cecabank

Annual Accounts

Cecabank, S.A.

2021

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Annual Accounts
Cecabank, S.A.
2021

Auditor's Report

Financial Statements

Annual Report

Management Report

Cecabank, S.A.

Independent auditor's report on the annual accounts
December 31, 2021

This version of our report is a free translation of the original, which was prepared in Spanish. All possiblecare 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 annual accounts of Cecabank, S.A. (the Company), which comprise the balance sheet as at 31 December 2021, the income statement, total statement of changes in equity, cash flow statement and related notes for the year thenended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2021, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in note 1.2. of the notes to the annual accounts) and, in particular, with the accounting principles and criteria included therein.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the annual accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such 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 judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Key audit matters	How our audit addressed the key audit matters
Third party securities depository and custody	
As is described in Note 1, the Company is a wholesale back specializing in securities services and one of its main businesses is securities depository and custody services. The Company's memorandum accounts at 31 December 2021 record financial instruments deposited by third parties with a value of 295,221 million euros held as a part of the depository and custody services provided to various financial institutions, as is described in Notes 13 and 27.3. During 2021 the Company received fees totaling 172,748 thousand euros, as described in Note 31, in exchange for the deposit and custody services mentioned above and, therefore, it is the most relevant business in terms of revenue for the Company. We consider this business to be a key audit matter due to its relevance to the financial statements taken as a whole, as well as the materiality of the revenues received in that respect.	Our work has focused on the analysis, assessment and verification of internal control, as well as the performance of detailed tests. In the internal control area, we have focused on the design and operation of the depository and custody business controls, primarily the verification of reconciliations of securities and assets on deposit and held in custody on behalf of third parties, as well as the fees accrued for performing this activity. We have also performed detailed tests consisting of: • Obtaining and analyzing a sample of the contractual documentation governing the depository and custody services renderedby the Company to its customers and we checked that the documents coincide withthe accounting entries. • Recalculation of all depository fees and asample of custody fees received in 2021. • Third-party confirmations for a sample ofthe fees accrued during the year for the depository operations. • Verification of the reconciliations of securities carried out by Company management, as well as an analysis of theitems in reconciliation at 31 December 2021. • External confirmation of all the counterpartyitems on deposit and held in custody at 31 December 2021. • Verification of the proper recognition of thedisclosures of the balances set out in the Company's financial statements at 31 December 2021. As a result of the aforementioned procedures, we did not detect any significant weaknesses in this respect.

Key audit matters	How our audit addressed the key audit matters

Measurement of financial derivatives

The Company maintains investments in diverse types of financial instruments in the amount of 4,791 million euros (asset) and 1,089 million euros (liability). At the year-end these balances represent 28% of total assets and 7% of total liabilities in the balance sheet in the accompanying financial statements.

These financial instruments are classified as Level 1, Level 2 and Level 3. Note 21 indicates that the fair value of financial instruments is determined as follows:

- Level 1: listed price on active markets.
- Level 2: using measurement techniques in which significant inputsare based on directly or indirectly observable market data.
- Level 3: using measurement techniques in which some significantinputs are not based on observable market data.

Moreover, the measurement of financial instruments is one of the most significant estimates made by Company management and various measurement techniques and methods are used, as is explained in Notes 2.2, 2.3 and 21 of the accompanying financial statements.

We therefore consider the classification and measurement of financial instruments to be a key audit matter due to the importance they have within the financial statements and the high degree of professional judgement that is required.

We have obtained an understanding of management's estimation process in collaborationwith our financial instrument measurement experts.

In the internal control area, we have focused on an assessment of the design and operation of controls over the following processes:

- Calculation methods applied by management, verifying that they are in line with applicable accounting standards.
- Regulatory and operational complianceby the internal models approved by management.
- Reliability of the sources of the data usedin the calculations and the adequacy of the models taking into account the circumstances.

