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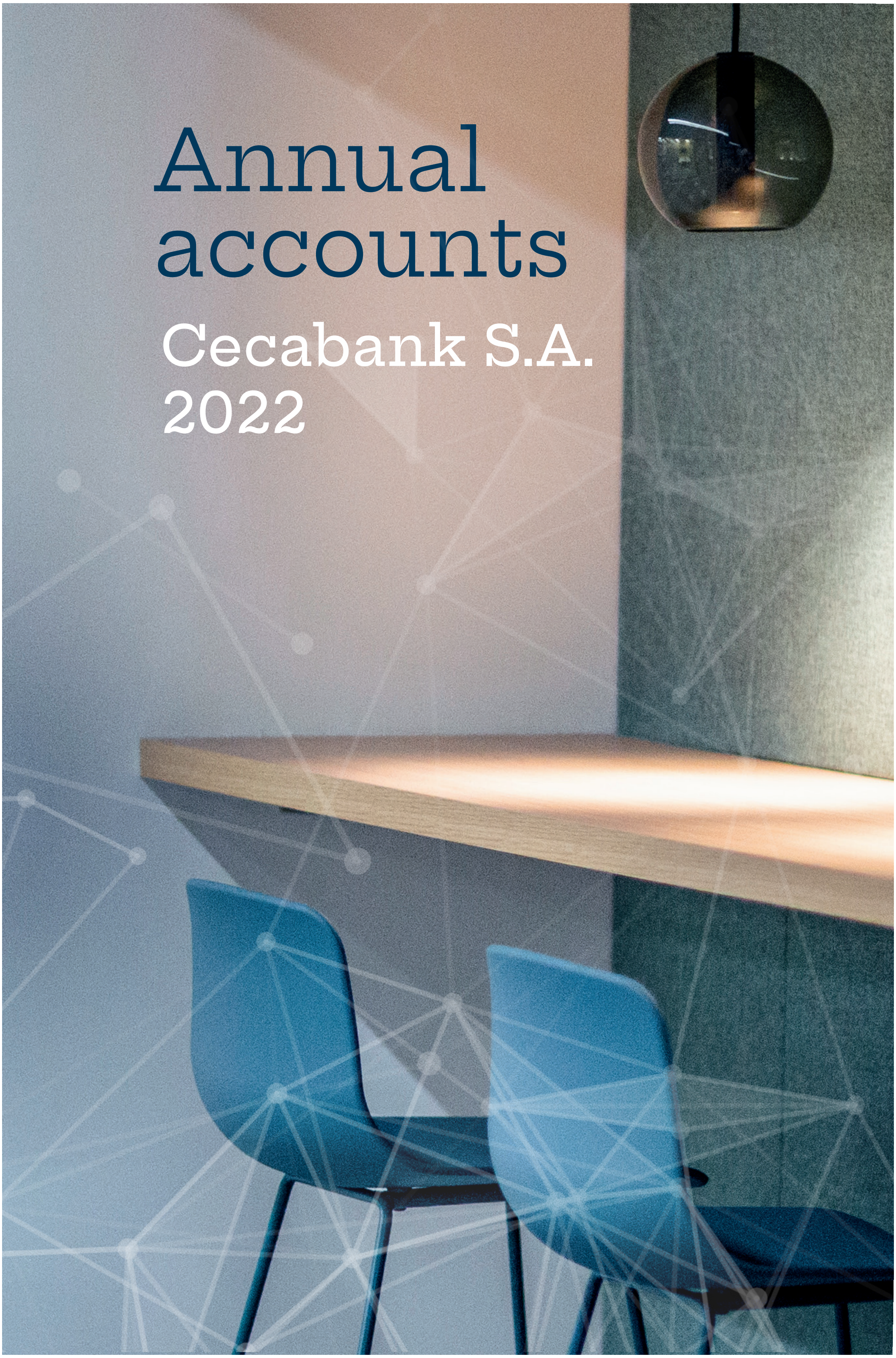

Cecabank, S.A.

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

cecabank

Annual accounts 2022

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Cecabank, S.A.

Independent auditor’s report,
Annual Accounts and Directors' 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

Independent auditor's report on the annual accounts

To the shareholders of Cecabank, S.A.:

Report on the annual accounts

Opinion

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

In our opinion, the accompanying financial statements give, in all material respects, a true and fair view of the Bank's equity and financial position as at 31 December 2022 and of its results and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in note 1.2 to the financial statements) and, in particular, with the accounting principles and rules set out therein.

Basis for opinion

We conducted our audit in accordance with Spanish auditing standards. Our responsibilities under those regulations are described below in the Auditor's responsibilities for the audit of the annual financial statements section of our report.

We are independent of the Bank in accordance with the ethical requirements, including independence requirements, applicable to our audit of the 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 current period's financial statements. These matters have been dealt with in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not express a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Third party securities depository and custody	

As described in note 1, the Bank is a wholesale bank specialising in securities services, one of its main businesses being the depository and custody of securities.

At 31 December 2022, the Bank has recorded in its memorandum accounts financial instruments entrusted by third parties amounting to 272,963,818 thousand euros, deriving from the depository and custody operations provided to various financial institutions, as detailed in note 27.3.

Likewise, for the provision of the aforementioned depository and custody services, the Bank received commissions of 169,853 thousand euros in 2022, as detailed in note 31, being, therefore, the most relevant business in terms of revenue for the Bank.

We consider this business to be a key audit matter, given its relevance for the annual accounts as a whole, as well as the significance of the income received from it.

Our work has focused on the analysis, evaluation and verification of internal control, as well as the performance of detailed tests.

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.

In addition, we performed detailed tests consisting of the following:

- Obtaining and analysing, for a sample, the contractual documentation governing the provision of services between the Bank and its depository and custodial customers and matching it with the accounting records.
- Recalculation of a sample of depository fees and a sample of custodian fees received during the financial year 2022.
- Verification of the reconciliations of securities carried out by the Bank's management and analysis of reconciling items at 31 December 2022.
- External confirmation of all counterparties deposited and held in custody as at 31 December 2022.
- Verification of the correct recording of the breakdowns of the balances disclosed in the Bank's annual accounts at 31 December 2022.
- Third-party confirmation procedures for a sample of customer securities as at 31 December 2022.

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	
At 31 December 2022, the Bank held investments in various types of financial instruments amounting to EUR 3,714,704 thousand of assets and EUR 616,748 thousand of liabilities. At year-end, these balances represented 26% of total assets and 5% of total liabilities in the balance sheet of the accompanying annual accounts. 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: • Level 1: quoted price in active markets. • Level 2: valuation techniques where significant inputs are based on directly or indirectly observable market data. • Level 3: valuation techniques where significant inputs are based on unobservable market data. In addition, the valuation of financial instruments is one of the most significant estimates made by the Bank's management, using different valuation techniques and methodologies depending on each type of instrument, as explained in notes 2.2, 2.3 and 21 to the accompanying financial statements. In view of the above, we consider the valuation of financial instruments to be a key audit issue due to their representativeness in the annual accounts and the high degree of professional judgement required.	We have obtained an understanding of management's estimation process, with the assistance of our financial instrument valuation experts. With regard to internal control, we have focused on the evaluation of the design and operability of the controls of the following processes: • Calculation methodologies applied by management, verifying that they are in line with applicable accounting regulations. • Compliance with regulations and the functioning of the internal models approved by management. • Reliability of the data sources used in the calculations and the appropriateness of the models, taking into account the circumstances. In addition, we have carried out detailed tests consisting of: • Verification that the methodology of the valuation process carried out by management is in line with applicable accounting standards, market practice and industry-specific expectations. • Verification of the classification of financial instruments by levels, based on observable prices in active markets. • Testing and re-performance of the valuation performed by the Bank's management, based on their classification, for different samples of the financial instrument portfolios. • Benchmarking and re-performance of the effectiveness test for a sample of accounting hedging files.

Cuestiones clave de la auditoría	Modo en el que se han tratado en la auditoría
	• Verification of the correct recording of the breakdowns of the balances disclosed in the annual accounts as at 31 December 2022. In performing the tests described above, no differences have been identified, above a reasonable range.
Matters associated with computer systems	
Given its operations, the Bank 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. 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 processes auditing. • Verification of IT general controls (ITGCs), focusing on the following areas: access to programmes and data, programme changes and IT operations of the main platforms containing information that may have a significant impact on the annual accounts. • Verification of the existence of tools for the management and control of automated processes and the monitoring and management of incidents. • Understanding of the key business processes, identifying the key automatic controls in place and checking these. • Understanding of the process of recording transactions and closing the accounts, as well as tests of the extraction and filtering of entries, taking into account audit risk criteria. No material issues have been identified that materially affect the financial information included in the accompanying annual accounts.

Other information: Management report

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

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

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

b) Assessing and reporting on the consistency of the other information included in the management report with the annual accounts, based on the knowledge of the entity obtained in the audit of the aforementioned accounts, and assessing and reporting on whether the content and presentation of this part of the management report are in accordance with the applicable regulations. If, on the basis of 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 management report is consistent with that in the annual accounts for the financial year 2022 and its content and presentation are in accordance with the applicable regulations.

Responsibility of the directors and the audit commission for the annual accounts

The directors are responsible for the preparation of the accompanying annual accounts in order to present fairly the Bank's net worth, financial position and results of operations in accordance with the regulatory financial reporting framework applicable to the Bank in Spain, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the directors are responsible for assessing the Bank'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 Bank or to cease operations, or if there is no realistic alternative.

The Audit Committee is responsible for overseeing the process of preparing and presenting the annual accounts.

Auditor’s responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts 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 it does not 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 financial statements.

As part of an audit in accordance with the regulations governing the auditing of accounts 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 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, as 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 entity's internal control.

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

- Conclude on the appropriateness of 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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the 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 Bank to cease to be a going concern.

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

We communicate with the entity's audit committee 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 during the course of the audit.

We also provide the entity's audit committee with a statement that we have complied with applicable ethical requirements, including independence requirements, and have communicated with the entity's audit committee about matters that reasonably could pose a threat to our independence and, where appropriate, related safeguards.

Of the matters that have been communicated to the audit committee, we have identified those matters that were of most significance in the audit of the current period's financial statements and which are, accordingly, the key audit matters.

We describe those 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 comission

The opinion expressed in this report is consistent with that expressed in our additional report to the Bank's audit committee dated 23 February 2023.

Appointment period

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

Previously, we were appointed by resolution of the Annual General Meeting of Shareholders 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 entity are disclosed in note 36 to the annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Amagoia Delgado Rodríguez (22009)

23 February 2023

Annual accounts 2022

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Cecabank, S.A.

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 5)	**7,853,926**	**8,678,793**
Financial assets held for trading (Note 6.1)	**857,046**	**1,414,378**
Derivatives	447,469	781,544
Equity instruments	102,253	292,528
Debt securities	307,324	340,306
Memorandum item: lent or delivered as guarantee with a right of sale or pledged	104,631	170,867
Non-trading financial assets mandatorily at fair value through profit or loss (Note 6.2)	**14,939**	**28,584**
Equity instruments	5,804	4,550
Debt securities	9,135	23,924
Loans and advances	-	110
Memorandum item: lent or delivered as guarantee with a right of sale or pledged	-	-
Financial assets designated at fair value through profit or loss (Note 6.3)	**-**	**-**
Financial assets at fair value through other comprehensive income (Note 7)	**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 8)	**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 accounting (Note 9)	**196,441**	**10,137**
Fair value changes of hedged items in portfolio hedge of interest rate risk	**-**	**-**
Investment in subsidiaries, joint ventures and associates (Note 11)	**312**	**312**
Subsidiaries	312	312
Joint Ventures	-	-
Associates	-	-
Tangible assets (Note 12)	**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 (Note 13)	**401,117**	**446,601**
Goodwill	-	-
Other intangible assets (Note 13.1)	401,117	446,601
Tax assets	**86,960**	**66,765**
Current tax assets	368	229
Deferred tax assets (Note 20)	86,592	66,536
Other assets (Note 14.1)	**67,306**	**60,349**
Remainder of other assets	67,306	60,349
Non-current assets and disposable groups of items classified as held for sale (Note 10)	**623**	**3,075**
TOTAL ASSETS	14,413,647	17,197,674

Cecabank, S.A.

BALANCE SHEET AT 31 DECEMBER 2022

(Expressed in Thousands of Euros)

LIABILITIES AND EQUITY	2022	2021
Financial liabilities held for trading (Note 6.1)	**616,748**	**1,085,136**
Derivatives	482,354	805,612
Short positions	134,394	279,524
Financial liabilities designated at fair value through profit or loss (Note 6.3)	**-**	**-**
Financial liabilities at amortised cost (Note 15)	**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 (Note 9)	**-**	**4,105**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-
Liabilities under insurance and reinsurance contracts		
Provisions (Note 16)	**71,813**	**86,763**
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 (Note 20)	10,958	11,845
Other liabilities (Note 14.2)	**70,876**	**65,596**
Liabilities included in disposal groups classified as held for sale	**-**	**-**
TOTAL LIABILITIES	13,224,447	15,986,956
Shareholders´ equity	**1,251,989**	**1,200,748**
Share capital	112,257	112,257
Paid up capital (Note 18)	112,257	112,257
Share premium (Note 18)	615,493	615,493
Retained earnings (Note 19)	443,965	388,891
Other reserves (Note 19)	14,894	14,889
Profit for the year (Note 3)	65,380	69,218
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 17)	10,126	9,656
Changes of fair value of equity instruments measured at fair value through other comprehensive income (Note 17)	1,429	1,507
Items that may be reclassified to profit or loss	(74,344)	(1,193)
Changes of fair value of debt instruments measured at fair value through other comprehensive income (Note 17)	(74,344)	(1,193)
TOTAL EQUITY	1,189,200	1,210,718
TOTAL LIABILITIES AND EQUITY	14,413,647	17,197,674
MEMORANDUM ITEM		
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.

