cecabank

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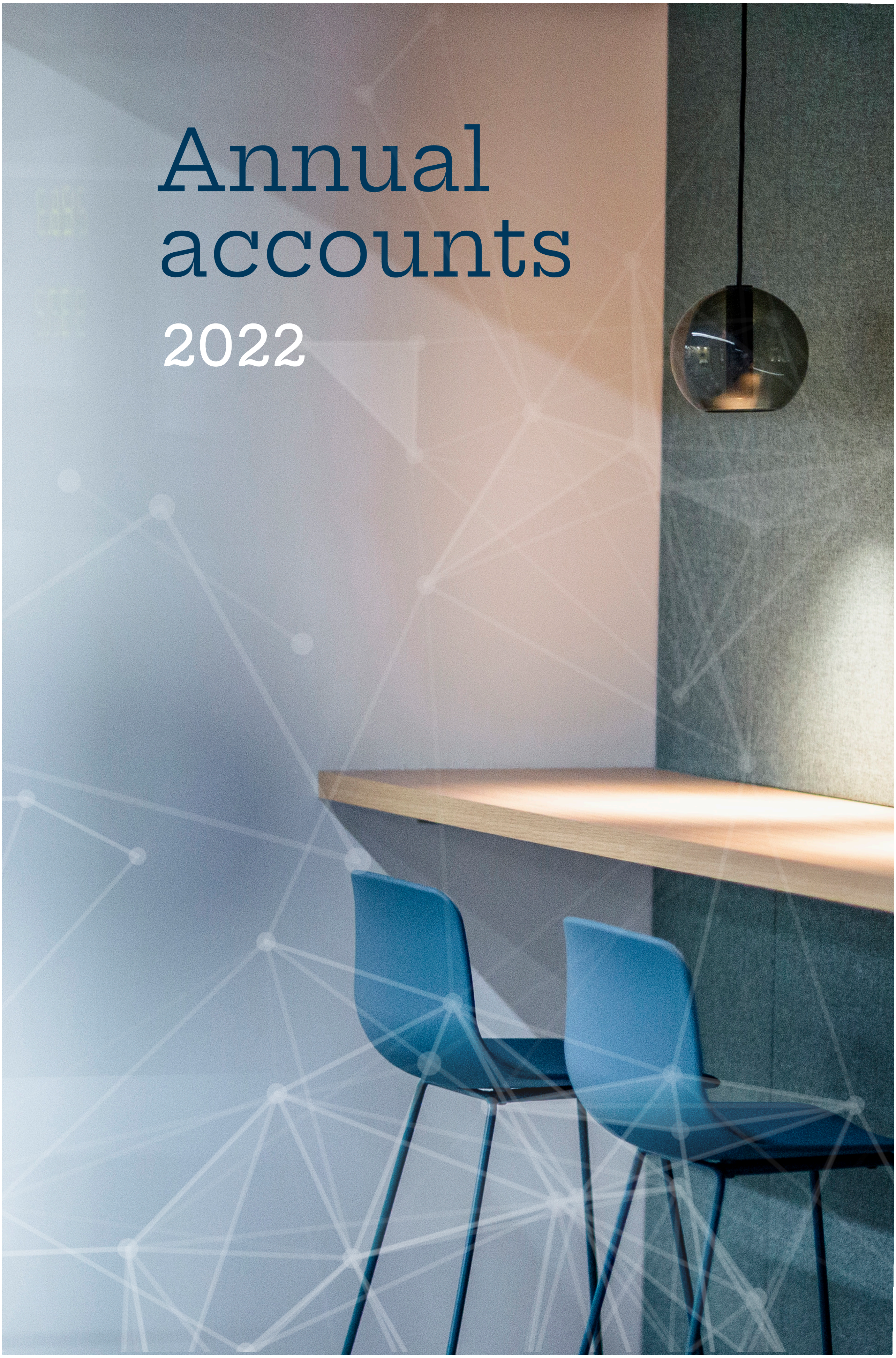

# Annual accounts

2022

# Cecabank, S.A. and subsidiaries composing the Cecabank Group

Financial Statements and Directors' Report
for the year ended 31 December 2022

# Annual accounts 2022

**Independent Auditor's Report on Consolidated Financial Statements**

Consolidated Statements

Annual report

Director's report

Appendix, Non-financial information

Formulation of the Annual Accounts

# Cecabank, S.A. and subsidiaries

Auditor's Report, Consolidated Financial Statements
and Consolidated Management Report as of 31 December 2022

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

# Audit report on the consolidated annual accounts issued by an independent auditor

To the shareholders of Cecabank, S.A.:

## Report on the consolidated annual accounts

### Opinion

We have audited the accompanying consolidated annual accounts of Cecabank, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet at 31 December 2022, consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement and consolidated notes to the financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, a true and fair view of the Group's equity and financial position at 31 December 2022 and of its consolidated results and cash flows for the year then ended, in accordance with International Financial Reporting Standards, as adopted by the European Union (EU-IFRS), and other provisions of the regulatory financial reporting framework applicable in Spain.

### Basis for opinion

We conducted our audit in accordance with Spanish auditing standards. Our responsibilities under those standards are described below in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the ethical requirements, including independence requirements, applicable to our audit of the consolidated annual accounts in Spain as required by the regulations governing the audit activity. In this respect, we have not provided services other than auditing accounts, nor have there been any situations or circumstances which, in accordance with the provisions of the aforementioned regulations, have affected the necessary independence in such a way that it has been compromised.

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

### Key Audit matters

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



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

| Key audit matters | How our audit addressed the key audit matters |
|---|---|
| **Third party securities depository and custody**<br><br>As described in note 1, the Group specialises in securities services, one of its main businesses being the depository and custody of securities.<br><br>At 31 December 2022, the Group has recorded in its memorandum accounts financial instruments entrusted by third parties amounting to Euros 272,963,818 thousand, deriving from the depository and custody operations provided to various financial institutions, as detailed in note 27.3.<br><br>In addition, for the provision of the aforementioned depository and custody services, the Group received commissions of 169,853 thousand euros in 2022, as detailed in note 31, and is therefore the most relevant business in terms of revenue for the Group.<br><br>We consider this business to be a key audit matter, given its relevance for the consolidated annual accounts as a whole, as well as the significance of the revenues received by this business. | Our work has focused on the analysis, evaluation and verification of internal control, as well as the performance of detailed tests.<br><br>With regard to internal control, we focused on the design and operability of the controls of the depository and custody business, mainly on checking the reconciliations of securities and assets deposited and held in custody for third parties, as well as the commissions accrued for this activity.<br><br>In addition, we have carried out detailed tests consisting of:<br><br>• Obtaining and analysing, for a sample, the contractual documentation governing the provision of services between the Group and its depository and custodian clients and checking that it matches the accounting records.<br>• Recalculation of a sample of depository fees and a sample of custody fees received during the financial year 2022.<br>• Verification of the reconciliations of securities carried out by the Group's management and analysis of reconciling items at 31 December 2022.<br>• External confirmation of all counterparties deposited and held in custody at 31 December 2022.<br>• Verification of the correct recording of the breakdowns of the balances disclosed in the Group's consolidated financial statements at 31 December 2022.<br>• Third party confirmation procedures for a sample of customer securities at 31 December 2022.<br><br>As a result of the procedures described above, no significant incidents affecting this issue have come to light. |

| Key audit matters | How our audit addressed the key audit matters |
|---|---|
| **Valuation of financial instruments**<br><br>At 31 December 2022, the Group held investments in various types of financial instruments amounting to Euros 3,714,704 thousand of assets and Euros 616,748 thousand of liabilities. At year-end these balances represented 26% of total assets and 5% of total liabilities on the balance sheet of the accompanying consolidated annual accounts.<br><br>For valuation purposes, these financial instruments are classified as level 1, level 2 and level 3. As detailed in note 21, the fair value of financial instruments is determined as follows:<br><br>• Level 1: quoted price in active markets.<br><br>• Level 2: valuation techniques in which significant inputs are based on directly or indirectly observable market data.<br><br>• Level 3: valuation techniques in which significant inputs are based on unobservable market data.<br><br>In addition, the valuation of financial instruments is one of the most significant estimates made by Group management, using different valuation techniques and methodologies depending on each type of instrument, as explained in notes 2.2, 2.9 and 21 to the accompanying consolidated financial statements.<br><br>In view of the above, we consider the valuation of financial instruments to be a key audit matter due to their representativeness in the consolidated financial statements and the high degree of professional judgement required. | We obtained an understanding of management's estimation process with the assistance of our financial instrument valuation experts.<br><br>With respect to internal control, we focused on assessing the design and operability of controls over the following processes:<br><br>• Calculation methodologies applied by management, verifying that they are aligned with the applicable accounting regulations.<br><br>• Compliance with regulations and the functioning of the internal models approved by management.<br><br>• Reliability of the data sources used in the calculations and the appropriateness of the models, taking into account the circumstances.<br><br>In addition, we have performed detailed tests consisting of:<br><br>• Verification that the methodology of the valuation process carried out by management is aligned with applicable accounting standards, market practice and industry-specific expectations.<br><br>• Verification of the classification of financial instruments by levels, based on observable prices in active markets.<br><br>• Contrasting and re-execution of the valuation performed by Group management, based on their classification, for different samples of the financial instrument portfolios. |

| Key audit matters | How our audit addressed the key audit matters |
|---|---|
| | • Benchmarking and re-performance of the effectiveness test for a sample of accounting hedging files<br><br>• Verification of the correct recording of the breakdowns of the balances disclosed in the consolidated annual accounts as at 31 December 2022<br><br>In performing the tests described above, no differences, above a reasonable range, have been identified. |
| **Matters associated with computer systems** | |
| Given its operations, the Group uses complex IT systems, both in its own activities and in the calculations, processing, recording, storage, preparation and presentation of its financial and accounting information. Adequate control over these systems and the protocols for accessing applications and databases is therefore essential to guarantee the correct processing of financial information.<br><br>Therefore, we have considered the effectiveness of the overall internal control framework of the information systems related to the accounting recording and closing process as a key issue in performing certain internal control based audit procedures. | The main audit procedures carried out on the information systems considered relevant in the process of generating financial information are described below. In order to carry out this work, we have had the collaboration of specialists in systems and process auditing.<br><br>• Testing of IT general controls (ITGCs), focusing on the following areas: access to programs and data, program changes and IT operations of the main platforms containing information that may have a material impact on the consolidated financial statements.<br><br>• Verification of the existence of tools for the management and control of automatic processes and the monitoring and management of incidents.<br><br>• Understanding of the key business processes, identifying the key automated controls in place and testing them.<br><br>• Understanding the process of recording transactions and closing the accounts, as well as testing the extraction and filtering of entries against audit risk criteria.<br><br>No material issues have been identified that materially affect the financial information included in the accompanying consolidated financial statements. |

## Other information: Consolidated management report

The other information comprises exclusively the consolidated management report for the financial year 2022, the preparation of which is the responsibility of the Parent Company's directors and does not form an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility in relation to the consolidated management report, as required by the regulations governing the audit activity, is to:

a) To verify only that the consolidated non-financial information statement has been provided in the form required by the applicable regulations and, if not, to report thereon.

b) Assessing and reporting on the consistency of the other information included in the consolidated management report with the consolidated annual accounts, based on the knowledge of the Group obtained in the course of the audit of the aforementioned accounts, and assessing and reporting on whether the content and presentation of this part of the consolidated management report are in accordance with the applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report them.

On the basis of the work performed, as described above, we have verified that the information referred to in a) above is provided in the manner prescribed by the applicable regulations and that the other information contained in the consolidated directors' report is consistent with that in the consolidated financial statements for 2022 and its content and presentation are in accordance with the applicable regulations.

## Liability of the directors and the audit committee in relation to the consolidated annual accounts

The Parent's directors are responsible for the preparation of the accompanying consolidated annual accounts so that they present fairly the Group's consolidated equity, financial position and results, in accordance with IFRS-EU and other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the directors of the parent company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as appropriate, going concern matters and using the going concern basis of accounting unless the directors intend to liquidate the Group or to cease operations, or if there is no realistic alternative.

The audit committee of the parent company is responsible for overseeing the process of preparing and presenting the consolidated financial statements.

## Auditor's responsibilities in relation to the audit of the consolidated annual accounts

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

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

As part of an audit in accordance with the regulations governing the audit activity in Spain, we apply our professional judgement and maintain an attitude of professional scepticism throughout the audit. We also:

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

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

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

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

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

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

We communicate with the audit committee of the parent company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, as well as any significant deficiencies in internal control that we identify in the course of the audit.

We also provide the audit committee of the Parent Company with a statement that we have complied with applicable ethical requirements, including independence requirements, and have communicated with the audit committee of the Parent Company on matters that may reasonably be expected to pose a threat to our independence and, where appropriate, related safeguards.

Among the matters that have been communicated to the audit committee of the Parent Company, we have identified those matters that were of most significance in the audit of the consolidated financial statements for the current period and which are, accordingly, the key audit matters.

We describe these matters in our auditor's report unless legal or regulatory provisions prohibit public disclosure of the matter.

## Report on other legal and regulatory requirements

### Report to the audit commission of the Parent company

The opinion expressed in this report is consistent with that expressed in our additional report to the audit committee of the parent company dated 23 February 2023.

### Appointment period

The Annual General Meeting of Shareholders held on 29 March 2022 appointed us as the Group's auditors for a period of one year for the year ended 31 December 2022.

Previously, we were appointed by resolution of the shareholders at the Annual General Meeting for a period of three years and have been performing the audit work uninterruptedly since the year ended 31 December 2019.

### Services provided

The non-audit services provided to the audited Group are disclosed in note 36 of the notes to the consolidated financial statements.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Amagoia Delgado Rodríguez (22009)

23 February 2023

cecabank

# Annual accounts 2022

# Cecabank, S.A. and subsidiaries composing the Cecabank Group

## CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2022

(Expressed in thousands of Euros)

| ASSETS | 2022 | 2021 |
|---|---|---|
| **Cash, cash balances at central banks and other demand deposits (Note 7)** | **7,854,339** | **8,679,756** |
| **Financial assets held for trading (Note 8.1)** | **857,046** | **1,414,378** |
| Derivatives | 447,469 | 781,544 |
| Equity instruments | 102,253 | 292,528 |
| Debt securities | 307,324 | 340,306 |
| Loans and advances | - | - |
| Pro-memoria: Prestados o entregados como garantía con derecho de venta o pignoración | *104,631* | 170,867 |
| **Non-trading financial assets mandatorily at fair value through profit or loss (Note 8.2)** | **14,939** | **28,584** |
| Equity instruments | 5,804 | 4,550 |
| Debt securities | 9,135 | 23,924 |
| Loans and advances | - | 110 |
| Memorandum item: loanedor advanced as collateral with right to sell or pledge | - | - |
| **Financial assets designated at fair value through profit or loss (Note 8.3)** | **-** | **-** |
| **Financial assets at fair value through other comprehensive income (Note 9)** | **2,339,005** | **3,238,947** |
| Equity instruments | 2,733 | 3,002 |
| Debt securities | 2,336,272 | 3,235,945 |
| Loans and advances | - | - |
| Memorandum item: lent or delivered as guarantee with a right of sale or pledged | 1,414,785 | 2,132,610 |
| **Financial Assets at amortised cost (Note 10)** | **2,543,772** | **3,199,697** |
| Debt securities | 307,273 | 109,595 |
| Loans and advances | 2,236,499 | 3,090,102 |
| Central banks | 1 | 16,174 |
| Credit institutions | 1,352,991 | 2,094,199 |
| Customers | 883,507 | 979,729 |
| Memorandum item: lent or delivered as guarantee with a right of sale or pledged | *286,089* | *479,295* |
| **Derivatives - hedge accounting (Note 11)** | **196,441** | **10,137** |
| **Fair value changes of hedged items in portfolio hedge of interest rate risk hedge of interest rate risk** | **-** | **-** |
| **Investment in subsidiaries, joint ventures and associates** | **-** | **-** |
| Joint Ventures | - | - |
| Associates | - | - |
| **Activos tangibles (Nota 13)** | **53,906** | **51,168** |
| Property, plant and equipment | 44,856 | 41,871 |
| For own use | 44,856 | 41,871 |
| Leased under operating lease | - | - |
| Assigned to welfare projects | - | - |
| Investment property | 9,050 | 9,297 |
| Of which: Leased out under an operating lease | - | - |
| Memorandum item: acquired in finance lease | 1,303 | 1,673 |
| **Intangible assets (Note 14)** | **401,168** | **446,662** |
| Goodwill | - | - |
| Other intangible assets | 401,168 | 446,662 |
| **Tax assets (Note 20)** | **86,960** | **66,765** |
| Current tax assets | 368 | 229 |
| Deferred tax assets | 86,592 | 66,536 |
| **Other assets (Note 15.1)** | **67,321** | **60,368** |
| Insurance contracts linked to pensions | - | - |
| Stock | - | - |
| Remainder of other assets | 67,321 | 60,368 |

# Cecabank, S.A. and subsidiaries composing the Cecabank Group

## CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2022

(Expressed in thousands of Euros)

| | | |
|---|---|---|
| Non-current assets and disposable groups of items classified as held for sale (Note 12) | 623 | 3,075 |
| TOTAL ASSETS | 14,415,520 | 17,199,537 |
| LIABILITIES AND EQUITY | 2022 | 2021 |
| LIABILITIES | | |
| **Financial liabilities held for trading (Note 8.1)** | 616,748 | 1,085,136 |
| Derivatives | 482,354 | 805,612 |
| **Short positions** | 134,394 | 279,524 |
| Deposits | - | - |
| Debt securities issued | - | - |
| Other financial liabilities | - | - |
| Financial liabilities designated at fair value through profit or loss (Note 8.3) | - | - |
| Financial liabilities at amortised cost (Note 16) | 12,447,904 | 14,727,683 |
| Deposits | 12,071,295 | 14,591,226 |
| Central Banks | 3,843 | - |
| Credit Institutions | 1,517,129 | 2,267,645 |
| Customers | 10,550,323 | 12,323,581 |
| Debt securities issued | - | - |
| Other financial liabilities | 376,609 | 136,457 |
| Derivatives - hedge accounting (Note 11) | - | 4,105 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | - | - |
| **Provisions (Note 17)** | 71,813 | 86,763 |
| Pensions and other post-employment defined benefit obligations | - | - |
| Other long-term employee benefits | 33,569 | 45,426 |
| Pending legal issues and tax litigations | 6,719 | 4,213 |
| Commitments and guarantees given | 413 | 262 |
| Other provisions | 31,112 | 36,862 |
| **Tax liabilities** | 17,984 | 18,531 |
| Current liabilities | 7,026 | 6,686 |
| Deferred tax liabilities (Note 20) | 10,958 | 11,845 |
| Share capital repayable on demand | - | - |
| Other liabilities (Note 15.2) | 70,945 | 65,728 |
| Liabilities included in disposal groups classified as held for sale | - | - |
| TOTAL LIABILITIES | 13,225,394 | 15,987,946 |
| **Shareholders' equity** | 1,252,915 | 1,201,621 |
| Share capital | 112,257 | 112,257 |
| Paid up capital (Note 19) | 112,257 | 112,257 |
| Called-up uncalled capital | - | - |
| Memorandum item: uncalled capital | - | - |
| Retained earnings (Note 19) | 615,493 | 615,493 |
| Issued equity instruments other than capital | - | - |
| Other equity items | - | - |
| Retained earnings | 444,831 | 389,924 |
| Revaluation reserves | - | - |
| Other reserves (Note 19) | 14,894 | 14,889 |
| (-) Treasury shares | - | - |
| Profit attributable to parent company | 65,440 | 69,058 |
| (-) Interim dividends | - | - |

# Cecabank, S.A. and subsidiaries composing the Cecabank Group

## CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2022

(Expressed in thousands of Euros)

| | | |
|---|---|---|
| **Accumulated other comprehensive income** | **(62,789)** | **9,970** |
| Items that will not be reclassified to profit or loss | 11,555 | 11,163 |
| Actuarial gains or losses on defined benefit pensions plans (Note 18) | 10,126 | 9,656 |
| Non-current assets and disposable groups of items that have been classified as held for sale | - | - |
| Changes of fair value of equity instruments measured at fair value through other comprehensive income | 1,429 | 1,507 |
| Ineffectiveness of fair value hedges of equity instruments measured at fair value through other comprehensive income | - | - |
| Changes in the fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk in profit or loss attributable to changes in credit risk | - | - |
| Items that may be reclassified to profit or loss | (74,344) | (1,193) |
| Hedging of net investments in foreign businesses | - | - |
| Currency conversion | - | - |
| Hedging derivatives. Cash flow hedge reserve | - | - |
| Changes of fair value of debt instruments measured at fair value through other comprehensive income (Note 18) | (74,344) | (1,193) |
| Hedging instruments | - | - |
| Non-current assets and disposal groups that have been classified as held for sale (Notes 12 and 18) | - | - |
| Non-controlling shareholdings - Other items | - | - |
| **TOTAL EQUITY** | **1,190,126** | **1,211,591** |
| **TOTAL LIABILITIES AND EQUITY** | **14,415,520** | **17,199,537** |
| *Pro-Memoria* | | |
| **Commitments from loans granted (Note 27.1)** | **503,859** | **561,871** |
| **Financial guarantees granted (Note 27.1)** | **-** | **-** |
| **Other obligations granted (Note 27.1)** | **174,353** | **71,431** |

# Cecabank, S.A. and subsidiaries composing the Cecabank Group

## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

(Expressed in thousands of Euros)

| | 2022 | 2021 |
|---|---|---|
| **Interest income (Note 28)** | **143,914** | **111,336** |
| Financial assets at fair value through other comprehensive income | 31,165 | 27,897 |
| Financial assets at amortised cost | 21,162 | 9,763 |
| Other interest income | 91,587 | 73,676 |
| **Interest expenses (Note 29)** | **(140,417)** | **(104,970)** |
| **Interest margin** | **3,497** | **6,366** |
| Dividend income (Note 30) | 4,915 | 4,066 |
| Fee and commission income (Note 31) | 225,465 | 222,429 |
| Fee and commission expenses (Note 32) | (35,097) | (33,090) |
| Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net (Note 33) | (26,110) | 34,588 |
| Financial assets at amortised cost | 2 | 3 |
| Financial liabilities at amortised cost | (26,112) | 34,585 |
| Other financial assets and liabilities | 35,032 | (6,018) |
| Gains or losses on financial assets and liabilities held for trade, net (Note 33) | 35,032 | (6,018) |
| Gain or losses on non-trading financial assets mandatorily at fair value through profit or loss, net (Note 33) | (687) | (1,043) |
| Other financial assets and liabilities | (687) | (1,043) |
| Profit or (-) loss from financial assets and liabilities designated at fair value through profit or loss, net (Note 33) | - | - |
| Gains or losses from hedge accounting, net (Note 33) | 3,081 | 206 |
| Exchange differences, net | 62,036 | 38,746 |
| Other operating income (Note 34) | 56,365 | 51,068 |
| Other operating expenses (Note 37) | (16,173) | (11,638) |
| **GROSS INCOME** | **312,324** | **305,680** |
| Administrative expenses | (136,530) | (144,026) |
| Staff costs (Note 35) | (48,624) | (71,736) |
| Other administrative expenses (Note 36) | (87,906) | (72,290) |
| Amortisation (Note 39) | (87,483) | (82,468) |
| Provisions or reversal of provisions (Note 17) | 4,759 | 9,786 |
| Impairment or reversal of impairment and gains or losses due to changes in cash flows of financial assets not measured at fair value through profit or loss or net gains or losses (-) due to changes (Notes 22 and 38) | (861) | 4,580 |
| Financial assets at fair value through other comprehensive income | (738) | (416) |
| Financial Assets at amortised cost | (123) | 4,996 |
| Impairment of value or reversal of impairment of value of investments in joint ventures or associates | - | - |
| Impairment or reversal of impairment of non-financial assets | - | - |
| Tangible Assets (Note 13) | - | - |
| Intangible Assets (Note 14) | - | - |
| Other | - | - |
| **Gains or losses on derecognition of non-financial assets and investments, net (Note 13)** | (5) | 5 |
| Negative goodwill recognised in profit or loss | - | - |
| Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (Note 12) | - | 43 |
| **PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS** | **92,204** | **93,600** |
| Tax expense or income related to profit or loss from continuing operations (Note 20.2) | (26,764) | (24,542) |
| **PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS** | 65,440 | 69,058 |
| Profit or loss after tax from discontinued operations | - | - |
| **PROFIT FOR THE YEAR** | **65,440** | **69,058** |
| Attributable to minority interests (controlling interests) | - | - |
| Attributable to the owners of the dominant | 65.440 | 69.058 |

# Cecabank, S.A. and subsidiaries composing the Cecabank Group

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

(Expressed in thousands of Euros)

### a) CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

| | 2022 | 2021 |
|---|---|---|
| **PROFIT FOR THE YEAR** | **65,440** | **69,058** |
| **OTHER COMPREHENSIVE INCOME** | **(72,759)** | **(14,445)** |
| **Items that will not be reclassified to profit or loss** | **392** | **(55)** |
| Actuarial gains or losses on defined benefit pension plans (Note 35 and Note 20.4) | 671 | (340) |
| Non-current assets and disposal groups held for sale | - | - |
| Changes of fair value of equity instruments measured at fair value through other comprehensive income (Notes 7 and 20.4) | (112) | 262 |
| Tax on gains related to the items that will not be reclassified (Note 20.4) | (167) | 23 |
| **Items that may be reclassified to profit or loss** | **(73,151)** | **(14,390)** |
| Foreign currency translation | - | - |
| Translation gains or losses taken to equity | - | - |
| Cash flow hedges | - | - |
| Valuation gains or losses taken to equity | - | - |
| Transferred to profit or loss | - | - |
| Debt instruments at fair value through other comprehensive income (Note 20.4) | (104,501) | (20,557) |
| Valuation gains or losses taken to equity | (130,613) | 14,028 |
| Transferred to profit or loss (Notes 7 and 20.4) | 26,112 | (34,585) |
| Tax on gains related to the items that may be reclassified in profit or loss (Note 20.4) | 31,350 | 6,167 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **(7,319)** | **54,613** |
| **Attributable to non-controlling interests** | **-** | **-** |
| **Attributable to parent company shareholders** | **(7,319)** | **54,613** |

# Cecabank, S.A. and subsidiaries composing the Cecabank Group

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

(Expressed in thousands of Euros)

## b) CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

| | SHAREHOLDERS' EQUITY | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital (Note 19) | Share premium (Note 19) | Retained earnings | Other reserves (Note 19) | (-) Treasury shares | Profit for the year (Note 4) | (-) Interim dividends | Accumulated other comprehensive income (Note 18) | Non-controlling interests | Total equity |
| **Opening balance (before restatement) at 1 January 2021** | 112,257 | 615,493 | 340,558 | 14,796 | - | 54,372 | - | 24,415 | 409 | 1,162,300 |
| Effects of corrections of errors | - | - | - | - | - | - | - | - | - | - |
| Effects of changes in accounting policies | - | - | - | - | - | - | - | - | - | - |
| **Opening balance at 1 January 2021** | 112,257 | 615,493 | 340,558 | 14,796 | - | 54,372 | - | 24,415 | 409 | 1,162,300 |
| **Total comprehensive income for the year** | - | - | - | - | - | 69,058 | - | (14,445) | - | 54,613 |
| **Other changes in equity** | - | - | 49,366 | 93 | - | (54,372) | - | - | (409) | (5,322) |
| Capital reduction | - | - | (31) | - | - | - | - | - | (409) | (440) |
| Dividends (or remuneration of members) | - | - | (4,844) | - | - | - | - | - | - | (4,844) |
| Sale or cancellation of treasury shares | - | - | - | - | - | - | - | - | - | - |
| Transfers among components of equity | - | - | 54,372 | - | - | (54,372) | - | - | - | - |
| Other increase or decrease in equity | - | - | (131) | 93 | - | - | - | - | - | (38) |
| **Closing balance at 31 December 2021** | 112,257 | 615,493 | 389,924 | 14,889 | - | 69,058 | - | 9,970 | - | 1,211,591 |
| Effects of corrections of errors | - | - | - | - | - | - | - | - | - | - |
| Effects of changes in accounting policies | - | - | - | - | - | - | - | - | - | - |
| **Opening balance at 1 January 2022** | 112,257 | 615,493 | 389,924 | 14,889 | - | 69,058 | - | 9,970 | - | **1,211,591** |
| **Total comprehensive income for the year** | - | - | - | - | - | 65,440 | - | (72,759) | - | **(7,319)** |
| **Other changes in equity** | - | - | 54,907 | 5 | - | (69,058) | - | - | - | **(14,146)** |
| Capital reduction | - | - | (14,144) | - | - | - | - | - | - | (14,144) |
| Dividends (or remuneration of members) | - | - | - | - | - | - | - | - | - | - |
| Sale or cancellation of treasury shares | - | - | - | - | - | - | - | - | - | - |
| Transfers among components of equity | - | - | 69,058 | - | - | (69,058) | - | - | - | - |
| Other increase or decrease in equity | - | - | (7) | 5 | - | - | - | - | - | (2) |
| **Closing balance at 31 December 2022** | 112,257 | 615,493 | 444,831 | 14,894 | - | 65,440 | - | (62,789) | - | **1,190,126** |

# Cecabank, S.A. and subsidiaries composing the Cecabank Group

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

(Expressed in thousands of Euros )

| | 2022 | 2021 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | (768,957) | 3,371,124 |
| **Profit for the year** | **65,440** | **69,058** |
| **Adjustments made to obtain the cash flows from operating activities** | **132,207** | **109,819** |
| Amortisation | 87,483 | 82,468 |
| Other adjustments | 44,724 | 27,351 |
| **Net (increase)/decrease in operating assets** | **(1,807,031)** | **(341,295)** |
| Financial assets held for trading | (554,454) | (448,606) |
| Non trading financial Assets mandatory measured at fair value through profit and loss | (13,495) | 984 |
| Financial assets designated at fair value through profit or loss | - | - |
| Financial assets at fair value through other comprehensive income | (648,201) | 814,919 |
| Financial assets at amortised cost | (620,345) | (688,145) |
| Other operating assets | 29,464 | (20,447) |
| **Net increase/(decrease) in operating liabilities-** | **(2,757,451)** | **2,861,418** |
| Financial liabilities held for trading | (468,388) | (208,837) |
| Pasivos financieros designados a valor razonable con cambios en resultados | - | - |
| Financial liabilities at amortised cost | (2,279,779) | 3,087,929 |
| Other operating liabilities | (9,284) | (17,674) |
| **Income tax recovered/(paid)** | **(16,184)** | **(10,466)** |
| CASH FLOWS FROM INVESTING ACTIVITIES | (42,316) | (36,616) |
| **Payments:** | **42,316** | **36,616** |
| Tangible assets | 4,692 | 3,303 |
| Intangible assets | 37,624 | 33,313 |
| Investments in subsidiaries, joint ventures and associates | - | - |
| Non-current assets and liabilities classified as held for sale | - | - |
| Other payments related to investment activities | - | - |
| **Proceeds:** | - | - |
| Tangible assets | - | - |
| Intangible assets | - | - |
| Investments in subsidiaries, joint ventures and associates | - | - |
| Non-current assets and liabilities classified as held for sale | - | - |
| Other payments related to investment activities | - | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | (14,144) | (4,844) |
| **Payments:** | **14,144** | **4,844** |
| Dividends | 14,144 | 4,844 |
| Subordinated liabilities | - | - |
| Redemption of own equity instruments | - | - |
| Acquisition of own equity instruments | - | - |
| **Proceeds:** | - | - |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES** | - | - |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (825,417) | 3,329,664 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 8,679,756 | 5,350,092 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 7,854,339 | 8,679,756 |
| **MEMORANDUM ITEM** | - | - |
| **COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR** | - | - |
| Cash | 176,776 | 179,338 |
| Cash balances at central banks | 7,548,434 | 8,388,867 |
| Other demand deposits | 129,129 | 111,551 |
| Less: Bank overdrafts refundable on demand | - | - |

cecabank

# Annual accounts 2022

# Cecabank, S.A. and subsidiaries composing the Cecabank Group

# Notes to the Consolidated Financial Statements for the year Ended 31 December 2022

## 1. Introduction, basis of presentation of the consolidated financial statements and other information

### 1.1. Introduction

Cecabank, S.A. (the "Bank" or the "Entity") is a financial institution established on 17 October 2012 by virtue of a public document executed by the Notary Mr. Manuel Richi Alberti. The Bank has been recorded in the Commercial Registry since 12 November 2012 and the Bank of Spain Register of financial institutions with code number 2000.

As from the entry into force of the Single Supervisory Mechanism ("SSM") on 4 November 2014, the European Central Bank ("ECB") assumed responsibility for supervising European credit institutions, one of which is the Bank. The SSM is a new banking supervision system that includes the ECB and the national supervisors (the Bank of Spain in this case). The ECB is empowered to determine and monitor the application of the supervision criteria by the bank, in close cooperation with the Bank of Spain. Therefore, the Bank of Spain is responsible for supervising the Bank directly, while the ECB supervises it indirectly since it has ultimate responsibility for ensuring that the SSM works correctly.

The Bank's headquarters is located in Madrid, at Calle Alcalá, 27. The Bank's bylaws are available either at this address or on its website (www.cecabank.es), together with other relevant legal information.

The Confederación Española de Cajas de Ahorros ("CECA") holds 89% of the bank's share capital, as a result of the Confederacion's spin-off of all its assets and liabilities to Cecabank, S.A., except for certain assets and liabilities relating to its community project fund. The Bank was thus created in that year and it subrogated to all the rights and obligations held by CECA until then.

The Bank is therefore part of the group, of which the Confederación Española de Cajas de Ahorros is the parent, together with its associates that are also shareholders of the Bank and with which it carries out significant transaction volumes.

Cecabank, S.A. specialises in securities services, including acting as a depository entity for investment funds and pension plans, the custody of securities and other financial assets, as well as the execution and settlement of transactions involving those assets.

The Bank bylaws set out the activities that it may engage in and establish its corporate purpose:

a. The performance of all type of activities, transactions and services inherent to the Banking business in general or directly or indirectly related to that business, when permitted by current legislation, including investment and auxiliary services and those related with insurance brokering.

b. The rendering of technological, administrative or assessment services to Public Administrations or to any other public or private entity; and

c. The acquisition, possession and disposal of any real estate instrument.

The Cecabank Group (the “Group” or the “Cecabank Group”) consisted of Cecabank, S.A. as the parent and Trionis (subsidiary) at 31 December 2022 and 2021.

Appendix I hereto includes certain relevant financial information on this company at 31 December 2022 and 2021. Also, note 3 contains the Bank's condensed financial statements for 2021, which include comparative information for 2021. At 31 December 2022 and 2021, the Group did not have any investments in associates or jointly controlled entities.

Cecabank S.A. offers international coverage for its customers, payment in the payment business, through two levers: its foreign network and its network of correspondent banks.

- Support for the entity’s strategic plan and its key businesses: Securities Services, Treasury and Payments.
- Knowledge of the market and local support.
- Expertise in the processing of trans-frontier payment orders relating to FX.
- Collaboration with different international pension payment processors and data management for more than 210 international mutual societies for benefits, pensions, compensation, and supplementary payments.
- Significant institutional representation before European organisations.
- Foreign trade promotion services (market information, selection of intermediaries, commercial reports and claims, business centre, collections, legal counsel, tax representation and VAT recovery, trade missions, creation of branch offices and subsidiaries, trade show visits, etc.)

As of January 1, 2021, the opening of the London representative office took place once the relevant authorizations were received.

## 1.2. Basis of presentation of the financial statements

The Group's consolidated financial statements for the year 2022 were authorized for issue by its directors at the Board of Directors meeting held on 22 February 2023. The Group´s financial statements for 2021 were prepared by the Board of Directors at a meeting held on 29 March 2022. The Bank's financial statements for 2022 have yet to be approved by shareholders at a General Meeting. However, the Bank's Board of Directors believes that they will be approved without any significant change being made.

Taking into consideration the eleventh final provision of Law 62/2003, of December 30, on fiscal, administrative and social measures with respect to the legislative accounting framework applicable to the preparation of consolidated annual accounts which has been applied by the Entity’s Directors, the Group’s consolidated financial statements are presented in accordance with International Financial Reporting Standards as adopted by the European Union at 31 December 2021 (“EU-IFRSs”), taking into account Bank of Spain Circular 4/2017, of 27 November, applicable to credit institutions, on public and confidential financial reporting rules and formats, as well as successive modifications (“Circular 4/2017”). Bank of Spain Circular 4/2017 implements and adapts for the Spanish credit institution sector the International Financial Reporting Standards approved by the European Union.

The Group's consolidated financial statements for 2022 have been prepared taking into account all the principles, accounting standards and measurement criteria of mandatory application, so that they present fairly the equity and financial position of the Group as of 31 December 2022 and the results of its operations and cash flows in the financial year then ended, in accordance with the applicable financial reporting framework to which reference has been made in the previous paragraph and, in particular, with the principles and accounting criteria contained therein.

The consolidated financial statements were prepared from the accounting records kept by the Bank and by the other Group entities. However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2022 may differ from those used by certain Group entities, the required adjustments and reclassifications are made on consolidation to unify such policies and bases and to make them compliant with the EU-IFRSs used by the Group in the preparation of its consolidated financial statements.

The accounting principles and policies described in Note 2 were applied in the preparation of all the Group consolidated financial statements.

## 1.3. Responsibility for the information and use of estimates

The information in these financial statements is the responsibility of the Bank's Directors.

In the preparation of the Group's financial statements for 2022 estimates were made by its Directors in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- Impairment losses on certain assets (see Notes 2.9, 2.13, 2.14 and 2.16).
- Assumptions used in the actuarial calculation of the post-employment benefit liabilities and obligations and other non-current obligations to employees (see Note 2.11 “Staff costs”).
- Calculation of the provisions, if any, to be recognised to cover certain risks arising from the Group’s activity (see Notes 2.10 and 2.15).
- The useful life of property, plant and equipment and intangible assets (see Notes 2.13 “Property, plant and equipment” and 2.14 “Intangible assets”).
- The fair value of certain unlisted financial instruments (see Note 2.2.3 “Fair value and amortised cost of financial instruments”).
- The assumptions used in the estimates of the probability of recovery of the deferred tax assets recognised by the Bank (see Note 2.12 “Income Tax”).

## 1.4. Information relating to 2021

The Board of Directors of the Group presents, for comparative purposes with each of the figures disclosed in these consolidated annual accounts, the figures for the financial year 2021.

## 1.5. Agency agreements

Neither at 2022 nor 2021 year-end nor at any other time during those years did the Group have any agency agreements in force, as defined in Article 21 of Royal Decree 84/2015, of 13 February, implementing Law 10/2014, of 26 June, on the regulation, supervision and capital adequacy of credit institutions.

## 1.6. Investments in the share capital of credit institutions

At 31 December 2022 and 2021 the Group did not hold any ownership interests of 5% or more in the share capital or voting rights of any Spanish or foreign credit institutions.

## 1.7. Environmental impact

In view of the business activities carried on by the Group, it does not have a significant impact on the environment.

However, Cecabank is committed to the responsible and sustainable management of material resources, promoting efficiency in consumption and the impact on the social and environmental environment, both in its activity and in its sphere of influence.

Therefore, it was not necessary to recognise any provision in this connection the Group's consolidated financial statements for 2022 and 2021 and they do not contain any disclosures on environmental issues.

## 1.8. Capital management objectives, policies and processes

On 2 February 2016, Bank of Spain Circular 2/2016, was published for credit institutions and concerns supervision and solvency. This Circular covers the Spanish adaptation of Directive 2013/36/EU and Regulation (EU) 575/2013, which are applicable to the Group and which was amended by Bank of Spain Circular 5/2021 of 22 November.

EU Regulation (EU) 575/2013 laid down uniform rules that must be complied with by entities in relation to: 1) own funds requirements relating to elements of credit risk, market risk, operational risk and settlement risk; 2) requirements limiting large exposures; 3) liquidity risk coverage relating to entirely quantifiable, uniform and standardised elements of liquidity risk, after the Commission delegated act has entered into force; 4) the setting of the leverage ratio; and 5) information and public disclosure requirements.

The aforementioned EU Regulation introduces a review of the concept and of the components of the regulatory own funds required of entities. These consist of two elements: Tier 1 capital and Tier 2 capital. In turn, Tier 1 capital comprises Common Equity Tier 1 and Additional Tier 1 capital. Therefore, Tier 1 capital consists of instruments that are able to absorb losses when the entity is a going concern, while the elements of Tier 2 capital will absorb losses primarily when the entity is not viable.

Institutions must generally satisfy the following own funds requirements at all times:

I. A Common Equity Tier 1 capital ratio of 4.5% (CET 1).

II. A Tier 1 capital ratio (Common Equity plus Additional Tier 1) of 6%.

III. A total capital ratio of 8%.

In addition to these requirements, pursuant to the aforementioned legislation the Group must comply with the following capital requirements:

- Maintain a capital preservation buffer of 2.5% consisting of ordinary tier 1 capital.

- Maintain an anti-cyclical capital buffer that may total up to 2.5% of ordinary tier 1 capital. Since 2016, the level that this buffer must attain has been set on a quarterly basis by Spanish authorities based on macroeconomic variables when excessive credit growth that may be a source of systemic risk has been observed. Since its effective implementation on 1 January 2016 the Bank of Spain has maintained the capital buffer at 0% for credit exposures located in Spain.

- The Group has not been designated as a systemic entity and no capital buffer has therefore been established.

In addition to the above requirements, Law 10/2014 of 26 June 2014 on the regulation, supervision and solvency of credit institutions establishes powers for the Bank of Spain to require institutions to maintain capital levels higher than those indicated above. In this regard, on 21 December 2022, the Bank of Spain notified Cecabank, S.A. that it complied with the requirements of article 92.1 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, setting the Entity a requirement to maintain an overall consolidated and individual capital ratio of no less than 10.27% (TSCR ratio) (10.19% in its communication for the 2021 financial year), with the Entity and its Group also being subject to the total capital requirements (OCR) as defined in section 1.2 of the EBA/GL/2014/13 Guidelines which include, in addition to the TSCR ratio, the combined buffer requirement as defined in article 43 et seq. of Law 10/2014 and its implementing regulations.

This requirement is required as of 1 January 2023. At 31 December 2022, as well as during the financial year 2022, the consolidated and individual capital level of the Entity and its Group were above the requirement for that year.

The strategic capital management objectives set by Group management are as follows:

- To comply, at all times with the applicable regulations on minimum capital requirements.

- To seek maximum capital management efficiency so that, together with other profitability and risk variables, the use of capital is considered to be a key variable in any analysis related to the Group’s investment decisions.

In order to meet these objectives, the Group has in place a series of capital management policies and processes, the main cornerstones of which are as follows:

- In the Group’s strategic and operational planning, and in the analysis and follow-up of the operations of the Group to which it belongs, the impact of decisions on the Group’s eligible capital and the use-profitability-risk relationship is considered to be a key decision-making factor.

- As part of its organisational structure the Group has monitoring and control units which at all times analyses the level of compliance with the applicable regulations on capital, with alerts in place to guarantee compliance with the applicable regulations.

On 20 May 2019, the new regulatory package was adopted, which is articulated through Regulation 2019/876 (hereinafter CRR II) and Directive 2019/878 (hereinafter CRD V). As a general rule, CRR II will enter into force as of 28 June 2021, with the exception of certain provisions that will enter into force over a period of time that began on 1 January 2019 and will end on 28 June 2023.

These provisions include the entry into force on 27 June 2019 of the main changes in the areas of own funds, capital deductions, standardised credit risk and IRB and authorisations. CRD V entered into force on 27 June 2019 but is not yet applicable, as Member States have until 28 December 2020 to transpose it into national law. CRD V includes significant changes such as the regulation of Pillar 2G ('guidance').

The Group’s management of its capital, as far as conceptual definitions are concerned, is in keeping with Regulation (EU) No 575/2013. With a view to ensuring that the aforementioned objectives are met, the Group performs integrated management of these risks, in accordance with the policies and processes indicated above.

The Group's Common Equity Tier 1 capital and its CET 1 plus Additional Tier 1 capital amounted to EUR 793,720 thousand at 31 December 2022, in both cases (31 December 2021: EUR 743,373 thousand), representing a Tier 1 capital adequacy ratio and a total capital ratio of 30.79%, at 31 December 2022 (31 December 2021: 30.09%), above the minimum requirements.

Common Equity Tier 1 capital includes mainly share capital, share premium and the Group's reserves net of deductions (intangible assets) and the results of the year not distributable.

## 1.9. Minimum reserve ratio

Throughout 2022 and 2021, the Bank, only entity in the Group subject to this requirement, met the minimum reserve ratio required by applicable legislation.

At 31 December 2022 and 2021 the Group's cash balance with Bank of Spain for these purposes amounted to EUR 7,548,434 and 8,388,867 thousand respectively (see Note 7). This ratio is calculated on the basis of the daily ending balance held by the Group in this account during the required period.

## 1.10 Deposit guarantee fund

### Deposit guarantee fund

The Group participates in the Deposit Guarantee Fund ("DGF"). The annual contribution to be made to this Fund, established by Royal Decree-Law 16/2011, of 14 October, creating the DGF, as amended by Final Provision Ten of Law 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment services firms (in force since 20 June 2015), is determined by the Managing Committee of the DGF and is calculated based on the amount of each entity's guaranteed deposits and its risk profile.

The purpose of the DGF is to guarantee deposits at credit institutions up to the limit envisaged in the aforementioned Royal Decree-Law. In order to achieve its objectives, the DGF is funded by the aforementioned annual contributions, the extraordinary levies the Fund makes on member entities and by the funds obtained in the securities markets, loans and any other debt transactions.

Taking the foregoing into account, in order to reinforce the equity of the DGF, Royal Decree-Law 6/2013, of 22 March, on protection of holders of certain savings and investment products and other financial measures established an extraordinary levy equal to 3 per mil of the institutions' deposits at 31 December 2012. This extraordinary levy was paid in two tranches:

i. Two-fifths to be paid within 20 business days from 31 December 2013. The Group paid this contribution, which amounted to EUR 7 thousand, in the first few days of January 2014.

ii. Three-fifths to be paid within seven years in accordance with the payment schedule established by the Managing Committee of the DGF. In this regard, based on the contribution schedule approved by the Managing Committee of the DGF, the Group paid one-seventh of this second tranche on 30 September 2014, and on 17 December 2014 the Managing Committee approved payment of the remainder of the second tranche in two disbursements on 30 June 2015 and 2016 (which were settled on those dates).

In addition, the FGD Management Committee, at its meeting of 4 May 2021, pursuant to the provisions of article 6 of Royal Decree-Law 16/2011 of 14 October, which created the FGD, and article 3 of Royal Decree 2606/1996 of 20 December, on deposit guarantee funds for credit institutions, set the annual contributions of the institutions attached to the FGD for 2022 in the following terms:

a. The total annual contribution of all the institutions adhered to the deposit guarantee compartment of the DGF was set at 1.75/1,000 of the calculation base, made up of the guaranteed money deposits as indicated in section 2.a) of article 3 of Royal Decree 2606/1996 existing at 30 December 2021, with the contribution of each institution being calculated according to the amount of the guaranteed deposits and its risk profile.

b. The annual contribution of the institutions adhering to the FGD's deposit guarantee compartment was set at 2/1,000 of the calculation base, made up of 5% of the amount of the guaranteed securities as indicated in section 2.b) of Article 3 of Royal Decree 2606/1996 existing at 31 December 2022.

The expense incurred for the contributions accruing to the DGF during 2022 amounted to EUR 154 thousand (2021: EUR 230 thousand), which were recognised under “Other Operating Expenses” in the accompanying income statement (see Note 37 “Other operating expenses”).

### b) Single Resolution Fund

In March 2014, the European Parliament and the Council reached a political agreement for the creation of the second pillar of the Banking Union, the Single Resolution Mechanism (“SRM”). The SRM's main purpose is to ensure an orderly resolution of failing banks in the future with minimal costs to taxpayers and to the real economy. The SRM's scope of activity is identical to that of the SSM, i.e., a central authority, the Single Resolution Board (“SRB”), is ultimately responsible for deciding whether to initiate the resolution of a bank, while the operational decision is implemented in cooperation with the national resolution authorities. The SRB commenced its work as an independent EU agency on 1 January 2015.

The purpose of the rules governing banking union is to ensure that bank resolutions will be financed first of all by the banks and their shareholders and, if necessary, partly by the bank's creditors. However, another source of funding will also be available to which recourse can be had if the contributions of the shareholders and of the bank's creditors are not sufficient. This is the Single Resolution Fund (“SRF”), which is administered by the SRB. The legislation requires banks to make the contributions to the SRF over eight years.

In this regard, on 1 January 2016, Regulation (EU) No 806/2014 of the European Parliament and of the Council, of 15 July 2014, came into force. Under this Regulation the SRB replaces the national resolution authorities with respect to the management of financing arrangements for the resolution mechanisms for credit institutions and certain investment firms within the framework of the SRM. As a result, the SRB is now responsible for administering the SRF and for calculating the ex-ante contributions of institutions within its scope of application.

The SRB calculates the contributions to be paid by each institution in accordance with the information sent to each institution in an official form for the calculation of the ex-ante contribution. The amount was the result of applying the calculation methodology specified in Commission Delegated Regulation (EU) 2015/63, of 21 October 2014, based on the uniform conditions of application indicated in Council Implementing Regulation (EU) 2015/81, of 19 December 2014.

The target level for all the contributions has been set at one-eighth of 1.05% of the quarterly average of covered deposits in the eurozone in 2015, resulting in a Europe-wide contribution target for the Fund of EUR 7,008 million in 2016. Article 69 of Regulation (EU) No 806/2014 establishes that the available financial means of the Fund (at least 1% of the amount of covered deposits) must be reached within eight years from 1 January 2016.

Article 8.1 of Council Implementing Regulation (EU) 2015/81 stipulates that 60% of the contributions shall be calculated on a national basis and the remaining 40% on a basis common to all participating member States.

The expense incurred by the Group in relation to the contribution made to the SRF in 2022 totalled EUR 9,390 thousand (2021: EUR 6,950 thousand) and is recognised under “Other Operating Expenses” in the accompanying consolidated income statement (see Note 37).

## 1.11. Changes in accounting policies

There have been no changes in accounting policies during 2022. The changes that have occurred in relation to the new regulations that apply to the Group are described in section 1.12 below.

## 1.12. Main regulatory changes during the period from 1 January to 31 December 2022

### 1.12.1. New Bank of Spain Circulars

Following is a summary of the main Bank of Spain Circulars issued in 2022:

Circular 2/2022, dated March 15th, issued by the Bank of Spain, amending Circular 2/2015, dated May 22nd, regarding the rules for the submission of payment statistics and payment systems to this institution.

The main objective of this Circular is to establish rules on the procedure for submitting statistical information, the frequency of the information, and the authority of the Bank of Spain to exempt certain reporting entities from fulfilling the obligations of submitting statistical information.

Circular 3/2022, dated March 30th, issued by the Bank of Spain, amending Circular 2/2016, dated February 2nd, addressed to credit institutions, regarding supervision and solvency, Circular 2/2014, dated January 31st, addressed to credit institutions regarding the exercise of various regulatory options, and Circular 5/2012, dated June 27th, addressed to credit institutions and payment service providers, regarding transparency of banking services and responsibility in granting loans.

### 1.12.2. Amendments to and adoption of new International Financial Reporting Standards and interpretations issued

The accounting polices used in preparing the consolidated financial statements for the year ended 31 December 2022 are the same as those applied in the consolidated financial statements for the year ended 31 December 2021, except for the standards and interpretations that have entered into force for use in the European Union, applicable to the years beginning on or after 1 January 2022, which are as follows:

**NIC 16 (Amendment) "Property, Plant and Equipment: Proceeds before Intended Use":**

Deducting from the cost of an item of property, plant, and equipment any income obtained from the sale of items produced while the entity is preparing the asset for its intended use is prohibited. The proceeds from the sale of such items, along with the production costs, are now recognized in the income statement. The amendment also clarifies that an entity is testing whether the asset functions properly when assessing the asset's technical and physical performance. The asset's financial performance is not relevant to this evaluation. Therefore, an asset may be capable of operating as intended by management and subject to depreciation before it has achieved the level of expected operational performance as determined by management.

The effective date of this standard on January 1, 2022, has not had a significant impact on the consolidated financial statements.

### NIC 37 (Amendment) "Onerous Contracts: Costs of Fulfilling a Contract"

The amendment explains that the direct cost of fulfilling a contract includes the incremental costs of fulfilling that contract and an allocation of other costs that are directly related to the fulfillment of the contracts. It also clarifies that before recognizing a separate provision for an onerous contract, the entity shall recognize any impairment loss that has occurred in the assets used to fulfill the contract, instead of on the assets dedicated to that contract.

The effective date of this standard on January 1, 2022, has not had a significant impact on the consolidated annual accounts.

### IFRS 3 (Amendment) "Reference to the Conceptual Framework":

IFRS 3 has been updated to refer to the 2018 Conceptual Framework in order to determine what constitutes an asset or a liability in a business combination (previously referred to the 2001 CF). In addition, a new exception has been added in IFRS 3 for liabilities and contingent liabilities.

The effective date of this standard on January 1, 2022, has not had a significant impact on the consolidated annual accounts.

### Annual Improvements to IFRSs. 2018 - 2020 Cycle

The amendments affect IFRS 1, IFRS 9, IFRS 16, and IAS 41 and apply to annual periods beginning on or after January 1, 2022. The main modifications are as follows:

- IFRS 1 "First-time Adoption of IFRSs": IFRS 1 allows an exemption if a subsidiary adopts IFRSs at a later date than its parent. This amendment allows entities that have taken this exemption to also measure the cumulative translation differences using the amounts recognized by the parent, based on the parent's transition date to IFRSs.
- IFRS 9 "Financial Instruments": The amendment addresses which costs should be included in the 10% test for derecognition of financial liabilities. The costs or fees could be paid to third parties or the lender. According to the amendment, costs or fees paid to third parties will not be included in the 10% test.
- IAS 41 "Agriculture": This amendment removes the requirement to exclude cash flows for taxes when measuring the fair value under IAS 41.

### Standards, amendments and interpretations issued but not yet effective

At the date of preparation of these financial statements, the following are the most significant standards and interpretations that had been issued by the IASB but had not yet become effective, either because their effective date is subsequent to the date of the consolidated financial statements or because they have not yet been adopted by the European Union:

| New regulations, amendments, and interpretations | | |
|---|---|---|
| **Approved for use in the European Union** | | |
| IFRS 17 "Insurance Contracts" | IFRS 17 replaces IFRS 4 "Insurance Contracts," which allowed for a wide variety of accounting practices. The new standard fundamentally changes the accounting for all entities issuing insurance contracts and investment contracts with discretionary participation features. In June 2020, the IASB amended the standard, developing specific amendments and clarifications aimed at facilitating the implementation of the new standard, although the fundamental principles remained unchanged.<br>The entry into force of this standard is not expected to have a significant impact on the consolidated annual financial statements in future periods. | January 1, 2023 |
| IFRS 17 (Amendment) "Initial Application of IFRS 17 and IFRS 9 - Comparative Information" | The IASB has issued an amendment to IFRS 17 that introduces limited-scope modifications to the transition requirements of IFRS 17, "Insurance Contracts," and does not affect any other requirements of IFRS 17. IFRS 17 and IFRS 9 "Financial Instruments" have different | January 1, 2023 |

| New regulations, amendments, and interpretations | | |
|---|---|---|
| | transition requirements. For some insurers, these differences can result in specific accounting asymmetries between financial assets and liabilities arising from insurance contracts in the comparative information presented in their financial statements when applying IFRS 17 and IFRS 9 for the first time. The amendment will help insurers avoid these asymmetries and, therefore, enhance the usefulness of comparative information for investors.<br>The entry into force of this standard is not expected to have a significant impact on the consolidated annual financial statements in future periods. | |
| IAS 1 (Amendment) "Disclosure of Accounting Policies" | IAS 1 has been amended to improve the disclosures on accounting policies to provide more useful information to investors and other primary users of the financial statements.<br>The entry into force of this standard is not expected to have a significant impact on the consolidated annual financial statements in future periods. | January 1, 2023 |
| IAS 8 (Amendment) "Definition of Accounting Estimates" | IAS 8 has been amended to assist in distinguishing between changes in accounting estimates and changes in accounting policies.<br>The entry into force of this standard is not expected to have a significant impact on the consolidated annual financial statements in future periods. | January 1, 2023 |
| IAS 12 (Amendment) "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction" | Under certain circumstances under IAS 12, companies are exempt from recognizing deferred taxes when recognizing assets or liabilities for the first time ("initial recognition exemption"). Previously, there was some uncertainty as to whether the exemption applied to transactions such as leases and decommissioning obligations, transactions for which both an asset and a liability are recognized at the time of initial recognition. The amendment clarifies that the exemption does not apply and, therefore, there is an obligation to recognize deferred taxes on such transactions.<br>The entry into force of this standard is not expected to have a significant impact on the consolidated annual financial statements in future periods. | January 1, 2023 |
| **Not yet approved for use in the European Union** | | |
| IFRS 10 (Amendment) and IAS 28 (Amendment) "Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures" | These modifications clarify the accounting treatment of sales and contributions of assets between an investor and its associates and joint ventures, which depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business." The investor will recognize the complete gain or loss when the non-monetary assets constitute a "business." If the assets do not meet the definition of a business, the investor recognizes the gain or loss to the extent of the interests of other investors. These modifications only apply when an investor sells or contributes assets to its associate or joint venture.<br><br>The entry into force of this standard is not expected to have a significant impact on the consolidated financial statements in future periods. | A broader review that may result in the simplification of the accounting for these transactions and other aspects of accounting for associates and joint ventures. |
| IFRS 16 (Amendment) "Lease Liability in a Sale with Subsequent Leasing" | IFRS 16 includes requirements on how to account for a sale with subsequent leasing at the date of the transaction. However, it did not specify how to record the transaction after that date. This modification explains how a company should account for a sale with subsequent leasing after the date of the transaction. | The effective date of this amendment is January 1, 2024, although early adoption is permitted. This amendment is still pending approval by the European Union. |

| | | |
|---|---|---|
| IAS 1 (Amendment) "Non-Current Liabilities with Conditions ('Covenants')" | The IASB has issued a modification to IAS 1 "Presentation of Financial Statements" in response to concerns raised about the application of previous amendments to it (in January and July 2020) regarding the classification of liabilities as current or non-current, which would have become effective for reporting periods beginning on or after January 1, 2023.<br><br>The new modification aims to improve the information provided when the right to defer the payment of a liability is subject to compliance with conditions ("covenants") within twelve months after the reporting period. | The new amendment is effective for reporting periods beginning on or after January 1, 2024, and supersedes the previous amendments. Early application of the amendment is permitted, subject to approval by the European Union. |

# 2. Accounting policies and measurement bases

The accounting policies and measurement bases applied in preparing the Group's consolidated financial statements for the financial year 2022 were as follows:

## 2.1 Consolidation principles

### 2.1.1 Subsidiaries

“Subsidiaries” are defined as entities over which the Group has the capacity to exercise control; control is, in general but not exclusively, presumed to exist when the Entity owns directly or indirectly half or more of the voting rights of the investee or, even if this percentage is lower or zero, when there are other circumstances or agreements that give the Entity control.

As provided for in IFRS 10, “Consolidated Financial Statements”, an entity controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Annex I of this consolidated report provides relevant information on these companies.

The financial statements of the subsidiaries are consolidated with those of the Group using the full consolidation method as defined in IFRS 10. Consequently, the following methods, inter alia, were applied in the consolidation process:

1. All material balances and transactions between the consolidated companies, and any material gains or losses on intra-Group transactions not realised vis-à-vis third parties, were eliminated on consolidation.

2. The value of minority interests in equity and income of subsidiaries is presented in the "Minority Interests" caption on the liability side of the consolidated balance sheet and in the "Attributable to Minority Interest" caption in the loss account and consolidated earnings, respectively, if any.

3. The variation recorded from the date of acquisition in the net assets of the consolidated subsidiaries, which is not attributable to results for the year or to changes in their measurement adjustments, is included under "Other Reserves" in the consolidated balance sheet.

4. The consolidation of the results generated by the 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 close of that year. At the same time, the consolidation of the results generated by the subsidiaries disposed of in the year is carried out taking into account only those relating to the period between the beginning of the year and the date of disposal.

### 2.1.2. Joint ventures

"Joint ventures" are deemed to be ventures that are not subsidiaries but which are jointly controlled by two or more unrelated entities. This is evidenced by contractual arrangements whereby two or more entities ("venturers") acquire interests in entities ("jointly controlled entities") or undertake operations or hold assets so that strategic financial and operating decisions affecting the joint venture require the unanimous consent of the venturers.

Interests in joint ventures are accounted for using the equity method as defined by IAS 28.

At 31 December 2022 and 2021, the Group does not have, and has not had during those years, any interests in joint ventures.

### 2.1.3. Associated Entities

Associates are companies over which the Group has the capacity to exercise significant influence, but not control or joint control. Frequently, this ability is evidenced by a participation (direct or indirect) of 20% or more of the voting rights of the investee.

However, investments in associates that qualify for classification as non-current assets held for sale are presented and, where appropriate, recognised under "Non-current assets and disposal groups classified as held for sale" in the consolidated balance sheet and are measured in accordance with the criteria applicable to these assets (see Note 2.16).

At 31 December 2022 and 2021, the Group does not have, and has not had during those years, any classified investments in associates.

## 2.2. Financial instruments - Initial recognition, derecognition, definitions of fair value and amortised cost and classification categories and measurement of financial assets and liabilities

### 2.2.1. Initial recognition of financial instruments

Financial instruments are initially recognised in the balance sheet when the Group becomes a party to the contract originating them in accordance with the terms and conditions thereof. Specifically, debt instruments, such as loans and cash deposits, are recognised from the date on which the legal right to receive or the legal obligation to pay cash arises. Derivative financial instruments are generally recognised from the trade date.

A regulated purchase or sale of financial assets, defined as one in which the parties' reciprocal obligations must be discharged within a time frame established by regulation or convention in the marketplace and that may not be settled net, such as stock market and forward currency purchase and sale contracts, is recognised on the date from which the rewards, risks, rights and duties attaching to all owners are for the purchaser, which, depending on the type of financial asset purchased or sold, may be the trade date or the settlement or delivery date. In particular, transactions performed in the spot currency market are recognised on the settlement date; equity instruments traded in Spanish secondary securities markets are recognised on the trade date and debt instruments traded in these markets are recognised on the settlement date.