We have also performed detailed tasks consisting of:

- Verification that the measurement process method applied by management is in line with applicable accounting regulations, market practices and the specific expectations of the sector.
- Verification of the classification of financial instruments by level, based onobservable prices in active markets.
- Comparison and re-execution of the measurement carried out by Company management based on classifications of the various financial instrument portfoliosamples.
- Comparison and re-execution of the effectiveness test for a sample selectionof files of accounting hedges.
- Re-execution back-tests for a sample of financial instruments.
- Verification of the proper recognition ofthe disclosures of the balances set outin the Company's financial statements at 31 December 2021

Key audit matters	How our audit addressed the key audit matters
	When performing the aforementioned tests, no differences were identified beyond a reasonable range.
Matters associated with computer systems	
The Company uses complex computer systems in its operations, both for operations and calculating, processing, recording, archiving, preparing and presenting its financial and accounting information. Accordingly, adequate control over them and the protocol for accessing applications and databases is essential to guarantee the correct processing of the financial information. Therefore, we have considered the effectiveness of the general internal control framework for information systems relating to the process ofaccounting for transactions and closing the accounts to be a key matter with respect to performing certain audit procedures based oninternal controls.	The main audit procedures performed on the information systems considered relevant to the financial reporting process are described below. In order to carry out this work, we have had the collaboration of specialists in systems and process audits. • Testing of IT general controls (ITGCs), focusing on the following areas: access to programs and data, program changes and IT operations of the main platforms containing information that may have a material impact on the annual accounts. • Verification of the existence of tools for the management and control of automatic processes and the monitoringand management of incidents. • Understanding of key business processes and the identification of automatic controls existing in the application that support and validatethem. • Understanding and verifying the accounting close process, the generation of "nonstandard" entries andselective tests of the extraction and filtering of these entries within the financial reporting systems. As a result of our procedures, we did not detect any material weaknesses that could significantly affect the financial information included in the accompanying consolidated annual accounts.

Other information: Management report

Other information comprises only the management report for the 2021 financial year, the formulationof which is the responsibility of the Company'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 regarding the management report, in accordance with legislation governing the audit practice, is to:

a) Verify only that the statement of non-financial information has been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.

b) Evaluate and report on the consistency between the rest of the information included in the management report and the annual accounts as a result of our knowledge of the Company obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the management report is consistent with that contained in the annual accounts for the 2021 financial year, and its content and presentation are in accordance with 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, such that they fairly present the equity, financial position and financial performance of the Company, in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as the aforementioned determine 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 Company's ability tocontinue as a going concern, disclosing, as applicable, matters related to going concern and using thegoing concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit commission is responsible for overseeing the process of preparation and presentation of 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 arefree from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain auditevidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or theoverride 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 anopinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accountingestimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accountingand, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor´s report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as 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 eventsin a manner that achieves fair presentation.

We communicate with the entity's audit commission regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies ininternal control that we identify during our audit.

We also provide the entity's audit commission with a statement that we have complied with relevantethical requirements, including those relating to independence, and we communicate with the aforementioned those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the entity's audit commission, we determine those matters thatwere of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Report to the audit commission

The opinion expressed in this report is consistent with the content of our additional report to the audit commission of the Company dated 18th February 2022.

Appointment period

The General Ordinary Shareholders' Meeting held on 20th March 2018 appointed us as auditors for a period of 3 years, as from the year ended 31st December 2019.

Services provided

Services provided to the audited entity for services other than the audit of the accounts are disclosed in note 36 to the annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Amagoia Delgado Rodríguez (22009)

