list of businesses ranked by cumulative emissions between 1988 and 2015, from highest to lowest. Also, The Climate Accountability Institute, a different technique, was examined to confirm that the CDP Carbon Majors Report was duly updated.

The result of this analysis shows that the **top 20 most carbon-intensive** companies are the following companies:

1. China (Coal)
2. Saudi Arabian Oil Company (Aramco)
3. Gazprom OAO
4. National Iranian Oil Co.
5. Exxon Mobil Corp
6. Coal India
7. Petroleos Mexicanos (Pemex)

<sup>4</sup> Percentages show absolute decreases.

8. Russia (Coal)
9. Royal Dutch Shel PLC
10. China National Petroleum Corp (CNPC)
11. BP PLC
12. Chevron Corp
13. Petroleos de Venezuela SA (PDVSA)
14. Abu Dhabi National Oil Co
15. Poland Coal
16. Peabody Energy Corp
17. Sonatrach SPA
18. Kuwait Petroleum Corp
19. Total SA
20. BHP Billiton Ltd

Table 82. Template 3: Banking book – Climate change transition risk: Alignment metrics

Template 3: Banking book – Climate change transition risk: Alignment metrics						
a	b	c	d	e	f	g
Sector	NACE Sectors (at minimum)	Portfolio gross carrying amount (Mn EUR)	Alignment metric**	Year of reference	Distance to IEA NZE2050 in % ***	Target (year of reference + 3 years)
1 Power	3511	66	0.16 t CO <sub>2</sub> / MWh	2021	N/A	N/A
2 Fossil fuel combustion	-	-	-	-	-	-
3 Automotive	-	-	-	-	-	-
4 Aviation	-	-	-	-	-	-
5 Maritime transport	-	-	-	-	-	-
6 Cement, clinker and lime production	-	-	-	-	-	-
7 Iron and steel, coke, and metal ore production	2410, 2420, 2431, 2432, 2433, 2434, 2451, 2452, 2454	89.26	0.58 t CO <sub>2</sub> / t produced	2021	N/A	N/A
8 Chemicals	-	-	-	-	-	-
9 Real Estate Residencial	N/A	18,071.68	0.04 t CO <sub>2</sub> / m <sup>2</sup>	2021	N/A	N/A

\*\*\* PIT distance 2030 NZE2050 scenario in % (for each metric)

Based on this analysis, it can be concluded that Ibercaja does not present exposure, in December 2022, to any of the carbon-intensive companies.

Illustration 20: Intensity metrics and 2030 targets for each priority sector. SDA

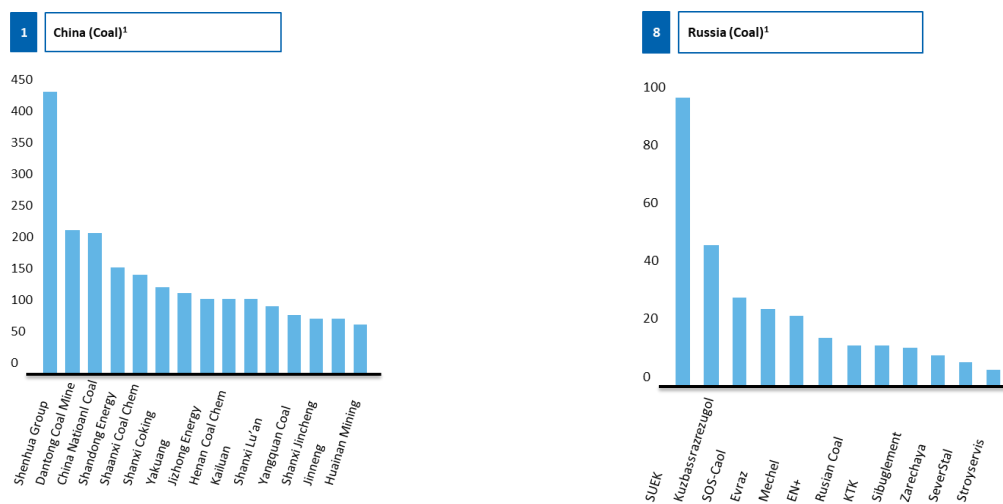


Table 83. Template 4: Banking book –Climate change transition risk: Exposures to top 20 carbon-intensive f

Template 4: Banking book –Climate change transition risk: Exposures to top 20 carbon-intensive firms				
a	b	c	d	e
Gross carrying amount (aggregate)	Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)*	Of which environmentally sustainable (CCM)	Weighted average maturity	Number of top 20 polluting firms included

1 - - - - -

\* For counterparties among the top twenty carbon emitting companies in the world

## 15.8 – Exposures subject to physical risk

Two distinct approaches have been considered for each portfolio to examine the possible effects of physical, acute and chronic climate-related risks on non-financial firms and real estate guarantees.

First, based on a heat map that shows the sensitivity to severe climatic impacts in the short term, medium term and long term by economic sectors, the impact of **physical risks on non-financial** companies has been evaluated, taking into account the average maturity of the operations contracted by client, in accordance with the European classification NACE Rev.2. This heat map was created using the qualitative assessment of potential physical dangers in each economic activity's routine operations that was released by several official sources in reports with both national and international relevance<sup>5</sup>.

Only Ibercaja's exposure to economic activity sectors with **high risk** has been regarded sensitive to acute or chronic phenomena of climate change. The potential risk level assigned can be low, medium or high.

Regarding the mortgage portfolio, an evaluation of the physical risks on the properties under the Entity's guarantee was performed based on the data provided by the Appraisal Society (SOTASA)<sup>6</sup>.

Additionally, the evolution of the potential physical climatic effects due to forest fires, fluvial or coastal floods, desertification, earthquakes, or volcanic activity in the most pertinent geographic areas for the real estate portfolio has been studied.

### I. Risk of coastal and river flooding

SOTASA calculates the likelihood that each type of risk will have an effect on the various climatic regions in the Spanish geography. Based on this, the various climate zones are linked to the respective provinces in Spain to determine the likelihood of physical risks in each one and to be able to evaluate the potential effects on Ibercaja's real estate guarantees, based on the location and property features.

The National Mapping System of Floodable Zones (SNCZI, as per the acronym in Spanish) of MAPAMA, whose cartographic information contains the hazard maps of the areas identified as Areas of Significant Potential Flood Risk (ARPSIs, as per the acronym in Spanish), is the basis for the approach utilised by SOTASA for the evaluation of flood risk (fluvial and coastal). These hazard maps consider several scenarios based on the statistical likelihood of a flood occurring while also reflecting the probable depth or water level of flooding for each place under analysis.