### 2.2.2. Derecognition of financial instruments

A financial asset is derecognised when:

- The contractual rights to the cash flows from the financial asset expire; or
- The financial asset is transferred and substantially all its risks and rewards are transferred or, although these are not substantially transferred or retained, control over the financial asset is transferred (see Note 2.8).

Also, a financial liability is derecognised when the obligations it generates have been extinguished or when it is purchased by the Group, with the intention either to re-sell it or to cancel it.

### 2.2.3. Fair value and amortised cost of financial instruments

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

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

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

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

Amortised cost is understood to be the acquisition cost of a financial asset or liability plus or minus, as appropriate, the principal and interest repayments and the cumulative amortisation (taken to the income statement), calculated using the effective interest method, of the difference between the initial cost and the maturity amount of such financial instruments. In the case of financial assets, amortised cost furthermore includes any reductions for impairment or uncollectibility.

The Group has contracted at 31 December 2022 and 2021 various reverse repurchase loan operations (see Note 10), for which it must return the securities making up the collateral to the former owner at expiration. At 31 December 2022 and 2021 the fair value of the securities received as collateral in these repo transactions does not differ significantly from the carrying amount of these operations.

The effective interest rate is the discount rate that exactly matches the initial amount of a financial instrument to the present value of all its estimated cash flows of all kinds during its remaining life, disregarding future losses from credit risk. For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition or arrangement date adjusted, where applicable, for the fees, premiums, discounts and transaction costs that must be included in the calculation of the effective interest rate. In the case of floating rate financial instruments, the effective interest rate is determined using a method similar to that for fixed rate transactions and is recalculated on each contractual interest reset date, taking into account any changes in the future cash flows.

### 2.2.4. Classification and measurement of financial assets and liabilities

Pursuant to IFRS 9, the classification and measurement of the financial assets is performed according to the business model considered by the Group for the management and the features of the contractual flows, as defined below:

a) The business model for the management of financial assets is the mechanism in which the Group jointly manages the groups of financial assets to generate cash flows. This model may consist in holding onto these financial assets so to receive their contractual cash flows, for the sale of these assets or a combination of both objectives.

b) The characteristics of the contractual cash flows of financial assets can be those whose contractual terms and conditions provide, on determined dates, cash flows and consist only of payments of principal and interest on the outstanding principal, commonly known as “Solely Payments of Principal and Interest (SPPI)”, or those who do not comply such characteristic.

#### Business models

There are three types of business models, which are based on the treatment of cash flows for financial instruments:

- Amortised cost - collection of contractual cash flows: consists of holding assets for the purpose of collecting contractual cash flows (interests) during the term of the instrument.
- Mixed - collection of contractual cash flows and the disposal of financial assets: this mixed business model combines the objective of holding assets to collect contractual cash flows and the disposal of these assets.
- Trade - sale of financial assets: the business model consists of purchasing and disposal of assets. The Group makes its decisions based on the fair value of the assets and manages these in order to obtain their fair value.

#### Test SPPI

The purpose of the SPPI test is to determine whether or not, in accordance with the contractual characteristics of the instrument, cash flows are representative of only the repayment of the principal and interest, essentially understood as being the compensation for the time value of money and the credit risk of the debtor.

The main function of the test is to differentiate which products covered by the “collection of contractual cash flows” and “collection of contractual cash flows and the disposal of financial assets” business models can be measured at amortised cost and at fair value through other comprehensive income, respectively, or, on the contrary, that must be measured at fair value through profit or loss. Debt instruments that are measured at fair value through profit or loss, as well as equity instruments, are not subject to this analysis.

Specifically, financial assets based on its business model and the SPPI test can be classified as:

- Financial assets at amortised cost: when the instrument is managed in order to generate cash flows in the form of contractual collections during the life of the instrument while passing the SPPI test.
- Financial assets at fair value through other comprehensive income: when the instrument is managed to generate cash flows, i) in the form of contractual collections during the life of the instrument and ii) through their sale while passing the SPPI test. Moreover, it will be recorded in this portfolio those equity instruments that the Group voluntary and irrevocably designated from the beginning.
- Financial assets held at fair value through profit or loss: when the instrument is managed to generate cash flows through their sale or when it does not pass the SPPI test based on the business models of the previous sections. There are two categories for these assets:

- Financial assets held for trading: This subcategory includes instruments that have any of the following characteristics: i) they are held for the purpose of converting them into cash in the short term; ii) they are part of a group of financial instruments identified and jointly managed and there is evidence of recent actions to achieve short-term profit taking and iii) they are derivative instruments that do not meet the definition of a financial guarantee agreement nor have they been classified as hedging instruments.

- Non-traded financial assets designated at fair value through profit or loss: This subcategory includes the rest of financial assets.

The Group may decide at the time of initial recognition, and irrevocably, to include any equity instruments that cannot be classified as held for trading in the “Financial assets at fair value through other comprehensive income” portfolio. This option will be carried out on an instrument by instrument basis. Also, during the initial recognition, and irrevocably, the Group may choose to designate any financial asset as fair value through profit or loss, and by doing so eliminates or significantly reduces any inconsistency in the measurement or recognition (accounting asymmetry) that would otherwise arise, for the measurement of assets or liabilities, or the recognition of their gains and losses, on different bases.

Regardless of the frequency and importance of sales, certain types of sales are not incompatible with the category held to receive contractual cash flows: such as sales due to a reduction in credit quality, sales close to the expiration of operations, so that any changes to market prices would not have a significant effect on the cash flows of the financial asset, sales in response to a change in the regulatory or taxation rules, sales in response to an internal restructuring or significant business combination, derivative sales during the execution of a liquidity crisis plan when the crisis event is not reasonably expected.

The Group has defined the business models and has segmented its financial instrument portfolio for the purposes of performing the SPPI test, making a distinction between: i) families of instruments that group together fully homogeneous products (“umbrella families”) in such a way that, while testing a sample of portfolio products, a conclusion could be drawn whether or not other products of the same family pass the test and ii) products, due to their nature, requiring an individual analysis (“case by case”) that the Group has to make for all the SPPI tests.

Nevertheless, financial instruments that should be considered as non-current assets and disposal groups classified as held for sale are recognised in the financial statements as explained in section 2.16 of this Note.

As for the classification of financial liabilities, they are included for the purpose of measurement in some of the following three portfolios:

- Financial liabilities at fair value through profit or loss: this category includes financial liabilities designated as such from initial recognition, the fair value of which may be determined reliably, and which meet the same conditions than for the financial assets at fair value with changes in profit or loss previously described.

- Financial liabilities held for trading: include those that have been issued with an intention to repurchase them in the near term or that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit taking; short positions arising from sales of temporary purchased assets under non-optional repurchase agreements or borrowed securities, and derivatives other than as hedging instruments.

- Financial liabilities at amortised cost: this category includes all financial instruments except for those qualified for being included in the other portfolios.

### 2.2.5. Modifications – Ibor Reform

**Benchmark reform**

During the past year, the public and private sectors have worked in coordination on the reform of the financial market interest rate reference indices and in the transition towards new alternative indices. In this regard, the FSB has called on financial and non-financial sector entities in all jurisdictions to continue their efforts to make wider use of risk-free rates in order to reduce reliance on IBORs (such as LIBOR, EURIBOR and TIBOR), and in particular to eliminate the remaining dependencies on the London Interbank Offered Rate (LIBOR), for which it published a roadmap outlining a calendar of actions for financial and non-financial entities that guarantee an orderly transition.

In Europe, the Commission proposed to amend EU rules on financial benchmarks. The purpose of the amendments is to create a framework that allows the application, at the request of the European Commission, of a legal replacement rate when a benchmark index of systemic importance such as LIBOR or others ceases to be published or loses representativeness. This will reduce legal uncertainty in relation to existing contracts that do not contain suitable proxies and will avoid risks to financial stability.

**IFRS 9, IAS 39 and IFRS 7 - Amendments - Reform Ibor Phase I**

The Ibor Reform (Phase 1) refers to the amendments issued by the IASB to IFRS 9, IAS 39 and IFRS 7 in order to prevent some accounting hedges from having to be discontinued in the period prior to the reform of the reference types actually take place. The Group applies IAS 39 for hedge accounting.

In some cases and/or jurisdictions, there may be uncertainty about the future of some references or their impact on the contracts held by the entity, which directly causes uncertainty about the term or the amounts of the cash flows of the hedged instrument or of the instrument of coverage. Due to such uncertainties, some entities may be forced to discontinue hedge accounting, or may not be able to designate new hedging relationships.

For this reason, the amendments include several temporary simplifications in the requirements for the application of hedge accounting that apply to all hedging relationships that are affected by the uncertainty derived from the Reform. A hedging relationship is affected by the reform if it generates uncertainty about the term or the amount of the cash flows of the hedged financial instrument or the hedging instrument referenced to the specific benchmark. The simplifications refer to the requirements on highly probable future transactions in cash flow hedges, on prospective and retrospective effectiveness (exemption from compliance with the 80%-125% effectiveness ratio), and on the need to identify the component risk separately.

Since the purpose of the amendment is to provide temporary exceptions to the application of certain specific hedge accounting requirements, these exceptions should end once the uncertainty is resolved or the hedge ceases to exist.

As of December 31, 2022, the Group considers that, in general, there is no uncertainty about the Euribor, since it has been replaced by the hybrid Euribor with a methodology that meets the standards required by the different international organizations. In the case of the rest of the indices in which there are accounting hedges, except for the USD Libor whose application is scheduled until June 2023, there is no uncertainty.

**IFRS 9, IAS 39, IFRS 7, IFRS 4 AND IFRS 16 – Amendments - Reform Ibor Phase II**

On August 27, 2020, the IASB issued the second phase of the Ibor reform, which involves the introduction of amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, to ensure that the financial statements accurately reflect the best possible way the economic effects of the Ibor reform. The amendments focus on the accounting for financial instruments, once a new benchmark has been introduced.

The amendments introduce the practical simplification of accounting for changes in the cash flows of financial instruments directly caused by the Ibor reform, and if they take place in a context of "economic equivalence", by updating the effective interest rate of the instrument. Similarly, a practical simplification will be applied to IFRS 16 "Leases" for lessees, when accounting for modifications in the lease contracts that derive from the reform of the Ibor.

Additionally, it introduces a series of exemptions to the hedging requirements so as not to have to interrupt certain hedging relationships. However, similar to the phase 1 amendments, the phase 2 amendments do not contemplate exceptions to the valuation requirements applicable to hedged items and hedging instruments in accordance with IFRS 9 or IAS Thus, a Once the new reference index has been implemented, the hedged items and hedging instruments must be valued in accordance with the new index, and the possible ineffectiveness that may exist in the hedge will be recognized in results. On the other hand, a series of breakdowns to be made are introduced.

The Ibor transition is considered a complex initiative, which affects Cecabank in different lines of business, products, systems and processes. The main risks to which the entity is exposed due to the transition are; (1) risk of litigation related to the products and services offered; (2) legal risks arising from changes in the documentation required for existing operations; (3) financial and accounting risks, derived from market risk models and from the valuation, hedging, cancellation and recognition of the financial instruments associated with the reference indices; (4) price risk, derived from how changes in indices may impact the pricing mechanisms of certain instruments; (5) operational risks, as the reform may require changes to information systems, business reporting infrastructure, operational processes and controls, and (6) conduct risks arising from the potential impact of communications with clients during the period transition, which could result in customer complaints, regulatory penalties or reputational impact.

For this reason, the Group has established a transition project providing it with a robust governance structure, with representation from the senior management of the affected areas.

The transition project has taken into account the different approaches and periods of transition to the new RFRs (risk-free rates) when evaluating the economic, operational, legal, financial, reputational or compliance risks associated with the transition, as well as to define the lines of action in order to mitigate them. A relevant aspect of said transition is its impact on the contracts of financial instruments referenced to Libor and EONIA rates with maturities after 2021.

In this regard, in the case of the EONIA, a large part of the contracts will be modified automatically on January 3, 2022. Likewise, for some contracts the novation of the collateral with maturity after 2022 has been renegotiated, at the initiative of Cecabank in some cases and at the initiative of the counterpart in others, to adapt them in a homogeneous way to operations against cameras.

The group already has new clauses that incorporate the €STR as a substitute index, as well as clauses to incorporate this index as the main one in new contracts. In the case of Libor, Cecabank has identified the stock of contracts maturing after 2022 and is working on the implementation of tools/systems that allow the stock to be migrated to solutions, such as those proposed by ISDA.

The group has certain financial assets and liabilities whose contracts are referenced to Ibor rates, especially the Euribor, as it is used, among others, for loans, deposits, as well as the underlying in derivative financial instruments. In addition, said reference index is used as the underlying in financial instruments derived from the trading book, as well as for the treatment of collaterals. In the case of Libor, the USD is the most relevant currency both for loans and debt instruments in the banking book and for the trading book. Other Libor currencies have a much lower specific weight.

As of December 31, 2022, Cecabank's exposure to financial assets and liabilities maturing after the transition dates of these Ibors to their corresponding RFRs is presented below:

| Pruchase date | Expiration date | Currency | Nominal Amount | Cecabank pays | Cecabank receives | Pruchase date |
|---|---|---|---|---|---|---|
| IRS | 29/01/2020 | 31/07/2029 | USD | 10,000,000 | 1.5627 | Libor USD 3M |
| IRS | 29/01/2020 | 31/07/2029 | USD | 10,000,000 | Libor USD 3M | 1.567 |

Of the derivative instruments, 50% of the exposure is either settled by Clearing Houses (mainly LCH or EUREX) or is operational with counterparties currently adhered to the ISDA protocol.

## 2.3. Reclassification between financial instrument portfolios

These occur only and exclusively when there is a change in the business model that manages financial assets, in accordance with the regulations in force. This reclassification is done prospectively on the date of reclassification, without it being appropriate to state any gains, losses or interests previously recognised again. Generally, the business model is not changed very often.

There have been no reclassifications between portfolios during the years 2022 and 2021.

## 2.4. Hedge accounting and mitigation of risk

The Group uses financial derivatives as part of its strategy to reduce its exposure to interest rate. When these transactions meet the requirements stipulated in IAS 39, they qualify for hedge accounting.

When the Group designates a transaction as a hedge it does so upon initial recognition of it, documenting it appropriately. The hedge accounting documentation includes identification of the hedged item(s) and the hedging instrument(s), the nature of the risk to be hedged and the criteria or methods used by the Group to assess the effectiveness of the hedge over its entire life, taking into account the risk to be hedged.

The Group only applies hedge accounting for hedges that are considered highly effective over their entire lives. A hedge is considered to be highly effective if, during its expected life, the changes in fair value or cash flows of the hedged item that are attributable to the risk hedged in the hedging of the financial instrument(s) are almost fully offset by changes in the fair value or cash flows, as appropriate, of the hedging instrument(s).

To measure the effectiveness of hedges defined as such, the Group analyses whether, from the beginning to the end of the term defined for the hedge, the Group can expect, prospectively, that the changes in fair value or cash flows of the hedged item that are attributable to the hedged risk will be almost fully offset by changes in the fair value or cash flows, as appropriate, of the hedging instrument and, retrospectively, that the actual results of the hedge are within a range of 80% to 125% of the results of the hedged item.

The hedging operations carried out by the Group are classified in the fair value hedge category. These cover exposure to changes in the fair value of financial assets and liabilities or firm commitments not yet recognized, or an identified portion of such assets, liabilities or commitments, attributable to a particular risk and whenever they affect to the consolidated income statement.

In relation to the financial instruments designated as hedged items and hedge accounting in fair value hedges such as those made by the Group, the differences produced in fair value, both in the hedged items and in the hedged items (in this case, those associated with the risk covered) are recognised directly under "Gains or losses arising from the accounting of hedges, net" in the consolidated income statement (see Note 33).

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

When, as explained in the preceding paragraph, hedge accounting is discontinued for a fair value hedge, in the case of hedged items carried at amortized cost, the value adjustments made as a result of the hedge accounting described above are recognized in the consolidated income statement through maturity of the hedged items, using the effective interest rate recalculated as at the date of discontinuation of hedge accounting.

Note 11 details the nature of the main positions hedged by the Group, as well as the financial instruments used for hedging.

## 2.5 Foreign currency transactions

### 2.5.1 Functional currency

The functional and reporting currency of the Group is the euro. Therefore, all balances and transactions denominated in currencies other than the euro are deemed to be denominated in “foreign currency”.

The detail, by currency and item, of the equivalent value in thousand euros of the main asset and liability balances denominated in foreign currencies in the consolidated balance sheets at 31 December 2022 and 2021, taking into account the nature of the items involved and the most significant currencies in which they are denominated, is as follows:

Equivalent Value in Thousand euro (*)

| Nature of Foreign Currency Balances: | 2022 Assets | 2022 Liabilities | 2021 Assets | 2021 Liabilities |
|---|---|---|---|---|
| Amount in US Dollars- | | | - | - |
| Cash | 75,967 | - | 76,078 | - |
| Financial assets and liabilities held for trading | 1,301 | 1,298 | 162 | 175 |
| Financial assets at fair value through other comprehensive income | 95,385 | - | 85,805 | - |
| Demand deposits and financial assets at amortised cost | 742,910 | - | 561,340 | - |
| Financial liabilities at amortised cost | - | 2,853,284 | - | 3,745,143 |
| Derivatives - hedge accounting | - | - | - | - |
| Other assets and liabilities | - | 5 | 3 | 7 |
| | **915,563** | **2,854,587** | **723,388** | **3,745,325** |
| Balances in Japanese yen- | | | | |
| Cash | 426 | - | 1,019 | - |
| Demand deposits and financial assets at amortised cost | 63,293 | - | 52,092 | - |
| Financial liabilities at amortised cost | - | 366,072 | - | 473,385 |
| Other assets and liabilities | - | - | - | - |
| | **63,719** | **366,072** | **53,111** | **473,385** |
| Balances in pounds sterling- | | | | |
| Cash | 42,582 | - | 40,860 | - |
| Financial assets/liabilities held for trading | - | - | 11,127 | - |
| Demand deposit and financial assets at amortised cost | 108,238 | - | 126,268 | - |
| Financial liabilities at amortised cost | - | 162,366 | - | 207,147 |
| Other assets and liabilities | 25,368 | 3 | 23 | - |
| | **176,188** | **162,369** | **178,278** | **207,147** |
| Balances in Swiss francs- | | | | |
| Cash | 4,086 | - | 3,876 | - |
| Demand deposit and financial assets at amortised cost | 2,083 | - | 5,642 | - |
| Financial liabilities at amortised cost | - | 50,989 | - | 64,387 |
| Other assets and liabilities | - | - | - | 1 |
| | **6,169** | **50,989** | **9,518** | **64,388** |
| Balances in Norwegian krone- | | | | |
| Cash | 1,403 | - | 1,556 | - |
| Demand deposit and financial assets at amortised cost | 1,388 | - | 3,037 | - |
| Financial liabilities at amortised cost | - | 20,160 | - | 7,147 |
| | **2,791** | **20,160** | **4,593** | **7,147** |
| Balances in Swedish krone- | | | | |
| Cash | 1,182 | - | 1,883 | - |
| Demand deposit and financial assets at amortised cost | 5,090 | - | 2,327 | - |
| Financial liabilities at amortised cost | - | 22,899 | - | 15,460 |
| Other assets and liabilities | - | - | - | - |
| | **6,272** | **22,899** | **4,210** | **15,460** |
| Balances in other currencies- | | | | |
| Cash | 8,329 | - | 11,670 | - |
| Demand deposits and loans and receivables | 62,161 | - | 49,407 | - |
| Financial liabilities at amortised cost | - | 106,877 | - | 29,435 |
| Other assets and liabilities | - | - | - | 2 |
| | **70,490** | **106,877** | **61,077** | **29,437** |
| **Total foreign currency balances** | **1,241,192** | **3,583,953** | **1,034,175** | **4,542,289** |

(*) Equivalent value calculated by applying the exchange rates at 31 December 2022 and 2021 respectively.

In addition to the currency positions recognised in the consolidated balance sheets at 31 December 2022 and 2021 shown in the preceding table, the Group recognised various currency derivatives and forward foreign currency contracts which are used to manage the exchange rate risk to which it is exposed and which should be considered together with the consolidated balance sheets positions for a correct understanding of the Group's exposure to such risks (see Note 23).

### 2.5.2. Translation of foreign currency balances

Translation of foreign currency to the functional currency: foreign currency transactions performed by Group companies are initially recognised in the financial statements at the equivalent value in their functional currencies, translated using the exchange rates prevailing at the transaction date. Subsequently, the following rules are applied:

- Monetary assets and liabilities are translated at the closing rate, which is taken to be the average spot exchange rate at the date of the financial statements.
- Non-monetary items measured at historical cost are translated to the functional currency at the exchange rate at the date of acquisition.
- Non-monetary items measured at fair value are translated to the functional currency at the exchange rate at the date when the fair value was determined.
- Incomes and expenses are translated at the exchange rate prevailing at the transaction date.

### 2.5.3. Exchange rates

The exchange rates used by the Group in translating the foreign currency balances to euros for the purpose of preparing the consolidated financial statements, taking into account the methods mentioned above, were those published by the European Central Bank.

### 2.5.4. Recognition of exchange differences

The exchange differences arising on the translation of foreign currency balances, in accordance with the aforementioned methods, to the Group 's functional currency are generally recognised at their net amount under "Exchange Differences, Net" in the consolidated income statement, except for exchange differences arising on financial instruments designated at fair value through profit or loss, which are recognised, without distinguishing them from other changes in the instruments' fair value, under "Gains or Losses on Financial Assets and Liabilities Recognised at fair value through Profit or loss, Net" in the consolidated income statement, according to the category in which the instruments are classified.

However, exchange differences arising on non-monetary items measured at fair value through equity are recognised, where appropriate, in equity under "Accumulated Other Comprehensive Income – Items that May Be Reclassified to Profit or Loss" in the consolidated balance sheet until they are realised. Exchange differences recognised in the Group's equity are taken to the consolidated income statement when realised.

## 2.6. Recognition of income and expenses

The most significant accounting criteria used by the Group to recognise its income and expenses are summarised as follows:

### 2.6.1. Interest income, interest expense, dividends and similar items

Interest income, interest expense and similar items are generally recognised on an accrual basis using the effective interest method. Dividends received from other companies, are recognised as income when the Group's right to receive them arises.

### 2.6.2. Commissions, fees and similar items

Fee and commission income and expenses that are not to be included in the calculation of the effective interest rate of transactions and/or are not included in the acquisition cost of financial assets or liabilities other than those classified as at fair value through profit or loss are recognised in the income statement using criteria that vary according to their nature. The main criteria are as follows:

- The ones relating to the acquisition of financial assets and liabilities measured at fair value through profit or loss are recognised in the income statement when collected or paid.

- Those arising from transactions or services that are performed over a period of time such as fee and commission income for securities depository services are recognised in the income statement over the life of these transactions or services.

- Those relating to a single act are recognised in the income statement when the single act is carried out.

### 2.6.3. Non-finance income and expenses

These are recognised for accounting purposes on an accrual basis.

## 2.7. Offsetting

Asset and liability balances are offset, i.e. reported in the balance sheet at their net amount, when, and only when, they arise from transactions in for which the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

In this regard, the presentation required by the applicable legislation in these consolidated financial statements in respect of the financial assets subject to measurement adjustments for decline in value or impairment, i.e. net of these adjustments, is not deemed to be “offsetting”.

## 2.8. Transfers and derecognition of financial assets and liabilities

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

- If the Group transfers substantially all the risks and rewards of the transferred assets to third parties -unconditional sale of financial assets, sale of financial assets with a repurchase agreement at its fair value at the repurchase date, sale of financial assets with a purchased call option or written put option that is deeply out of the money, securitization of assets in which the transferor does not retain a subordinated debt or grant any credit enhancement to new holders and other similar cases, the transferred financial asset is derecognized and any rights or obligations retained or created in the transfer are recognized simultaneously.

- It is considered that the Group substantially transfers the risks and benefits if the risks and rewards transferred represent the majority of the total risks and rewards of the transferred assets.

- If the Group retains substantially all the risks and rewards associated with the transferred financial asset -sale of financial assets under an agreement to repurchase them at a fixed price or at the sale price plus interest, a securities lending agreement in which the borrower undertakes to return the same or similar assets, securitization of financial assets in which a subordinated debt or another type of credit enhancement is retained that absorbs substantially all the credit losses on the securitized assets, and other similar cases-, the transferred financial asset is not derecognized and continues to be measured by the same criteria as those used before the transfer. However, the following items are recognized, without offsetting:

- An associated financial liability, for an amount equal to the consideration received; this liability is subsequently measured at amortized cost, or, if the aforementioned requirements for classification of other financial liabilities at fair value through profit or loss are met, at fair value, in accordance with the aforementioned criteria for this type of financial liability (see Note 2.2.4).

- The income from the transferred financial asset not derecognized and any expense incurred on the new financial liability.

- If the Group neither transfers nor retains substantially all the risks and rewards associated with the transferred financial asset -sale of financial assets with a purchased call option or written put option that is not deeply in or out of the money, securitization of financial assets in which the transferor retains a subordinated debt or another type of credit enhancement for a portion of the transferred asset, and other similar cases- the following distinction is made:

  - If the transferor does not retain control, the transferred financial asset is derecognized and any right or obligation retained or created in the transfer is recognized.

  - If the transferor retains control, it continues to recognize the transferred financial asset in the consolidated balance sheet for an amount equal to its exposure to changes in value and recognizes a financial liability associated with the transferred financial asset. The net carrying amount of the transferred asset and the associated liability is the amortized cost of the rights and obligations retained, if the transferred asset is measured at amortized cost, or the fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

Accordingly, financial assets are only derecognized when the cash flows they generate have been extinguished or when substantially all the significant inherent risks and rewards have been transferred to third parties.

Notes 27.2 and 27.4 contain a summary of the main circumstances of the principal transfers of assets outstanding at 2022 and 2021 year-end which did not lead to the derecognition of the related assets (securities lending transactions and repurchase agreements under non-optional repurchase agreements).

## 2.9. Impairment of financial assets

A financial asset is considered to be impaired -and therefore its carrying amount is adjusted to reflect the effect of impairment- when there is objective evidence that events have occurred which:

- In the case of debt instruments (loans and debt securities), give rise to an adverse impact on the future cash flows that were estimated at the transaction date.

- In the case of equity instruments, mean that their carrying amount may not be fully recovered.

As a general rule, the carrying amount of impaired financial instruments is adjusted with a charge to the consolidated income statement for the period in which the impairment becomes evident. Except for financial assets at fair value through other comprehensive income, which accounting will be recognised against “other comprehensive income”. The reversal, if any, of previously recognised impairment losses is recognised in the consolidated income statement for the period in which the impairment is reversed or reduced to “accumulated other comprehensive income”.

When the recovery of any recognised amount is considered unlikely, the amount is written off (“written-off asset”), without prejudice to any actions that the Group may initiate to seek collection until their contractual rights are extinguished due to expiry of the statute-of-limitations period, forgiveness or any other cause.

The criteria applied by the Group to determine possible impairment losses in each of the various financial instrument categories and the method used to recognise such impairment losses are as follows:

### 2.9.1. Debt instruments carried at amortised cost

The amount of an impairment loss incurred on a debt instrument carried at amortised cost is equal to the positive difference between its carrying amount and the all the cash flows at the effective original interest rate. The market value of quoted debt instruments is deemed to be a reliable estimate of the present value of their future cash flows.

The expected credit losses will be the weighted average of the credit losses, using as weights the respective risks of default events. The following distinction will be taken into account: i) Expected credit losses in the life of the operation: these are the expected credit losses resulting from all possible events of default during the entire expected life of the operation, ii) Expected credit losses in twelve months: they are the part of the credit losses expected during the life of the operation that corresponds to the expected credit losses resulting from the events of default that may occur in the operation in the following twelve months from the reference date.

The hedging amount for impairment shall be calculated according to whether or not there has been a significant increase in the credit risk since initial recognition and whether or not default has occurred. Accordingly, impairment hedging shall be equal to:

- The expected twelve-month credit losses when the risk of default has not significantly increased since initial recognition.

- The lifetime expected credit losses if the risk of default has significantly increased since initial recognition.

- Expected credit losses when default has occurred.

Financial instruments are grouped into three categories based on the impairment method applied, in accordance with the following structure:

- Stage 1 – Normal risk: those transactions the credit risk of which has not significantly increased since initial recognition. Impairment hedging shall be equal to the twelve-month expected credit losses. Interest revenue shall be calculated applying the effective interest rate to the gross carrying amount of the transaction.

- Stage 2 – Normal risk under special surveillance: those transactions the credit risk of which has significantly increased since initial recognition, but without default. Impairment hedging shall be equal to the lifetime expected credit losses of the transaction. Interest revenue shall be calculated applying the effective interest rate to the gross carrying amount of the transaction.

- Stage 3 – Non-performing: credit-impaired transactions, i.e. there has been default. Hedging shall be equal to the expected credit losses. Interest revenue shall be calculated by applying the effective interest rate at amortised cost (i.e. adjusted for an impairment allowance) of the financial instrument.

The measurement of whether or not there has been any significant increase in credit risk must be based on reasonable and supportable information that is available free of charge or disproportionate effort, which shall indicate the credit risk increases since initial recognition and must reflect historical, actual and forward-looking information.

The definitions established to measure the significant credit risk are in keeping with the following criteria:

- Adverse changes in the financial situation, such as a significant increase in debt levels, as well as significant increases in debt service ratios.

- Significant falls in turnover or, in recurring cash flows.
- Significant narrowing of operating margins.
- Significant changes in the cost of credit risk, due to changes in this risk subsequent to initial recognition.
- A real or expected reduction of the internal or external credit rating of the operation or of the owner thereof.
- Adverse changes in the economy, in market conditions or worsening of the operation owner's financing terms.
- Business slowdown or unfavourable trends in the owner's operations, which may cause a significant change in their ability to meet their payment obligations.
- For operations with real guarantee, significant worsening of the relationship between the risk amount and the value of the guarantee.
- Significant increases in the credit risk of other operations of the same owner.

In any case, Stage 2 is considered with respect to instruments in which any of the following circumstances occur:

- Defaults of over 30 days.
- Financial instruments that are subject to special surveillance by the risk units because they show negative signs in their credit quality, although there is no objective evidence of impairment.
- Refinances or restructuring operations that do not show impairment evidence.

#### Methodology for calculating expected losses

The measurement process for possible impairment losses for these instruments that involve the risk of insolvency for obligors (credit risk) is done:

- Individually, for all debt instruments classified as doubtful risks and which are significant by exceeding a certain threshold or for which specific information from the borrower that allows carrying out its evaluation is available.
- Collectively, for operations classified as normal risk, by applying the alternative solutions contained in Appendix 9 to Circular 4/2017, calculated on the bases of the parameters established by Bank of Spain based on sector information and its accrued experience.

The amount for impairment losses, estimated in accordance with the criteria set forth above, are registered in the headings "Impairment losses or reversals on financial assets not at fair value through profit or loss – Financial assets at amortised cost".

### 2.9.2. Debt instruments classified as financial assets at fair value through other comprehensive income

The amount of the impairment losses on debt instruments included in the portfolio of financial assets at fair value through other comprehensive income is determined on the basis of the criteria described in section 2.9.1 above for debt instruments carried at amortised cost and is recognised in "Other Comprehensive Income - Items that May Be Reclassified to Profit or Loss - Fair Value Changes of Debt Instruments Measured at Fair Value through Other Comprehensive Income".

The amount of any impairment losses on equity instruments included in the portfolio of financial assets at fair value through other comprehensive income is the positive difference between their acquisition cost and their fair value less any impairment loss previously recognised in the consolidated income statement. Any impairment losses must be recognised under “Other Comprehensive Income - Items that Will not Be Reclassified to Profit or Loss - Fair Value Changes of Equity Instruments Measured at Fair Value through Other Comprehensive Income”.

## 2.10. Financial guarantees and provisions for financial guarantees

“Financial guarantees” are contracts whereby an entity undertakes to pay specific amounts on behalf of a third party if the latter fails to do so, irrespective of the form in which the obligation is instrumented: guarantee, financial guarantee, irrevocable documentary credit issued or confirmed by the Group, etc.

In accordance with EU-IFRS, financial guarantee contracts provided by the Group are treated as financial instruments.

Upon initial recognition, the Group recognises financial guarantees provided on the liability side of the consolidated balance sheet at fair value plus directly attributable transaction costs, which generally equals the amount of the premium received plus, where applicable, the present value of the fee and commission income, the present value of the fee and commission income receivable on these contracts over their term, with a balancing entry, on the asset side of the consolidated balance sheet, for the amount of fees and similar income collected at the inception of the transactions and receivables for the present value of the fees and commissions receivable. Subsequent to their initial recording, these contracts are valued on the liabilities side of the consolidated balance sheet at the higher of the following two amounts:

- The amount determined in accordance with IAS 37. In this regard, financial guarantees, regardless of their holder, instrumentation or other circumstances, are analysed periodically in order to determine the credit risk to which they are exposed and, where appropriate, to estimate the need to recognise a provision for them, which is determined by applying criteria similar to those established for quantifying impairment losses on debt instruments measured at amortised cost as explained in Note 2.9. above.

- The amount initially recognised for these instruments, less the amortisation of this amount which, in accordance with IFRS 15, is taken to the consolidated income statement on a straight-line basis over the term of these contracts.

Provisions made for these transactions are recorded under "Provisions - Commitments and guarantees given" on the liability side of the consolidated balance sheet (see Note 17). These provisions are recognised and reversed with a balancing entry under "Provisions or reversal of provisions" in the consolidated income statement.

In case of, as indicated above, a provision is required for these financial guarantees, the unearned commissions associated with these transactions, which are recognised under "Financial liabilities at amortised cost - Other financial liabilities" on the liability side of the consolidated balance sheet, are reclassified to the related provision.

## 2.11. Personnel Expenses

### 2.11.1 Short-term remuneration

Short-term employee remuneration consists of monetary and non-monetary remuneration such as wages, salaries and social security contributions earned in the year and paid or payable to employees in the twelve months following the end of the reporting period.

Short-term employee remuneration is generally recognised as staff costs in the income statement for the period in which the employees have rendered their services. It is measured at the undiscounted amount payable for the services received, and it is recognised while the employees render their services at the Group, as an accrued expense after deducting any amounts already paid.

2.11.2. Post-employment obligations

Under the Collective Agreement currently in force and some labour intern agreement, the Group is required to supplement the social security benefits accruing to its employees or their beneficiary right holders in the event of retirement, window(er)hood and death of its serving employees.

- The Group's post-employment obligations to its employees are deemed to be "defined contribution plans" when it makes pre-determined contributions to a separate entity and will have no legal or effective obligation to make further contributions if the separate entity cannot pay the employee benefits relating to the service rendered in the current and prior periods.

- Post-employment obligations that do not meet the aforementioned conditions are classified as "defined benefit plans".

To cover its pension commitments to employees, the Group promoted a pension plan called the Cecabank Employees' Pension Plan, under the Pension Plans and Funds Act and its implementing legislation.

The Management Company of the "Cecabank Employees' Pension Plan" is Caser Pensiones, Entidad Gestora de Fondos de Pensiones, S.A. This pension plan is attached to the Cecabank Employees' Pension Fund AD, Pension Fund and to the Cecabank Employees' Pension Fund PD, Pension Fund.

The Cecabank Employees Pension Plan includes three sub-plans:

- Sub-plan 1 is a defined benefit plan for all its contingencies and includes all beneficiaries under the defined benefit scheme who were born before 1 January 2019. All benefits are insured with an external insurance company whose policyholder is the Control Committee of the Cecabank Employees' Pension Plan.

  In 2010, the Control Committee of the CECA Employees' Pension Plan, pursuant to the obligations previously acquired, resolved to take out an insurance policy to cover the supplementary vested pension income payable to the beneficiaries of the pension plan of defined benefit. The policy is in line with the benefits payable to the group of beneficiaries of the pension plan in order to ensure these obligations are met.

- Sub-plan 2 is a defined contribution plan for the retirement contingency and includes employees who joined CECA after 30 May 1986 and up to 11 November 2012, as well as employees who joined Cecabank, S.A. after 12 November 2012. This subplan also includes participants who joined CECA prior to 30 May 1986 and who, in accordance with the provisions of the Labour Agreement of 27 January 2010, voluntarily opted to remain in Subplan 2.

  This subplan is a defined benefit plan for the contingencies of death and disability of active employees. These defined benefits are covered by an insurance policy taken out by the Cecabank Employees' Pension Plan Control Committee.

- Finally, subplan 3 covers all employees who joined CECA before 29 May 1986 and who, not being entitled to take advantage of the early retirement plan established in the collective labour agreement for specific matters dated 2 April 2001, voluntarily and irreversibly requested to be included in the plan.

This subplan is a defined contribution plan for the contingency of retirement and a defined benefit plan for the contingencies of death and disability of active personnel. These defined benefits are insured through an insurance policy taken out by the Control Committee of the Cecabank Employees' Pension Plan.

In 2019, the Group and all labour representatives reached a labour agreement that led to significant changes in the regulation of the Cecabank Employees' Pension Plan. Following the signing of this labour agreement, the system of death and disability benefits was changed, which are no longer linked to the pension recognised by the Social Security and are now linked to the salary of each participant.

Likewise, subplan 1 was closed to the group of pensioners existing at 31 December 2018, and active members remaining in defined benefit subplan 1 were transferred to subplan 3.

Finally, as regards the contributions for the defined contribution retirement contingency, these are improved, at least until 2025 for subplan 2, thanks to a labour agreement signed on 6 August 2021.

In addition, the Group has taken out various insurance policies suitable for externalising pension commitments, whether or not supplementary to the Cecabank Employees' Pension Plan.

The accompanying Note 35 "Administrative expenses - Personnel expenses" provides additional information on these commitments, relating to reconciliations, sensitivities and other information required by the regulations applicable to the Group.

As at 31 December 2022, the total amount of the Group's accrued unearned pension commitments and accrued pension commitments amounted to EUR 110,533 thousand (31 December 2021: EUR 150,975 thousand), which are hedged with the external pension fund whose fair value as at 31 December 2022 amounts to EUR 116,896 thousand (31 December 2021: EUR 156,698 thousand), and the Group has therefore recognised EUR 6,363 thousand and EUR 5,723 thousand, respectively (see Notes 15.1 and 35 ).

### Recognition of defined benefit post-employment obligations

The accounting treatment of the defined benefit obligations is as follows:

a) The legal obligations assumed by the Group are taken into consideration according to the formal terms and conditions of the plans.

b) The present value of the legal obligations is calculated at the reporting date by a qualified actuary, together with the fair value estimates of the plan assets.

c) The fair value of the plan assets, which, pursuant to the requirements established in the applicable legislation, meet this definition at the reporting date, is deducted from the present value of the obligations.

d) If the figure obtained in c) above is positive, it is recognised as a provision for defined benefit pension funds.

e) If the figure obtained in c) above is negative, it is recognised as "Other assets-Rest of other assets". The Group measures, where appropriate, the recognised asset at the lower of the following two values:

    i. The figure obtained in c) above, in absolute terms.

    ii. The present value of the cash flows available to the Group, in the form of plan redemptions or reductions in future contributions to the plan.

f) Any changes in the recognised provision are recognised when they occur in line with d) above (or, where appropriate, the asset according to c) above) as follows:

    i. In the consolidated income statement: the cost of the services rendered by the employees, those referring to both the year in question and prior years not recognised in those years, the net interest on the provision, and the gain or loss arising upon settlement. When these amounts are to form part of the cost of an asset pursuant to applicable legislation, these amounts are recognised additionally as “other operating income”.

ii. In the statement of changes in equity: the new measurements of the provision as a result of the actuarial gains and losses, of the return on any plan assets not included in the net interest on the provision, and changes in the present value of the asset as a result of the changes in the present of the cash flows available to the entity, which are not included in the net interest on the provision. The amounts recognised in the statement of changes in equity should not be reclassified to the income statement in a future year.

As regards the preceding paragraph, it should be noted that due to application of the regulatory changes in the legislation applicable to the Group contained in Bank of Spain Circular 5/2013, since 2013, the actuarial gains and losses arising on the measurement of the defined benefit pension obligations have been recognised by the Group in the period in which they arise with a charge or credit, as applicable, to “Accumulated Other Comprehensive Income – Items that Will Not Be Reclassified to Profit or Loss” in the accompanying consolidated balance sheets.

The defined contribution obligations are generally recognised at the amount of the contributions made by the Group in the year in exchange for the services rendered by employees in the same period and are recognised as an expense for the year. In 2022 the portion of the accrued expense for the contributions to the external pension fund relating to defined contribution obligations amounted to EUR 594 thousand (2021: EUR 50 thousand), and this amount was recognised under “Administrative Expenses - Staff Costs” in the consolidated income statement (see Note 35).

There are no active recipients of the defined benefits at the end of 2022 since they were moved to defined contributions (Subplan 3) on 1 January 2020.

Furthermore, contributions to the pension plan in excess of the current legal and tax ceilings are covered by two insurance policies taken out with Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. (“Caser”) and no premium accrued or was paid in 2022 and 2021.

Additionally, the premiums on these policies and on other insurance policies covering pension obligations and other obligations to employees totalled EUR 263 thousand in 2022 (2021: EUR 132 thousand), and this amount was recognised under “Administrative Expenses - Staff Costs” in the consolidated income statement (see Note 35).

### 2.11.3. Other long-term benefits

#### 2.11.3.1. Early retirements

Through several agreements entered into in previous years by the Group and CECA (to which the bank was subrogated by virtue of the spin-off of Bank’s activity as indicated in Note 1.1 above) and the Workplace Trade Union Branch and the representatives of the Works Council, various pre-retirement offers were made to the employees. The following paragraphs contain a summary of the main features of these agreements:

##### Pre-retirement agreements in 2012

25 June 2012, an agreement was entered into between the entity, the Workplace Trade Union Branch and the representatives of the Works Council, under which a Pre-Retirement Plan was established for all employees who at 31 December 2012 were at least 53 years of age and had been in the entity's employ for at least ten years. The general registration period for employees wishing to participate in this plan ended on 20 July 2012. This agreement also includes other measures such as termination benefits for the group of employees not included in the pre-retirement plans mentioned above (for which the deadline for participating was 30 September 2012), unpaid leave and reduced working hours (the deadline for participating was 30 October 2012).

The commitments assumed by this plan are expected to expire on March 31, 2023.

### Pre-retirement agreements in 2013

On 29 October 2013, another agreement was entered into between the Group, the Workplace Trade Union Branch and the representatives of the Works Council, to extend the agreement entered into on 25 June 2012 for a maximum of 129 employees who at 31 December 2013 were at least 50 years of age and had been in the entity's employ for at least ten years. The general registration period for employees wishing to participate in this plan ended on 12 November 2013. 54 employees availed themselves of this offer. The pre-retirements are taking effect between 1 December 2013 and 31 March 2014. The period of pre-retirement begins on the date of termination of the employment contract and ends on the date on which the employee reaches 63 years of age, with a limit of nine years from the pre-retirement date, whichever occurs first.

The amount receivable by the employee during pre-retirement is equal to 75% of his/her annual gross fixed remuneration while in employment, with a maximum annual benefit limit of EUR 150,000 and a minimum annual limit of EUR 27,119. At the discretion of the pre-retired employee, this benefit may be received either in a single lump sum payment or in 14 monthly payments up until the age established in the Agreement. In addition, regardless of the chosen form of payment, the employees who avail themselves of this offer are entitled to receive a gross incentive of EUR 16,000 in a single payment. Also, any employees who would have been paid a 25-year service bonus had they remained in the entity's employ until 31 March 2014 continue to be entitled to receive this bonus.

For the participants of pension sub-plans two and three integrated in 'Cecabank employees Pensions plan, the Group will continue to make contributions to the employee pension plan and the policies provided for in the insurance protocol relating to this plan, where appropriate, solely for retirement cover. The amount of this contribution will be the same as that made in the year immediately prior to the pre-retirement and will be made until the employee reaches 63 years of age, with a limit of nine years from the pre-retirement date, whichever occurs first. In particular, the participants of sub-plan three will continue to be entitled to the contributions provided for in the Caser policy, for past service, until the age of 65. In the case of the employees who are participants in defined benefit sub- plan one, for retirement cover, the Group will continue to make the contributions required to maintain coverage of the retirement benefit established by the Group until the date on which pre- retirement benefits cease to be paid, and the benefits received in the twelve months prior to retirement. Alternatively, participants in sub-plan one who take pre-retirement pursuant to the pre- retirement plan may transfer their consolidated rights in the plan at the pre-retirement date to sub- plan three and convert the benefit regime into a defined contribution regime. For these participants, contributions are not payable to the Caser policy provided for in the insurance protocol of the group's Employees' Pension Plan.

Social Security Special Agreement payments are payable by the employees, although the Group will pay these amounts into the employees' salary until they meet the established age requirements and limits. The Special Agreement will be entered into at the employees' maximum contribution rate on the date immediately preceding the retirement date, with a maximum limit of the contribution base that would have been applicable to the employees had they remained in the bank's employ.

### Pre-retirement agreements in 2015

On 18 December 2015, the Board of Directors of the Cecabank approved a formal pre-retirement plan for certain employees of the bank who met certain requirements, and this fact was communicated to all the employees on 23 December 2015 by the Works Council.

This plan was formalised in a collective agreement signed in 2016 between the bank, the Workplace Trade Union Branch and the representatives of the Works Council, using as a basis the pre-retirement plan of 29 October 2013, which established a three-year period (2016-2018) for pre-retirements to take place. Employees aged 56 or over prior to 31 December 2018 with at least ten years' service at the date of departure from the group can avail themselves of the plan.

The amount receivable by the employee during pre-retirement is equal to 75% of his/her annual gross fixed remuneration while in employment, with a maximum annual benefit limit of EUR 150,000 and a minimum annual limit of EUR 27,119. At the discretion of the pre-retired employee, this benefit may be received either in a single lump sum payment or in 14 monthly payments up until the age established in the Agreement.

With regard to the accounting criteria applied to these aforementioned pre-retirement obligations, it should be noted that they are the same as those explained in Note 2.11.2 for the defined benefit post-employment obligations, except for the fact that the actuarial gains and losses are recognised directly in the Group's consolidated income statement in the year in which they are disclosed.

The obligations in respect of future salaries, future social security costs and study aids relating to early retirees corresponding to commitments given in the preceding paragraphs as well as the obligations for future contributions to the Pension Plan (all of which were considered as defined benefit obligations) were covered by an internal provision amounting to EUR 33,569 thousand (EUR 45,426 thousand at 31 December 2021), which was recognised under “Provisions - Other long-term employee benefits” in the consolidated balance sheet (see Notes 17 and 35) and related to early retirement obligations incurred as a result of the aforementioned Agreement dated 7 April 2011, 25 June 2012, 29 October 2013 and 18 December 2015. At 31 December 2022 and 2021 this provision covered the full amount of the Group's early retirement obligations at those dates.

Note 35 to these notes to the financial statements includes additional information relating to these obligations.

#### 2.11.3.2. Death and disability

The commitments assumed by the Group for death or disability of current employees for the period they remain active are included in the benefits covered by the Cecabank Employee Pension Plan, in accordance with its rules and they are fully covered by a policy obtained by the Control Committee of the Pension Plan from an insurance company.

#### 2.11.3.3. Long-service bonuses

The Group has undertaken to pay a bonus to employees reaching 25 years of service at the Group.

The amount paid in this connection at 2022 year-end was approximately EUR 66 thousand (2021 year- end: EUR 14 thousand) and is recognised under “Administrative Expenses - Staff Costs” in the accompanying consolidated income statement.

### 2.11.4. Termination benefits

Any termination benefits are recognised as a staff cost only when the Entity is demonstrably committed to terminating the employment relationship with an employee or group of employees.

The termination benefit expense charged to profit or loss in 2022, amounting to EUR 672 thousand, is recognised under “Administrative Expenses - Staff Costs” in the consolidated income statement (see Note 35). At 31 December 2021, EUR 26,423 thousand expenses were recognised in this connection.

On August 6, 2021, the Group and the majority of the Bank's labor representation reached an agreement on collective dismissal by means of which Cecabank could terminate up to a total of 80 employment contracts.

Mentioned labor agreement contemplated voluntary adherence to the collective dismissal process, establishing the prevalence of greater seniority as a criterion for admission to the process in the event of over-demand.

In accordance with the membership requests made, the Group will extinguish 85 jobs through a system of early retirement in which the Bank assumes the payment of severance pay, as well as the cost of the special agreement with social security up to 63 years of age or a maximum of 7 years duration.

In turn, the Group will make a contribution to the employment pension plan and a retirement premium at the time the early retirement period ends, as long as the member has not been a recipient of the non-contributory unemployment subsidy.

The provision made by the Group in 2022 and 2021 to meet these obligations amounted to a total of 535 and 24,763 thousand euros, respectively.

Also, the Group has agreements with some of its executives and/or directors to pay them certain benefits in the event that they are terminated without just cause. The amount of the benefit, which in any case would not have a material effect on the Group, would be charged to the consolidated income statement when the decision to terminate the employment of the executive or director was made.

Under current legislation, the Group is required to pay termination benefits to employees terminated under certain conditions. Therefore, termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision to terminate the employment relationship is taken.

#### 2.11.5. Loans to employees

Pursuant to the Collective Bargaining Agreement in force and the additional agreements entered into with the Group's employees in 2021, employees may apply to the Bank for mortgage loans, for which a mortgage guarantee is required, for periods of up to 40 years and at a variable interest rate which shall remain fixed during each half-year and which may not be extended beyond the applicant's 70th birthday.

Employees, in accordance with the applicable sectoral Collective Bargaining Agreement and collective agreements negotiated with the Group in implementation thereof, may request Social Advances, in specific cases, apply for interest free advances and other “welfare” loans or loans for the expansion of their residence, with a repayment period of 11 and 15 years, respectively, at the 12-month Euribor interest rate.

In the event of exceptional circumstances requiring an employee of the Group to apply for a type of loan that does not fully or partially comply with the regulations stipulated in the industry collective labour agreement, or its implementing regulations, the employee may apply for the loan indicating the exceptional circumstances.

These loans are recognised at amortised cost under “Financial assets at amortised cost - Loans and Advances to Customers” in the consolidated balance sheet.

### 2.12. Income tax

The income tax expense is recognised in the consolidated income statement, except when it results from a transaction recognised directly in the equity, in which case the income tax is also recognised in the Group’s equity.

The current income tax expense is calculated as the tax payable with respect to the taxable profit for the year, adjusted by the amount of the changes in the year in the assets and liabilities (deferred taxes) recognised as a result of temporary differences and tax credit and tax loss carry forwards (see Note 20).

The Group considers that there is a temporary difference when there is a difference between the carrying amount of an asset or liability and its tax base expected to reverse in the future. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. A taxable temporary difference is one that will generate a future obligation for the Group to make a payment to the related tax authorities. A deductible temporary difference is one that will generate a right for the Group to a refund or a reduction in its tax charge in the future.

Tax credit and tax loss carry forwards are amounts that, after performance of the activity or obtainment of the profit or loss giving entitlement to them, are not used for tax purposes in the related tax return until the conditions for doing so established in the tax regulations are met and the Group considers it probable that they will be used in future periods.

Current tax assets and liabilities are the taxes that are expected to be recoverable from or payable to the related tax authorities within 12 months from the balance sheet date. Deferred tax assets and liabilities are the taxes that are expected to be recoverable from or payable to the related tax authorities in over 12 months from the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences. However, deferred tax liabilities arising from the initial recognition of goodwill are not recognised.

The Group only recognises deferred tax assets arising from deductible temporary differences and from tax credit and for tax loss carryforwards when the following conditions are met:

- If it is considered probable that the Group will obtain sufficient future taxable profit against which the deferred tax assets can be utilised; or they are deferred tax assets that the Group might in the future have the right to convert into credits receivable from the tax authorities pursuant to Article 130 of Spanish Income Tax Law 27/2014, of 27 November (called “monetizable tax assets”); and

- In the case of any deferred tax assets arising from tax loss carryforwards, the tax losses result from identifiable causes which are unlikely to recur.

No deferred tax assets or liabilities are recognised if they arise from the initial recognition of an asset or liability, not arising from a business combination and that at the time of recognition affects neither accounting profit nor taxable profit.

The deferred tax assets and liabilities recognised are reassessed at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

The Group files consolidated tax returns pursuant to Chapter VI of Title VII of Spanish Income Tax Law 27/2014, of 27 November, as part of tax group 0508/12, the parent of which is CECA. For each entity that files consolidated tax returns, the Group Confederación Española de Cajas de Ahorro recognises the income tax expense that the entity would have had to pay if it had filed an individual tax return, adjusted for the tax losses generated by each entity from which other Group entities benefit, taking into consideration the consolidated tax adjustments to be made.

## 2.13. Property, plant and equipment

### 2.13.1. Property, plant and equipment for own use

Property, plant and equipment for own use includes the assets that are held by the Group for present or future administrative purposes other than those of community projects, or for the production or supply of goods and services and which are expected to be used for more than one year. Property, plant and equipment for own use is stated in the consolidated balance sheet at cost less:

- The related accumulated depreciation, and

- Any estimated impairment losses (net carrying amount higher than recoverable amount).

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

The annual provisions of tangible asset depreciation charge is recognised under "Amortisation" in the consolidated income statement and is calculated basically using the following depreciation rates (based on the average years of estimated useful life of the various assets):

| | Annual percentaje |
|---|---|
| Property | 2% a 4% |
| Furniture and office equipment | 10% a 15% |
| Computer hardware | 15% a 25% |
| Fixtures | 8% a 12% |
| Transport equipment | 16% |

The Group assesses at the reporting date whether there is any internal or external indication that an asset may be impaired (i.e. its carrying amount exceeds its recoverable amount). If this is the case, the carrying amount of the asset is reduced to its recoverable amount and future depreciation charges are adjusted in proportion to the revised carrying amount and to the new remaining useful life (if the useful life must be re-estimated). When necessary, the carrying amount of property, plant and equipment for own use is reduced with a charge to "Impairment or Reversal of Impairment on Non-Financial Assets" in the consolidated income statement.

Similarly, if there is an indication of a recovery in the value of a previously impaired tangible asset, the Group recognises the reversal of the impairment loss recognised in prior periods with the related credit to "Impairment or Reversal of Impairment on Non-Financial Assets" in the consolidated income statement and adjusts the future depreciation charges accordingly. In no circumstances may the reversal of an impairment loss on an asset raise its carrying amount above that which it would have if no impairment losses had been recognised in prior years.

The estimated useful lives of the items of property, plant and equipment for own use are reviewed at least once a year with a view to detecting significant changes therein. If changes are detected, the useful lives of the assets are adjusted by correcting the depreciation charge to be recognised in the consolidated income statement in future years on the basis of the new useful lives.

Upkeep and maintenance expenses relating to property, plant and equipment for own use are recognised as an expense under "Administrative Expenses – Other General Administrative Expenses" in the consolidated income statement in the year in which they are incurred.

Assets for own use that are no longer intended for such use and for which there is a sale plan by the Management, which is estimated to be carried out within a maximum period of one year, are classified as non-current assets held for sale and are valued according to the criteria indicated in Note 2.16.

### 2.13.2. Investment property

"Property, plant and equipment - Investment Property" in the consolidated balance sheet reflects the net values of the land, buildings and other structures held either to earn rentals or for capital appreciation.

The criteria used to recognise the acquisition cost of investment property, to calculate its depreciation and its estimated useful life and to recognise any impairment losses thereon are consistent with those described in relation to property, plant and equipment for own use (see Note 2.13.1).

## 2.14. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance which arise as a result of a legal transaction, or which are developed internally by the Group. Only intangible assets whose cost can be estimated reasonably objectively and from which the Group considers it probable that future economic benefits will be generated are recognised.

Intangible assets are recognised initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

2021 financial year, the Group implemented a new methodology for valuing the intangible assets generated by the acquired depository businesses. This model adds new rates to update the expected future flows of the deposit business and compares the results obtained with the book value in order to identify possible impairments. As a result of this exercise, the Group has not identified the need to record any provision for these businesses.

The annual intangible asset amortisation charge is recognised under “Amortisation Charge” in the consolidated income statement.

### 2.14.1. Other intangible assets

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

"Intangible Assets - Other Intangible Assets" includes, primarily, the acquisition cost, net of accumulated amortisation and when applicable impairment.

Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives, which range from three to ten years for computer software, depending on the asset concerned.

For their part, the management rights of the depository business recognised as intangible assets are amortised over the term of the contracts in which they are acquired, using the straight-line method or a diminishing balance method, depending on the estimated revenue associated with these contracts over time.

The Group assesses at the reporting date whether there is any internal or external indication that an intangible asset may be impaired (i.e. its carrying amount exceeds its recoverable amount). If this is the case, the carrying amount of the asset is reduced to its recoverable amount and future amortisation charges are adjusted in proportion to the revised carrying amount and to the new remaining useful life (if the useful life has to be re-estimated). This reduction of the carrying amount of intangible assets is recognised, if necessary, with a charge to “Impairment or Reversal of Impairment on Non-Financial Assets” in the consolidated income statement. The criteria used to recognise the impairment losses on these assets and, where applicable, the reversal of impairment losses recognised in prior years are similar to those used for property, plant and equipment for own use (see Note 2.13.1).

## 2.15. Provisions and contingent liabilities

The Group’s financial statements include all the material provisions, if any, required to cover certain risks to which the Group is exposed as a result of its business activity and which are certain as to their nature but uncertain as to their amount and/or timing. Contingent liabilities are not recognised in the financial statements, but rather are disclosed, if there.

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed its case and adjusted at the end of each year, are used to cater for the specific obligations for which they were originally recognised. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

The provisions considered necessary pursuant to the foregoing criteria and their eventual reversal, should the reasons for their recognition disappear, are recognised with a charge or credit, respectively, to “Provisions or reversal of provisions” in the consolidated income statement.

### 2.15.1. Litigation and/ or claims in process

At the end of 2022 certain litigation and claims were in process against the Group arising from the ordinary course of its operations. The Group's legal advisers and directors consider that the outcome of the litigation and claims will not have a material effect on the financial statements for the years in which they are settled.

## 2.16. Non-current assets and Disposal Groups Classified as Held for Sale

“Non-Current Assets and Disposal Groups Classified as Held for Sale” in the consolidated balance sheet includes the carrying amount of items - individual items, disposal groups or items forming part of a business unit earmarked for disposal (“discontinued operations”) - which, because of their nature, are estimated to have a realisation or recovery period exceeding one year, but are earmarked for disposal by the Group and whose sale in their present condition is highly probable to be completed within one year from the date of the financial statements.

Investments in associates or joint ventures that meet the requirements set forth in the foregoing paragraph are also considered to be non-current assets held for sale.

Therefore, the carrying amount of these items -which can be of a financial nature or otherwise- will foreseeably, be recovered through the proceeds from their disposal rather than from continuing use.

Specifically, property or other non-current assets received by the Group as total or partial settlement of its debtors' payment obligations to it are deemed to be non-current assets held for sale, unless the Group has decided use them and classify them as investment property (see Note 2.13.2).

In general, non-current assets held for sale and disposal groups classified as held for sale are measured at the lower of their carrying amount calculated as at the classification date and their fair value less net estimated costs to sell. Tangible and intangible assets that are depreciable and amortisable by nature are not depreciated or amortised during the time they remain classified in this category.

If the carrying amount of the assets exceeds their fair value less costs to sell, the Group adjusts the carrying amount of the assets by the amount of the excess with a charge to “Gains/(Losses) on Non- Current Assets Held for Sale not Classified as Discontinued Operations” in the consolidated income statement. If the fair value of such assets subsequently increases, the Group reverses the losses previously recognised and increases the carrying amount of the assets without exceeding the carrying amount prior to the impairment, with a credit to “Gains/(Losses) on Non-Current Assets Held for Sale not Classified as Discontinued Operations” in the consolidated income statement.

The gains or losses arising on the sale of non-current assets held for sale are presented under “Profit or Loss from Non-Current Assets and Disposal Groups Classified as Held for Sale Not Qualifying as Discontinued Operations” in the consolidated income statement.

Despite the foregoing, financial assets, assets arising from remuneration to employees and any deferred tax assets that are part of a disposal group or of a discontinued operation are not measured as described in the preceding paragraphs, but rather in accordance with the accounting policies and rules applicable to these items, which were explained in previous sections of Note 2.

## 2.17. Consolidated cash flow statements

The following terms are used in the consolidated cash flow statements with the meanings specified:

- **Cash flows**: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

- **Operating activities**: the principal revenue-producing activities of credit institutions and other activities that are not investing or financing activities. Operating activities also include interest paid on any financing received, even if this financing is considered to be financing activity. Activities performed with the various financial instrument categories detailed in Note 2.2.4 above are classified, for the purpose of this statement, as operating activities.

- **Investing activities**: the acquisition, sale or disposal by other means of long-term assets and other investments not included in cash and cash equivalents, such as Property, plant and equipment, intangible assets, investments, non-current assets held for sale and associated liabilities, equity instruments classified as financial assets at fair value through other comprehensive income which are strategic investments if any.

- **Financing activities**: includes the cash flows from activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

For cash flow statement preparation purposes, the balance of "Cash, Cash Balances at Central Banks and other demand deposits" on the asset side of the consolidated balance sheet, disregarding any impairment losses, was considered to be "cash and cash equivalents".

## 2.18. Consolidated statement of changes in equity

The consolidated statement of changes in equity presented in these financial statements shows the consolidated total changes therein in equity during the year. This information is disclosed to turn in two statements: the consolidated statement of comprehensive income and the consolidated statement of changes in equity. The following explains the main features of the information contained in both parts of the statement:

### 2.18.1. Consolidated statement of recognised income and expense

The consolidated statement of recognised income and expense presents the income and expenses generated by the Group as a result of its business activity in the year, and a distinction is made between the income and expenses recognised in the consolidated income statement for the year and the other income and expenses recognised, in accordance with current regulations, directly in equity, making a distinction among the latter, in turn, between items that may be reclassified to the income statement, pursuant to applicable legislation, and those that may not.

Accordingly, this statement presents:

a) Profit for the year.

b) The net amount of income and expense recognised that will not be reclassified into income.

c) The net amount of income and expenses recognised that can be reclassified into income.

d) The total of income and expense recognised, calculated as the sum of (a+b+c).