18 February 2022

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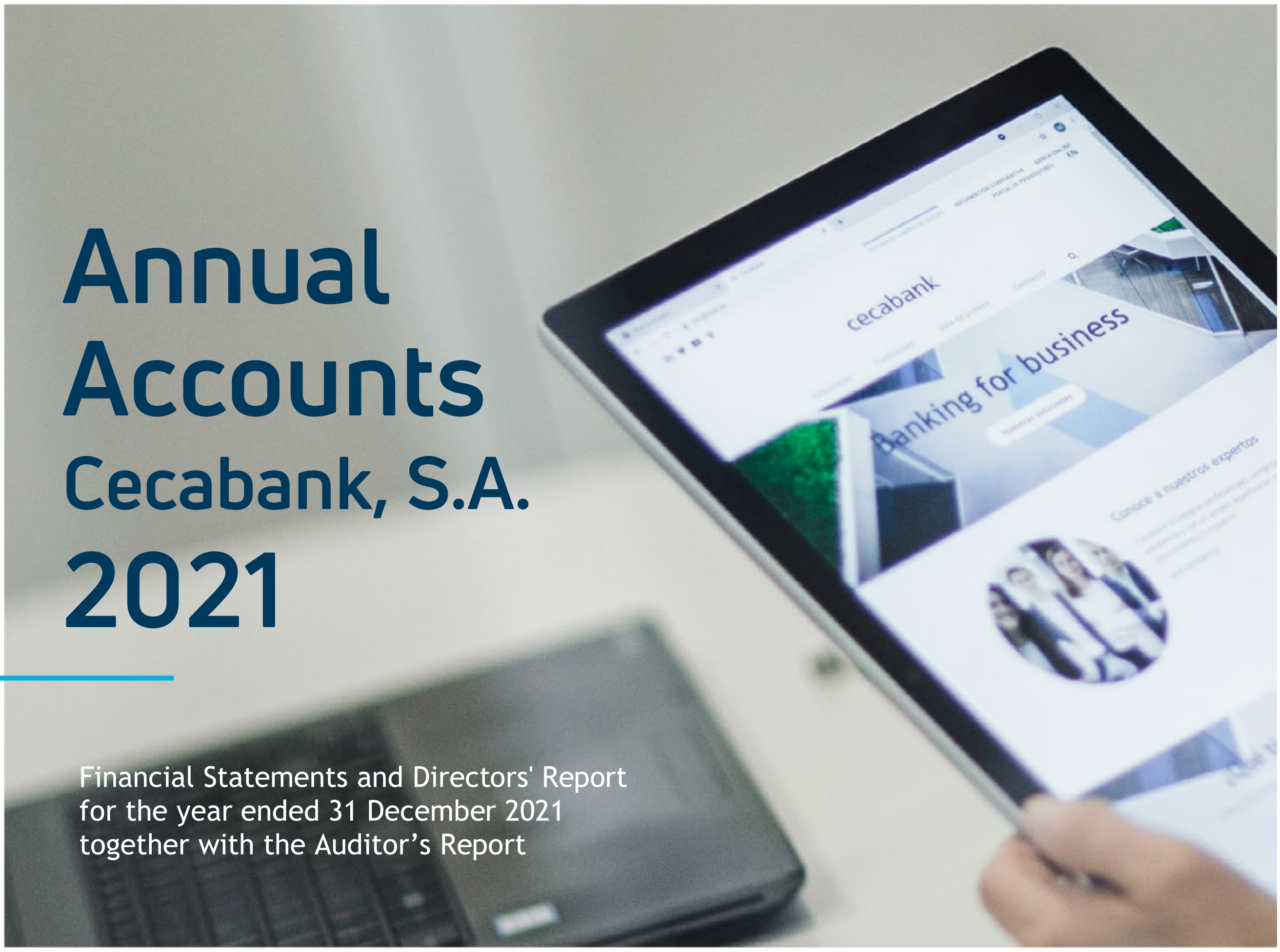

Annual Accounts

Cecabank, S.A.

2021

Financial Statements and Directors' Report
for the year ended 31 December 2021
together with the Auditor's Report

Auditor's Report

Financial Statements

Annual Report

Management Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

Cecabank, S.A.

Balance sheet at 31 december 2021

(Expressed in Thousands of Euros)