Guarantees connected to locations with a high or regular flood risk have been deemed as sensitive.

<sup>5</sup> For example: United States Environmental Protection Agency, MITECO, PNACC, European Environment Agency, etc.

<sup>6</sup> SOTASA has carried out an analytical review of the climatic impacts of physical risks on Ibercaja's real estate guarantees, in addition to a study of their energy certification qualifications.



## II. Seismic risk

Based on a territory's susceptibility to seismic activity and taking into account its level of danger, an analysis of the possible impact of seismic risk on real estate guarantees has been conducted (based on the average of the accumulated annual rate, the total area of the zone and the one affected by seismicity).

Those classified as **very high risk** according to SOTASA have been identified as sensitive to seismic risks, since the properties guaranteed by Ibercaja are located entirely in the national territory (Spain).

## III. Fire risk

Based on the historical number of damages<sup>7</sup> and the impacted forest area per province and/or municipality, SOTASA conducted its analysis. Those real estate promises with fire frequencies greater than 501 are deemed susceptible to said risk according to the data provider's assessment.

## IV. Desertification risk

SOTASA uses an evaluation model based on a risk map based on the severity of many influences on the surface's features, including aridity, fires, erosion, and overuse of aquifers.

The categorisation of the risk of desertification into areas with no danger as well as with low, medium, high and extremely high risk results from the various combinations of the varied values of these four variables.

Real estate assurances with a **very high or high risk** of desertification and with a purpose related to agriculture and hospitality would be affected. This is since in other types of property, the risk of desertification is not thought to be important.

## V. Volcanic risk

The only real estate guarantee that the Entity has is on the island of Tenerife, and SOTASA's review of it deemed it to be **high risk**.

Teide has been taken into consideration while assessing the volcanic risk on the portfolio of real estate collateral held by Ibercaja, despite the fact that its most recent eruption occurred more than a century ago.

---

<sup>7</sup> Between 2006-2015, according to the EGIF (General Statistics on Forest Fires) database.

Table 84. Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk

Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk														
a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
Variable: Geographical area subject to climate change physical risk - acute and chronic events		Gross carrying amount (Min EUR)												
		of which exposures sensitive to impact from climate change physical events												
		Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity						of which Stage 2 exposures	Of which non-performing exposures	
1 A - Agriculture, forestry and fishing	375	210	114	50	1	5	154	154	154	37	11	-6	-1	-4
2 B - Mining and quarrying	20	16	3	-	-	3	-	-	-	1	1	-	-	-
3 C - Manufacturing	1,812	1,457	322	29	5	3	-	-	-	119	47	-40	-4	-17
4 D - Electricity, gas, steam and air conditioning supply	155	102	20	29	4	4	-	4	-	4	-	-1	-	-
5 E - Water supply; sewerage, waste management and remediation activities	86	49	36	1	-	4	-	-	-	1	1	-1	-	-1
6 F - Construction	1,081	483	61	111	425	14	-	40	-	58	61	-41	-2	-36
7 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	1,676	1,444	195	35	1	2	-	-	-	124	54	-36	-4	-25
8 H - Transportation and storage	433	352	75	6	1	3	-	-	-	45	16	-15	-1	-7
9 L - Real estate activities	348	87	110	122	29	10	-	151	-	36	20	-9	-2	-6
10 Loans collateralised by residential immovable property	18,072	613	1,491	7,462	8,506	19	-	1,767	-	604	289	-162	-45	-83
11 Loans collateralised by commercial immovable property	1,188	183	235	269	500	16	-	79	-	104	97	-48	-4	-41
12 Repossessed collaterals	294	-	-	-	294	-	-	55	-	-	-	-127	-	-
13 Other relevant sectors (breakdown below where relevant)	-	-	-	-	-	-	-	-	-	-	-	-	-	-

## 15.9 – Other mitigation measures

Table 85. Template 10 - Other climate change mitigating actions that are not covered in the EU Taxonomy

Template 10 - Other climate change mitigating actions that are not covered in the EU Taxonomy					
a	b	c	d	e	f
Type of financial instrument	Type of counterparty	Gross carrying amount (million EUR)	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
1	Financial corporations	-	-	-	-
2	Non-financial corporations	-	-	-	-
3	Of which Loans collateralised by commercial immovable property	-	-	-	-
4	Households	-	-	-	-
5	Of which Loans collateralised by residential immovable property	-	-	-	-
<p>Two operations are presented within the framework of sustainability-linked loans:</p> <p>1) Operation 1. The margin of the operation evolves according to the client's performance on KPIs that are linked to decarbonisation objectives (CO2 emissions and energy transition scores). This operation does not totally fulfill the criteria established in the Regulation (EU) 2020/852 and is not sustainable in accordance with Regulation (EU) 2020/852, due to the fact that this type of products, by definition, are not included in the eligibility criteria of the EU Taxonomy as they do not have a specific purpose and are conditioned to the compliance of a series of indicators. However, it still contributes to mitigate the transition risk linked to climate change with the following characteristics:</p> <p>The client, a corporation in the manufacture of automotive components, in order to improve its sustainability performance, has set strategic ESG objectives to 2025: it sets itself the target of reducing its energy consumption and direct greenhouse gas (GHG) emissions by 2% per year by 2025. Over this time horizon, it will cut indirect GHG emissions from energy consumption by 5% per year and their intensity by 3% per year. In this regard, the customer publishes the evolution of these indicators on an annual basis in its Annual Report.</p> <p>In this respect, the operation's margin evolves according to the comparison of the customer's ESG score based on an ESG report provided by Moody's. Each July the client provides the ESG report and the bank's office reviews whether the stipulations of the contract are met. A sustainability premium / discount is applied in the case of worsening / improving the initial ESG score assigned by Moody's by 5 points or more. In either of these cases, the interest rate is adjusted in the following period and for a period of one year, until the next report arrives. Regarding the time horizon of the objectives, as it is shown in the ESG plan and in the executive report.</p> <p>2) Operation 2. The Applicable Margin (either upward or downward) for the operation is reviewed annually based on the satisfaction of two Sustainability Objectives for the client. These Sustainability Objectives are reviewed by an independent third party who has been designated as a Sustainability Expert to determine the Sustainability Linked Loan consideration in accordance with the Sustainability Linked Loan Principles. This operation does not fully align with the criteria set out in Regulation (EU) 2020/852 and is not sustainable in accordance with Regulation (EU) 2020/852, because this type of product, by definition, is not included in the eligibility criteria of the EU Taxonomy as it does not have a specific purpose and is conditioned to the fulfillment of a series of indicators. However, it still contributes to mitigate the transition risk linked to climate change with the following characteristics:</p> <p>The client is a leading company in the Spanish market in rental and operation of lighting equipment for television programs, series, cinema and events. The company has a manual on environmental practices, dated August 2021, that defines those actions that aim to reduce the negative impact of its activity. It includes, among others, actions aimed to an efficient consumption of paper, water and energy, as well as a responsible waste management. The company also prepares an annual carbon footprint measurement report.</p> <p>The sustainability objectives to which the operation's margin is linked are: a) to have, by 2028, at least 3 people with disabilities hired by the client in addition to those required by law; and 2) to reduce GHG emissions by 40% in 2028, compared to 2019.</p>					
6	Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Of which building renovation loans	26,33	Technological and regulatory transition risk	-
7	Other counterparties	-	-	-	-
8	Financial corporations	-	-	-	-
9	Non-financial corporations	-	-	-	-
10	Of which Loans collateralised by commercial immovable property	-	-	-	-
11	Households	-	-	-	-