INCOME STATEMENTS 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)	**(140,413)**	**(104,962)**
NET INTEREST INCOME	**3,501**	**6,374**
Dividend income (Note 30)	4,915	4,066
Fee and commission income (Note 31)	226,641	223,457
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 throughprofit or loss, net (Note 33)	(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 (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)
Gains or losses on 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)	48,260	45,410
Other operating expenses (Note 37)	(9,818)	(7,404)
GROSS INCOME	**311,754**	**305,292**
Administrative expenses	(136,056)	(143,559)
Staff costs (Note 35)	(48,301)	(71,427)
Other administrative expenses (Note 36)	(87,755)	(72,132)
Amortisation (Note 39)	(87,444)	(82,411)
Provisions and reversal of provisions (Note 16)	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)	(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 orassociates	-	-
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 (Notes 11 and 12)	**(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 (net) (Note 10)	-	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 (Note 20.2)	(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**

Cecabank, S.A.

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

(Expressed in Thousands of Euros)

a) STATEMENT OF RECOGNISED INCOME AND EXPENSE

	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 (Note 35)	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	**(7,379)**	**54,773**

Cecabank, S.A.

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

(Expressed in Thousands of Euros)

b) STATEMENT OF CHANGES IN TOTAL EQUITY

	SHAREHOLDERS' EQUITY								
	Share capital (Note 18)	Share premium (Note 18)	Retained earnings	Other reserves (Note 19)	(-) Treasury shares	Profit forthe year (Note 3)	(-) Interim dividends	Accumulated other comprehensive income (Note 17)	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**

Cecabank, S.A.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

(Expressed in Thousands of 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 (Note 39)	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 (Note 6.1)	(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 (Note 6.2)	-	-
Financial assets at fair value through other comprehensive income (Note 7)	(648,201)	814,919
Financial assets at amortised cost (Note 8)	(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 (Note 6.1)	(468,388)	(208,837)
Financial liabilities at amortised cost (Note 15)	(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 (Note 12)	4,625	3,303
Intangible assets (Note 13)	37,599	33,313
Investments in subsidiaries, joint ventures and associates (Note 11)	-	-
Non-current assets and liabilities classified as held for sale (Note 10)	-	-
Proceeds:	-	-
Tangible assets (Note 12)	-	-
Intangible assets (Note 13)	-	-
Investments in subsidiaries, joint ventures and associates (Note 11)	-	-
Non-current assets and liabilities classified as held for sale (Note 10)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	(14,144)	(4,844)
Payments:	14,144	4,844
Dividends (Note 30)	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	(824,867)	3,329,885
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 5)	8,678,793	5,348,908
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	7,853,926	8,678,793
MEMORANDUM ITEM		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 5)		
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	-	-

cecabank

Annual accounts 2022

Cecabank, S.A.

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

1. Introduction, basis of presentation of the 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 availableeither 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 wasthus 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.

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

- 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;

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

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

Likewise, Cecabank S.A. offers international coverage to its clients, mainly in the payments business, through two levers: its Foreign Network and its Correspondent Network.

The foreign network, with an operational office as at 31 December in Lisbon, and representation in Frankfurt and London, has the following functions:

- Support the entity's strategic plan through the promotion of its key businesses: Securities Services, Treasury Management, and Payments.

- Market knowledge and local support.

- Knowledge of processing cross-border payment orders related to FX.

- Collaborate with different pension payments and data management agencies for more than 210 companies such as: benefits, pensions, compensations, and supplementary payments.

- Institutional representation before European Organizations.

- Foreign trade promotion services (market information, intermediary selection, commercial reports and demands, business center, payment management, legal assessment, tax representation and VAT recovery, trade missions, establishment of branches and subsidiaries, service visits to fairs, etc.)

The London representative office was opened on 1 January 2021 following receipt of the relevant authorisations.

1.2. Basis of presentation of the financial statements

The Bank's annual accounts for 2022 are presented in accordance with the provisions of the financial reporting framework applicable to the Bank, which is set out in Bank of Spain Circular 4/2017 of 27 November to credit institutions on public and confidential financial reporting standards and financial statement formats, as well as successive amendments such as Circular 6/2021, of 22 December, which includes the changes to the international reporting standards adopted in the European Union (EU-IFRSs) made by adopted in the European Union (EU-IFRS) pursuant to Commission Regulation (EU) 2021/25, and the financial statement formats, among other amendments.

The Bank's financial statements for 2022 have been prepared taking into account all mandatory accounting principles, standards and measurement criteria, in order to present fairly the Bank's equity and financial position at 31 December 2022 and of the results of its operations and cash flows during the year then ended, in accordance with the financial reporting framework mentioned in the previous paragraph. That framework is applicable, particularly with respect to the accounting principles and criteria contained therein, as indicated in the preceding paragraph.

The Bank´s financial statements for 2022 were prepared by the Board of Directors at a meeting held on 22 February 2023. The Bank's financial statements for 2021 were approved by Shareholders at a General 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.

1.3. Consolidation

The Bank is the head of a Group comprising by himself and the company Trionis S.C.R.L (see Note 2.1 "Investments") and, as such, prepares consolidated financial statements with its dependent company. As per the content of the aforementioned consolidated financial statements, which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union, the total consolidated assets of the Bank and Subsidiaries ("the Cecabank Group") at the end of the financial years 2022 and 2021 amounted to EUR 14,415,520 thousand and EUR 17,199,537 thousand, respectively, consolidated equity was EUR 1,190,126 thousand and EUR 1,211,591 thousand, respectively, and the consolidated net profit attributable to the Group for 2022 and 2021 totalled EUR 65,440 thousand and EUR 69,058 thousand, respectively.

The summarised consolidated financial statements of the Cecabank Group for the financial years 2022 and 2021 are presented below.

The Cecabank Group's condensed consolidated financial statements for 2022 and 2021 are as follows:

Thousand euro

Assets	2022	2021
Cash, cash balances at central banks and other sight deposits	7,854,339	8,679,756
Financial assets held for trading	857,046	1,414,378
Non-traded financial assets designated at fair value through profit or loss	14,939	28,584
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
Financial assets at amortised cost	2,543,772	3,199,697
Derivatives - hedge accounting	196,441	10,137
Investments in subsidiaries, joint ventures and associates	-	-
Property, plant and equipment	53,906	51,168
Intangible assets	401,168	446,662
Tax assets	86,960	66,765
Other assets	67,321	60,368
Non-current assets and disposal groups classified as held for sale	623	3,075
Total Consolidated Assets	**14,415,520**	**17,199,537**

Liabilities	2022	2021
Financial liabilities held for trading	616,748	1,085,136
Financial liabilities designated at fair value through profit or loss	-	-
Financial Liabilities at Amortised Cost	12,447,904	14,727,683
Derivatives - hedge accounting	-	4,105
Provisions	71,813	86,763
Tax Liabilities	17,984	18,531
Other Liabilities	70,945	65,728
Total Liabilities	**13,225,394**	**15,987,946**
Equity:		
Shareholders' equity	1,252,915	1,201,621
Share Capital	112,257	112,257
Share Premium	615,493	615,493
Retained earnings	444,831	389,924
Other Reserves	14,894	14,889
Profit/(loss) for the year	65,440	69,058
Accumulated other comprehensive income	(62,789)	9,970
Non-controlling interests	-	-
Total Consolidated Equity	**1,190,126**	**1,211,591**
Total Consolidated Equity and Liabilities	**14,415,520**	**17,199,537**

Consolidated Income Statements for 2022 and 2021:

		Thousand euro
	2022	2021
Interest income	143,914	111,336
Interest expense	(140,417)	(104,970)
Net Interest Income	**3,497**	**6,366**
Dividend income	4,915	4,066
Share of results of entities accounted for using the equity method	-	-
Fee and commission income	225,465	222,429
Fee and commission expenses	(35,097)	(33,090)
Net gains or losses on derecognition of assets and liabilities not measured at fair value through profit or loss	(26,110)	34,588
Net gains or losses on financial assets and liabilities held for trading	35,032	(6,018)
Net gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(687)	(1,043)
Net gains and losses on financial assets designated at fair value through profit or loss	-	-
Net gains or losses from hedge accounting	3,081	206
Net differences on exchange	62,036	38,746
Other operating income	56,365	51,068
Other operating expenses	(16,173)	(11,638)
Gross Income	**312,324**	**305,680**
Administrative expenses	(136,530)	(144,026)
Depreciation and amortisation charge	(87,483)	(82,468)
Provisions or 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	(861)	4,580
Profit/(loss) from Operations	**92,209**	**93,552**
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates	-	-
Gains or losses on derecognition of non-financial assets and investments, net	(5)	5
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	**92,204**	**93,600**
Tax expense or income related to profit or loss from continuing operations	(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/(loss) for the year	**65,440**	**69,058**
Attributable to Non-controlling interests	-	-
Attributable to Non-controlling interests	65,440	69,058

1.4. Information relating to 2021

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

1.5. 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 Bank'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 2.3, 2.13, 2.14 and 2.16).
- - The assumptions used in the actuarial calculation of post-employment benefit liabilities and commitments and other long-term commitments to employees (see Note 2.11).
- - Calculation of the provisions, if any, to cover certain risks arising from the Bank's activity (see Notes 2.10 and 2.15).
- - The useful life of tangible and intangible assets (see Notes 2.13 and 2.14).
- - The fair value of certain unquoted financial instruments (see Note 2.2.3).
- - The assumptions applied in estimating the probability of recovery of deferred tax assets recognised by the Bank (see Note 2.12).

1.6. Agency agreements

Neither at 2022 nor 2021 year-end nor at any other time during those years did the Bank 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.

1.7. Investments in the share capital of credit institutions

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

1.8. Environmental impact

In view of the business activities carried on by the Bank, 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.

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

1.9. 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 which provides for the adaptation of the Spanish legal system to Directive 2013/36/EU and Regulation (EU) No 575/2013, which is applicable to the Bank, which was amended by Bank of Spain Circular 5/2021 of 22 December

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) 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 comply with the following own funds requirements as a general rule:

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 Bank 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 Bank 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 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 17th December 2021, 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 10.19% (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. On 31st 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 Bank management are as follows:

- To comply, always 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 Bank's investment decisions.

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

- In the Bank'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 Bank'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 Bank 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 Bank'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 Bank performs integrated management of these risks, in accordance with the policies and processes indicated above.

The Bank'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), while total capital totalled equally EUR 793,720 thousand at that date (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 Bank's reserves net of deductions (intangible assets).

1.10. Minimum reserve ratio

Throughout 2022 and 2021, the Bank met the minimum reserve ratio required by applicable legislation.

At 31 December 2022 and 2021 the Bank’s cash balance with Bank of Spain for these purposes amounted to EUR 7,548,434 and 8,388,867 thousand, respectively (see Note 5). This ratio is calculated on the basis of the daily ending balance held by the Bank in this account during the required period.

1.11. Deposit guarantee fund

a) Deposit guarantee fund

The Bank 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 (in force since 24 March 2013), 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 Bank 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 Bank 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 2022, 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 31 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.

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 Bank 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 income statement (see Note 37).

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

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

Bank of Spain Circular 2/2022 of 15 March amending Circular 2/2015 of 22 May on the rules for sending payment and payment systems statistics to the Bank of Spain.

The main objective of this Circular is to establish rules on the procedure for the submission of statistical information, the periodicity of the information and the Bank of Spain power to exempt certain reporting agents from complying with the statistical reporting obligations.

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

2. Accounting policies and measurement bases

The accounting policies and measurement bases applied in preparing the Bank's financial statements were as follows:

2.1. Investments

2.1.1. Investments in subsidiaries, joint ventures and associates

“Subsidiaries” are defined as entities over which the Bank has the capacity to exercise control; control is, in general but not exclusively, presumed to exist when the Parent Company 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 Bank control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

“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.

Associates are entities over which the Bank is in a position to exercise significant influence, but not control or joint control, usually because it holds 20% or more of the voting rights investee.

Investments in subsidiaries, joint ventures and associates are measured at cost net, where appropriate, of any accumulated impairment losses that may need to be recognised. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs of disposal and the present value of the future cash flows from the investment. Unless there is better evidence of the recoverable amount, it is based on the value of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement.

Impairment losses are recognised immediately in the income statement for the period in which they arise. Reversals of previously recognised impairment losses are recognised immediately in the income statement for the period.

Any dividends earned on these ownership interests in the year are recognised under “Dividend Income” in the income statement when earned, which is when the Bank’s right to receive them is established, which is the date on which they are declared by the related governing bodies of the investees.

Note 11 and Appendix I "Group entities" to these notes to the consolidated financial statements provide significant information on these companies, as well as on the most significant acquisitions and disposals that have taken place in 2022 and 2021.

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 Bank 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 2.4).

Also, a financial liability is derecognised when the obligations it generates have been extinguished or when it is purchased by the Bank, 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 Bank has contracted at 31 December 2022 and 2021 various reverse repurchase loan operations (see Note 8), 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, pursuant to the Circular 4/2017, 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 Circular 4/2017, the classification and measurement of the financial assets is performed according to the business model considered by the Bank for the management and the features of the contractual flows, as defined below:

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

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 characteristics.

a) 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 also the disposal of these assets.

- **Trade - sale of financial assets:** the business model consists of purchasing and disposal of assets. The Bank makes its decisions based on the fair value of the assets and manages these in order to obtain their fair value.

b) SPPI Test

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 Cecabank 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 Bank 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 Bank 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 Bank 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 the 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 Bank has to make for all the SPPI tests.

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. Cecabank 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.

At 31 December 2022, Cecabank considers that, in general, there is no uncertainty regarding the Euribor, as it has been replaced by the hybrid Euribor with a methodology that meets the standards required by the various international bodies. In the case of the rest of the indices in which there are accounting hedges, except for Libor USD 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, Cecabank 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 2021 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.

Cecabank 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 2021 and is working on the implementation of tools/systems that allow the stock to be migrated to solutions, such as those proposed by ISDA.

Cecabank 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:

Product	Pruchase date	Expiration date	Currency	Nominal Amount	Cecabank pays	Cecabank receives
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. 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 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 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 ("written-off asset"), the amount is written off, without prejudice to any actions that the Bank 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 Bank 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:

2.3.1. 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.