Assets	2021	2020
Cash, cash balances at central banks and other demand deposits (Note 5)	**8,678,793**	**5,348,908**
Financial assets held for trading (Note 6.1)	**1,414,378**	**1,857,991**
Derivatives	781,544	961,056
Equity instruments	292,528	146,992
Debt securities	340,306	749,943
Memorandum item: lent or delivered as guarantee with a right of sale or pledged	170,867	90,560
Non-trading financial assets mandatorily at fair value through profit or loss (Note 6.2)	**28,584**	**28,791**
Equity instruments	4,550	6,451
Debt securities	23,924	21,720
Loans and advances	110	620
Memorandum item: lent or delivered as guarantee with a right of sale or pledged	-	488
Financial assets designated at fair value through profit or loss (Note 6.3)	**-**	**-**
Financial assets at fair value through other comprehensive income (Note 7)	**3,238,947**	**2,462,912**
Equity instruments	3,002	2,638
Debt securities	3,235,945	2,460,274
Loans and advances	-	-
Memorandum item: lent or delivered as guarantee with a right of sale or pledged	2,132,610	1,381,955
Financial Assets at amortised cost (Note 8)	**3,198,576**	**3,886,709**
Debt securities	109,595	299,012
Loans and advances	3,088,981	3,587,697
Central banks	16,174	-
Credit institutions	2,094,199	2,497,154
Customers	978,608	1,090,543
Memorandum item: lent or delivered as guarantee with a right of sale or pledged	479,295	1,042,859
Derivatives - hedge accounting (Note 9)	**10,137**	**694**
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)	**51,157**	**51,962**
Property, plant and equipment	41,860	45,140
For own use	41,860	45,140
Investment property	9,297	6,822
Of which: assigned in operating lease	-	-
Memorandum item: acquired in finance lease	1,673	2,177
Intangible assets (Note 13)	**446,601**	**491,594**
Goodwill	-	-
Other intangible assets (Note 13.1)	446,601	491,594
Tax assets (Note 20)	**66,765**	**76,154**
Current tax assets	229	2,216
Deferred tax assets	66,536	73,938
Other assets (Note 14.1)	**60,349**	**58,729**
Remainder of other assets	60,349	58,729
Non-current assets and disposable groups of items classified as held for sale (Note 10)	**3,075**	**3,032**
Total assets	**17,197,674**	**14,267,788**

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

Cecabank, S.A.

Balance sheet at 31 december 2021

(Expressed in Thousands of Euros)

Liabilities and equity	2021	2020
Financial liabilities held for trading (Note 6.1)	**1,085,136**	**1,293,973**
Derivatives	805,612	1,088,340
Short positions	279,524	205,633
Financial liabilities designated at fair value through profit or loss (Note 6.3)	**-**	**-**
Financial liabilities at amortised cost (Note 15)	**14,726,825**	**11,639,413**
Deposits	14,591,300	11,404,436
Central Banks	-	464,729
Credit Institutions	2,267,645	1,571,405
Customers	12,323,655	9,368,302
Other financial liabilities	135,525	234,977
Derivatives - hedge accounting (Note 9)	**4,105**	**16,473**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**-**	**-**
Liabilities under insurance and reinsurance contracts	**-**	**-**
Provisions (Note 16)	**86,763**	**80,900**
Other remuneration to long-term employees obligations	45,426	29,051
Pending legal issues and tax litigations	4,213	7,621
Commitments and guarantees given	262	288
Other provisions	36,862	43,940
Tax liabilities	**18,531**	**19,935**
Current liabilities	6,686	4,075
Deferred tax liabilities	11,845	15,860
Other liabilities (Note 14.2)	**65,596**	**56,397**
Liabilities included in disposal groups classified as held for sale	**-**	**-**
Total liabilities	**15,986,956**	**13,107,091**
Shareholders´ equity	**1,200,748**	**1,136,282**
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)	388,891	339,382
Other reserves (Note 19)	14,889	14,796
Profit for the year (Note 3)	69,218	54,354
Accumulated other comprehensive income	**9,970**	**24,415**
Items that will not be reclassified to profit or loss	11,163	11,218
Actuarial gains or losses on defined benefit pensions plans (Note 17)	9,656	9,894
Changes of fair value of equity instruments measured at fair value through other comprehensiveincome	1,507	1,324
Items that may be reclassified to profit or loss	(1,193)	13,197
Changes of fair value of debt instruments measured at fair value through other comprehensive income (Note 17)	(1,193)	13,197
Total equity	**1,210,718**	**1,160,697**
Total liabilities and equity	**17,197,674**	**14,267,788**
Memorandum item		
Commitments from loans granted (Note 27.1)	**561,871**	**570,499**
Financial guarantees granted (Note 27.1)	**-**	**-**
Other obligations granted (Note 27.1)	**71,431**	**1,060,366**

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Cecabank, S.A.