Changes in income and expenses recognised in equity as items that can be reclassified to income are broken down as follows:

a. Measurement gains or losses taken to equity: includes the amount of the income, net of the expenses incurred in the year, recognised directly in equity. The amounts recognised in equity in the year remain under this item, even if in the same year they are transferred to the consolidated income statement or to the initial carrying amount of assets or liabilities or are reclassified to another line item.

b. Amounts transferred to the income statement: includes the amount of the restatement gains and losses previously recognised in equity, albeit in the same year, which are recognised in the consolidated income statement.

c. Amount transferred to the initial carrying amount of hedged items: includes the amount of the restatement gains and losses previously recognised in equity, albeit in the same year, which are recognised in the initial carrying amount of the assets or liabilities as a result of cash flow hedges.

d. Other reclassifications: includes the amount of the transfers made in the year between measurement adjustment items in accordance with current regulations.

The amounts of these items are presented gross, and the corresponding income tax is included in a separate line item both at the end of the items that may be reclassified to profit or loss and at the end of those that will not.

### 2.18.2. Consolidated statement of changes in total equity

The consolidated statement of changes in total equity presents all the changes in equity, including those arising from changes in accounting policies and from the correction of errors. Accordingly, this statement presents a reconciliation of the carrying amount at the beginning and end of the year of all the equity items, and the changes in the year are grouped together on the basis of their nature into the following items:

a) Effects of corrections of errors and changes in accounting policies: this category includes the adjustments to equity arising as a result of the retrospective restatement of the financial statements, making a distinction between the adjustments that relate to changes in accounting policies and those relating to corrections of errors.

b) Total comprehensive income for the year: this category includes the amount of the line item with the same name in the statement of recognised income and expense relating to the same date.

c) Other changes in equity: includes the changes recognised directly in equity relating to increases and reductions in capital or other equity instruments (including the expenses incurred in such transactions), the distribution of dividends or shareholder remuneration, the reclassification of financial instruments from equity to liabilities or vice-versa, transfers among equity items which, due to their nature, were not included in other line items, increases or decreases in equity resulting from business combinations, share-based payments, and any other increase or decrease in equity that cannot be included in the aforementioned categories.

## 3. Cecabank, S.A.

Cecabank is the parent of the Group. Its separate financial statements are prepared by applying the accounting principles and rules included in Bank of Spain Circular 4/2017, of 27 November, to credit institutions, on public and confidential financial reporting rules and formats and subsequent amendments.

The financial statements of the Bank, the head of the group for 2022 and 2021, for informative purpose, are as follows:

## Balances (thousand euros):

| ASSETS | 2022 | 2021 |
|---|---|---|
| **Cash, cash balances at central banks and other demand deposits** | **7,853,926** | **8,678,793** |
| **Financial assets held for trading** | **857,046** | **1,414,378** |
| Derivatives | 447,469 | 781,544 |
| Equity instruments | 102,253 | 292,528 |
| Debt securities | 307,324 | 340,306 |
| Loans and advances | - | - |
| Memorandum item: loanedor advanced as collateral with right to sell or pledge | *104,631* | *170,867* |
| **Non-trading financial assets mandatorily at fair value through profit or loss** | **14,939** | **28,584** |
| Equity instruments | 5,804 | 4,550 |
| Debt securities | 9,135 | 23,924 |
| Loans and advances | - | 110 |
| Memorandum item: loanedor advanced as collateral with right to sell or pledge | - | - |
| **Financial assets designated at fair value through profit or loss** | **-** | **-** |
| **Financial assets at fair value through other comprehensive income** | **2,339,005** | **3,238,947** |
| Equity instruments | 2,733 | 3,002 |
| Debt securities | 2,336,272 | 3,235,945 |
| Loans and advances | - | - |
| Memorandum item: lent or delivered as guarantee with a right of sale or pledged | 1,414,785 | 2,132,610 |
| **Financial Assets at amortised cost** | **2,542,129** | **3,198,576** |
| Debt securities | 307,273 | 109,595 |
| Loans and advances | 2,234,856 | 3,088,981 |
| Central banks | 1 | 16,174 |
| Credit institutions | 1,352,991 | 2,094,199 |
| Customers | 881,864 | 978,608 |
| Memorandum item: lent or delivered as guarantee with a right of sale or pledged | 286,089 | 479,295 |
| **Derivatives - hedge accouting** | **196,441** | **10,137** |
| **Fair value changes of hedged items in portfolio hedge of interest rate risk hedge of interest rate risk** | **-** | **-** |
| **Investment in subsidiaries, joint ventures and associates** | **312** | **312** |
| Subsidiaries | 312 | 312 |
| Joint Ventures | - | - |
| Associates | - | - |
| **Tangible assets** | **53,843** | **51,157** |
| Property, plant and equipment | 44,793 | 41,860 |
| For own use | 44,793 | 41,860 |
| Investment property | 9,050 | 9,297 |
| Of which: assigned in operating lease | - | - |
| Memorandum item: acquired in finance lease | 1,303 | 1,673 |
| **Intangible assets** | **401,117** | **446,601** |
| Goodwill | - | - |
| Other intangible assets | 401,117 | 446,601 |
| **Tax assets** | **86,960** | **66,765** |
| Current tax assets | **368** | 229 |
| Deferred tax assets | **86,592** | 66,536 |
| **Other assets** | **67,306** | **60,349** |
| Insurance contracts linked to pensions | **-** | **-** |
| Goods | **-** | **-** |
| Remainder of other assets | 67,306 | 60,349 |
| **Non-current assets and disposable groups of items classified as held for sale** | **623** | **3,075** |
| **TOTAL ASSETS** | **14,413,647** | **17,197,674** |

| LIABILITIES AND EQUITY | 2022 | 2021 |
|---|---|---|
| **Financial liabilities held for trading** | | |
| Derivatives | **616,748** | **1,085,136** |
| Short positions | 482,354 | 805,612 |
| **LIABILITIES AND EQUITY** | 134,394 | 279,524 |
| Deposits | - | - |
| Debt securities issued | - | - |
| Other financial liabilities | - | - |
| **Financial liabilities designated at fair value through profit or loss** | - | - |
| **Financial liabilities at amortised cost** | **12,447,027** | **14,726,825** |
| Deposits | 12,071,335 | 14,591,300 |
| Central Banks | 3,843 | - |
| Credit Institutions | 1,517,129 | 2,267,645 |
| Customers | 10,550,363 | 12,323,655 |
| Other financial liabilities | 375,692 | 135,525 |
| **Derivatives - hedge accounting** | - | **4,105** |
| Liabilities under insurance and reinsurance contracts | - | - |
| Provisions | **71,813** | **86,763** |
| Pensions and other post-employment defined benefit obligations | - | - |
| Other remuneration to long-term employees' obligations | 33,569 | 45,426 |
| Pending legal issues and tax litigations | 6,719 | 4,213 |
| Commitments and guarantees given | 413 | 262 |
| Other provisions | 31,112 | 36,862 |
| Tax liabilities | **17,983** | **18,531** |
| Current liabilities | 7,025 | 6,686 |
| Deferred tax liabilities | 10,958 | 11,845 |
| **Refundable share capital on demand** | - | - |
| **Other liabilities** | **70,876** | **65,596** |
| **Liabilities included in disposal groups classified as held for sale** | - | - |
| **TOTAL LIABILITIES** | **13,224,447** | **15,986,956** |

| LIABILITIES AND EQUITY | 2022 | 2021 |
|---|---|---|
| Shareholders' equity | **1,251,989** | **1,200,748** |
| Share capital | **112,257** | **112,257** |
| Paid up capital | 112,257 | 112,257 |
| Called-up share capital not paid | - | - |
| Pro memoria: uncalled share capital | - | - |
| Share premium | 615,493 | 615,493 |
| Equity instruments issued other than capital | - | - |
| Other components of equity | - | - |
| Retained earnings | 443,965 | 388,891 |
| Revaluation reserves | - | - |
| Other reserves | 14,894 | 14,889 |
| (-) Treasury shares. | - | - |
| Profit for the year | 65,380 | 69,218 |
| (-) Dividends on account | - | - |
| Revaluation reserves | - | - |
| **Accumulated other comprehensive income** | **(62,789)** | **9,970** |
| **Items that will not be reclassified to profit or loss** | **11,555** | **11,163** |
| Actuarial gains or losses on defined benefit pensions plans | 10,126 | 9,656 |
| Non-current assets and disposal groups classified as held for sale. | - | - |
| Changes of fair value of equity instruments measured at fair value through other comprehensive income | 1,429 | 1,507 |
| Ineffectiveness of fair value hedges of equity instruments measured at fair value with changes in other comprehensive income. | - | - |
| Changes in fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk. | - | - |
| Items that may be reclassified to profit or loss | (74,344) | (1,193) |
| Net investment hedge in foreign businesses | - | - |
| Currency translation | - | - |
| Hedging derivatives. Cash flow hedge reserve | - | - |
| Changes of fair value of debt instruments measured at fair value through other comprehensive income | (74,344) | (1,193) |
| Hedging instruments | - | - |
| Non-current assets and disposal groups classified as held for sale | - | - |
| **TOTAL EQUITY** | **1,189,200** | **1,210,718** |
| **TOTAL LIABILITIES AND EQUITY** | **14,413,647** | **17,197,674** |
| **MEMORANDUM ITEM** | | |
| **Commitments from loans granted** | 503,859 | 561,871 |
| **Financial guarantees granted** | - | - |
| **Other obligations granted** | 174,353 | 71,431 |

## Income Statements (thousand euros)

| | 2022 | 2021 |
|---|---|---|
| **Interest income** | **143,914** | **111,336** |
| Financial assets at fair value through other comprehensive income | 31,165 | 27,897 |
| Financial assets at amortised cost | 21,162 | 9,763 |
| Other interest income | 91,587 | 73,676 |
| **Interest expenses** | **(140,413)** | **(104,962)** |
| **NET INTEREST INCOME** | **3,501** | **6,374** |
| Dividend income | 4,915 | 4,066 |
| Fee and commission income | 226,641 | 223,457 |
| Fee and commission expenses | (35,097) | (33,090) |
| Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net | (26,110) | 34,588 |
| Financial assets at amortised cost | 2 | 3 |
| Financial liabilities at amortised cost | - | - |
| Other financial assets and liabilities | (26,112) | 34,585 |
| Gains or losses on financial assets and liabilities held for trade, net | 35,032 | (6,018) |
| Gain or losses on non-trading financial assets mandatorily at fair value through profit or loss, net | 35,032 | (6,018) |
| Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net | (687) | (1,043) |
| Gains or losses from hedge accounting, net | (687) | (1,043) |
| Exchange differences, net | - | - |
| Other operating income | 3,081 | 206 |
| Other operating expenses | 62,036 | 38,746 |
| Dividend income | 48,260 | 45,410 |
| Fee and commission income | (9,818) | (7,404) |
| **GROSS INCOME** | **311,754** | **305,292** |
| **Administrative expenses** | **(136,056)** | **(143,559)** |
| Staff costs | (48,301) | (71,427) |
| Other administrative expenses | (87,755) | (72,132) |
| Amortisation | (87,444) | (82,411) |
| Provisions and reversal of provisions | 4,759 | 9,786 |
| **Impairment or reversal of impairment and gains or losses due to changes in cash flows of financial assets not measured at fair value through profit or loss or net gains or losses (-) due to changes** | **(857)** | **4,580** |
| Financial assets at fair value through other comprehensive income | (738) | (416) |
| Financial Assets at amortised cost | (119) | 4,996 |
| Impairment loss or reversal of impairment loss of investments in subsidiaries, joint ventures or associates | - | - |
| Impairment loss or reversal of impairment loss of non-financial assets | - | - |
| Tangible assets | - | - |
| Intangible assets | - | - |
| Others | - | - |
| **Gains or losses on derecognition of non-financial assets and investments, net** | **(13)** | **5** |
| Negative goodwill recognised in profit or loss | - | - |
| Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations | - | 43 |
| **PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS** | **92,143** | **93,736** |
| Tax expense or income related to profit or loss from continuing operations | (26,763) | (24,518) |
| **PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS** | **65,380** | **69,218** |
| Profit or loss after tax from discontinued operations | - | - |
| **PROFIT FOR THE YEAR** | **65,380** | **69,218** |

## Statements of recognised income and expense (thousand euros)

| | 2022 | 2021 |
|---|---|---|
| **PROFIT FOR THE YEAR** | **65,380** | **69,218** |
| **OTHER COMPREHENSIVE INCOME** | **(72,759)** | **(14,445)** |
| **Items that will not be reclassified to profit or loss** | **392** | **(55)** |
| Actuarial gains or losses on defined benefit pension plans | 671 | (340) |
| Non-current assets and disposal groups held for sale | - | - |
| Changes of fair value of equity instruments measured at fair value through other comprehensive income | (112) | 262 |
| Tax on gains related to the items that will not be reclassified | (167) | 23 |
| **Items that may be reclassified to profit or loss** | **(73,151)** | **(14,390)** |
| Foreign currency translation | - | - |
| Translation gains or losses taken to equity | - | - |
| Cash flow hedges | - | - |
| Valuation gains or losses taken to equity | - | - |
| Transferred to profit or loss | - | - |
| Debt instruments at fair value through other comprehensive income | (104,501) | (20,557) |
| Valuation gains or losses taken to equity | (130,613) | 14,028 |
| Transferred to profit or loss | 26,112 | (34,585) |
| Tax on gains related to the items that may be reclassified in profit or loss | 31,350 | 6,167 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **(7,379)** | **54,773** |

## Statement of changes in equity (Thousand euros)

| | SHAREHOLDERS' EQUITY | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Sharecapital | Sharepremium | Retained earnings | Other reserves | (-) Treasury shares | Profit for the year(Note 3) | (-) Interim dividends | Accumulated other comprehensive income | Total equity |
| **Opening balance (before restatement) at 1 January 2021** | **112,257** | **615,493** | **339,382** | **14,796** | **-** | **54,354** | **-** | **24,415** | **1,160,697** |
| Effects of corrections of errors | - | - | - | - | - | - | - | - | - |
| Effects of changes in accounting policies | - | - | - | - | - | - | - | - | - |
| **Opening balance at 1 January 2021** | **112,257** | **615,493** | **339,382** | **14,796** | **-** | **54,354** | **-** | **24,415** | **1,160,697** |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **-** | **-** | **69,218** | **-** | **(14,445)** | **54,773** |
| **Other changes in equity** | **-** | **-** | **49,509** | **93** | **-** | **(54,354)** | **-** | **-** | **(4,752)** |
| Dividends (or remuneration of members) | - | - | (4,844) | - | - | - | - | | (4,844) |
| Sale or cancellation of treasury shares | - | - | - | - | - | - | - | - | - |
| Transfers among components of equity | - | - | 54,354 | - | - | (54,354) | - | - | - |
| Other increase or decrease in equity | - | - | (1) | 93 | - | - | - | - | 92 |
| **Closing balance at 31 December 2021** | **112,257** | **615,493** | **388,891** | **14,889** | **-** | **69,218** | **-** | **9,970** | **1,210,718** |
| Effects of corrections of errors | - | - | - | - | - | - | - | - | - |
| Effects of changes in accounting policies | - | - | - | - | - | - | - | - | - |
| **Opening balance at 1 January 2022** | **112,257** | **615,493** | **388,891** | **14,889** | **-** | **69,218** | **-** | **9,970** | **1,210,718** |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **-** | **-** | **65,380** | **-** | **(72,759)** | **(7,379)** |
| **Other changes in equity** | **-** | **-** | **55,074** | **5** | **-** | **(69,218)** | **-** | **-** | **(14,139)** |
| Dividends (or remuneration of members) | - | - | (14,144) | - | - | - | - | - | (14,144) |
| Sale or cancellation of treasury shares | - | - | - | - | - | - | - | - | - |
| Transfers among components of equity | - | - | 69,218 | - | - | (69,218) | - | - | - |
| Other increase or decrease in equity | - | - | - | 5 | - | - | - | - | 5 |
| **Closing balance at 31 December 2022** | **112,257** | **615,493** | **443,965** | **14,894** | **-** | **65,380** | **-** | **(62,789)** | **1,189,200** |

## Statements of cash flows

## (Thousand euros)

| | 2022 | 2021 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | (768,499) | 3,371,345 |
| **Profit for the year** | **65,380** | **69,218** |
| **Adjustments made to obtain the cash flows from operating activities** | **132,158** | **110,286** |
| Amortisation | 87,444 | 82,411 |
| Other adjustments | 44,714 | 27,875 |
| **Net (increase)/decrease in operating assets** | **(1,807,553)** | **(341,126)** |
| Financial assets held for trading | (554,454) | (448,606) |
| Non trading financial Assets mandatory measured at fair value through profit and loss | (13,495) | 984 |
| Financial assets designated at fair value through profit or loss | - | - |
| Financial assets at fair value through other comprehensive income | (648,201) | 814,919 |
| Financial assets at amortised cost | (620,871) | (688,148) |
| Other operating assets | 29,468 | (20,275) |
| **Net increase/(decrease) in operating liabilities-** | **(2,757,406)** | **2,861,158** |
| Financial liabilities held for trading | (468,388) | (208,837) |
| Financial liabilities at amortised cost | (2,279,798) | 3,087,412 |
| Other operating liabilities | (9,220) | (17,417) |
| **Income tax recovered/(paid)** | **(16,184)** | **(10,443)** |
| CASH FLOWS FROM INVESTING ACTIVITIES | (42,224) | (36,616) |
| **Payments:** | **(42,224)** | **36,616** |
| Tangible assets | 4,625 | 3,303 |
| Intangible assets | 37,599 | 33,313 |
| Investments in subsidiaries, joint ventures and associates | - | - |
| Other business units | - | - |
| Non-current assets and liabilities classified as held for sale | - | - |
| Other payments related to investment activities | - | - |
| **Proceeds:** | - | - |
| Tangible assets | - | - |
| Intangible assets | - | - |
| Investments in subsidiaries, joint ventures and associates | - | - |
| Other business units | - | - |
| Non-current assets and liabilities that are classified as held for sale | - | - |
| Other charges related to investing activities | - | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | (14,144) | (4,844) |
| **Payments:** | **(14,144)** | **(4,844)** |
| Dividends | (14,144) | (4,844) |
| Subordinated liabilities | - | - |
| Redemption of own equity instruments | - | - |
| Acquisition of own equity instruments | - | - |
| Other payments related to financing activities | - | - |
| **Proceeds:** | - | - |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES** | - | - |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (824,867) | 3,329,885 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 8,678,793 | 5,348,908 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 7,853,926 | 8,678,793 |
| **MEMORANDUM ITEM** | - | - |
| **COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR** | - | - |
| Cash | 176,775 | 179,338 |
| Cash balances at central banks | 7,548,434 | 8,388,867 |
| Other demand deposits | 128,717 | 110,588 |
| Less: Bank overdrafts refundable on demand | - | - |

# 4. Distribution of the Bank's profit

The proposal for the distribution of the parent´s company net profit for 2022, which the Board of Directors will propose to the General Shareholders' Meeting for approval, is as follows (the balances for 2021 are presented exclusively for comparative purposes):

Thousand euro

| | 2022 | 2021 |
|---|---|---|
| Voluntary Reserve | 51,573 | 55,074 |
| Dividends | 13,807 | 14,144 |
| **Net profit for the year** | **65,380** | **69,218** |

# 5. Information by business segments

Cecabank, S.A.'s wholesale business, which is carried on in Spain, represents substantially all the Group's activities, of which the retail business accounts for less than 1%.

Below is a breakdown of the main revenues for 2022 and 2021 of customers external to the Group broken down by geographical areas in which they have their origin:

## 2022:

Thousand euro

| | Spain | Rest of Europe | Rest of the World | Total |
|---|---|---|---|---|
| Interest income (Note 28) | 143,914 | - | - | 143,914 |
| Commission income (Note 31) | 225,465 | - | - | 225,465 |
| Gains/losses on financial assets and liabilities (net) (Note 33) | 11,316 | - | - | 11,316 |
| Other operating income (Note 34) | 48,260 | 8,105 | - | 56,365 |

## 2021:

Thousand euro

| | Spain | Rest of Europe | Rest of the World | Total |
|---|---|---|---|---|
| Interest income (Note 28) | 111,336 | - | - | 111,336 |
| Commission income (Note 31) | 222,429 | - | - | 222,429 |
| Gains/losses on financial assets and liabilities (net) (Note 33) | 27,733 | - | - | 27,733 |
| Other operating income (Note 34) | 45,410 | 5,658 | - | 51,068 |

Note 26 contains information on geographical distribution, by counterparty, of the Group's main activities.

At 31 December 2022 and 2021 and in those years, the Group did not have any single customer which individually accounted for 10% or more of its revenue.

# 6. Remuneration of directors and senior executives

## 6.1. Remuneration of the Board of Directors

The members of the Bank's Board of Directors receive an attendance fee for attending meetings of the Board and its support committees, the detail of which for 2022 and 2021 is shown in the following table:

Thousand euro

| | 2022 | 2021 |
|---|---|---|
| Azuaga Moreno, Manuel | 22,8 | 22,8 |
| Carbó Valverde, Santiago | 57,9 | 60,0 |
| García Lurueña, Francisco Javier | 41,4 | 26,9 |
| Iglesias Ruiz, Víctor Manuel | 37,2 | 31,0 |
| Méndez Álvarez-Cedrón, José María | 22,8 | 22,8 |
| Motellón García, Carmen | 55,9 | 55,8 |
| Pano Riera, Javier | 26,9 | 31,0 |
| Ruano Mochales, Jesús | - | 29,0 |
| Salaverría Monfort, Julia | 53,8 | 53,8 |
| Sarro Álvarez, María del Mar | 64,1 | 62,0 |
| | **382,8** | **395,1** |

The aforementioned attendance fees for 2022 relating to the participation of an executive of Bankia, S.A. on the Board of Directors of Cecabank, S.A. and its support committees, which are paid directly to that entity, in this case to CaixaBank, S.A. as a result of the merger between the two entities, amounted to EUR 0 thousand (2021: EUR 6 thousand).

As of September 28, 2021, Jesús Ruano Mochales is no longer a member of the Board of Directors.

Additionally, one of the directors does not receive fees for attending the Board of Directors and its supporting committees.

Note 40 details the rest of the balances maintained with its directors and persons related to them.

## 6.2. Remuneration of senior executives and of members of the Board of Directors

For the purposes of the preparation of these financial statements, the Bank's senior executives were considered to be the members of the Management Committee, which comprised 8 members at 31 December 2022 and 2021.

The remuneration earned by the senior executives and the members of the Board of Directors in their capacity as executives of the Bank totalled EUR 2,402 thousand in 2022, of which EUR 2,133 thousand related to short-term remuneration for 2022, including the amount that will be paid by Phantom Shares and EUR 269 thousand related to post-employment benefits (EUR 2,136 thousand in 2021, of which EUR 2,107 thousand related to short-term remuneration and EUR 119 thousand to post-employment benefits).

The amount of the consolidated pension rights for senior management and the members of the Board of Directors in their capacity as Bank executives at 31 December 2022 totals EUR 3,380 thousand (EUR 3,104 thousand at 31 December 2021).

The Group has taken out accident insurance for directors and third-party liability insurance for directors and senior executives under the customary terms and conditions for these insurance policies. The premium for 2022 amounted to EUR 287 thousand (2021: EUR 269 thousand).

Note 40 to these consolidated financial statements provides disclosures of the amounts of the demand deposits held with the Group by senior executives and Board members and of the loans granted to them by the Group.

### 6.3. Transparency obligations

Article 229 of the Consolidated Spanish Limited Liability Companies Law establishes that the directors must disclose any direct or indirect conflict they might have with the interests of the company in which they discharge their duties as directors.

During financial year 2022, there were two occasions on which certain directors of Cecabank, S.A. abstained from participating in the deliberation and/or voting on a matter. The breakdown of the two occasions is as follows: on one occasion resolution was adopted on the formalisation of financial transaction and on another occasion a resolution was adopted to review the remuneration of the executive director.

During 2021, the Bank's directors, as defined in the Capital Companies Act, notified the Board of Directors of five situations of direct or indirect conflict that they or persons related to them might have with the Bank's interests.

## 7. Cash, Cash Balances at Central Banks and other demand deposits

The breakdown of the balance of “Cash, Cash Balances at Central Banks and other demand deposits” in the balance sheets at 31 December 2022 and 2021 is as follows:

| | | Thousand euro |
|---|---|---|
| | 2022 | 2021 |
| Cash in euro | 42,800 | 42,396 |
| Cash in foreign currency | 133,975 | 136,942 |
| Cash balances at central banks (Note 1.9) (*) | 7,548,434 | 8,388,867 |
| Other sight deposits in euro | 129,202 | 111,564 |
| *Of which: in foreign currency* | *92,270* | *100,793* |
| *Of which: in Euros* | *36,932* | *10,771* |
| Doubtful credit institutions (Notes 22.4.2 and 22.7) | 16 | 175 |
| | | |
| Valuation adjustments - | | |
| Impairment losses (Note 22.4.2) | (88) | (188) |
| | 7,854,339 | 8,679,756 |

(*) This balance corresponds entirely to the balance in cash at the Bank of Spain.

As of December 31, 2022, doubtful positions with correspondents are classified under this heading. Additionally, impairment losses include 7 thousand euros of individually assessed value adjustments, 38 thousand euros of collectively assessed value adjustments, and 43 thousand euros for country risk adjustments.

At 31 December 2021, doubtful positions with correspondents were classified under this heading. Impairment losses also include EUR 79 thousand of individually assessed impairment losses, EUR 30 thousand collectively assessed impairment losses and EUR 79 thousand in country risk allowances.

## 8.1. Financial instruments held for trading-assets and liabilities

### 8.1.1. Financial assets and liabilities held for trading - Breakdown

Following is a detail of the balances of “Financial Assets/Liabilities Held for Trading” in the balance sheets at 31 December 2022 and 2021:

Thousand euro

| | Debtor balances | | Creditor balances | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| **Debt securities** | **307,324** | **340,306** | **-** | **-** |
| Government securities | 118,332 | 223,182 | - | - |
| Treasury Bills | 799 | - | - | - |
| Other public entities | 8,264 | 10,026 | - | - |
| Non-resident public administrations | 44,061 | 14,217 | - | - |
| Spanish credit institutions | 70,020 | 42,981 | - | - |
| Private sector (Spain) | 64,790 | 26,699 | - | - |
| Private sector (rest of the world) | 1,058 | 23,201 | - | - |
| Doubtful assets | - | - | - | - |
| **Equity instruments** | **102,253** | **292,528** | **-** | **-** |
| Shares listed on the Spanish Market | 101,188 | 291,240 | - | - |
| Shares listed on markets in the rest of the world | 1,065 | 1,288 | - | - |
| **Derivatives held for trading-** | **447,469** | **781,544** | **482,354** | **805,612** |
| Derivatives traded on organised markets | 1,195 | 332 | - | - |
| Derivatives not traded on organised markets | 446,274 | 781,212 | 482,354 | 805,612 |
| **Short securities positions** | **-** | **-** | **134,394** | **279,524** |
| | 857,046 | 1,414,378 | 616,748 | 1,085,136 |

Note 22 provides information on the credit risk assumed by the Group in relation to the financial assets, other than equity instruments, included in this category. In addition, notes 23 and 24 include information on the market and liquidity risks, respectively, associated with the financial instruments included in this category.

Note 21 provides information on the fair value of the financial instruments included in this category. Note 26 includes information on the concentration of risk relating to the financial assets held for trading. Note 25 shows information on the exposure to interest rate risk.

### 8.1.2. Trading derivatives (assets and liabilities)

Following is a breakdown, by type of risk, of the fair value of the trading derivatives arranged by the Group and of their notional amount (on the basis of which the future payments and collections on these derivatives are calculated) at 31 December 2022 and 2021:

Thousand euro

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Fair Value | | | Fair Value | | |
| | Asset balances | Liability balances | Notional amount | Asset balances | Liability balances | Notional amount |
| Interest rate risk | 401,069 | 410,040 | 17,170,545 | 698,146 | 729,187 | 18,114,028 |
| Foreign currency risk | 44,701 | 71,856 | 6,089,307 | 79,188 | 68,066 | 7,529,624 |
| Share price risk | 1,196 | 324 | 167,561 | 1,962 | 5,757 | 322,650 |
| Credit risk | 503 | 134 | 115,000 | 2,248 | 2,602 | 130,000 |
| | 447,469 | 482,354 | 23,542,413 | 781,544 | 805,612 | 26,096,302 |

The notional amount of the contracts entered into does not reflect the actual risk assumed by the Group for these contracts, since the net position in these financial instruments is the result of offsetting and/or combining them and of offsetting and/or combining them with other asset or liability positions.

### 8.1.3. Financial liabilities held for trading - Short positions

The detail, by type of transaction, of the balance of this item in the balance sheets at 31 December 2022 and 2021, is as follows:

Thousand euro

| | 2022 | 2021 |
|---|---|---|
| **Classification:** | | |
| For securities lending- | - | - |
| Equity instruments | - | - |
| Overdrafts on disposals-repurchase agreement | | |
| Debt securities | 134,394 | 279,524 |
| | 134,394 | 279,524 |

“Short Positions - Short Sales – Equity Instruments” and “Short positions - Overdrafts on disposals- repurchase agreement - Debt securities” in the foregoing table includes the fair value of the Group’s debt instruments purchased under repurchase agreements and, therefore, under non-optional resale as such not recognised on the asset side of the balance sheet, which have been sold and will be repurchased by the Group before maturity of the repurchase agreement in which they are used as collateral, in order for the Group to return them to his owner at the maturity date.

## 8.2. Non trading financial asset mandatorily at fair value through profit or loss

The detail, by nature, of the financial assets included in "Non trading financial asset mandatorily at fair value through profit or loss" in the balance sheets at 31 December 2022 and 2021 is as follows:

Thousand euro

| | 2022 | 2021 |
|---|---|---|
| **Equity instruments** | **5,804** | **4,550** |
| Shares listed in organised markets | - | - |
| Shares listed in rest of the world markets | - | - |
| Unquoted shares | 5,804 | 4,550 |
| **Debt securities** | **9,135** | **23,924** |
| Private sector (Spain) | - | 13,937 |
| Private sector (rest of the world) | 9,135 | 9,987 |
| **Loans and advances** | **-** | **110** |
| | **14,939** | **28,584** |

Note 22 includes information on the Group's exposure to credit risk at 31 December 2022 and 2021 associated with these financial instruments other than equity instruments.

Note 21 includes information on the fair value of these financial instruments at 31 December 2022 and 2021. Note 23 includes information on the exposure to market risk of these financial instruments. Note 25 includes information about the exposure to interest rates.

Note 24 contains information on the liquidity risk associated with the financial instruments owned by the Group at 31 December 2022 and 2021.

Note 26 includes information on the concentration risk relating to these financial instruments at 31 December 2022 and 2021.

## 8.3. Financial assets and liabilities designated at fair value through profit or loss

At 31 December 2022 and 2021 there are no assets or liabilities in this heading.

# 9. Financial assets at fair value through other comprehensive income

Following is a detail of the balances of "Financial assets at fair value through other comprehensive income" in the consolidated balance sheets at 31 December 2022 and 2021:

| | Thousand euro | |
|---|---|---|
| | 2022 | 2021 |
| **Debt securities** | | |
| Securities - Spanish Public Administrations | 913,179 | 1,716,039 |
| Treasury Bills | 400,332 | 1,495,750 |
| Government debt | 512,847 | 220,289 |
| Non-resident public institutions | 1,008,788 | 852,526 |
| Spanish credit institutions | 142,597 | 250,801 |
| Credit institutions not residing in Spain | 76,526 | 10,125 |
| Private sector (Spain) | 150,445 | 164,765 |
| Private sector (rest of the world) | 296,961 | 248,636 |
| | **2,588,496** | **3,242,892** |
| Measurement adjustments- | | |
| Accrued interest | 11,810 | 6,553 |
| Results due to measurement and other | (259,223) | (9,272) |
| Impairment losses (Notes 22.4 and 38) | (4,811) | (4,228) |
| | (252,224) | (6,947) |
| | **2,336,272** | **3,235,945** |
| **Equity instruments-** | | |
| Shares not traded on organised markets | 10,826 | 10,816 |
| | 10,826 | 10,816 |
| Measurement adjustments- | | |
| Results due to measurement and other | 2,164 | 2,288 |
| Impairment losses (Notes 22.4 and 38) | (10,257) | (10,101) |
| | (8,093) | (7,814) |
| | **2,733** | **3,002** |
| | **2,339,005** | **3,238,947** |

Note 21 contains certain information on the fair value of the financial instruments included in this category.

Note 22 includes information on the credit risk to which the debt instruments included in this financial instrument category are subject.

Note 23 shows certain information on the market risk to which the Group is exposed in relation to these financial assets. Note 25 discloses certain information on interest rate risk.

Note 26 shows information on the concentration risk associated with these financial assets.

# 10. Financial assets at amortised cost

Following is a detail of the financial assets included in “Loans and Receivables” in the consolidated balance sheets at 31 December 2022 and 2021:

Thousand euro

| | 2022 | 2021 |
|---|---|---|
| **Debt instruments-** | | |
| Debt securities issued by Spanish Public Administrations | - | - |
| Debt securities issued by entities other than Spanish Public Administrations | 306,119 | 108,427 |
| Doubtful assets | - | - |
| | **306,119** | **108,427** |
| Measurement adjustments- | | |
| Impairment losses (Notes 22.8 and 38) | (352) | (291) |
| Accrued interest | 1,506 | 1,459 |
| | 1,154 | 1,168 |
| | **307,273** | **109,595** |
| **Loans and advances to central banks** | | - |
| Non-loan advances | - | 16,180 |
| Valuation adjustments - | | |
| Impairment losses | - | - |
| Accrued interest | 1 | (6) |
| | 1 | (6) |
| | **1** | **16,174** |
| **Loans and prepayments to credit institutions-** | | |
| Reverse repurchase agreements | 360,754 | 1,089,469 |
| Other term loans | 292,712 | 64,345 |
| Advances different from loans | 697,008 | 941,127 |
| Non-performing assets | 25 | 25 |
| | **1,350,499** | **2,094,966** |
| Measurement adjustments- | | |
| Impairment losses (Notes 22.4 and 38) | (25) | (25) |
| Accrued interest | 2,517 | (742) |
| | 2,492 | (767) |
| | **1,352,991** | **2,094,199** |
| **Loans and prepayments to customers-** | | |
| On demand | 8,258 | 4,391 |
| Credit card debt | 604 | 620 |
| Trade receivables | 2,303 | 1,666 |
| Reverse repurchase agreements | 1,046 | 1,086 |
| Other term loans | 206,180 | 228,736 |
| Advances different from loans | 650,083 | 725,565 |
| Non-performing assets | 378 | 407 |
| | **868,852** | **962,471** |
| Measurement adjustments- | | |
| Impairment losses (Notes 22.4 and 38) | (378) | (204) |
| Acquisition Premium | 11,248 | 14,734 |
| Accrued interest | 3,785 | 2,728 |
| | 14,655 | 17,258 |
| | **883,507** | **979,729** |
| | **2,543,772** | **3,199,697** |

“Financial Assets at Amortised Cost - Loans and Advances to Customers” includes mortgage loans to customers with a carrying amount of EUR 37,483 thousand at 31 December 2022 (31 December 2021: EUR 41,505 thousand).

In Note 21 there is information about the fair value of included in this category of financial assets at 31 December 2022 and 2021. Note 22 includes information about the credit risk in this category of financial assets at 31 December 2022 and 2021.

Note 24 contains information on the liquidity risk associated with the Group’s financial instruments.

Note 26 includes information on the concentration risk associated with the financial assets included in this category at 31 December 2022 and 2021. Note 25 includes information on the interest rate risk.

In addition, the Group applies the following average interest rates for loans (both mortgage and non-mortgage) for the years ending 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| **Average interest rates:** | | |
| Energy efficiency | Annual Euribor | Annual Euribor |
| Agreement mortgage | Annual Euribor with limit maximum +5.25% and minimum 0.50% | Annual Euribor with limit maximum +5.25% and minimum 0.50% |
| Free disposal mortgage | Annual Euribor + 0.40% | Annual Euribor + 0.40% |
| Free consumption disposal | Annual Euribor + 2% | Annual Euribor + 2% |
| Extension house | Annual Euribor | Annual Euribor |
| Social | Annual Euribor | Annual Euribor |

## 11. Hedging derivatives

The Group has entered into financial derivatives transactions with various counterparties of recognised creditworthiness which are considered fair value and cash flow hedges of certain balance sheet positions against fluctuations in market interest rates and also to comply with the requirements of the applicable regulation.

The Group’s hedged consolidated balance sheet positions relate to fixed-rate debt instruments (guaranteed issues, government bonds and treasury bills). These securities are issued by the Spanish government, Spanish private sector financial institutions and other resident sectors.

Given that the positions giving rise to the risk are long-term transactions tied to a fixed interest rate, the main aim of the hedge is to change the returns of the hedged items from fixed to floating and, accordingly, their performance to changes in market interest rates. To this end, the Group uses OTC interest rate derivatives (basically swaps such as call money swaps).

The Group uses call money swaps to hedge each group of debt instruments, which are grouped on the basis of their sensitivity to changes in interest rates, and documents the related efficiency analyses of the hedges to verify that, at inception and throughout the life of these hedges, the Bank can expect, prospectively, that the changes in fair value of the hedged items attributable to the hedged risk will be almost fully offset by changes in the fair value of the hedging instruments and, retrospectively, that the actual results of the hedge are within a range of 80% to 125% of the results of the hedged item. The aforementioned hedges are highly effective.

Following is a detail, by instrument, of the fair value of the hedging instruments in fair value hedges:

Thousand euro

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Asset balances | Liability balances | Asset balances | Liability balances |
| Hedged instrument | | | | |
| Financial assets at fair value through other comprehensive income | 196,441 | - | 10,137 | 4,105 |
| | 196,441 | - | 10,137 | 4,105 |

Gains/losses on hedging instruments and hedged items are recognised under “Gains/Losses on Financial Assets and Liabilities (Net)” in the income statement of the Group (see Note 33).

The Note 21 discloses information on the fair value of these hedging derivatives at 31 December 2022 and 2021. Note 22 includes certain information on the credit risk associated with these derivatives at 31 December 2022 and 2021.

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

The breakdown of the balance of “Non-Current Assets Held and Disposal Groups Classified as Held for Sale” in the consolidated balance sheets at 31 December 2022 and 2021 is as follows:

Thousand euro

| | 2022 | 2021 |
|---|---|---|
| Real properties | 623 | 3,075 |
| Equity instruments | - | - |
| | 623 | 3,075 |

The changes in 2022 and 2021 in the items included in this heading in the consolidated balance sheets, and the related impairment losses, were as follows:

Thousand euro

| | 2022 | 2021 |
|---|---|---|
| Cost: | | |
| Balances at 1 January 2021 | 4,943 | 4,943 |
| Additions | - | - |
| Disposals | - | - |
| Transfers | (4,320) | - |
| Balances at 31 December 2021 | 623 | 4,943 |
| Impairment losses: | | - |
| Balances at 1 January 2022 | (1,868) | (1,911) |
| Additions | - | 43 |
| Disposals | 1,868 | - |
| Transfers | - | - |
| Balances at 31 December 2022 | - | (1,868) |
| Net Balances at 31 December 2022 | 623 | 3,075 |

## Properties

The Group continues to actively manage the items included in this heading and those that were initially recorded more than one year ago (consisting entirely of properties) in order to proceed with their sale in the short-term. Although the real estate market situation in Spain makes it difficult to dispose of these assets, the Group's management of them is intended to procure their sale in the short-term and it has reasonable expectations in this respect. Accordingly, since all of the other requirements established in Circular 4/2017 are met, they continue to be classified and measured as non-current assets held for sale.

# 13. Property, plant and equipment

The changes in 2022 and 2021 in "Property, plant and equipment" in the consolidated balance sheets were as follow:

Thousand euro

| | Property, Plant and Equipment for Own Use | | | | |
|---|---|---|---|---|---|
| | Land and Buildings | Furniture, Fixtures and Vehicles | IT Equipment and Related Fixtures | Investment Property | Total |
| **Cost:** | | | | | |
| Balance at 1 January 2021 | **64,380** | **24,711** | **18,460** | **10,905** | **118,456** |
| Additions | - | 1,409 | 1,894 | - | 3,303 |
| Disposals | - | (60) | (1) | - | (61) |
| Transfers | (3,218) | - | (1,286) | 4,504 | - |
| **Balance at 31 December 2021** | **61,162** | **26,060** | **19,067** | **15,409** | **121,698** |
| Additions | 126 | 3,752 | 814 | - | 4,692 |
| Disposals | (273) | (1,004) | (423) | - | (1,700) |
| Transfers | 6,576 | 808 | - | - | 7,384 |
| **Balance at 31 December 2022** | **67,591** | **29,616** | **19,458** | **15,409** | **132,074** |
| **Accumulated depreciation:** | | | | | |
| **Balance at 1 January 2021** | **(27,056)** | **(21,824)** | **(13,500)** | **(4,083)** | **(66,463)** |
| Charge for the year (Note 39) | (1,328) | (738) | (1,874) | (185) | (4,125) |
| Disposals | - | 57 | 1 | - | 58 |
| Transfers | 1,470 | - | 374 | (1,844) | - |
| **Balance at 31 December 2021** | **(26,914)** | **(22,505)** | **(14,999)** | **(6,112)** | **(70,530)** |
| Charge for the year (Note 39) | (1,244) | (986) | (1,889) | (247) | (4,366) |
| Disposals | 260 | 1,005 | 419 | - | 1,684 |
| Transfers | (4,274) | (682) | - | - | (4,956) |
| **Balance at 31 December 2022** | **(32,172)** | **(23,168)** | **(16,469)** | **(6,359)** | **(78,168)** |
| **Property, plant and equipment, net:** | | | | | |
| **Net balance at 31 December 2021** | **34,248** | **3,555** | **4,068** | **9,297** | **51,168** |
| **Net balance at 31 December 2022** | **35,419** | **6,448** | **2,989** | **9,050** | **53,906** |

At 31 December 2022 and 2021, property, plant and equipment for own use totalling (gross) approximately EUR 31,269 and 31,073 thousand had been depreciated in full. The Group insures property, plant and equipment for own use through insurance policies.

Either at 31 December 2022 or at 31 December 2021, the Property, plant and equipment owned by the Group were not impaired or there were no changes in this connection in those years.

In 2022 the rental income earned from investment property owned by the Group amounted to EUR 1,790 thousand (2021: EUR 1,535 thousand) (see Note 34).

In 2022 the losses on disposals arising under “Property, Plant and Equipment – For Own Use” totalled EUR 16 thousand, recognised under “Gains or Losses on Derecognition of Non-Financial Assets and Investments, Net” in the consolidated income statement for 2022 (2021: income of EUR 3 thousand).

While the Bank is exposed to changes in residual value at the end of existing leases, the Bank generally enters into new operating leases and therefore will not immediately experience any reduction in residual value at the end of these leases. Expectations about future residual values are reflected in the fair value of the properties.

The minimum lease payments receivable on investment property leases are as follows:

| | | Thousand Euro |
|---|---|---|
| | 2022 | 2021 |
| Less than a year | 1,790 | 1,535 |
| Between one and five years | 5,133 | 5,917 |
| More than five years | 6,117 | 6,670 |

### Right of use:

The Group holds rights of use by lease mainly on offices in the foreign network for the conduct of its business abroad, as well as, to a lesser extent, for equipment for information processing. As at 31 December 2022 and 2021, the leasehold rights of use amount to EUR 1,303 thousand and EUR 1,673 thousand, respectively.

Furthermore, the Group has decided to use a building located at 29 Antonio Cabezón Street for its own needs, and therefore it has been accounted for in the respective category at the end of the 2022 fiscal year. This decision was made after conducting an analysis of the applicable regulations, and it has had no impact on the income statement.

## 14. Intangible assets

### 14.1. Other intangible assets

The balance of this heading includes basically rights arising from the acquisition of certain depository businesses and custody of third party securities relating to collective investment undertakings and pension funds, as well as, to a lesser extent, computer software developed by the Group, which is amortised as indicated in Note 2.14 above. The detail of “Other Intangible Assets” in the consolidated balance sheets as at 31 December 2022 and 2021 is as follows:

| | | Thousand Euro |
|---|---|---|
| | 2022 | 2021 |
| **Intangible assets with finite useful life** | **705,335** | **698,089** |
| *Of which for acquired depository business* | 701,569 | 695,692 |
| *Of which by computer applications* | 3,766 | 2,397 |
| **Accumulated amortisation** | **(304,167)** | **(251,427)** |
| *Of which for acquired depository business* | (301,209) | (249,291) |
| *Of which by computer applications* | (2,958) | (2,136) |
| **Total net** | **401,168** | **446,662** |

At 31 December 2022, the balance of fully amortized intangible assets (computer applications) and in use was 3,097 thousand euros (3,533 thousand euros at 2021).

The changes in 2022 and 2021 in the consolidated balance sheets were as follows:

| | Thousand Euro |
|---|---|
| **Cost:** | |
| Balance at 1 January 2021 | 667,011 |
| Additions and transfers | 33,313 |
| Disposals | (2,235) |
| **Balance at 31 December 2021** | **698,089** |
| Additions and transfers | 37,624 |
| Disposals and other movements | (30,378) |
| **Balance at 31 December 2022** | **705,335** |
| **Accumulated amortisation:** | |
| Balance at 1 January 2021 | (175,319) |
| Charge for the year (Note 39) | (78,343) |
| Disposals and other movements | 2,235 |
| **Balance at 31 December 2021** | **(251,427)** |
| Charge for the year (Note 39) | (83,117) |
| Disposals and other movements | 30,377 |
| **Balance at 31 December 2022** | **(304,167)** |
| **Intangible assets, net:** | |
| **Net balance at 31 December 2021** | **446,662** |
| **Net balance at 31 December 2022** | **401,168** |

The additions in the years 2022 and 2021 in the above table mainly correspond to the capitalization of costs related to new custody management contracts resulting from the renewal of rights and obligations derived from custody and securities custody businesses entrusted by third parties acquired in previous years. The amount for the year 2022 is 37,624 thousand euros.

The withdrawals correspond to variable payments made upon achieving certain contractual objectives and the inclusion of guaranteed amounts in the cost related to these businesses. The amount for the year 2022 is 30,378 thousand euros. Concurrently with this capitalization, during the years 2022 and 2021, the Bank has derecognized the amortization and impairment associated with contracts that have been renewed or terminated, which were fully amortized.

In August 2021, the Entity reached a mediation agreement with Dunas Capital España, S.L. by which Cecabank was appointed Depository Entity for investment funds, SICAVs, venture capital entities and pension funds that were deposited with Dunas Capital España, S.L. The provision of the depositary service will begin to be provided to Dunas Capital España, S.L. in the month of February 2022.

On November 2021, Cecabank has begun to provide the deposit service to Fineco, S.A. because it has been acquired by Kutxabank, S.A. Therefore, Cecabank has been designated as the Depositary Entity of the collective investment institutions, mutual funds pensions, Voluntary Social Welfare Entities (EPSV) that were deposited in Fineco, S.A.

On June 2021, Cecabank began to provide the depositary service to Bankoa, S.A. due to the fact that it had been acquired by Abanca Corporación Bancaria, SA Therefore, Cecabank has been designated as the Depositary Entity of collective investment institutions, pension funds, Voluntary Social Welfare Entities (EPSV) and venture capital entities that were deposited in Bankoa, S.A.

At the time of each accounting closing, the Group determines whether or not there are any indications that the net value of its intangible assets (deposit and custody contracts) exceeds their recoverable value. If so, the carrying amount of the asset concerned is reduced to the recoverable value and future amortisation charges are adjusted in proportion to the adjusted carrying amount and the new remaining useful life, if a new estimate is required. The criteria for recognising the impairment of these assets and, if appropriate, any recovery of impairment losses recognised in prior years, are based on actual and projected equity, revenue, cost and variable payment figures, as well as the fixed price paid by Cecabank:

- The actual amount on deposit at the closing in December of the year being analysed and then the equity figures are taken into consideration based on the revenue estimated in the business plan for each transaction.

- Revenue is obtained from the business plan, which includes the accumulated amount of depository fees effectively collected by Cecabank in the year being analysed and reflecting the expected income based on the business plan.

- Variable payments relate to the amounts paid to customers in accordance with the revenue effectively obtained each year and the projections indicate the maximum amounts payable in the event that the business plan revenue projections are met, as is stipulated in the contracts.

- The net present value is calculated based on the consideration of different rates to update the expected future cash flows of the depository business. At the end of this fiscal year, the values or intervals used by the entity are those resulting from the calculation of the following rates: ROE of the entity at the end of December, the Capital Asset Pricing Model, the Price Earnings Ratio, the Price to Book Value, as well as their averages and the averages without extremes. From these, the entity proceeds to estimate the vaporization of each of the depository businesses, comparing the results with the book value.

# 15. Other assets and liabilities

## 15.1. Other assets

The breakdown of the balance of “Other Assets” and “Other Liabilities” in the consolidated balance sheets at 31 December 2022 and 2021 is as follows:

| | | Thousand euro |
|---|---|---|
| | 2022 | 2021 |
| Other assets- | | |
| Prepayments- | | |
| Fees and commissions receivable | 16,078 | 18,701 |
| Non-accrued expenses | 1,129 | 2,449 |
| Other prepayments | 1,260 | 1,183 |
| Other assets- | | |
| Transactions in transit | 30,750 | 24,510 |
| Nets Assets Post-Employment plans (Notes 2.11.2 and 35) | 6,363 | 5,723 |
| Other | 11,741 | 7,802 |
| | **67,321** | **60,368** |

“Other assets - Prepayments and Accrued Income – Fees and Commissions Receivable” in the preceding table includes the accrued commissions receivable by the Group in relation to various services provided, basically in relation to the payment methods business and the custody business for collective investment undertakings and pension funds.

“Other - Other Assets - Transactions in Transit” and “Other liabilities – Transactions in Transit” mainly include temporary balances which relate basically to securities underwriting transactions and other unsettled OTC transactions.

## 15.2. Other liabilities

The composition of the balance in the consolidated balance sheets at 31 December 2022 and 2021 is as follows:

| | | Thousand euro |
|---|---|---|
| | 2022 | 2021 |
| **Accrued expenses and deferred income-** | | |
| Fees and commissions payable | 2,621 | 2,076 |
| Accrued expenses | 43,502 | 35,128 |
| Accrued revenues | 165 | 478 |
| Other liabilities- | | |
| Transactions in transit | 20,557 | 19,978 |
| Other | 4,100 | 8,068 |
| | **70,945** | **65,728** |

The balance of the heading "Accruals - Accrued expenses " of "Other liabilities" in the foregoing table includes, among other items, as of December 31, 2022, balances amounting to EUR 13,402 thousand (EUR 13,271 thousand at 31 December 2021) that originate in variable remuneration paid by the outstanding staff.

“Other Liabilities - Transactions in Transit” in the above table relates mainly to temporary balances consisting basically of share subscription transactions and other transactions performed on organised markets pending settlement.

# 16. Financial liabilities at amortised cost

## 16.1. Breakdown

The detail of the items composing this heading in the consolidated balance sheets at 31 December 2022 and 2021 is as follows:

| | | Thousand euro |
|---|---|---|
| | 2022 | 2021 |
| **Deposits-** | | |
| Central Banks | 3,840 | - |
| Credit institutions | 1,515,747 | 2,268,731 |
| Customer deposits | 10,541,890 | 12,326,015 |
| | 12,061,477 | 14,594,746 |
| Measurement adjustments* | 9,818 | (3,520) |
| | 12,071,295 | 14,591,226 |
| Other financial liabilities | 376,609 | 136,457 |
| | **12,447,904** | **14,727,683** |

*Includes accrued interest amounting to 9,818 thousand euros as of December 31, 2022, (-3,520) thousand euros as of December 31, 2021.

Note 21 provides information on the fair value of these financial liabilities.

As of 31 December 2022, the maturities of these liabilities are as follows:

| | Total balance | 1 Day | More than 1 day and up to 7 days | More than 1 week and up to 1 month | More than 1 month and up to 3 months | More than 3 months and up to 9 months | More than 9 months and up to 1 year | More than 1 year and up to 2 years | More than 2 years and up to 5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total outflows** | **12,681,399** | **11,463,950** | **691,712** | **154,464** | **32,378** | **8,746** | **449** | **152,659** | **36,657** | **140,384** |
| Liabilities arising from securities issued (if not treated as retail deposits) | - | - | - | - | - | - | - | - | - | - |
| Liabilities arising from collateralised lending and capital market related operations secured by: | 828,608 | - | 564,837 | 77,570 | - | 4,141 | 449 | 4,570 | 36,657 | 140,384 |
| Level 1 marketable assets | 828,608 | - | 564,837 | 77,570 | - | 4,141 | 449 | 4,570 | 36,657 | 140,384 |
| Level 2A marketable assets | - | - | - | - | - | - | - | - | - | - |
| Level 2B marketable assets | - | - | - | - | - | - | - | - | - | - |
| Other marketable assets | - | - | - | - | - | - | - | - | - | - |
| Other assets | - | - | - | - | - | - | - | - | - | - |
| Liabilities not disclosed in 1.2 arising from deposits received, except deposits received as collateral | 11,573,148 | 11,227,979 | 126,417 | 68,566 | 1,752 | 345 | - | 148,089 | - | - |
| Foreign exchange swaps at maturity | - | - | - | - | - | - | - | - | - | - |
| Amount payable for derivatives other than those disclosed in 1.4 | 43,672 | - | 458 | 8,328 | 30,626 | 4,260 | - | - | - | - |
| Other outflows | 235,971 | 235,971 | - | - | - | - | - | - | - | - |
| **Total inflows** | **14,090,900** | **8,810,807** | **283,724** | **543,815** | **241,216** | **612,623** | **67,030** | **465,961** | **1,360,327** | **1,705,397** |
| Amounts falling due resulting from collateralised lending and capital market related operations guaranteed by: | 4,663,719 | - | 214,045 | 290,001 | 235,582 | 585,745 | 57,047 | 430,376 | 1,267,198 | 1,583,725 |
| Level 1 marketable assets | 3,052,103 | - | 214,045 | 253,760 | 145,956 | 473,276 | 6,898 | 235,864 | 676,349 | 1,045,955 |
| Level 2A marketable assets | - | - | - | - | - | - | - | - | - | - |
| Level 2B marketable assets | 399,877 | - | - | 621 | 5,646 | 2,580 | 1,237 | 5,738 | 152,925 | 231,130 |
| Other marketable assets | 1,211,739 | - | - | 35,620 | 83,980 | 109,889 | 48,912 | 188,774 | 437,924 | 306,640 |
| Other assets | - | - | - | - | - | - | - | - | - | - |
| Overdue amounts not disclosed in 2.1 resulting from loans and advances granted to: | 7,927,819 | 7,556,113 | 51,279 | 253,450 | 5,634 | 13,919 | 2,317 | 3,645 | 9,910 | 31,552 |
| Foreign exchange swaps at maturity | - | - | - | - | - | - | - | - | - | - |
| Amount receivable on derivatives other than those disclosed in 2.3 | 244,668 | - | 18,400 | 364 | - | 12,959 | 7,666 | 31,940 | 83,219 | 90,120 |
| Notes in own portfolio at maturity | - | - | - | - | - | - | - | - | - | - |
| Other inflows | 1,254,694 | 1,254,694 | - | - | - | - | - | - | - | - |
| Net contract deficit | 1,409,501 | (2,653,143) | (407,988) | 389,351 | 208,838 | 603,877 | 66,581 | 313,302 | 1,323,671 | 1,565,013 |
| Cumulative net contract deficit | - | (2,653,143) | (3,061,131) | (2,671,780) | (2,462,942) | (1,859,065) | (1,792,484) | (1,479,182) | (155,512) | 1,409,501 |

As of 31 December 2021, the maturities of these liabilities are as follows:

| | Total balance | 1 Day | More than 1 day and up to 7 days | More than 1 week and up to 1 month | More than 1 month and up to 3 months | More than 3 months and up to 9 months | More than 9 months and up to 1 year | More than 1 year and up to 2 years | More than 2 years and up to 5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total outflows** | **14,985,103** | **12,156,565** | **1,934,584** | **485,052** | **56,723** | **10,838** | **50,472** | **38,585** | **98,527** | **153,757** |
| Liabilities arising from securities issued (if not treated as retail deposits) | - | - | - | - | - | - | - | - | - | - |
| Liabilities arising from collateralised lending and capital market related operations secured by: | 2,272,391 | - | 1,575,293 | 412,026 | 594 | 5,254 | 30,204 | 16,864 | 78,399 | 153,757 |
| Level 1 marketable assets | 2,272,391 | - | 1,575,293 | 412,026 | 594 | 5,254 | 30,204 | 16,864 | 78,399 | 153,757 |
| Level 2A marketable assets | - | - | - | - | - | - | - | - | - | - |
| Level 2B marketable assets | - | - | - | - | - | - | - | - | - | - |
| Other marketable assets | - | - | - | - | - | - | - | - | - | - |
| Other assets | - | - | - | - | - | - | - | - | - | - |
| Liabilities not disclosed in 1.2 arising from deposits received, except deposits received as collateral | 12,395,240 | 11,905,404 | 355,708 | 67,114 | 47,319 | 2,538 | 17,157 | - | - | - |
| Foreign exchange swaps at maturity | - | - | - | - | - | - | - | - | - | - |
| Amount payable for derivatives other than those disclosed in 1.4 | 66,311 | - | 3,583 | 5,912 | 8,810 | 3,046 | 3,111 | 21,721 | 20,128 | - |
| Other outflows | 251,161 | 251,161 | - | - | - | - | - | - | - | - |
| **Total inflows** | **16,063,342** | **9,933,434** | **143,473** | **1,223,297** | **640,568** | **805,525** | **250,282** | **291,982** | **930,127** | **1,844,654** |
| Amounts falling due resulting from collateralised lending and capital market related operations guaranteed by: | 5,956,879 | - | 74,213 | 1,206,522 | 639,123 | 801,514 | 249,345 | 288,357 | 920,590 | 1,777,215 |
| Level 1 marketable assets | 3,957,766 | - | 74,213 | 1,152,493 | 529,567 | 717,742 | 220,046 | 53,637 | 373,874 | 836,194 |
| Level 2A marketable assets | - | - | - | - | - | - | - | - | - | - |
| Level 2B marketable assets | 575,209 | - | - | 6,732 | 20,741 | 22,219 | 447 | 3,658 | 85,176 | 436,236 |
| Other marketable assets | 1,423,904 | - | - | 47,297 | 88,815 | 61,553 | 28,852 | 231,062 | 461,540 | 504,785 |
| Other assets | - | - | - | - | - | - | - | - | - | - |
| Overdue amounts not disclosed in 2.1 resulting from loans and advances granted to: | 8,522,755 | 8,394,831 | 64,190 | 14,591 | 1,445 | 2,836 | 937 | 3,625 | 9,537 | 30,763 |
| Foreign exchange swaps at maturity | - | - | - | - | - | - | - | - | - | - |
| Amount receivable on derivatives other than those disclosed in 2.3 | 45,105 | - | 5,070 | 2,184 | - | 1,175 | - | - | - | 36,676 |
| Notes in own portfolio at maturity | - | - | - | - | - | - | - | - | - | - |
| Other inflows | 1,538,603 | 1,538,603 | - | - | - | - | - | - | - | - |
| Net contract deficit | 1,078,239 | (2,223,131) | (1,791,111) | 738,245 | 583,845 | 794,687 | 199,810 | 253,397 | 831,600 | 1,690,897 |
| Cumulative net contract deficit | - | (2,223,131) | (4,014,242) | (3,275,997) | (2,692,152) | (1,897,465) | (1,697,655) | (1,444,258) | (612,658) | 1,078,239 |

## 16.2. Financial liabilities at amortised cost - Deposits - Central Banks

The breakdown, by geographical area of residence of the counterparty and type of instrument, of the balances of this item in the consolidated balance sheets at 31 December 2022 and 2021 are as follows:

Thousand euro

| | 2022 | 2021 |
|---|---|---|
| **By geographical location:** | | |
| Spain | 3,843 | - |
| | **3,843** | **-** |
| **By type of instrument:** | | |
| Time deposits | | |
| Time deposits | 3,840 | - |
| | **3,840** | **-** |
| Measurement adjustments | 3 | - |
| | **3,843** | **-** |

In the year 2022, deposits were contracted with the Bank of Spain for a balance of 3,840 thousand euros.

## 16.3. Financial liabilities at amortised cost - Deposits - Credit institutions

The breakdown, by geographical area of residence of the counterparty and type of instrument, of the balances of this item in the consolidated balance sheets at 31 December 2022 and 2021 are as follows:

Thousand euro

| | 2022 | 2021 |
|---|---|---|
| **By geographical location:** | | |
| Spain | 1,193,795 | 1,066,075 |
| Other EMU countries | 285,827 | 1,089,535 |
| Rest of the world | 37,507 | 112,035 |
| | **1,517,129** | **2,267,645** |
| **By type of instrument:** | | |
| Demand deposits and other- | | |
| Other accounts | 909,813 | 743,267 |
| Time deposits- | | - |
| Time deposits | 350,123 | 551,458 |
| Repurchase agreements | 255,811 | 974,006 |
| | **1,515,747** | **2,268,731** |
| Measurement adjustments | 1,382 | (1,086) |
| | **1,517,129** | **2,267,645** |

## 16.4. Financial liabilities at amortised cost - Customer deposits

The breakdown, by geographical area of residence of the counterparty, type of instrument and type of Counterparty, of the balances of this item in the consolidated balance sheets at 31 December 2022 and 2021 are as follows:

Thousand euro

| | 2022 | 2021 |
|---|---|---|
| **By geographical location:** | | |
| Spain | 10,357,369 | 12,110,531 |
| Other EMU countries | 180,245 | 182,835 |
| Rest of the world | 12,709 | 30,215 |
| | **10,550,323** | **12,323,581** |
| **By counterparty:** | | |
| Resident public sector | 167,502 | 247,196 |
| Non-resident public sector | 10,181,467 | 11,865,726 |
| Other resident sectors | 192,921 | 213,093 |
| Other non-resident sectors | **10,541,890** | **12,326,015** |
| | 8,433 | (2,434) |
| Measurement adjustments | **10,550,323** | **12,323,581** |
| | | |
| **By type of instrument:** | 9,205,569 | 10,361,836 |
| Current accounts | - | - |
| Other demand deposits | 1,044,807 | 947,965 |
| Fixed-term deposits | 299,947 | 1,013,780 |
| Repurchase agreements | **10,550,323** | **12,323,581** |
| | - | - |
| | **10,550,323** | **12,323,581** |

## 16.5 Financial liabilities at amortised cost - Other financial liabilities

The breakdown of the balance of this item in the consolidated balance sheets at 31 December 2022 and 2021 is as follows:

Thousand euro

| | 2022 | 2021 |
|---|---|---|
| Payment obligations | 3,694 | 3,981 |
| Liabilities associated with rights-of-use assets | 1,462 | 1,804 |
| Collateral received | 245,914 | 12,310 |
| | - | |
| Special accounts | 32,311 | 23,427 |
| Other | 93,228 | 94,935 |
| | **376,609** | **136,457** |

These items arise from operations carried out by certain credit institutions through the Bank. They are of a transitional nature and are settled on the first is this day following the date of origination.