**16**

**REMUNERATIONS**

## 16. 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.

### 16.1 – 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.

### 16.2 - 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 article 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 European Commission Delegated Regulation (EU) 2021/923, of March 25, 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 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) 2021/923 or any other applicable rule in this regard concur.
- Based on quantitative criteria:
  - Members who have received total remuneration equal to or greater than 750,000 euros in the previous fiscal year or for the previous year.
  - Staff members who are among the 0.3% of staff who have been individually granted the highest total remuneration in the previous financial year or for the previous year.

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 neutralised (or not paid), insofar as the variable component of the remuneration is not guaranteed, in such a way that in the event of materialisation 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. 2021/923 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 by its acronym in Spanish) 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, in the meeting held on December 30, 2021, approved the modifications introduced in the General the General Remuneration Policy of IBERCAJA, as a consequence of the new legislation published in 2021:

- Equal remuneration and non-discrimination by gender
- Period of deferral
- Principle of proportionality
- Update of the people that make up the Identified Group in accordance with Delegated Regulation (EU) 2021/923

At the meeting held by the Board of Directors on February 24, 2022, no new changes were introduced in the General Remuneration Policy.

## 16.3 - 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 labour, 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.

## 16.4 - 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 2022, 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 2022 are encompassed in five areas:

- Solvency
- Profitability
- Asset Management
- Customers
- Strategic Plan

		Objectives	Indicator
Corporate Objectives	CET1	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 sales	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 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
	S.P.	Strategic Plan	Strategic Plan Assessment 2022 (*) (Assessment to be carried out by the Strategy Committee at the request of the CEO)

(\*) Includes ESG metrics

## 16.5 - 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 centralised 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.

## 16.6 - 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.

## 16.6.1 - 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% and specific objectives are weighted at 70%.

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.

## 16.6.2 - 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.

## 16.7 - 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-year 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 neutralise 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.

## 16.8 - 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.

When the member of the Identified Staff is part of the Board of Directors or the Management Committee, their variable remuneration will be subject to the following deferral clause:

- 40% of the variable remuneration element will be deferred over a period of five (5) years.
- The deferred remuneration will be paid over the five (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.

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 (5) years.
- This deferred remuneration shall be paid over the five (5) 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.

Finally, the deferred amounts will not give rise to the payment of interest or dividends.

## 16.9 - 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:

- c) 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.
- d) 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.



## 16.10 - 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 the Remuneration 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.

## 16.11 - 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:

- Compliance with the Bank's shareholder return set for the period 2021-2023.
- Achievement of the tangible equity return target for the 2023 financial year.
- Compliance with the "Fully Loaded" common equity tier I capital ratio target set for 2023.
- Compliance with sustainability objectives for the 2023 fiscal year.

## 16.12 - 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.

The General Shareholders' Meeting of Ibercaja Banco held on June 30, 2022 approved the modification of the Remuneration Policy for the members of the Board of Directors of Ibercaja Banco, to adapt it to the best practices of the Sector, remaining adjusted to the provisions of the Capital Companies Law and Law 10/2014, of June 26, on the organisation, supervision and solvency of credit institutions.

As a consequence of this adaptation, article 34 of the Bylaws of Ibercaja Banco was modified, establishing that the remuneration of directors in their capacity as such will consist of: a) fixed annual allowances for their status as members of the board of administration and, where appropriate, its commissions; b) an annual allowance to be determined by the Board for those directors who have special dedication and duties and c) the remuneration in kind and insurance established at any time. The maximum remuneration that the Company can pay to the group of directors in their capacity as such will not exceed the amount determined for this purpose in the Remuneration Policy approved by the General Shareholders' Meeting and will remain in force as long as the General Meeting does not agree on its modification.

### 16.12.1 - 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%.

### 16.12.2 - 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

Directors' remuneration consists of (a) fixed annual allowances for their status as members of the Board of Directors and, where appropriate, as members of its committees; (b) an annual allowance to be determined by the Board for those directors who, by reason of their position, have a special dedication and duties; and c) the remuneration in kind and insurance premiums established at any time.

Likewise, and considering the special dedication, functions, and skills inherent to the performance of the Chairman and members of the internal committees of the Board of Directors (Delegate Committee, Audit and Compliance Committee, Large Risks and Solvency Committee, Strategy Committee, of Appointments and Remuneration Committee), the remuneration of the positions held in each of them will consist of a fixed annual amount, which includes art. 7 of the Remuneration Policy.

- **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 cumulative and not exclusive with the remuneration that he may receive for his performance as a member of the Board and of the Board committees of which he may be a part.

However, by unilateral decision, the Chairman has renounced receiving the fixed annual allowance that would correspond to him for his membership of the Commissions of which he is a part.

- **Chief Executive Officer**

The CEO, the only executive director of the Entity, shall be entitled to receive, as expressly established in the Bylaws, a remuneration made up of the concepts indicated in section 16.12.1 *Remuneration of the Executive Director: CEO* of this Report. In any case, said compensation will not exceed two times the annual gross salary. Said remuneration is cumulative and not exclusive with the fixed fees established as consideration for his performance as a member of the Board and of the Board committees of which he may be a part.