Income statements for the year ended 31 december2021

(Expressed in Thousands of Euros)

	2021	2020
Interest income (Note 28)	**111,336**	**100,465**
Financial assets at fair value through other comprehensive income	27,897	31,334
Financial assets at amortised cost	9,763	10,793
Other interest income	73,676	58,338
Interest expenses (Note 29)	**(104,962)**	**(85,832)**
Net interest income	**6,374**	**14,633**
Dividend income (Note 30)	4,066	3,667
Fee and commission income (Note 31)	223,457	163,432
Fee and commission expenses (Note 32)	(33,090)	(25,696)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value throughprofit or loss, net (Note 33)	34,588	24,126
Financial assets at amortised cost	3	3
Financial liabilities at amortised cost	-	(689)
Other financial assets and liabilities	34,585	24,812
Gains or losses on financial assets and liabilities held for trade, net (Note 33)	(6,018)	(14,725)
Gain or losses on non-trading financial assets mandatorily at fair value through profit or loss, net(Note 33)	(1,043)	(3,141)
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)	206	(1,199)
Exchange differences, net	38,746	43,219
Other operating income (Note 34)	45,410	46,769
Other operating expenses (Note 37)	(7,404)	(5,153)
Gross income	**305,292**	**245,932**
Administrative expenses	(143,559)	(117,050)
Staff costs (Note 35)	(71,427)	(49,942)
Other administrative expenses (Note 36)	(72,132)	(67,108)
Amortisation (Note 39)	(82,411)	(57,367)
Provisions and reversal of provisions (Note 16)	9,786	8,636
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)	4,580	(5,770)
Financial assets at fair value through other comprehensive income	(416)	(3,146)
Financial Assets at amortised cost	4,996	(2,624)
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)	**5**	**(10)**
Negative goodwill recognised in profit or loss	-	-
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying asdiscontinued operations (net) (Note 10)	43	-
Profit or loss before tax from continuing operations	**93,736**	**74,371**
Tax expense or income related to profit or loss from continuing operations (Note 20.2)	(24,518)	(20,017)
Profit or loss after tax from continuing operations	**69,218**	**54,354**
Profit or loss after tax from discontinued operations	-	-
Profit for the year	**69,218**	**54,354**

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Cecabank, S.A.

Statement of changes in equity for the year ended31 december 2021

(Expressed in Thousands of Euros)

a) Statement of recognised income and expense

	2021	2020
Profit for the year	**69,218**	**54,354**
Other comprehensive income	**(14,445)**	**5,366**
Items that will not be reclassified to profit or loss	**(55)**	**(1,798)**
Actuarial gains or losses on defined benefit pension plans (Note 35)	(340)	3,743
Non-current assets and disposal groups held for sale	-	-
Changes of fair value of equity instruments measured at fair value through othercomprehensive income (Notes 7 and 20.4)	262	(6,312)
Tax on gains related to the items that will not be reclassified (Note 20.4)	23	771
Items that may be reclassified to profit or loss	**(14,390)**	**7,164**
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)	(20,557)	10,234
Valuation gains or losses taken to equity	14,028	31,864
Transferred to profit or loss (Notes 7 and 20.4)	(34,585)	(21,630)
Tax on gains related to the items that may be reclassified in profit or loss (Note20.4)	6,167	(3,070)
Total comprehensive income for the year	**54,773**	**59,720**

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Cecabank, S.A.

Statement of changes in equity for the year ended 31 december 2021

(Expressed in Thousands of Euros)

b) Statement of changes in total equity

	Shareholders' equity								
	Sharecapital (Note 18)	Sharepremium (Note 18)	Retained earnings	Otherreserves (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 2020	-	-	-	-	-	-	-	-	-
Effects of corrections of errors	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-
Opening balance at 1 January 2020	112,257	615,493	309,108	5,592	-	45,185	-	19,049	1,106,684
Total comprehensive income for the year	-	-	-	-	-	54,354	-	5,336	59,720
Other changes in equity	-	-	30,274	9,204	-	(45,185)	-	-	(5,707)
Dividends (or remuneration of members)	-	-	(14,911)	-	-	-	-		(14,911)
Sale or cancellation of treasury shares	-	-	-	-	-	-	-		-
Transfers among components of equity	-	-	45,185	6,081	-	(45,185)	-	-	6,081
Other increase or decrease in equity	-	-	-	3,123	-	-	-		3,123
Closing balance at 31 December 2020	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

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Cecabank, S.A.