The balance account “Other items” in the preceding table essentially records balances totalling EUR 38,434 thousand in repayments of loans granted to public administrations at 31 December 2022 (EUR 38,756 thousand at 31 December 2021). The most significant amount after repayments of loans granted to Public Administrations amounts to EUR 894 thousand items due to credit institutions (EUR 6,366 thousand at 31 December 2021).

# 17. Provisions

The changes in the balances of these items in the consolidated balance sheets at 31 December 2022 and 2021 were as follows:

Thousand euro

| | Other long-term employee remuneration (Note 35) | Commitments and guarantees granted (Notes 2.10, 22 and 27.1) | Procedural issues and tax litigation proceedings (Note 20.1) | Other provisions |
|---|---|---|---|---|
| **Balances at 1 January 2021** | **29,051** | **288** | **7,621** | **43,940** |
| Net addition/ (reversal) charged/ (credited) to income | 24,432 | (26) | (2,375) | (7,054) |
| Other net movements | (8,057) | - | (1,033) | (24) |
| **Balances at 31 December 2021** | **45,426** | **262** | **4,213** | **36,862** |
| Net addition/ (reversal) charged/ (credited) to income | (1,666) | 151 | 2,506 | (5,750) |
| Other net movements | (10,191) | - | - | - |
| **Balances at 31 December 2022** | **33,569** | **413** | **6,719** | **31,112** |

On August 6, 2021, an agreement was reached with the workers' representatives for the execution of an employment regulation file. The estimated global impact associated with said agreement, recorded as a provision charged to results, which amounts to 24,763 thousand euros, and basically includes the cost associated with the voluntary employment regulation file affecting 85 employees, as well as other modifications of conditions of the current labor framework, especially those that affect social commitments (see note 35). As of December 31, 2022, the balance of the Employment Termination Plan (ERE) within "Other long-term employee benefits" amounts to 20,910 thousand euros (24,763 thousand euros as of December 31, 2021).

The heading “Litigation” includes provisions that have been recognised to cover potential litigation deriving from the Group’s business activity. “Other Provisions” at 31 December 2022 and 2021 includes basically the amount recorded, based on an internal model developed by the bank, to cater for the operational risk to which the directors consider the Group to be exposed as a result of the provision of custody and depository services for securities entrusted by third parties, as well as the provisions recognised in relation to operations involving certain interest rate derivatives.

In accordance with the control environment and the operational risk management systems in place, Cecabank calculates its capital requirements for operational risk using the standardised approach as the estimation methodology, and this Control Framework ensures compliance with the requirements established for this purpose in 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. The Operational Risk Unit has developed an internal qualitative assessment model. Risks and mitigation control points are systematically assessed to derive the residual operational risk in the various activities, products and services, using qualitative techniques. Residual risk is understood to be that part of the risk not covered by the entity's internal control structure or insurance contracted with third parties, i.e. that part of the risk which, with a certain probability, may have a negative impact. In addition, the assessments are periodically checked on the basis of the results of the controls carried out by the second and third level control units.

In addition, apart from the qualitative assessment, the Group has a Loss Database, which functions as a repository of operational loss events, classified by organisational areas and types of risk, and whose objective is to identify the source of the loss in order to establish mitigating measures to prevent it from occurring.

Moreover, there is a series of risk indicators to provide the risk profile, both individually and grouped in baskets by risk type.

Moreover, there is a series of risk indicators to provide the risk profile, both individually and grouped in baskets by risk type.

The main assumptions and variables used in the new model are as follows:

- International assets held in custody by delegation in a third party: 152,134,000 thousand euros at 30 March 2022.

- K-ASA factor: 0.04%.

- Loss component (LC), product of the average operating loss over the last 10 years multiplied by 15, resulting in an LC of 1.08 at 30 April 2022 (2021: 1.04 at 30 April).

Based on the aforementioned methodology, Cecabank has recorded an amount of EUR 29,290 thousand as a provision for operational risk at 31 December 2022 in the category "Rest of provisions".

In addition, the internal control and operational risk management regularly performs sensitivity analyses and stress tests on the model for calculating the provision for this item, as a result of which no additional provisioning needs have been identified, even in the most restrictive scenario, to those established at 31 December 2022.

# 18. Other accumulated net income

## 18.1. Items that may be reclassified to profit or loss - Changes of fair value of debt instruments measured at fair value through other comprehensive income

This item in the balance sheets at 31 December 2022 and 2021 includes the amount, net accumulated of the related tax effect, of changes in the fair value of debt instruments measured at fair value through other comprehensive income (see Note 9) which, as stated in Note 2.2, should be recognised in the Group's equity; these changes are recognised in the income statements when the assets which gave rise to them are sold or when these assets become impaired. The accompanying statements of recognised income and expense show the changes in 2022 and 2021 in this item in the balance sheets at 31 December 2022 and 2021.

## 18.2. Items that will not be reclassified to profit or loss - Actuarial gains and losses from defined benefit pension obligations

This heading in the balance sheets at 31 December 2022 and 2021 included the net cumulative amount, adjusted for the related tax effect, of the actuarial gains and losses arising from the measurement of the provision for defined benefit pension obligations (see Notes 2.11.2 and 35). The accompanying statement of changes of equity shows the changes in 2022 and 2021 in this item in the balance sheets at 31 December 2022 and 2021.

## 18.3. Items that will not be reclassified to profit or loss - Changes of fair value of debt instruments measured at fair value through other comprehensive income

This heading in the balance sheets as at 31 December 2022 and 2021 includes the net accumulated amount, adjusted by the related tax effect, of changes in the fair value of equity instruments classified as financial assets measured at fair value through other comprehensive income since their acquisition (see Note 9), which, as indicated in Note 2.2, should be classified in the Group's equity. These changes are recognised under "Other Reserves" when the assets which gave rise to the changes are sold. The accompanying statement of changes in equity reflects the changes that took place in this heading of the consolidated balance sheets as at 31 December 2022 and 2021.

# 19. Share Capital, Share Premium and Minority

## 19.1. Share capital

The Bank was incorporated effective 1 January 2012 (see Note 1.1) with an initial share capital of EUR 100,000,000, represented by 100,000,000 registered shares with a par value of 1 euro each, and its single shareholder at the time of incorporation was CECA.

Subsequently, on 13 November 2012, under the spin-off process conducted by CECA in favour of the Bank (see Note 1.1), a capital increase amounting to EUR 78,932,117.60 was carried out by issuing 12,256,540 new shares with the same voting and economic rights and with the same par value of 1 euro and a share premium of EUR 5.44 per share. These shares were fully subscribed and paid by the previous owners of the non-voting equity units that were part of the equity of CECA, following acceptance of CECA's offer to repurchase the non-voting equity units and CECA's waiver of its pre-emptive subscription right on shares of the Bank. CECA thus retained an 89% ownership interest in the Bank's share capital.

In this regard, at 31 December 2022 and 2021, the Bank's share capital consisted of 112,256,540 fully subscribed and paid registered shares of EUR 1 par value each, all with the same dividend and voting rights. At 31 December 2022 and 2021, 89% of the Bank's share capital was held by Confederación Española de Cajas de Ahorros. The remaining 11% is owned by the entities that were holders of the non-voting equity units of CECA and accepted the repurchase offer mentioned above.

The Bank carried out a significant volume of transactions with its controlling shareholder, the Group of which it forms part (see Note 40) and with other shareholders.

The Bank's shares are not listed on official stock markets. Except for CECA's 89% ownership interest in the Bank's share capital, no entity owns more than 10% of the Bank. There are no rights on founder's shares, “rights” bonds, convertible debentures or similar securities or rights issued by the Bank or the Group. There are no payments payable on the Bank's shares, amounts authorised by the General Meeting for carrying out capital increases, or capital increases in progress. During the 2022 and 2021 years there were no increases in the number of shares issued by the Bank.

## 19.2 Retained earnings and other reserves

An analysis of the balances of these captions in the consolidated balance sheets at 31 December 2022 and 2021 is as follows:

### 19.2.1 Retained earnings

This heading records the net amount of accumulated consolidated profit/(loss) recognized in prior years through the income statement that is pending distribution, or that will be taken to equity during the distribution of profits.

### Legal Reserve

The Spanish Companies Act stipulates that companies that obtain profits during a year must apply at least 10% to the creation of the legal reserve. Appropriations must be made until the legal reserve reaches 20% of paid-up share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Other than to increase capital, the legal reserve may only be used to offset losses provided that no other reserves are available. The legal reserve is fully funded at 31 December 2022 and 2021 with a balance of 22,451 thousand euros.

### Capitalisation reserve

By virtue of Article 25 of Law 27/2014 (27 November), on Corporate Income Tax, at 31 December 2022 the Bank maintains a reserve that is restricted during 5 years after its allocation in 2016 and totals 20,669 thousand euros (20,123 thousand euros at 31 December 2021).

### Voluntary reserves

These reserves are freely available to the Bank since there is no legal or bylaw restriction on their use. The balance at 31 December 2022 amounts to 400,845 thousand euros (346,317 thousand euros at 31 December 2021).

### 19.2.2. Other reserves

This heading includes the amount of reserves not recognized in other items, such as amounts resulting from permanent adjustments made directly to equity as a result of expenses in the issuance or reduction of own equity instruments, disposals of own equity instruments, and the retroactive restatement of financial statements due to errors and changes in accounting policies, net of any tax effect.

## 19.3 Earnings per share

Basic earnings per share are calculated by dividing the net earnings by the weighted average number of outstanding shares for the year, excluding the average number of treasury shares held during the year.

The dilution result per share is due to dividing net earnings by the weighted average number of outstanding shares during the year, adjusting for the dilution effect, which is deemed to be the existence of convertible debt and stock options. The Parent Entity has not issued instruments with a potential dilution effect at 31 December 2022 and 31 December 2021.

The earnings per share at 31 December 2022 and 31 December 2021 are set out below according to IAS 33:

Thousand euro

| | 2022 | 2021 |
|---|---|---|
| Profit/(loss) for the year | 65,380 | 69,058 |
| Weighted average number of shares | 112,256,540 | 112,256,540 |
| **Basic earnings per share** | **0.000582416** | **0.00061518** |
| Profit/(loss) for the year | 65,380 | 69,058 |
| Corrections to results due to issues of convertibles/options | - | - |
| **Adjusted profit/(loss)** | 65,380 | 69,058 |
| Weighted average number of shares | 112,256,540 | 112,256,540 |
| **Diluted earnings per share** | **0.000582416** | **0.00061518** |

# 20. Tax matters

The Group is part of the Tax Consolidation Group number 508/12 established on 1 January 2012, parented by the Confederación Española de Cajas de Ahorros.

The companies in the Group files its tax returns, according to the tax legislation.

## 20.1. Years open for review by the tax authorities

As of 31 December 2022, the returns filed by the Group for the last four financial years since the end of the voluntary filing period for corporate income tax and other taxes are subject to inspection by the tax authorities.

Without prejudice to the foregoing, it should be noted that Royal Decree 463/2020, of 14 March, suspended from 14 March the computation of prescription and expiry periods for any actions and rights provided for in the tax regulations, with effect from 4 June 2020, by virtue of Royal Decree 537/2020, of 22 May.

Due to the different interpretations which may be given to certain tax rules applicable to the Group's operations for the years not yet audited, the Directors of the Bank consider that the impact of such possible different interpretations would not be material to the figures recorded in these annual accounts.

## 20.2. Tax expense or income related to profit or loss from continuing operation

The detail of “Tax expense or income related to profit or loss from continuing operation” in the consolidated income statements for 2022 and 2021 is as follows:

| | Thousand euro- Expenses/(Revenues) | |
|---|---|---|
| | 2022 | 2021 |
| Income tax expense for the year (Note 20.3) | 27,027 | 26,056 |
| Prior years’ and other adjustments | (263) | (1,514) |
| | 26,764 | 24,542 |

## 20.3. Reconciliation of accounting profit to taxable profit

The reconciliation of the income tax expense recognised for 2022 and 2021 to the consolidated accounting profit before tax multiplied by the tax rate applicable to the Bank, and the income tax charge recognised at 31 December 2022 and 2021 is as follows:

Thousand euro

| | 2022 | 2021 |
|---|---|---|
| Accounting profit before tax | 92,204 | 93,601 |
| Tax rate | 30% | 30% |
| | 27,661 | 28,080 |
| Permanent differences: | | |
| Increases | 964 | 126 |
| Decreases | (1,598) | (2,150) |
| **Total** | **27,027** | **26,056** |
| (Tax credits)/(Tax relief) | - | - |
| **Income tax expense for the year (Note 20.2)** | **27,027** | **26,056** |
| Temporary differences effect: | | |
| Increases | 3,517 | 6,199 |
| Decreases | (9,082) | (11,665) |
| Tax with holdings and prepayments | (13,394) | (12,363) |
| Limitation of 25% of the taxable base Group after integration of DTAs | (4,437) | (4,371) |
| **Income tax charge for the year** | **3,631** | **3,896** |

The amount of income tax for the year indicated in the table above is recorded under the heading "Tax liabilities Current tax liabilities" for the year 2022 and 2021.

## 20.4. Tax recognised in equity

In addition to the income tax recognised in the consolidated income statement, in 2022 and 2021 the Group recognised the following deferred amounts of income tax in equity during those periods:

Thousand euro

| | Increase/Decrease in Equity | |
|---|---|---|
| | 2022 | 2021 |
| Tax effect of actuarial gains and losses on pension plans to defined benefit | (201) | 102 |
| Tax effect of unrealised gains or losses on equity instruments at fair value through other comprehensive income | 34 | (79) |
| Tax effect of unrealised gains or losses on debt instruments measured at fair value through other comprehensive income | 31,350 | 6,167 |
| | **31,183** | **6,190** |

## 20.5. Deferred taxes

Pursuant to tax legislation in force, in 2022 and 2021 certain temporary differences arose that must be taken into account when quantifying the related income tax expense. The deferred taxes recognised in the consolidated balance sheets at 31 December 2022 and 2021 were as follows:

| | Thousand euro | |
|---|---|---|
| | 2022 | 2021 |
| **Deferred tax assets arising from:** | | |
| Additions and contributions to pension provisions and funds and other long-term obligations to employees | 8,583 | 9,901 |
| Additions to provisions | 9,601 | 11,342 |
| Impairment losses | 30,658 | 38,126 |
| Beneficios anticipados de ajustes por valoración | 32,534 | 2,181 |
| Other | 5,216 | 4,986 |
| | 86,592 | 66,536 |

EUR 19,529 thousand of the total deferred tax assets recognised at 31 December 2022 (31 December 2021: EUR 20,602 thousand) relate to assets that meet the conditions of Article 130 of Spanish Income Tax Law 27/2014, of 27 November, to give rise to a possible right to convert them into credits receivable from the tax authorities.

The Group expects to recover non-monetizable deferred assets over the coming 10 years, in accordance with the projections made in Group's budgets and projections of the future.

Besides, as at 31 December 2022 the Group has reassessed the ability to generate future taxable profits in relation to the recoverability of the deferred tax assets recognised and concluded that there is no impact to be recognised in the financial statements.

Although the estimates have been made on the basis of the best information available at the end of 2022 and 2021, future events, if any, may make it necessary to change these estimates, upwards or downwards, in future years, which would be done in accordance with the applicable regulations, on a prospective basis.

| | Thousand euro | |
|---|---|---|
| | 2022 | 2021 |
| **Deferred tax liabilities arising from:** | | |
| Restatement of property | 7,765 | 7,813 |
| Additions and contributions to pension provisions and funds and to provisions for other long-term obligations to employees | 1,909 | 1,717 |
| Other | 1,284 | 2,315 |
| | 10,958 | 11,845 |

## 20.6. Restatement of assets

The Group has not availed itself of the process for restating the tax value of certain properties as defined by Law 16/2012, of 27 December, adopting various tax measures aimed at consolidating public finances and boosting economic activity, which enables entities to restate certain assets on their balance sheets, provided certain requirements are met.

# 21. Fair value

## 21.1. Fair value of financial assets and liabilities

The fair value of the Group's financial instruments at 31 December 2022 and 2021 is broken down, by class of financial asset and liability into the following levels:

- TIER 1: financial instruments whose fair value is determined by reference to their quoted price in active markets.

- TIER 2: financial instruments whose fair value is estimated by reference to quoted prices in organised markets for similar instruments or using other measurement techniques in which all the significant inputs are based on directly or indirectly observable market data.

- TIER 3: instruments whose fair value is estimated using measurement techniques in which certain significant inputs are not based on observable market data.

The most objective reference for the fair value of a financial instrument is the price that would be paid for it on an active, transparent and deep market (quoted price or market price). If there is no market price for a given financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and of commonly used measurement techniques.

The methodology used to calculate fair value for each class of financial assets and liabilities is as follows:

- Trading derivatives and hedging derivatives:

    - Financial derivatives traded in organised, transparent and deep markets: fair value is deemed to be their daily quoted price

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

- Debt instruments:

    - Quoted debt instruments: their fair value is generally determined on the basis of price quotations on official markets, at the Bank of Spain Book-Entry Trading Central Office, on the Spanish AIAF fixed-income market, etc., or by applying prices obtained from information service providers, mainly Bloomberg and Reuters, which construct their quotes on the basis of prices reported by contributors.

    - Unquoted debt instruments: their fair value is determined theoretically on the basis of discounted future cash flows and by using, for the specific instrument concerned, the corresponding measurement model recognised by the financial markets.

- Equity instruments:

    - Quoted equity instruments: their fair value was determined taking into account their price quotations on official markets.

    - Unquoted equity instruments: their fair value was determined taking into consideration valuations performed by independent experts, including intern control over their measurement, or directly using intern valuations. In both cases, there has been used:

- Discounted cash flows.
- Multiples of comparable listed companies.
- Adjusted Net Asset Value (NAV).

- Loans and prepayments to customers:
  - The Group considered the fair value of these financial assets to be the same as their carrying amount, since, as a result of their maturity and interest rate features and the early repayment clause of most transactions, there are no material differences between the two values.
- Financial liabilities at amortised cost:
  - The Group considered the fair value of these financial liabilities to be the same as their carrying amount, since, as a result of their maturity and interest rate features, there are no material differences between the two values.

For the purposes of Tiers 2 and 3, the prices were obtained using standard quantitative models fed by market data, which are either directly observable or can be calibrated or calculated using observable data. The most widely used models are the Shifted lognormal, Libor Market and Hull-White models for derivates over interest rates, the Black Scholes model for derivates over equities and foreign currency, and the Jarrow-Turnbull, Black adapted to credit and LHP models for credit products; the most common directly observable data are the interest rate, exchange rate and certain implied volatilities, and correlations.

The fair value of the Group's financial instruments at 31 December 2022 and 2021, broken down as indicated above, is as follows:

## Financial assets and liabilities - fair value at 31 December 2022

| | Fair value hierarchy | | | Changes in fair value for the period | | Accumulated change in fair value before taxes | | |
|---|---|---|---|---|---|---|---|---|
| | Tier 1 | Tier 2 | Tier 3 | Tier 2 | Tier 3 | Tier 1 | Tier 2 | Tier 3 |
| **ASSETS** | | | | | | | | |
| Financial assets held for trading | 329,582 | 521,194 | 6,270 | (324,553) | (10,450) | (100) | 439,938 | 6,270 |
| Derivatives | 1,195 | 440,004 | 6,270 | (324,488) | (10,450) | 1,195 | 440,004 | 6,270 |
| Equity instruments | 102,253 | - | - | - | - | (3,414) | - | - |
| Debt securities | 226,134 | 81,190 | - | (65) | - | 2,119 | (66) | - |
| Financial assets not held-for-trading mandatorily classified at fair value through profit or loss | - | 14,939 | - | 1,231 | - | - | 844 | - |
| Equity instruments | - | 5,804 | - | 1,255 | - | - | 865 | - |
| Debt securities | - | 9,135 | - | (24) | - | - | (21) | - |
| Loans and prepayments | - | - | - | - | - | - | - | - |
| Financial assets at fair value through profit or loss | - | - | - | - | - | - | - | - |
| Financial assets at fair value through other comprehensive income | 2,205,758 | 133,247 | - | - | - | (255,411) | (1,649) | - |
| Equity instruments | - | 2,733 | - | - | - | - | 2,164 | - |
| Debt securities | 2,205,758 | 130,514 | - | - | - | (255,411) | (3,813) | - |
| Derivatives - Hedge accounting | - | 196,441 | - | 188,116 | - | - | 196,441 | - |
| **LIABILITIES** | | | | | | | | |
| Financial liabilities held for trading | 134,718 | 477,753 | 4,277 | 310,950 | 12,399 | 7,052 | 477,753 | 4,277 |
| Derivatives | 324 | 477,753 | 4,277 | 310,950 | 12,399 | 324 | 477,753 | 4,277 |
| Short positions | 134,394 | - | - | - | - | 6,728 | - | - |
| Financial liabilities designated at fair value through profit or loss | - | - | - | - | - | - | - | - |
| Derivatives - Hedge accounting | - | - | - | - | - | - | - | - |

## Financial assets and liabilities - fair value at 31 December 2021

| | Fair value hierarchy | | | Changes in fair value for the period | | Accumulated change in fair value before taxes | | |
|---|---|---|---|---|---|---|---|---|
| | Tier 1 | Tier 2 | Tier 3 | Tier 1 | Tier 2 | Tier 3 | Tier 1 | Tier 2 |
| **ASSETS** | | | | | | | | |
| Financial assets held for trading | 623,192 | 774,466 | 16,720 | (173,808) | (6,035) | 37,924 | 764,493 | 16,720 |
| Derivatives | 332 | 764,492 | 16,720 | (173,809) | (6,035) | 332 | 764,492 | 16,720 |
| Equity instruments | 292,528 | - | - | - | - | 6,312 | - | - |
| Debt securities | 330,332 | 9,974 | - | 1 | - | 31,280 | 1 | - |
| Financial assets not held-for-trading mandatorily classified at fair value through profit or loss | 9,987 | 18,597 | - | (1,175) | - | (51) | (1,184) | - |
| Equity instruments | - | 4,550 | - | (325) | - | - | (390) | - |
| Debt securities | 9,987 | 13,937 | - | (40) | - | (51) | 109 | - |
| Loans and prepayments | - | 110 | - | (810) | - | - | (903) | - |
| Financial assets at fair value through profit or loss | - | - | - | - | - | - | - | - |
| Financial assets at fair value through other comprehensive income | 3,101,451 | 137,496 | - | - | - | (9,362) | 2,377 | - |
| Equity instruments | - | 3,002 | - | - | - | - | 2,228 | - |
| Debt securities | 3,101,451 | 134,494 | - | - | - | (9,362) | 89 | - |
| Derivatives - Hedge accounting | - | 10,137 | - | 11,434 | - | - | 10,137 | - |
| **LIABILITIES** | | | | | | | | |
| Financial liabilities held for trading | 279,757 | 788,703 | 16,676 | 276,946 | 6,002 | (823) | 788,703 | 16,676 |
| Derivatives | 233 | 788,703 | 16,676 | 276,946 | 6,002 | 233 | 788,703 | 16,676 |
| Short positions | 279,524 | - | - | - | - | (1,056) | - | - |
| Financial liabilities designated at fair value through profit or loss | - | - | - | - | - | - | - | - |
| Derivatives - Hedge accounting | - | 4,105 | - | (654) | - | - | 4,105 | - |

For the purposes of the criteria explained in the foregoing paragraphs, an input is considered to be significant if it is important in determining the fair value in its entirety.

The level of the aforementioned fair value hierarchy (tiers 1, 2 or 3) within which the measurement of each of the Bank's financial instruments is categorised is determined on the basis of the lowest level input that is significant to the estimate of its fair value.

Additionally, the breakdown of the securities portfolio is included in relation to the representative securities of debt.

## At 31 December 2022:

| | Carrying amount | | Latent capital losses | | | | |
|---|---|---|---|---|---|---|---|
| | Total | Acquisition price | Accumulated losses in fair value due to credit risk | Accumulated losses in fair value not due to credit risk | Latent capital gains € | Accumulated Impairment | Memorandum: |
| Debt securities | - | - | - | - | - | - | - |
| Financial assets held for trading | 307,324 | 307,324 | - | - | - | - | 102,369 |
| Financial assets not held-for-trading mandatorily classified at fair value through profit or loss | 9,135 | 9,135 | - | - | - | - | - |
| Financial assets at fair value through other comprehensive income | 2,336,272 | 2,600,307 | - | (260,078) | 854 | (4,811) | 1,414,785 |
| Financial assets at amortised cost | 307,273 | 307,625 | - | - | - | (352) | 10,040 |
| Total | 2,960,004 | 3,224,391 | - | (260,078) | 854 | (5,163) | 1,527,194 |
| Of which: Spanish Public | 1,208,249 | 1,245,545 | - | (37,402) | 106 | - | 971,142 |
| Financial assets held for trading | 127,395 | 127,395 | - | - | - | - | 102,369 |
| Financial assets at fair value through other comprehensive income | 880,869 | 918,165 | - | (37,402) | 106 | - | 868,773 |
| Of which: Public | 199,985 | 199,985 | - | - | - | - | - |
| Financial assets held for trading | 900,468 | 1,022,371 | - | (121,903) | - | - | 474,963 |
| Financial assets at fair value through other | 44,061 | 44,061 | - | - | - | - | - |
| Financial assets at amortised cost | 772,609 | 894,512 | - | (121,903) | - | - | 464,923 |
| Debt securities | 83,798 | 83,798 | - | - | - | - | 10,040 |

## At 31 December 2021:

| | Carrying amount | | Latent capital losses | | | | |
|---|---|---|---|---|---|---|---|
| | Total | Acquisition price | Accumulated losses in fair value due to credit risk | Accumulated losses in fair value not due to credit risk | Latent capital gains € | Accumulated Impairment | Memorandum: |
| Debt securities | | | | | | | - |
| Financial assets held for trading | 340,306 | 340,306 | - | - | - | - | 170,867 |
| Financial assets not held-for-trading mandatorily classified at fair value through profit or loss | 23,926 | 23,926 | - | - | - | - | - |
| Financial assets at fair value through other comprehensive income | 3,235,945 | 3,249,445 | - | (15,710) | 6,438 | (4,228) | 2,132,610 |
| Financial assets at amortised cost | 109,595 | 109,886 | - | - | - | (291) | 42,638 |
| **Total** | **3,709,770** | **3,723,561** | **-** | **(15,710)** | **6,438** | **(4,519)** | **2,346,115** |
| Of which: Spanish Public | 1,954,003 | 1,955,699 | - | (2,422) | 756 | - | 1,425,475 |
| Financial assets held for trading | 233,209 | 233,209 | - | - | - | - | 162,635 |
| Financial assets at fair value through other comprehensive income | 1,720,824 | 1,722,490 | - | (2,422) | 756 | - | 1,262,840 |
| Of which: Public administrations not residing in Spain | 947,201 | 954,690 | - | (7,935) | 446 | - | 710,841 |
| Financial assets held for trading | 14,217 | 14,217 | - | - | - | - | - |
| Financial assets at fair value through other comprehensive income | 874,786 | 855,275 | - | (7,935) | 446 | - | 668,203 |
| Financial assets at amortised cost | 85,198 | 85,198 | - | - | - | - | 42,638 |

## 21.2. Fair value of Property, plant and equipment

The only Property, plant and equipment (own-use properties and property investments) held by the Group whose fair value differs from their carrying amount are the properties owned by it. At 31 December 2022, the carrying amount of these properties amounted to EUR 34,472 thousand (31 December 2021: EUR 44,463 thousand) and their estimated fair value at that date was EUR 67,867 and 69,239 thousand at 31 December 2022 and 2021, respectively.

The aforementioned fair value was estimated by Instituto de Valoraciones, S.A. using generally accepted measurement techniques.

# 22. Exposure to credit risk associated with financial instruments

## 22.1. Credit risk management objectives, policies and processes

Credit risk is defined as the risk that affects, or might affect, results or capital as a result of non-compliance by a borrower with its contractual obligations, or of the borrower failing to act as agreed.

The Group has established certain procedures for the correct management of credit risk, the main features of which are as follows:

### Credit risk analysis

At the Group, the process of assessing the credit quality of counterparties is closely linked with the assignment of limits. Thus, the Group assigns internal ratings to the various potential counterparties. This internal rating, together with the external agencies' ratings, contributes to the establishment of the maximum risk to be assumed with each entity. It also constitutes the basis for the acceptance and monitoring of risk.

The rating is the result of an analysis of various quantitative and qualitative factors which are assessed independently and receive a specific weighting for the calculating of the final rating. The final rating results from an independent assessment performed by the Group's analysts, which brings together the perception of the credit quality of the entities with which the Group wishes to transact business.

### Credit risk monitoring and control

Credit risk is monitored through active portfolio management. The main aim is to detect, sufficiently in advance, any counterparties whose creditworthiness might be deteriorating. Systematic monitoring allows the whole of the portfolio to be classified into standard risk counterparties and counterparties under special surveillance.

As in risk analysis, ratings constitute another element for the risk monitoring process together with other variables including the country and type of business, among others.

In addition, as part of the monitoring of the credit risk and the adequacy of the contractual documentation supporting these operations is actively managed and monitored in conjunction with the Legal Department.

The control process comprises all the activities relating to the permanent checking of compliance with the established credit, counterparty and settlement risk limits, the management and reporting of overruns and the maintenance and update of parameterisations of products, customers, countries, economic groups, ratings, contractual offsetting agreements and financial guarantees in the control tools.

### Risk limit structure

The Group's general credit risk limit structure is divided into two major groups. On one hand, there are the limits individually assigned to a counterparty. There are also a series of limits associated with certain activities, as country risk limits and operating limits for private-sector fixed-income securities and equity securities, among others.

### Credit Risk Measurement Methodology

Cecabank calculates credit risk exposure by applying the standardised approach provided in current regulations. Also, for products subject to counterparty risk, the Entity values the position at the market prices of the various transactions, to which it adds certain add-ons which, applied to the notional amounts, include in the measurement the potential risk of each transaction until maturity.

The management tools provide real-time information on the utilisation of credit risk limits for each counterparty and economic group, thus facilitating the ongoing monitoring of any change and/or overrun of these limits.

In accordance with current legislation, the existence of guarantees and collateral reduces the credit risk of transactions for which they are provided.

### Concentration risk

Regarding credit risk, concentration risk is an essential management tool. It is constantly monitoring the extent of its credit risk concentration under various salient classifications: countries, ratings, sectors, economic groups, guaranties, etc.

With regard to credit risk, concentration risk is an essential management tool. It is constantly monitoring the extent of its credit risk concentration under various salient classifications: countries, ratings, sectors, economic groups, guaranties, etc.

The Group uses conservative risk criteria for the management of concentration risk which enable it to manage the available limits sufficiently comfortably with respect to the legally established concentration limits.

According to the regulations in force, as at 31 December 2022 the Group holds no positions with counterparties with which the large exposures threshold is exceeded. As at 31 December 2021, the Group held positions with two counterparties with which it exceeded the large exposures threshold.

At 31 December 2022, with regard to distribution by country, the largest exposure was located in Spain (84%), followed by the other European Union countries (13%) rising the exposure in the other countries of the world to 3%. At 31 December 2021, the distribution by country was 84%, 13%, and 3% respectively.

In Note 26 information on the risk of geographical concentration of the Group as of December 31, 2022 and 2021 is presented.

Regarding the high level of industry concentration, it is due to the Group's focus and the conducting of many activities, operations and services within the banking business in general, or indirectly related to it. Also, the risks in the financial services industry account for more than 77% of the total risk exposure at 31 December 2022 (excluding government exposure), although when evaluating this level of industry concentration, it should be taken into account that this exposure is to a highly regulated and supervised segment.

## 22.2. Maximum credit risk exposure level

The maximum level of credit risk exposure assumed by the Group at 31 December 2022 and 2021 for each class and category of financial instrument is indicated in each of the notes to the various portfolios in the balance sheet included in these notes to the financial statements.

Contingent liabilities are presented at the maximum amount guaranteed by the Group. In general, it is considered that most of these balances will expire without any actual financing obligation arising for the Bank. The collateral on these transactions must also be taken into account (see Note 22.3 below). The balances of contingent liabilities are presented at the maximum amounts available by counterparties.

## 22.3. Collateral received and other credit enhancements

The general policy with regard to the arrangement of transactions involving financial derivative products, repos, sell/buy backs and securities lending is to enter into contractual netting agreements drafted by national or international associations. These agreements enable the transactions performed thereunder to be terminated and settled early in the event of default by the counterparty in such a way that the parties can only claim the net balance resulting from the settlement of such transactions.

Derivative financial instruments are arranged using ISDA Master Agreements, which are subject to the laws of England and Wales or the State of New York, or the Framework Agreement for Financial Transactions (CMOF) which is subject to Spanish law, depending on the counterparty. Financial guarantee agreements, namely the Credit Support Annex for ISDA Master Agreements and Appendix III for CMOFs, are entered into to hedge derivative financial instruments exceeding certain risk levels.

Standard Global Master Repurchase Agreements (GMRA) are entered into for repo and sell/buy back transactions, while standard European Master Agreement (EMA) or Global Master Securities Lending Agreements (GMSLA) are used for securities lending transactions. The clauses of these types of contractual netting agreements include regulations on the financial guarantees or spreads on the transactions.

Details of the item “Loans and prepayments” are set out below, indicating the maximum amount of the real or personal guarantee that may be taken into consideration for each of the exposures at 31 December 2022 and 2021:

31 December 2022:

| | Maximum amount of real or personal guarantees that may be considered | | | | |
|---|---|---|---|---|---|
| | Loans secured by property | | Other loans with real guarantees | | |
| | Residential properties | Commercial properties | Cash (debt instruments issued) | Other | Financial guarantees granted |
| **Loans and prepayments** | **37,139** | - | - | **617,377** | **50,039** |
| Of which doubtful | 301 | - | - | - | - |
| Of which: Other financial companies | - | - | - | 11,549 | - |
| Of which: Non-financial companies | - | - | - | - | - |
| Of which: Households | 37,139 | - | - | - | 39 |
| Of which: Home acquisition loans | 36,846 | - | - | - | 39 |
| Of which: consumer credit | - | - | - | - | - |

31 December 2021:

| | Maximum amount of real or personal guarantees that may be considered | | | | |
|---|---|---|---|---|---|
| | Loans secured by property | | Loans secured by property | | |
| | Residential properties | Commercial properties | Cash (debt instruments issued) | Other | Financial guarantees granted |
| **Loans and prepayments** | **40,855** | **-** | **-** | **1,120,371** | **50,010** |
| Of which doubtful | 307 | - | - | - | - |
| Of which: Other financial companies | - | - | - | 13,570 | - |
| Of which: Non-financial companies | - | - | - | - | - |
| Of which: Households | 40,855 | - | - | - | 10 |
| Of which: Home acquisition loans | 40,639 | - | - | - | 6 |
| Of which: consumer credit | - | - | - | - | 1 |

## 22.4. Credit quality of unimpaired, non-past-due financial assets

### 22.4.1. Analysis of credit risk exposure by credit rating

At 31 December 2022, 78.7% of the exposure had been rated by a credit rating agency recognised by the Bank of Spain (82.1% at 31 December 2021). The distribution, by rating, of the rated exposure is as follows:

| Tier | Rating (*) | Percentage | |
|---|---|---|---|
| | | 2022 | 2021 |
| 1 | AAA-AA | 1.6% | 2.8% |
| 2 | A | 39.1% | 46.4% |
| 3 | BBB | 54.1% | 42.2% |
| 4 | BB | 4.5% | 7.9% |
| 5 | B | 0.7% | 0.7% |
| 6 | CCC and below | - | - |
| | | 100% | 100% |

(*) The exposures were classified taking the most conservative of the ratings granted by the two rating agencies used to manage the Bank's risk: Moody's and S&P.

This distribution of rated exposure excludes positions in government debt securities and guaranteed debt, debt of regional administrations and other public organisms, and that corresponding to central counterparties, all of which are exempt for the purposes of the limits to the great risks.

### 22.4.2. Classification of credit risk exposure by counterparty

Following is a detail, by counterparty, of the maximum credit risk exposure (excluding impairment losses and other measurement adjustments recognised) in connection with financial assets not past-due or impaired at 31 December 2022 and 2021:

31 December 2022:

| | Gross carrying amount | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | Of which: held for trading | Of which: Non-trading financial assets mandatorily measured at fair value through profit or loss (Note 6.2) | Of which: financial assets susceptible to impairment | Of which: restructured or refinanced debt | Of which: Doubtful | Accumulated impairment (including stage 1) | Accumulated negative changes in impairment due to credit risk deriving from doubtful exposures |
| **Derivatives** | **643,910** | **447,469** | **-** | **196,441** | **-** | **-** | - | - |
| Of which: credit institutions | 434,181 | 237,740 | - | 196,441 | - | - | - | - |
| Of which: other financial companies | 209,729 | 209,729 | - | - | - | - | - | - |
| **Equity instruments** | **110,790** | **102,253** | **5,804** | **2,733** | **-** | **-** | **-** | **-** |
| Of which: credit institutions | 28,629 | 28,629 | - | - | - | - | - | - |
| Of which: other financial companies | 3,707 | 2,325 | - | 1,382 | - | - | - | - |
| Of which: other non-financial companies | 78,454 | 71,299 | 5,804 | 1,351 | - | - | - | - |
| Cash balances at central banks and other demand deposits (Note 7) | **7,677,636** | **-** | | **7,677,636** | **-** | **16** | **(88)** | **-** |
| **Debt securities (Notes 8, 9 and 10)** | **3,224,390** | **307,324** | **9,135** | **2,907,931** | **-** | **-** | **(5,163)** | **-** |
| Central banks | 115,616 | - | - | 115,616 | - | - | - | - |
| Public administrations | 2,267,916 | 171,456 | - | 2,096,460 | - | - | - | - |
| Credit institutions | 290,830 | 70,020 | - | 220,810 | - | - | - | - |
| Other financial companies | 140,843 | 4,995 | 9,135 | 126,713 | - | - | (970) | - |
| Non-financial companies | 409,185 | 60,853 | - | 348,332 | - | - | (4,193) | - |
| **Loans and prepayments** | **2,236,902** | **-** | **-** | **2,236,902** | **289** | **403** | **(393)** | **-** |
| Central banks (Note 7) | 1 | - | - | 1 | - | - | - | - |
| Public administrations | 532,623 | - | - | 532,623 | - | - | - | - |
| Credit institutions (Notes 7 and 9) | 1,353,016 | - | - | 1,353,016 | - | 25 | (25) | - |
| Other financial companies | 307,241 | - | - | 307,241 | - | - | (186) | - |
| Non-financial companies | 2,166 | - | - | 2,166 | - | - | (14) | - |
| Of which: small and medium sized companies | 1,706 | - | - | 1,706 | - | - | (12) | - |
| Households | 41,855 | - | - | 41,855 | 289 | 378 | (168) | - |
| Of which: loans secured by residential properties | 37,525 | - | - | 37,525 | 255 | 324 | (42) | - |
| Of which: consumer loans | 2,159 | - | - | 2,159 | - | 14 | (47) | - |

31 December 2021:

| | Gross carrying amount | | | | | | |
|---|---|---|---|---|---|---|---|
| | Total | Of which: held for trading | Of which: financial assets susceptible to impairment | Of which: restructured or refinanced debt | Of which: doubtful | Accumulated impairment (including stage 1) | Accumulated negative changes in impairment due to credit risk deriving from doubtful exposures |
| **Derivatives** | **791,682** | **781,545** | **10,137** | **-** | **-** | - | - |
| Of which: credit institutions | 501,114 | 490,977 | 10,137 | - | - | - | - |
| Of which: other financial companies | 279,775 | 279,775 | - | - | - | - | - |
| **Equity instruments** | **300,077** | **292,528** | **3,000** | **-** | **-** | **-** | **-** |
| Of which: credit institutions | 30,387 | 25,837 | - | - | - | - | - |
| Of which: other financial companies | 3,926 | 2,560 | 1,366 | - | - | - | - |
| Of which: other non-financial companies | 265,765 | 264,131 | 1,634 | - | - | - | - |
| Cash balances at central banks and other demand deposits (Note 7) | 8,499,641 | - | 8,499,641 | - | 175 | (188) | - |
| **Debt securities (Notes 8 and 9)** | **3,723,561** | **340,308** | **3,359,333** | **-** | **-** | **(4,519)** | **-** |
| Central banks | 87,425 | - | 87,425 | - | - | - | - |
| Public administrations | 2,910,390 | 247,426 | 2,662,965 | - | - | - | - |
| Credit institutions | 217,340 | 42,982 | 174,359 | - | - | - | - |
| Other financial companies | 132,678 | 4,976 | 113,765 | - | - | (735) | - |
| Non-financial companies | 375,728 | 44,924 | 320,819 | - | - | (3,784) | |
| **Loans and prepayments** | **3,090,307** | **-** | **3,089,294** | **1,329** | **1,445** | **(313)** | **(903)** |
| Central banks (Note 7) | 16,174 | - | 16,174 | - | - | - | - |
| Public administrations | 649,715 | - | 649,715 | - | - | - | - |
| Credit institutions (Notes 7 and 9) | 2,094,223 | - | 2,094,223 | - | 25 | (25) | - |
| Other financial companies | 279,387 | - | 279,387 | - | - | (94) | - |
| Non-financial companies | 4,588 | - | 3,575 | 1,013 | 1,013 | (11) | (903) |
| Of which: small and medium sized companies | 2,657 | - | 1,644 | 1,013 | 1,013 | (10) | (903) |
| Households | 46,220 | - | 46,220 | 316 | 407 | (183) | - |
| Of which: loans secured by residential properties | 41,564 | - | 41,564 | 277 | 345 | (59) | - |
| Of which: consumer loans | 2,489 | - | 2,489 | - | 18 | (51) | - |

## 22.5. Information on non-performing loans ratios

In view of the activities carried on by the Group and the risk profile assumed by it, its non- performing loans ratios, measured as non-performing assets as a percentage of total credit risk, is 0.01% at 31 December 2022 and 2021.

## 22.6. Financial assets renegotiated in the year

At 31 December 2022, the Group had five refinanced transactions with employees, motivated by the non-payment of installments of loans they had granted with the entity. The gross carrying amount of these transactions at 31 December 2022 was EUR 289 thousand (2021: EUR 316 thousand) and with a specific hedge of EUR 57 thousand in 2022 (2021: EUR 78 thousand).

## 22.7. Impaired assets

Following is a detail, by method used to calculate impairment losses (non-performing assets), of the financial assets at 31 December 2022 and 2021:

### At 31 December 2022:

Thousand euro

| | Assets with no significant increase in credit risk since initial recognition (stage 1) | | | Assets with a significant increase in credit risk since initial recognition, but with no credit impairment (stage 2) | | | Assets with credit impairment | | |
|---|---|---|---|---|---|---|---|---|---|
| | ≤ 30 days | > 30 days ≤ 90 days | > 90 days | ≤ 30 days | > 30 days ≤ 90 days | > 90 days | ≤ 30 days | > 30 days ≤ 90 days | > 90 days |
| **TOTAL DEBT INSTRUMENTS** | **5,126** | **-** | **-** | **-** | **116** | **-** | **-** | **-** | **302** |
| Debt securities | - | - | - | - | - | - | - | - | - |
| Central banks | - | - | - | - | - | - | - | - | - |
| Public administrations | - | - | - | - | - | - | - | - | - |
| Credit institutions | - | - | - | - | - | - | - | - | - |
| Other financial companies | - | - | - | - | - | - | - | - | - |
| Non-financial companies | - | - | - | - | - | - | - | - | - |
| Loans and prepayments | 5,126 | - | - | - | 116 | - | - | - | 302 |
| Central banks | - | - | - | - | - | - | - | - | - |
| Public administrations | - | - | - | - | - | - | - | - | - |
| Credit institutions (Note 7) | 16 | - | - | - | - | - | - | - | - |
| Other financial companies | 5,081 | - | - | - | - | - | - | - | - |
| Non-financial companies | - | - | - | - | - | - | - | - | - |
| Households | 29 | - | - | - | 116 | - | - | - | 302 |
| Loans and prepayments for products, real guarantees and subordinated items | 5,126 | - | - | - | 116 | - | - | - | 302 |
| Sight and with brief notice periods (current account) | 5,126 | - | - | - | - | - | - | - | - |
| Credit card debt | - | - | - | - | - | - | - | - | - |
| Trade receivables | - | - | - | - | - | - | - | - | - |
| Finance leases | - | - | - | - | - | - | - | - | - |
| Reverse repo loans | - | - | - | - | - | - | - | - | - |
| Other term loans | 36 | - | - | - | 116 | - | - | - | 302 |
| Prepayments other than loans | - | - | - | - | - | - | - | - | - |
| Of which: loans secured by property | 21 | - | - | - | 116 | - | - | - | 302 |
| Of which: other loans with real guarantees | - | - | - | - | - | - | - | - | - |
| Of which: consumer loans | - | - | - | - | - | - | - | - | - |
| Of which: home acquisition loans | 21 | - | - | - | 116 | - | - | - | 237 |
| Of which: project financing loans | - | - | - | - | - | - | - | - | - |

## At 31 December 2021:

Thousand euro

| | Assets with no significant increase in credit risk since initial recognition (stage 1) | | | Assets with a significant increase in credit risk since initial recognition, but with no credit impairment (stage 2) | | | Assets with credit impairment | | |
|---|---|---|---|---|---|---|---|---|---|
| | ≤ 30 days | > 30 days ≤ 90 days | > 90 days | ≤ 30 days | > 30 days ≤ 90 days | > 90 days | ≤ 30 days | > 30 days ≤ 90 days | > 90 days |
| TOTAL DEBT INSTRUMENTS | 777 | - | - | - | - | - | - | - | 69 |
| Debt securities | - | - | - | - | - | - | - | - | - |
| Central banks | - | - | - | - | - | - | - | - | - |
| Public administrations | - | - | - | - | - | - | - | - | - |
| Credit institutions | - | - | - | - | - | - | - | - | - |
| Other financial companies | - | - | - | - | - | - | - | - | - |
| Non-financial companies | - | - | - | - | - | - | - | - | - |
| Loans and prepayments | 777 | - | - | - | - | - | - | - | 69 |
| Central banks | - | - | - | - | - | - | - | - | - |
| Public administrations | - | - | - | - | - | - | - | - | - |
| Credit institutions (Note 7) | 175 | - | - | - | - | - | - | - | - |
| Other financial companies | 601 | - | - | - | - | - | - | - | - |
| Non-financial companies | - | - | - | - | - | - | - | - | - |
| Households | 1 | - | - | - | - | - | - | - | 69 |
| Loans and prepayments for products, real guarantees and subordinated items | - | - | - | - | - | - | - | - | - |
| Sight and with brief notice periods (current account) | 602 | - | - | - | - | - | - | - | - |
| Credit card debt | - | - | - | - | - | - | - | - | - |
| Trade receivables | - | - | - | - | - | - | - | - | - |
| Finance leases | - | - | - | - | - | - | - | - | - |
| Reverse repo loans | - | - | - | - | - | - | - | - | - |
| Other term loans | - | - | - | - | - | - | - | - | 69 |
| Prepayments other than loans | - | - | - | - | - | - | - | - | - |
| Of which: loans secured by property | - | - | - | - | - | - | - | - | 69 |
| Of which: other loans with real guarantees | - | - | - | - | - | - | - | - | - |
| Of which: consumer loans | - | - | - | - | - | - | - | - | - |
| Of which: home acquisition loans | - | - | - | - | - | - | - | - | 69 |
| Of which: project financing loans | - | - | - | - | - | - | - | - | - |

In connection with the information provided in the foregoing tables, it should be noted that financial assets classified as at fair value through profit or loss which might be impaired due to credit risk were not included, since when such assets are measured at fair value, any impairment losses are recognised as an adjustment to fair value in the Bank's financial statements.

Details of impaired financial assets (doubtful) and not doubtful are presented below based on their maturity dates:

Gross book value / nominal amount

| As of 31 December 2022 | TOTAL | Not doubtful: Total not doubtful | Not doubtful: Not due or outstanding ≤ 30 days | Not doubtful: Outstanding > 30 days ≤90 days | Doubtful: Total doubtful | Doubtful: Improbable payment not due or outstanding ≤ 90 days | Doubtful: Outstanding > 1 year ≤ 2 year | Doubtful: Outstanding > 2 years ≤ 5 years | Doubtful: Outstanding > 5 years ≤ 7 years | Doubtful: Of which: unpaid | Doubtful: Of which: impaired | Real guarantees received on non-doubtful exposures | Guarantees received on doubtful exposures |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Debt instruments at amortised cost | 10,221,862 | 10,221,443 | 10,221,232 | 10,217,940 | 419 | 20 | 2 | 293 | 77 | 419 | 385 | 654,215 | 302 |
| Cash balances at central banks and other demand deposits | 7,677,636 | 7,677,620 | 7,677,224 | 7,677,224 | 16 | 16 | - | - | - | 16 | 16 | - | - |
| Debt securities | 307,324 | 307,324 | 307,626 | 305,924 | - | - | - | - | - | - | - | - | - |
| Public Administrations | 283,481 | 283,481 | 283,783 | 283,783 | - | - | - | - | - | - | - | - | - |
| Other financial companies | 23,843 | 23,843 | 23,843 | 22,141 | - | - | - | - | - | - | - | - | - |
| Loans and advances | 2,236,902 | 2,236,499 | 2,236,382 | 2,234,792 | 403 | 4 | 2 | 293 | 77 | 403 | 369 | 654,215 | 302 |
| Central banks | 1 | 1 | 1 | 1 | - | - | - | - | - | - | - | - | - |
| Public Administrations | 532,623 | 532,623 | 532,623 | 532,623 | - | - | - | - | - | - | - | - | - |
| Credit institutions (Note 9) | 1,353,016 | 1,352,991 | 1,352,991 | 1,352,991 | 25 | - | - | - | - | 25 | 25 | 605,828 | - |
| Other financial companies | 307,241 | 307,241 | 307,241 | 307,241 | - | - | - | - | - | - | - | 11,549 | - |
| Non-financial corporations | 2,166 | 2,166 | 2,166 | 2,166 | - | - | - | - | - | - | - | - | - |
| Of which: small and medium-sized enterprises | 1,706 | 1,706 | 1,706 | 1,706 | - | - | - | - | - | - | - | - | - |
| Households (Note 10) | 41,855 | 41,476 | 41,360 | 41,360 | 378 | 4 | 2 | 293 | 77 | 378 | 344 | 36,838 | 302 |
| Of which: loans secured by residential property | 37,525 | 37,201 | 37,085 | 37,085 | 324 | - | - | 255 | 69 | 324 | 324 | 36,838 | 302 |
| Of which: consumer credit | 2,159 | 2,145 | 2,145 | 2,145 | 14 | 2 | - | - | 9 | 14 | 14 | - | - |
| Debt instruments at fair value through other comprehensive income | 3,215,255 | 3,215,255 | 3,215,255 | 2,590,239 | - | - | - | - | - | - | - | - | - |
| Debt securities | 3,215,255 | 3,215,255 | 3,215,255 | 2,590,239 | - | - | - | - | - | - | - | - | - |
| Central banks | 115,616 | 115,616 | 115,616 | 115,616 | - | - | - | - | - | - | - | - | - |
| Public Administrations | 2,267,916 | 2,267,916 | 2,267,916 | 1,812,677 | - | - | - | - | - | - | - | - | - |
| Credit institutions | 290,830 | 290,830 | 290,830 | 220,810 | - | - | - | - | - | - | - | - | - |
| Other financial companies | 131,708 | 131,708 | 131,708 | 102,871 | - | - | - | - | - | - | - | - | - |
| Non-financial corporations | 409,185 | 409,185 | 409,185 | 338,265 | - | - | - | - | - | - | - | - | - |
| Non-trading debt instruments mandatorily measured at fair value through profit or loss or designated at fair value through profit or loss | 9,135 | 9,135 | 9,135 | - | - | - | - | - | - | - | - | - | - |
| Debt securities | 9,135 | 9,135 | 9,135 | - | - | - | - | - | - | - | - | - | - |
| Other financial companies | 9,135 | 9,135 | 9,135 | - | - | - | - | - | - | - | - | - | - |
| Non-financial corporations | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Loans and advances | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Non-financial corporations | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Debt instruments other than those held for trading | 13,446,252 | 13,445,833 | 13,445,622 | 12,809,769 | 419 | 20 | 2 | 293 | 77 | 419 | 385 | 654,215 | 302 |
| Off-balance sheet exposures | 678,212 | 678,212 | - | 678,212 | - | - | - | - | - | - | - | 144,952 | - |
| Loan commitments granted | 503,859 | 503,859 | - | 503,859 | - | - | - | - | - | - | - | - | - |
| Public Administrations | 400,000 | 400,000 | - | 400,000 | - | - | - | - | - | - | - | - | - |
| Other financial companies | 30,373 | 30,373 | - | 30,373 | - | - | - | - | - | - | - | - | - |
| Non-financial corporations | 71,113 | 71,113 | - | 71,113 | - | - | - | - | - | - | - | - | - |
| Households | 2,373 | 2,373 | - | 2,373 | - | - | - | - | - | - | - | - | - |
| Other commitments given | 174,353 | 174,353 | - | 174,353 | - | - | - | - | - | - | - | 144,952 | - |
| Public Administrations | 1,657 | 1,657 | - | 1,657 | - | - | - | - | - | - | - | - | - |
| Credit institutions | 169,567 | 169,567 | - | 169,567 | - | - | - | - | - | - | - | 144,952 | - |
| Other financial companies | 525 | 525 | - | 525 | - | - | - | - | - | - | - | - | - |
| Non-financial corporations | 2,557 | 2,557 | - | 2,557 | - | - | - | - | - | - | - | - | - |
| Households | 47 | 47 | - | 47 | - | - | - | - | - | - | - | - | - |

Gross book value / nominal amount

| As of 31 December 2021 | TOTAL | Not doubtful: Total not doubtful | Not doubtful: Not due or outstanding ≤ 30 days | Not doubtful: Outstanding > 30 days ≤90 days | Doubtful: Total doubtful | Doubtful: Improbable payment not due outstanding ≤ 90 days | Doubtful: Outstanding > 1 year ≤ 2 years | Doubtful: Outstanding > 2 years ≤ 5 years | Doubtful: Outstanding > 5 years ≤ 7 years | Doubtful: Of which: unpaid | Doubtful: Of which: impaired | Real guarantees received on non-doubtful exposures | Guarantees received on doubtful exposures |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Debt instruments at amortised cost | 11,698,821 | 11,698,215 | 11,698,215 | 11,696,463 | 606 | 462 | 3 | 39 | 102 | 607 | 562 | 1,160,920 | 307 |
| Cash balances at central banks and other demand deposits | 8,499,642 | 8,499,467 | 8,499,467 | 8,499,467 | 175 | 175 | - | - | - | 175 | 175 | - | - |
| Debt securities | 109,886 | 109,886 | 109,886 | 108,134 | - | - | - | - | - | - | - | - | - |
| Public Administrations | 85,199 | 85,199 | 85,199 | 85,199 | - | - | - | - | - | - | - | - | - |
| Other financial companies | 24,687 | 24,687 | 24,687 | 22,935 | - | - | - | - | - | - | - | - | - |
| Loans and advances | 3,089,293 | 3,088,862 | 3,088,862 | 3,088,862 | 431 | 287 | 3 | 39 | 102 | 432 | 387 | 1,160,920 | 307 |
| Central banks | 16,174 | 16,174 | 16,174 | 16,174 | - | - | - | - | - | - | - | - | - |
| Public Administrations | 649,715 | 649,715 | 649,715 | 649,715 | - | - | - | - | - | - | - | - | - |
| Credit institutions (Note 9) | 2,094,224 | 2,094,199 | 2,094,199 | 2,094,199 | 25 | - | - | - | 25 | 25 | 25 | 1,106,801 | - |
| Other financial companies | 279,387 | 279,387 | 279,387 | 279,387 | - | - | - | - | - | - | - | 13,570 | - |
| Non-financial corporations | 3,574 | 3,574 | 3,574 | 3,574 | - | - | - | - | - | - | - | - | - |
| Of which: small and medium-sized enterprises | 1,644 | 1,644 | 1,644 | 1,644 | - | - | - | - | - | - | - | - | - |
| Households (Note 10) | 46,219 | 45,813 | 45,813 | 45,813 | 406 | 287 | 3 | 39 | 77 | 407 | 362 | 40,549 | 307 |
| Of which: loans secured by residential property | 41,565 | 41,219 | 41,219 | 41,219 | 346 | 277 | - | - | 69 | 345 | 345 | 40,549 | 307 |
| Of which: consumer credit | 2,488 | 2,470 | 2,470 | 2,470 | 18 | 9 | - | - | 9 | 18 | 12 | - | - |
| Debt instruments at fair value through other comprehensive income | 3,249,446 | 3,249,446 | 3,249,446 | 3,239,380 | - | - | - | - | - | - | - | - | - |
| Debt securities | 3,249,446 | 3,249,446 | 3,249,446 | 3,239,380 | - | - | - | - | - | - | - | - | - |
| Central banks | 87,425 | 87,425 | 87,425 | 87,425 | - | - | - | - | - | - | - | - | - |
| Public Administrations | 2,577,765 | 2,577,765 | 2,577,765 | 2,577,765 | - | - | - | - | - | - | - | - | - |
| Credit institutions | 174,359 | 174,359 | 174,359 | 174,359 | - | - | - | - | - | - | - | - | - |
| Other financial companies | 89,078 | 89,078 | 89,078 | 89,078 | - | - | - | - | - | - | - | - | - |
| Non-financial corporations | 320,819 | 320,819 | 320,819 | 310,753 | - | - | - | - | - | - | - | - | - |
| Non-trading debt instruments mandatorily measured at fair value through profit or loss or designated at fair value through profit or loss | 24,937 | 23,924 | 23,924 | - | 1,013 | 1,013 | - | - | - | 1,013 | - | - | - |
| Debt securities | 23,924 | 23,924 | 23,924 | - | - | - | - | - | - | - | - | - | - |
| Other financial companies | 13,937 | 13,937 | 13,937 | - | - | - | - | - | - | - | - | - | - |
| Non-financial corporations | 9,987 | 9,987 | 9,987 | - | - | - | - | - | - | - | - | - | - |
| Loans and advances | 1,013 | - | - | - | 1,013 | 1,013 | - | - | - | 1,013 | - | - | - |
| Non-financial corporations | 1,013 | - | - | - | 1,013 | 1,013 | - | - | - | 1,013 | - | - | - |
| Debt instruments other than those held for trading | 14,973,204 | 14,971,585 | 14,971,585 | 14,935,843 | 1,619 | 1,475 | 3 | 39 | 102 | 1,620 | 562 | 1,160,920 | 307 |
| Off-balance sheet exposures | 633,303 | 633,303 | - | 633,303 | - | - | - | - | - | - | - | 18,944 | - |
| Loan commitments granted | 561,871 | 561,871 | - | 561,871 | - | - | - | - | - | - | - | - | - |
| Public Administrations | 471,000 | 471,000 | - | 471,000 | - | - | - | - | - | - | - | - | - |
| Other financial companies | 16,318 | 16,318 | - | 16,318 | - | - | - | - | - | - | - | - | - |
| Non-financial corporations | 71,344 | 71,344 | - | 71,344 | - | - | - | - | - | - | - | - | - |
| Households | 3,209 | 3,209 | - | 3,209 | - | - | - | - | - | - | - | - | - |
| Other commitments given | 71,431 | 71,431 | - | 71,431 | - | - | - | - | - | - | - | 18,944 | - |
| Credit institutions | 68,679 | 68,679 | - | 68,679 | - | - | - | - | - | - | - | 18,944 | - |
| Other financial companies | 113 | 113 | - | 113 | - | - | - | - | - | - | - | - | - |
| Non-financial corporations | 2,564 | 2,564 | - | 2,564 | - | - | - | - | - | - | - | - | - |
| Households | 75 | 75 | - | 75 | - | - | - | - | - | - | - | - | - |

The transactions considered to be impaired (doubtful assets) by the Group at 31 December 2022 that are classified into the categories of "Loans and prepayment to credit institutions" and "Loans and prepayments to customers" total EUR 420 thousand (EUR 606 thousand at 31 December 2021).