However, by unilateral decision, the CEO has renounced receiving the fixed annual allowance that would correspond to him for belonging to the Committees of which he is a part.

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. Particularly in the update of the Policy carried out in the financial year 2022 and in relation to the remuneration of the members of the Board of Directors, what has been applied by other comparable credit institutions (peers) and other entities with a similar level of capitalisation has been taken into account. those that the Entity would have if listed on the Stock Market. To this end, the Entity commissioned Spencer Stuart to conduct a study comparing the compensation of Ibercaja's external directors and board members, as well as their commissions, to that of other comparable businesses in order to adapt the policy of remuneration to market and financial sector best practices.

## 16.13 - Remuneration received

Below is the quantitative (aggregate) information of the Identified Group.

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.

Table 86: Template EU REM1 - Remuneration awarded for the financial year

Remuneration awarded for the financial year						
(thousands of euros)			a	b	c	d
			MB Supervisory function	MB Management function	Other senior management	Other identified group
1	Fixed remuneration	Number of identified group	10	1	11	58
2		Total fixed remuneration	1,030	518	1,872	4,867
3		Of which: cash-based	915	463	1,795	4,786
4		(Not applicable in the EU)				
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		(Not applicable in the EU)				
7	Variable remuneration	Of which: other forms	115	55	77	81
8		(Not applicable in the EU)				
9		Number of identified group	-	1	11	58
10		Total variable remuneration	-	129	448	2,365
11		Of which: cash-based	-	61	215	2,290
12		Of which: deferred	-	35	81	26
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	-	68	233	75
EU-14b		Of which: deferred	-	43	99	32
EU-14x		Of which: other instruments	-	-	-	-
EU-14y		Of which: deferred	-	-	-	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	Total remuneration		1,030	647	2,320	7,232



Table 87: Template EU REM3 - Deferred remuneration

Deferred remuneration								
(thousands of euros)	a	b	c	d	e	f	EU - g	EU - h
	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
<b>Deferred and retained remuneration</b>								
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 <b>MB Management function</b>	<b>252</b>	<b>74</b>	<b>178</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66</b>	<b>42</b>
8 Cash-based	96	32	64	-	-	-	32	-
9 Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
10 Share-linked instruments or equivalent non-cash instruments	156	42	114	-	-	-	33	42
11 Other instruments	-	-	-	-	-	-	-	-
12 Other forms	-	-	-	-	-	-	-	-
13 <b>Other senior management</b>	<b>431</b>	<b>169</b>	<b>262</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>163</b>	<b>94</b>
14 Cash-based	153	75	78	-	-	-	75	-
15 Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
16 Share-linked instruments or equivalent non-cash instruments	279	94	184	-	-	-	88	94
17 Other instruments	-	-	-	-	-	-	-	-
18 Other forms	-	-	-	-	-	-	-	-
19 <b>Other identified staff</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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 <b>Total amount</b>	<b>683</b>	<b>244</b>	<b>440</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>228</b>	<b>136</b>

Table 88: 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)										
(thousands 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 staff										80
2 Of which: members of the MB	10	1	11							
3 Of which: other senior management				1	4	1	3	2	0	
4 Of which: other identified staff				4	25	2	12	14	1	
5 Total remuneration of identified staff	1,030	647	1,677	550	4,613	439	2,187	1,679	84	
6 Of which: variable remuneration	-	129	129	85	1,734	82	593	306	14	
7 Of which: fixed remuneration	1,030	518	1,548	465	2,879	357	1,594	1,373	70	

## ANNEXES

## ANNEXES

### ANNEX I: Main features of regulatory own funds instruments and eligible liabilities instruments (Template EU CCA)

Main Characteristics of CET 1 and additional TIER 1 Capital Instruments			
1	Issuer	Ibercaja Banco, S.A.	Ibercaja Banco, S.A.
2	Unique identifier (e.g. 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 instrument (signposting)	- <a href="https://www.ibercaja.com/public/documentos/ref04999_alcoraz.pdf">https://www.ibercaja.com/public/documentos/ref04999_alcoraz.pdf</a>	

Main Characteristics of CET 2 and eligible liabilities instruments				
1	Issuer	Ibercaja Banco, S.A.	Ibercaja Banco, S.A.	Ibercaja Banco, S.A.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ES0244251015	ES0244251023	ES0344251006
2a	Public or private placement	Public	Private	Public
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.	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	Yes
	Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 Capital	Subordinated debt	Subordinated debt
5	Post-transitional CRR rules	Tier 2 Capital	Subordinated debt	Subordinated debt
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Individual and (sub)consolidated	Individual and (sub)consolidated	Individual and (sub)consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated Liabilities	Ordinary liabilities	Ordinary liabilities
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	500	50	500
9	Nominal amount of instrument	500	50	500
9a	Issue price	1	0.99754	0.99862
9b	Redemption price	1	1	1
10	Accounting classification	Liabilities (at amortised cost)	Liabilities (at amortised cost)	Liabilities (at amortised cost)
11	Original date of issuance	23/01/2020	02/12/2021	15/06/2022
12	Perpetual or dated	Due date determined	Due date determined	Due date determined
13*	Original maturity date	23/07/2030	02/12/2027	15/06/2025
14	Issuer call subject to prior supervisory approval	Yes	Yes	Si
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%.	15/06/2024, 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	N/A



Coupons / dividends				
17	Fixed or floating dividend/coupon	From fixed to variable	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.	1.125% until 02/12/2026. Thereafter MS 1 year + 125 bps.	3.750% until 15/06/2024. Thereafter MS 1 year + 250 bps.
19	Existence of a dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	N/A	N/A	N/A
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	N/A	N/A	N/A
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
34a	Type of subordination (only for eligible liabilities)		No subordination	No subordination
34b	Ranking of the instrument in normal insolvency proceedings	Rank3-Rankingininsolvency(masterscale)	Rank7-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	After preferential creditor
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	<a href="https://www.ibercaja.com/public/documentos/ref05679_matarana-prospectus.pdf">https://www.ibercaja.com/public/documentos/ref05679_matarana-prospectus.pdf</a>	<a href="https://www.ibercaja.com/archivo/sp/6425">https://www.ibercaja.com/archivo/sp/6425</a>	<a href="https://www.ibercaja.com/archivo/sp/6425">https://www.ibercaja.com/archivo/sp/6425</a>