Statement of cash flows for the year ended 31 december 2021

(Expressed in Thousands of Euros)

	2021	2020
Cash flows from operating activities	3,371,345	3,448,678
Profit for the year	**69,218**	**54,354**
Adjustments made to obtain the cash flows from operating activities	**110,286**	**90,035**
Amortisation (Note 39)	82,411	57,367
Other adjustments	27,875	32,668
Net (increase)/decrease in operating assets	**(341,126)**	**(842,779)**
Financial assets held for trading (Note 6.1)	(448,606)	893
Non trading financial Assets mandatory measured at fair value through profit and loss	984	(7,245)
Financial assets designated at fair value through profit or loss (Note 6.2)	-	-
Financial assets at fair value through other comprehensive income (Note 7)	814,919	362,833
Financial assets at amortised cost (Note 8)	(688,148)	(1,186,343)
Other operating assets	(20,275)	(12,917)
Net increase/(decrease) in operating liabilities	**2,861,158**	**2,471,756**
Financial liabilities held for trading (Note 6.1)	(208,837)	82,227
Financial liabilities at amortised cost (Note 15)	3,087,412	2,427,649
Other operating liabilities	(17,417)	(38,120)
Income tax recovered/(paid)	**(10,443)**	**(10,247)**
Cash flows from investing activities	(36,616)	(352,966)
Payments:	**36,616**	**(352,966)**
Tangible assets (Note 12)	3,303	(3,179)
Intangible assets (Note 13)	33,313	(349,787)
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	(4,844)	(14,911)
Payments:	**(4,844)**	**(14,911)**
Dividends (Nota 30)	(4,844)	(14,911)
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	3,329,885	3,080,801
Cash and cash equivalents at beginning of year (note 5)	**5,348,908**	**2,268,107**
Cash and cash equivalents at end of year (note 5)	**8,678,793**	**5,348,908**
Memorandum item		
Components of cash and cash equivalents at end of year (note 5)		
Cash	179,338	122,057
Cash balances at central banks	8,388,867	5,071,475
Other demand deposits	110,588	155,376
Less: Bank overdrafts refundable on demand	-	-

Annual Accounts
Cecabank, S.A.
2021

Auditor's Report

Financial Statements

Annual Report

Management Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

Cecabank, S.A.

Notes to the Financial Statements for the year Ended 31 December 2021

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 available either at this address or on its website (www.cecabank.es), together with other relevant legal information.

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

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

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

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.)
- On May 19, 2020, the Board of Directors of Cecabank, S.A. agrees to close the branch of London and to open an overseas office of Cecabank in London, taking place the liquidation with effect December 31, 2020. On January 1, 2021, the opening of the overseas office in London has occurred once the pertinent authorizations have been received.
- In addition, on May 19, 2020, the Board of Directors of Cecabank, S.A. also agreed to the closure of the overseas office in Paris. This closure became effective on August 7, 2020.

1.2. Basis of presentation of the financial statements

The Bank's annual accounts for 2021 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 2021 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 2021 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 2021 were prepared by the Board of Directors at a meeting held on 17 February 2022. The Bank's financial statements for 2020 were approved by Shareholders at a General Meeting held on 23 March 2021. The Bank's financial statements for 2021 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 2021 and 2020 amounted to EUR 17,199,537 thousand and EUR 14,270,097 thousand, respectively, consolidated equity was EUR 1,211,591 thousand and EUR 1,162,300 thousand, respectively, and the consolidated net profit attributable to the Group for 2021 and 2020 totalled EUR 69,058 thousand and EUR 54,377 thousand, respectively.

The summarised consolidated financial statements of the Cecabank Group for the financial years 2021 and 2020 are presented below.

The Cecabank Group's condensed consolidated financial statements for 2021 and 2020 are as follows:

Thousand euro

Assets	2021	2020
Cash, cash balances at central banks and other sight deposits	8,679,756	5,350,092
Financial assets held for trading	1,414,378	1,857,991
Non-traded financial assets designated at fair value through profit or loss	28,584	28,791
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	3,238,947	2,462,912
Financial assets at amortised cost	3,199,697	3,887,827
Derivatives - hedge accounting	10,137	694
Investments in subsidiaries, joint ventures and associates	-	-
Property, plant and equipment	51,168	51,993
Intangible assets	446,662	491,692
Tax assets	66,765	76,154
Other assets	60,368	58,919
Non-current assets and disposal groups classified as held for sale	3,075	3,032
Total Consolidated Assets	**17,199,537**	**14,270,097**