## 22.8. Changes in, and distribution of, impairment losses

Following are the changes in the impairment losses due to credit risk recognised by the Group in 2022 and 2021. Excluding value adjustments for overnight deposits in Note 7:

At 31 December 2022:

| | Opening balance | Origination and acquisition increases | Decreases due to derecognition of accounts | Changes to the variance in credit risk | Changes due to modifications without derecognition (net) | Decrease in the value adjustment account for written-off write-offs | Other adjustments | Closing balance |
|---|---|---|---|---|---|---|---|---|
| **Total adjustment for debt instruments** | **(4,789)** | **(897)** | **401** | **(302)** | **-** | **-** | **21** | **(5,566)** |
| **Adjustments for financial assets without an increase in credit risk since initial recognition (Stage 1)** | **(2,082)** | **(894)** | **401** | **(275)** | **-** | **-** | **21** | **(2,829)** |
| Debt securities (Note 8) | (1,895) | (617) | 321 | (305) | - | - | 3 | (2,493) |
| Loans and prepayments (Note 9) | (187) | (277) | 80 | 30 | - | - | 18 | (336) |
| Of which: measurement adjustments jointly calculated | (1,282) | (894) | 401 | (321) | - | - | 5 | (2,891) |
| Of which: measurement adjustments individually calculated | - | - | - | - | - | - | - | - |
| **Adjustments due to debt instruments with a significant increase in credit risk since initial recognition, but without credit impairment (stage 2)** | **(2,627)** | **-** | **-** | **(43)** | **-** | **-** | **-** | **(2,670)** |
| Debt securities (Notes 9 and 10) | (2,627) | - | - | (43) | - | - | - | (2,670) |
| Loans and prepayments (Note 10) | - | - | - | - | - | - | - | - |
| Of which: measurement adjustments jointly calculated | - | - | - | - | - | - | - | - |
| Of which: measurement adjustments individually calculated | (2,627) | - | - | (43) | - | - | - | (2,670) |
| **Adjustments due to debt instruments with credit impairment (stage 3)** | **(80)** | **(3)** | **-** | **16** | **-** | **-** | **-** | **(67)** |
| Debt securities | - | - | - | - | - | - | - | - |
| Loans and prepayments (Note 10) | (80) | (3) | - | 16 | - | - | - | (67) |
| Of which: measurement adjustments jointly calculated | (55) | (3) | - | 16 | - | - | - | (42) |
| Of which: measurement adjustments individually calculated | (25) | - | - | - | - | - | - | (25) |

Phase 2 debt securities include impairment losses on financial assets at fair value through other comprehensive income as well as at amortised cost.

Phase 3 includes allowances for loans and advances to credit institutions and the portion of impairment losses on loans and advances to customers of doubtful assets.

At 31 December 2022:

| | Gross carrying amount / Nominal amount | | | | | |
|---|---|---|---|---|---|---|
| | Transfers between stage 1 and stage 2 | | Transfers between stage 2 and stage 3 | | Transfers between stage 1 and stage 3 | |
| | To stage 2 from stage 1 | To stage 1 from stage 2 | To stage 3 from stage 2 | To stage 2 from stage 3 | To stage 3 from stage 1 | To stage 1 from stage 3 |
| Total debt instruments | - | - | - | - | 5 | 6 |
| Debt securities | - | - | - | - | - | - |
| Central banks | - | - | - | - | - | - |
| Public administrations | - | - | - | - | - | - |
| Credit institutions | - | - | - | - | - | - |
| Other financial companies | - | - | - | - | - | - |
| Non-financial companies | - | - | - | - | - | - |
| Loans and prepayments | - | - | - | - | 5 | 6 |
| Central banks | - | - | - | - | - | - |
| Public administrations | - | - | - | - | - | - |
| Credit institutions | - | - | - | - | - | - |
| Other financial companies | - | - | - | - | - | - |
| Non-financial companies | - | - | - | - | | - |
| Households | - | - | - | - | 5 | 6 |
| Commitments and financial guarantees | - | - | - | - | - | - |

At 31 December 2021:

| | Opening balance | Origination and acquisition increases | Decreases due to derecognition of accounts | Changes to the variance in credit risk | Changes due to modifications without derecognition (net) | Decrease in the value adjustment account for written-off write-offs | Other adjustments | Closing balance |
|---|---|---|---|---|---|---|---|---|
| **Total adjustment for debt instruments** | **(8,996)** | **(1,240)** | **945** | **149** | **4,513** | **-** | **(202)** | **(4,831)** |
| **Adjustments for financial assets without an increase in credit risk since initial recognition (Stage 1)** | **(1,759)** | **(1,240)** | **943** | **90** | **(115)** | **-** | **-** | **(2,081)** |
| Debt securities (Note 8) | (1,364) | (1,199) | 750 | 33 | (115) | - | - | (1,895) |
| Loans and prepayments (Note 9) | (395) | (41) | 192 | 57 | - | - | - | (187) |
| Of which: measurement adjustments jointly calculated | (1,759) | (1,240) | 943 | 90 | (115) | - | - | (2,081) |
| Of which: measurement adjustments individually calculated | - | - | - | - | - | - | - | - |
| **Adjustments due to debt instruments with a significant increase in credit risk since initial recognition, but without credit impairment (stage 2)** | **(7,099)** | **-** | **-** | **42** | **4,628** | **-** | **(196)** | **(2,625)** |
| Debt securities (Notes 8 and 9) | (7,098) | - | - | 42 | 4,627 | - | (196) | (2,625) |
| Loans and prepayments (Note 9) | (1) | - | - | - | 1 | - | - | - |
| Of which: measurement adjustments jointly calculated | (1) | - | - | - | 1 | - | - | - |
| Of which: measurement adjustments individually calculated | (7,098) | - | - | 42 | 4,627 | - | (196) | (2,625) |
| **Adjustments due to debt instruments with credit impairment (stage 3)** | **(95)** | **-** | **2** | **13** | **-** | **-** | **-** | **(80)** |
| Debt securities | - | - | - | - | - | - | - | - |
| Loans and prepayments (Note 9) | (95) | - | 2 | 13 | - | - | - | (80) |
| Of which: measurement adjustments jointly calculated | (70) | - | 2 | 13 | - | - | - | (55) |
| Of which: measurement adjustments individually calculated | *(25)* | - | - | - | - | - | - | *(25)* |

At 31 December 2021:

| | Gross carrying amont / Nominal amount | | | | | |
|---|---|---|---|---|---|---|
| | Transfers between stage 1 and stage 2 | | Transfers between stage 2 and stage 3 | | Transfers between stage 1 and stage 3 | |
| | To stage 2 from stage 1 | To stage 1 from stage 2 | To stage 3 from stage 2 | To stage 2 from stage 3 | To stage 3 from stage 1 | To stage 1 from stage 3 |
| **Total debt instruments** | **-** | **23,002** | **-** | **-** | **1,013** | **2** |
| Debt securities | - | 22,935 | - | - | - | - |
| Central banks | - | - | - | - | - | - |
| Public administrations | - | - | - | - | - | - |
| Credit institutions | - | - | - | - | - | - |
| Other financial companies | - | 22,935 | - | - | - | - |
| Non-financial companies | - | - | - | - | - | - |
| **Loans and prepayments** | **-** | **67** | **-** | **-** | **1,013** | **2** |
| Central banks | - | - | - | - | - | - |
| Public administrations | - | - | - | - | - | - |
| Credit institutions | - | - | - | - | - | - |
| Other financial companies | - | - | - | - | - | - |
| Non-financial companies | - | - | - | - | 1,013 | - |
| Households | - | 67 | - | - | - | 2 |
| Commitments and financial guarantees granted | - | - | - | - | - | - |

## 22.9. Past-due but not impaired assets

At 31 December 2022 and 2021 the Group had not recognised any material past-due but not impaired assets in its financial statements.

## 22.10. Write-off of impaired financial assets

At 31 December 2022 and 2021 the Group did not have any material financial assets that, pursuant to the criteria set forth in Note 2, had been written off due to credit risk, and there were no significant changes in this connection during those years.

Furthermore, during the 2022 fiscal year, the loan to 2GETHER MONEY MANAGEMENT S.L. has been written off as there are no reasonable expectations of recovery.

## 22.11. Exposure to real estate risk

The only operations granted by the Group at 31 December 2022 and 2021 concerning real state exposure are those loans intended to be used for housing acquisition, which are granted to its employees. Following is a detail of the latter:

At 31 December 2022:

| | | | | | | Carrying amount | |
|---|---|---|---|---|---|---|---|
| | Gross carrying amount | Central banks | Public administrations | Credit institutions | Other financial | Central banks | Public administrations |
| **LOANS AND PREPAYMENTS** | **9,912,552** | **7,548,435** | **532,623** | **1,481,708** | **305,401** | **2,152** | **41,686** |
| Real guarantees | - | - | - | - | - | - | - |
| Of which: loans secured by property | 37,525 | - | - | - | - | - | 37,483 |
| Of which: other loans with real guarantees | 637,231 | - | - | 621,590 | 15,611 | - | - |

At 31 December 2021:

| | | | | | | Carrying amount | |
|---|---|---|---|---|---|---|---|
| | Gross carrying amount | Central banks | Public administrations | Credit institutions | Other financial | Central banks | Public administrations |
| **LOANS AND PREPAYMENTS** | **11,589,949** | **8,405,041** | **649,715** | **2,204,785** | **279,293** | **3,674** | **46,036** |
| Real guarantees | - | - | - | - | - | - | - |
| Of which: loans secured by property | 41,564 | - | - | - | - | - | 41,505 |
| Of which: other loans with real guarantees | 1,140,449 | - | - | 1,126,855 | 13,590 | - | - |

Below is a breakdown of past-due credit with mortgage guarantee to households for Housing acquisition, according to the phase in which they are classified as of December 31, 2022 and 2021:

At 31 December 2022:

| | | | | | | | | | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| | Assets without a significant increase in credit risk since initial recognition (phase 1) | | | Assets with a significant increase in credit risk since initial recognition, but no credit deterioration (phase 2) | | | Credit impaired assets (phase 3) | | |
| | ≤ 30 days | > 30 days ≤ 90 days | > 90 days | ≤ 30 days | > 30 days ≤ 90 days | > 90 days | ≤ 30 days | > 30 days ≤ 90 days | > 90 days |
| Real guarantees | - | - | - | - | - | - | - | - | - |
| Other term loans | 21 | - | - | - | 116 | - | - | - | 301 |
| Of which: loans secured by property | 21 | - | - | - | 116 | - | - | - | 301 |
| Of which: other loans with real guarantees | 21 | - | - | - | 116 | - | - | - | 237 |

At 31 December 2021:

Carrying amount

| | Assets without a significant increase in credit risk since initial recognition (phase 1) | | | Assets with a significant increase in credit risk since initial recognition, but no credit deterioration (phase 2) | | | Credit impaired assets (phase 3) | | |
|---|---|---|---|---|---|---|---|---|---|
| | ≤ 30 days | > 30 days ≤ 90 days | > 90 days | ≤ 30 days | > 30 days ≤ 90 days | > 90 days | ≤ 30 days | > 30 days ≤ 90 days | > 90 days |
| Real guarantees | - | - | - | - | - | - | - | - | - |
| Other term loans | - | - | - | - | - | - | - | - | 69 |
| Of which: loans secured by property | - | - | - | - | - | - | - | - | 69 |
| Of which: other loans with real guarantees | - | - | - | - | - | - | - | - | 69 |

## 22.12. Other disclosures on credit risk

The amount of accrued, past-due uncollected receivables on impaired financial assets was not material at 31 December 2022 and 2021 or in the years then ended.

In 2022 and 2021 no guarantees associated with financial assets owned by the Group were executed in order to guarantee the collection thereof.

# 23. Exposure to market risk

Market risk is defined as the risk that affects results or capital as a result of adverse changes in the prices of bonds, securities and commodities and in the exchange rates of transactions recognised in the trading book. This risk arises in market making and trading activities and the taking of positions in bonds, securities, foreign currencies, commodities and derivatives (on bonds, securities, currencies and commodities). This risk includes foreign currency risk, which is defined as the actual or potential risk that affects results or capital as a result of adverse changes in exchange rates in the banking book.

The exposure direct to market risk arises from several financial factors affecting market prices. These factors include mainly, but not only the following:

### Interest rates risk

Interest rate risk is the exposure to market fluctuations due to changes in the general level of interest rates.

### Currency risk

The currency risk to which the Group is exposed arises from its FX activities in the international capital markets.

### Variable income

Represents the risk of incurring losses as a result of a change in stock prices.

Value at Risk (“VaR”) provides an integrated measure of market risk and encompasses the basic elements thereof: interest rate risk, foreign currency risk, equity risk and the risk of volatility of the foregoing factors.

The distribution of the VaR of the trading book by desk at 31 December 2022 and 2021 is as follows:

| | Thousand euro | |
|---|---|---|
| | 2022 | 2021 |
| Money and currency markets | 831 | 654 |
| Forex products | 275 | 142 |
| Debt table | 85 | 60 |
| Variable income table | 179 | 231 |
| Derivatives products | 102 | 110 |
| Credit table | 274 | 157 |
| Banknotes | 34 | 13 |

For the operation in certain types of complex exotic options, for which risk management and measurement is very complicated, the general policy is to eliminate this portfolio risk by contracting "back to back" operations (mirror) in the market.

The Board of Directors establishes global limits as part of the establishment of the risk tolerance framework. The limit structure is based on the VaR methodology mentioned above and on the values of maximum real loss authorised with different time horizons.

## 24. Liquidity risk

Liquidity risk is defined as:

- The uncertainty regarding the availability, at reasonable prices, of funds to enable the Group to meet its commitments when recourse to external financing is difficult for a particular period of time.

- The maintenance or generation of levels of liquidity required to finance future business growth.

In other words, this risk reflects the probability of incurring losses or having to reject new business or growth in current business as a result of being unable to meet commitments normally when they fall due or being unable to finance additional needs at market rates. In order to mitigate this risk, the Group periodically monitors its liquidity conditions and assesses any action that may be required. Furthermore, the Group has planned measures to enable it to restore the Group's overall financial equilibrium in the event of a possible shortfall in liquidity.

Liquidity risk management consists of ensuring the availability at all times of the instruments and processes that will enable the Group to meet its payment commitments on a timely basis, in such a manner that it will have the resources required to maintain sufficient liquidity levels to meet its payments without significantly compromising the Group's results, and maintain the mechanisms which will enable it to meet those payment commitments if various possible scenarios should arise.

Generally speaking, the Group has traditionally had various means of raising liquidity, including that of attracting customer deposits, the use of various cash facilities made available by official agencies, and the obtainment of liquidity through the interbank market.

The liquidity gap is the profile of maturities and settlements by risk type (assets and liabilities classified by residual maturity plus the interest flows arising from all the balance sheet aggregates) and shows the mismatch structure in the balance sheet in terms of cash inflows and outflows.

The Group also monitors the available liquid assets in order to identify possible sources of liquidity to be used in the event of a liquidity contingency.

The Board of Directors, as part of its oversight function, establishes a framework of liquidity risk limits geared towards ensuring that the Bank complies comfortably with regulatory requirements vis-à-vis its liquidity position, and that it continues to perform transactions on the markets and conduct its business activity in such a way as to ensure the sufficient diversification of its sources of funds. These limits are set on the basis of a series of liquidity ratios whose purpose is to assess and measure the Group's on-balance-sheet liquidity.

Stress tests are also carried out, combining various scenarios involving restricted access to capital markets, a mass withdrawal of demand deposits, the drawdown of contingent liquidity commitments, and other external market conditions.

In addition, a series of liquidity-crisis early-warning and intensity indicators are monitored on a daily basis and a detailed, permanently updated inventory is kept of the on-balance-sheet assets that are readily convertible into cash.

## 25. Interest rate risk

Structural on-balance-sheet interest rate risk can be defined as the exposure of an entity's financial and economic position to adverse changes in interest rates, resulting from timing mismatches between the maturity and repricing dates of global balance sheet items. This risk is a quintessential element of the banking business and can have a major effect on the financial margin and the economic value of equity. Consequently, a risk management capable of maintaining interest rate risk at prudent levels is indispensable in order to safeguard and bolster the Group's position (see Notes 2.4 and 11).

The Group's business and management efforts focus on achieving a stable, recurring earnings structure and are geared towards preserving the economic value of equity, with a view to guaranteeing the orderly growth of the Group in the long term.

To attain the objectives described above the Group has created an on-balance-sheet structural risk limit structure to guarantee that risk exposure levels are within the tolerance level set by senior management. The Board of Directors defines the general framework for the management of the balance sheet and approves the risk limits based on its risk tolerance. Structural risks are managed at short, medium- and long-term using limits that are approved by the Board itself and monitored on a monthly basis.

Thus, certain limits are set in terms of sensitivity to changes in market interest rates. These changes affect both net interest income and economic value.

Senior management is actively involved in on-balance-sheet risk management through the Asset-Liability Committee (ALCO). This committee is responsible for taking the action required to correct any possible on-balance-sheet risk imbalances.

In order to measure, analyse and control the structural risk management of the balance sheet, an analysis is carried out to measure the excess or defect of the volume of sensitive assets against the sensitive liability, such as unmatched volume (and therefore not covered) and subject to possible variations in interest rates. In this way, exposure to risk is identified by studying the concentration of masses with risk of repricing for temporarily significant periods.

Similarly, in order to include a dynamic analysis of the balance sheet with respect to various interest rate scenarios, it performs simulations of the performance of the net interest margin over a time horizon of one year. This enables it to analyse the effect of changes due to fluctuations in interest rates based on the repricing gaps of the various balance sheet items.

To complete these sensitivity measures, a methodology which is similar to Market VaR is applied to allow the economic value of the capital at risk to be calculated for a one-month time horizon with a confidence level of 99%, taking into account all the risk factors which affect the balance sheet.

# 26. Risk concentration

## 26.1 Risk concentration by activity and geographical area

Following is a detail, by geographical area of counterparty residence and type and category of financial instrument, of the distribution of the carrying amount of the Group's financial assets at 31 December 2022 and 2021 (including measurement adjustments):

### Risk Concentration by activity and geographical area. Total activity (book value):

31 December 2022:

Thousand euro

| | Total | Spain | Rest of the European Union | America | Rest of the world |
|---|---|---|---|---|---|
| **Central banks and credit institutions** | **9,897,294** | **8,964,600** | **673,085** | **130,896** | **128,713** |
| **Public institutions** | **2,641,533** | **1,690,833** | **925,253** | **79** | **25,368** |
| Central administration | 2,078,149 | 1,127,449 | 925,253 | 79 | 25,368 |
| Other public administrations | 563,384 | 563,384 | - | - | - |
| **Other financial institutions** | **642,413** | **507,107** | **85,532** | **14,265** | **35,509** |
| **Non-financial companies and individual businesses** | **439,724** | **270,434** | **115,647** | **44,640** | **9,003** |
| Other purposes | 439,724 | 270,434 | 115,647 | 44,640 | 9,003 |
| - Large companies | 419,922 | 250,728 | 115,551 | 44,640 | 9,003 |
| - SME's and self-employed | 19,802 | 19,706 | 96 | - | - |
| **Other homes** | **41,733** | **41,733** | - | - | - |
| Homes | 38,625 | 38,625 | - | - | - |
| Consumption | 2,112 | 2,112 | - | - | - |
| Other purposes | 996 | 996 | - | - | - |
| **Total** | **13,662,697** | **11,474,707** | **1,799,517** | **189,880** | **198,593** |

31 December 2021:

Thousand euro

| | Total | Spain | Rest of the European Union | America | Rest of the world |
|---|---|---|---|---|---|
| **Central banks and credit institutions** | **11,481,884** | **10,166,265** | **954,700** | **150,156** | **210,763** |
| **Public institutions** | **3,559,480** | **2,562,266** | **986,087** | **-** | **11,127** |
| Central administration | 2,794,209 | 1,796,995 | 986,087 | - | 11,127 |
| Other public administrations | 765,271 | 765,271 | - | - | - |
| **Other financial institutions** | **695,973** | **535,213** | **90,569** | **10,125** | **60,066** |
| **Non-financial companies and individual businesses** | **647,934** | **458,430** | **125,268** | **53,156** | **11,080** |
| Construction and real estate development (including land) | - | - | - | - | - |
| Execution of civil works | - | - | - | - | - |
| Other purposes | 647,934 | 458,430 | 125,268 | 53,156 | 11,080 |
| - Large companies | 637,587 | 448,832 | 125,238 | 53,156 | 10,361 |
| - SME's and self-employed | 10,347 | 9,598 | 30 | - | **719** |
| **Other homes** | **46,111** | **45,584** | **1** | **-** | **526** |
| Homes | 42,939 | 42,413 | - | - | 526 |
| Consumption | 2,438 | 2,437 | 1 | - | - |
| Other purposes | 734 | 734 | - | - | - |
| **Total** | **16,431,382** | **13,767,758** | **2,156,625** | **213,437** | **293,562** |

## Risk Concentration by activity and geographical area. Total activity (book value):

## Total activity (book value):

31 December 2022:

Thousand euro

| | | Autonomous communities | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Andalucía | Aragón | Asturias | Baleares | Canarias | Cantabria | Castilla La Mancha | Castilla y León | Cataluña |
| **Credit Institutions** | **8,964,600** | **320,941** | **19,139** | **-** | **3,084** | **-** | **469,189** | **-** | **-** | **22** |
| **Public Administrations** | **1,690,833** | **70,191** | **75,481** | **-** | **92,283** | **-** | **-** | **77,138** | **29,298** | **22,659** |
| · Central Administration | 1,127,449 | - | - | - | - | - | - | - | - | - |
| · Other | 563,384 | 70,191 | 75,481 | - | 92,283 | - | - | 77,138 | 29,298 | 22,659 |
| **Other Credit Institutions** | **507,107** | **17,775** | - | - | - | - | - | - | **9,267** | **8,834** |
| **Non- financial societies and individual entrepreneurs** | **270,434** | **-** | **-** | **-** | **192** | **-** | **-** | **1,060** | **-** | **23,458** |
| · Construction and property development (including land) | - | - | - | - | - | - | - | - | - | - |
| · Construction of CivilWorks | - | - | - | - | - | - | - | - | - | - |
| · Other purposes | 270,434 | - | - | - | 192 | - | - | 1,060 | - | 23,458 |
| - Large companies | 250,728 | - | - | - | 191 | - | - | - | - | 22,828 |
| SMEs and Individualentrepreneurs | 19,706 | - | - | - | 1 | - | - | 1,060 | - | 630 |
| **Rest of households** | **41,733** | **8** | - | - | - | - | - | **1,083** | **-** | **1** |
| · Houses | 38,625 | - | - | - | - | - | - | 1,037 | - | - |
| · Consumption | 2,112 | 8 | - | - | - | - | - | 46 | - | - |
| · Other purposes | 996 | - | - | - | - | - | - | - | - | 1 |
| **Total** | **11,474,707** | **408,915** | **94,620** | **-** | **95,559** | **-** | **469,189** | **79,281** | **38,565** | **54,974** |

Thousand euro

| | Autonomous communities | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Extremadura | Galicia | Madrid | Murcia | Navarra | Com. Valenciana | País Vasco | La Rioja | Ceuta y Melilla |
| **Credit Institutions** | **48** | **95,381** | **7,835,331** | **-** | **-** | **191,156** | **30,309** | **-** | **-** |
| **Public Administrations** | **81,971** | **-** | **196** | **18,627** | **262** | **53,770** | **3,019** | **38,489** | **-** |
| · Central Administration | - | - | - | - | - | - | - | - | - |
| · Other | 81,971 | - | 196 | 18,627 | 262 | 53,770 | 3,019 | 38,489 | - |
| **Other Credit Institutions** | **-** | **12,279** | **451,883** | **-** | **-** | **-** | **7,069** | **-** | **-** |
| **Non- financial societies andindividual entrepreneurs** | **-** | **21,008** | **180,486** | **-** | **-** | **38** | **44,138** | **54** | **-** |
| · Construction and property development (including land) | - | - | - | - | - | - | - | - | - |
| · Construction of CivilWorks | - | - | - | - | - | - | - | - | - |
| · Other purposes | - | 21,008 | 180,486 | - | - | 38 | 44,138 | 54 | - |
| - Large companies | - | 16,013 | 172,538 | - | - | - | 39,158 | - | - |
| - SMEs and Individual entrepreneurs | - | 4,995 | 7,948 | - | - | 38 | 4,980 | 54 | - |
| **Rest of households** | **-** | **-** | **40,634** | **-** | **-** | **7** | **-** | **-** | **-** |
| · Houses | - | - | 37,588 | - | - | - | - | - | - |
| · Consumption | - | - | 2,051 | - | - | 7 | - | - | - |
| · Other purposes | - | - | 995 | - | - | - | - | - | - |
| **Total** | **82,019** | **128,668** | **8,508,530** | **18,627** | **262** | **244,971** | **84,535** | **38,543** | **-** |

31 December 2021:

Thousand euro

| | | Autonomous communities | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Andalucía | Aragón | Asturias | Baleares | Canarias | Cantabria | Castilla La Mancha | Castilla y León | Cataluña |
| **Credit Institutions** | **10,166,265** | **512,526** | **11,174** | **-** | **1,824** | **-** | **683,813** | **-** | **-** | **-** |
| **Public Administrations** | **2,562,266** | **71,783** | **101,640** | **43,172** | **114,550** | **-** | **-** | **99,137** | **29,936** | **26,777** |
| · Central Administration | 1,796,995 | - | - | - | - | - | - | - | - | - |
| · Other | 765,271 | 71,783 | 101,640 | 43,172 | 114,550 | - | - | 99,137 | 29,936 | 26,777 |
| **Other Credit Institutions** | **535,213** | **24,445** | **-** | **-** | **1,498** | **-** | **-** | **-** | **11,619** | **1,485** |
| **Non- financial societies andindividual entrepreneurs** | **458,430** | **-** | **-** | **-** | **246** | **-** | **11,004** | **1,081** | **-** | **101,397** |
| · Construction and property development (including land) | - | - | - | - | - | - | - | - | - | - |
| · Construction of CivilWorks | - | - | - | - | - | - | - | - | - | - |
| · Other purposes | 458,430 | - | - | - | 246 | - | 11,004 | 1,081 | - | 101,397 |
| - Large companies | 448,832 | - | - | - | 246 | - | 11,004 | - | - | 100,844 |
| - SMEs and Individualentrepreneurs | 9,598 | - | - | - | - | - | - | 1,081 | - | 553 |
| **Rest of households** | **45,584** | **4** | **-** | **1** | **-** | **-** | **-** | **1,121** | **-** | **1** |
| · Houses | 42,413 | - | - | - | - | - | - | 1,064 | - | - |
| · Consumption | 2,437 | 4 | - | - | - | - | - | 57 | - | - |
| · Other purposes | 734 | - | - | 1 | - | - | - | - | - | 1 |
| **Total** | **13,767,758** | **608,758** | **112,814** | **43,173** | **118,118** | **-** | **694,817** | **101,339** | **41,555** | **129,660** |

Thousand euro

| | Autonomous communities | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Extremadura | Galicia | Madrid | Murcia | Navarra | Com. Valenciana | País Vasco | La Rioja | Ceuta y Melilla |
| **Credit Institutions** | **46** | **81,199** | **8,536,260** | **-** | **-** | **303,090** | **36,333** | **-** | **-** |
| **Public Administrations** | **116,111** | **-** | **30,211** | **19,880** | **-** | **62,497** | **-** | **49,577** | **-** |
| · Central Administration | - | - | - | - | - | - | - | - | - |
| · Other | 116,111 | - | 30,211 | 19,880 | - | 62,497 | - | 49,577 | - |
| **Other Credit Institutions** | **-** | **15,844** | **480,223** | **-** | **-** | **-** | **99** | **-** | **-** |
| **Non- financial societies andindividual entrepreneurs** | **-** | **45,293** | **266,474** | **-** | **6** | **38** | **32,837** | **54** | **-** |
| · Construction and property Development (including land) | - | - | - | - | - | - | - | - | - |
| · Construction of CivilWorks | - | - | - | - | - | - | - | - | - |
| · Other purposes | - | 45,293 | 266,474 | - | 6 | 38 | 32,837 | 54 | - |
| - Large companies | - | 45,293 | 263,600 | - | 6 | - | 27,839 | - | - |
| · SMEs and Individual entrepreneurs | - | - | 2,874 | - | - | 38 | 4,998 | 54 | - |
| **Rest of households** | **-** | **1** | **44,452** | **-** | **-** | **4** | **-** | **-** | **-** |
| · Houses | - | - | 41,349 | - | - | - | - | - | - |
| · Consumption | - | 1 | 2,371 | - | - | 4 | - | - | - |
| · Other purposes | - | - | 732 | - | - | - | - | - | - |
| **Total** | **116,157** | **142,337** | **9,635,979** | **19,880** | **6** | **365,629** | **69,269** | **49,631** | **-** |

Furthermore, the invasion of Ukraine by Russia is causing, among other effects, a variation in the price of certain commodities and energy costs, as well as the maintenance of sanctions, embargoes, and restrictions towards Russia that impact the economy in general and companies operating with and in Russia specifically. The extent to which this military conflict impacts the portfolios and operations of the Bank will depend on the development of future events that cannot be reliably predicted as of the date of these annual accounts. However, as of December 31, 2022, the Bank has no exposure in either Ukraine or Russia.

## 26.2 Concentration of equity instruments

Following is a detail, by type of market listing, if any, and issuer, of the equity instruments held by the Group at 31 December 2022 and 2021. Details of financial instruments classified according to the market on which they are listed are provided in Notes 8, 9 and 12, respectively.

31 December 2022:

Thousand euro

| | Financial assets held for trading (Note 8.1) | Non-trading financial assets mandatorily at fair value through profit or loss (Note 8.2) | Financial assets at fair value through other comprehensive income (Note 9) | Non-current assets and disposable groups of items classified as held for sale (Note 12) | Total |
|---|---|---|---|---|---|
| **Depending on the type of issuer** | | | | | |
| Spanish financial institutions | 28,629 | 5,804 | - | - | 34,433 |
| Other Spanish companies | 72,559 | - | 2,289 | - | 74,848 |
| Other foreign companies | 1,065 | - | 444 | - | 1,509 |
| | **102,253** | **5,804** | **2,733** | **-** | **110,790** |

31 December 2021:

Thousand euro

| | Financial assets held for trading (Note 8.1) | Non-trading financial assets mandatorily at fair value through profit or loss (Note 8.2) | Financial assets at fair value through other comprehensive income (Note 9) | Non-current assets and disposable groups of items classified as held for sale (Note 12) | Total |
|---|---|---|---|---|---|
| **Depending on the type of issuer** | | | | | |
| Spanish financial institutions | 25,837 | 4,550 | - | - | 30,387 |
| Other Spanish companies | 265,403 | - | 2,572 | - | 267,975 |
| Other foreign companies | 1,288 | - | 430 | - | 1,718 |
| | 292,528 | 4,550 | 3,002 | - | 300,080 |

# 27. Other significant disclosures

## 27.1 Commitments and Contingent liabilities

“Financial Guarantees Provided” are defined as the amounts that would be payable by the Group on behalf of third parties as a result of the commitments assumed by the Group in the course of its ordinary business, if the parties who are originally liable to pay fail to do so.

Also, contingent commitments are possible obligations for the Group that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group and that may give rise to the recognition of financial assets.

The breakdown of the balance of Memorandum Items in the consolidated balance sheets at 31 December 2022 and 2021 is as follows:

Thousand euro

| | 2022 | 2021 |
|---|---|---|
| **Loan commitments granted** | | |
| Public administrations | 400,000 | 471,000 |
| Other financial companies | 30,373 | 16,318 |
| Non-financial companies | 71,113 | 71,344 |
| Households | 2,373 | 3,209 |
| | **503,859** | **561,871** |
| **Financial guarantees granted** | | |
| Credit institutions | - | - |
| | - | - |
| **Other commitments granted** | | |
| Credit institutions | 169,567 | 68,679 |
| Public entities | 1,657 | - |
| Other financial companies | 525 | 113 |
| Non-financial companies | 2,557 | 2,564 |
| Households | 47 | 75 |
| | **174,353** | **71,431** |
| | 678,212 | 633,302 |

A significant portion of these guarantees will expire without any payment obligation materialising for the Group and, therefore, the aggregate balance of these commitments cannot be considered as an actual future need for financing or liquidity to be provided by the Group to third parties.

The heading "Other commitments granted" mainly includes commitments for the purchase of simultaneous and deposits lent in the amount of EUR 131,599 thousand as at 31 December 2021.

Furthermore, financial guarantees and surety in the amount of EUR 33,932 thousand are also recorded at 31 December 2022 (EUR 39,169 at 31 December 2021).

Fee and commission income received in connection with these guarantees granted is recognised under "Fee and commission income" in the consolidated income statement on an accruals basis (see Note 31).

The provisions made to cater for the financial guarantees provided, which were calculated using criteria similar to those applied in the calculation of the impairment of financial assets measured at amortised cost, of which amounted to EUR 413 thousand at 31 December 2022 (31 December 2021: EUR 262 thousand), were recognised under "Provisions - Provisions for Contingent Liabilities and Commitments" in the consolidated balance sheet (see Note 17).

Note 22 contains disclosures relating to the credit risk assumed by the Group in connection with such financial guarantees provided and contingent commitments made.

## 27.2. Assets delivered as security

At 31 December 2022 and 2021, assets owned by the Group had been provided as security for transactions performed by it, as well as for various liabilities and contingent liabilities assumed by the Group. The nominal amount, of the financial assets delivered as security for these liabilities, contingent liabilities and similar items at 31 December 2022 and 2021 was as follows:

| | | Thousand euro |
|---|---|---|
| | 2022 | 2021 |
| Other Assets classified as financial assets at fair value through other comprehensive income | 510,618 | 78,300 |
| Spanish Public Debt classified as financial Assets Held for Trading | 253,000 | 223,000 |
| Issued securities by other public organisms classified as financial assets at fair value through other comprehensive income | - | - |
| Issued securities by other public organisms classified as financial Assets Held for Trading | 12,500 | 140,723 |
| Issued Public Debt by no resident public administrations classified as financial assets at fair value through other comprehensive income | - | - |
| Issued Public Debt by no resident public administrations classified as financial Assets Held for Trading | - | 55,000 |
| Other Assets classified as financial assets at fair value through other comprehensive income | 380,000 | 37,901 |
| | 1,156,118 | 534,924 |

At 31 December 2022 and 2021, the Group had securities with a face value of EUR 16,245 and 46,120 thousand respectively as security for the performance of the Group's obligations relating to transactions with the clearing and settlement services.

In addition, at 31 December 2022, the Group had entered into repurchase agreements for securities in its portfolio and reverse repurchase agreements for a total amount of EUR 1,805,505 thousand (31 December 2021: EUR 2,784,445 thousand). "Memorandum Item: Loaned or Advanced as Collateral", which is shown in each of the Bank's financial asset categories in the balance sheets at 31 December 2022 and 2021, includes the amount of financial assets transferred, lent out or delivered as security in which the assignee is entitled, contractually or by custom, to retransfer them or pledge them as security, such as securities lending transactions or sales of financial assets under an agreement to repurchase them at a fixed price or at the sale price plus interest.

## 27.3. Transactions on account of third parties

The breakdown of the most significant transactions on account of third parties at 31 December 2022 and 2021 is as follows:

| | | Thousand euro |
|---|---|---|
| | 2022 | 2021 |
| Financial instruments granted to third parties- | | |
| Debt instruments | 109,591,498 | 130,426,771 |
| Equity instruments | 163,372,320 | 164,793,952 |
| | **272,963,818** | **295,220,723** |
| Other financial assets | 31,449,403 | 44,390,907 |
| | **304,413,221** | **339,611,630** |
| Conditional bills and other securities received | 114,072 | 109,470 |
| Borrowed securities (Note 28.4) | 578,138 | 168,612 |
| | **305,105,431** | **44,795,766,550** |

"Financial Instruments Entrusted by Third Parties" in the foregoing table includes mainly the debt securities and equity instruments held by the Group under the contracts in force for third-party security depository and custody services.

## 27.4 Financial assets lent and borrowed

Pursuant to current legislation, the securities received by the Group in securities lending transactions are not recognised in the consolidated balance sheet unless the Group sells these securities in short sales transactions, in which case they are recognised as financial liabilities under "Financial Liabilities Held For Trading - Short Positions" on the liability side of the consolidated balance sheet.

Similarly, securities lending transactions in which the Group lends securities to third parties are not recognised in the consolidated balance sheet. The securities lent can be securities previously lent to the Group or securities owned by it, and in the latter case these are not derecognised.

Deposits provided or received as security or guarantee for the securities received or lent by the Group, respectively, are accounted for as a financial asset or a financial liability, respectively, and the interest associated therewith is recognised as interest and similar income or as interest expense and similar charges, respectively, in the consolidated income statement, by applying the corresponding effective interest rate.

Following is a detail of the fair value of the financial assets borrowed by the Group at 31 December 2022 and 2021

| | | Thousand euro |
|---|---|---|
| | 2022 | 2021 |
| Equity instruments | - | - |
| Debt instruments | 233,176 | 249,730 |
| | **233,176** | **249,730** |

Following is a detail of the fair value of the financial assets borrowed and lent by the Group in securities lending transactions at 31 December 2022 and 2021:

| | Thousand euro | |
|---|---|---|
| | 2022 | 2021 |
| Securities borrowed by the Bank- | - | - |
| Debt instruments issued by Public sector - Spain (Note 27.3) | 578,138 | 168,612 |
| | **578,138** | **168,612** |

## 27.5 The Group's Customer Care Service

Set forth below is a summary of the complaints and claims received by the Group's Customer Care Service in 2022 and 2021. Certain claims submitted to the Service were not admitted for consideration in 2022 and 2021 because they were claims that affected entities other than the Group:

| | 2022 | 2021 |
|---|---|---|
| **Number of complaints and claims received** | **1** | **1** |
| Number of complaints and claims not admitted for processing | 1 | 1 |
| Number of complaints and claims admitted for processing | - | - |
| Number of complaints and claims resolved | - | - |
| Number of resolutions in favour of claimants | - | - |
| Number of resolutions against claimants | - | - |
| Amount of the indemnity for favourable resolutions (euro) | - | - |
| Number of pending complaints and claims | - | - |

# 28. Interest income

The breakdown of the most important interest income earned by the Group in 2022 and 2021, by type of instrument giving rise to it, is as follows:

| | Thousand euro | |
|---|---|---|
| | 2022 | 2021 |
| Financial assets held for trading | 14,359 | 9,987 |
| Non trading financial assets mandatorily at fair value through profit or loss | 471 | 300 |
| Financial assets designated at fair value through profit or loss | - | - |
| Financial assets at fair value through other comprehensive income | 31,165 | 27,897 |
| Financial assets at amortised cost | 21,162 | 9,763 |
| Derivatives - hedge accounting, interest rate risk | 20,089 | 12,012 |
| Interest income on financial liabilities | 26,594 | 50,866 |
| Other assets | 30,074 | 511 |
| | **143,914** | **111,336** |

"Interest Income on Financial Liabilities" in the table above includes the income arising in 2022 and 2021, respectively, from the Group's on-consolidated balance-sheet financial liabilities that bore negative interest rates.

# 29. Interest expense

The detail of the balance of “Interest Expense” in the consolidated income statement for 2022 and 2021, by type of instrument giving rise to them, is as follows:

| | Thousand euro | |
|---|---|---|
| | 2022 | 2021 |
| Financial liabilities held for trading | 5,783 | 6,174 |
| Financial liabilities at amortised cost | 71,330 | 1,791 |
| Derivatives - hedge accounting, interest rate risk | 20,334 | 14,923 |
| Interest Expense on financial assets / other liabilities | 42,073 | 81,783 |
| Interest cost of pension funds (Note 35) | 897 | 299 |
| | 140,417 | 104,970 |

“Interest Expense on Financial Assets / other liabilities” in the table above includes the expenses arising in 2022 and 2021 from the Group's on consolidated balance-sheet financial assets that bore negative interest rates.

# 30. Income from dividends

Below is a breakdown of this caption in the consolidated income statement for 2022 and 2021:

| | Thousand euro | |
|---|---|---|
| | 2022 | 2021 |
| Financial assets held for trading | 4,596 | 3,611 |
| Non-trading financial assets mandatorily at fair value through profit or loss | 175 | 327 |
| Financial assets at fair value through other comprehensive income | 144 | 128 |
| | 4,915 | 4,066 |

# 31. Commission income

Following is a detail of the commission income earned in 2022 and 2021, classified on the basis of the main items giving rise thereto:

| | Thousand euro | |
|---|---|---|
| | 2022 | 2021 |
| Commissions arising from contingent liabilities (Note 27.1) | 152 | 185 |
| Commissions for contingent commitments | 1,043 | 1,001 |
| Commissions arising from collection and payment services | 29,217 | 26,054 |
| Commissions arising from securities services | 184,725 | 185,102 |
| Commissions arising from foreign exchange and foreign banknotes | 190 | 167 |
| Other commissions | 10,138 | 9,920 |
| | 225,465 | 222,429 |

The balance of “Fees and Commissions Arising from Securities Services” in the foregoing table includes, inter alia, EUR 169,853 thousand earned in 2022 (2021: EUR 172,748 thousand) relating to the depository and custody services in connection with securities of third parties deposited at the Group.

## 32. Commission expenses

Following is a detail of the commission expenses incurred in 2022 and 2021, classified on the basis of the main items giving rise thereto:

| | | Thousand euro |
|---|---|---|
| | 2022 | 2021 |
| Commissions assigned to other entities and correspondents | 9,984 | 8,975 |
| Commission expenses on securities transactions | 25,113 | 24,115 |
| | 35,097 | 33,090 |

## 33. Net gains/losses on financial assets and liabilities

The breakdown of the balance of “Gains/Losses on Financial Assets and Liabilities” in the consolidated income statement for the exercise 2022 and 2021is as follows:

| | | Thousand euro |
|---|---|---|
| | 2022 | 2021 |
| Net gains/losses on financial assets and liabilities held for trading | 35,032 | (6,018) |
| Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net | (687) | (1,043) |
| Net gains/losses from unsubscribe financial assets and liabilities not valued at fair value through profit or loss, net- | (26,110) | 34,588 |
| Financial assets at fair value through other comprehensive income | (26,112) | 34,585 |
| Financial assets at amortised cost | 2 | 3 |
| Financial liabilities at amortised cost | - | - |
| Net gains/losses on financial assets and liabilities designated at fair value through profit or loss | 3,081 | 206 |
| | 11,316 | 27,733 |

Note 5 includes information on the breakdown by geographic area in which these "Gains/Losses on Financial Assets and Liabilities, net" originate.

## 34. Other operating income

The breakdown of the balance of “Other Operating Income” in the consolidated income statement for exercise 2022 and 2021 is as follows:

| | | Thousand euro |
|---|---|---|
| | 2022 | 2021 |
| Rental income (Note 13) | 1,790 | 1,535 |
| Income from expenses charged | 13,535 | 8,403 |
| Other income | 41,040 | 41,130 |
| | 56,365 | 51,068 |

The balance of “Other income” in the foregoing table includes the dues collected from the services given to the Confederación Española de Cajas de Ahorros, which amounts in 2022 EUR 9,411 thousand (EUR 9,411 thousand in 2021) (see Note 40). This item also records the income from the different services that Cecabank provide to its customers (Kondor, e-banking, Business Intelligence, among others).

## 35. Administrative expenses – Staff Costs

The detail of “Administrative Expenses – Staff Costs” in the consolidated income statement for 2022 and 2021 is as follows:

| | Thousand euro | |
|---|---|---|
| | 2022 | 2021 |
| Wages and salaries | 38,864 | 37,110 |
| Social security costs | 7,434 | 7,253 |
| Insurance premiums (Note 2.11.2) | 263 | 132 |
| Termination Benefits (Note 2.11.4) | 672 | 26,423 |
| Contributions to defined contribution plans (Note 2.11.2) | 594 | 50 |
| Normal cost for the year of defined benefit obligations | - | - |
| Training expenses | 290 | 330 |
| Other staff costs | 507 | 438 |
| | 48,624 | 71,736 |

As a result of the obligations imposed by Spanish law on the regulation and supervision of credit institutions and its enabling regulations, and by the EBA guidelines on sound remuneration policies, the Group pays a portion of the annual variable remuneration of certain employee groups through non-monetary instruments linked to the Group’s value.

The number of the aforementioned equity instruments to be granted to certain members of the identified staff will be conditional on: (i) the annual variable remuneration granted to them; and (ii) the change in the Group's measurement from the instruments’ grant date. Once the amount of the annual variable remuneration has been determined for each member of the identified staff, 50% thereof will be granted in Phantom shares.

These instruments will be settled once any retention and deferral periods have elapsed, in accordance with the policy for each member of the identified staff. Following the retention period, the Phantom shares will be settled in cash on each of the settlement dates based on the Group's value at each of these dates. The measurement method used to measure the Entity's value for the purpose of the variable remuneration to be paid through instruments must be based on the equity at 31 December of each year (considering as such the sum of capital, reserves and the portion of profit for the year attributable to reserves).

The settlement schedule for the Phantom shares will be the schedule applicable under the policy in force at the time for each member of the identified staff, on completion of each of the deferral and retention periods applicable in each case.

The balance recorded as of December 31, 2022, in the category "Severance indemnities" amounts to 672 thousand euros. As of December 31, 2021, the balance was 26,423 thousand euros, of which the amount of 24,763 thousand euros primarily corresponded to estimated expenses in the employment termination agreement reached on August 6, 2021.

Additionally, CECA and the trade unions reached an agreement on the text of the collective bargaining agreement for savings banks and financial institutions for the years 2019 to 2023, whose main novelty lies in the area of remuneration for active and passive staff; the agreement associates wage increases to a fixed percentage plus additional payments that can reach up to 0.5% of basic salary, instead of being indexed to the CPI as was the case in previous agreements.

In 2022 and 2021, the average number of employees at the Group, by level, was as follows:

| Professional levels | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Men | Women | Total | Men | Woman | Total |
| 1 - LEV.I | 5 | 3 | 8 | 5 | 3 | 8 |
| 1 - LEV.II | 3 | 2 | 5 | 3 | 2 | 5 |
| 1 - LEV.III | 18 | 12 | 30 | 18 | 12 | 30 |
| 1 - LEV.IV | 26 | 15 | 41 | 29 | 12 | 41 |
| 1 - LEV.V | 34 | 29 | 63 | 31 | 30 | 61 |
| 1 - LEV.VI | 52 | 48 | 100 | 53 | 46 | 99 |
| 1 - LEV.VII | 29 | 39 | 68 | 27 | 40 | 67 |
| 1 - LEV.VIII | 30 | 58 | 88 | 26 | 55 | 81 |
| 1 - LEV.IX | 8 | 14 | 22 | 9 | 14 | 23 |
| 1 - LEV.X | 9 | 7 | 16 | 7 | 5 | 12 |
| 1 - LEV.XI | 5 | 6 | 11 | 3 | 4 | 7 |
| 1 - LEV.XII | 13 | 13 | 26 | 10 | 10 | 20 |
| 1 - LEV.XIII | - | 1 | 1 | - | - | - |
| 1 - LEV.XIV | 1 | - | 1 | - | - | - |
| 2 - LEV.I | 1 | - | 1 | 1 | - | 1 |
| 2 - LEV.II | 2 | - | 2 | 2 | - | 2 |
| 2 - NIV.IV | 1 | 1 | 2 | 1 | - | 1 |
| OTHER | 4 | 2 | 6 | 4 | 2 | 6 |
| | 241 | 250 | 491 | 229 | 235 | 464 |

At the end of 2022, the Group had two contracted employees with a disability greater than or equal to 33%, although at the end of 2021 there was one. The commitments assumed in terms of disabled personnel are complemented through alternative measures duly authorized by the Community of Madrid.

At 31 December 2022, the total number of employees was 478 (2021: 463), of whom 236 were men (2021: 278) and 242 women (2021: 235), representing 49% and 51%, respectively (49% and 51% respectively, at 31 December 2021).

With respect to defined benefit post-employment obligations and long-term pre-retirement obligations (pre-retirements) to current and former employees of the Bank described in Note 2.11 above, a detail of these obligations is presented below, making a distinction between those that are arranged, in full or in part, in pension funds and insurance policies, and those that are not arranged through this type of instrument and where the associated obligation is covered by the recognition of provisions by the Bank:

At 31 December 2022:

Thousand euro

| | Post-employment benefits | | | Long-term pre-retirement obligations | | | |
|---|---|---|---|---|---|---|---|
| | Value of the obligation (I) | Value of the plan assets (II) | Total (III = I - II) (**) | Value of the obligation (IV) | Value of the plan assets (V) | Total (VI = IV - V) (*) | Total (III + VI) |
| Instrumented in external pension plans and/or insurance policies | 110,533 | 116,896 | (6,363) | - | - | - | (6,363) |
| Not instrumented in pension plans or insurance policies | - | - | - | 33,569 | - | 33,569 | 33,569 |
| **Total at 31 December 2022** | **110,533** | **116,896** | **(6,363)** | **33,569** | **-** | **33,569** | **27,206** |

(*) This amount is recognised under "Provisions - Other Long-Term Employee Benefits" on the liability side of the balance sheet as at 31 December 2022 (see Note 17).

(**) This amount is recognised under "Other Assets - Other" in the balance sheet as at 31 December 2022 (see Note 15.1).

At 31 December 2021:

Thousand euro

| | Post-employment benefits | | | Long-term pre-retirement obligations | | | |
|---|---|---|---|---|---|---|---|
| | Value of the obligation (I) | Value of the plan assets (II) | Total (III = I - II) (**) | Value of the obligation (IV) | Value of the plan assets (V) | Total (VI = IV - V) (*) | Total (III + VI) |
| Instrumented in external pension plans and/or insurance policies | 150,975 | 156,698 | (5,723) | - | - | - | (5,723) |
| Not instrumented in pension plans or insurance policies | - | - | - | 45,426 | - | 45,426 | 45,426 |
| **Total at 31 December 2021** | **150,975** | **156,698** | **(5,723)** | **45,426** | **-** | **45,426** | **39,703** |

(*) This amount is recognised under "Provisions - Other Long-Term Employee Benefits" on the liability side of the balance sheet as at 31 December 2021 (see Note 17).

(**) This amount is recognised under "Other Assets - Other" in the balance sheet as at 31 December 2021 (see Note 15.1).

As can be seen in the table above, a significant proportion of the Bank's pension and other long- term obligations are arranged through external pension plans or are covered by insurance policies and, therefore, in the coming years, the settlement of these obligations is not expected to have a material effect on the Bank's future cash flows. However, the following sections include a sensitivity analysis of the impact that a change in certain variables included in the measurement would have on the amounts presented in these financial statements. It should be noted that the average duration of the pension commitments set out in the preceding tables at 31 December 2021 was 8.89 years for retired employees and there are no active employees at the end of 2022 (at 31 December 2021, 10.68 years for serving employees and there are no active employees at the end of 2021).

Following is the reconciliation of the beginning and ending balances in 2022 and 2021 of the present value of the defined benefit post-employment obligations and long-term pre-retirement obligations, showing separately the plan assets, the present value of these obligations and the items triggering the changes in these items in these years:

Year 2022:

Thousand euro

| | Post-employment benefits | | | Long-term pre- retirement obligations | | | |
|---|---|---|---|---|---|---|---|
| | Value of the obligation (I) | Value of the plan assets (II) | Total (III = I - II) | Value of the obligation (IV) | Value of the plan assets (V) | Total (VI = IV - V) | Total (III + VI) |
| **1. Amount at 1 January 2022** | **150,975** | **156,698** | **(5,723)** | **45,426** | **-** | **45,426** | **39,703** |
| 2. Current service cost | - | - | - | 543 | - | 543 | 543 |
| 3. Expected return on plan assets | - | 866 | (866) | - | - | - | (866) |
| 4. Interest cost | 897 | - | 897 | (20) | - | (20) | 877 |
| 5. Contributions made by the participants of the plan | - | - | - | - | - | - | - |
| 6. Contributions made by the Bank | - | - | - | - | - | - | - |
| 7. Effect of the recalculation on the measurement of the net obligations: | (32,453) | (31,782) | (671) | (1,642) | - | (1,642) | (2,313) |
| 7.1 Actuarial gains and losses arising as a result of changes in the demographic assumptions | (1,465) | (1,407) | (58) | - | - | - | (58) |
| 7.2 Actuarial gains and losses arising as a result of changes in the financial assumptions | (30,988) | (30,375) | (613) | - | - | - | (613) |
| 7.3 Effect of the change in return on plan assets | - | - | - | - | - | - | - |
| 8. Benefits paid | (8,886) | (8,886) | - | (10,714) | - | (10,714) | (10,714) |
| 9. Past service cost | - | - | - | - | - | - | - |
| 10. Business combinations | - | - | - | - | - | - | - |
| 11. Plan reductions | - | - | - | - | - | - | - |
| 12. Plan settlements | - | - | - | - | - | - | - |
| 13. Limits on the recognition of net assets for exceeding the maximum available economic benefits | - | - | - | - | - | - | - |
| 14. Early retirement commitments in Exercise | - | - | - | - | - | - | - |
| 15. Other movements | - | - | - | (24) | - | (24) | (24) |
| **Amount at 31 December 2022** | **110,533** | **116,896** | **(6,363)** | **33,569** | **-** | **33,569** | **27,206** |

Year 2021:

Thousand euro

| | Post-employment benefits | | | Long-term pre- retirement obligations | | | |
|---|---|---|---|---|---|---|---|
| | Value of the obligation (I) | Value of the plan assets (II) | Value of the obligation (I) | Value of the plan assets (II) | Value of the obligation (I) | Value of the plan assets (II) | Total (III + VI) |
| **1. Amount at 1 January 2021** | **170,341** | **176,222** | **(5,881)** | **29,051** | **-** | **29,051** | **23,170** |
| 2. Current service cost | - | - | - | 26,044 | - | 26,044 | 26,044 |
| 3. Expected return on plan assets | - | 480 | (480) | - | - | - | (480) |
| 4. Interest cost | 299 | - | 299 | (64) | - | (64) | 235 |
| 5. Contributions made by the participants of the plan | - | - | - | - | - | - | - |
| 6. Contributions made by the Bank | - | - | - | - | - | - | - |
| 7. Effect of the recalculation on the measurement of the net obligations: | (10,511) | (10,850) | 339 | (335) | - | (335) | 4 |
| 7.1 Actuarial gains and losses arising as a result of changes in the demographic assumptions | (1,246) | (1,547) | - | - | - | - | - |
| 7.2 Actuarial gains and losses arising as a result of changes in the financial assumptions | (9,265) | (9,303) | - | - | - | - | - |
| 7.3 Effect of the change in return on plan assets | - | - | - | - | - | - | - |
| 8. Benefits paid | (9,154) | (9,154) | - | (9,270) | - | (9,270) | (9,270) |
| 9. Past service cost | - | - | - | - | - | - | - |
| 10. Business combinations | - | - | - | - | - | - | - |
| 11. Plan reductions | - | - | - | - | - | - | - |
| 12. Plan settlements | - | - | - | - | - | - | - |
| 13. Limits on the recognition of net assets for exceeding the maximum available economic benefits | - | - | - | - | - | - | - |
| 14. Early retirement commitments in Exercise | - | - | - | - | - | - | - |
| 15. Other movements | - | - | - | - | - | - | - |
| **Amount at 31 December 2021** | **150,975** | **156,698** | **(5,723)** | **45,426** | **-** | **45,426** | **39,703** |

In addition, the Group recognized the net amount of the expected return on plan assets and the interest cost of the value of the obligation, which amounted to EUR 897 thousand in 2022, under "Interest Expenses" in the income statement (having recognized EUR 299 thousand in the same connection under "Interest Expenses" in the income statement for 2021) (see Note 29).

In the year 2022, the Group has recorded a provision of 1,666 in the category "Provisions or reversal of provisions" in the income statement; in the year 2021, no amount was recorded for provisions in the fund for other long-term employee benefits.

Additionally, on August 6, 2021, the entity reached an agreement for the approval of an employment regulation plan, resulting in a provision. The balance of this provision as of December 31, 2021, amounted to 24,763 thousand euros, representing the cost of the agreement (see Note 16).

During 2022 and 2021, the Bank recognised the net amount, adjusted for the related tax effect, of the actuarial gains and losses arising from the valuation of the provision for defined benefit pension obligations amounting to EUR 496 and EUR 238 thousand under "Other comprehensive income. Items not to be reclassified to profit or loss. Actuarial gains or losses on defined benefit pension plans" in the Bank's equity (see Notes 2.11.2 and 17). The movement in this equity item is presented in the accompanying statement of changes in equity.

The assumptions used in the actuarial calculations at 31 December 2022 and 2021 of the defined-benefit pension obligation and the assets used to cover them, included in the foregoing table, were as follows:

## Pension obligations at 31 December 2022 and 2021:

The assumptions applied, both for the quantification of the obligations and for the quantification of the fair value of the related assets, are as follows:

- Pension reversal rate used for the valuation of obligations: 1.50%

- Rate of revaluation of pensions used for the valuation of assets: 1.20%

- The discount rate: 3.06%

  The interest rate applied to obtain the present value of the accounting obligation is the market rate according to the financial duration of the flows of the commitments (10.67 years), and according to the corresponding Iboxx rate curve as of December 31, 2021 to corporate bonds with a high credit rating (AA).

  The interest rate applied to obtain the fair value of the affected assets coincides with the interest rate used to obtain the current value of the obligation.

- Expected rate of return on the accounting asset for the assets used to cover the obligations covered by the Plan is 0.61%.

## Other long-term obligations at 31 December 2022 and 2021:

The hypotheses applied to determine the current value of the obligations for salary costs, contributions, future contributions, specific incentive and study aid and that apply to labor agreements for the years 2012, 2013, 2016, compensation plan for termination as well as to the agreement of the ERE for the year 2022, are the following:

- Type of update: 2.885% for all plans except for the ERE plan which is (2.92%).

- Market rate according to the financial duration of the commitment flows for this group together with the groups of early retirees (1.54 years) (2.53 years for the ERE plan) and according to the corresponding Iboxx rate curve as of December 13, 2021 to corporate bonds with a high credit rating (AA).

- Salary growth rate: 0% for all plans.

- Growth rate of contributions in the 2012, 2013, 2016 plans: (1.85%).

- Disability applies to Cessation, 2016 and ERE plans and is divided for all in the same way. Between the ages of 15 and 44 years the percentage is 0.05%, from 45 to 54 years of age 0.10% and from 55 years of age (inclusive) the percentage is 0.25%.

- Growth rate of contribution bases: 2.5% except for the ERE plan set at 0%.

- Growth rate of study aid: 2.5% except for the ERE plan set at 0%.

## Post-employment benefits

A 50 basis point upward/downward shift in the discount rate used at 31 December 2022 would give rise to a EUR 4,748 thousand reduction and a EUR 5,126 thousand increase, respectively, in the value of the obligations (at 31 December 2021: EUR 7,844 and EUR 8,579 thousand, respectively).

A 50 basis point upward/downward shift in the pension discount rate at 31 December 2022 would give rise to a EUR 4,573 thousand reduction and a EUR 4,932 thousand increase, respectively, in the value of the obligations (At 31 December 2021: EUR 7,459 and EUR 8,147 thousand, respectively).

## Long-term pre-retirement obligations

A 50 basis point upward/downward shift in the discount rate used would give rise to a EUR 355 thousand reduction and a EUR 363 thousand increase, respectively at 31 December 2022 (At 31 December 2021: EUR 637 and EUR 653 thousand, respectively).

With regard to the sensitivity analysis described above, it should be noted that, for the other actuarial assumptions used in the measurement of the obligations at 31 December 2022, changes that might significantly affect the value of the obligations in the future are not considered likely to occur.

The breakdown of the assets allocated to the coverage of the defined benefit pension commitments and the Bank’s other long-term commitments at 31 December 2022 and 2021 shown in the previous tables is shown below, taking into account the nature of the same:

Thousand euro

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Pension obligations | Other long-term obligations | Total | Pension obligations | Other long-term obligations | Total |
| Pension fund | 8,732 | - | 8,732 | 10,650 | - | 10,650 |
| Insurance policies taken out with CASER | 108,164 | - | 108,164 | 146,048 | - | 146,048 |
| | 116,896 | - | 116,894 | 156,698 | - | 156,698 |

The pension fund referred to in the above table is the Cecabank Employees' Pension plan (“Plan de Pensiones de los Empleados de Cecabank”), which forms part of the pension fund for the employees of the Spanish Confederation of Savings Banks. The latter comprises the defined contribution and defined benefit obligations to CECA´s current and former employees which were transferred to the Bank in year 2012 (see Note 2.11). The detail, by principal asset category and related fair value, of this fund's assets at 31 December 2022 and 2021, is as follows:

| | 2022 | 2021 |
|---|---|---|
| Quoted Spanish government debt | 23.88% | 9.76% |
| Quoted private fixed-income securities | 50.71% | 53.92% |
| Quoted equity securities | 18.59% | 15.21% |
| Cash and bank balances | 6.81% | 21.11% |
| Other assets (1) | 0.00% | 0.00% |
| | 100% | 100% |

(1) The fund's assets do not include properties or items of property plant and equipment. The assets classified under this item are private equity funds.

With regard to the assets of the pension fund included in the above table, it should be noted that at 31 December 2022 and 2021 there were no financial assets relating to assets issued by the Bank.

There are no active personnel in the defined benefit plan as of the end of the 2022 and 2021 fiscal years, as they were converted to the defined contribution plan (Subplan 3) on January 1, 2019. Therefore, the pension plan does not assume any actuarial risk.

## 36. Administrative expenses - Other general administrative expenses

The detail of this heading in the consolidated income statements for 2022 and 2021 is as follows:

Thousand euro

| | 2022 | 2021 |
|---|---|---|
| Property, fixtures and supplies | 2,368 | 2,067 |
| IT equipment | 22,435 | 14,535 |
| Communications | 1,849 | 2,322 |
| Advertising and publicity | 392 | 347 |
| Technical reports | 4,331 | 2,808 |
| Surveillance and cash courier services | 5,712 | 3,374 |
| Insurance and self-insurance premiums | 871 | 760 |
| Outsourced administrative services | 35,877 | 32,195 |
| Levies and taxes | 6,633 | 6,522 |
| Entertainment and travel expenses | 256 | 190 |
| Association membership fees | 1,636 | 1,595 |
| External personnel | 1,363 | 1,653 |
| Subscriptions and publications | 3,499 | 3,102 |
| Other administrative expenses | 684 | 820 |
| | 87,906 | 72,290 |

The balance under “Technical reports” records the 2022 and 2021 fees for the services rendered by the Group’s auditor, PricewaterhouseCoopers Auditores, S.L., as follows:

| | Thousand euro | |
|---|---|---|
| | 2022 | 2021 |
| Audit services | 299 | 260 |
| Other attest services | 101 | 88 |
| Total audit and related services | 400 | 348 |
| Tax counselling services | - | - |
| Other services | - | - |
| | | |
| Total professional services | 400 | 348 |

The services commissioned by the Group meet the independence requirements of the Spanish Audit Law and its enabling regulations and did not involve the performance of any work that is incompatible with the audit function.