## 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)	2022 <i>phased-in</i>	2022 <i>fully loaded</i>
<b>TOTAL COMPUTABLE OWN FUNDS</b>	<b>3,172,796</b>	<b>3,078,604</b>
<b>Tier 1 Capital (T1)</b>	<b>2,672,796</b>	<b>2,578,604</b>
<b>Common Equity Tier 1 Capital (CET1)</b>	<b>2,322,796</b>	<b>2,228,604</b>
Disbursed equity instruments	214,428	214,428
Share premium	-	-
Retained earnings from previous years	796,848	796,848
Eligible results	80,848	80,848
Other reserves	1,888,228	1,825,924
Common Equity Tier 1 Capital Instruments under the preemptive regime	-	-
Minority interests	-	-
Other accumulated comprehensive income	-110,312	-110,312
Deductions from Common Equity Tier 1 (CET 1) capital instruments	-547,243	-579,131
Losses for the current year	-	-
Intangible assets	-250,107	-250,107
Defined benefit pension fund assets	-	-
Treasury stock: Direct holdings of CET1 instruments	-	-
Reciprocal holdings of CET1 instruments	-	-
Deferred tax assets dependent on future returns	-267,074	-298,962
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	-30,062	-30,062
<b>Additional Tier 1 Capital (AT1)</b>	<b>350,000</b>	<b>350,000</b>
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	-	-
<b>Tier 2 Capital (T2)</b>	<b>500,000</b>	<b>500,000</b>
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	-	-
<b>Total capital requirements</b>	<b>1,443,635</b>	<b>1,441,032</b>
Capital requirements for credit, counterparty and dilution risk	1,331,329	1,328,726
Capital requirements for market risk	-	-
Capital requirements for operational risk	111,302	111,302
Capital requirements for credit valuation adjustment (CVA)	1,004	1,004
<b>Risk-weighted assets</b>	<b>18,045,437</b>	<b>18,012,898</b>

## ANNEX III: Phased-in and fully-loaded capital ratios

Phase-in and fully-loaded capital ratios		
(thousands of euros and %)	2022 phased-in	2022 fully loaded
<b>Common Equity Tier 1 capital ratio (CET1)</b>	<b>12.87%</b>	<b>12.37%</b>
Minimum required CET1	4.50%	4.50%
<b>Tier 1 Capital Ratio (T1)</b>	<b>14.81%</b>	<b>14.32%</b>
Minimum required T1	6.00%	6.00%
<b>Total capital requirements</b>	<b>17.58%</b>	<b>17.09%</b>
Minimum total capital requirement	8.00%	8.00%
<b>Total capital requirements</b>	<b>1,443,635</b>	<b>1,441,032</b>
Capital requirements for credit, counterparty and dilution risk	1,331,329	1,328,726
Capital requirements for market risk - -	-	-
Capital requirements for operational risk	111,302	111,302
Capital requirements for credit valuation adjustment (CVA)	1,004	1,004
<b>Risk-weighted assets</b>	<b>18,045,437</b>	<b>18,012,898</b>
<b>Leverage ratio</b>	<b>5.54%</b>	<b>5.35%</b>

## **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 unrealised 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)		Dec-22	Sep-22	Jun-22	Mar-22	Dec-21
<b>Available capital (amounts)</b>						
1	Common Equity Tier 1 (CET1) capital	2,322,796	2,312,996	2,332,826	2,374,513	2,420,441
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	2,256,765	2,265,355	2,287,348	2,329,054	2,342,642
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)	2,672,796	2,662,996	2,682,826	2,724,513	2,770,441
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	2,606,765	2,615,355	2,637,348	2,679,054	2,692,642
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	3,172,796	3,162,996	3,182,826	3,224,513	3,270,441
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3,106,765	3,115,355	3,137,348	3,179,054	3,192,642
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	-	-	-	-	-
<b>Risk-weighted assets (amounts)</b>						
7	Total risk-weighted assets	18,045,437	18,028,638	18,227,117	18,297,180	18,051,935
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18,012,898	18,005,861	18,205,264	18,275,902	18,014,439
<b>Capital ratios</b>						
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	12.87%	12.83%	12.80%	12.98%	13.41%
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	12.53%	12.58%	12.56%	12.74%	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)	14.81%	14.77%	14.72%	14.89%	15.35%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.47%	14.53%	14.49%	14.66%	14.95%
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)	17.58%	17.54%	17.46%	17.62%	18.12%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17.25%	17.30%	17.23%	17.39%	17.72%
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	-	-	-	-	-
<b>Leverage ratio</b>						
15	Leverage ratio total exposure measure	48,270,672	53,421,968	54,563,677	47,424,135	46,071,839
16	Leverage ratio	5.54%	4.98%	4.92%	5.74%	6.01%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5.44%	4.90%	4.83%	5.65%	5.84%
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.

Country	Exposure Dec-2022	Country	Exposure Dec-2022
1 SPAIN	29,262,282	34 COSTA RICA	464
2 GERMANY	70,131	35 THAILAND	352
3 THE NETHERLANDS	49,754	36 MOROCCO	326
4 LUXEMBOURG	45,028	37 ARGENTINA	295
5 SWITZERLAND	37,536	38 COLOMBIA	276
6 FRANCE	30,457	39 ICELAND	263
7 UNITED STATES OF AMERICA	29,592	40 UKRAINE	260
8 UNITED KINGDOM	19,749	41 MALTA	249
9 ITALY	13,888	42 TUNISIA	244
10 IRELAND	11,086	43 LITHUANIA	212
11 BELGIUM	8,903	44 PANAMA	191
12 PORTUGAL	5,754	45 KUWAIT	177
13 RUSSIA	4,619	46 AUSTRIA	173
14 AUSTRALIA	3,474	47 ECUADOR	157
15 SWEDEN	3,201	48 POLAND	151
16 FINLAND	3,004	49 ARGELIA	144
17 ANDORRA	2,152	50 UZBEKISTAN	142
18 UNITED ARAB EMIRATES	1,744	51 HUNGARY	134
19 QATAR	1,263	52 BRAZIL	123
20 GIBRALTAR	1,186	53 INDONESIA	95
21 DINAMARK	1,181	54 BELARUS	91
22 MEXICO	970	55 LATVIA	86
23 SAUDI ARABIA	849	56 PHILIPPINES	76
24 IRAN	846	57 JAPAN	64
25 HONG KONG	836	58 ROMANIA	57
26 SLOVAKIA	836	59 ISRAEL	52
27 PERU	758	60 LEBANON	43
28 CANADA	687	61 SYRIA	36
29 CHILE	683	62 TURKEY	34
30 EQUATORIAL GUINEA	632	63 TAIWAN	26
31 CHINA	605	64 KAZAKHISTAN	20
32 NORWAY	590	65 CZECH REPUBLIC	13
33 VENEZUELA	564	66 OTHER COUNTRIES	12