Thousand euro

Liabilities	2021	2020
Financial liabilities held for trading	1,085,136	1,293,973
Financial liabilities designated at fair value through profit or loss	-	-
Financial Liabilities at Amortised Cost	14,727,683	11,639,754
Derivatives - hedge accounting	4,105	16,473
Provisions	86,763	80,900
Tax Liabilities	18,531	19,935
Other Liabilities	65,728	56,762
Total Liabilities	**15,987,946**	**13,107,797**

Equity:	2021	2020
Shareholders' equity	1,201,621	1,137,476
Share Capital	112,257	112,257
Share Premium	615,493	615,493
Retained earnings	389,924	340,558
Other Reserves	14,889	14,796
Profit/(loss) for the year	69,058	54,372
Accumulated other comprehensive income	9,970	24,415
Non-controlling interests	-	409
Total Consolidated Equity	**1,211,591**	**1,162,300**
Total Consolidated Equity and Liabilities	**17,199,537**	**14,270,097**

Consolidated Income Statements for 2021 and 2020:

Thousand euro

	2021	2020
Interest income	111,336	100,463
Interest expense	(104,970)	(85,835)
Net Interest Income	**6,366**	**14,628**
Dividend income	4,066	3,667
Share of results of entities accounted for using the equity method	-	-
Fee and commission income	222,429	162,330
Fee and commission expenses	(33,090)	(25,696)
Net gains or losses on derecognition of assets and liabilities not measured at fair value through profit or loss	34,588	24,126
Net gains or losses on financial assets and liabilities held for trading	(6,018)	(14,725)
Net gains or losses on derecognition of financial assets and liabilities not measured at fair valuethrough profit or loss	(1,043)	(3,141)
Net gains and losses on financial assets designated at fair value through profit or loss	-	-
Net gains or losses from hedge accounting	206	(1,199)
Net differences on exchange	38,746	43,219
Other operating income	51,068	52,391
Other operating expenses	(11,638)	(9,135)
Gross Income	**305,680**	**246,465**
Administrative expenses	(144,026)	(117,438)
Depreciation and amortisation charge	(82,468)	(57,488)
Provisions or reversal of provisions	9,786	8,636
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 tochanges	4,580	(5,771)
Profit/(loss) from Operations	**93,552**	**74,404**
Impairment or reversal of impairment of investments in subsidiaries, joint ventures andassociates	-	-
Gains or losses on derecognition of non-financial assets and investments, net	5	(9)
Profit or loss from non-current assets and disposal groups classified as held for sale notqualifying as discontinued operations	43	-
Profit or loss before tax from continuing operations	**93,600**	**74,395**
Tax expense or income related to profit or loss from continuing operations	(24,542)	(20,018)
Profit or loss after tax from continuing operations	**69,058**	**54,377**
Profit or loss after tax from discontinued operations	-	-
Profit/(loss) for the year	**69,058**	**54,377**
Attributable to Non-controlling interests	-	5
Attributable to Non-controlling interests	69,058	54,372

1.4. Information relating to 2020

The Board of Directors of the Entity presents, for comparative purposes with each of the figuresdisclosed in these annual accounts, the figures for the financial year 2020.

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 2021 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 “Impairment of financial assets”, 2.13 “Property, plant and equipment”, 2.14 “Intangible assets” and 2.16 “Non-current assets and Disposal Groups Classified as Held for Sale”).
- Assumptions used in the actuarial calculation of the post-employment benefit liabilities and obligations and other non-current obligations to employees (see Note 2.11 “Staff costs”).
- Calculation of the provisions, if any, to be recognised to cover certain risks arising from the Bank’s activity (see Notes 2.10 “Financial guarantees and provisions recorded” and 2.15 “Provisions and contingent liabilities”).
- The useful life of property, plant and equipment and intangible assets (see Notes 2.13 “Property, plant and equipment” and 2.14 “Intangible assets”).
- The fair value of certain unlisted financial instruments (see Note 2.2.3 “Fair value and amortised cost of financial instruments”).
- The assumptions used in the estimates of the probability of recovery of the deferred tax assets recognised by the Bank (see Note 2.12 “Income Tax”).