**Information on deferred payments to suppliers. Additional Provision Three. “Disclosure obligation” provided for in Law 15/2010, of 5 July**

Relating to the information to be included in the notes to the consolidated financial statements regarding deferrals of payments to suppliers in commercial transactions calculated on the basis of the Resolution dated 29 January 2016 by the Audit and Accounting Institute, details of the average payment period for the Group’s suppliers in 2022 and 2021 are as follows:

| | Thousand euro | |
|---|---|---|
| | 2022 | 2021 |
| | Days | Days |
| Average period of payment to suppliers | 50,1 | 46,5 |
| Ratio of transaction settled | 50,7 | 46,8 |
| Ratio of transaction not yet settled | 19,6 | 18,0 |
| | Thousand euro | |
| Total payments made | 97,047 | 90,854 |
| Total payments outstanding | 1,772 | 1,118 |

It should be noted that although under Law 3/2004, of 29 December, the maximum period for payment to suppliers is 60 days, Law 11/2013, of 26 July, established a maximum payment period of 30 days, extendable by agreement between the parties to a maximum of 60 days.

Furthermore, in compliance with Law 18/2022, of September 28, on the creation and growth of companies, which amended the Third Final Provision of Law 15/2010, of July 5, non-listed commercial companies that do not present abbreviated financial statements will publish their average payment period to suppliers, the monetary volume and number of invoices paid within a period shorter than the maximum established in the delinquency regulations, and the percentage they represent in terms of the total number of invoices and the total monetary value of payments to their suppliers. The following data related to the 2022 fiscal year are published:

| | 2022 |
|---|---|
| Monetary volume of invoices paid within a period shorter than the maximum established in the delinquency regulations. | 74,534 |
| Number of invoices paid within a period shorter than the maximum established in the delinquency regulations. | 7,557 |
| Percentage they represent in terms of the total monetary value of payments to suppliers. | 77% |
| Percentage they represent in terms of the total number of invoices. | 82% |

## 37. Other operating expenses

The breakdown of the balance of "Other Operating Expenses" in the consolidated income statement for 2022 and 2021 is as follows:

| | Thousand euro | |
|---|---|---|
| | **2022** | **2021** |
| Contribution to the Deposit Guarantee Fund (Note 1.10 a) | 154 | 230 |
| Contribution to the Single Resolution Fund (Note 1.10 b) | 9,390 | 6,950 |
| Other Concepts | 6,629 | 4,458 |
| | **16,173** | **11,638** |

Other operating expenses - Other items mainly include expenses related to the Bank's securities operations.

Contributions to the Deposit Guarantee Fund and the Single Resolution Fund amounted to EUR 9,544 thousand at 31 December 2022 and EUR 7,180 thousand at 31 December 2021 (see note 1.10).

The balance under "Other items" in 2022 and 2021 includes the eliminations that arise due to the effect of the consolidation of Cecabank, S.A. and Trionis S.C.L., the amount of which in 2022 is 6,355 thousand euros (4,234 thousand euros in 2021).

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

The breakdown of the balance in the consolidated income statement for 2022 and 2021 is as follows:

| | Thousand euro | |
|---|---|---|
| | Net (Additions)/ Reversals (Charged)/ Credited to Income | |
| | **2022** | **2021** |
| Financial assets at fair value through other comprehensive income | | |
| Debts instruments (Note 22.8) | 738 | 416 |
| Equity instruments | - | - |
| | **738** | **416** |
| Financial assets at amortised cost (Note 22.8) | 123 | (4,996) |
| | **123** | **(4,996)** |
| | **861** | **(4,580)** |

In relation to the item of financial assets at amortised cost, the main movement is due to an increase in the provisioning of some securities up to an amount of 395 thousand euros, the remaining movement being caused by the movements made by the Bank when making provisions and reversals of provisions in relation to the generic provision or the country risk fund.

## 39. Amortisation

The detail of "Amortisation" in the consolidated income statement for 2022 and 2021 is as follows:

Thousand euro

| | 2022 | 2021 |
|---|---|---|
| Depreciation of Property, plant and equipment (Note 13) | 4,366 | 4,125 |
| Amortisation of intangible assets (Note 14) | 83,117 | 78,343 |
| | **87,483** | **82,468** |

## 40. Related party transactions

Agreement for the Provision of Services between the Confederación Española de Cajas de Ahorros (CECA) and Cecabank, S.A.

As part of the process to create Cecabank, S.A. and the spin-off carried out by CECA in favour of this entity in 2012 (see Note 1.1), the "Internal protocol of relations between Confederación Española de Cajas de Ahorros and Cecabank, S.A." was established. This protocol identified the services provided by Cecabank to CECA and established the general criteria for intra-group transactions and services.

As a result of CECA losing its status as a credit institution in 2014, as described in Note 1.1, on 19 December 2014 a new "Agreement for the Provision of Services between the Confederación Española de Cajas de Ahorros (CECA) and Cecabank, S.A." was signed. This agreement redefines the services that Cecabank, S.A. renders to CECA in accordance with its new status.

Once CECA ceased to be a credit institution the process for CECA to join the Association of Savings Banks for Labor Relations (ACARL) was started. A public document "Overall Assignment of ACARL Assets and Liabilities to CECA" was executed on 30 September 2016 and the latter began to perform the duties falling to ACARL with respect to the negotiation of the Collective Bargaining Agreement for Savings Banks, among others.

In October 2022, a Novation Agreement was signed to modify the service contract between Cecabank, S.A. and CECA, aiming to include a price revision mechanism linked to the evolution of the Consumer Price Index (IPC) published by the National Institute of Statistics, with effect from January 1, 2023.

The services that are rendered by Cecabank, S.A. to CECA after this agreement was signed are listed below:

- Rendering of association services:
  - Regarding regulatory and interest representation matters
  - Regarding financial and economic matters
  - Regarding cooperation matters
  - Regarding communication matters
  - Regarding Community Projects Fund matters
  - Regarding customer service matters

- Regarding financial education matters
- Regarding institutional relationship matters
- Regarding knowledge management matters
- Regarding technological matters
- Regarding quality matters
- Regarding CSR matters
- Regarding regulatory compliance matters

- Rendering of support services:
    - Regarding legal, tax and governing body support matters
    - Regarding financial planning matters
    - Regarding internal audit matters
    - Regarding computer security matters
    - Regarding operating risk and control matters
    - Regarding resource matters
    - Regarding protocol matters
    - Regarding technological matters
    - Regarding external network support matters

Income received by the Bank for these services, which amounted to EUR 9,411 thousand in 2022 and 2021, are recognised under "Other operating income" in the accompanying consolidated income statements for 2022 and 2021 (see Note 34).

Furthermore, the interest corresponding to the current accounts held by CECA with the Bank is included in the category "Interest income" in the consolidated income statement, amounting to 85 thousand euros as of December 31, 2022 (150 thousand euros of "Interest income" as of December 31, 2021), and "Interest expenses" amounting to 91 thousand euros as of December 31, 2022, with no balance recorded for this item in the 2021 fiscal year. The balance of these current accounts, excluding accruals, amounted to 23,865 thousand euros and 23,257 thousand euros as of December 31, 2022, and 2021, respectively.

The amount of commission income accrued by the Bank charged to CECA amounted to 4 thousand euros as of December 31, 2022 (4 thousand euros in 2021).

The amount that, as of December 31, 2022 and 2021, the staff of Senior Management and the members of the Board of Directors of the Bank, and the entities or persons related to them, maintain in the sight accounts amounts to 921 and 957 thousand euros respectively. These balances have not accrued interest in the 2022 financial year, while the "Interest expense" caption in the profit and loss account for the 2021 financial year includes an amount of 1 thousand euros. Likewise, the debt contracted for loans amounts to 628 and 620 thousand euros, respectively. These amounts have accrued in the years 2022 and 2021, 3 and 2 thousand euros during each year, recorded under the heading "Interest income" of the consolidated profit and loss account for the year. In the 2022 and 2021 financial years, no balance has been recorded for other commitments granted.

## 41. Events after the balance sheet date

No significant events have occurred after 31 December 2022 and the date on which these consolidated financial statements were authorised for issue by the Board of Directors of the Group that would require inclusion in the accompanying consolidated financial statements in order for them to present fairly the Group's net assets, financial position, results of operations, changes in equity and cash flows.

## 42. Explanation added for translation to English

These consolidated financial statements are presented on the basis of the Bank of Spain Circular 4/2017. Certain accounting practices applied by the Group that conform with the Circular may not conform with other generally accepted accounting principles.

# Appendix I – Subsidiaries included in the Group

## At 31 december 2022

Thousand euro

| Entity | Location | Line of business | Proportion of ownershipInterest (%) Direct | Indirect | Total | Entity data at 31 December 2022(*) Assets | Liabilities | Equity | Profit for the year |
|---|---|---|---|---|---|---|---|---|---|
| Trionis, S.C.R.L. | Brussels | Development and maintenance of theinternational payment services operative | 100 | - | 100 | 2,929 | 1,681 | 1,248 | 65 |

(*) Financial information pending approval by the General Meeting.

## At 31 december 2021

Thousand euro

| Entity | Location | Line of business | Proportion of ownershipInterest (%) Direct | Indirect | Total | Entity data at 31 December 2021 Assets | Liabilities | Equity | Profit for the year |
|---|---|---|---|---|---|---|---|---|---|
| Trionis, S.C.R.L. | Brussels | Development and maintenance of theinternational payment services operative | 100 | - | 100 | 2,841 | 1,651 | 1,190 | (160) |

# Appendix II – Information for compliance with Article 87 of Law 10/2014, of 26 June, on the regulation, supervision and capital adequacy of credit institutions.

## Annual Banking Report

This information is published in compliance with the provisions of Article 87 of Law 10/2014, of 26 June, on the regulation, supervision and capital adequacy of credit institutions which, in turn, transposes Article 89 of Directive 2013/36/EU of the European Parliament and of the Council, of 26 June 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

Pursuant to the aforementioned legislation, credit institutions will be obliged to publish the following information on a consolidated basis relating to the end of the latest reporting period:

a) Name(s), nature of activities and geographical location:

Cecabank, S.A. ("the Bank" or "the Entity") is a bank that was incorporated by public deed executed in Madrid on 17 October 2012. The Entity has been registered at the Mercantile Registry since 12 November 2012 and in the Bank of Spain's Register of Credit Institutions under code 2000. Cecabank, S.A. forms part of the Cecabank Group. Its registered office is at calle Alcalá no. 27, Madrid. The Bank's company object is:

a) The performance of all manner of activities, operations and services inherent to the banking business in general or directly or indirectly related thereto which it is authorised to carry on by current legislation, including the provision of investment and ancillary services and the performance of insurance brokerage activities.

b) The provision of technological, administrative and advisory services to public authorities, as well as to any other public or private-sector entity; and

c) The acquisition, holding, use and disposal of all types of marketable securities.

The Cecabank Group carries on its activity in Spain. However, it has a branch in Lisbon (Portugal), two representative offices in Frankfurt (Germany) and London (United Kingdom) and a subsidiary in Belgium.

The Cecabank Group is composed, in addition to the Parent, Cecabank, S.A. of Trionis S.C.R.L., incorporated in 1990, set in Brussels (Belgium) whose company object is the development and maintenance of the international payment services operative.

b) Turnover:
Turnover at the Cecabank Group is defined as gross income, which amounted to EUR 305,680 thousand in 2022 and EUR 246,465 thousand in 2021.

c) Number of employees on a full-time equivalent basis:

At 31 December 2022, the Cecabank Group had 478 full-time employees (a further eight had reduced working hours and four worked part-time). At 31 December 2021, the Group had 463 full-time employees (a further five had reduced working hours and four worked part-time).

d) Gross profit or loss before tax:

The Cecabank Group's gross profit before tax at 2022 year-end amounted EUR 92,204 thousand (2021: EUR 93,600 thousand).

e) Tax on profit or loss:

Tax on the profit for the year ended 31 December 2022 amounted to EUR 26,764 thousand (2021: EUR 24,542 thousand).

f) Public subsidies received:

The entity has not received any subsidies during the year 2022 and 2021.

g) In order to comply with Article 87.3 of the aforementioned Law, it is stated that the return on the Group's assets, calculated as the result of dividing the Group's consolidated profit for 2022 by the total balance sheet, was 0.45% at 31 December 2022 (31 December 2021: 0.40%).

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# Annual accounts 2022

# Cecabank Group and Subsidiary Companies

## Consolidated Management Report

## for the annual period ended December 31, 2022

Cecabank, S.A. (Cecabank) is the parent company of the Cecabank Group, with the companies mentioned in Note 1.1 of the consolidated financial statements for the annual period ended December 31, 2022, comprising the group. Cecabank represents 99.99% of the total consolidated balance.

Due to the limited relevance of the other entities within the aforementioned group, this document focuses on the activities of Cecabank. The main objective of this Management Report is to disseminate the most significant events that occurred in 2022, present the results achieved compared to the current year's budget, and highlight the key aspects regarding risk management, as well as the activities to be undertaken to fulfill the strategic objectives defined for the year 2023 in the Strategic Plan.

## 1.- Strategic Plan 2022-2024 and Business Evolution in 2022

Cecabank has completed the first year of its new Strategic Plan 2022-2024, which focuses on transformation to consolidate business growth.

The **Mission** outlined in this Strategic Plan is centered around supporting financial institutions and other corporations from the experience of a Spanish wholesale bank with international projection. To achieve this, the organization relies on two fundamental pillars:

1) Consolidating Cecabank's position as a custodian bank and provider of specialized solutions for all types of financial institutions and corporations, both national and international.

2) Accompanying our clients by building lasting relationships, ensuring that every decision is the result of mutual trust.

The **Values** that identify Cecabank in this new Strategic Plan are:

**SPECIALIZATION**

Recognized prestige based on knowledge and specialization

**ENGAGEMENT**

Staff and management team committed to our clients

**SOLVENCY**

Keeping solvency high is one of our hallmarks

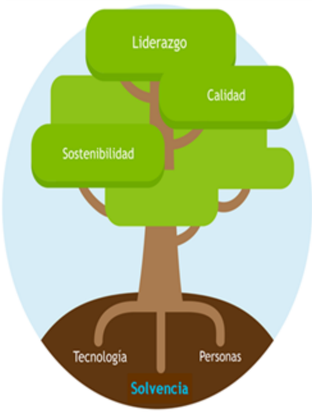
**SUSTAINABILITY**

Involved with sustainability

In this new Plan, both financial and non-financial objectives have been defined, which we can see below:

| Financial goals | |
|---|---|
| Profit or loss before tax | >100M€ |
| Profitability (ROTE) | 9-11% |
| Solvency (CET1) | 22-25% |

| Non-Financial goals | |
|---|---|
| Leadership | Reinforce leadership in the Iberian market as the main independent depository |
| Quality | Maintenance of perceived satisfaction above 8 and contrast with objective quality |
| Sustainability | Fulfillment of stakeholder expectations in the three basic pillars of sustainability |
| People | Renewal and transformation of internal talent based on new profiles, diversity and generational change |
| Technology | Transformation of technology to achieve greater maturity and have the technological capabilities to execute the Plan |




The execution of the Plan is based on 4 components:

1. Business model: based on three main lines of business, namely Securities Services, Treasury, and Payments. Within this model, a distinction is made between regular business activities (Business As Usual - BAU), incremental initiatives that will be developed throughout the Plan, and potential business opportunities that will be analyzed in each of the business areas to determine whether or not to pursue them over the three-year period.

2. Growth vectors: areas where opportunities may arise based on Cecabank's characteristics and where it can expand.

3. Enablers: levers that will enable the entity to achieve both financial and non-financial objectives.

4. Corporate opportunities: Cecabank will continually analyze different options that can create value for all stakeholders.

Next, we will delve into the performance of each of these components in the year 2022.

## 1.1 Business Model

### 1.1.1 Securities Services

The Securities Services activity is based on three major lines of business:

- Depository services for collective investment institutions and pension funds
- Securities custody and settlement
- Other value-related services

Throughout 2022, the performance of fund assets has been affected by market instability, resulting in a general decrease in their value. Despite a positive trend in net subscriptions, the negative effect of the markets has outweighed it. However, the unfavorable market conditions have been partially offset by the addition of new clients, increased client engagement, better performance of our asset managers compared to the rest of the market, and the positive contribution of incremental initiatives outlined in the Plan.

Regarding the business opportunities outlined in the Plan, significant progress has been made in two of them, with great potential for transitioning to the execution phase in 2023.

Overall, these factors have enabled us to maintain our leading position in the domestic market, with over €200,000 M in deposits and more than €275,000 M in assets under custody at the end of the year.

### 1.1.2 Treasury

The Treasury activity consists of 2 main lines of business:

1. Financial activity

2. Banknotes

Regarding the financial activity, the year 2022 has been characterized by significant volatility due to the uncertainty generated by the Russia-Ukraine conflict, energy supply dynamics, and the upward trend in inflation, which has led to changes in the monetary policies of many countries and impacted the evolution of interest rates. These factors have had a particularly strong impact in the last two months, with increases in risk premiums and heightened volatility, which have been utilized to rotate portfolios and generate return on funds (ROF). Despite this context, the financial activity in its business as usual has shown positive performance.In the other main line, Banknotes, there has been a gradual recovery in business following the pandemic, thanks to the favorable evolution of tourism, which has reached levels close to pre-pandemic figures.

Incremental initiatives in the Treasury field have positively contributed by enhancing the product offering and expanding the client base.

Lastly, it is worth highlighting that among the opportunities identified in the Plan for exploration and potential execution, Treasury as a Service stands out. This initiative has attracted clients beyond the traditional scope of the entity and will serve as a lever for providing additional services to those same clients.

### 1.1.3 Payments

Within the Payments line of business, we find various payment-related activities such as cards, Bizum, instant transfers, Payment Clearing and Settlement Systems, E-commerce, digital payments, FX sharing, remittances, and pensions. Additionally, there are activities related to technological platforms, including Digital Banking, Treasury and Risk Platform, Reporting, and Technology Outsourcing.

The performance of payments in the year 2022 has been positive, benefiting from the reactivation of the economy at both the national and international levels. The technological platform businesses have also shown resilience, as they are less sensitive to economic conditions.

Key operational milestones throughout the year include:

- Introduction of new functionalities for Bizum, such as e-commerce payments and user refund enhancements.

- Enhancement of Iberpay services, including a new C2C[1] processing gateway for Bizum, improved fraud prevention services, and enhanced account ownership service.
- Analysis of regulatory impacts from PCI PIN[2], PCI DSS 4.0[3], PCI 3DS[4], EBA's reporting framework 3.2, Initial Margin, and EMIR - Refit[5].
- Expansion of platform services to new markets in collaboration with existing clients.

Among the initiatives and opportunities proposed in the Plan, the businesses related to technological platforms have performed very well, while those related to payments have experienced a slight delay and will be further developed throughout 2023.

## 1.2 Growth vectors

In the new Strategic Plan, three growth vectors (Digital Assets, ESG, and Regulation) have been defined, through which Cecabank aims to identify new opportunities and achieve a more prominent market position.

These vectors leverage Cecabank's specialization in specific areas and will be developed with the objective of further enhancing the value chain of current businesses.

## 1.3 Facilitators

The Strategic Plan focuses on the transformation of Cecabank to consolidate business growth. Three facilitators have been defined, based on the main support areas of the business, which require different transformation plans to adapt to present and future needs and achieve the objectives set for 2024.

I. The first facilitator is the Human Resources facilitator, based on a plan called "Plan Crece +," which consists of four main pillars. The objectives include talent renewal to adapt to new and existing businesses, cultural transformation of the organization, and the promotion of diversity and sustainability. These plans have already been initiated and are being executed according to the established roadmap.

II. The second facilitator is the Technology Plan. It is a complex plan that requires a longer timeframe than the Strategic Plan 2022-2024 itself, extending one year beyond it. The goal of this plan is to transform technology to achieve greater maturity and possess the necessary technological capabilities to drive the business, generate efficiency, and enhance resilience.

III. The last facilitator relates to Governance. Under the plan designed for this facilitator, Cecabank has established different actions for each of the three main lines of defense: Internal Audit, Risk and Compliance, and Front Office (the third, second, and first lines of defense, respectively).

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[1]CSC (Consumer to Consumer).

[2] PCI PIN (Payment Card Industry PIN Security).

[3] PCI DSS (Payment Card Industry Data Security Standard).

[4] PCI 3DS (Payment Card Industry Data Standard of 3 domains).

[5] EMIR (European Market Infrastructure Regulation) Refit. Modification of the Regulation.

## 1.4 Corporative operations

Corporate Operations represent an additional alternative for Cecabank, in addition to organic business development, through the exploration of growth opportunities that may involve either business acquisitions or inorganic corporate acquisitions.

Throughout the year 2022, various opportunities were analyzed (some of which are still ongoing) across different lines of business.

## 1.5 Business comercial objectives

In addition to the Strategic Plan and Entity's budget, annual commercial objectives are defined to promote and intensify the commercial activity of the Entity, aiming to achieve the greatest possible impact on the income statement through client diversification and increased client engagement.

In 2022, the set commercial objectives were achieved and surpassed in a generalized manner. This year, the focus was on client engagement and acquiring new business with an increase in the average ticket per contract.

The table below provides the details of each objective, including the annual target set for each indicator and the degree of achievement compared to the target.

| New billing | | New revenues | | Contracted negotiations | | New customers | |
|---|---|---|---|---|---|---|---|
| Goal | Level of fulfilment | Goal | Level of fulfilment | Goal | Level of fulfilment | Goal | Level of fulfilment |
| 6,3M€ | 225% | 10,0 M€ | 138% | 76 | 116% | 24 | 63% |

- ➔ **New Billing** - This indicator reflects the estimated and annualized billing of new contracts signed during the period. It has significantly exceeded the set target, reaching a figure of 14.2 million euros, largely due to client engagement.

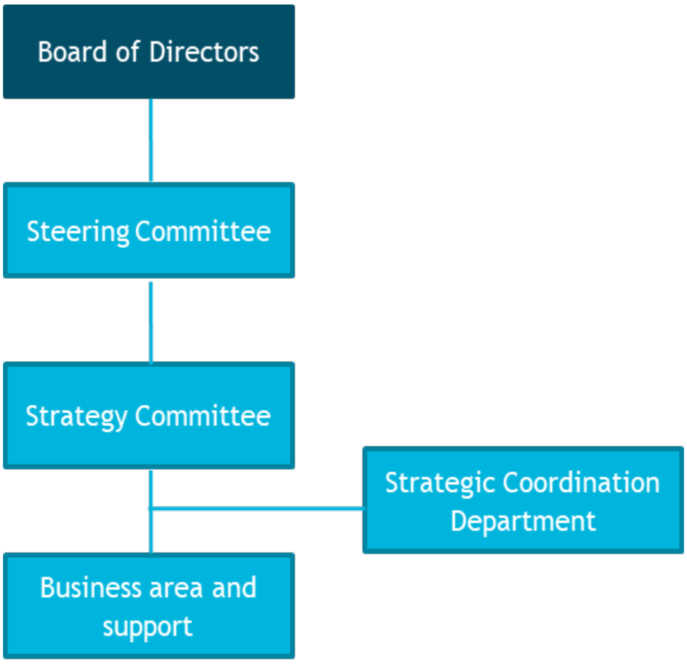
- ➔ **New Revenues** - This represents the actual impact on the income statement from new contracts during the current fiscal year (13.8 million euros). The majority of these revenues are recurring in nature.

- ➔ **Contracted Negotiations** - This includes all successfully closed new negotiations or renegotiations with estimated annual revenues exceeding €25,000/year. The target for the year was 76 negotiations, and the fiscal year ended with a total of 88 contracted negotiations.

- ➔ **New Customers** - This indicates the number of clients who have contracted a service or product exceeding 25,000 euros and have not received any services from Cecabank or had any contracts with the bank for the past 3 years. This is the only indicator that fell below the set target.

## 1.6 Governance Model of the Strategic Plan

In 2022, the governance model of the Strategic Plan was reviewed to align it with the monitoring of the new Plan and facilitate decision-making by the governing bodies:




**The Board of Directors** receives a quarterly progress report on the overall objectives (financial and non-financial), key developments, and deviations in the Business As Usual (BAU) performance, initiatives and opportunities, facilitators, growth vectors, and corporate opportunities. These reports are discussed in the Board of Directors meetings.

**The Strategy Committee**, on the other hand, has held monthly meetings throughout 2022 with a triple objective:

1. Review the Strategic Plan comprehensively using the approved monitoring methodology for periodic reporting to the Board of Directors.

2. Identify deviations and make tactical decisions to ensure the achievement of strategic objectives. This is supported by a monthly Dashboard with defined Key Performance Indicators (KPIs) for the different components of the Strategic Plan.

3. Conduct specialized analyses of various strategic areas and any other matters considered relevant for the development and implementation of the strategy.

## 2. Consolidated Income Statement 2022

| | Real 2022 (*) | Budget 2022 (*) | Deviation Amount (*) | Deviation % |
|---|---|---|---|---|
| Financial margin (**) | 81,764 | 71,000 | 10,764 | 15 |
| Commission and operating income (***) | 230,560 | 233,407 | (2,847) | (1) |
| **Gross margin** | **312,324** | **304,407** | **7,917** | **3** |
| Operating expenses (including provisions) (****) | (220,115) | (221,444) | 1,329 | 1 |
| **Profit from operations** | **92,209** | **82,963** | **9,246** | **11** |
| Other results | (5) | - | (5) | - |
| **Profit before tax** | **92,204** | **82,963** | **9,241** | **11** |
| Corporate income tax | (26,764) | (23,645) | (3,119) | (13) |
| **Profit for the year** | **65,440** | **59,319** | **6,121** | **10** |

(*) Amounts in thousands of euros.

(**) Includes net interest margin, dividend income, gains or losses on derecognition of financial assets and liabilities measured at fair value through profit or loss, gains or losses on financial assets and liabilities held for trading, gains or losses on financial assets and liabilities designated at fair value through profit or loss, gains or losses from hedge accounting, foreign exchange differences, and gains or losses on financial assets not held for trading measured at fair value through profit or loss.

(***) Includes commission income, commission expenses, other operating income, and other operating expenses.

(****) Includes administrative expenses, depreciation, provisions or reversals of provisions, and impairment or reversal of impairment of financial assets measured at fair value through profit or loss.

- **Net interest income**: with a favorable performance compared to the budget, it has shown a positive deviation of €10.8 million. This figure has been achieved through higher gains than expected in portfolio management, as well as in other trading activities such as futures and options, credit derivatives, and fx spot. In addition, there has been increased accrual from the portfolio and accounts, and high levels of intermediation throughout the year. The rise in interest rates has also allowed the Entity to generate returns on liquidity deposited with the Central Bank. It is also worth noting the increased contribution from Billetes, exceeding the budget by €1.5 million, due to increased activity since February, coinciding with the lifting of health restrictions and the subsequent growth in tourism.

- **Fees and operating income**: They have fallen short of the budgeted amount by €2.8 million. The negative deviation is mainly attributed to Securities Services and the annual contribution to the Single Resolution Fund (SRF).

  The deviation in Securities Services business is due to the decrease in deposited assets and custodial balances in 2022, resulting from portfolio adjustments caused by the negative market performance during the year. Other business lines have shown a more positive evolution compared to projections: Payments, driven by the better performance of Payment Methods, E-commerce, and FX Sharing; Treasury, due to increased intermediation fees and those generated by Banknotes; and Technology Platforms, with a notable increase in Digital Banking and Technological Outsourcing.

  On the other hand, the contribution to the SRF has resulted in a higher burden compared to the budgeted amount, generating a deviation of -€1.1 million.

- **Gross margin**: It reflects the total net income from operating activities, reaching €312.3 million, which is 2.6% above the budgeted amount, due to the reasons mentioned above.

- **Operating expenses**: They are 1% lower than the budgeted amount, primarily due to greater savings in other administrative expenses and amortization. Specifically, personnel expenses are slightly above budget, at 1%, due to increased activities under the People Plan. On the other hand, other administrative expenses are below budget by 0.4%, attributed to lower expenses associated with contributions and taxes, technical reports, and representation and travel. The deviation in amortization, at 3%, is due to lower variable payments in the Custodian business. Finally, there has been a lower recovery of provisions and asset impairment compared to the budget, mainly due to an unplanned provision related to the taxation applicable to R&D, and an increase in general provisions.

- Net income: The net result after taxes is €65.4 million, which is 10% higher than the budget.

## 3. External rating

The ratings assigned to Cecabank as of December 31, 2022, by international agencies (*Fitch Ratings, Moody's and Standard & Poor's*) are as follows:

| | Short term | Long term |
|---|---|---|
| FITCH RATINGS | F-3 | BBB |
| MOODYS | P-2 | Baa2 |
| STANDARD & POOR'S | A-2 | BBB+ |

In 2022, Fitch Ratings decided, as part of its annual review, to upgrade Cecabank's rating by one notch from BBB- to BBB, with a stable outlook. The following aspects were taken into consideration:

- The agreements reached in recent years with asset managers and entities, which have strengthened Cecabank's custody and depository business and consolidated its position in the market.

- The combination of the entity's businesses, in addition to increasing revenue-generating capacity, provides a higher degree of stability.

- Cecabank's moderate risk appetite and the robustness of its systems and operational risk controls.

- The entity's high solvency level and its commitment to maintaining it at solid levels throughout the horizon of the current Strategic Plan.

The other two rating agencies, Moody's and Standard & Poor's, have reaffirmed Cecabank's long-term and short-term ratings and maintained a stable outlook.

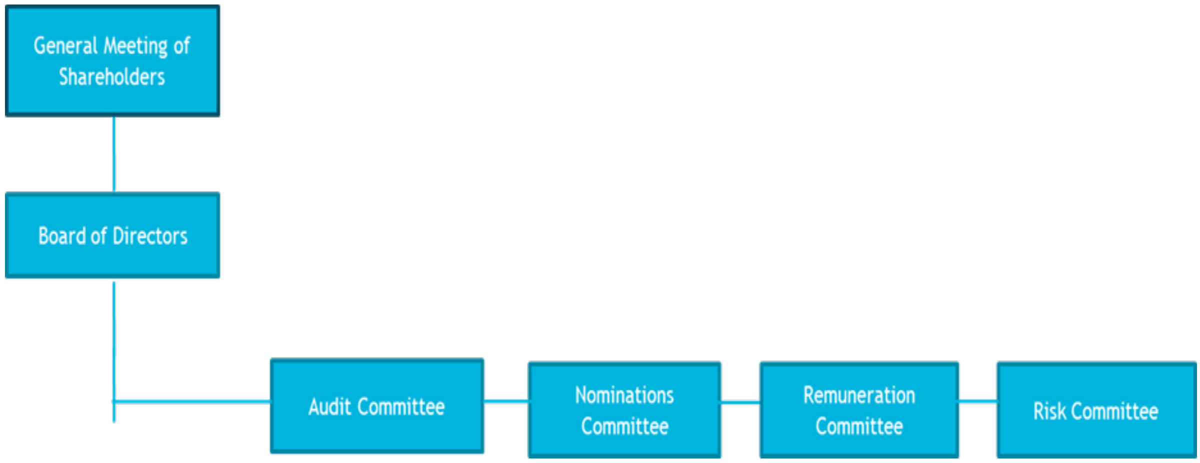
## 4. Risk management

The financial risk profile throughout the year has maintained the strategy of previous years, showing good results and resilience during the exercise, despite notable volatility events. The management has been highly prudent, following the policies defined by the Board, with controlled levels and always staying within the defined levels and profile in the Risk Management Framework.

In Notes 22, 23, 24, 25, and 26 of the Entity's memorandum, the information regarding the objectives, policies, and risk management procedures of the Entity is reflected, along with its exposure by risk type.

## 5. Corporate Governance of Cecabank during 2022

The corporate governance of Cecabank is governed by a set of rules, principles, and policies that regulate the composition, structure, and functioning of the Governance Bodies (General Shareholders' Meeting, Board of Directors, and its Committees), which are periodically reviewed and updated to align with the best national and international practices.




On March 29, 2022, Cecabank held the Ordinary General Shareholders' Meeting at its registered office, with 100% of its shareholders attending either in person or by proxy.

The purpose of the meeting was to approve, among others, the annual accounts, the non-financial information statement, the appointment of auditors for the 2022 financial year, and the determination of the number of members of the Board of Directors.

The administration, management, and representation of Cecabank are the responsibility of its Board of Directors. The Board of Directors has broad powers for the management of the Company and, except for matters reserved for the General Shareholders' Meeting, in accordance with applicable legislation and the Bylaws, it is the highest decision-making body and responsible for the risks assumed by the Company.

Regarding the Board of Directors, the General Shareholders' Meeting held on March 29 decided to establish a composition of ten members. As of December 31, 2022, the Board consists of ten members, five of whom are proprietary directors, four independent directors, and one executive director.

The Board of Directors, held in April 2022, appointed the CEO, Mr. José María Méndez, as the Executive Director of the Company. This appointment did not represent a significant change as he already held the position of executive director with broad powers.

The Board of Directors meets regularly on a monthly basis according to the approved annual work plan and additionally when deemed necessary. During this year, the Board of Directors held eleven meetings, all of them in person at its registered office, except for one meeting held in Malaga.

Among the matters discussed by the Board of Directors in 2022, highlights include the review of economic and financial information, analysis of the regulatory framework and business aspects, monitoring the implementation of the Strategic Plan 2022-2024, and approval of the Sustainability Plan 2022-2024.

Furthermore, in compliance with the regulations on capital companies and in the field of regulation, supervision, and solvency of credit institutions, Cecabank has established four committees (Audit Committee, Nominations Committee, Remuneration Committee, and Risk Committee), composed of non-executive directors and all chaired by independent directors. The committees, with their supervisory and advisory powers, assist the Board of Directors in the exercise of its assigned competencies. During the year 2022, the different committees held a total of nineteen meetings.

Detailed information regarding the composition, functions, and operation of the different governance bodies can be found in the Company's Bylaws and their Operating Regulations, which are available in the "corporate information" section of Cecabank's website.

## 6. Significant events after the close of the fiscal year

Subsequent to December 31, 2022, and up until February 22, 2023, the date of formulation of the attached consolidated annual accounts by the Board of Directors, no significant events have occurred that should be included in the accompanying consolidated annual accounts to fairly present the entity's financial position, results of operations, changes in equity, and cash flows.

## 7. Business objectives for the year 2023

In setting the commercial objectives for 2023, the following premises were considered:

- Alignment with the 2023 budget and the Strategic Plan.
- Maintaining a consistent level of contribution to the entity.
- Setting challenging objectives with a significant impact on the income statement and a high threshold of performance.

The commercial activity objectives for 2023 are as follows:

+7 million euros of new invoicing, or in other words, the potential annual invoicing from new contracts. The objective set for this indicator does not consider any corporate transactions and is challenging compared to the previous year's target, aligning with the business consolidation strategy.

+6 million euros of new revenues in the fiscal year, representing actual revenues in 2023 from new contracts. This is the most significant indicator as it captures the impact of successful commercial achievements to be realized throughout the year.

~100 contracted negotiations or renewals with amounts exceeding 25,000 euros.

+20 new clients. Despite the difficulty of sustaining growth in this indicator, the objective set for 2023 reaffirms the commitment to diversify Cecabank's already extensive client base, which comprises over 300 active clients.

## 8. Repurchase of own shares

During the period from January 1st to December 31st, 2022, there were no treasury shares in the balance sheet of the Bank.

## 9. Supplier payment

In compliance with Article 262 of the Consolidated Text of the Spanish Capital Companies Act, information regarding deferred payment arrangements with suppliers is disclosed in Note 36 of the consolidated Entity's financial statements.

## 10. Non-financial information statement

In accordance with the provisions of Law 11/2018 of December 28, which amends the Commercial Code, the consolidated text of the Capital Companies Act approved by Royal Legislative Decree 1/2010 of July 2, and Law 22/2015 of July 20 on Audit of Accounts, regarding non-financial information and diversity, the Consolidated Non-Financial Information Statement for the year 2022 has been prepared. This statement is included as a separate document attached to the Consolidated Management Report of the Cecabank Group for the year 2022, in accordance with Article 44 of the Commercial Code.

As described in the previous paragraph, and in accordance with the aforementioned regulations, the information regarding the Non-Financial Information Statement of Cecabank, S.A. is included in the aforementioned Consolidated Non-Financial Information Statement, which will be filed with the Commercial Registry of Madrid.

This statement includes information regarding investment in R&D&i and personnel with disabilities.

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# Annual accounts 2022

## Annex. Non-Financial Information Statement in accordance with Law 11/2018 of December 28 on non-financial information and diversity

# Letter from José María Méndez

Cecabank

Non-Financial Information Statement 2022

It is my pleasure to present Cecabank's Non-Financial Information Statement for 2022.

We have experienced a year characterized, at a macroeconomic level, by a strong shift in the monetary policy of central banks in most advanced countries. Looking specifically at the twelve-month Euribor, we see a continuous increase, reaching 3.06% by the end of December, levels not seen since 2008.

This context has brought an end to expansionary monetary policy, coupled with downward revisions in growth prospects and rising inflation. This phenomenon has impacted the evolution of financial markets, which, despite a recovery in the last quarter, ended the year with a negative balance.

This year has been marked by economic uncertainty. However, our robust governance model, business diversification, and customer-centric approach have allowed us to maintain the strong performance of previous years, with a result of 65.4 million euros and a high solvency ratio, with a CET1 of 30.8%.

I would like to emphasize that this year is very special for all of us at Cecabank. Our journey, which began on November 12, 2012, has already reached a decade, and looking back, we can see how our own reality has changed and the profound institutional and business transformation we have achieved.

The business segregation process from CECA to Cecabank, which led to the creation of the bank, along with our innovation and specialization capabilities, has built what we are today: a leading wholesale bank in the Securities Services market and a provider of specialized solutions for all types of financial institutions and corporations, both domestic and international.

Cecabank has been chosen for the sixth consecutive year as the Best Custodian Bank in Spain 2022 by the specialized magazine Global Banking and Finance Review. This award once again recognizes our leadership in custody and the prominent position our institution maintains in post-trading activity in our country. All of this has been made possible thanks to a highly professional and high-performing workforce with a deep sense of humanity.

In 2022, we embarked on a new strategic period in which Cecabank approved the new Sustainability Plan 2022-2024. This plan, alongside our Strategic Plan, will consolidate future growth and our relationships with stakeholders. We are especially proud of this ambitious project, consisting of 70 actions, aimed at positioning the institution at the highest level in the 4 defined areas of action: People, Planet, Governance, and Prosperity.

In addition, 2022 has been marked by the talent acquisition plan, which has successfully onboarded new professionals, reinforcing areas of high development such as sustainability, technology, risk, and our businesses. Additionally, the organization has taken actions in terms of equality and work-life balance. In this regard, we have once again obtained the Family Responsible Company certification granted by the Más Familia Foundation.

Furthermore, I cannot fail to mention Cecabank's Social Action as an important aspect of our activity, contributing to generating value for society. The most notable initiative is the 8th edition of the "Tú Eliges" program. This year, it has achieved record participation with 78.9% of the workforce involved. This initiative strengthens the sense of belonging of our employees, allowing us to raise awareness of their environmental, social, and cultural interests and concerns. Our commitment to the United Nations Global Compact and compliance with its 10 principles has also been recognized this year, as we have obtained the bronze insignia from this institution.

In the environmental sphere, we have continued working to improve the energy efficiency of our facilities, thus contributing to emissions reduction. Since 2017, when we began calculating our carbon footprint, we have achieved a 91.9% reduction in our scope 1+2 emissions. Currently, the organization is participating in offset projects and has achieved emissions neutrality for scopes 1+2 in 2020 and 2021. The organization is actively addressing its indirect impacts.

Once again, Cecabank has committed to sustainable finance and the fulfillment of the highest sustainability standards through our businesses, ways of working, and organizational culture, all with the ultimate goal of building a better tomorrow for all.

## Cecabank in Figures: 2022 at a Glance

### Prosperity:

- Total Assets: 14,414 million euros
- Total Equity: 1,189 million euros
- Net Income: 65.4 million euros
- CET1 Ratio: 30.8%

### Business:

- Securities Services: Deposited Assets: 202,000 million euros; Custodied Assets: 275,000 million euros; Awarded as Best Custodian Bank of 2022
- Treasury: Market Maker for Public Treasury; Leading wholesale foreign currency market in Spain for banknotes; Direct service to over 12,000 bank branches
- Payments: Processed 1,215 million card transactions; Presence in over 80 countries; Coverage of 24 different currencies
- Technological Platforms: Number of Electronic Banking transactions: 3,288 million; Presence in >27 countries; Coverage of >10 different currencies

### People:

- 476 employees
- 51% female workforce
- 100% permanent contracts
- 988 euros per employee spent on training

- 3,450 euros per employee invested in social benefits
- 100% of employees covered by collective agreement
- "Tú Eliges": 100,000 euros in social programs
- Pacto Mundial Award: Bronze Badge

### Planet:

- Carbon neutral in own operations
- 188 tCO2 offset in 2021
- 92.5% reduction in emissions since 2017[6]
- ISO 50001:2018 certification

### Governance:

- 96% compliance with Sustainability Plan
- 0 reports in the ethical channel
- UNE 19601:2017 certification for Compliance with Criminal Law
- 74% of employees trained in cybersecurity
- 90.5% local procurement

# 1. Get to know Cecabank

## *1.1. Our business model*

### Transforming the present with the best solutions for a sustainable future

Cecabank is a Spanish wholesale bank that offers innovative financial solutions and accompanies its clients in achieving their business objectives. We have a presence in major European financial centers. Based in Madrid, we have an External Network consisting of an operational branch in Lisbon and representative offices in Frankfurt and London.

The entity's products and services are grouped into four business lines:

1. Securities Services: This service includes custody and depositary services for securities, as well as value-added services in the post-trading chain for securities and currencies. Our clients, including investment management companies, pension funds, venture capital entities, and social security funds, benefit from the expertise of the leader in custody services in Spain and Portugal.

   Currently, the business operates with over 202,000 million euros in assets under custody, more than 1,050 investment vehicles, and nearly 50 asset managers.

[6] Scope 1+2

2. Treasury: This business line focuses on operations in major national and international markets for equities, fixed income (public and private), currencies, and derivatives. Our operations are carried out with criteria that ensure ample liquidity and high solvency.

   The business stands out as a primary dealer of Spanish public debt, actively participating in auctions and syndicates, and providing liquidity in the secondary market. In 2021, Cecabank was designated by the European Union as a member of the European Primary Dealer Network.

3. Payments: This line of business comprises card payment processing services throughout the payment chain, processing in clearinghouses and payment schemes, digital payment solutions (payment gateways, customer authentication, DCC solutions, among others), and digital platforms and FX platform. We offer international payment services with currency exchange, adding significant value to our clients.

4. Technological Platforms: This line includes digital banking solutions, treasury services, risk and reporting, and technological outsourcing. We provide outsourcing services for technological infrastructures to financial entities, insurers, and fintech companies, in compliance with banking regulations.

In addition, Cecabank provides associative services to support the proper functioning of the CECA banking association, focused on the dissemination, defense, and representation of the interests of its member entities.

More information about Cecabank and the services we offer can be found on the entity's corporate website[7].

In 2021, the entity established its business strategic plan for 2022-2024, which focuses on transformation to consolidate growth. This new Strategic Plan, approved by the Board of Directors in 2021, defines the business model that incorporates the aforementioned business lines, three growth vectors (including the ESG vector), and three enabling factors in the transformation process (Human Resources, Technology, and Governance).

The Business Strategic Plan sets both financial and non-financial objectives. Non-financial objectives include strengthening leadership, maintaining quality levels, transforming talent and technology, and meeting stakeholder expectations in the three pillars of sustainability (Environmental, Social, and Governance).

Technology, talent, and sustainability are key to achieving strategic objectives, and Cecabank has developed specific plans for each of these areas.

[7] https: //www.Cecabank.es

| | |
|---|---|
| Technology Plan | The Technology Plan aims to contribute to the company's objectives through transformation initiatives focused on three main objectives: boosting the business, generating efficiency and enhancing resilience. It is an ambitious plan, covering the period from 2022 to 2025, beyond the 2022-2024 strategic period.<br><br>In 2022, it has launched 19 initiatives, responding to the three objectives mentioned above. |
| “Crece” Plan + | Launched in 2022 as an evolution of the Human Resources Transformation Plan within the 2017-2020 Strategic Plan. CRECE + is defined as the Plan that allows Talent Management to be the Facilitator of Cecabank's Transformation and it includes different initiatives that aim to advance in the different phases of the Human Resources management cycle, favouring the growth and professional development of its employees, giving them the opportunity to learn new ways of working, acquire knowledge in different areas, enhance their development, facilitate personal and professional reconciliation, generate and share our values, promote initiatives that favour equality, renew our talent and make our processes more efficient. |
| Sustainability Plan | Structured in 4 work blocks and 70 actions, with three fundamental objectives: consolidate our leadership in the market, orient our ESG service proposal, anticipating the needs of our customers and generate a positive impact on our environment and Stakeholders.<br><br>It is a transversal plan in which 100% of the Bank's areas participate and which, in its first year of implementation, has achieved a compliance rate of 96%. |

### *1.2. Our corporative culture*

Mission

To support financial institutions and other corporations with the experience of a Spanish wholesale bank with international projection.

Vision

- Cecabank aims to consolidate its leading position as a custodian bank and provide specialised solutions for all types of financial institutions and national and international corporations.
- To accompany its customers, building lasting relationships, so that every decision is the result of mutual trust.

Our values:

- **Specialisation**: our financial, technological and business expertise makes it possible to offer our clients solutions with high added value for their business.
- **Solvency**: Cecabank's capital ratio is among the highest in the market.
- **Commitment** to our customers, shareholders, employees and all our stakeholders.
- **Sustainability**: Through a responsible business model, our commitment to sustainable finance and our environment.

For Cecabank, corporate culture and values are a priority and form part of our behaviour, our way of relating to customers and the bank's internal policies. Cecabank's new strategic framework incorporates the challenge of defining a common and shared purpose and fostering new values with which customers, employees and governing bodies feel strongly identified and committed.

The talent renewal plan, carried out recently, the coexistence of new generations and the evolution that we have been developing since 2018, have strengthened the need to frame a project that serves as an "umbrella" for the rest of the transformation initiatives that we are leading.

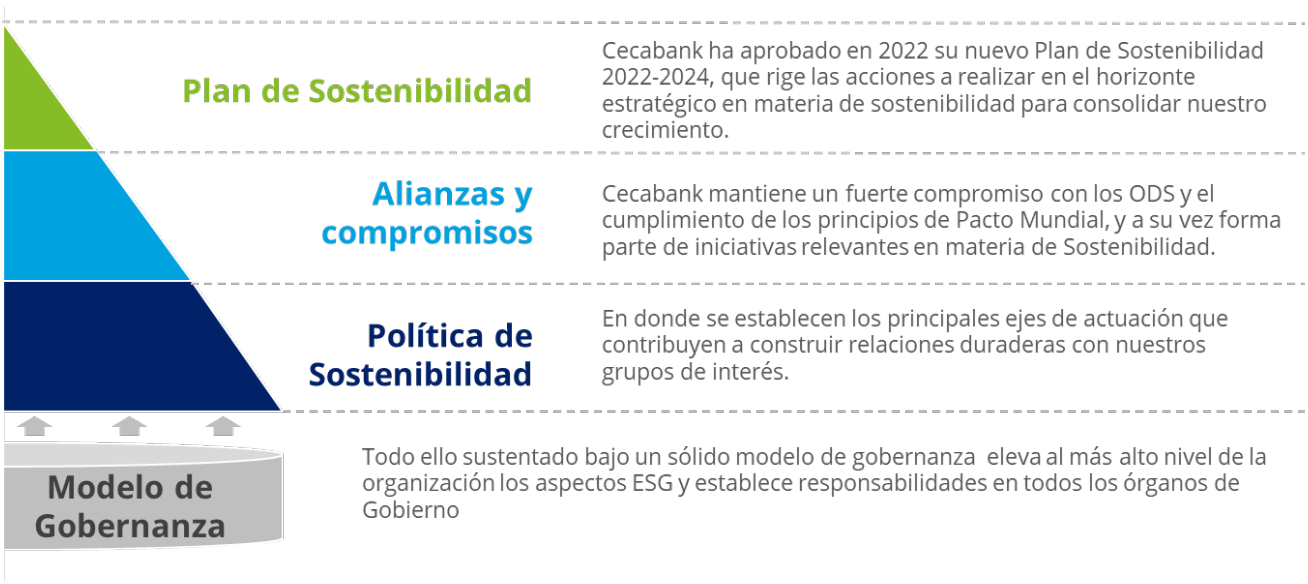
This global project involves all employees and all levels of the entity to jointly carry out this reflection process. The New Culture Model initiative, part of the CRECE+ Plan, aims to raise awareness, disseminate and comply with the new values defined for Cecabank, identify the necessary cultural changes and implement specific actions to successfully tackle the transformation proposed in the new strategic period, ending in 2024. For more information, see the People section.

### *1.3. Our approach to sustainability management*

The financial sector is key to the transformation towards a sustainable, low-carbon economy. Its role is to redirect capital flows towards activities that favour the transition, supporting the rest of the economic sectors in the construction of an inclusive economy with a low environmental impact and a positive impact on the social environment.

Cecabank is aware of this task and works to guide all its activity by considering ESG (Environmental, Social and Governance) factors. Both because of its strong banking tradition linked to the social dimension, as well as its vocation for the future, Cecabank has a strong commitment to the environment, in which we seek to establish lasting and trusting relationships with our stakeholders.

Our sustainability management model is structured into four aspects:




## ESG Governance Model

The bank has an organisational structure that facilitates the development of the defined lines of action and places sustainability at the highest level of the organisation, forming part of the responsibilities of the Board of Directors, which delegates supervision of compliance with the Sustainability Policy to the Audit Committee.

At Cecabank, we understand sustainability as something transversal in the way we operate. Accordingly, the bank has established responsibilities in all the governing bodies.

- Risk Committee: oversees all aspects related to ESG risks, with special attention to environmental and climate risks.
- Nominations Committee and Remuneration Committee: monitor ESG issues within their sphere of competence.
- Management Committee: oversees in the first instance ESG issues reported by the Sustainability Committee.
- Strategy Committee: responsible for monitoring the entity's Strategic Plan, supervises compliance with the non-financial objectives and sustainability initiatives proposed by the Sustainability Committee within the ESG growth vector.
- New Products Committee: incorporates ESG analysis in the evaluation of new products.

At the operational level, the entity has a Sustainability Committee made up of representatives from all corporate and business areas and reports directly to the Management Committee and the Strategy Committee. It is in charge of, among other functions, defining ESG initiatives, monitoring the Sustainability Plan, and coordinating transversal activities within the organisation.

- Internal Audit
- General Secretariat
- Association Services and Resources Area
- Planning Area
- Risk and Compliance Area
- Securities Services Area
- Technology Services Area
- Financial Area

During 2022, the Sustainability Committee met on 3 occasions and dealt with matters related to:

- Design and approval of the Sustainability Plan
- Monitoring of the Sustainability Plan
- Proposal for new businesses: ESG growth vector
- Monitoring of Corporate Reporting
- Review of aspects related to Climate Risk
- Monitoring of regulatory developments.
- Aspects related to social impact, alliances and sector participation.

Cecabank also has a Sustainability department, responsible for promoting, coordinating and executing, where appropriate, ESG actions in our entity, providing transversal support throughout the organisation.

## Sustainability Policy

The entity's Board of Directors approved its Sustainability Policy in 2019. This document aims to ensure lasting relations between the entity and its stakeholders, maximising the creation of value. In this regard, the entity identified those areas of action that contribute to this effect. The Sustainability Policy establishes 5 objectives on which our management model is based.

| Objective 1 | Objective 2 | Objective 3 | Objective 4 | Objective 5 |
|---|---|---|---|---|
| Support for the Strategic Plan | Strengthening of partners and customers | Monitoring and implementation of best practices Search for new opportunities | Search for new opportunities | Stakeholder relations |
| Sustainability is one of the values of the bank's Strategic Plan, as well as one of its growth vectors, seeking to drive the transformation of the financial sector towards an ESG model | Aligning business and corporate management with the responsible practices of our partners and customers. | Beyond the regulatory sphere, Cecabank seeks to adapt its model to the best market practices, voluntarily submitting to greater requirements. | Detecting and seizing opportunities, taking into account all areas of business and a long-term vision. | Cecabank seeks to maintain lasting relationships with stakeholders by generating shared value. |

## Alliances and commitments

Cecabank is firmly committed to achieving the SDGs. The United Nations 2030 Agenda for Sustainable Development sets the Objectives for the year 2030 and proposes solutions to global priority problems, establishing 17 Sustainable Development Goals (SDGs) and 169 specific targets as a framework for action.

By conducting our business responsibly, we are contributing to the achievement of these Goals, to which we are strongly committed. In addition, the Sustainability Plan has been aligned with this universal framework. The SDGs where the greatest impact has been identified are:

- **SDG 5: Gender equality**

  Cecabank is committed to gender equality. It has an equality plan, as well as a work-life balance programme for the bank's employees. In this regard, it is worth highlighting the EFR (Family Responsible Company) certification, which accredits quality in employment, work-life balance, equal opportunities and professional development.

- **SDG 8: Decent work and economic growth.**

  Where Cecabank works to protect workers' labour rights, as well as maintaining good working conditions for its employees.

  In addition, the bank maintains high levels of solvency. Cecabank's capital ratio is among the highest in the market, which favours stability and transmits security to the market.

- **SDG 10: Reducing inequalities**

  Cecabank is an entity linked from its origins to the social sphere, which makes the organisation particularly sensitive to the needs of the environment, participating actively and in collaboration with social organisations in projects that improve the quality of life of the most disadvantaged groups.

- **SDG 13: Climate action**

  Although the bank's direct environmental impact can be considered insignificant, Cecabank works actively to minimise it, improving efficiency in the use of resources in its facilities, as well as calculating, reducing and offsetting its carbon emissions. In addition, the bank has begun work to calculate and manage the carbon footprint of its investments, including fixed income, equities and the credit portfolio.

- **SDG 16: Peace, Justice and Strong Institutions**

  Cecabank maintains high standards in terms of ethics, compliance, prevention of corruption and bribery throughout its operations. In addition, it voluntarily assumes the best practices and recommendations in the area of corporate governance.

In parallel and in response to **SDG 17 (Alliances to achieve the Goals)**, Cecabank has built a network of alliances in which it seeks to contribute to the collective debate, participate in the issues of the financial agenda in sustainability (both national and international) and promote platforms for exchange and dialogue.

In 2022, the bank was part of the following initiatives:

- **Global Compact** (through the Spanish Global Compact Network): in 2022, we renewed our commitment to the Global Compact and its 10 principles. Cecabank has also continued to work to disseminate the 17 Sustainable Development Goals of the United Nations.

- **Spainsif**:s is a non-profit organisation that promotes Socially Responsible Investment (SRI), fostering corporate responsibility, the integration of environmental, social and good corporate governance criteria through dialogue between different groups.

- **Forética**: association of companies and professionals in corporate social responsibility and sustainability operating in Spain and Latin America, whose mission is to promote the integration of social, environmental and good governance aspects in the strategy and management of companies and organisations.

- **Seres Foundation**: in 2022, Cecabank became a partner of this Foundation. Seres promotes the commitment of companies to improving society through responsible actions aligned with the company's strategy and generating value for all.

As proof of the entity's commitment and links with these associations, Spainsif and the United Nations Global Compact Spain held their annual joint conference in April 2022 at Cecabank's headquarters. This conference, entitled "Towards a sustainable finance plan: sustainable and responsible investment, key for companies", addressed relevant issues on the sustainable finance agenda, such as the progress of the National Plan.

In addition, Forética chose our headquarters for the presentation of its "Forética Report 2022: Sustainability, the vision in the face of an uncertain future", in June 2022. This conference addressed the most important trends and the three pillars of sustainability development: the regulatory environment, business activity and the public's vision.

In addition, the bank is committed to various initiatives in this area:

- Cecabank joined the "Business Leaders' Declaration for Renewed Global Cooperation" at the invitation of Sanda Ojiambo, who in June 2020 was appointed by the UN Secretary-General as the new Executive Director of the Global Compact.

- In December 2019, during COP 25 in Madrid, Cecabank joined the "Collective Commitment to Climate Action" promoted by UNEP FI, in which it committed to reduce the carbon footprint of its balance sheets in line with the Paris Agreement.

- In 2020, Cecabank joined the Green Recovery Alliance, an initiative promoted by Pascal Canfin, chairman of the European Parliament's Environment Committee, which seeks a global pact to end the pandemic and promote a sustainable economic recovery.

- Through CECA, we support the UNEP FI Principles for Responsible Banking.

## Sustainability Plan

In 2022, the bank worked on the design and approval of a new Sustainability Plan 2022-2024, which accompanies the bank's Strategic Plan to consolidate growth.

Cecabank finalised its 2018-2021 Sustainability Plan in 2021. The new external context in ESG matters (regulation, advances in best practices and stakeholder demands), as well as the approval of a new Strategic Plan 2022-2024, led the bank to work on drawing up a new Sustainability Plan.

The plan, approved by the Board of Directors in 2022, is based on three objectives:

- consolidate our leadership in the market, increasing customer and shareholder confidence through a responsible business model
- to orientate our ESG services proposal, anticipating our clients' needs
- generate a positive impact on our environment and stakeholders.

To achieve these goals, 70 actions have been established, structured into 10 lines of action and 4 work blocks that respond to two aspects: what is Cecabank, with the People, Planet and Governance blocks, and what do we offer the market, which includes the Prosperity block.


- **Commitment to talent**: human capital as a differential value of the entity: diverse, committed and specialised.
- **Social impact**: contributing to sustainable development in our environment, with the participation of our employees, generating pride of belonging.

- **Climate change and environmental management**: to advance in best practices and respond to the commitments assumed in terms of climate-related risks and objectives, as well as to achieve maximum efficiency in the management of direct environmental impacts.
- **Sustainability culture**: consolidate the organisation's ESG governance, integrating the new corporate value transversally in the entity.
- **Good governance, ethics and compliance**: comply with best practices in corporate governance, ensuring compliance with legal requirements and corporate commitments.
- **Supply chain**: aligning our suppliers with Cecabank's values and objectives.
- Cybersecurity: staying at the forefront of cybersecurity.
- **Excellence**: excellence through innovation and digital transformation and maintaining satisfaction levels.
- **Sustainability as a vector for growth**: anticipating our customers' ESG needs.
- **Solvency**: achieving the solvency levels established for the strategic horizon (2024: 22-25%).

Cecabank has designed this Sustainability Plan taking into account the concept of dual materiality, considering our impact on the environment, as well as the impact of ESG aspects in our business model, taking into account possible risks and opportunities.

The Sustainability Plan involves 100% of the company's areas, both those responsible for business and control, with specific responsibilities. In addition, transversal working groups have been created for the development of specific issues, involving different areas.

To facilitate the monitoring and supervision of these aspects, the entity has established a scorecard of ESG indicators, complementary to the essential scorecard of non-financial indicators established in the Strategic Plan. The supplementary scorecard monitors the entity's evolution in all the aforementioned lines of action that make up the Sustainability Plan. Throughout 2022, the governing bodies have validated these indicators, assuming responsibility for monitoring and supervising them. Monitoring of the scorecard is currently planned on an annual basis.

### *Work plan for the definition of the Sustainability Plan: Materiality*

The Sustainability Plan has been designed on the basis of a strategic reflection, based on the materiality study that the entity carried out in 2021. This study made it possible to identify and prioritise the most relevant aspects for its business and stakeholders in the current context. This analysis process has made it possible to establish the priority focuses of action in line with best practices, regulatory requirements and standards, sector trends, as well as to guarantee the alignment of ESG aspects with the business objectives.

This study was carried out using our own methodology, in accordance with the guidelines of the GRI (Global Reporting Initiative) standard and other best practices and recommendations in the field. The following steps were followed:

1. Review of the Stakeholders and the existing communication channels with each of them. In this way, information was obtained regarding their requirements and expectations.

2. Identification of relevant aspects, carried out by means of an internal and external analysis.

3. Prioritisation of material aspects, through the preparation of the materiality matrix and impact analysis (qualitative) of the priority aspects, from the perspective of dual materiality.

## Review of Stakeholders and established communication channels.

Generating long-term relationships with our stakeholders is a priority objective of Cecabank's sustainability policy. To fulfil this commitment, the entity establishes channels of dialogue with each of them, enabling it to identify the needs, requirements and expectations they may have regarding Cecabank's activity, as well as to effectively communicate our response to them. The materiality study has taken into account the priority stakeholders and the dialogue channels established in the process of identifying sustainability aspects.

| External stakeholders | | Internal stakeholders | |
|---|---|---|---|
| **Satisfaction questionnaires**<br>**Regular meetings**<br>**Customer Service Department (CSD)** | **Clients** | **Human team** | Ethical Channel<br>Employee surveys<br>Working groups: "Culture Plan<br>EFR questionnaire<br>Intranet, newsletters, and other communications |
| **Participation in sectoral associations, working groups and with third sector organisations** | **Associations** | **Associates** | Regular meetings |
| **Supplier Portal** | **Suppliers** | **Board Members** | Committees and Commissions held |
| **Institutional Communication Channels** | **Public administrations** | **Shareholders** | Shareholders' Meeting<br>Strategic Business Plan |
| **Media and Social Networks** | **Society** | | |

## Process for identifying relevant aspects

Cecabank identified relevant aspects through an internal and external analysis in which issues of interest for the sector and for the entity, ESG trends and commitments undertaken were identified. Depending on the availability of information, this analysis was carried out incorporating the medium-long term perspective.

Internal analysis, where the following were analysed, among others:

- The strategic priorities of the new period where sustainability is incorporated as a corporate value, Objective and within the entity's growth vectors.
- The commitments assumed by the entity with its stakeholders in ESG matters: through policies, codes, regulations and working procedures, as well as the mission, vision and values that define and describe Cecabank's behaviour.
- Information obtained through communication channels with stakeholders: questionnaires, interviews, committees, among others.