## ANNEX VI: CRR Mapping

CRRII Mapping			
Article	Content	Location in the IRP 2022	Tables
<b>431. Scope of disclosure requirements</b>			
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	<p>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.</p> <p>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.</p> <p>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.</p>	<p>Policy for the disclosure and verification of information with prudential relevance of Ibercaja Banco, S.A. and its Consolidated Group</p> <p>Chapter 1</p>	
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	
<b>432. Non-material, proprietary or confidential information</b>			
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	
<b>433. Frequency of disclosure</b>			
433	The entities will publish the information required by virtue of Titles II and III as established in articles	Chapter 1	

433a, 433b and 433c.

#### 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	Entities shall disclose on their website or, failing that, in any other appropriate place, a file with the information that must be disclosed in accordance with this part. This file must be kept accessible for a period of time not less than the retention period established in national law for the data included in the financial reports of the entities.	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.	Chapters 6.1 and 6.2.3	
435.1.b	The structure and organisation of the relevant risk management function including information on the basis of its authority, its powers and accountability in accordance with the institution's incorporation and governing documents.	Chapter 6.2.2	
435.1.c	Risk reporting and measurement systems	Chapter 6.2.3	
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.	Chapter 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 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. Policy on diversity of Board membership, objectives, and achievement status.	Chapters 3.2.1, 3.2.2 y 3.2.3 Cross reference to the Notes to the Financial Statements	
435.2.c	Existence of a dedicated risk committee, and number of meetings during the year.	Chapter 3.2.6	
435.2.d	Description of the information flow on risk to the Board.	Chapter 3.2.2	
435.2.e	Information on governance arrangements, including information on Board composition and recruitment, and risk committees.	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.	Chapter 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	Chapter 3.4	LI1, LI2 and LI3
436.c	A breakdown of assets and liabilities of the consolidated financial statements prepared, by type of risk, in accordance with the requirements on regulatory consolidation pursuant to Sections 2 and 3 of Title II of Part One	Chapter 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, and the amounts of exposure used for regulatory purposes; such reconciliation may be complemented with qualitative information on said sources of differences.	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.	Chapter 3.5	
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.	Chapters 4.1, 4.2 y 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, as well as Tier 2 instruments issued by the institution	Chapter 4.2 y 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	Annex I	CCA
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.	Chapter 4.2	CC1
<b>437a. Disclosure of own funds and eligible liabilities</b>			
437.a	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	
<b>438. Disclosure of own funds requirements and risk-weighted exposure amounts</b>			
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;	Chapter 1	KM1
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-balance sheet 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, including the methods to assign such limits to exposures to central counterparties;	Chapter 7.3	
439.b	A description of collateral policies and other credit risk mitigation techniques, such as policies for securing collateral and establishing credit reserves;	Chapter 7.3	
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, also distinguishing between collateral used for securities financing operations and derivatives;	Chapter 7.3	CCR5
439.f	For derivative transactions, the exposure values before and after the effect of the credit risk mitigation, determined in accordance with the methods established in Part Three, Title II, Chapter 6, Sections 3 to 6, regardless of the method applicable, and the associated exposure risk amounts, broken down by applicable method;	Chapter 7.3	CCR1
439.g	For securities financing transactions, the exposure values before and after the effect of the credit risk mitigation determined in accordance with the methods established in Part Three, Title II, Chapter 6, Sections 3 to 6, regardless of the method applicable, and the associated exposure risk amounts, broken down by applicable method;	Chapter 7.3	CCR1
439.h	The exposure values after credit risk mitigation effects and the associated risk exposures for credit valuation adjustment capital charge, separately for each method, as set out in Part Three, title VI	Chapter 7.3	CCR2
439.i	The exposure value to central counterparties and the associated risk exposures where Part Three, Title II, Chapter 6, Section 9 applies, separately for qualified and non-qualified central counterparties qualified, and broken down by types of exposure	Chapter 7.3	CCR8
439.j	The notional amounts and fair value of credit derivative; operations with credit derivatives will be broken down by type of product; within each type of product, operations with credit derivatives will also be broken down by credit risk coverage purchased and sold;	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-balance sheet derivative business, calculated in accordance with Article 273 bis, paragraphs 1 or 2, as applicable.	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 4.3.1	CCyB1
440.b	Amount of the specific countercyclical capital Buffer.	Chapter 4.3.2	CCyB2

#### 441. Indicators of global systemic importance

441	Disclosure of the indicators of global systemic importance.	N/A	
-----	---	-----	--

#### 442. Information on exposures to credit risk and dilution risk

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 forbore 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-balance sheet 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. Encumbered and 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. Information disclosed on encumbered and unencumbered assets will not reveal the urgent provision of liquidity by central banks.	Chapter 13.2	AE1, AE2 y AE3
-----	--	--------------	----------------

#### 444. Use of the Standardised Approach

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 ECAs 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).	Chapter 7.4	
444.e	Exposure value pre and post-credit risk mitigation, by CQS.	Chapters 7.2.2, 7.3 and 7.5.2	CR5, CCR3 and CR4

#### 445. Exposure to market risk

445	Institutions calculating their own funds requirements in accordance with points (b) and (c) of Article 92(3) shall disclose those requirements separately for each risk referred to in those points. In addition, own funds requirements for the specific interest rate risk of securitisation positions shall be disclosed separately.	N/A	
-----	---	-----	--

#### 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;	Chapters 5.6 y 9.1	OR1
446.b	Where the institution makes use of it, a description of the methodology set out in Article 312(2), which shall include 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.	N/A	

#### 447. Disclosure of key metrics

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, in accordance with point (a) of Article 104(1) of Directive 2013/36/EU.	Chapter 1	KM1
447.d	Their combined buffer requirement which the institutions are required to hold in accordance with Chapter 4 of Title VII of Directive 2013/36/EU.	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-the-month 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. Exposures to interest rate risk on positions not held 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, referred to in Article 98(5) of Directive 2013/36/EU:		
-------	--	--	--