Method to calculate expected losses

The Bank has decided to continue using the practical solutions to calculate its expected portfolio losses in accordance with the requirements set forth in Circular 4/2017.

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 the 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”.

2.3.2. 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 2.3.1 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 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”.

2.3.3. Investments in subsidiaries, joint ventures and associates

The estimation and recognition of impairment losses on investments in subsidiaries, joint ventures and associates, which, for the purposes of preparing these financial statements, are not considered to be "financial instruments", is carried out as follows: when, in accordance with the provisions of Circular 4/2017 and Circular 2/2020, there is evidence of impairment of the aforementioned investments, the amount of such impairment shall be estimated as the negative difference between their recoverable amount (calculated as the higher of the fair value of the investment less the estimated costs necessary to sell it and its value in use, the latter defined as the present value of the flows expected to be received from the investment in the form of dividends and those corresponding to its disposal or disposal by other means) and their carrying amount. Impairment losses on these investments and possible reversals of such losses are recognised, if any, with a charge or credit, respectively, to "Impairment or reversal of impairment losses on investments in subsidiaries, joint ventures or associates" in the income statement.

2.4. 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 Bank 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, securitisation 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 derecognised and any rights or obligations retained or created in the transfer are recognised simultaneously.

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

- If the Bank 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, securitisation 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 securitised assets, and other similar cases-, the transferred financial asset is not derecognised and continues to be measured by the same criteria as those used before the transfer. However, the following items are recognised, without offsetting:

    - An associated financial liability, for an amount equal to the consideration received; this liability is subsequently measured at amortised 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 derecognised and any expense incurred on the new financial liability.

- If the Bank 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, securitisation 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 derecognised and any right or obligation retained or created in the transfer is recognised.

    - If the transferor retains control, it continues to recognise the transferred financial asset in the balance sheet for an amount equal to its exposure to changes in value and recognises a financial liability associated with the transferred financial asset. The net carrying amount of the transferred asset and the associated liability is the amortised cost of the rights and obligations retained, if the transferred asset is measured at amortised 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 derecognised 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 years-end which did not lead to the derecognition of the related assets (securities lending transactions and repurchase agreements under non-optional repurchase agreements).

2.5. 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.

2.6. Hedge accounting and mitigation of risk

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

When the Bank designates a transaction as a hedge it does so upon initial recognition of the transactions and documents 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 Bank to assess the effectiveness of the hedge over its entire life, taking into account the risk to be hedged.

The Bank 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 Bank analyses whether, from the beginning to the end of the term defined for the hedge, the Bank 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 Bank are classified under the category of fair value hedges. These cover exposure to changes in the fair value of financial assets and liabilities or firm commitments not yet recognised, or an identified portion of such assets, liabilities or commitments, attributable to a particular risk and whenever they affect to the profit and loss account.

In relation to financial instruments designated as hedged items and hedge accounting in fair value hedges such as those made by the Bank, the differences produced at fair value, both in the hedging elements and in the hedged items (in this case, those associated with the hedged risk), are recognised directly in the "Gains or losses resulting from the hedge accounting, net" in the income statement (see Note 33 “Net gains/losses on financial assets and liabilities”).

The Bank 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 amortised cost, the value adjustments made as a result of the hedge accounting described above are recognised in the income statement through maturity of the hedged items, using the effective interest rate recalculated as at the date of discontinuation of hedge accounting.

Note 9 “Derivatives – hedge accounting” details the nature of the main positions hedged by the Bank and the financial hedging instruments used.

2.7. Foreign currency transactions

2.7.1. Functional currency

The functional and reporting currency of the Bank 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 euro of the main asset and liability balances denominated in foreign currencies in the balance sheets at 31 December 2022 and 2021 is as follows:

Countervalue in Thousands of Euros (*)

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 balance sheets at 31 December 2022 and 2021 shown in the preceding table, the Bank 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 balance sheets positions for a correct understanding of the Bank's exposure to such risks (see Note 23).

2.7.2. Translation of foreign currency balances

Translation of foreign currency to the functional currency: foreign currency transactions performed by Bank 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.

2.7.3. Exchange rates

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

2.7.4. Recognition of exchange differences

The exchange differences arising on the translation of foreign currency balances, in accordance with the aforementioned methods, to the Bank's functional currency are generally recognised at their net amount under "Exchange Differences, Net" in the 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 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 balance sheet until they are realised. Exchange differences recognised in the Bank's equity are taken to the income statement when realised.

2.8. Recognition of income and expenses

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

2.8.1. 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 Bank's right to receive them arises.

2.8.2. 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.

2.8.3. Non-finance income and expenses

These are recognised for accounting purposes on an accrual basis.

2.9. 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 Bank 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.

For these purposes, the presentation in these financial statements, in accordance with Circular 4/2017, of financial assets net of impairment losses or measurement adjustments is not considered to be offsetting.

2.10. Financial guarantees and provisions for financial guarantees

"Financial guarantees" are defined as contracts whereby an entity undertakes to make specific payments on behalf of a third party if the latter fails to do so, irrespective of the various legal forms they may have, such as guarantees, irrevocable documentary credits issued or confirmed by the Bank, etc.

In accordance with the Circular 4/2017 the financial guarantees provided by the Bank are treated as financial instruments.

Financial guarantees provided by the Bank, regardless of the guarantor, instrumentation or other circumstances, are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required. The credit risk is determined by application of criteria similar to those established for quantifying impairment losses on debt instruments carried at amortised cost (described in Note 2.3.1 above).

The provisions for financial guarantees are recognised under “Provisions - Provisions for Contingent Liabilities and Commitments” on the liability side of the balance sheet (see Note 16). These provisions are recognised and reversed with a charge or credit, respectively, to “Provisions or reversal of Provisions)” in the income statement.

2.11. Staff costs

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 Bank, 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 Bank 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 Bank’s post-employment obligations to its employees are deemed to be "defined contribution plans" when the Bank 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 Bank 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 who.se 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 Bank 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, Cecabank 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 provides additional information on these commitments, relating to reconciliations, sensitivities and other information required by the regulations applicable to the Bank.

As at 31 December 2022, the total amount of the Bank'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 Bank has therefore recognised EUR 6,363 thousand and EUR 5,723 thousand, respectively, under "Other assets – Rest of Other assets" in the accompanying balance sheets at 31 December 2022 and 2021 (see Notes 14.1 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 Bank 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 Bank 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 Bank, 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 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 Bank 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 Bank 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 balance sheets.

The defined contribution obligations are generally recognised at the amount of the contributions made by the Bank 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 575 thousand (2021: EUR 32 thousand), and this amount was recognised under “Administrative Expenses - Staff Costs” in the income statement (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 262 thousand in the financial year 2022 (2021: EUR 129 thousand), and this amount was recognised under "Administrative Expenses - Staff Costs" in the 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 Bank and by CECA (to which the Bank was subrogated by virtue of the spin-off of CECA's activity to the Bank 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).

Commitments under this plan are expected to end on 31 December 2023.

Pre-retirement agreements in 2013

Also, on 29 October 2013, another agreement was entered into between the Bank, 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 Bank 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 Bank will continue to make the contributions required to maintain coverage of the retirement benefit established by the Bank 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 Bank's Employees’ Pension Plan.

Social Security Special Agreement payments are payable by the employees, although the Bank 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 Bank 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 Bank 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 Bank's 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 at 31 December 2022 (EUR 45,426 thousand at 31 December 2021), which was recognised under “Provisions - Other long-term employee benefits” in the balance sheet (see Notes 16 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 Bank'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 Bank 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 Bank has undertaken to pay a bonus to employees reaching 25 years of service at the Bank.

The amount paid in this connection at 2022 year-end was EUR 66 thousand (2021 year-end: EUR 14 thousand) and is recognised under “Administrative Expenses - Staff Costs” in the accompanying 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 income statement (see Note 35). At 31 December 2021, EUR 26,423 thousand was recognised in this connection.

On August 6, 2021, Cecabank 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 85 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, Cecabank 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 Bank 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 bank in 2022 and 2021 to meet these commitments amounted to a total of EUR 535 thousand and EUR 24,763 thousand respectively.

Also, the Bank 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 Bank, would be charged to the income statement when the decision to terminate the employment of the executive or director was made.

Under current legislation, the Bank 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 Bank's employees in 2022, 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 Bank 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 Bank 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 balance sheet.

2.12. Income tax

The income tax expense is recognised in the 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 Bank’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 Bank 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 Bank to make a payment to the related tax authorities. A deductible temporary difference is one that will generate a right for the Bank 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 Bank 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 Bank 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 Bank will obtain sufficient future taxable profit against which the deferred tax assets can be utilised; or they are deferred tax assets that the Bank 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 Bank 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 Ahorros 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 Bank for present or future administrative purposes other than those of welfare 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 recognised at acquisition cost in the balance sheet as it is defined in the Circular 4/2017, 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 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 Rate
Property	2% a 4%
Furniture and office equipment	10% a 15%
Computer hardware	15% a 25%
Fixtures	8% a 12%
Transport equipment	16%

The Bank 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 income statement.

Similarly, if there is an indication of a recovery in the value of a previously impaired tangible asset, the Bank 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 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 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 income statement in the year in which they are incurred.

Assets for own use that cease to be used for that purpose and for which management has prepared a sales plan that is expected to be executed within twelve months and meet the other requirements established in Bank of Spain Circular 4/2017 are classified as non-current assets held for sale and begin to be measured in accordance with the criteria indicated in Note 2.16.

2.13.2. Investment property

“Property, plant and equipment - Investment Property” in the 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 Bank. Only intangible assets whose cost can be estimated reasonably objectively and from which the Bank 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, Cecabank 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 Bank has not identified the need to record any provision for these businesses.

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

2.14.1. Other intangible assets

Intangible assets other than goodwill are recognised in the 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 Bank 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 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 Bank’s financial statements include all the material provisions, if any, required to cover certain risks to which the Bank 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 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 Bank arising from the ordinary course of its operations. The Bank'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 Held for Sale and Disposal Groups Classified as Held for Sale" in the 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 Bank 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 Bank as total or partial settlement of its debtors' payment obligations to it are deemed to be non-current assets held for sale, unless the Bank 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 Bank 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 income statement. If the fair value of such assets subsequently increases, the Bank 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 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 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. Cash flow statements

The following terms are used in the 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 balance sheet, disregarding any impairment losses, was considered to be "cash and cash equivalents".

2.18. Statement of changes in equity

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

2.18.1. Statement of recognised income and expense

The statement of recognised income and expense presents the income and expenses generated by the Bank as a result of its business activity in the year, and a distinction is made between the income and expenses recognised in the 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 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 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. Statement of changes in total equity

The 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. Distribution of the Bank's profit

The proposal for the distribution of the Bank's net profit for the financial year 2022, which its Board of Directors will propose to the General Shareholders' Meeting for approval, as well as the already approved distribution for the financial year 2021, is presented below:

Thousand euro

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

4. Remuneration of directors and senior executives

4.1. 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 fees for the aforementioned items in 2021 corresponding to the participation on the Board of Cecabank, S.A. and its support committees of an executive of Bankia, S.A., which were 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 6 thousand (EUR zero thousand in 2022).

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

Likewise, one of the directors does not receive any attendance fees for attending the Board of Directors and its support committees.

Note 40 details the remaining balances with directors and persons related to them.

4.2. 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 accrued to Senior Management and members of the Board of Directors in their capacity as executives of the Bank amounts to € 2,402 thousand in financial year 2022, of which € 2,133 thousand in the financial year 2022, including the amount to be granted by means of Phantom Shares, and EUR 269 thousand in post-employment benefits (EUR 2,136 thousand in the financial year 2021, of which EUR 2,017 thousand in short-term remuneration and EUR 119 thousand in 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 Bank 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 financial statements provides disclosures of the amounts of the demand deposits held with the Bank by senior executives and Board members and of the loans granted to them by the Bank.

4.3. 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 a 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 three situations of direct or indirect conflict that they or persons related to them might have with the Bank's interests.

5. 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 1.10) (*)	7,548,434	8,388,867
Other sight deposits in euro	128,789	110,601
Of which: in foreign currency	*92,270*	*100,793*
Of which: in Euros	*36,519*	*9,808*
Doubtful credit institutions (Note 22.7)	16	175
Valuation adjustments		
Impairment losses (Note 22.4.2)	(88)	(188)
	7,853,926	**8,678,793**

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

At 31 December 2022, doubtful positions with correspondents are classified under this heading. Impairment losses also include EUR 7 thousand of individually assessed value adjustments, EUR 38 thousand collectively assessed value adjustments and EUR 43 thousand of 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.

6. Financial assets and liabilities at fair value through profit or loss

6.1. Financial instruments held for trading-assets and liabilities

6.1.1. 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	-	-
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 restof 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 Bank 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.

6.1.2. Trading derivatives (assets and liabilities)

Following is a breakdown, by type of risk, of the fair value of the trading derivatives arranged by the Bank 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 Bank 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.

6.1.3. 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 – Debt Instruments” and “Short positions - Overdrafts on disposals- repurchase agreement - Debt securities” in the foregoing table includes the fair value of the Bank’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 Bank before maturity of the repurchase agreement in which they are used as collateral, in order for the Bank to return them to his owner at the maturity date.

6.2. 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 Bank’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 provides 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 Bank.

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

6.3. 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.

7. 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 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 y 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 y 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 Bank is exposed in relation to these financial assets. Note 25 discloses certain information on interest rate risk.

Note 24 shows information on the exposure to the Bank's liquidity risk. Note 26 shows information on the concentration risk associated with these financial assets.

8. Financial assets at amortised cost

Following is a detail of the financial assets included in this chapter in the balance sheets at 31 December 2022 and 2021:

		Thousand euro
Debt instruments-	**2022**	**2021**
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		
Different advances	-	16,180
Measurement 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
Doubtful assets	25	25
	1,350,499	2,094,966
Measurement adjustments-		
Impairment losses (Notes 22.8 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	-	-
Reverse repurchase agreements	1,046	1,086
Other term loans	206,874	229,322
Advances different from loans	650,039	725,518
Doubtful assets	378	407
	867,199	961,344
Measurement adjustments-		
Impairment losses (Notes 22.4 and 38)	(368)	(198)
Acquisition Premium	11,248	14,734
Accrued interest	3,785	2,728
	14,665	17,264
	881,864	**978,608**
	2,542,129	**3,198,576**

"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).