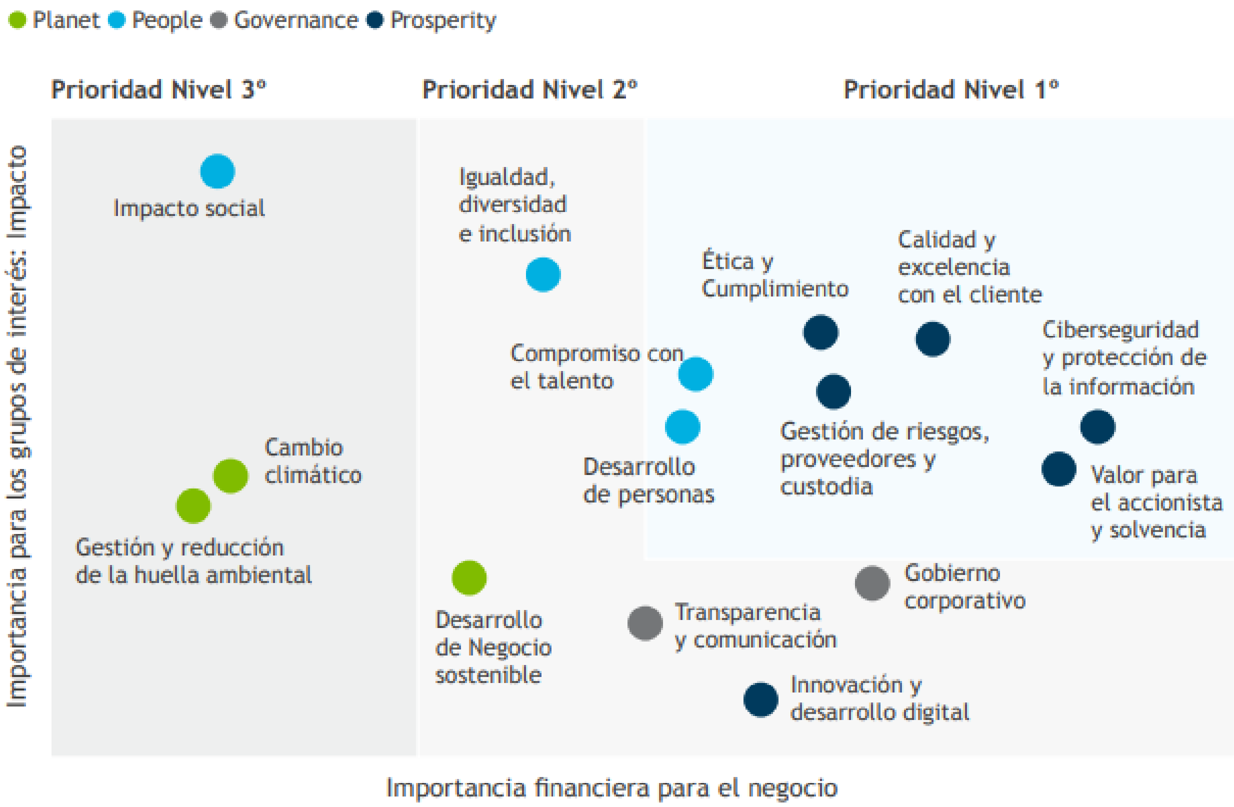
External analysis, where the following were analysed, among others:

- Demand for ESG information and transparency: sustainability standards, analysts, media analysis, among others.
- Trends in sustainability and sectoral best practices.
- Current regulations and ongoing regulatory initiatives in sustainable finance and sustainability.

As a result of this analysis, Cecabank obtained a list of 15 relevant topics, all aligned with sector trends and Cecabank's strategic objectives.

## Process of prioritisation of material aspects and preparation of the materiality matrix

The 15 issues identified were prioritised from an external perspective, based on the information analysed for stakeholders, and from an internal perspective, for which various key sustainability areas in the entity were interviewed, as well as members of senior management (Management Committee and Audit Committee). The results of the preparation process have been compiled in the materiality matrix, which structures the 15 aspects into 3 levels of priority.




The materiality matrix shows that all the material issues identified are of high importance for the entity and its stakeholders, with priority 1 issues being those related to the strategic aspects of generating value for customers and shareholders, positioning as a trusted third party in the new regulatory and risk management framework, as well as attracting and retaining diverse, specialised and committed talent.

This analysis is completed with the analysis of impacts and risks and opportunities in priority 1 issues. Cecabank believes that these issues contribute most to long-term value creation and incorporates the dual view of materiality: the impact of the social and environmental environment on Cecabank "Outside-in perspective" and Cecabank's impact on the environmental and social environment "Inside-out perspective".

| Aspects of priority 1 | Impacts on environment | Risk and opportunities | Cecabank's response |
|---|---|---|---|
| Cybersecurity and Information Protection | Information protection and cybersecurity are key to ensuring business objectives and positioning with stakeholders, generating confidence in regulators, investors, customers and society.<br><br>To maintain Cecabank's high level of performance and given the rapid evolution of these aspects, it is necessary to constantly invest in new cybersecurity solutions and in training for the specialisation of the human team. | The bank's good performance in these aspects has a direct impact on stakeholders, as it enables it to maintain the trust of regulators, customers, associates, etc. in Cecabank and protect their interests.<br><br>For their part, employees and suppliers perceive a high level of demand and need for specialisation.<br><br>Impact on SDGs 8 and 9. | - Cybersecurity Plan.<br>- Continuous training and information for employees.<br>- Continuous monitoring of indicators by senior management. |
| Shareholder Value and Solvency | Generating value and retaining the trust of customers and shareholders is essential for Cecabank, which is why one of its strategic objectives is to maintain a high level of solvency. | Maintaining a good performance in this aspect has an impact on all of the entity's stakeholders, generating value, wealth and security for them.<br><br>Impact on SDGs 8 and 11. | - Strategic Plan.<br>- Risk Management Framework and model based on 3 lines of defence. |
| Quality and Customer Excellence | Customer satisfaction is a priority for Cecabank. The good performance of this aspect has enabled it to build customer loyalty and increase its customer base, favouring long-lasting relationships based on trust. However, maintaining the current level requires investment in innovation, training and implementation of continuous improvement plans. | Offering a service based on excellence to customers has a direct impact on building long-term relationships and satisfying their demands. In the rest of the stakeholders, the impact on shareholders stands out, where quality and excellence translate into greater profitability.<br>In turn, employees and suppliers perceive a high level of demand and need for specialisation.<br>Impact on SDGs 8 and 17. | - Quality Management Systems.<br>- Continuous communication with clients.<br>- Training and specialisation of employees in different areas. |

| Aspects of priority 1 | Impacts on environment | Risk and opportunities | Cecabank's response |
|---|---|---|---|
| **Ethics and Compliance** | Cecabank applies the highest standards of good governance, ethics, compliance and responsibility, both among its professionals and in its relations with its stakeholders. This enables it to establish lasting relationships based on trust. It also minimises reputational and criminal risks, which are already considered by the bank in its risk model. | Maintaining corporate requirements in terms of ethics and compliance generates relationships of trust with the entity, as stakeholders identify alignment with its values and objectives.<br><br>We highlight employees, who enhance their sense of belonging. In addition, this behaviour has an impact on increasing shareholder value, as it reduces the likelihood of occurrence of criminal and/or reputational risk events.<br><br>**Impact on SDGs 8, 10 and 16.** | - Criminal Compliance Management System.<br>- Corporate Code of Conduct and its complaints mechanism. |
| **Risk management, suppliers and custody** | Adequate management of these aspects enables a stable, recurrent and value-oriented earnings structure to be maintained in order to ensure the entity's orderly growth in the long term, as well as maintaining adequate capital planning and maintaining resources to meet its commitments in the short and long term. Otherwise, the materialisation of unmanaged risk events could lead to a reduction in performance. | The management of this aspect has a direct impact on shareholders, as proper risk management provides security and protection of their capital.<br><br>For other stakeholders such as employees or society, this translates into greater job stability and wealth generation.<br><br>**Impact on SDGs 8, 12, 16 and 17.** | - Risk Management Framework and model based on 3 lines of defence.<br>- Risk Tolerance Framework. |

| Aspects of priority 1 | Impacts on environment | Risk and opportunities | Cecabank's response |
|---|---|---|---|
| Commitment to talent | Cecabank maintains relationships with its employees that favour integrity, respect among people, health and safety at work, professional development, equal opportunities and non-discriminatory treatment, among others. These aspects and the working conditions offered to the bank's employees allow for a low turnover rate and, therefore, greater operational efficiency, reducing the costs associated with attracting and training them. | Cecabank employees enjoy advantageous working conditions in areas such as finance, life insurance, health insurance and work-life balance, among others.<br><br>The retention of talent in turn ensures good financial results for shareholders and a higher level of service, as a result of high levels of employee satisfaction.<br><br>Impact on SDGs 3, 5, 8 and 10. | - Plan Crece+.<br>- Culture Plan.<br>- Family-Responsible Company Certification.<br>- 100% of employees under corporate agreement.<br>- Communication channels with employees.<br>- Remuneration and Social Benefits Plan. |
| People development | One of Cecabank's corporate values is the specialisation of its human team. To this end, it carries out training plans, and is committed to participation in multidisciplinary projects, favouring the attraction and retention of customers. | Actions in this area have a direct impact on Cecabank employees, enabling them to grow professionally and providing them with the tools to achieve their professional objectives.<br><br>In turn, specialisation favours greater profitability derived from better results and an improvement in the level of service perceived by customers.<br><br>Impact on SDGs 4, 5, 8 and 10. | - Plan Crece+<br>- Ongoing training programmes in various subjects and personal skills. |

# 2. People

## *2.1. Our talent*

## Talent

One of the main lines of action defined in Cecabank's Sustainability Plan is the responsible and sustainable management of talent. The different policies related to the management of professionals establish the principles of equality, integration and non-discrimination in the workplace.

At year-end 2022, Cecabank had 472 employees in Spain and 4 in its network of branches abroad (1 employee in Frankfurt, 1 employee in London and 2 employees in Lisbon)[8].

Cecabank's employees in Spain are distributed as follows:

| | 2021 | 2022 |
|---|---|---|
| **Women** | 233 | 240 |
| **Mens** | 225 | 232 |
| **Total** | **458** | **472** |

Distribution by age and level[9]:

| Age Range | Women | Men | Total |
|---|---|---|---|
| **> 50** | **64** | **64** | **128** |
| **30 - 50** | **166** | **152** | **318** |
| **<30** | **10** | **16** | **26** |
| **Total** | **240** | **232** | **472** |

[8] In the report of the other indicators of the Statement of Non-Financial Information related to the section "Our Talent", the data relating to the employees of the offices located outside of Spain have been excluded which represent only 0.84% of all Cecabank employees. Likewise, the 2 Trionis employees are not included.

[9] The comparison with the year 2021 of the most relevant tables of employees can be found in annexes II and III.

| Professional level | Women | Men | Total |
|---|---|---|---|
| GROUP 1 - LEVEL I | 3 | 5 | 8 |
| GROUP 1 - LEVEL II | 2 | 3 | 5 |
| GROUP 1 - LEVEL III | 11 | 18 | 29 |
| GROUP 1 - LEVEL IV | 17 | 23 | 40 |
| GROUP 1 - LEVEL V | 27 | 35 | 62 |
| GROUP 1 - LEVEL VI | 46 | 49 | 95 |
| GROUP 1 - LEVEL VII | 36 | 30 | 66 |
| GROUP 1 - LEVEL VIII | 58 | 30 | 88 |
| GROUP 1 - LEVEL IX | 10 | 7 | 17 |
| GROUP 1 - LEVEL X | 8 | 8 | 16 |
| GROUP 1 - LEVEL XI | 7 | 6 | 13 |
| GROUP 1 - LEVEL XII | 14 | 13 | 27 |
| GROUP 1 - LEVEL XIII | 0 | 1 | 1 |
| GROUP 1 - LEVEL XIV | 0 | 1 | 1 |
| GROUP 2 - LEVEL I | 0 | 1 | 1 |
| GROUP 2 - LEVEL II | 0 | 1 | 1 |
| GROUP 2 - LEVEL IV | 1 | 1 | 2 |
| Total | 240 | 232 | 472 |

All Cecabank employees have a permanent contract[10] and work full time[11].

During 2022, there were 50 departures, of which 1 was dismissal[12]. The dismissal was of a man in group I level VI with an age of more than 50 years. During 2022, there have been 64 new registrations of male and female employees, 28 women and 36 men.

| Gender | ERE | Voluntary severance | Dismissal | Suspension of Contract | Failure to pass the probationary period | Voluntary Voluntar Disengagement | Retirement | Total |
|---|---|---|---|---|---|---|---|---|
| Women | 20 | 0 | 0 | 0 | 1 | 0 | 0 | 21 |
| Men | 15 | 5 | 1 | 1 | 5 | 1 | 1 | 29 |
| Total | 35 | 5 | 1 | 1 | 6 | 1 | 1 | 50 |

[10] The Deputy Director is linked to the entity by a commercial contract not subject to labor legislation.

[11] Only four of the Directors have a part-time contract to work at Ceca and Cecabank.

[12] In the tables of Annex ll, a comparison of dismissals by sex and age for 2021 and 2022 is attached.

| Age range | ERE | Voluntary severance | Dismissal | Suspension of Contract | Failure to pass the probationary period | Voluntary Voluntary Disengagement | Retirement | Total |
|---|---|---|---|---|---|---|---|---|
| > 50 | 35 | 0 | 1 | 1 | 0 | 1 | 1 | 39 |
| 30 - 50 | 0 | 5 | 0 | 0 | 4 | 0 | 0 | 9 |
| < 30 | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 2 |
| Total | 35 | 5 | 1 | 1 | 6 | 0 | 1 | 50 |

| | Additions | | | |
|---|---|---|---|---|
| GROUP & LEVEL | < 30 | 30 - 50 | > 50 | Total |
| GROUP 1 - LEVEL.IV | 0 | 1 | 0 | 1 |
| GROUP 1 - LEVEL.V | 0 | 1 | 0 | 1 |
| GROUP 1 - LEVEL.VI | 0 | 8 | 0 | 8 |
| GROUP 1 - LEVEL.VII | 0 | 7 | 2 | 9 |
| GROUP 1 - LEVEL.VIII | 0 | 14 | 0 | 14 |
| GROUP 1 - LEVEL.IX | 0 | 3 | 0 | 3 |
| GROUP 1 - LEVEL.X | 1 | 6 | 0 | 7 |
| GROUP 1 - LEVEL.XI | 3 | 2 | 0 | 5 |
| GROUP 1 - LEVEL.XII | 6 | 6 | 0 | 12 |
| GROUP 1 - LEVEL.XIII | 2 | 0 | 0 | 2 |
| GROUP 1 - LEVEL.XIV | 0 | 1 | 0 | 1 |
| GROUP 2 - LEVEL.IV | 0 | 0 | 1 | 1 |
| Total | 12 | 49 | 3 | 64 |

In 2021, the entity launched the CRECE+ Plan, continuing with the Human Resources Transformation Plan within the 2017-2020 Strategic Plan, which integrates different lines with the objective of advancing in the different phases of the Human Resources management cycle, favouring the growth and professional development of its employees, giving them the possibility of learning new ways of working, acquiring knowledge in different areas and enhancing their internal employability.

The priority initiative of the CRECE+ Plan has been the Talent Recruitment Plan, which is currently more than 95% completed. This Plan has enabled the incorporation of 64 new profiles to the entity in 2022, thus integrating new polyvalent and digital profiles, with skills and competencies that guarantee: excellence, innovation, commitment and enthusiasm.

During 2022, there have been 17 internal movements in the entity, of which 13 have been women and 4 men, a similar figure to that of 2021, where the distribution by gender was 9 women and 8 men.

Internal movements

| Age range | Men | Women | Total |
|---|---|---|---|
| > 50 | 3 | 5 | 8 |
| 30 - 50 | 1 | 8 | 9 |
| <30 | 0 | 0 | 0 |
| **Total** | **4** | **13** | **17** |

## Working conditions

### *Training*

Linked to the Strategic Plan and, specifically, to the Crece+ Talent Management initiative, Cecabank's annual Development and Training plan was created, which starts by analysing the needs of our professionals, with the aim of implementing improvements and continuing to evolve so that all of them are prepared for the needs and demands of the market, customers and regulatory bodies. It integrates different areas of knowledge, covering multiple fields such as regulation and standards, finance, IT, digital skills, management, health and wellness, and languages.

During the 2022 financial year, we have reactivated face-to-face training, taking advantage of the return to offices and the new spaces designed for working and training, without forgetting that we now have a hybrid model in which face-to-face work and teleworking coexist, which requires the same bimodality in the training actions we launch.

We have designed and launched new programmes such as “Liderar Dejando Huella”, whose objective is to develop the management skills of the Bank's managers. We also launched the first edition of the Women's Leadership programme, in which 15 female colleagues participated. We also continued to consolidate other training programmes, such as the Digital Transformation in the Financial Environment Programme, the 5th edition of which was held, and the 2nd edition of the Blockchain and Cryptoassets course. We have also continued to offer content that prioritises the emotional health of employees and, at a technical level, improving IT and cybersecurity skills.

In addition, and linked to our Talent Recruitment plan, Cecabank has an onboarding programme to welcome new recruits. This programme includes a series of mandatory and voluntary online training courses on aspects such as the Code of Conduct, Cybersecurity, Occupational Risk Prevention, Energy Efficiency, Gender Equality and Diversity, among others, and a face-to-face team building session with augmented reality in which aspects of collaboration, uncertainty management and high-performance teams are worked on.

During 2022 we have increased the range of content on offer, as well as continuing to promote in-company specialisation programmes, demonstrating that this approach means greater adaptation to our needs, a reduction in training hours and an increase in budget efficiency, without reducing the quality of the programmes or the level of student satisfaction. Throughout this process, we continue to rely on our Learning Cloud platform, which is integrated with the training website, where all the training activities carried out by professionals working at Cecabank are recorded. It also integrates all this activity into their curriculum and allows managers to view the courses requested by their teams and their current status.

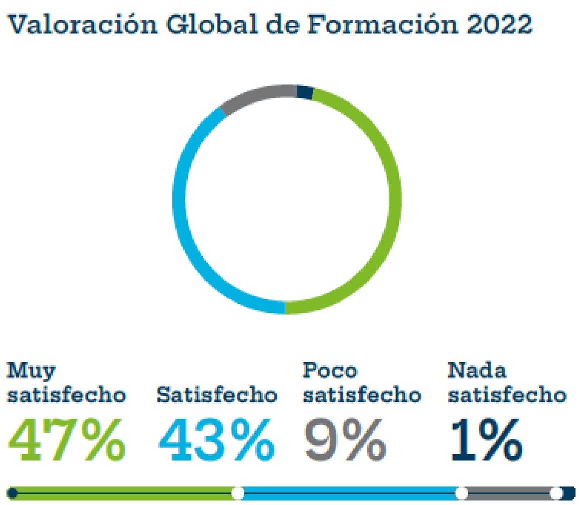
Following the renewal of our alliance with the Empowering Women's Talent programme, we have also joined the Diversity Leading Company, thus reinforcing our objective of raising awareness throughout the organisation of the wealth of having a diverse workforce, as well as promoting the emergence of female talent in positions of responsibility.

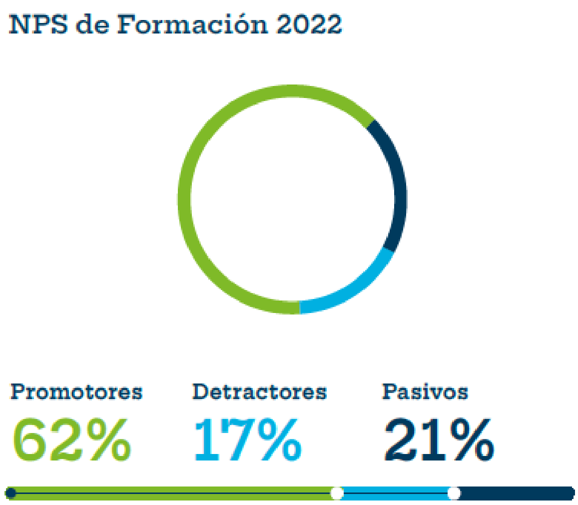
Below are the training hours by professional category according to agreement, which amounted to a total of 19,183 hours in 2022:

**HOURS OF TRAINING BY LEVEL**[13]

| | I | II | III | IV | V | VI | VII | VIII | IX | X | XI | XII | XIII | XIV | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Group 1** | 239 | 364 | 2,610 | 2,222 | 2,505 | 2,963 | 2,006 | 2,659 | 586 | 886 | 728 | 1,050 | 86 | 22 | 18,926 |
| **Group 2** | 2 | 3 | 0 | 252 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 257 |
| **Total** | 241 | 367 | 2,610 | 2,474 | 2,505 | 2,963 | 2,006 | 2,659 | 586 | 886 | 728 | 1,050 | 86 | 22 | 19,183 |

| Description of the indicator | Indicator Units | 2021 | 2022 |
|---|---|---|---|
| % of higher and medium university graduates (Engineers, graduates or diploma holders) | Percentage (%) | 77% | 88% |
| Employee training hours Cecabank Spain | Hours per employee | 42 | 41 |
| Investment in employee training in Spain | Euros per employee | 923 € | 988 € |




As part of Cecabank's commitment to promoting employment and renewing internal talent, we have renewed for another year our collaboration with universities and business schools for university internships, formalising 13 end-of-degree scholarships. In November we launched the second edition of the Nido Programme, which was very well received by institutions and students. A total of 9 students have joined the internship programme, joining the 9 young people from the first edition who completed their internships in June. For 9 months they have received specific training and have been able to collaborate in the organisation's operations, participating in its daily activities.

### *Remuneration*

Cecabank has a General Remuneration Policy which establishes, among other aspects, the general principles of the remuneration system, as well as its essential characteristics, the specific requirements of each group and the governance model.

[13] The comparison with the year 2021 of training hours can be seen in Annex III.

In order to calculate the average remuneration of the members of staff, 100% of Cecabank's workforce in Spain has been taken into account, based on data at the close of the 2022 financial year.

Within Cecabank there are two distinct groups insofar as certain individuals (Group 1) have a specific variable remuneration system which could reach 200% of their fixed remuneration and which, in accordance with prudential regulations on remuneration, is subject to deferral, payment in non-cash instruments, as well as "malus" and "claw back" clauses.

The average remuneration by gender, age and level of professional category according to collective[14] agreement and according to differentiation between group 1 and group 2 is shown below.

| Average remuneration by gender | 2021 | 2022 |
|---|---|---|
| Men | 78,326 € | 80,708 |
| Women | 63,658 € | 66,783 € |

| Average remuneration by sex Collective 1 | 2021 | 2022 |
|---|---|---|
| Men | 146,879 € | 172,501 € |
| Women | 124,956 € | 137,020 € |

| Average remuneration by sex Collective 2 | 2021 | 2022 |
|---|---|---|
| Men | 71,380 € | 72,642 € |
| Women | 61,135 € | 64,078 € |

[14] There are 2 employees from professional group 2 (various trades) who have been equated to levels X and XII based on their remuneration.

| Average remuneration by professional category | 2021 | 2022 |
|---|---|---|
| Level I | 194,062€ | 227,860€ |
| Level II | 124,702€ | 123,640€ |
| Level III | 136,787€ | 151,300€ |
| Level IV | 89,450€ | 89,491€ |
| Level V | 80,438€ | 87,219€ |
| Level VI | 71,753€ | 73,470€ |
| Level VII | 60,657€ | 62,217€ |
| Level VIII | 50,921€ | 53,061€ |
| Level IX | 51,404€ | 55,640€ |
| Level X | 31,700€ | 40,532€ |
| Level XI | 23,359€ | 35,145€ |
| Level XII | 12,667€ | 29,818€ |
| Level XIII | - | -[15] |
| Level XIV | - | -[16] |

Remuneration by age group is broken down as follows:

| Remuneración media por grupos de edad | 2021 | 2022 |
|---|---|---|
| **<30** | 10,151€[17] | 29,246€ |
| **30-50** | 69,743€ | 71,830€ |
| **>50** | 78,689€ | 83,444€ |

Based on this same data, in a complementary manner and applying the methodology established by the Ministry of Equality through its tool for calculating the remuneration register[18], in accordance with the

[15/16] Due to confidentiality issues, salary information is not included in this category, since it is made up of a single person.

[17] The data has been calculated by Cecabank through the remuneration registration tool published by the Ministry of Equality based on the average remuneration actually received in response to the actual working days, so the data is distorted in the year 2021 where it is They produced 12 incorporations during the months of November and December of people under 30 years of age.

[18] https://www.igualdadenlaempresa.es/asesoramiento/herramientas-igualdad/home.htm.

obligation established in article 27 of the Workers' Statute, Cecabank has calculated the salary gap taking into account the effective average remuneration by gender.

Taking this variable into account, the pay gap would be 17% in 2022.

| Average remuneration | 2021 | 2022 |
|---|---|---|
| Men | 78,326 € | 80,708 € |
| Women | 63,658 € | 66,783 € |
| Total average | 70,948 € | 73,732 € |
| Wage Gap | 19% | 17% |

Depending on the groups existing in Cecabank, the breakdown of this would be as follows:

| Average Remuneration by gender | | 2021 | 2022 |
|---|---|---|---|
| Men | Collective 1 | 146,879 € | 172,501 € |
| Men | Collective 2 | 71,380 € | 72,642 € |
| Women | Collective 1 | 124,956 € | 137,020 € |
| Women | Collective 2 | 61,135 € | 64,078 € |

| Wage Gap | 2021 | 2022 |
|---|---|---|
| Collective 1 | 15% | 21% |
| Collective 2 | 14% | 12% |

At year-end there were 10 directors at Cecabank, of whom 7 were men and 3 were women. Cecabank's directors only receive income from the entity for their role as directors in the form of attendance fees for both the Board of Directors and the Committees. In 2022, the average amount received by each director was 34,828 euros for men (in 2021 it was 31,921 euros) and 57,931 euros for women (in 2021 it was 57,242 euros), depending on the meetings attended. However, one of the directors does not receive per diems for attending Board or Committee meetings.

With regard to senior management, Cecabank has 8 executives, of which 5 are men and 3 are women. The average remuneration amounted to 201.96 thousand euros in the case of women (170.53 in 2021) and 207.22 thousand euros in the case of men (175.68 in 2021), excluding Corporate Finance Management from the calculation due to the special nature of its variable remuneration system.

The representation of women in senior management and on the board will tend to increase in order to achieve a balanced presence of men and women, taking into account any vacancies that may arise.

### *Social Benefits*

Cecabank offers social benefits for its employees in order to motivate, retain and build employee loyalty.

The main social benefits that Cecabank offers its employees are as follows:

- Preferential financial conditions.
- Pension Plan for all members of staff.
- Group life insurance.
- Health care policy for staff members.
- Childcare and training allowances for staff members' children.
- Aid for the employee's own training.
- Christmas gift for staff members' children.

The investment per employee in social benefits made by the entity in 2022 amounts to a total of 3,450 euros.

In addition, since 2018 Cecabank has had a flexible remuneration plan for its staff members that allows them to contract products and services with preferential conditions and in some cases with tax benefits, when tax regulations so provide.

Currently, the products that form part of the Ckb.Flex flexible remuneration plan are as follows:

- Childcare voucher.
- Training cheque.
- Transport card.
- Meal card.
- Health insurance for spouses, partners and children of the employed person.

The implementation of Ckb.Flex has been firmly consolidated in the workforce, so that 76% have at least one product contracted through the flexible remuneration system, with a total of 1,002 products contracted at the end of 2022.

The most popular products are the following:

- Health insurance for employees' family members: 53% of staff members take out health insurance.
- Transport card: contracted by 60 % of the workforce.

As a result of the gradual return to normal activity in the provision of on-site services at the institution's facilities, there has been a notable increase in the contracting of products associated with transport, as well as consumption in catering establishments.

Likewise, the possibility of applying this system to the financing of training actions is becoming more and more widely known among the institution's staff.

## Work-life balance and equality

### *Work-life balance*

As part of the Human Resources Plan linked to the 2022-2024 Strategic Plan, the bank has promoted the implementation of a flexible working hours and teleworking system.

Both aspects have been agreed with Cecabank's labour representatives through the signing of two labour agreements with the legal representatives of the Bank's employees (RLT).

On 1 January 2022, a new teleworking agreement came into force with all employee representatives, which is already adapted to all the requirements of the Remote Working Act and which Cecabank will apply regardless of whether or not the teleworking modality exceeds 30% of the working day. Likewise, the possibility for pregnant women to telework during the entire period of pregnancy has been contemplated. This agreement also develops the right to digital disconnection, which was regulated for the first time by the collective agreement for savings banks and financial institutions for the period 2019-2023 and came into force on 3 December 2020. Cecabank's work organisation is based on the collective bargaining agreement for savings banks and financial institutions, contractually improving conditions and applying compensatory measures to employees through more holidays and higher remuneration. 100% of the bank's employees are covered by the collective bargaining agreement.

It should be noted that the sectoral collective bargaining agreement includes new measures to promote aspects of work-life balance, with the following measures having been agreed:

- Possibility of applying the reduction in working hours only to afternoons of effective work in the unified timetable in the case of care or legal guardianship of children under 12[19] years of age or a person with a disability who does not perform a paid activity for the general timetable[20].
- 15 days of breastfeeding leave to be accumulated after maternity leave.
- Creation of paid leave of up to 3 months in the case of cases of gender violence involving a change of address.
- Computation of all leave (with the exception of marriage leave) in working days.

[19] Improved by Cecabank up to 14 years of age.

[20] Extended in Cecabank for the unified hours established in the Labor Agreement of hours and hours of August 6, 2021.

In terms of parental leave, the employees who have taken parental leave are as follows:

| | Women | Men | Total |
|---|---|---|---|
| 2021 | 7 | 4 | 11 |
| 2022 | 3 | 4 | 7 |

Cecabank also has the Cecabank Employees' Cultural Association or "Company Group". The purpose of this association is to develop and organise all kinds of activities aimed at promoting leisure and education in the free time of associates and their families through the development of cultural, sporting, children's, family and tourist activities.

The aim of all the activities promoted by the Association is to establish bonds of friendship and companionship between all members, to positively encourage interpersonal relationships between all members, and to help to improve and reconcile work and family life.

### *Equality*

Cecabank has a Plan for Equality between women and men and reconciliation of family and work life. In the years since 2017, when it was amended, detailed studies have been carried out on equality issues (pay gap, updating the diagnosis of the situation and reconciliation measures) and work has been carried out on training actions on diversity for the entire workforce.

The Equality Plan regulates the functions of the Equality Committee, establishes positive action measures and includes the improvements in measures for reconciling work and family life that have been agreed between the workers' representatives and the bank.

In addition, Cecabank has a protocol for action in the event of a complaint of harassment at work, sexual harassment and harassment based on gender in Cecabank. It is a labour agreement signed with all the staff's labour representatives and regulates, for the first time, harassment in the workplace.

The main objectives of the Equality Plan are the effective application of the principle of equality between women and men, the promotion of the presence of the under-represented sex in decision-making positions or functions, improving women's possibilities of access to positions of responsibility, the reduction of inequalities and the reconciliation of family, personal and working life. It also guarantees training plans that facilitate the development of skills and competencies equally, regardless of gender.

Cecabank also has the following agreements in this area:

- Labour agreement on teleworking and the right to digital disconnection.
- Agreement on flexible working hours.
- Practical guide to inclusive language.
- Guide to measures, aid and benefits.

As part of the action plan to obtain recognition in this area, work has been carried out to obtain the EFR (Family-Responsible Company) Certificate awarded by the Másfamilia Foundation, obtaining the award in 2021 and obtaining the favourable evaluation report in the EFR Aenor external audit in May 2022.

In 2022, Cecabank continues to adhere to Empowering Women's Talent and has achieved recognition as a Diversity Leading Company.

The bank has incorporated the diversity component in its recruitment processes, both in the workforce and through temporary employment agencies. Currently, there are two people with disabilities providing services through the ETT and three people who are part of the workforce. In 2021 Cecabank had two people on staff and three people through ETTs. Cecabank also collaborates with entities that promote the inclusion of people with disabilities in the workplace.

| Description of the indicator | Units | 2021 | 2022 |
|---|---|---|---|
| Total number of employees in Cecabank Spain | Number | 458 | 472 |
| Percentage of women in Cecabank Spain | Percentage (%) | 51% | 51% |

## Health and Safety

In accordance with applicable legislation, responsibility for the implementation, application and integration of the Occupational Risk Prevention System lies with the company's management. At Cecabank, the organisation of the resources necessary for the development of preventive activities has been designed in accordance with the External Prevention Service modality, which covers the preventive specialities of: Industrial Hygiene and Ergonomics and Applied Psychosociology, Occupational Medicine and Occupational Safety.

Cecabank has a Prevention Plan which establishes a set of rules and procedures through which the mechanisms for the management and integration of occupational risk prevention are developed, including the different actions in preventive matters, such as Policy, Objectives and goals, organisational structure of occupational risk prevention, responsibilities and functions within the organisation and monitoring and control at the level of integration.

As for the operational procedures included in the Prevention Plan, there are the procedures for contracting, material and human resources, contracts and subcontracts, information and training procedures, consultation and participation of workers, action in the event of an emergency, etc.

Cecabank, S.A. has contracted the speciality of Occupational Medicine with the External Prevention Service of QUIRON PREVENCIÓN, S.L.U., whose activities include monitoring the health of workers in relation to risks derived from work, analyses, medical examinations and epidemiological studies of the results of health examinations in order to investigate and analyse the possible relationships between exposure to occupational risks and damage to health.

In addition, the company has a doctor, external personnel subcontracted by the External Prevention Service, located at the work centre, where he carries out medical care work.

Accidents at work and occupational illnesses of employees are covered by MC Mutual, a mutual insurance company for accidents at work and occupational illnesses.

Cecabank also provides training and information for its employees through its Training Department, which runs courses on occupational hazards and preventive measures for all employees, data display screens, as well as training for intervention teams in fire-fighting and first aid measures.

In this regard, during 2022, new emergency brigade teams have been formed, which have received specific practical training on fire and evacuation.

Likewise, in May 2022, an evacuation drill was carried out with the participation of the entire workforce. Also during the year 2022, the voluntary medical check-up campaign was launched for all members of the organisation's staff, with the percentage of medical check-ups carried out being 51.69% of the total staff. This year, as a novelty, a self-appointment system was introduced so that employees could choose the medical centre and the day of the check-up.

In addition, a preventive seasonal flu vaccination campaign was launched in October 2022, with 20.34% of the workforce having been vaccinated. With regard to prevention for the detection and containment of the impact of Covid-19, Cecabank has implemented a procedure whereby any employee with symptoms of the disease goes to the Medical Service for an antigen test. If the result is positive, the person leaves the bank's premises to telework for a week (if the disease is not associated with health complications). After this period, before returning to Cecabank's premises, the affected person must undergo a new antigen test at the Medical Service to verify that there is no risk of contact with the rest of the staff.

The company's Prevention Service, together with the Medical Service and the Personnel Department, has carried out exhaustive monitoring of all cases of COVID in the company, putting into practice all the recommendations of the health authorities.

In 2018, Cecabank launched the Ckbe-Well Plan, which encompasses a series of actions to promote healthy behaviours and habits aimed at improving the wellbeing of our employees. Since its inception, a Physiotherapy service has been promoted to improve health through the prevention and treatment of work-related injuries, a nutrition and dietetics service for employees, back school courses, training in healthy eating, etc.

In 2022, face-to-face activities were resumed and online activities continued, such as back school courses, training on occupational risk prevention, as well as seminars focused on emotional wellbeing.

There have also been targeted screening campaigns with antigen tests for the return after holiday periods or the creation of bubble groups for stable work shifts.

In 2022, 100% of employees were represented on the Health and Safety Committee, a joint body that meets quarterly and is governed by the regulations of the Health and Safety Committee.

Employees covered by collective bargaining agreement in Spain: 100%.

Absenteeism[21] hours in the entity in Spain:

| | |
|---|---|
| 2021 | 13,410 |
| 2022 | 15,025 |

As in the previous year, in 2022 there were no occupational illnesses among the workforce. In 2022, excluding COVID cases, there were 4 occupational accidents, all of them "in itinere". In 2021 there were no occupational accidents.

As a result of these policies, we can highlight that the workforce has been retained as a means of retaining value and knowledge.

In terms of social dialogue, the entity has a Works Committee with 13 members in which 3 trade union sections are represented and which meet every two months. The last trade union elections were held on 30 November 2022.

The Works Council carries out its trade union and company dialogue activities through a series of working committees:

[21] In order to measure the hours of absenteeism, in accordance with the provisions of indicator 403-2 of the GRI standard, only the hours of sick leave due to COVID, illness and IT accidents have been taken into account.

- Health and Safety Committee
- Equality
- Timetables
- Loans
- Training
- Search
- Teleworking

In addition, all labour agreements signed with labour representatives have their own monitoring committee to ensure that they are complied with.

### *2.2. Social commitment*

#### With our environment

Cecabank develops its social commitment through initiatives in line with its corporate characteristics and objectives. The bank and its staff are aware of social problems and specifically those affecting the most disadvantaged groups. The entity implements specific contribution actions, which also foster pride of belonging among the people of the entity.

Every year, Cecabank launches the "**Tú Eliges" (You Choose) programme**, in which the bank's staff present various social, environmental or cultural projects and Cecabank undertakes to finance those selected after an internal voting process.

In 2022, the 8th edition of the programme was held, in which a total of 24 projects from various associations were presented (17 in the social sphere, 4 in the environmental sphere and 3 in the cultural sphere), which Cecabank supported with a grant of 100,000 euros.

In 2021, in the 7th edition of the programme, the aid amounted to 97,000 euros.

These are the 24 projects submitted by Cecabank employees to the 8th call of the "Tú Eliges" programme:

**SOCIAL PROJECTS**

**Ayuda médico-social para pacientes de ELA**
Asociación Española de Esclerosis Lateral Amiotrófica (adELA)

**Hogar La familia San José**
Fundación Emalaikat

**I Guía Multidisciplinar Epilepsia Infanto-Juvenil**
Asociación Nacional de Personas con Epilepsia (ANPE)

**Comedor Social para personas Sin Hogar**
Fundación Luz Casanova

**Crecer con una cardiopatía congénita**
Fundación Menudos Corazones

**Incubadora con Valores**
Asociación CON VALORES

**Intheos- investigación cáncer infantil**
Fundación INTHEOS

**Vivir mejor con enfermedades neuromusculares**
Asociación ASEMPA

**En casa San Cristobal crecemos contigo**
Fundación Montemadrid

**Un trabajo, UNA VIDA**
Fundación Integra

**Una vida digna en mi primer año en la Pouponnière**
Asociación amigos de la Pouponnière Medina-Dakar

**STOP HATERS contra el acoso en internet**
Asociación STOP HATERS

**Hilando Vidas: Tus manos, tus palabras cuentan**
Fundación UNICAP

**Hacia una inclusión total: Competencias digitales**
Fundación Jardines de España

**Si tu puedes trabajar yo también… ¿me ayudas?**
Federación Síndrome de Down de Castilla la Mancha

**Ayúdanos a proteger sus pulmones**
Asociación Española de Discinesia Ciliar Primaria

**Fundación de Atrofia Muscular Espinal (FundAME)**
FundAME, Fundación Atrofia Muscular Espinal.

## ENVIRONMENTAL PROJECTS

**Los gatos callejeros merecen oportunidades**
Asociación Gestión Felina Madrid

**Cuidando el vínculo humano-animal**
Asociación FEEL

**Ayúdanos a combatir el tráfico ilegal de especies**
Fundación para la investigación en Etología y Biodiversidad

**¡Salvemos la Chanta!**
BRINZAL

## CULTURAL PROJECTS

**Valorarte**
Asociación Laborvalia

**Rugby con ilusión**
Osos del Pardo Rugby Club

**Radio-grafía(s)**
33% Cultura Sin Límites

In this edition, participation reached 78.94%, exceeding last year's 77.2% and demonstrating once again, not only Cecabank's commitment to its Social Action Plan, which is part of the bank's Sustainability Policy, but also that of all its employees to promoting the well-being of society and its impact on the community.

The finalists of the "Tú Eliges" programme are shown below[22]:

| Category | Beneficiary association | Aid amount |
|---|---|---|
| **Social** | Fundación INTHEOS | **15,000 €** |
| **Social** | Asociación Española de Esclerosis Lateral Amiotrófica (adELA) | **13,000 €** |
| **Social** | STOP HATERS | **10,000 €** |
| **Social** | Fundación Luz Casanova | **7,500 €** |
| **Social** | Fundación Menudos Corazones | **7,500 €** |
| **Social** | ANPE, Asociación Nacional de Personas con Epilepsia | **7,500 €** |
| **Social** | Casa San Cristóbal Fundación Montemadrid | **7,500 €** |
| **Social** | Asociación Española de Discinesia Ciliar Primaria | **5,000 €** |
| **Social** | Asociación ASEMPA | **5,000 €** |
| **Social** | Fundación UNICAP | **5,000 €** |
| **Social** | Fundación Emalaikat | **5,000 €** |
| **Cultural** | Fundación Osos del Pardo Rugby Club | **3,000 €** |
| **Social** | Asociación Amigos de la Pouponniere Medina-Dakar | **3,000 €** |
| **Environment** | BRINZAL | **3,000 €** |
| **Cultural** | 33% Cultura Sin Límites | **3,000 €** |

In 2022, Cecabank was recognised by the Food Bank as one of the companies that have stood out for our collaboration and solidarity in the years of maximum need in 2020 and 2021. The awards ceremony was held at the Food Bank's offices in October.

In addition, we would like to highlight the following initiatives carried out in 2022:

a. **Humanitarian emergencies**: Cecabank has been part of the network of companies collaborating with the Spanish Emergency Committee since 2018. The Committee is a pioneer in Spain for uniting companies, the media and international NGOs specialising in humanitarian aid (SOS Children's Villages, Educo, Intermón Oxfam, Doctors of the World, Plan International and World Vision) under a single voice to raise funds in emergencies.

   With this initiative we highlight the alignment with the fulfilment of SDG 17 of the 2030 agenda.

   - The Spanish Emergency Committee continues to support people fleeing Ukraine and those who have had to stay in the country through its six member NGOs.
   - The main actions around humanitarian emergencies this year have focused on border countries such as Romania, Poland and Moldova and Ukraine. The main areas of work were shelter and reception, food, financial aid, education, psychological support, water and sanitation, and health and prevention.

[22] The You Choose Program for the year 2021 is attached in Annex IV.

- Cecabank joined this initiative of the Emergency Committee to attend to the needs of those affected by the war in Ukraine by contributing €18,560 in a special campaign among employees, which, when added to the same amount with which Cecabank matches this contribution, brought the total amount of aid to €37,120.

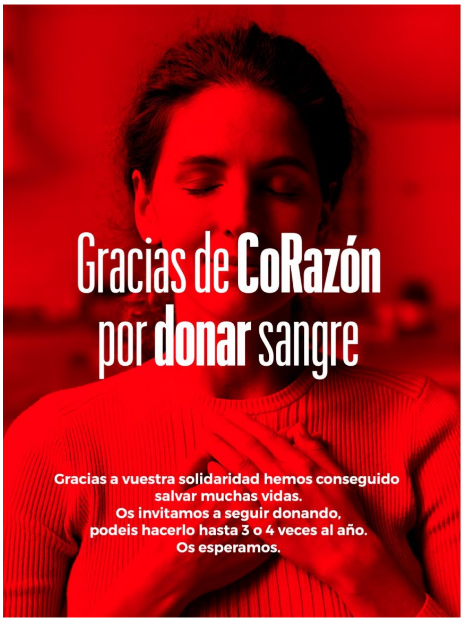
**b. Solidarity Market:**

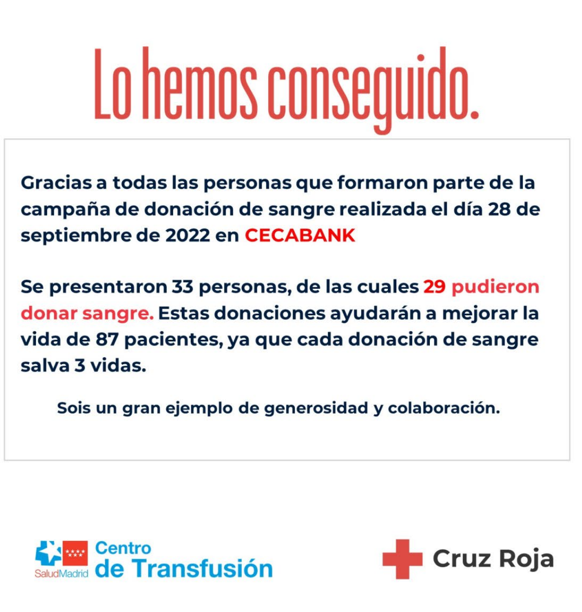
The Solidarity Market is a much-anticipated and much-loved event by Cecabank staff, inviting some associations and foundations known from previous years and which this year were unable to take part in the "Tú Eliges" Programme. As on other occasions, the various associations and foundations were able to sell their products and their own products, which they use to partially fund their activities. Among the associations invited this year were the Adisli Foundation, the Esperanza y Alegría Foundation, the Bobath Foundation, the Kyrios Foundation and the Spanish Emergency Committee.

Both the Solidarity Market and the blood donation campaign were held during the Cecabank Solidarity Day, taking advantage of the awards ceremony of the "Tú Eliges" (You Choose) programme.

**c. Blood Donation Campaign with the Red Cross:**

On the day of the Solidarity Day, a blood donation campaign was held among employees with the result according to the transfusion centre of Salud Madrid and the Red Cross these blood donations helped to improve the lives of 87 patients.




**d. Collaboration with Banco de Alimentos de Madrid**: since its inception, Cecabank has maintained a strong commitment to Banco de Alimentos, collaborating with this organisation by sponsoring Calle Cecabank at its headquarters in Colegio San Fernando and Avenida Cecabank at its logistics centre. Given the link and the history of collaboration between the two entities since 2020, Cecabank Street was replaced by Cecabank Avenue and the Avenue was converted into Cecabank Plaza with the consequent pride and satisfaction for Cecabank. In 2022, the bank has continued to collaborate in this sense, even increasing the donation and sponsorship from the previous year to €15,000.

- **Operation Kilo for the Food Bank**: In parallel to the sponsorship of the Avenida y Plaza Cecabank, the Food Bank of Madrid also continued with the "Operation Kilo" campaign - Christmas campaign - where Cecabank employees were able to make their most charitable purchases, helping the mostneedy families in the Community (the homeless, the elderly, children, the unemployed, among others). This year a total of 3,780 euros was collected from employees. This amount has been doubled by Cecabank, which has meant the donation of a total of 7,560 euros representing 6,804 kg of food. Thanks to food donations, the Fundación Banco de Alimentos de Madrid provides a daily meal to more than 190,000 people through 560 charities.

e. **Madre Coraje Clothes and Shoes Container**: Since 2019, the entity has made a container available to employees for the donation of clothes and shoes. In 2022, more than 290 kg have been accounted for, exceeding the amount donated last year. This association is responsible for giving a second life to the products, through donations to communities, sales at charity markets, or their delivery to external companies, generating funds for social, educational and cooperation associations. This NGO carries out its main activity in Peru, Mozambique and Spain. This year, 2022 saw the 500th container of humanitarian aid sent by Madre Coraje since its creation.

f. **Computer classrooms-ICT classrooms sponsored by Cecabank**: The bank is committed to financial education, digitalisation and social action. Since 2019, it has collaborated with the Sanders Foundation and the Community of Madrid in the construction of computer rooms for this purpose. In 2022, Cecabank contributed with a donation of 22,000 euros for the maintenance and organisation of training courses for the most disadvantaged groups in these classrooms.

- The first computer classroom in the Royal Oratory of Caballero de Gracia, aimed at groups of elderly people, immigrants and the unemployed.

- The second computer classroom in the school of the Bobath Foundation, aimed at people with cerebral palsy to varying degrees, both children and adults.

- The third computer room or ICT room was inaugurated in the first half of 2022 at the Adisli Foundation, focused on training and providing support and opportunities for people with mild disabilities or borderline intelligence to develop their life projects and a network of support.

- The fourth computer classroom was opened in the second half of 2022 at the Senara Foundation to help vulnerable people. In particular, it focuses on and offers job orientation and training for women and their families, improving their work-life balance.

- The fifth IT classroom is scheduled to open in the first quarter of 2023 at the Integra Foundation, which supports people in social exclusion and with disabilities to regain control of their lives, mainly through job placement.

Finally, it should be noted that no relevant risks on social issues have been detected.

### With Human Rights

Cecabank is committed to operating responsibly, complying with applicable legislation and respecting and supporting human rights. Given the nature of its activity and its presence in Spain and various European countries through its operational and representative offices, the entity has therefore not identified any significant risks in these matters. The compliance, risk and internal audit functions ensure that Cecabank complies with applicable laws.

Cecabank signed up to the Global Compact in February 2017 and in 2022 has continued to work towards the dissemination of its ten principles, based on human rights, labour, environmental and anti-corruption.

In 2020, the entity adhered to the "Declaration of business leaders for a renewed international cooperation" promoted by the Global Compact, which aims to unite companies in favour of international cooperation (based on human rights) and sustainable development.

This year, 2022, training pills were sent to all employees on the 10 Principles of the Global Compact and the Sustainable Development Goals, bringing sustainability closer to the entire company. Cecabank has also supported various Human Rights campaigns on Social Networks.

On the day of the June 2022 General Assembly, Sanda Ojiambo, Under-Secretary General of the United Nations and CEO of UN Global Compact presented the Contigo Somos+ Awards. These awards recognise Global Compact partners that have succeeded in attracting new members. Cecabank has been awarded the bronze insignia, the bronze insignia is awarded to those partner companies that have managed to incorporate between one and four members to the Global Compact during one year.

| Human Rights | |
|---|---|
| **Principle 1**<br>Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence.<br><br>**Principle 2**<br>Businesses should make sure that they are not complicit in human rights abuses. | The Corporate Code of Conduct ensures compliance with and defence of Human Rights and makes the Corporate Conduct Channel available to employees to report any type of Human Rights violation. As in recent years, in 2022 no complaints were received regarding Human Rights or any other type of violation.<br><br>The Risk and Compliance and Internal Audit areas ensure strict compliance with applicable regulations. The Criminal Compliance Policy and reputational reporting to stakeholders also ensure compliance with legislation, due diligence and non-violation of human rights.<br><br>For more information see the Ethics and Compliance section of the EINF. |
| **Labour Standards** | |
| **Principle 3**<br>Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.<br><br>**Principle 4**<br>Businesses should support the elimination of all forms of forced and compulsory labour.<br><br>**Principle 5**<br>Businesses should support the elimination of child labour.<br><br>**Principle 6**<br>Businesses should support the elimination of discrimination in respect of employment and occupation. | The people who work at Cecabank are its main asset. For this reason, various policies and initiatives are developed to promote physical integrity and respect among people, health and safety at work, professional development, equal opportunities and non-discriminatory treatment, among others.<br><br>Cecabank's work organisation is based on the collective bargaining agreement for savings banks and financial institutions, improving conditions by contract and applying compensatory measures to employees with special conditions.<br><br>Cecabank holds the EFR (Family Responsible Company) Certificate awarded by the Másfamilia Foundation, which will be renewed in 2022.<br><br>Cecabank has a Plan for Equality between women and men and reconciliation of family and work life. It also includes a Protocol for action in the event of a complaint of harassment at work, sexual harassment and harassment based on gender in Cecabank.<br><br>For more information, see the People section on Reconciliation and Equality. |

| Environment | |
|---|---|
| **Principle 7**<br>Businesses should maintain a precautionary approach to environmental challenges. | Cecabank promotes responsible and sustainable management of material resources and efficiency.<br>The bank has implemented an Energy Management System in accordance with the ISO 50001 standard, ensuring continuous improvement in energy management through the installation of technologies to reduce consumption and renewable energy.<br><br>The entity has progressively reduced its carbon emissions in recent years. In addition, in 2020 and 2021 Cecabank has offset its carbon footprint through various reforestation projects both nationally and internationally. For more information see the Planet Carbon Footprint and Environmental Management section. |
| **Principle 8**<br>Businesses should encourage initiatives that promote greater environmental responsibility. | |
| **Principle 9**<br>Businesses should encourage the development and diffusion of environmentally friendly technologies. | |
| **Anti-corruption** | |
| **Principle 10**<br>Businesses should work against corruption in all its forms, including extortion and bribery. | In addition to the Code of Conduct, which incorporates aspects related to the prevention of corruption and bribery, Cecabank was certified by AENOR in 2022 in accordance with the UNE 19601 Criminal Compliance Standard. The company also has procedures in place for the Prevention and Money Laundering.<br><br>For more information, see Section 07. Anti-corruption and anti-bribery issues. |

## 3. Planet

Cecabank is firmly committed to operating responsibly with its environment, working under the precautionary principle and mitigating environmental impact, both in its activity and in its sphere of influence.

Cecabank's Sustainability Policy reflects this commitment by seeking responsible and sustainable management of material resources, promoting efficiency in their use.

Environmental protection is one of Cecabank's four action blocks in its Sustainability Plan 2022-2024, approved by the Bank's Board of Directors.

The Planet work block includes the "Climate Change and environmental management" line of action, made up of 9 actions to be carried out over the strategic horizon and whose objective is twofold:

- To advance in best practices and respond to the commitments assumed in terms of carbon footprint and climate-related risks and objectives.
- And to achieve maximum efficiency in the management of direct environmental impacts.

This new Plan has given greater prominence to these aspects in order to address not only our direct impact, but also that derived from our activity. The Sustainability Committee ensures compliance with the principles established in this area, as well as compliance with the actions set out in the Plan.

### *3.1. Carbon footprinting and climate management*

Cecabank has been calculating and managing its carbon footprint since 2017. Every year, the entity prepares its Greenhouse Gas (GHG) emissions inventory, taking into account scopes 1, 2 and 3. This inventory is verified by an independent third party (Aenor), which issues its emissions report in accordance with the ISO 14064 reference standard.

In 2022, the entity has worked on adapting the calculation to the requirements of the new ISO 14064-1:2018 standard (official version, in Spanish, of the European Standard EN ISO 14064-1:2019), which proposes a new categorisation of indirect emissions, as well as the performance of a materiality study, to identify those categories of emissions that are significant for the entity. The entity calculated its 2021 emissions based on these new requirements, obtaining the corresponding verification report from Aenor. In addition, in 2022, the entity carried out a training course on carbon footprint calculation, which was attended by representatives of the departments involved in the calculation, reduction and supervision of these aspects.

The estimated results of the 2022 emissions calculation for categories 1 and 2 are shown below. This calculation is based on the information available at the date of presentation of this report. However, the entity will carry out the complete calculation of its footprint in the coming months, publishing its verified emissions report in the course of the year.

| Emissions (tCO2eq) [23] | 2021[24] | 2022 |
|---|---|---|
| **Alcance 1** | 42.41 | 103.42 |
| **Alcance 2** | 0.0 | 0.0 |
| **Alcance 3** | 144.42[25] | -[26] |

The increase in Scope 1 emissions in 2022 is due to a refrigerant gas leak in an air conditioning unit. The entity reviewed and adapted the installation so that it is in an optimal state.

Since the entity started calculating this indicator in 2017, the volume of emissions has decreased drastically (1,274 tCO2eq in 2017 to 103.42 tCO2eq in the 2022 estimate, for scope 1+2). This is due to several factors, among which we highlight:

[23] The entity uses the market approach to calculate its emissions.

[24] The 2021 emissions (scope 1 and 2) have been modified with respect to the 2021 EINF. Cecabank calculates its carbon footprint based on the three scopes, updating the emission factors and verifying its carbon footprint in accordance with the ISO 14064 standard -1:2018 (official version, in Spanish, of the European Standard EN ISO 14064-1:2019). This calculation has been verified in the month of September by AENOR.

[25] Displacements of employees from home to work and waste (WEEEs).

[26] In process of calculation.

- Consumption reduction measures carried out during the year. The organisation has an Energy Management system certified according to ISO 50001:2018, through which emission reduction plans are managed.

- Hiring of green electricity with renewable energy certification. As a sign of its commitment to reducing emissions, Cecabank purchases all its electricity with a Certificate of Origin (renewable), both for data processing centres and corporate buildings.

- Encouragement of good habits among the workforce through training actions.

In addition to this reduction, the bank complements its commitment with compensation actions. Since 2020, Cecabank has participated in offsetting projects with various entities. Cecabank offset its 2021 emissions through two projects:

- Scope 1 and 2 emissions, totalling 43 tCO2eq, were offset domestically, through a reforestation project in the Sierra de Gredos (Ávila), specifically in the Iruelas project for reforestation of burnt areas.

- The remaining emissions, equivalent to Scope 3 (145 tCO2), were offset internationally, through a project for the Conservation of the Amazon in Madre de Dios in Peru.

With these actions, Cecabank has reinforced its commitment to SDG 13 (Climate action) and SDG 15 (Life of terrestrial ecosystems).

The bank's carbon footprint management actions are accredited with the "I calculate, reduce and compensate" seal awarded by the Spanish Climate Change Office of the Ministry for Ecological Transition and the Demographic Challenge. In 2022, Cecabank obtained this accreditation for the years 2017 to 2021.


Cecabank also joined the "Collective Commitment to Climate Action", promoted by UNEP FI and in line with the Paris Agreement, in which it undertook to reduce the portfolio's carbon footprint. In 2022, the bank has made progress in this area. To this end, Cecabank has set up an internal working group, which brings together the Finance, Risk, Planning and Sustainability areas, to respond to this commitment and make progress in measuring and calculating emissions. This work is carried out on the basis of the PCAF methodology, a benchmark standard in the financial sector, which focuses its efforts on calculating emissions associated with the loan portfolio. It should be noted that in Cecabank's business, the credit portfolio does not represent a significant percentage. However, the bank also seeks to make progress in its fixed income and equity portfolios.

### *3.2. Environmental management at Cecabank*

Since 2018, Cecabank has had an Energy Management System in place in accordance with the UNE/ISO 50001:2011 standard for the corporate buildings where it operates. In 2020 it adapted to the UNE/ISO 50001:2018 standard, in 2021 the entity obtained renewal of the certification until 2024 and in September

2022 the first follow-up audit was carried out by Aenor, the result of which was favourable, which means that the certification has been maintained.

Cecabank has an energy policy through which it provides a framework for establishing and reviewing the energy saving and efficiency objectives and targets that the company undertakes. This document is promoted and led by Senior Management and concerns all those, employees or otherwise, who carry out their activities within the bank's facilities.

To reinforce this commitment, Cecabank employees receive mandatory training in efficient energy management. In addition, awareness-raising actions are carried out through the Good Energy Use Practices guide or through the Employee Portal where the Energy Efficiency Portal is located, where best practices, energy performance and certificates are shown.



The entity has gradually carried out actions related to the measurement and monitoring of consumption. These measures allow for better management and optimisation of energy resources. In this way, the entity has consumption analysers, a tool that facilitates the management of energy consumption in a simple and automated way (SMARKIA) and has worked on the optimisation of the control and indicator management system.

The energy management system implemented in the bank is based on the principle of continuous improvement. In this way, Cecabank sets itself annual objectives and targets. For the period 2022-2023, the bank has defined the following objectives:

- Study of self-consumption of electricity from renewable sources through the implementation of photovoltaic solar panels.

- Reduction of 1% of the consumption of electrical air conditioning in the building of Alcalá Street. Finally achieving an overall electricity saving of 6%.

- 10% reduction in the consumption of CPDs (Data Processing Centres) and UPS (Uninterruptible Power Supply) in the building on C/Caballero de Gracia.


THE INTERNATIONAL CERTIFICATION NETWORK

CERTIFICATE

AENOR has issued an IQNet recognized certificate that the organization:

CECABANK, S.A.

Calle de Alcalá, 27. 28014 - MADRID

Calle CABALLERO DE GRACIA, 28-30. 28013 - MADRID

has implemented and maintains a

Energy Management System

for the following scope:

For the energy management activities of Cecabank's headquarter buildings located at 27 Alcalá str. And 28-30 Caballero de Gracia str in Madrid, where Cecabank develope its wholesale banking activity comprising financial and technological services specialized in Securities Services, Treasury and Banking Services

which fulfills the requirements of the following standard

ISO 50001:2018

First issued on: 2018-12-14 Last issued: 2021-12-14 Validity date: 2024-12-14

This attestation is directly linked to the IQNet Partner's original certificate and shall not be used as a stand-alone document

Registration Number:

Alex Stoichitoiu, President of IQNet

Rafael GARCÍA MEIRO, Chief Executive Officer


AENOR Confía

Certificado del Sistema de Gestión Energética

GE-2018/0038

AENOR certifica que la organización

CECABANK, S.A.

dispone de un sistema de gestión energética conforme con la Norma UNE-ISO 50001:2018

para las actividades: Actividades de gestión energética de los edificios de CECABANK situados en la calle Alcalá 27, y en la calle Caballero de Gracia 28-30 de Madrid, destinados a sus oficinas centrales y donde CECABANK desarrolla su negocio de banca mayorista y presta servicio de soporte a procesos de negocio especializado en Securities Services, Tesorería y Servicios Bancarios.

que se realizan en: Calle de Alcalá, 27. 28014-Madrid; Calle CABALLERO DE GRACIA, 28-30. 28013-MADRID

Fecha de primera emisión: 2018-12-14

Fecha de última emisión: 2021-12-14

Fecha de expiración: 2024-12-14

Rafael GARCÍA MEIRO, Director General

AENOR INTERNACIONAL S.A.U. Génova, 6. 28004 Madrid. España. Tel. 91 432 60 00.- www.aenor.com

The evolution of the main environmental indicators is shown below:

| Building consumption | | Year | |
|---|---|---|---|
| | Unit of measurement | 2021 | 2022 |
| Energy (Electricity)[27] | GJ | 6,204 | 6,193 |
| Energy (Natural Gas)[28] | GJ | 968 | 973 |
| Paper (Ecological- Ecolabel) | Kg | 6,000 | 7,645 |
| Water | M3 | 2,132 | 1,347 |

The reduction in consumption of both gas and electricity remains constant, especially taking into account the variable occupancy of the buildings. The entity's efforts to improve its environmental performance have resulted in an annual reduction in energy and water consumption.

With regard to water consumption, a performance improvement policy continues to be pursued, which includes the collection and analysis of consumption. As a result of this, a meter breakdown has been detected, which has already been reported to the supply company and is awaiting replacement.

As regards paper consumption, there was a slight increase in the number of DIN-A4 80 g, DIN-A4 100 g, DIN-A3 80 g and DIN-A3 100 g packets consumed, as a result of the return to face-to-face use in the offices. The entity continues with its Paper 0 programme, which calls on all departments not to print paper documents and to digitalise information to reduce paper consumption and recycling.

The bank also tries to reduce its environmental impact through waste collection processes, differentiating between paper and cardboard, glass and hazardous waste, among others, which are collected by authorised external parties and taken to specialised plants. In 2022, Cecabank has changed supplier for waste management with a more accurate classification at source.