448.1.a	The changes in the economic value of equity calculated under the six supervisory shock scenarios referred to in Article 98(5) of Directive 2013/36/EU for the current and previous disclosure periods;	Chapter 11.1	IRRBB1
448.1.b	The changes in the net interest income calculated under the two supervisory shock scenarios referred to in Article 98(5) of Directive 2013/36/EU for the current and previous disclosure periods;	Chapter 11.1	IRRBB1
448.1.c	A description of key modelling and parametric assumptions, other than those referred to in points (b) and © of Article 98(5a) of Directive 2013/36/EU used to calculate changes in the economic value of equity and in the net interest income required under points (a) and (b) of this paragraph;	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;	Chapters 11 and 11.1	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 11.1	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 6.2.3	
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.	N/A	
<b>449. Exposure to securitisation positions</b>			
449	Institutions calculating risk weighted exposure amounts in accordance with Part Three, Title II, Chapter 5 or own funds requirements in accordance with Articles 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 y 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 7.6.3
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 ecas 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 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, 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

#### 449 a. Disclosure of environmental, social and governance risks (ESG risks)

449.a	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.	Chapters 2.5.7 and 15	Templates ESG: Template 1 Template 2 Template 3 Template 4 Template 5 Template 10 (Implementing Regulation (EU) 2022/2453)
-------	--	-----------------------	---

#### 450. Remuneration policy

450.1	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.	Chapters 3.2.2 and 16.5	
450.1.b	Information about the link between pay of the staff and their performance;	Chapters 16.6.1 and 16.11	
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 16.2, 16.4, 16.6.1 y 16.8	
450.1.d	The ratios between fixed and variable remuneration established	Chapter 16.6.1	
450.1.e	Information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based;	Chapter 16.7	
450.1.f	The main parameters and rationale for any variable component scheme and any other non-cash benefits;	Chapters 16.11, 16.12 and 16.6.1	
450.1.g	Aggregate quantitative information on remuneration, broken down by business area;	Chapter 16.13	

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:		
450.1.h	i) the amounts of remuneration awarded for the financial year, split into fixed remuneration and variable remuneration, and the number of beneficiaries,	Chapters 16.3 and 16.13 REM1 and REM3
	ii) the amounts and forms of awarded variable remuneration, split into cash, shares, share-linked instruments and other types,	
	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, and the number of beneficiaries of those awards,	
	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;	
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 16.13 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 16.13
<b>451. Leverage</b>		
451.1.a	Leverage ratio.	Chapter 14.2 LR2
451.1.b	A breakdown of the total exposure measures, including the reconciliation to financial statements.	Chapter 14.2 LR1, LR2 and LR3
451.1.c	If applicable, the total amount of the derecognised fiduciary items.	Chapter 14.2 LR2
451.1.d	Description of the processes used to manage the risk of excessive leverage	Chapter 14.3.1
451.1.e	Description of the factors that impacted the leverage ratio during the year.	Chapter 14.3.2
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	In addition to points (a) and (b) of paragraph 1 of this Article, large institutions shall disclose the leverage ratio and the breakdown of the total exposure measure referred to in Article 429(4) based on averages calculated in accordance with the implementing act referred to in Article 430(7).	Chapter 14.2 LR2

<b>451a. Disclosure of liquidity requirements</b>			
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.	Chapters 6.2.3 and 12.1	
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	
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 12.1	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 12.1	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 12.1	LIQ1
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 12.1	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 12.1	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 12.1	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	
<b>452. Use of the IRB Approach to credit risk</b>			
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 laid down in Chapter 2 of Title II of Part Three or to the IRB Approach laid down in Chapter 3 of Title II of Part Three, as well as the part of each exposure class subject to a roll-out plan; where institutions have received permission to use own LGDs and conversion factors for the calculation of risk weighted exposure amounts, they shall disclose separately the percentage of the total exposure value of each exposure class subject to that permission.	N/A	



	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,	
452.c	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,	N/A
	iv) The procedure to ensure the accountability of the functions in charge of developing and reviewing the models;	
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
<b>453. Use of credit risk mitigation techniques</b>		
453	Institutions applying credit risk mitigation techniques shall disclose the following information:	

453.a	The core features of the policies and processes for on- and off-balance-sheet netting and an indication of the extent to which institutions make use of balance sheet netting.	Chapter 7.5.1	
453.b	The core features of the policies and processes for eligible collateral evaluation and management.	Chapter 7.5.1	
453.c	A description of the main types of collateral taken by the institution to mitigate credit risk.	Chapter 7.5.1	
453.d	Main types of guarantor and credit derivative counterparty, as well as their solvency.	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; the disclosure set out in this point shall be made separately for loans and debt securities and including a breakdown of defaulted exposures;	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 risk weighted 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; the disclosure set out in this point shall be made separately for each exposure class.	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; where institutions have received permission to use own LGDs and conversion factors for the calculation of risk weighted exposure amounts, they shall make the disclosure set out in this point separately for the exposure classes subject to that permission.	N/A	
<b>454. Use of the Advanced Measurement Approaches to operational risk</b>			
454	Description of the use of insurance or other risk transfer mechanisms to mitigate operational risk.	N/A	
<b>455. Use of internal market risk models</b>			
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-	N/A	

	testing and validating the accuracy and consistency of the internal models and modelling processes;	
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

## Index of Tables

Table 1: Template EU KM1 – Key metrics template .....	8
Table 2: Members of the Board of Directors .....	34
Table 3: Composition of the Board of Directors .....	37
Table 4: Composition of the Executive Commission .....	37
Table 5: Composition of the Audit and Compliance Commission .....	39
Table 6: Composition of the Appointments Commission.....	40
Table 7: Composition of the Remuneration Commission .....	42
Table 8: Composition of the Major Risks and Solvency Commission .....	43
Table 9: Composition of the Strategy Commission .....	44
Table 10: Number of directorships held by members of the management body in other companies .....	45
Table 11: Subsidiaries, full consolidation .....	50
Table 12: Subsidiaries or multi-group companies, equity method .....	50
Table 13: Significant holdings in insurance companies.....	50
Table 14: Changes in the scope Companies liquidated in 2022 .....	50
Table 15: Template EU LI1 - Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories .....	52
Table 16: Template EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity) .....	54
Table 17: Template EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements.....	55
Table 18: Own Resources Ibercaja Gestión.....	56
Table 19: Own Resources Ibercaja Pensión .....	56
Table 20: Template EU INS2 - Financial conglomerates information on own funds and capital adequacy ratio .....	57
Table 21: Significant holdings in insurance companies.....	57
Table 22: Template EU INS1 - Insurance participations .....	57
Table 23: Solvency requirements .....	60
Table 24: Template EU CC2 – Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements.....	61
Table 25: Template EU CC1 – Composition of Regulatory Own Funds .....	63
Table 26: Template EU CCyB2 – Amount of Institution-Specific Countercyclical Capital Buffer .....	67
Table 27: Template EU CCyB1 – Geographical Distribution of Credit Exposures Relevant for the Calculation of the Countercyclical Buffer.....	68
Table 28: Template EU PV1 – Prudent Valuation Adjustments (PVA) .....	69
Table 29: Template EU OV1 – Overview of total risk exposure amounts .....	71