Note 22 provides certain relevant information on the credit risk, at 31 December 2022 and 2021, of the financial assets included in this category. 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 24 contains information on the liquidity risk associated with the Bank's financial instruments.

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

In addition, the Bank 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
Covenant mortgage	Annual Euribor with limit maximum +5.25% and minimum 0.50%	Annual Euribor with limit maximum +5.25% and minimum 0.50%
Unrestricted mortgage	Annual Euribor + 0.40%	Annual Euribor + 0.40%
Unrestricted consumption	Annual Euribor + 2%	Annual Euribor + 2%
Property extension	Annual Euribor	Annual Euribor
Social	Annual Euribor	Annual Euribor

9. Hedging derivatives – Fair value hedges

The Bank 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 Bank's hedged 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 Bank uses OTC interest rate derivatives (basically swaps such as call money swaps).

The Bank 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 Bank (see Note 33).

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 during the same period of time.

10. 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 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 balance sheets, and the related impairment losses, were as follows:

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

Properties

The Bank 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 Bank'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.

11. Investments in subsidiaries, joint ventures and associates

Following is a detail of the investments held by the Bank in subsidiaries and jointly controlled entities at 31 December 2022 and 2021:

			Book Value	
			Thousand euro	
Entity	Location	Ownership Percentage	2022	2021
Subsidiaries:				
Trionis, S.C.R.L.	Brussels	100%	312	312
			312	**312**

On November 15, 2021, the exit of the capital of the four shareholders who held the remaining 21.38% of the capital of the company Trionis SCRL became effective, with Cecabank SA holding a 100% stake in the investee.

Appendix I includes certain information on this investee.

At 31 December 2022 and 2021, the Bank did not hold investments in jointly-controlled entities or associates.

At 31 December 2022 and 2021, and during those years, there was any impairment of the shareholdings held by Cecabank, S.A.

12. Property, plant and equipment

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

Thousand euro

	Property, Plant and Equipment for Own Use				
	Land and Buildings	Furniture, Fixtures andVehicles	IT Equipment and Related Fixtures	Investment Property	Total
Cost:					
Balance at 1 January 2021	64,380	24,091	18,096	10,905	117,472
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**	**25,440**	**18,703**	**15,409**	**120,714**
Additions	126	3,685	814	-	4,625
Disposals	(273)	(966)	(423)	-	(1,662)
Transfers	6,576	808	-	-	7,384
Balance at 31 December 2022	**67,591**	**28,967**	**19,094**	**15,409**	**131,061**
Accumulated depreciation:					
Balance at 1 January 2021	(27,056)	(21,207)	(13,164)	(4,083)	(65,510)
Charge for the year (Note 39)	(1,328)	(738)	(1,854)	(185)	(4,105)
Disposals	-	57	1	-	58
Transfers	1,470	-	374	(1,844)	-
Balance at 31 December 2021	**(26,914)**	**(21,888)**	**(14,643)**	**(6,112)**	**(69,557)**
Charge for the year (Note 39)	(1,244)	(982)	(1,889)	(247)	(4,362)
Disposals	260	967	419	-	1,646
Transfers	(4,274)	(671)	-	-	(4,945)
Balance at 31 December 2022	**(32,172)**	**(22,574)**	**(16,113)**	**(6,359)**	**(77,204)**
Property, plant and equipment, net:					
Net balance at 31 December 2021	**34,248**	**3,552**	**4,060**	**9,297**	**51,157**
Net balance at 31 December 2022	**35,419**	**6,393**	**2,981**	**9,050**	**53,843**

At 31 December 2022 and 2021, property, plant and equipment for own use totalling (gross) EUR 31,252 and 31,042 thousand, respectively, had been depreciated in full. The Entity 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 Bank 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 Bank amounted to EUR 1,790 thousand (2021: EUR 1,535 thousand) (see Note 34).

In 2022 and 2021, 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 income statement for 2022 (2021: losses 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 Bank 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.

The Bank has also decided to use a building at 29 Antonio Cabezón Street for its own use and has therefore been recorded in this category at year-end 2022, following an analysis of the applicable regulations, with no impact on the income statement.

13. Intangible assets

13.1. 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 Bank, which is amortised as indicated in Note 2.14 above. The detail of "Other Intangible Assets" in the balance sheets as at 31 December 2022 and 2021 is as follows:

		Thousand euro
	2022	2021
Intangible assets with finite useful life	**703,326**	**697,991**
Of which for acquired depository business	*701,569*	*695,692*
Of which by computer applications	*1,757*	*2,299*
Accumulated amortisation	**(302,209)**	**(251,390)**
Of which for acquired depository business	*(301,209)*	*(249,291)*
Of which by computer applications	*(1,000)*	*(2,099)*
Total net	**401,117**	**446,601**

As of December 31, 2022, the entity has fully amortized intangible assets for an amount of 1,000 thousand euros. As of December 31, 2021, the balance also amounted to 1,299 thousand euros.

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

	Thousand euro
Cost:	
Balance at 1 January 2021	**664,678**
Additions and transfers	33,313
Disposals and other movements	-
Balance at 31 December 2021	**697,991**
Additions and transfers	37,599
Disposals and other movements	(32,264)
Balance at 31 December 2022	**703,326**
Accumulated amortisation:	
Balance at 1 January 2021	**(173,084)**
Charge for the year (Note 39)	(78,306)
Disposals and other movements	-
Balance at 31 December 2021	**(251,390)**
Charge for the year (Note 39)	(83,082)
Disposals and other movements	32,263
Balance at 31 December 2022	**(302,209)**
Intangible assets, net:	
Net balance at 31 December 2021	**446,601**
Net balance at 31 December 2022	**401,117**

The additions in 2022 and 2021 in the table above relate mainly to the capitalisation of the cost of new depository contracts arising from the renewal of rights and commitments arising from depository management and custody of securities entrusted by third parties acquired in previous years, amounting to EUR 37,599 thousand in 2022.

The withdrawals correspond to variable payments made for the achievement of certain contractual objectives and the incorporation into the cost of guaranteed amounts originating from these businesses, amounting to 32,264 thousand euros for the financial year 2022. In parallel with this capitalisation, in 2022 and 2021 the Bank derecognised the amortisation and impairment associated with the contracts that were renewed or derecognised, which were fully amortised.

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.

In June 2021, Cecabank began to provide depositary services to Bankoa, S.A. due to its acquisition by Abanca Corporación Bancaria, S.A. Therefore, Cecabank was designated as the depositary for the collective investment institutions, pension funds, Voluntary Social Welfare Entities (EPSV) and venture capital entities that were deposited with Bankoa, S.A.

At the time of each accounting closing, the Bank 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.

14. Other assets and liabilities

14.1. Other assets

The breakdown of the balance of “Other Assets” and “Other Liabilities” in the 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	1,245	1,164
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
	67,306	60,349

“Rest of Other Assets - Prepayments and Accrued Income – Fees and Commissions Receivable” includes the accrued commissions receivable by the Bank 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.

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

14.2. Other liabilities

The composition of the balance of this item in the 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	96	346
Other liabilities-		
Transactions in transit	20,557	19,978
Other	4,100	8,068
	70,876	65,596

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.

15. Financial liabilities at amortised cost

15.1. Breakdown

The detail of the items composing this heading in the 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	10,541,931	12,326,089
	12,061,518	14,594,820
Measurement adjustments*	9,817	(3,520)
	12,071,335	14,591,300
Other financial liabilities	375,692	135,525
	12,447,027	14,726,825

*Includes accrued interest of 9,817 thousand euros at 31 December 2022 ((3,520) thousand euros at 31 December 2021).

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

At 31 December 2022 the deadlines for 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 marketable 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

At 31 December 2021 the deadlines for 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 marketable 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

15.2. 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 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.

15.3. Financial liabilities at amortised cost - Deposits - Credit entities

The breakdown, by geographical area of residence of the counterparty and type of instrument, of the balances of this item in the 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**

15.4. 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 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	180,285	182,909
Rest of the world	12,709	30,215
	10,550,363	**12,323,655**
By counterparty:		
Resident public sector	167,502	247,196
Other sectors resident in Spain	10,181,467	11,865,726
Other non-resident sectors	192,962	213,167
	10,541,931	**12,326,089**
	8,432	(2,434)
Measurement adjustments	**10,550,363**	**12,323,655**
By type of instrument:	9,205,609	10,361,910
Current accounts	-	-
Other demand deposits	1,044,807	947,965
Fixed-term deposits	299,947	1,013,780
	10,550,363	**12,323,655**
	10,550,363	**12,323,655**

15.5. Financial liabilities at amortised cost - Other financial liabilities

The breakdown of the balance of this item in the 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	244,363	10,872
Tax collection accounts	-	-
Special accounts	32,311	23,427
Other	93,862	95,441
	375,692	**135,525**

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).

16. Provisions

The changes in the balances of these items in the 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)	Proceduralissues and tax litigation proceedings	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 at 31 December 2022 the balance of the ERE within "Other long-term employee benefits" amounts to EUR 20,910 thousand (31 December 2021: EUR 24,763 thousand).

The heading “Litigation” includes provisions that have been recognised to cover potential litigation deriving from the Bank’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 Bank 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 Entity 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.

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 31 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 (1.04 at 30 April 2021).

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

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.

17. Other accumulated net income

17.1. 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 7) which, as stated in Note 2.2, should be recognised in the Bank'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 this item in the balance sheets at 31 December 2022 and 2021.

17.2. 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.

17.3. 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 7), which, as indicated in Note 2.2, should be classified in the Bank'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 balance sheets as at 31 December 2022 and 2021.

18. Share Capital and Share Premium

18.1. 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.

18.2. Share premium

According to the Spanish Limited Liability Companies Law, it is explicitly permitted the use of the balance of this reserve to increase capital and it establishes no specific restrictions as to its use. The balance of the share premium at 31 December 2022 and 2021 amounted to EUR 615,493 thousand which arose as a result of the capital increase described in Note 18.1 above and the recognition in 2012 of the spin-off of the assets and liabilities of Cecabank described previously (see Note 1.1).

18.3 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 Bank 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:

		Thousand euro
	2022	2021
Profit/(loss) for the year	65,380	69,218
Weighted average number of shares	112,256,540	112,256,540
Basic earnings per share	**0.000582416**	**0.000616606**
Profit/(loss) for the year	65,380	69,218
Corrections to results due to issues of convertibles/options	-	-
Adjusted profit/(loss)	65,380	69,218
Weighted average number of shares	112,256,540	112,256,540
Diluted earnings per share	**0.000582416**	**0.000616606**

19. Retained earnings and Other reserves

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

19.1. Retained earnings

"Retained Earnings" includes the net amount of the accumulated profits or losses recognised in prior years in the income statement which are still available for distribution or which, in the distribution of profit, are appropriated to equity.

19.1.1. Legal Reserve

According to the Spanish Limited Liability Companies Law, companies that obtain economic benefits, should allocate at least 10% of them to the constitution of the legal reserve. These transfers must be made until the reserve reaches 20% of capital. The legal reserve can be used to increase share capital by the amount of the balance that exceeds 10% of the already increased share capital amount. Except for this purpose, it can only be used to offset losses, and provided that there are no other sufficient reserves available for this purpose. At 31 December 2022 and 2021, the balance of the legal reserve, amounting to EUR 22,451 thousand, had reached the legally required minimum.

19.1.2. Capitalisation reserve

Pursuant to Article 25 of Spanish Income Tax Law 27/2014, of 27 November, the Bank maintains a restricted reserve for a period of five years from the date of recognition in 2016 financial year, amounting to EUR 20,669 thousand at 31 December 2022 (31 December 2021: EUR 20,123 thousand).

19.1.3. Voluntary Reserves

These reserves are unrestricted reserves for the Bank, as there is no legal or bylaw restriction on their use. The balance thereof at 31 December 2022 totals EUR 400,845 thousand (31 December 2021: EUR 346,317 thousand).

19.2. Other reserves

This heading includes the amount of reserves not included in other items such as amounts arising from permanent adjustments made directly in equity as a result of expenses on the issue or reduction of own equity instruments, disposals of own equity instruments and the retrospective restatement of the financial statements due to errors and changes in accounting criteria, net, where applicable, of the tax effect.

20. Tax matters

The Bank is part of the Tax Consolidation Group number 508/12 established on 1 January 2012, parented by the Confederación Española de Cajas de Ahorros (see Note 18).

The Bank 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 Bank 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.

Due to the different interpretations which may be given to certain tax rules applicable to the Bank'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 income statements for 2022 and 2021 is as follows:

	Thousand euro Expenses/(Revenues)	
	2022	2021
Income tax expense for the year (Note 20.3)	27,026	26,056
Prior years' and other adjustments	(263)	(1,538)
	26,763	24,518

20.3. Reconciliation of accounting profit to taxable profit

The reconciliation of the income tax expense recognised for 2022 and 2021 to the 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	92,143	93,737
Tax rate	30%	30%
	27,643	28,121
Permanent differences:		
Increases	964	85
Decreases	(1,581)	(2,150)
Total	27,026	26,056
(Tax credits) and (Tax relief)	-	-
Income tax expense for the year (Note 20.2)	27,026	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	3,630	3,856

The current income tax charge shown in the above table is recognised under “Tax Liabilities - Current Tax Liabilities” for the exercises 2022 and 2021.

20.4 Tax recognised in equity

In addition to the income tax recognised in the income statement, in 2022 and 2021 the Bank 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 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-termobligations to employees	8,583	9,901
Additions to provisions	9,601	11,342
Impairment losses	30,658	38,126
Anticipated benefits from valuation adjustments	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 (2021: EUR 20,602 thousands) 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 Bank expects to recover non-monetizable deferred assets over the coming 10 years, in accordance with the projections made in Cecabank’s budgets and projections of the future.