[27] The source for the conversion of energy consumption from indirect emissions as a consequence of the entity's electricity consumption is "Emission Factors – Ministry for Ecological Transition" https://www.miteco.gob.es/es/cambio-climatico/ themes/mitigation-policies-and-measures/factoresemision_tcm30-479095.pdf.

[28] The source for the conversion of energy consumption from direct emissions from the entity's natural gas consumption is "Emission factors - Ministry for Ecological Transition" https://www.miteco.gob.es/es/cambio-climatico /temas/mitigacion-politicas-y-medidas/factoresemision_tcm30-479095.pdf.

| Waste generated (tonnes) | 2021 | 2022 |
|---|---|---|
| Paper and Cardboard | 9.41 | 27.10 |
| Mix | 9.88 | 19.10 |
| WEEE (waste with hazardous components) | 1.85 | 4.06 |
| Construction and demolition | - | 46.38 |

WEEE is electrical and electronic equipment, a small proportion of which includes hazardous waste. Additionally, Cecabank generates toner waste, which in 2022 totalled 15 units.

In 2022 Cecabank has carried out interior refurbishments of its offices which have generated significant amounts of construction and demolition waste. The management of the works included the reuse of many existing materials to minimise the impact of waste. For example, all existing chairs have been refurbished to prevent them from becoming waste.

# 4. Prosperity

Our financial, technological and business expertise at our clients' service

## *4.1. Our Clients*

Customers are the key to Cecabank's business. The bank focuses its model on responding to their expectations, supporting their business objectives and building lasting relationships. This model is based on transparency and continuous dialogue with customers, to detect their priorities and needs, as well as on pillars such as:

| Quality and excellence | Specialisation and expertise | Innovation and digital development |
|---|---|---|
| At Cecabank, the culture of customer focus and continuous improvement permeates the entire organisation. | Cecabank has the best talent, with a high degree of specialisation, to offer high value-added services. | The entity seeks to offer innovative solutions that respond to the needs of its current and potential customers. |

These pillars enable the bank to build loyalty and attract new customers. In 2022, Cecabank provided services to more than 300 customers, including traditional financial institutions and new players, management companies and Investment Services Companies, Large Corporations, Venture Capital Managers, Insurance Companies, Securities Companies and Agencies, Fintech and Public Administrations with a differential range of services.

In order to maximise business opportunities, Cecabank's 2022-2024 Strategic Plan set revenue diversification as one of its Objectives, understood from different perspectives: business, customers and segments. This diversification enables the bank to be resilient to economic cycles and this has been demonstrated over the last ten years, since the bank's formation.

Each year, the entity defines its commercial objectives, integrating them into the monitoring of the Strategic Plan and its monitoring by senior management. The entity has a Strategy Committee and a Commercial Committee which monitor compliance with the commercial objectives on a monthly basis and are in turn responsible for reporting their evolution to the Management Committee and the Board of Directors.

The bank also has a New Products Committee, which is responsible for analysing new initiatives, assessing whether they can be incorporated into Cecabank's portfolio of services.

## Business diversification

At the end of 2022, the contribution to gross income of the bank's 4 core business lines shows a diversified picture of service revenues.

- Securities Services: 50%.
- Treasury: 27%.
- Payments: 12%
- Technology platforms: 7%.

NOTE: Rest (associative services and others): 4%

## Client diversification

New client acquisition between 2017 - 2022 was very significant, with more than 250 new clients in the period. This has offset the outflow of clients, especially due to the restructuring of the sector. The breakdown by year is set out below:

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| New clients[29] | 39 | 50 | 34 | 51 | 47 | 42 |

## Segment diversification

Cecabank's customer portfolio is divided into 4 main sectors of activity, which are monitored in terms of the distribution of customers and opportunities.

- Savings sector: entities associated with CECA.
- Banks: both national and international.
- Management companies, insurance companies and investment services companies (ESIs).
- Rest: including the public sector, corporates, non-traditional financial institutions, etc.

In order to establish lasting relationships with its customers, Cecabank focuses on establishing long-term agreements.

[29] A new customer is understood to be one who has not had any relationship with Cecabank in the last three years.

In 2022, Cecabank continued to work on four main areas of work:

- **Quality Management Systems**: maintenance and implementation of management systems for continuous improvement in those areas where certification provides differential value.

  During 2022, the Securities and Depositary certification was renewed until January 2026 and the Collections and Payments certification was maintained under the criteria of the ISO 9001:2015 standard. On the other hand, in the areas certified under ISO 9001:2015, continuous improvement and the development of principles, beyond compliance with the requirements of the standard itself, as well as the simplification of workflows and the adoption of agile methodologies, have been further developed.

- **Objective quality project**: definition and analysis of objective indicators in services with an impact on customers to measure objective quality and contrast it with customer perception.

  This indicator has been incorporated in 2022 for monitoring by Senior Management.

- **Measurement and Analysis of the Voice of the Customer**: to understand their needs and expectations, so that these are taken into account in decision-making.

  In 2022, a new tool was implemented for conducting surveys and preparing and distributing reports, which allows for maximum precision in obtaining and presenting information.

- **Improvement Plans**: aimed at achieving the entity's strategic objectives in terms of customer loyalty and the establishment of long-term relationships:

  a. Improve the quality of our processes.

  b. Improve the customer experience.

  Throughout 2022, the customer experience measurement model was further integrated with the definition and monitoring of improvement plans perfectly suited to each service.

The satisfaction index, recommendation index and predisposition to continue trusting Cecabank in new solutions are shown below:

| | Overall Satisfaction (Average 0-10) | NPS | Likelihood to continue contracting (% of customers scoring 8 to 10) |
|---|---|---|---|
| **2021** | 8.4 | 62 | 81% |
| **2022** | 8.5 | 52 | 81% |

Cecabank has a Customer Service Department[30]. As in 2021, in 2022 the bank received one complaint, which was not admitted for processing as it did not fall within its remit.

### *4.2. Sustainable finance*

Cecabank is aware of its role in the financial sector and in sustainable finance. As a wholesale bank and as set out in our sustainability plan, our objective in this area is to support our customers in their transformation process towards a sustainable finance model.

The bank's 2022-2024 Strategic Plan established ESG aspects as a vector for growth. This measure is also contemplated in the bank's Sustainability Plan, which establishes the Sustainability Committee, in which the bank's businesses are integrated, as the body responsible for identifying and monitoring initiatives. The Sustainability Committee reports its conclusions to the Strategy Committee.

In this way, we closely follow regulatory developments and work hand in hand with our customers to understand their needs and seek solutions that can meet their sustainable finance needs.

In the area of sustainable finance, Cecabank offers a range of services:

- In the Securities Services area, the following services stand out:
    - Proxy voting service: Cecabank has different alternatives for Proxy Voting services, which include communication, vote execution, traceability of operations and assistance for agreements with proxy-advisory (voting advisors) if necessary. It is a flexible and tailor-made service: the final model is designed according to the preferences of each client and the possible agreements they may have with proxy-advisory providers.

      In 2022, we communicated more than 3,200 boards in 73 countries across five continents and successfully sent more than 11,000 voting instructions to the market.
    - SRI verification of funds: Cecabank, in its role as depositary, verifies that the financial vehicles that are SRI and are under its supervision really comply with the levels of socially responsible investment that correspond to them, giving the end customer the certainty that they are really accessing an SRI product. To carry out this monitoring, Cecabank has created an ecosystem together with leading financial information providers, specialised in the area and monitoring of SRI criteria.

      At the close of the 2022 financial year, the assets of funds deposited in the entity that promote environmental or social characteristics, or have sustainable investments as their Objective, exceed 70,000 million euros. For the latter, the weighting of the total assets of vehicles deposited with Cecabank at year-end, in accordance with the classification established by the Sustainable Finance Disclosure Regulation (SFDR), is shown below[1]:

[30] In accordance with Order ECO/734/2004 of March 11, on Customer Service Departments or Services and on the Customer Ombudsman of financial institutions.

| Article 8<br><br>Promote social and environmental initiatives alongside traditional outcome objectives | Article 9<br><br>Investment products with explicit sustainability objectives. |
|---|---|
| 33% | 1% |

(1) For IICs and ECR's, information on SFDR items obtained from vehicle brochures. For FP's and EPSV's, information on SFDR articles obtained from the managers.

- In the area of technology, the bank incorporates ESG aspects to improve customer services:
  - Cecabank thus has an electronic invoicing solution that enables it to eliminate paper invoices and generate notable efficiencies for both the entity itself and the customers of the solution. Cecabank's solution generates and stores more than 2.5 million invoices a month, 30 million a year.
  - Cecabank's digitised signature solution provides legal security for the digital signature of contracts in the office by replacing paper with a solution where the customer signs on a tablet that digitises the process. The solution is implemented in more than 50% of the financial system's branches in Spain, as well as in approximately 15% of the insurance sector.
  - Cecabank has recently started a project for the digitalisation of card slips in one of the largest retailers in Spain. The solution has now passed the pilot phase and is being rolled out nationwide.
- In the financial area, the bank incorporates ESG criteria in its operations. In this way:
  - At 31 December 2022, Cecabank held 18 ESG (Environmental, Social & Governance) bond positions worth EUR 150 million. This represents an increase of 33% compared to the end of 2021, when the bank held positions worth €113 million.
  - Cecabank has been a member of the European Primary Dealer Network since 2021. The first EU issues in which it has participated have been the macro debt issues that finance the Next Generation EU Recovery Fund, the €750,000 million aid package for Europe's economic, ecological and digital transformation.
  - In order to formalise its commitment to sustainable finance, the entity will work on its responsible investment policy throughout 2023, as set out in the Sustainability Plan.

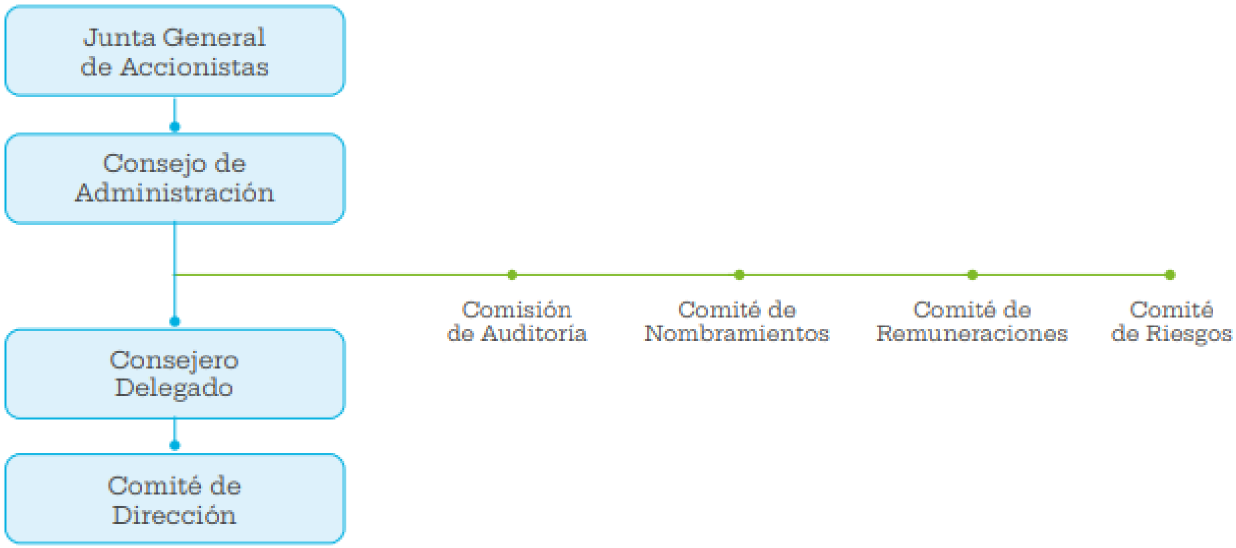
# 5. Governance

Good governance as a hallmark of Cecabank's identity. Our commitment to our stakeholders is based on a solid governance model that allows us to maintain long-lasting relationships based on trust.

## *5.1. Good corporate governance*

Cecabank's corporate governance consists of a set of rules, principles and policies that regulate the composition, structure and operation of the governing bodies (the General Shareholders' Meeting, the Board of Directors and its committees), which are periodically reviewed and/or updated to adapt to national and international best practices.

## Governance bodies




Cecabank's General Shareholders' Meeting is the highest body for the representation and participation of shareholders in the bank. At 31 December 2022, Cecabank's shareholder portfolio comprised the following entities

| Entity | No. of shares | % share |
|---|---:|---:|
| CECA | 100,000,000 | 89.08 % |
| CaixaBank, S.A. | 5,907,921 | 5.26 % |
| Kutxabank, S.A. | 1,352,325 | 1.20 % |
| Unicaja Banco, S.A. | 2,188,398 | 1.95 % |
| Ibercaja Banco, S.A. | 765,561 | 0.68 % |
| Abanca Corporación Bancaria, S.A. | 712,677 | 0.63 % |
| Banco Bilbao Vizcaya Argentaria, S.A. | 644,683 | 0.57 % |
| Banco Sabadell, S.A. | 574,171 | 0.51 % |
| C.A. y M.P. Ontinyent | 57,920 | 0.05 % |
| Caixa D'Estalvis de Pollença | 52,884 | 0.05 % |

Cecabank is administered, managed and represented by its Board of Directors. The Board has the broadest powers for the administration of the bank and, except in matters reserved for the competence of the General Shareholders' Meeting, in accordance with the provisions of applicable legislation and the Articles of Association, is the highest decision-making body and is responsible for the risks assumed by the bank.

Cecabank's Board of Directors is made up of the number of members appointed by the General Shareholders' Meeting, which, in accordance with the regulations applicable to capital companies, may not be less than five or more than fifteen. The General Meeting of Shareholders held on 29 March 2022 resolved, among other things, to set the number of members of the Board of Directors at ten.

There were no changes in the composition of the Board of Directors during the financial year 2022. As at 31 December, the Board of Directors consisted of ten members, five of whom are proprietary directors, four independent directors and one executive director.

The Board of Directors held in April 2022 resolved to appoint the Chief Executive Officer, Mr. José María Méndez, as Chief Executive Officer of the entity. This appointment did not entail a significant change as he already held the position of executive director with broad powers granted to him.

As a result, the Board of Directors is made up of the following members as at 31 December 2022:

- **Composition**:
    - D. Manuel Azuaga Moreno: Presidente (Dominical)
    - D. Javier Pano Riera: Vicepresidente (Dominical)
    - D. José Mª Méndez Álvarez-Cedrón: Consejero Delegado (Executive)
    - D. Francisco Javier García Lurueña: Vocal (Dominical)
    - D. Francisco Botas Ratera: Vocal (Dominical)
    - D. Víctor Manuel Iglesias Ruiz: Vocal (Dominical)
    - Dª. María del Mar Sarro Álvarez: Vocal (Independent)
    - D. Santiago Carbó Valverde: Vocal (Independent)
    - Dª. Julia Salaverría Monfort: Vocal (Independent)
    - Dª. Carmen Motellón García: Vocal (Independent)
    - D. Fernando Conlledo Lantero: Non-Counselor Secretary
- **Meetings and attendance:** during financial year 2022, the Board of Directors held eleven meetings, all of which were ordinary meetings in accordance with the provisions of its Work Plan. In terms of attendance at meetings, there was 94% attendance by its members, reaching 100% attendance with proxies for attendance and voting.

Furthermore, in compliance with the regulations governing capital companies and the regulation, supervision and solvency of credit institutions, Cecabank has set up four committees, with their supervisory and advisory powers, which assist the Board in the exercise of its competencies. These committees are the Audit Committee, the Appointments Committee, the Remuneration Committee and the Risk Committee.

They are composed entirely of non-executive directors, in line with the provisions of the regulations for each of them and with the functions set out in their respective rules of procedure.

In accordance with the provisions of their respective regulations, the committees perform, among others, the following duties:

- **Audit Comission:**
    - **Functions:** among others, supervises and assesses the effectiveness of the entity's internal control, internal audit and risk management systems, as well as supervises the process of preparing and presenting the mandatory financial information and submitting recommendations or proposals to the management body, aimed at safeguarding its integrity.
    - **Composition**
        - Dª. María del Mar Sarro Álvarez: Presidenta (Independent)
        - D. Santiago Carbó Valverde: Vocal (Independent)

- Dª. Carmen Motellón García: Vocal (Independent)
- D. Francisco Botas Ratera: Vocal (Dominical)
- D. Víctor Iglesias Ruiz: Vocal (Dominical)
- D. Fernando Conlledo Lantero: Non-Counselor Secretary

- **Meetings and Attendance**: during financial year 2022, the Audit Committee held six meetings, all of which were of an ordinary nature in accordance with the provisions of its Work Plan. As regards attendance at the meetings, 90% of its members attended, reaching 100% attendance, taking into account the attendance and voting delegations.

- **Risk Committee:**

  - **Functions:** among others, it advises the Board on setting and monitoring the entity's risk tolerance levels and assesses the application of this strategy by senior management and its results, as well as being aware of and periodically analysing the solvency, liquidity and, in general, risk situation of the entity.

  - **Composition:**

    - Dª. Carmen Motellón García: Presidenta (Independent)
    - Dª. Julia Salaverría Monfort: Vocal (Independent)
    - Dª. María del Mar Sarro Álvarez: Vocal (Independent)
    - D. Francisco Javier García Lurueña: Vocal (Dominical)
    - D. Víctor Manuel Iglesias Ruiz: Vocal (Dominical)
    - D. Fernando Conlledo Lantero: Non-Counselor Secretary

  - **Meetings and Attendance:** during financial year 2022, the Risk Committee held five meetings, all of which were of an ordinary nature in accordance with the provisions of its Work Plan. In terms of attendance at meetings, there was 100% attendance by its members.

- **Remuneration Committee:**

  - **Functions:** among others, advises the Board on the entity's remuneration policies (remuneration policies for Directors and senior management), and the alignment of these policies with the maintenance of risk tolerance levels.

  - **Composition**

    - D. Santiago Carbó Valverde: Presidente (Independent)
    - Dª. María del Mar Sarro Álvarez: Vocal (Independent)
    - D. Francisco Botas Ratera: Vocal (Dominical)
    - D. Fernando Conlledo Lantero: Non-Counselor Secretary

  - **Meetings and attendance:** during financial year 2022, the Remuneration Committee held three meetings, one of which was extraordinary in nature with respect to the provisions of its Work Plan. In terms of attendance at the meetings, 89% of its members attended, reaching 100% attendance with proxies for attendance and voting.

- **Appointments Committee:**
  - **Functions:** inter alia, advises the Board on candidates for vacant positions on the Board of Directors, as well as assesses the balance of knowledge, skills, diversity and experience of the Board and the suitability requirements of Board members.
  - **Composition**
    - Dª. Julia Salaverría Monfort: Presidenta (Independent)
    - D. Santiago Carbó Valverde: Vocal (Independent)
    - D. Javier Pano Riera: Vocal (Dominical)
    - D. Francisco Javier García Lurueña: Vocal (Dominical)
    - D. Fernando Conlledo Lantero: Non-Counselor Secretary
  - **Meetings and attendance:** during financial year 2022, the Appointments Committee held five meetings, four of which were ordinary meetings in accordance with the provisions of its Work Plan and one extraordinary meeting. In terms of attendance at the meetings, 94% of its members attended, reaching 100% attendance with proxies for attendance and voting.

Full details of the composition, functions and operation of the General Shareholders' Meeting, the Board of Directors and the Committees can be found in both the Articles of Association and their operating regulations, which are available in the "corporate information" section of Cecabank's website[31].

## Training Plan

The Training Plan for the 2022 financial year consisted of a total of eight sessions, three of which were training sessions, given by external experts and lasting approximately one hour each, and the other five were induction sessions, all of which were given by executives of the entity and lasted approximately thirty minutes. In addition to the Training Plan, it should be noted that during the meetings of the Board of Directors, approximately thirty minutes are devoted to explaining all the new developments in the regulatory sphere and monitoring regulatory projects which, at both national and European level, may affect the banking and financial sector.

In this respect, as part of the documentation sent to the directors prior to each meeting, a document called "regulatory overview" is provided, which includes all the sectoral regulations approved during the month, as well as the monitoring of regulatory projects.

In total, the number of hours dedicated by directors to Cecabank's annual regulatory training plan is eleven hours. The percentage of attendance by directors at the training and induction sessions of the board's annual training plan was 88%.

In terms of attendance at board meetings, 94% of board members attended, reaching 100% attendance including proxy voting. It should also be added that the directors of the entity are, in turn, members of the Boards of Directors of other entities and that, for their part, they also receive their respective training plans.

[31] https://www.Cecabank.es/

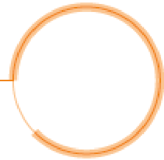
**Plan de formación 2022**

Sesiones formativas
**3 de 60 min**

Sesiones de introducción
**5 de 30 min**

Reuniones Panorama regulatorio
**11 de 30 min**

Asistencia Consejeros a plan formativo
**88%**



**Asistencias a las reuniones del Consejo**

Miembros
**94%**

Delegaciones y voto
**100%**

## Suitability Policy

In applying the Suitability Policy, Cecabank recognises the value of diversity in the composition of the Board of Directors and the importance of having directors capable of contributing diverse points of view, perspectives, skills, experience and professional backgrounds, both in debates within the Board and in its decision-making processes, which ultimately leads to an improvement in the Board's decisions.

In this respect, Cecabank encourages diversity on the Board of Directors, so that its composition reflects a diverse group, taking into account the structure of the CECA-Cecabank group, in which the majority shareholder is CECA.

In the selection procedure for Board members, an effort is made, as far as possible, to incorporate a wide range of qualities and competencies in order to achieve a diversity of views and experiences and to promote independent opinions and sound decision-making within the Board of Directors. To this end, the following diversity aspects, among others, are taken into account: academic and professional profile, age and gender.

With regard to gender, Cecabank ensures that the principle of non-discrimination and equal treatment is respected in the selection and evaluation processes and that they do not suffer from implicit biases that hinder the selection of women and that measures are adopted to include among potential candidates, women who meet the professional profiles sought.

On the other hand, the figure of the independent director is considered essential in corporate governance matters, as a means of channelling the supervisory functions of the Board of Directors. The regulations in force give special weight to this type of director, establishing that in the Appointments, Remuneration and Risk Committees, at least one third of its members and, in any case, the chairman must be independent directors and, in the case of the Audit Committees, where it is established that they shall be composed exclusively of non-executive directors, the majority of whom, at least, must be independent directors and one of whom must be appointed on the basis of their knowledge and experience.

In order for the Board of Directors to be enriched both by the presence of independent directors and by the diversity of its composition, it is considered advisable to ensure that a sufficient percentage of women, especially independent female directors, is reached on the Board of Directors, without prejudice to compliance with the applicable suitability requirements.

The entity has set the Objective of representation of women on Cecabank's Board of Directors at least 50% of the independent directors.

In addition, the representation of women on Cecabank's Board of Directors will tend to increase with the ultimate objective of achieving a balanced presence of men and women. In order to achieve this, vacancies on the board and on the various board committees will be taken into account.

Below is the evolution of the presence of female directors with respect to the composition of the Board, as well as a comparison with respect to independent directors since 2016.

**Evolución del número de Consejeras**

| | 2016 | 2019 y 2020 | 2021 y 2022 |
|---|---|---|---|
| Consejo de Administración | 16,67% | 25% | 30% |
| Comité de Nombramientos | 25% | 25% | 25% |
| Comisión de Auditoría | 25% | 40% | 40% |
| Comité de Riesgos | 25% | 60% | 60% |
| Comité de Remuneraciones | 25% | 33,3% | 33,3% |

## Fit and proper exercise to assess the suitability of directors and the Board as a whole.

Law 10/2014 of 26 June 2014 on the regulation, supervision and solvency of credit institutions (hereinafter Law 10/2014) and Royal Decree 84/2015 of 13 February 2015 implementing it (hereinafter RD 84/2015) establish that credit institutions must have a Board of Directors made up of persons who meet the suitability requirements necessary to hold office. They must also have adequate internal units and procedures to carry out the annual selection and assessment of the positions subject to the suitability regime established in the aforementioned regulations.

For this reason, in accordance with the provisions of the Policy for the Selection and Assessment of the Suitability of the Members of the Board of Directors and the Chief Executive Officer or similar, approved by the Board in November 2018, the Appointments Committee agreed at its meeting of 22 November 2022 to carry out the annual assessment exercise of the suitability of the directors and of the Board as a whole for the 2022 financial year.

The conclusion reached after this exercise is reflected in the annual suitability assessment report, which shows that the entity's directors meet the criteria of commercial and professional honourability, knowledge and experience and good governance, so that they should all be considered, on an individual level, suitable for the performance of their duties as directors of Cecabank and, except in the case of the executive director, as members of any of its committees.

It is also concluded that the Board of Directors, taken as a whole, has sufficient professional experience in the governance of credit institutions to ensure its effective capacity to take decisions independently and autonomously for the benefit of the institution.

## Evaluation exercise of the Board of Directors and its Committees

Pursuant to the provisions of Law 10/2014 and RD 84/2015, the Board of Directors has the non-delegable function of monitoring, controlling and periodically evaluating the corporate governance system, attributing to the Appointments Committee the function, among others, of periodically evaluating, at least once a year, the structure, size, composition and performance of the Board of Directors, making recommendations to the Board with respect to possible changes.

In addition, in accordance with the recommendations of both the Basel Committee on Banking Supervision of 2015, applicable to banks, and the CNMV's Code of Good Governance of 2020 for listed companies, it is suggested that at least every three years the self-assessment exercise should be supported by an external consultant. In this regard, considering that the self-assessment exercise of the functioning of the Board and its Committees for the financial year 2019 was carried out with the support of an external consultant, the Appointments Committee at its meeting held on 14 September 2022 agreed to carry out this self-assessment exercise with the support of an external consultant, who was appointed at that same meeting.

The self-assessment of the Board of Directors and the Committees has been carried out through the external consultant by sending self-assessment questionnaires to be completed, as well as through individual interviews with the directors. As part of this process, a review has also been carried out of the documentation reflecting, among other matters, the functioning of these bodies, frequency of meetings, main matters dealt with or attendees at meetings, which have been included in the annual reports on the activities of the Board and the Committees for financial year 2022.

The self-evaluation of the Board and its Committees concludes that both the Board of Directors and its Committees have performed their functions adequately, attending to the specific needs of the entity and shows a very positive assessment by the directors of the functioning of the Board of Directors, the Committees, as well as the positions held on them.

### Board of directors

In addition, Cecabank has a Management Committee which is responsible for deciding on matters submitted directly to it by the Board of Directors, or those matters submitted by the Chief Executive Officer prior to their approval by the Board of Directors, as well as approving the rules of conduct and internal regulations of the entity which are not the responsibility of the Board of Directors.

This Committee, made up of the main executives of the entity, is chaired by the CEO, with the General Secretary and Secretary to the Board of Directors acting as secretary of the Committee. However, its meetings may be attended, with the right to speak but not to vote, by other employees of the entity who are required by the Chairman of the Committee.

## *5.2. Ethics and Compliance: corruption and bribery*

The fight against corruption and bribery, as well as against any of the potential crimes attributable to legal persons or which may be committed within them, is and must be a central objective of good governance. With this objective in mind, entities have been equipping themselves for years, as in the case of Cecabank, with instruments and tools (preventive framework) to prevent and avoid the commission of the aforementioned crimes.

The Bank has a Corporate Code of Conduct which formalises the commitment of all professionals to the highest standards of integrity and professional ethics in order to prevent, among other things, criminal risk. The values and rules contained therein must be complied with and applied globally to all members of the Board of Directors, all employees and other member entities of its consolidated group, either directly or through its suppliers, and must permeate relations with stakeholders. This code incorporates, among other aspects, guidelines of conduct on aspects related to corruption, prevention of money laundering and financing of terrorism, confidential information, free competition, conflicts of interest, among others.

In relation to this Code, Cecabank has a Corporate Conduct Channel through which all persons subject to the Code can report possible breaches, as well as make the relevant queries arising from the interpretation of the Code. Complaints are treated confidentially.

In addition, Cecabank has other instruments that promote exemplary conduct as an institution:

- Criminal risk organisation and management system. The system was re-certified by AENOR in 2022 in accordance with the UNE 19601 Criminal Compliance Standard.
- Backbone document of the criminal risk organisation and management system.
- Procedures for the prevention of money laundering and terrorist financing and control structure.
- Internal rules of conduct in the securities market.
- Policies for the provision of investment services or MiFID policies. These policies fall into three blocks: transparency and reporting (Transparency Policy and TR Governance Framework), structural market issues (Record Keeping Policy, Product Governance Policy and Algorithmic Trading Policy) and investor protection (Best Execution Policy, Safeguarding of Assets Policy and Incentive Policy). The main objective of these policies is the Bank's proper compliance with the rules of conduct and organisational requirements related to the provision of investment services.

Cecabank reviews its Criminal Compliance system annually, establishing actions to ensure the continuous improvement of the system.

| Description of the indicator | 2021 | 2022 |
|---|---|---|
| Ongoing actions (corrective, improvement, preventive) deriving from the Criminal Compliance system | 5 | 2 |
| Internal Audit recommendations on the system | 2 | 1 |

Cecabank has a Manual for the prevention of money laundering and the financing of terrorism which aims to ensure that the bank and its employees prevent illicitly obtained funds from entering the financial system through Cecabank. The bank's IT systems enable it to analyse its own and intermediated operations in order to detect possible transactions linked to these aspects. To this end, contrasts are carried out against lists of financial sanctions, and there are specific scenarios for detecting suspicious transactions. In addition, there are tools and processes that allow for an exhaustive knowledge of the customer and monitoring of the customer relationship.

The organisational structure and internal control mechanisms developed by senior management are aligned with the nature of Cecabank's strategy and business model, with well-defined, transparent and coherent lines of responsibility aimed at ensuring effective and efficient operations; prudent business management; appropriate identification, measurement and mitigation of risks; reliable internal and external financial and non-financial information published; sound administrative and accounting procedures; and compliance with laws, regulations, supervisory requirements and internal policies, processes, rules and decisions.

This structure is characterised by the development of comprehensive and specialised management, with specific units for the management and control of the various risks; by being based on a committee structure; by being a structure that guarantees the independence of the units that perform control functions with respect to the areas, units or functions on which their verification is based; and by being based on the three lines of defence model.

During 2022, the entity has continued working on the definition of a relevant indicator on operations analysed in relation to the risk of corruption, as well as the associated controls. In this regard, the number of assessments carried out increased in 2022 to 28,545 transactions.

| Description of the indicator | 2021 | 2022 |
|---|---|---|
| No. of operations assessed for corruption-related risks | 5,806 | 28,545 |
| Confirmed cases of corruption and measures taken | 0 | 0 |

### *5.3. Risk Management*

Cecabank's wholesale approach focuses on serving professional customers with a high degree of sophistication in their activity, with long-lasting relationships based on mutual trust. Within this framework, the management and control of non-financial risks are fundamental aspects.

Cecabank's risk management philosophy is based on rigorous criteria of prudence, consistent with the commercial strategy and aims to ensure efficient use of the capital allocated to the business units. The results of applying this philosophy translate into a conservative risk profile with high levels of solvency and ample liquidity.

The entity has established a governance model for ESG and non-financial risks, which places responsibility for these matters with the highest management and governance body. Cecabank's Articles of Association give the Board responsibility for, among other things, approving and overseeing general policies and strategies, the implementation of its strategic objectives, its risk strategy and its internal governance. Both the Board of Directors and its delegated committees, in line with best corporate governance practices, draw up and approve an annual work plan, which includes a forecast of the matters to be dealt with by these bodies and which are attributed to them by virtue of their functions and powers.

The Risk Committee is responsible for designing the risk control and management model (financial and non-financial) and for monitoring the entity's risk profile, including climate and environmental risks, and for integrating them into the risk management processes. The Risk Committee follows up on the climate and environmental risk management roadmap and reviews the Risk Tolerance Framework and the General Risk Management Framework, among others. These frameworks also include non-financial risks, such as environmental, social and governance (ESG) risk.

In addition, the Audit Committee's duties include assessing and supervising the preparation process and the integrity of financial and non-financial information, as well as overseeing the control and management systems for financial and non-financial risks. Its functions include monitoring compliance with the Sustainability Plan.

The monitoring and control of ESG risks is previously carried out by the Compliance and Operational Risk Committee and the Sustainability Committee. The Strategy Committee, for its part, supervises the Strategic Business Plan, which includes the ESG growth vector line of work, where new ESG business possibilities are assessed.

In 2022 Cecabank has established a scorecard of ESG indicators that facilitates monitoring by the governing bodies and incorporates indicators related to ESG risks, such as the evaluation and monitoring of ESG scoring of customers, as well as the quantification of green investment.

Among other aspects, it should be noted that the entity incorporates ESG aspects as part of the credit risk admission analysis of customers and counterparties and the supplier analysis process, validating that they share Cecabank's ethical, social and environmental values. In addition, in 2022 Cecabank worked on assessing the positioning of the bank's business in ESG matters, especially in its investment portfolio, where it takes into account the ESG rating of customers.

The bank has established various mechanisms to control and manage non-financial risks. In this way it stands out:

| Non financial Risks | Main control and management mechanisms |
|---|---|
| **Social and governance risk** | The Code of Conduct, the Criminal Compliance Policy, the Equality and Diversity Policy, among other policies of the entity, ensure that ethical principles, equality and diversity are upheld.<br>Specifically, the Equality and Diversity Policy aims, among other things, to promote the possibilities for women to access decision-making positions or functions, or to improve the reconciliation of family and work life. |

| Non financial Risks | Main control and management mechanisms |
|---|---|
| | In the area of reporting, Cecabank has launched an ambitious plan to improve transparency. It is worth noting that in 2021 the bank drew up the Non-Financial Information Statement Control Framework. In this framework, the bank established three levels of control over the content of non-financial information: the Sustainability department, responsible for preparing the report, a secondary control carried out by the Coordination and Transversal Risks Unit, which is part of the Risks and Compliance area, and a tertiary control carried out by Internal Audit. |
| **Cybersecurity and technological risk** | Cecabank voluntarily assumes the highest standards and all the recommendations on technological risk assessment (ICT) proposed by the EBA, including in its scope the risks of security, cybersecurity, change, integrity, continuity and outsourcing, all of which are included in the risk management policy. Likewise, the services offered by Cecabank are largely based on a high level of sophisticated technological support that guarantees data privacy and business continuity.<br><br>For more information, see section: Cybersecurity. |
| **Risk related to compliance and prevention of bribery and corruption** | Cecabank has implemented a Criminal Compliance System based on the UNE 19601 standard and verified by an independent third party. The system incorporates a mandatory Criminal Compliance Policy, which is one of its fundamental pillars. This policy develops the provisions of Cecabank's Code of Corporate Conduct and, consequently, is linked to its ethical and corporate values, ratifying Cecabank's desire to maintain conduct that respects both the rules and these values, defining its framework of principles in the area of Criminal Compliance.<br><br>The social initiatives carried out by the entity, which involve the disbursement of funds, are subject to control mechanisms in order to ensure compliance with internal and external procedures and regulations in the operational sphere, the safeguarding of assets and financial accounting information. In 2022, the entity has worked to automate these processes for greater control and traceability. |
| **Reputational Risk** | In addition to financial, strategic and operational risks, the entity's reputational risk map identifies and assesses those corresponding to ESG factors (environmental, social and governance). In addition, the entity incorporates stakeholder analyses (including ESG aspects) which are applied to new customers within the scope of reputational risk, to existing customers with above-average risk and to the entity's chain of custody relating to global custodians and non-EU countries. |
| **Climate and Environmental Risks** | Cecabank considers climate and environmental risk at all stages of its risk management model. They are also incorporated into the bank's organisational structure, in accordance with the three lines of defence model.<br><br>The entity has a Climate and Environmental Risks roadmap, in which it identifies and assesses those risks which, due to our business model, may have an impact on the entity. The entity has established voluntary improvement plans and plans to meet the expectations of regulators and supervisors. These measures have been incorporated into the bank's |

| Non financial Risks | Main control and management mechanisms |
|---|---|
| | Sustainability Plan, which includes actions in the Planet block that will enable progress to be made in identifying and managing this type of risk.<br><br>It should be noted that the bank manages its climate and environmental risks in the various processes:<br><br>• **Customer assessment and admission**: the bank includes ESG factors in its customer analysis and management procedures (through credit risk admission and monitoring reports and customer reputational risk reports), as well as in its supplier and service analysis reports.<br><br>• **Ranking and monitoring**: Cecabank has a scorecard of ESG indicators that include factors linked to environmental and climate risks.<br><br>o In 2022, Cecabank worked on identifying exposure to carbon-intensive sectors and measuring the carbon footprint indicator.<br><br>o As part of the process of reviewing its policies and procedures, Cecabank has incorporated a qualitative threshold for climate and environmental risks (within the Risk Tolerance Framework) that enables it to monitor these risks. These controls are reported to the bank's management and governance bodies.<br><br>• Throughout 2023, the entity plans to work on the development and implementation of a Responsible Investment Policy that takes into account Climate Change and Environmental aspects. |

Further information on the Bank's risk policy can be found in the Organisational Structure and Governance Practices report, the Bank's Consolidated Management Report, the Information of Prudential Relevance (IRP) report, available on the corporate website[32], and the General Control Framework.

## Cybersecurity

Cybersecurity is understood to be a fundamental pillar of the service and a key part of the bank's strategic technology plan.

Information security and technological risk management at Cecabank are articulated through a governance model, the existence of a solid system of three lines of defence and the implementation of mechanisms aimed at detecting, mitigating and resolving security events, including the definition of resilience mechanisms in the event of potential incidents.

Throughout 2022, numerous actions have been carried out to improve cybersecurity. These improvements have been motivated by the appearance of new regulations in the field of technological risks, the performance of security audits and consultancies and the appearance of new trends and offence modalities within the framework of the technological evolution and digital transformation undertaken by the entity and in general by the sector.

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[32] Financial reports - Cecabank

## Security governance and technological risk

The governance of cybersecurity and technology risk is based on a system of governance bodies that enables detailed monitoring of the entity's security (Security and Technology Risk Committee, Compliance and Operational Risk Committee) and technology risk (Risk Committee, Audit Committee).

The cybersecurity and technology risk action plan is aligned with the strategic technology plan. This plan is monitored through the Digitalisation and Technology Committee. The convergence of both plans is ensured by the participation in this committee of staff from the Risk Area.

## Three lines of defence model

The entity's three lines of defence are based on industry governance best practices. The first line of defence, established at the level of the operational and technology departments, maintains the functions associated with the operation and implementation of technical security measures and the execution of corrective and mitigating actions arising from the occurrence of incidents.

The second line of defence is aimed at implementing alerts, monitoring security and managing early warnings, developing and coordinating security projects and reporting incidents.

Finally, the third line, carried out by Internal Audit, has a team specialised in the assessment of cybersecurity and technological risk.

## Security Mechanism

The year 2022 saw the improvement of incident response mechanisms and the development of new detection methods (AI, Machine Learning), as well as the implementation of comprehensive infrastructure and application bastioning systems.

Among other initiatives, the number of alerts was increased and the system for detecting incidents and technological fraud events was optimised. Anti-malware and anti-phishing capabilities were increased and the metrics for calculating the entity's technological risk were improved.

Other actions carried out in 2022 included improvements to perimeter protection and access control measures, the generalised bastioning of the business and service support infrastructure and the implementation of advanced security procedures for managing users with high privileges and intra-perimeter movements.

Finally, it is important to highlight the implementation of both general and targeted training actions for the prevention of end-user cyber-attacks and those based on social engineering methods.

## Training and Awareness Raising

Raising employee awareness of cybersecurity is an ongoing activity, both by the People Planning and Development teams and by the Information Security teams. To cover this, Cecabank has general and specialised training programmes, monographic training and induction days and regular communication actions such as the publication of a monthly cybersecurity newsletter. Training plans related to cybersecurity are carried out on an annual basis using the most up-to-date information techniques and by experts in the field. The effectiveness of these training plans is periodically evaluated by means of metrics that make it possible to assess the degree of staff awareness, the results of which are periodically reported to the entity's governing bodies responsible for the entity's cybersecurity. By 2022, 74% of employees have received cybersecurity training.

### 5.4. Responsible supply chain

Cecabank strives to establish fair and stable business relationships based on responsibility, transparency and communication.

The Corporate Code of Conduct reflects this commitment, which is also reflected in the various management policies and procedures implemented at the bank. These include the "Procurement of services with suppliers" standard, which aims to guarantee competition in each procurement process and the appropriate evaluation of the same, and the "Outsourcing and contracting of services and functions policy" (the latest update of which was approved by the Board of Directors on 25 October 2022), which establishes the principles, rules and procedures that must be complied with in the different phases of the process of contracting any service from a supplier.

In order to ensure that suppliers share and respect Cecabank's ethical values and mitigate the risks associated with the supply chain, the entity carries out various processes:

- **Approval of Suppliers:**

For outsourced service providers and contracts for significant amounts, Cecabank carries out an approval process. The purpose of this process is to assess the supplier's productive, technical and financial capacity, as well as its alignment with Cecabank's ethical values and sustainability policies. This includes the evaluation of Corporate Responsibility aspects, such as adherence to international standards on Human Rights, environmental protection and appropriate working conditions.

In 2022, Cecabank has worked on the revision of these criteria by implementing a double requirement to obtain approval.

- Obtaining a minimum overall score in the accreditation questionnaire; and
- Obtaining a minimum score in the ESG and Corporate Governance modules.

These criteria ensure that our suppliers are aligned with our ESG and governance policies, mitigating the potential risks to which the entity may be exposed. It should be noted that our requirements for suppliers are in the process of evolving, in order to adapt to the new requirements in terms of banking supervision in terms of registration and resolution.

It should be noted that the Bank manages the process of assessing the quality of service provided by suppliers in an integrated manner with the corporate approval and assessment processes. The process is carried out through a new application.

- **Operational control audits**

In addition, some of our suppliers are subject to operational risk audits, where the aspects and requirements of the approval process are analysed in more detail.

- **Procurement clauses**

The bank also includes in the clauses of contracts with suppliers requirements relating to the prevention of criminal risks and compliance with the principles set out in Cecabank's Code of Ethics.

In 2022, the bank continued to work on the comprehensive management of the bank's suppliers through aspects such as:

- Reducing supply chain risk and monitoring the continuity of the services provided,
- Strategic advice to the business departments in their outsourcing,
- Improving the operational agility of purchasing,

- The implementation of reports and analysis tools for monitoring approvals,
- Contribution to centralised negotiation with the main suppliers in collaboration with the organisational units contracting the outsourced services.

Cecabank maintains a high level of commitment to its suppliers, as they are an essential link in its range of products and services. For this reason, supplier-related aspects are supervised at the highest level in the entity. The Non-Financial Risks and Compliance Division is responsible for reporting regularly to the Compliance and Operational Risk Committee and, on an annual basis, to the Audit Committee and the Board of Directors on the results of supplier monitoring and reporting outsourcing to the competent authorities.

Likewise, the supervision of approved outsourcings and possible incidents that may be detected are supervised by the Management Committee.

On the other hand, the entity materialises its commitment to local employment and communities through the contracting of local suppliers. In 2022, local suppliers accounted for 90.45% of the total, with 483 Spanish suppliers and 51 non-resident suppliers, an increase compared to 2021 (82.5%).

| Key figures | 2021 | 2022 |
|---|---|---|
| Registered Suppliers | 578 | 534 |
| General Approvals | 53 | 68 |
| Approvals by Service | 8 | 5 |
| Tendering | 9 | 16 |
| Register of Outsourcing | 63 | 73 |

## *5.5. Fiscal Responsibility*

Cecabank's tax policy seeks to comply with regulations and eliminate any risk that might arise from non-compliance with regulations. In this regard, the company has a Tax Committee responsible for analysing and interpreting the regulations applicable to Cecabank's activity and for monitoring compliance with formal obligations in the investigation, evaluation and monitoring of possible risks related to this matter. This Committee in turn reports to the Audit Committee, the Management Committee and the Risk Committee.

Consolidated profit before tax amounted to 92,204 thousand euros in 2022 and 93,600 thousand euros in 2021, broken down as follows:

| | (thousands of euros) | |
|---|---|---|
| | 2022 | 2021 |
| España | 92.128 | 93.647 |
| Bélgica | 61 | (136) |
| Portugal | 15 | 89 |

As for the tax contribution related to corporate income tax (corporate tax) in 2022 amounted to 16,184 thousand euros (10,466 thousand euros in 2021) according to the following breakdown:

| | (thousands of euros) |
|---|---|
| España | 16,183 |
| Portugal | 1 |

For further information on income tax, see note 2.12 to the financial statements of Cecabank, S.A. and its subsidiaries comprising the Cecabank Group.

As in 2021, Cecabank did not receive any government grants in the year ended 31 December 2022.

# Appendixes

## Appendix I: About this Report

This report on Cecabank's Consolidated Statement of Non-Financial Information is prepared and published in compliance with Law 11/2018, of 28 December, which amends the Commercial Code, the revised text of the Capital Companies Act approved by Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on the Auditing of Accounts, in relation to non-financial information and diversity.

For the preparation of this Statement of Non-Financial Information, the internationally recognised Global Reporting Initiative (GRI) Sustainability Reporting Guidelines have been used as a reference standard, following the principles and content defined by the most updated version of the guide, GRI Standards.

In this context, through the Statement of Non-Financial Information, the entity has the objective of reporting on environmental, social, personnel, human rights and anti-corruption and anti-bribery issues that are relevant to the entity in the execution of its business activities. In order to determine these issues, Cecabank carried out a materiality study which can be found in section 1.3. Our Sustainability Management of this Non-Financial Information Statement.

Furthermore, and in accordance with the provisions of Law 11/2018 of 28 December, we hereby inform you that this Statement of Non-Financial Information forms part of the Cecabank Group's Consolidated Management Report and is presented in a separate document.

# Appendix 2: Comparison of the number of employees by professional category in 2022 and 2021

*Number of employees by age*

| <30 | | 30-50 | | >50 | |
|---|---|---|---|---|---|
| 2021 | 2022 | 2021 | 2022 | 2021 | 2022 |
| 20 | 26 | 291 | 318 | 147 | 128 |

*Number of employees by professional category*

| | Level I | | Level II | | Level III | | Level IV | | Level V | | Level VI | | Level VII | | Level VIII | | Level IX | | Level X | | Level XI | | Level XII | | Level XIII | | Level XIV | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| **Group 1** | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Male | 5 | 5 | 3 | 3 | 18 | 12 | 23 | 30 | 35 | 31 | 49 | 52 | 30 | 28 | 30 | 25 | 7 | 10 | 8 | 7 | 6 | 3 | 13 | 10 | 1 | - | 1 | - |
| Female | 3 | 3 | 2 | 2 | 11 | 17 | 17 | 12 | 27 | 30 | 46 | 46 | 36 | 41 | 58 | 51 | 10 | 15 | 8 | 7 | 7 | 4 | 14 | 10 | - | - | - | - |
| **Group 2** | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Male | 1 | 1 | 1 | 2 | - | - | 1 | 1 | - | - | - | - | - | - | - | - | - | - | | - | - | - | - | - | - | - | - | - |
| Female | - | - | - | - | - | - | 1 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

*Leave by gender*

| Period | Gender | ERE | Voluntary termination | Does not pass trial period | Dismissal | Voluntary leave of absence and contract suspension | Terminations | Retirement | Total |
|---|---|---|---|---|---|---|---|---|---|
| 2021 | Female | 16 | 1 | 0 | 1 | 1 | 1 | 0 | **20** |
| | Male | 19 | 4 | 0 | 1 | 0 | 2 | 0 | **26** |
| 2022 | Female | 20 | 0 | 1 | 0 | 0 | 0 | 0 | **21** |
| | Male | 15 | 5 | 5 | 1 | 1 | 1 | 1 | **29** |

*Dismissals by gender and age and professional category*

| Gender | 2021 | 2022 |
|---|---|---|
| Female | 1 | 0 |
| Male | 1 | 1 |
| **Total** | **2** | **1** |

| Age Range | 2021 | 2022 |
|---|---|---|
| > 50 | 0 | 1 |
| 30 - 50 | 2 | 0 |
| **Total** | **2** | **1** |

| Age Range | 2021 | 2022 |
|---|---|---|
| Group 1. Level IV | 1 | 0 |
| Group 1. Level VI | 0 | 1 |
| Group 1. Level VIII | 1 | 0 |
| **Total** | **2** | **1** |

# Appendix III: Comparison of training hours in 2022 and 2021

### TRAINING HOURS PER LEVEL 2022

| | I | II | III | IV | V | VI | VII | VIII | IX | X | XI | XII | XIII | XIV |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Group 1** | 239 | 364 | 2,610 | 2,222 | 2,505 | 2,963 | 2,006 | 2,659 | 586 | 886 | 728 | 1,050 | 86 | 22 |
| **Group 2** | 2 | 3 | 0 | 252 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | 241 | 367 | 2,610 | 2,474 | 2,505 | 2,963 | 2,006 | 2659 | 586 | 886 | 728 | 1,050 | 86 | 22 |

### TRAINING HOURS PER LEVEL 2021

| | I | II | III | IV | V | VI | VII | VIII | IX | X | XI | XII | XIII |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Group 1** | 364 | 177 | 1,546 | 2,326 | 2,901 | 4,468 | 2,765 | 2,901 | 1,120 | 387 | 231 | 272 | 0 |
| **Group 2** | 17 | 34 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | 381 | 211 | 1,546 | 2,326 | 2,901 | 4,468 | 2,765 | 2,901 | 1,120 | 387 | 231 | 272 | 0 |

# Appendix IV: Comparison of the Tú eliges 2021 programme

| Category | Beneficiary association | Amount |
|---|---|---|
| Social | ALEPH-TEA | 15,000 € |
| Social | Fundación Madre de la Esperanza | 13,000 € |
| Social | Asociación Española contra el Cáncer (AECC) | 10,000 € |
| Social | APROMAR | 7,500 € |
| Social | ACTAYS | 7,500 € |
| Social | Fundación el Arca de Madrid | 7,500 € |
| Environment | GREFA | 7,500 € |
| Environment | Fundación CBD-HÁBITAT | 5,000 € |
| Social | Fundación SENARA | 5,000 € |
| Social | Kyrios | 5,000 € |
| Social | COMUNIDAD DEL CORDERO | 5,000 € |
| Environment | Asociación Peluditos Urbanos | 3,000 € |
| Social | ADISLI | 3,000 € |
| Social | Fundación Esperanza y Alegría | 3,000 € |
| **Total Aid** | | **97,000 €** |

# Appendix V: Table of compliance with Law 11/2018 (28 December)

The following table provide details regarding which section of this Non-Financial Information Statement responds to the requirements of Law 11/2018 and identifies the reporting standard that has been used in this respect.

| Contents of Law 11/2018 INF | Chapter of the NFS where the information is collected | Indicator Associated GRI |
|---|---|---|
| **Business Model** | | |
| Business environment and business model | 1.1.Our Business Model | GRI 2-1<br>GRI 2-2<br>GRI 2-6<br>GRI 2-22 |
| Organisation and structure | 1.1. Our Business Model | |
| Markets in which it operates | 1.1. Our Business Model | |
| Objectives and strategies | 1.1. Our Business Model | |
| Main factors and trends that may affect its future development | 1.1. Our Business Model<br>1.2. Our corporate culture<br>1.3. Our sustainability management<br>4.2. Sustainable Finances | |
| **Policies** | They are detailed in each of the corresponding sections of this report, by virtue of the subject matter covered. | GRI 3 |
| **Main risks** | 5.3. Risk Management | GRI 205-1<br>GRI 413-1 |
| **Environmental Issues** | | |
| **Global** | | |
| Environmental, health and safety impacts of the company's activities and environmental assessment or certification procedures; | 3. Planet | GRI 3 |
| Precautionary principle, the number of provisions and safeguards for environmental risks | 3. Planet | GRI 2-23 |
| Resources dedicated to environmental risk prevention | 3. Planet | GRI 2-23 |
| **Pollution** | | |
| Measures to prevent, reduce or remediate carbon emissions that seriously affect the environment, taking into account any form of activity-specific air pollution, including noise and light pollution. | 3.2. Environmental management at Cecabank | GRI 305-5 |
| **Circular economy and waste prevention and management** | | |
| Circular economy and measures for waste prevention, recycling, reuse, other forms of recovery and disposal. | 3.2. Environmental management at Cecabank | GRI 306-1 |
| Actions to combat food waste | Not Material | GRI 3 |

| Contents of Law 11/2018 INF | Chapter of the NFS where the information is collected | Indicator Associated GRI |
|---|---|---|
| **Sustainable use of resources** | | |
| Water consumption and water supply according to local limitations | 3.2. Environmental management at Cecabank | GRI 303-5 |
| Consumption of raw materials and the measures adopted to improve the efficiency of their use | 3.2. Environmental management at Cecabank | GRI 301-1 |
| Energy: Consumption, direct and indirect; Measures taken to improve energy efficiency, Use of renewable energy | 3.2. Environmental management at Cecabank | GRI 302-1 |
| **Climate change** | | |
| Emissions of greenhouse gases | 3.1. Carbon footprint and management of climate-related aspects | GRI 305-1<br>GRI 305-2 |
| Measures adopted to adapt to the consequences of Climate Change | 3.1. Carbon footprint and management of climate-related aspects | GRI 3 |
| Reduction goals established voluntarily in the medium and long term to reduce GHG emissions and means implemented for this purpose. | 3.1. Carbon footprint and management of climate-related aspects | GRI 3 |
| **Biodiversity protection** | | |
| Measures taken to preserve or restore biodiversity | Not Material | GRI 3 |
| Impacts caused by activities or operations in protected areas | Not Material | |
| **Social and personnel issues** | | |
| **Employment** | | |
| Total number and distribution of employees by gender, age, country and professional classification | 2.1. Our talent | GRI 2-7 |
| Total number and distribution of employment contract modalities | 2.1. Our talent | GRI 2-7 |
| Annual average of permanent, temporary and part-time contracts by gender, age and professional classification | 2.1. Our talent | GRI 2-7 |
| Number of dismissals by sex, age and professional classification | 2.1. Our talent | GRI 401-1 |
| Average remunerations and their evolution broken down by sex, age and professional classification or equal value | 2.1. Our talent: Working conditions (Salary) (Social benefits) | GRI 405-2 |
| Salary Gap, the remuneration of equal or average jobs in society | 2.1. Our talent: Working conditions (Salary) (Social benefits) | GRI 405-2 |
| Average remuneration of directors and managers, including variable remuneration, per diems, indemnities, payment to long-term savings pension | 2.1. Our talent: Working conditions (Salary) (Social benefits) | GRI 2-19<br>GRI 2-20<br>GRI 2-21 |

| Contents of Law 11/2018 INF | Chapter of the NFS where the information is collected | Indicator Associated GRI |
|---|---|---|
| systems and any other perception disaggregated by gender | | |
| Implementation of labor disconnection measures | 2.1. Our talent: Conciliation and equality | GRI 3 |
| Employees with disabilities | 2.1. Our talent: Conciliation and equality | GRI 405-1 |
| **Organization of working time** | | |
| Organization of working time | 2.1. Our talent: Working conditions | GRI 3 |
| Number of hours of absenteeism | 2.1. Our talent: Working conditions | GRI 403-9<br>GRI 403-10 |
| Measures designed to facilitate the enjoyment of reconciliation and promote the jointly responsible exercise of these by both parents. | 2.1. Our talent: Working conditions | GRI 3 |
| **Health and security** | | |
| Health and safety conditions in the job | 2.1. Our talent: Safety and Health | GRI 3 |
| Work accidents (frequency and severity) disaggregated by sex | 2.1. Our talent: Safety and Health | GRI 403-9<br>GRI 403-10 |
| Occupational diseases (frequency and severity) disaggregated by sex | 2.1. Our talent: Safety and Health | GRI 403-9<br>GRI 403-10 |
| **Social relationships** | | |
| Organization of social dialogue, including procedures for informing, consulting and negotiating with staff | 2.1. Our talent: Working conditions | GRI 3 |
| Mechanisms and procedures that the company has to promote the involvement of workers in terms of integration, consultation and participation. | 2.1. Our talent: Working conditions | GRI 3 |
| Percentage of employees covered by collective agreement by country | 2.1. Our talent: Working conditions | GRI 2-30 |
| Balance of collective agreements, particularly in the field of health and safety at work | 2.1. Our talent: Working conditions | GRI 403-4 |
| **Training** | | |
| Policies implemented in the field of training | 2.1. Our talent: Training | GRI 3 |
| Total number of training hours by professional category | 2.1. Our talent: Training | GRI 404-1 |
| Universal accessibility for people with disabilities | 2.1. Our talent: Training | GRI 3 |
| **Equality** | | |
| Measures adopted to promote equal treatment and opportunities between men and women | 2.1. Our talent: Conciliation and equality | GRI 3 |
| Equality plans, measures adopted to promote employment, protocols against | 2.1. Our talent: Conciliation and equality | GRI 3 |

| Contents of Law 11/2018 INF | Chapter of the NFS where the information is collected | Indicator Associated GRI |
|---|---|---|
| sexual and gender-based harassment and the integration and universal accessibility of people with disabilities | | |
| Policy against all types of discrimination and, where appropriate, diversity management | 2.1. Our talent: Conciliation and equality | GRI 3 |
| **Human rights** | | |
| Application of due diligence procedures in human rights | 2.2. Social Commitment: with Human Rights | GRI 3 |
| Prevention of risks of violation of human rights and, where appropriate, measures to mitigate, manage and repair possible abuses committed | 2.2. Social Commitment: with Human Rights | GRI 3 |
| Complaints for cases of human rights violations | 2.2. Social Commitment: with Human Rights | GRI 406-1 |
| Promotion and compliance with the provisions of the fundamental ILO conventions related to respect for freedom of association and the right to collective bargaining, the elimination of discrimination in employment and occupation, the elimination of forced or compulsory labor and the effective abolition of child labor | 2.2. Social Commitment: with Human Rights | GRI 3 |
| **Corruption and bribery** | | |
| Measures taken to prevent corruption and bribery | 5.2. Ethics and compliance: corruption and bribery | GRI 2-23<br>GRI 2-26<br>GRI 205-1<br>GRI 205-3 |
| Measures to combat money laundering | 5.2. Ethics and compliance: corruption and bribery | GRI 205-2 |
| Contributions to foundations and non-profit entities | 5.2. Ethics and compliance: corruption and bribery | GRI 413-1 |
| **Society** | | |
| **Company commitments to sustainable development** | | |
| Impact of the company's activity on employment and local development, local populations and the territory | 2.2. Social Commitment: with our environment | GRI 413-1 |
| Relationships maintained with local community actors and the modalities of dialogue with them | 2.2. Social Commitment: with our environment | GRI 2-29 |
| Association or sponsorship actions | 2.2. Social Commitment: with our environment | GRI 2-28 |
| **Subcontracting and suppliers** | | |
| Inclusion in the purchasing policy of social, gender equality and environmental issues | 5.4. Responsible supply chain | GRI 2-6 |

| Contents of Law 11/2018 INF | Chapter of the NFS where the information is collected | Indicator Associated GRI |
|---|---|---|
| Consideration in relations with suppliers and subcontractors of their social and environmental responsibility | 5.4. Responsible supply chain | GRI 308-1<br>GRI 414-1 |
| Supervision systems and audits and their results | 5.4. Responsible supply chain | GRI 3 |
| **Consumers** | | |
| Measures for the health and safety of consumers | Not Material | GRI 3 |
| Complaint systems, complaints received and their resolution | 4.1. Our customers | GRI 416-2 |
| **Tax information** | | |
| Benefits obtained by country | 5.5. Fiscal Responsibility | GRI 3 |
| Income taxes paid | 5.5. Fiscal Responsibility | GRI 3 |
| Public subsidies received | 5.5. Fiscal Responsibility | GRI 201-4 |

# Annual accounts 2022

# Authorisation for issue of the consolidated financial statements and directors' report

Certificate* to attest that the Board of Directors of Cecabank, S.A., at the meeting held on 22 February 2023, authorised for issue the consolidated Financial Statements and Directors' Report of Cecabank, S.A. and subsidiaries composing the Cecabank Group for 2022, which documents were transcribed, including this certificate, on the obverse of 228 sheets of officially stamped paper, signed below by all the members of the Board of Directors of Cecabank, S.A.

* This Diligence consists of 10 correlative pages, each signed by a Director. Diligence 1 /10 - Mr. Azuaga

Madrid, 22 February 2023

Mr. Manuel Azuaga Moreno

Non-executive chairman

# Authorisation for issue of the consolidated financial statements and directors' report

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* This Diligence consists of 10 correlative pages, each signed by a Director. Diligence 2 /10 - Mr. Méndez

Madrid, 22 February 2023

Mr. José María Méndez Álvarez-Cedrón

CEO

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* This Diligence consists of 10 correlative pages, each signed by a Director. Diligence 3 /10 - Mr. Pano

Madrid, 22 February 2023

Mr. Javier Pano Riera

Non-executive Vicepresident

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* This Diligence consists of 10 correlative pages, each signed by a Director. Diligence 4 /10 - Mrs. Sarro

Madrid, 22 February 2023

Mrs. María del Mar Sarro Álvarez

Non-executive director

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* This Diligence consists of 10 correlative pages, each signed by a Director. Diligence 5 /10 - Mr. García

Madrid, 22 February 2023

Mr. Francisco Javier García Lurueña

Non-executive director

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* This Diligence consists of 10 correlative pages, each signed by a Director. Diligence 6 /10 - Mrs. Salaverría

Madrid, 22 February 2023

Mrs. Julia Salaverría Monfort

Non-executive director

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* This Diligence consists of 10 correlative pages, each signed by a Director. Diligence 7 /10 - Mr. Botas

Madrid, 22 February 2023

Mr. Francisco Botas Ratera

Non-executive director

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* This Diligence consists of 10 correlative pages, each signed by a Director. Diligence 8 /10 - Mrs. Motellón

Madrid, 22 February 2023

Mrs. Carmen Motellón García

Non-executive director

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* This Diligence consists of 10 correlative pages, each signed by a Director. Diligence 9 /10 - Mr. Iglesias

Madrid, 22 February 2023

Mr. Víctor Manuel Iglesias Ruiz

Non-executive director

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* This Diligence consists of 10 correlative pages, each signed by a Director. Diligence 10 /10 - Mr. Carbó

Madrid, 22 February 2023

Mr. Santiago Carbó Valverde

Non-executive director