Table 30: Capital Requirements for Credit Risk .....	74
Table 31: Capital Requirements for Counterparty Risk .....	74
Table 32: SME exposures subject to supporting factor .....	75
Table 33: Capital requirements for Position Risk .....	75
Table 34: Capital Requirements for Operational Risk .....	76
Table 35: Capital Requirements for CVA .....	76
Table 36: Template EU CR1 - Performing and non-performing exposures and related provisions.....	117
Table 37: Template EU CR5 – Standardised approach.....	118
Table 38: Template EU CQ5 - Credit quality of loans and advances to non-financial corporations by industry .....	119
Table 39: Template EU CR1-A - Maturity of exposures .....	120
Table 40: Template EU CR2 - Changes in the stock of non-performing loans and advances .....	120
Table 41: Template EU CQ3 - Credit quality of performing and non-performing exposures by past due days .....	121
Table 42: Template EU CQ1 - Credit quality of forborne exposures.....	122
Table 43: Template EU CQ7 - Collateral obtained by taking possession and execution processes .....	123
Table 44: Template EU CCR2 – Transactions subject to own funds requirements for CVA risk .....	125
Table 45: Template EU CCR5 – Composition of collateral for CCR ex .....	126
Table 46: Template EU CCR1 – Analysis of CCR exposure by approach.....	128
Table 47: Template EU CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights.....	129
Table 48: Template EU CCR8 – Exposures to CCPs .....	130
Table 49: External rating agencies .....	131
Table 50: Template EU CR4 – standardised approach – Credit risk exposure and CRM effects .....	135
Table 51: Template EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques .....	136
Table 52: Exposure net of value adjustments .....	136
Table 53: Exposure categories and quality levels .....	137
Table 54: Template EU SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments.....	146
Table 55: COVID-19 Template 1 - Information on loans and advances subject to legislative and non-legislative moratoria .....	148
Table 56: COVID-19 Template 2 - Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria.....	149

Table 57: 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 .....	149
Table 58: Template EU OR1 – Operational risk own funds requirements and risk-weighted exposure amounts .....	157
Table 59: Value of exposures to equity and capital instruments .....	163
Table 60: Balance sheet sensitivity profile on December 31, 2022 .....	168
Table 61: Impact of changes in interest rates .....	168
Table 62: Template EU IRRBB1 - Interest rate risks of non-trading book activities .....	169
Table 63: Sections (1) (2) of the Template EU IRRBBA – Disclosure of the average and longest repricing maturity assigned to non-maturity deposits .....	169
Table 64: Breakdown of available liquidity .....	171
Table 65: Breakdown by term of contractual maturities of assets and liabilities .....	172
Table 66: Quarterly evolution of the LCR - values on March 31 .....	175
Table 67: Quarterly evolution of the LCR - values on June 30 .....	175
Table 68: Quarterly evolution of the LCR - values on September 30 .....	175
Table 69: Quarterly evolution of the LCR - values on December 31 .....	176
Table 70: Template EU LIQ1 – Quantitative Information of LCR .....	177
Table 71: Template EU LIQ2 - Net Stable Funding Ratio .....	178
Table 72: Maturities of wholesale financing .....	180
Table 73: Template EU AE1 - Encumbered and unencumbered assets .....	183
Table 74: Template EU AE2 - Collateral received and own debt securities issued .....	184
Table 75: Template EU AE3 — Sources of encumbrance .....	184
Table 76: Template EU LR3 - LRSpl: Breakdown of on balance sheet exposures (excluding derivatives, SFTs and excluded exposures) .....	188
Table 77: Template EU LR2 - LRCom: Leverage ratio common disclosure .....	189
Table 78: Template EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures .....	192
Table 79. Exclusions made on the initial perimeter (progressively). .....	217
Table 80. Template 1: Banking book- Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity .....	218
Table 81. Template 2: Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral .....	222
Table 82. Template 3: Banking book –Climate change transition risk: Alignment metrics ...	226
Table 83. Template 4: Banking book –Climate change transition risk: Exposures to top 20 carbon-intensive f .....	227
Table 84. Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk .....	230
Table 85. Template 10 - Other climate change mitigating actions that are not covered in the EU Taxonomy .....	231



Table 86: Template EU REM1 - Remuneration awarded for the financial year .....	252
Table 87: Template EU REM3 - Deferred remuneration .....	253
Table 88: Template EU REM5 — Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) .....	254

## Index of Illustrations

Illustration 1: Scope of consolidation	32
Illustration 2: Governing bodies	33
Illustration 3: Committees of the Board of Directors	37
Illustration 4: Members of the Executive Commission	37
Illustration 5: Members of the Audit and Compliance Commission	39
Illustration 6: Members of the Appointments Commission	40
Illustration 7: Members of the Remuneration Commission	42
Illustration 8: Members of the Major Risks and Solvency Commission	43
Illustration 9: Members of the Strategy Commission	43
Illustration 10: Companies within the consolidation perimeter	47
Illustration 11: Own funds minimum requirements	72
Illustration 12: Contribution by Business Line of the RWA of shareholders' equity for Operational Risk in %	158
Illustration 13: Loss events by risk category as a %	160
Illustration 14: Sustainability Governance Scheme	200
Illustration 15: ESG risk management phases	207
Illustration 16: Matrix of transmission channels for environmental risks	208
Illustration 17: Climate risk map (Orderly scenario, disorderly scenario and Hot House World Scenario)	210
Illustration 18: Steps for calculating the intensity of base year emissions using the SDA methodology	224
Illustration 19: Intensity metrics and 2030 targets for each priority sector. SDA	225