Besides, as at 31 December 2022 the Bank 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 otherlong-term obligations to employees	1,909	1,717
Other	1,284	2,315
	10,958	**11,845**

20.6. Restatement of assets

The Bank 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 Bank'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 Bank 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 Bank 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 Bank'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 theperiod		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 throughprofit 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	-	-
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 theperiod		Accumulated change in fairvalue before taxes		
	Tier 1	Tier 2	Tier 3	Tier 2	Tier 3	Tier 1	Tier 2	Tier 3
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 throughprofit 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.

The breakdown of the securities portfolio with respect to debt securities is also included:

At 31 December 2022:

	Book value		Latent depreciation				
	Total	Corrected purchase price	Accumulated fair value losses due to credit risk	Accumulated fair value losses due to credit risk	Latent gains	Accumulated impairment	Memorandum item: Repurchase agreement
Representative values of debt	-	-	-	-	-	-	-
Financial assets held for trading	307,324	307,324	-	-	-	-	102,369
Financial assets not held for trading compulsorily valued at fair value through profit or loss	9,135	9,135	-	-	-	-	-
Financial assets at fair value with changes in other comprehensive income	2,336,272	2,600,307	-	(260,078)	854	(4,811)	1,414,785
Financial assets at amortized 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 Administrations	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 with changes in other comprehensive income	880,869	918,165	-	(37,402)	106	-	868,773
Financial assets at amortized cost	199,985	199,985	-	-	-	-	-
Of which: Public Administrations not resident in Spain	900,468	1,022,371	-	(121,903)	-	-	(474,963)
Financial assets held for trading	44,061	44,061	-	-	-	-	-
Financial assets at fair value with changes in other comprehensive income	772,609	894,512	-	(121,903)	-	-	(464,923)
Financial assets at amortized cost	83,798	83,798	-	-	-	-	10,040

At 31 December 2021:

	Book value		Latent depreciation				
	Total	Corrected purchase price	Accumulated fair value losses due to credit risk	Accumulated fair value losses due to credit risk	Latent gains	Accumulated impairment	Memorandum item: Repurchase agreement
Representative values of debt							-
Financial assets held for trading	340,306	340,306	-	-	-	-	170,867
Financial assets not held for trading compulsorily valued at fair value through profit or loss	23,926	23,926	-	-	-	-	-
Financial assets at fair value with changes in other comprehensive income	3,235,945	3,249,445	-	(15,710)	6,438	(4,228)	2,132,610
Financial assets at amortized 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 Administrations	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 with changes in other comprehensive income	1,720,824	1,722,490	-	(2,422)	756	-	1,262,840
Of which: Public Administrations not resident in Spain	974,201	954,690	-	(7,935)	446	-	710,841
Financial assets held for trading	14,217	14,217	-	-	-	-	-
Financial assets at fair value with changes in other comprehensive income	874,786	855,275	-	(7,935)	446	-	668,203
Financial assets at amortized 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 Bank 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 Bank has established certain procedures for the correct management of credit risk, the main features of which are as follows:

Credit risk analysis

At the Entity, the process of assessing the credit quality of counterparties is closely linked with the assignment of limits. Thus, the Bank 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 Bank's analysts, which brings together the perception of the credit quality of the entities with which the Bank 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 Bank'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

Concentration risk measures the degree of concentration of low credit risk portfolios under different relevant dimensions: geographic areas and countries, economic sectors, products and groups of customers.

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 Bank 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 Bank holds no positions with counterparties with which the large exposures threshold is exceeded. As at 31 December 2021, the Bank 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 Bank as of December 31, 2022 and 2021 is presented.

Regarding the high level of industry concentration, it is due to the Bank'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 at around 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 Bank 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 Bank. 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: suspicious	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: suspicious	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 y menor	-	-
		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	-	-	-	-
Saldos en efectivo en bancos centrales y otros depósitos a la vista (Note 5)	**7,677,239**	**-**	**-**	**7,677,239**	**-**	**16**	**(88)**	**-**
Debt securities (Notes 7 and 8)	**3,224,390**	**307,324**	**9,135**	**2,907,932**	**-**	**-**	**(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	-	348,333	-	-	(4,193)	-
Loans and prepayments	**2,235,313**	**-**	**-**	**2,235,313**	**289**	**403**	**(393)**	**-**
Central banks (Note 5)	1	-	-	1	-	-	-	-
Public administrations	532,623	-	-	532,623	-	-	-	-
Credit institutions (Notes 5 and 8)	1,353,016	-	-	1,353,016	-	25	(25)	-
Other financial companies	305,652	-	-	305,652	-	-	(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	-	-	-	-
Saldos en efectivo en bancos centrales y otros depósitos a la vista (Note 5)	**8,499,641**	**-**	**8,499,641**	**-**	**175**	**(188)**	**-**
Debt securities (Notes 7 and 8)	**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 5)	16,174	-	16,174	-	-	-	-
Public administrations	649,715	-	649,715	-	-	-	-
Credit institutions (Notes 5 and 8)	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 Bank 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

As of 31 December 2022, the Bank 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:

Book value

	Assets with no significant increase incredit risk since initialrecognition (stage 1)			Assets with a significantincrease 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	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 credit	-	-	-	-	-	-	-	-	-
Of which: home acquisition loans	21	-	-	-	116	-	-	-	237
Of which: project financing loans	-	-	-	-	-	-	-	-	-

At 31 December 2021:

Book value

	Assets with no significant increase incredit risk since initial recognition (stage 1)			Assets with a significantincrease 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	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 credit	-	-	-	-	-	-	-	-	-
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 carrying amount/ nominal amount

At 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 notdue or outstanding ≤ 90 days	Doubtful: Outstanding > 1 year ≤ 2 years	Doubtful: Outstanding > 2 years ≤ 5 years	Doubtful: Outstanding > 5 years ≤ 7 years	Of which: unpaid	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	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 prepayments	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	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 companies	2,166	2,166	2,166	2,166	-	-	-	-	-	-	-	-	-
Of which: small and medium sized companies	1,706	1,706	1,706	1,706	-	-	-	-	-	-	-	-	-
Households	41,855	41,476	41,360	41,360	378	4	2	293	77	378	344	36,838	302
Of which: loans secured by residential	37,525	37,201	37,085	37,085	324	-	-	255	69	324	324	36,838	302
Of which: consumer loans	2,159	2,145	2,145	2,145	14	2	-	-	9	14	14	-	-
DEBT INSTRUMENTS AT FAIR VALUE THROUGHOTHER 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 administration	2,267,916	2,267,916	2,267,916	1,812,677	-	-	-	-	-	-	-	-	-
Credit institution	290,830	290,830	290,830	220,810	-	-	-	-	-	-	-	-	-
Other financial companies	131,708	131,708	131,708	102,871	-	-	-	-	-	-	-	-	-
Non-financial companies	409,185	409,185	409,185	338,265	-	-	-	-	-	-	-	-	-
Loans and prepayments	-	-	-	-	-	-	-	-	-	-	-	-	-
NON-TRADED DEBT INSTRUMENTS MANDATORILYMEASURED AT FAIR VALUE THROUGH PROFIT ORLOSS 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 companies	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans and prepayments	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-
DEBT SECURITIES OTHER THAN 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 companies	71,113	71,113	-	71,113	-	-	-	-	-	-	-	-	-
Households	2,373	2,373	-	2,373	-	-	-	-	-	-	-	-	-
Other commitments granted	174,353	174,353	-	174,353	-	-	-	-	-	-	-	144,952	-
Public administrations	1,657	1,657	-	1,657	-	-	-	-	-	-	-	-	-
Credit institution	169,567	169,567	-	169,567	-	-	-	-	-	-	-	144,952	-
Other financial companies	525	525	-	525	-	-	-	-	-	-	-	-	-
Non-financial companies	2,557	2,557	-	2,557	-	-	-	-	-	-	-	-	-
Households	47	47	-	47	-	-	-	-	-	-	-	-	-

Gross carrying amount/ nominal amount

At 31 December 2021	TOTAL	Not doubtful			Doubtful								
		Total not doubtful	Not due or outstanding ≤ 30 days	Outstanding > 30 days ≤90 days	Totaldoubtful	Improbable payment not due or outstanding ≤ 90 days	Outstanding > 1 year ≤ 2 years	Outstanding > 2 years ≤ 5 years	Outstanding > 5 years ≤ 7 years	Of which: unpaid	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	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 prepayments	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	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 companies	3,574	3,574	3,574	3,574	-	-	-	-	-	-	-	-	-
Of which: small and medium sized companies	1,644	1,644	1,644	1,644	-	-	-	-	-	-	-	-	-
Households	46,219	45,813	45,813	45,813	406	287	3	39	77	407	362	40,549	307
Of which: loans secured by residential	41,565	41,219	41,219	41,219	346	277	-	-	69	345	345	40,549	307
Of which: consumer loans	2,488	2,470	2,470	2,470	18	9	-	-	9	18	12	-	-
DEBT INSTRUMENTS AT FAIR VALUE THROUGHOTHER 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 administration	2,577,765	2,577,765	2,577,765	2,577,765	-	-	-	-	-	-	-	-	-
Credit institution	174,359	174,359	174,359	174,359	-	-	-	-	-	-	-	-	-
Other financial companies	89,078	89,078	89,078	89,078	-	-	-	-	-	-	-	-	-
Non-financial companies	320,819	320,819	320,819	310,753	-	-	-	-	-	-	-	-	-
Loans and prepayments	-	-	-	-	-	-	-	-	-	-	-	-	-
NON-TRADED DEBT INSTRUMENTS MANDATORILYMEASURED AT FAIR VALUE THROUGH PROFIT ORLOSS 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 companies	9,987	9,987	9,987	-	-	-	-	-	-	-	-	-	-
Loans and prepayments	1,013	-	-	-	1,013	1,013	-	-	-	1,013	-	-	-
Non-financial companies	1,013	-	-	-	1,013	1,013	-	-	-	1,013	-	-	-
DEBT SECURITIES OTHER THAN 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 companies	71,344	71,344	-	71,344	-	-	-	-	-	-	-	-	-
Households	3,209	3,209	-	3,209	-	-	-	-	-	-	-	-	-
Other commitments granted	71,431	71,431	-	71,431	-	-	-	-	-	-	-	18,944	-
Public administrations	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit institution	68.679	68.679	-	68.679	-	-	-	-	-	-	-	18.944	-
Other financial companies	113	113	-	113	-	-	-	-	-	-	-	-	-
Non-financial companies	2.564	2.564	-	2.564	-	-	-	-	-	-	-	-	-
Households	75	75	-	75	-	-	-	-	-	-	-	-	-

The transactions considered to be impaired (doubtful assets) by the Bank 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 Bank in 2022 and 2021. Excluding value adjustments for overnight deposits in Note 5:

At 31 December 2022:

	Opening balance	Origination andacquisition 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 forwritten-off write-offs	Other adjustm ents	Closing balance
Total adjustment for debt instruments	**(4,789)**	**(897)**	**401**	**(302)**	**-**	**-**	**21**	**(5,566)**
Adjustments for financial assetswithout an increase in credit risksince initial recognition (stage 1)	**(2,082)**	**(894)**	**401**	**(275)**	**-**	**-**	**21**	**(2,829)**
Debt securities (Note 7)	(1,895)	(617)	321	(305)	-	-	3	(2,493)
Loans and prepayments (Note 8)	(187)	(277)	80	30	-	-	18	(336)
Of which: measurement adjustments jointly calculated	(1,282)	(894)	401	(321)	-	-	5	(2,891)
Of which: measurement adjustments individuallycalculated	-	-	-	-	-	-	-	-
Adjustments due to debt instruments with a significant increase in credit risk since initial recognition, but withoutcredit impairment (stage 2)	**(2,627)**	**-**	**-**	**(43)**	**-**	**-**	**-**	**(2,670)**
Debt securities (Notes 7 and 8)	(2,627)	-	-	(43)	-	-	-	(2,670)
Loans and prepayments (Note 8)	-	-	-	-	-	-	-	-
Of which: measurement adjustments jointly calculated	-	-	-	-	-	-	-	-
Of which: measurement adjustments individually calculated	(2,627)	-	-	(43)	-	-	-	(2,670)
Adjustments due to debtinstruments with credit impairment (stage 3)	**(80)**	**(3)**	**-**	**16**	**-**	**-**	**-**	**(67)**
Debt securities	-	-	-	-	-	-	-	-
Loans and prepayments (Note 8)	(80)	(3)	-	16	-	-	-	(67)
Of which: measurement adjustments jointly calculated	(55)	(3)	-	16	-	-	-	(42)
Of which: measurement adjustments individuallycalculated	(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 2021:

	Opening balance	Origination and acquisition increases	Decreases due to derecognitionof accounts	Changes to the variance in credit risk	Changes due to modifications without derecognition (net)	Decrease in thevalue adjustment account forwritten-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 assetswithout an increase in credit risksince initial recognition (stage 1)	**(1,759)**	**(1,240)**	**943**	**90**	**(115)**	**-**	**-**	**(2,081)**
Debt securities (Note 7)	(1,364)	(1,199)	750	33	(115)	-	-	(1,895)
Loans and prepayments (Note 8)	(395)	(41)	192	57	-	-	-	(187)
Of which: measurement adjustments jointly calculated	(1,759)	(1,240)	943	90	(115)	-	-	(2,081)
Of which: measurement adjustments individuallycalculated	-	-	-	-	-	-	-	-
Adjustments due to debt instruments with a significant increase in credit risk since initial recognition, but withoutcredit impairment (stage 2)	**(7,099)**	**-**	**-**	**42**	**4,628**	**-**	**(196)**	**(2,625)**
Debt securities (Notes 7 and 8)	(7,098)	-	-	42	4,627	-	(196)	(2,625)
Loans and prepayments (Note 8)	(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 debtinstruments with credit impairment (stage 3)	**(95)**	**-**	**2**	**13**	**-**	**-**	**-**	**(80)**
Debt securities	-	-	-	-	-	-	-	-
Loans and prepayments (Note 8)	(95)	-	2	13	-	-	-	(80)
Of which: measurement adjustments jointly calculated	*(70)*	-	*2*	*13*	-	-	-	*(55)*
Of which: measurement adjustments individuallycalculated	*(25)*	-	-	-	-	-	-	*(25)*

At 31 December 2022:

	Gross carrying amount/ nominal amount					
	Transfers betweenstage 1 and stage 2		Transfers betweenstage 2 and stage 3		Transfers betweenstage 1 and stage 3	
	To stage 2 from stage 1	To stage 1 from stage 2	To stage 3 from stage 2	To stage2 from stage 3	To stage 3 from stage 1	To stage1 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 granted	-	-	-	-	-	-

At 31 December 2021:

	Gross carrying amount/ nominal amount					
	Transfers betweenstage 1 and stage 2		Transfers betweenstage 2 and stage 3		Transfers betweenstage 1 and stage 2	
	To stage 2 from stage 1	To stage 1 from stage 2	To stage 2 from stage 1	To stage1 from stage 2	To stage 2 from stage 1	To stage1 from stage 2
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 Bank 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 Bank 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.

In addition, the loan to 2GETHER MONEY MANAGEMENT S.L. was written off during the year 2022, as it is considered that there is no reasonable expectation of recovery.

2.11. Exposure to real estate risk

The only operations granted by the Bank 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 companies	Non-financial companies	Households
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: otherloans 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 companies	Non-financial companies	Households
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: otherloans with real guarantees	1,140,449	-	-	1,126,855	13,590	-	-

Following is the breakdown of credit with mortgage guarantee to households for house purchase, according to the percentage represented by the total risk over the amount of the last available measurement (loan to value) included in this balance sheets heading as of 31 December 2022 and 2021:

At 31 December 2022:

Carrying amount

	Assets without a significant increase in credit risk since initial recognition (stage 1)			Assets with a significant increase in credit risk since initial recognition, but without credit impairment (stage 2)			Credit-impaired assets (stage 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 byproperty	21	-	-	-	116	-	-	-	301
Of which: other loans with realguarantees	21	-	-	-	116	-	-	-	237

At 31 December 2021:

Carrying amount

	Assets without a significant increase in credit risk since initial recognition (stage 1)			Assets with a significant increase in credit risk since initial recognition, but without credit impairment (stage 2)			Assets without a significant increase in credit risk since initial recognition (stage 1)		
	≤ 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 byproperty	-	-	-	-	-	-	-	-	69
Of which: other loans with realguarantees	-	-	-	-	-	-	-	-	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 Bank 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 Bank 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 Cecabank 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 Bank periodically monitors its liquidity conditions and assesses any action that may be required. Furthermore, the Bank has planned measures to enable it to restore the Bank'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 Bank 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 Bank's results, and maintain the mechanisms which will enable it to meet those payment commitments if various possible scenarios should arise.

Generally speaking, the Bank 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 Bank 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 Bank'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 Bank's position (see Notes 2.6 and 9).

The Bank'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 Bank in the long term.

To attain the objectives described above the Bank 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 Bank’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	**9,896,881**	**8,964,600**	**672,672**	**130,896**	**128,713**
Public institutions	**2,641,524**	**1,690,833**	**925,244**	**79**	**25,368**
· Central administration	2,078,140	1,127,449	925,244	79	25,368
· Other public administrations	563,384	563,384	-	-	-
Other financial institutions	**641,091**	**507,107**	**84,210**	**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	**13,660,953**	**11,474,707**	**1,797,773**	**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	**11,480,921**	**10,166,265**	**953,737**	**150,156**	**210,763**
Public institutions	**3,559,468**	**2,562,266**	**986,075**	**-**	**11,127**
· Central administration	2,794,197	1,796,995	986,075	-	11,127
· Other public administrations	765,271	765,271	-	-	-
Other financial institutions	**695,176**	**535,213**	**89,772**	**10,125**	**60,066**
Non-financial companies and individual businesses	**647,934**	**458,430**	**125,268**	**53,156**	**11,080**
· 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	**16,429,610**	**13,767,758**	**2,154,853**	**213,437**	**293,562**

Risk Concentration by activity and geographical area. 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	**270,434**	**-**	**-**	**-**	**192**	**-**	**-**	**1,060**	**-**	**23,458**
· Construction and property development	-	-	-	-	-	-	-	-	-	-
· 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	**-**	**21,008**	**180,486**	**-**	**-**	**38**	**44,138**	**54**	**-**
· Construction and property development	-	-	-	-	-	-	-	-	-
· Construction of CivilWorks	-	-	-	-	-	-	-	-	-
· Other purposes	-	21,008	180,486	-	-	38	44,138	54	-
- Large companies	-	16,013	172,538	-	-	-	39,158	-	-
SMEs and Individualentrepreneurs	-	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

	Total	Autonomous communities: 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 and individual entrepreneurs	**458,430**	**-**	**-**	**-**	**246**	**-**	**11,004**	**1,081**	**-**	**101,397**
· Construction and property development	-	-	-	-	-	-	-	-	-	-
· 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	-	-	-	-	-	-	-	-	-
· 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 Individualentrepreneurs	-	-	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**	**9,357,620**	**19,880**	**6**	**365,629**	**69,269**	**49,631**	**-**

Furthermore, Russia's invasion of Ukraine is causing, among other effects, a variation in the price of certain raw materials and the cost of energy, as well as the maintenance of sanctions, embargoes and restrictions towards Russia that affect the economy in general and companies with operations with and in Russia specifically.

The extent to which this conflict will impact the Bank's portfolios and operations will depend on future developments which cannot be reliably predicted at the date of preparation of these financial statements. However, as at 31 December 2022, the Bank has no exposure to 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 Bank at 31 December 2022 and 2021. Details of financial instruments classified according to the market on which they are listed are provided in Notes 6, 7 and 10, respectively.

31 December 2022:

Thousand euro

	Financial assets held for trading (Note 6.1)	Non-tradingfinancial assets mandatorily at fair value through profit or loss (Note 6.2)	Financialassets at fair value through other comprehensive income (Note 7)	Non-current assets and disposable groups of items classified as held for sale (Note 10)	Total
Depending on the type ofissuer					
Spanish financialinstitutions	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 6.1)	Non-trading financial assets mandatorily at fair value through profit or loss (Note 6.2)	Financial assets at fair value through other comprehens ive income (Note 7)	Non-current assets and disposable groups of items classified as held for sale (Note 10)	Total
Depending on the type ofissuer					
Spanish financialinstitutions	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 Bank on behalf of third parties as a result of the commitments assumed by the Bank 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 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 Bank 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 Bank to third parties.

The heading "Other commitments given" at 31 December 2022 mainly includes commitments for the purchase of simultaneous purchases and deposits lent in the amount of EUR 131,599 thousand, which were not recorded in 2021.

In addition, "Other commitments given" also includes financial guarantees and sureties amounting to EUR 33,932 thousand at 31 December 2022 (31 December 2021: 39,169 thousand).

Fee and commission income received in connection with these guarantees granted is recognised under "Fee and commission income" in the 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 balance sheet (see Note 16).

Note 22 contains disclosures relating to the credit risk assumed by the Bank 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 Bank had been provided as security for transactions performed by it, as well as for various liabilities and contingent liabilities assumed by the Bank. 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
Spanish Public Debt classified as financial assets at fair value through othercomprehensive income	510,618	78,300
Other Assets classified as financial assets at fair value through other comprehensiveincome	253,000	223,000
Spanish Public Debt classified as financial Assets Held for Trading	-	-
Issued securities by other public organisms classified as financial assets at fair valuethrough other comprehensive income	12,500	140,723
Issued securities by other public organisms classified as financial Assets Held for Trading	-	-
Issued Public Debt by no resident public administrations classified as financial assets atfair value through other comprehensive income	-	55,000
Issued Public Debt by no resident public administrations classified as financial Assets Heldfor Trading	380,000	37,901
	1,156,118	**534,924**

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

In addition, at 31 December 2022, the Bank 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 27.4)	578,138	168,612
	305,105,431	**339,889,712**

"Financial Instruments Entrusted by Third Parties" in the foregoing table includes mainly the debt securities and equity instruments held by the Bank 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 Bank in securities lending transactions are not recognised in the balance sheet unless the Bank 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 balance sheet.

Similarly, securities lending transactions in which the Bank lends securities to third parties are not recognised in the balance sheet. The securities lent can be securities previously lent to the Bank 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 Bank, 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 income statement, by applying the corresponding effective interest rate.

Following is a detail of the fair value of the financial assets borrowed by the Bank 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 Bank 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 Bank's Customer Care Service

Set forth below is a summary of the complaints and claims received by the Bank'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 Bank:

	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 Bank 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 Bank's on-balance-sheet financial liabilities that bore negative interest rates.

29. Interest expense

The detail of the balance of “Interest Expense” in the 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	42,069	81,775
Interest cost of pension funds (Note 35)	897	299
	140,413	104,962

“Interest Expense on Financial Assets / other liabilities” in the table above includes the expenses arising in 2022 and 2021 from the Bank's on-balance-sheet financial assets that bore negative interest rates.

30. Income from dividends

Below is a breakdown of this caption in the 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	30,393	27,082
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
	226,641	223,457

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 Bank.

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 income statement for the exercise 2022 and 2021 is 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	-	-
Net gains/losses resulting from hedge accounting	3,081	206
	11,316	27,733

34. Other operating income

The breakdown of the balance of "Other Operating Income" in the income statement for exercises 2022 and 2021 is as follows:

	Thousand euro	
	2022	2021
Rental income (Note 12)	1,790	1,535
Income from expenses charged	13,535	8,403
Other income	32,935	35,472
	48,260	45,410

The balance of "Other income" includes various items, including most notably income from services provided to the Spanish Confederation of Savings Banks, which amounted to EUR 9,411 thousand in 2022 and 2021 (see Note 40). This item also includes income from the various services that Cecabank provides to its customers, such as: Kondor, Electronic Banking, Business Intelligence, among others.

35. Administrative expenses – Staff Costs

The detail of "Administrative Expenses – Staff Costs" in the income statement for 2022 and 2021 is as follows:

	Thousand euro	
	2022	2021
Wages and salaries	36,632	36,887
Social security costs	7,379	7,200
Insurance premiums (Note 2.11.2)	262	129
Termination Benefits (Note 2.11.4) (Note 16)	672	26,423
Contributions to defined contribution plans (Note 2.11.2)	575	32
Normal cost for the year of defined benefit obligations	-	-
Training expenses	290	330
Other staff costs	491	426
	48,301	71,427

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 Bank pays a portion of the annual variable remuneration of certain employee groups through non-monetary instruments linked to the Bank'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 Entity'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 Bank'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 at 31 December 2022 under the heading "Termination benefits" amounts to Euros 672 thousand. At 31 December 2021 the balance at 31 December 2021 amounted to EUR 26,423 thousand, of which EUR 24,763 thousand related mainly to the estimated expenses in the redundancy programme agreement reached on 6 August 2021.

In addition, CECA and the trade unions reached an agreement on the text of the collective bargaining agreement for savings banks and financial institutions for the period 2019-2023, the main novelty of which is in the area of remuneration for active and retired employees; the agreement links wage increases to a fixed percentage plus additional payments of up to 0.5% of basic salary, instead of being indexed to the CPI as in previous agreements.

In 2022 and 2021, the average number of employees at the Bank, by level, was as follows:

	2022			2021		
Professional levels	Men	Women	Total	Men	Women	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 - LEV.IV	1	1	2	1	-	1
Other	2	2	4	3	1	4
	239	250	489	228	234	462

At the end of 2022, the Bank had three contracted employees with a disability greater than or equal to 33%, although at the end of 2021 there was two. 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 476 (2021: 461), of whom 234 were men (2021: 227) and 242 women (2021: 234), representing 49.15% and 50.85%, respectively (49.24% and 50.76% 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)	Valueof theplan 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 16).

(**) This amount is recognised under "Other Assets - Other" in the balance sheet as at 31 December 2022 (see Note 14.1).

At 31 December 2021:

Thousand euro

	Post-employment benefits			Long-term pre-retirement obligations			
	Value of the obligation(I)	Value ofthe planassets (II)	Total (III = I - II) (**)	Value of the obligation (IV)	Valueof theplan 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 16).

(**) This amount is recognised under "Other Assets - Other" in the balance sheet as at 31 December 2021 (see Note 14.1).

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 2022 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 theparticipants of the plan	-	-	-	-	-	-	-
6. Contributions made by theBank	-	-	-	-	-	-	-
7. Effect of the recalculation onthe measurement of the net obligations:	(32,453)	(31,782)	(671)	(1,642)	-	(1,642)	(2,313)
7.1 Actuarial gains and lossesarising as a result of changes inthe demographic assumptions	(1,465)	(1,407)	(58)	-	-	-	(58)
7.2 Actuarial gains and losses arising as a result of changes inthe financial assumptions	(30,988)	(30,375)	(613)	-	-	-	(613)
7.3 Effect of the change inreturn 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 ofnet 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)	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 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 theparticipants of the plan	-	-	-	-	-	-	-
6. Contributions made by theBank	-	-	-	-	-	-	-
7. Effect of the recalculation onthe measurement of the net obligations:	(10,511)	(10,850)	339	(335)	-	(335)	4
7.1 Actuarial gains and lossesarising as a result of changes inthe demographic assumptions	(1,246)	(1,547)	-	-	-	-	-
7.2 Actuarial gains and losses arising as a result of changes inthe financial assumptions	(9,265)	(9,303)	-	-	-	-	-
7.3 Effect of the change inreturn 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 ofnet 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

The amount recognised by the Bank in relation to the current service cost for defined benefit plans in 2022 amounted to EUR 897 thousand. It was recognised under "Administrative Expenses - Staff Costs" in the accompanying income statement (2021: EUR 299 thousand) (See Note 29).

In the financial year 2022, the Bank recorded a provision of 1,666 under "Provisions or reversal of provisions" in the profit and loss account; in the financial year 2021, no amount was recorded for provisions to the long-term other long-term employee benefits fund.

Additionally, on August 6, 2021, the entity reached an agreement to approve an employment regulation file, making an allocation whose balance as of December 31, 2021 amounted to 24,763 thousand euros, which represents the cost of said 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 469 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, 2022 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 2021, 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	-	116,896	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 employees in the defined benefit scheme at year-end 2022 and 2021, as they were converted to the defined contribution system (Subplan 3) on 1 January 2019 and therefore no actuarial risk is assumed by the pension plan.

36. Administrative expenses - Other general administrative expenses

The detail of this heading in the income statements for 2022 and 2021 is as follows:

		Thousand euro
	2022	2021
Property, fixtures and supplies	2,317	2,022
IT equipment	22,432	14,531
Communications	1,847	2,319
Advertising and publicity	392	347
Technical reports	4,310	2,789
Surveillance and cash courier services	5,712	3,374
Insurance and self-insurance premiums	864	753
Outsourced administrative services	35,861	32,177
Levies and taxes	6,633	6,522
Entertainment and travel expenses	243	188
Association membership fees	1,636	1,592
External personnel	1,355	1,652
Subscriptions and publications	3,497	3,099
Other administrative expenses	656	767
	87,755	**72,132**

The balance under “Technical reports” records the 2022 and 2021 fees for the services rendered by the Bank’s auditor, PricewaterhouseCoopers Auditores, S.L., as follows:

		Thousand euro
	2022	2021
Audit services	254	209
Other attest services	94	81
Total audit and related services	**348**	**290**
Tax counselling services	-	-
Other services	-	-
Total professional services	**348**	**290**

The services commissioned by Cecabank, S.A. 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 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 Bank’s suppliers in 2022 and 2021 are as follows:

	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 3/2014, 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 28 September, on the creation and growth of companies, which amended the Third Final Provision of Law 15/2010, of 5 July, whereby unlisted companies that do not present abridged annual accounts shall publish their average supplier payment period, the monetary volume and number of invoices paid in a period shorter than the maximum established in the regulations on late payment and the percentage they represent of the total number of invoices and of the total monetary payments to their suppliers, the following data are published for the financial year 2022:

	2022
Monetary volume of invoices paid in a period shorter than the maximum period established in the late payment regulations (thousands of euros)	74,534
Number of invoices paid in a period shorter than the maximum period established in the late payment regulations.	7,557
Percentage share of total monetary payments to their suppliers	77%
Percentage share of total number of invoices	82%

37. Other operating expenses

The breakdown of the balance of “Other Operating Expenses” in the income statement for 2021 and 2020 is as follows:

		Thousand euro
	2022	2021
Contribution to the Deposit Guarantee Fund (Note 1.11)	154	230
Contribution to the Single Resolution Fund (Note 1.11)	9,390	6,950
Other Concepts	274	224
	9,818	7,404

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 1.11).

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 income statements 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)	119	(4,996)
	119	(4,996)
	857	(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 income statements for 2022 and 2021 is as follows:

	Thousand euro	
	2022	2021
Depreciation of Property, plant and equipment (Note 12)	4,362	4,105
Amortisation of intangible assets (Note 13)	83,082	78,306
	87,444	82,411

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, procedures began to integrate the Association of Savings Banks for Labor Relations (ACARL) into CECA. On September 30, 2016, ACARL's Global Assignment of Assets and Liabilities deed was granted to CECA, which proceeded to develop, among others, ACARL's own functions in terms of negotiating the Collective Agreement of Savings Banks.

In October 2022, an agreement was signed to novate Cecabank S.A.'s service provision contract with CECA in order to include the price review mechanism linked to the evolution of the Consumer Price Index (CPI) published by the National Statistics Institute, with effect from 1 January 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

The income received by the Bank for these services provided to CECA, which amounted to EUR 9,411 thousand in 2022 and 2021, is recorded under "Other operating income" in the accompanying income statements for 2022 and 2021 (see Note 34).

In addition, interest on the demand deposits held by CECA with the Bank is included under "Interest income" in the profit and loss account in the amount of EUR 85 thousand at 31 December 2022 (EUR 150 thousand "Interest income" at 31 December 2021) and "Interest expense" in the amount of EUR 91 thousand at 31 December 2022, no balance having been recorded in this connection in 2021. These demand deposits, excluding accruals, amounted to EUR 23,865 thousand as at 31 December 2022 and EUR 23,257 thousand as at 31 December 2021.

The amount of the fees received by the Bank accrued by the CECA amounted to EUR 4 thousand at December 31, 2022 (31 December 2021: EUR 4 thousand).

As at 31 December 2022 and 2021, senior management personnel and members of the Bank's Board of Directors, and entities or persons related to them, hold on demand accounts amounting to EUR 921 thousand and EUR 957 thousand, respectively. These balances have accrued interest in the year 2022 in the amount of 3 thousand euro, while no amount is included under "Interest expense" in the profit and loss account for the year 2021. In addition, the debt contracted for loans amounts to EUR 602 thousand and EUR 628 thousand, respectively. These amounts have accrued interest in 2022 and 2021, amounting to EUR 3 thousand and EUR 2 thousand, respectively, and are recorded under "Interest income" in the profit and loss account for the year. In the years 2022 and 2021 no balance has been recorded for other commitments granted.

The breakdown of the balances arising from transactions with jointly controlled entities recognised in the balance sheets at 31 December 2022 and 2021 and in the income statements for 2022 and 2021 is as follows (Note 2.1):

	Thousand euro	
	2022	2021
Assets:		
Financial assets at amortised cost-Loans and advances-Customers	691	581
Liabilities:		
Financial liabilities at amortised cost	40	74
Other financial liabilities	3	5
Losses and Profits:		
Interest Incomes	-	-
Other operating income	839	725
Administrative Expenses - Other administrative expenses	48	42
Commissions	1,176	1,026

These positions relate to the entities classified as “Subsidiaries”, since the Bank does not have any investments classified as “Joint ventures” or “Associates” in the accompanying balance sheets as at 31 December 2022 and 2021 (see Note 11).

41. Events after the balance sheet date

No significant events have occurred after 31 December 2022 and the date on which these financial statements were authorised for issue by the Board of Directors of the Entity that would require inclusion in the accompanying financial statements in order for them to present fairly the Entity's net assets, financial position, results of operations, changes in equity and cash flows.

42. Explanation added for translation to English

These financial statements are presented on the basis of the Bank of Spain Circular 4/2017. Certain accounting practices applied by the Bank 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 ownership Interest (%)			Entity data at 31 December 2022(*)			
			Direct	Indirect	Total	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

(*) The company's financial statements at 31 December 2022 have not yet been approved by their shareholders at the respective Annual General Meetings

At 31 December 2021:

Thousand euro

Entity	Location	Line of business	Proportion of ownership Interest (%)			Entity data at 31 December 2021			
			Direct	Indirect	Total	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 312,324 thousand in 2022 and EUR 305,680 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 years 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%).

cecabank

Annual accounts 2022

Auditor's Report

Financial Statements

Annual Report

Management Report

Directors' Report for the year ended 31 December 2022

The main objective of this Management Report is to disseminate the most relevant events that took place in 2022, to present the results obtained in comparison with the current budget for the year, and to present the most relevant aspects, both on risk management and on the activities that will be undertaken to meet the strategic objectives defined for the year 2023 in the Strategic Plan.

1.- Strategic Plan 2022-2024 and Business Evolution 2022

Cecabank has completed the first year of the new Strategic Plan 2022-2024, in which it is committed to transformation in order to consolidate business growth.

The **mission** set out in the Strategic Plan focuses on supporting financial institutions and other corporations through the experience of a Spanish wholesale bank with international projection. The bank's development is based on two fundamental pillars:

1) Consolidating Cecabank's leading position as a custodian bank and provider of specialised solutions for all types of financial institutions and corporations, both national and international;

2) To accompany our customers, building lasting relationships, so 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

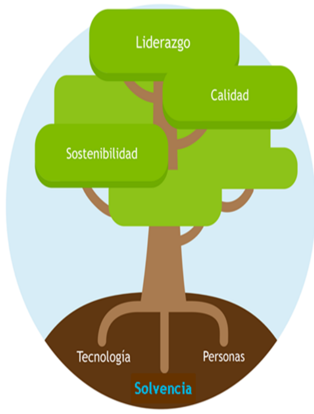
SUSTAINABILITY

Involved with sustainability

In this new Plan, both financial and non-financial objectives have been defined, as follows:

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 implementation of the Plan is based on 4 components:

1. Business model: based on three main business lines such as Securities Services, Treasury and Payments. This model differentiates between the usual activity (Business As Usual - BAU), incremental initiatives that will be developed throughout the Plan and potential business opportunities that will be analysed in each of the businesses to decide whether or not to undertake them over the three years.

2. Growth vectors: areas in which opportunities may arise based on Cecabank's characteristics and on which to grow.

3. Enablers: levers that will enable the Entity to achieve the proposed objectives, both financial and non-financial.

4. Corporate opportunities: Cecabank will always be analysing different options that can create value for all stakeholders.

Below we will examine the performance of each of the components in 2022 in more detail.

1.1 Business Model

1.1.1 Securities Services

Securities Services' activity is based on three main lines of business:

- Depositary of collective investment schemes and pension funds
- Custody and settlement of securities
- Other securities-related services

During 2022, the performance of the funds' assets was affected by the instability of the markets, resulting in a general decline in assets. Despite the positive performance of net subscriptions, the negative impact of the markets was greater. The unfavourable environment was partially offset by the addition of new customers, the increased loyalty of the customer base, the better performance of our management clients compared to the rest of the market and the positive contribution of the incremental initiatives included in the Plan.

With regard to the business opportunities included in the Plan, progress is being made in two of them in a significant way and with great possibilities of moving to the execution phase during 2023.

All this has allowed us to maintain our leadership position in the domestic market at the end of the year, with a volume of over 200.000 million euros deposited and more than 275.000 million euros of assets under custody.

1.1.2 Treasury

The Treasury activity consists of 2 main business lines:

- Financial activity
- Banknotes

In terms of financial activity, 2022 was characterised by great volatility due to the uncertainty generated by the Russia-Ukraine conflict, the behaviour of energy supplies and the upward trend in inflation, which led to a change in monetary policy in many countries, reflected in the evolution of interest rates. These have had a particular impact in the last two months, with increases in risk premiums and generating great volatility that has been used to rotate portfolios and obtain ROF. Despite this context, the performance of financial activity in business as usual was positive. In the other main line, Banknotes, there was a gradual recovery of business after the pandemic thanks to the favourable evolution of tourism, which reached levels very close to those of the pre-pandemic.

Incremental initiatives in the Treasury area made a positive contribution by helping to complete the range of products and broadening the customer base.

Lastly, of the opportunities detected in the Plan to be explored and executed where appropriate, Treasury as a Service attracted customers outside the bank's traditional sphere and will act as a lever for the provision of other services to these same customers.

1.1.3 Payments

Within the Payments line we can find businesses related to all types of payments (cards, Bizum, immediate transfers, Clearing and Discount Payment Systems, E-Commerce, Digital Payments, FX Sharing, Remittances or Pensions) and those related to technological platforms (Digital Banking, Treasury and Risk Platform, Reporting and Technological Outsourcing). The performance of payments in 2022 was positive, with a reactivation of the economy both nationally and internationally, and also in the case of technology platforms, as they are businesses that are less sensitive to the economic situation. Among the main operational milestones during the year, the following should be highlighted:

- New Bizum functionalities (i.e.: e-commerce payment, improved user refund functionalities, etc.).
- New Iberpay services; New Bizum C2C[1] processing gateway, improved anti-fraud services, improved account ownership service, etc.

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[1] CSC (Consumer to Consumer).

- Analysis of regulatory impacts derived from PCI PIN[2], PCI DSS 4.0[3], PCI 3DS[4], EBA 3.2 reporting framework, Initial Margin or EMIR - Refit[5].

- Adaptation of the platform service to new markets by existing customers

Of the initiatives and opportunities proposed in the Plan, those in the technological platform businesses have performed very positively and those related to payments have suffered a slight delay and will be promoted throughout 2023.

1.2 Growth vectors

The new Strategic Plan has defined three growth vectors (Digital Assets, ESG and Regulation) through which Cecabank aims to identify new opportunities and achieve a more relevant market positioning.

These vectors are leveraged on Cecabank's specialisation in certain areas and will be developed with the aim of continuing to complete the value chain of current businesses.

1.3 Facilitators

The Strategic Plan is committed to Cecabank's transformation to consolidate business growth. Three enablers have been defined based on the main areas of business support and which require different transformation plans to adapt to present and future needs in order to achieve the objectives set for 2024.

I. The first of these, Human Resources, is based on a plan called Plan Crece +, comprising four main axes in which the aim is to renew talent to adapt to new businesses and the evolution of existing ones, the cultural transformation of the entity and to promote diversity and sustainability. These plans have already been launched and are being implemented in accordance with the established roadmap.

II. The second is a Technology Plan. This is a complex plan that requires a longer time horizon than the 2022-24 Strategic Plan itself and will therefore extend one year beyond it. This Plan aims to transform technology in order to achieve greater maturity and have the necessary technological capabilities to drive the business, generate efficiency and boost resilience.

III. The last is Governance. Within the framework of the plan designed for this enabler, Cecabank has established different actions for each of the three main lines of defence: Internal Audit, Risks and Compliance or Front-office (the three lines of defence: third, second and first respectively).

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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 Corporate Opportunities

For Cecabank, Corporate Operations constitute another alternative, in addition to the organic development of the business itself, through the exploration of avenues for growth that involve either the acquisition of business and/or inorganic corporate acquisitions.

During 2022, different opportunities were analysed (some of them continue) distributed among the different lines of business.

1.5 Commercial business objectives

In addition to and in line with the Entity's Strategic Plan and budgets, each year commercial objectives are defined that seek to promote and intensify the Entity's commercial activity in order to achieve the greatest possible impact on the income statement through diversification and greater customer loyalty.

In 2022, the commercial objectives set were met and exceeded across the board. The focus this year was on customer linkage and capturing new business with an increase in the average ticket per contract.

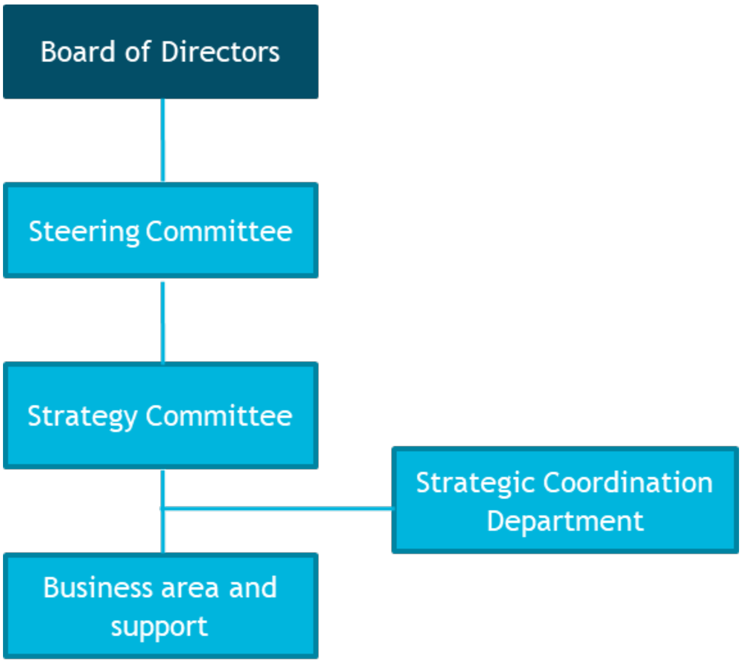
The table below shows the detail of each one of them, with the annual target set for each indicator and the degree of compliance with respect to the target.

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 is the estimated annualised turnover of new contracts signed up in the period. This is the indicator that has exceeded the target by the most, reaching a figure of €14.2 million, largely thanks to customer linkage.
- **New revenues** - This reflects the actual impact on the income statement of new contracts in the current year (EUR 13.8 million). Most of this revenue is of a recurring nature.
- **Contracted negotiations** - Includes all new negotiations or renegotiations successfully concluded and whose estimated annual revenues are above €25,000/year. The target for the year was 76 negotiations and the year ended with a total of 88 contracted negotiations.
- **New customers** - This includes the number of customers who have contracted a service or product in excess of €25,000 and who have not contracted or been provided with any service by Cecabank in the last 3 years. This is the only indicator that has been below the target set.

1.6 Governance model of the Strategic Plan

In 2022, the governance model of the Strategic Plan has been revised to adapt it to the monitoring of the new Plan and to facilitate decision-making by the governing bodies:



The Board of Directors receives a quarterly progress report on the progress of the overall objectives (financial and non-financial), major developments and deviations in BAU's development, initiatives and opportunities, enablers, growth vectors and corporate opportunities. These reports are discussed by the Board of Directors.

For its part, the **Strategy Committee** has met monthly during 2022, with a threefold objective:

1. Review of the Strategic Plan globally through the approved monitoring methodology, for periodic reporting to the Board of Directors.

2. Detection of deviations and tactical decision-making to ensure compliance with the strategic objectives. All of this is supported by a monthly scorecard, with KPIs defined for the different components of the SP.

3. Specialised analysis of the different strategic areas and any other issue considered relevant for the development and implementation of the strategy.

2. Income statement 2022

			Desviation	
	Real 2022 (*)	Budget 2022 (*)	Amount (*)	%
Financial margin (**)	81,768	71,000	10,768	15
Fees and commissions and operating income (***)	229,986	233,407	(3,421)	(1)
Gross margin	**311,754**	**304,407**	**7,347**	**2**
Operating expenses (including endowments) (****)	(219,598)	(221,444)	1,846	1
Profit from operating activities	**92,156**	**82,963**	**9,193**	**11**
Other results	(13)	-	(13)	-
Profit before taxes	**92,143**	**82,963**	**9,180**	**11**
Corporate tax	(26,763)	(23,645)	(3,118)	(13)
Profit for the year	**65,380**	**59,319**	**6,061**	**10**

(*) Amounts in thousands of euros.

(**)Includes net interest income, dividend income, gains or losses on derecognition of financial assets and liabilities not 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 arising from hedge accounting, foreign exchange differences and gains or losses on non-trading financial assets mandatorily measured at fair value through profit or loss.

(***) Includes fee and commission income, fee and commission expense, other operating income and other operating expenses.

(****) Includes administrative expenses, amortisation, provisions or reversal of provisions and impairment or reversal of impairment of financial assets not measured at fair value through profit or loss.

The following is an analysis of the income statement in terms of the different headings of which it is comprised:

- **Financial margin**: with a favourable performance compared to the budget forecast, it showed a positive deviation of 10.8 million euros. This figure was achieved through higher than expected capital gains in active portfolio management, as well as in other trading activities such as futures and options, credit derivatives and spot FX. This was coupled with higher portfolio and account accruals and very high levels of intermediation throughout the year. The rise in interest rates also enabled the Bank to make the liquidity deposited with the Central Bank more profitable. Also noteworthy was the higher contribution of Banknotes, EUR 1.5 million, due to the increase in activity since February, coinciding with the lifting of health restrictions and the consequent growth in tourist activity.

- **Fees and commissions and operating income**: These were EUR 3.4 million below budget. The negative variance is mainly in Securities Services and the annual contribution to the Single Resolution Fund (SRF).

  The deviation from the Securities Services business stems from decreases in assets under custody and balances under custody in 2022, due to portfolio adjustments caused by the negative market developments in the year. The other business lines performed better than expected: Payments, due to the better performance of Means of Payment, e-commerce and Fx Sharing; Treasury, because of the increase in its intermediation fees and those generated by Banknotes; and Technology Platforms, of note was the greater contribution of Digital Banking and Technology Outsourcing.

  On the other hand, the contribution to the URF was higher than the budgeted figure, generating a deviation of EUR -1.1 million.

- **Gross income**: this reflects the total net income from operating activities, which amounted to EUR 311.8 million, 2% higher than the budget, for the reasons mentioned above.

- **Operating expenses**: are 1% lower than the budgeted figure, due to higher savings in other administrative expenses and depreciation. In particular, personnel expenses are slightly above budget, at 0.7%, due to a higher pace of actions deployed by the People Plan. Other administrative expenses, on the other hand, are below budget at 0.6%, due to lower expenses associated with contributions and taxes, technical reports, and representation and travel. In the case of amortisation, the 3% deviation was due to the accrual of a lower variable payment from the Depositary business. Finally, provisions and impairment losses were lower than budgeted, mainly due to an unforeseen provision linked to the taxation applicable to R&D and innovation, and to the increase in the generic provision.

- **Profit for the year**: the net result after tax is EUR 65.4 million 10% higher than budget.

3. External rating

The ratings assigned to Cecabank at 31 December 2022 by the 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, as part of its annual review, the Fitch ratings agency decided to raise Cecabank's rating by one notch, from BBB- to BBB, with Outlook stable. The aspects it has taken into consideration are as follows:

- The agreements reached in recent years with fund managers and institutions, which have strengthened Cecabank's custody and depository business and consolidated its position in the market.

- The combination of the bank's businesses, as well as increasing its capacity to generate revenues, provides a greater degree of stability.

- Cecabank's moderate risk appetite and the soundness of operational risk systems and controls.

- The bank's high level of solvency, and the commitment to maintain it at solid levels over the horizon of the current Strategic Plan.

The other two rating agencies, Moody's and Standard & Poor's, have reaffirmed the long and short-term ratings assigned to Cecabank and have maintained the Outlook at stable.

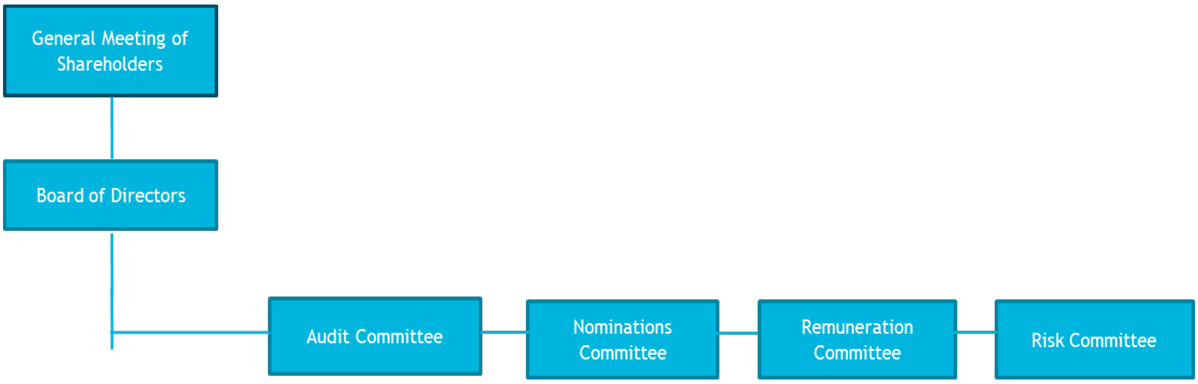
4. Risks management

The financial risk profile during the year has maintained the strategy of recent years, showing a good result during the year and its resilience in the face of a year with events that have generated moments of significant volatility. Management has been very prudent, following the policies defined by the Board, with controlled levels and always remaining within the levels and profile defined in the MTR.

Notes 22, 23, 24, 25 and 26 of the notes to the financial statements contain information on the Entity's risk management objectives, policies and procedures, as well as its exposure by type of risk.

5. Cecabank's Corporate Governance in 2022

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.



Cecabank held its Ordinary General Shareholders' Meeting on 29 March 2022 at its registered office and in person, with 100% of its shareholders attending in person and by proxy.

The purpose of the Meeting was to approve, among others, the annual accounts, the statement of non-financial information, the renewal of the annual accounts auditors for the 2022 financial year and the fixing of the number of members of the Board of Directors.

Cecabank is administered, managed and represented by its Board of Directors. The Board of Directors 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 Bylaws, is the highest decision-making body and is responsible for the risks assumed by the Bank.

With regard to the Board of Directors, the General Meeting of Shareholders held on 29 March resolved to set its composition at ten members. As at 31 December 2022, the Board will be composed 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 Managing Director, Mr. José María Méndez, as Chief Executive Officer of the Bank. This appointment did not entail a significant change as he already held the position of executive director with broad powers granted to him.

The Board of Directors meets regularly on a monthly basis, in accordance with the work plan approved annually, and extraordinarily when deemed necessary. During the year, the Board of Directors held eleven meetings, all of them in person and at its registered office, except for one meeting held in Malaga.

Among the matters dealt with by the Board of Directors during 2022 were the review of the economic and financial information, the analysis of the regulatory environment and business aspects, the monitoring of the development of the 2022-2024 Strategic Plan, as well as the approval of the 2022-2024 Sustainability Plan.

Furthermore, in compliance with the regulations governing capital companies and the regulation, supervision and solvency of credit institutions, Cecabank has set up four committees (Audit Committee, Appointments Committee, Remuneration Committee and Risk Committee), made up of non-executive directors and all of them 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 financial year 2022, the various committees held a total of nineteen meetings.

Full details of the composition, functions and operation of the various governing bodies can be found in both the Bylaws and their operating regulations, which are available in the "corporate information" section of Cecabank's website.

6. Significant events after the balance sheet date

After 31 December 2022 and up to 22 February 2023, the date on which these financial statements were authorised for issue by the Board of Directors of the Entity, no significant event has occurred that should be included in the accompanying financial statements in order to give a true and fair view of the Entity's net assets, financial position, results of operations, changes in equity and cash flows.

7. Business objectives for the financial year 2023

In setting the 2023 business objectives, the following premises were taken as a starting point:

- That they should be aligned with the 2023 budget and the Strategic Plan.
- That they should maintain a homogeneous level of contribution to the entity.
- That they should be challenging, prioritising the impact on the income statement and with a high level of demand.

The commercial activity objectives set for 2023 are as follows:

+7 million euros of new turnover, i.e. potential annual turnover from new contracts. The target set for this indicator does not take into account any corporate operations and is challenging compared to the target set in the previous year and in line with the business consolidation strategy.

+6 million euros of new revenues in the year, which means actual revenues in 2023 from new contracts. This is the most relevant indicator of all as it reflects the impact of commercial successes that will materialise during the year.

~**100** deals contracted or renewals for more than €25,000.

+20 new clients. Despite the difficulty of maintaining growth in this indicator, the target set for 2023 endorses the commitment to diversify Cecabank's already extensive customer base with more than 300 active customers.

8. Transactions in own shares

During the period from 1 January 2022 to 31 December 2022, there were no treasury shares on the Bank's balance sheet.

9. Payment of suppliers

In compliance with Article 262 of the Consolidated Text of the Spanish Companies Act, Note 36 of the notes to the financial statements contains information on the deferral of payments to suppliers

10. Statement of non-financial information

In accordance with the provisions of Law 11/2018, of 28 December, amending 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, regarding non-financial information and diversity, the Consolidated Statement of Non-Financial Information relating to financial year 2022 has been prepared and is included as a separate document attached to the Consolidated Management Report for financial year 2022 of the Cecabank Group, in accordance with the provisions of article 44 of the Code of Commerce.

As described in the previous paragraph, and in accordance with the aforementioned regulations, the information in the Statement of Non-Financial Information corresponding to Cecabank, S.A. has been included in the aforementioned Consolidated Statement of Non-Financial Information, which will be filed with the Madrid Mercantile Registry.

This statement includes information relating to investment in R&D&I and disabled personnel.

Authorisation for issue of the 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 Financial Statements and Directors' Report of Cecabank, S.A. for 2022, which documents were transcribed, including this certificate, on the obverse of 148 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 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

Authorisation for issue of the financial statements and directors' report

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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

Authorisation for issue of the financial statements and directors' report

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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