In relation to COVID-19, the Bank's management has assessed the potential implications on the methodology and assumptions used in the aforementioned estimates and concluded that, given the nature of these estimates, they have not been significantly affected and, therefore, there has been no material impact on their quantification for the financial years 2021 and 2020.

1.6. Agency agreements

Neither at 2021 nor 2020 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 2021 and 2020 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 2021 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 quarterlybasis 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) (9.73% in its communication for the 2020 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 2022. On 31st December 2021, as well as during the financial year 2021, 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.

In this regard, on December 17, 2021, the Bank of Spain informed Cecabank, SA 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 June 26 of 2013, on the prudential requirements of credit institutions and investment firms, setting a requirement for the Entity to maintain a global consolidated and individual capital ratio of not less than 10.19% (TSCR ratio) (a 9.73% 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 requirement for combined mattresses, as defined in article 43 and following of Law 10/2014 and its implementing regulations.

This requirement is required from January 1, 2022. As of December 31, 2021, as well as during fiscal year 2021, the level of consolidated and individual capital of the Entity and its Group, were above the requirement demanded for said fiscal year.

The Bank's Common Equity Tier 1 capital and its CET 1 plus Additional Tier 1 capital amounted to EUR 743,373 thousand at 31 December 2021, in both cases (31 December 2020: EUR 644,600 thousand), while total capital totalled equally EUR 743,373 thousand at that date (31 December 2020: EUR 644,600 thousand), representing a Tier 1 capital adequacy ratio and a total capital ratio of 30.09%, at 31 December 2021 (31 December 2020: 26.61%), 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 2021 and 2020, the Bank met the minimum reserve ratio required by applicable legislation.

At 31 December 2021 and 2020 the Bank's cash balance with Bank of Spain for these purposes amounted to EUR 8,388,867 and 5,071,475 thousand, respectively (see Note 5 "Cash, balances at central banks and other sight deposits"). 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 30 November 2021, pursuant to the provisions of article 6 of Royal Decree-Law 16/2011 of 14 October, which created the FGD, and article 3 of Royal Decree 2606/1996 of 20 December, on deposit guarantee funds for credit institutions, set the annual contributions of the institutions attached to the FGD for 2021 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 1.7/1,000 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 2021.

The expense incurred for the contributions accruing to the DGF during 2021 amounted to EUR

230 thousand (2020: EUR 169 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 2021 totalled EUR 6,950 thousand (2020: EUR 4,426 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 2021

Following is a summary of the main Bank of Spain Circulars issued in 2021:

Bank of Spain Circular 6/2021 of 22 December amending Circular 4/2017 of 27 November to credit institutions on public and confidential financial reporting standards and model financial statements and Circular 4/2019 of 26 November to financial credit institutions on public and confidential financial reporting standards and model financial statements.

The main objective of this Circular is to update Circular 4/2017, of 27 November, to credit institutions, on public and confidential financial reporting standards and financial statement formats.

financial statements. Specifically, it incorporates into Circular 4/2017 changes to International Accounting Standard No. 39 and International Financial Reporting Standards 4, 7, 9 and 16. It also updates the models and instructions for the preparation of the confidential financial statements known as FINREP.

Bank of Spain Circular 5/2021, of December 22, which modifies Circular 2/2016, of February 2, to credit institutions, on supervision and solvency, which completes the adaptation of the Spanish legal system to Directive 2013/36/EU and Regulation (EU) No. 575/2013.

Bank of Spain Circular 4/2021, of November 25, to credit institutions and other supervised entities, on models of reserved statements in matters of market conduct, transparency and customer protection, and on the registration of claims. (BOE of December 1, 2021).

The aforementioned Circular establishes the information that the supervised entities have to prepare in terms of conduct, in development – among others– of the authorization contained in the eighth additional provision of Royal Decree 84/2015, of February 13, which develops Law 10/2014, of June 26, on the organization, supervision and solvency of credit institutions, pursuant to which the Bank of Spain is empowered to require natural or legal persons subject to its supervision, with the form and frequency to be determined, the statements and the information that it considers necessary to comply with the function of supervising the standards of conduct, transparency and protection of the required clients. Specifically, the models of reserved statements are determined, for which their content and the frequency with which they must be sent to the Bank of Spain are defined. Likewise, it establishes the need for entities to have a register of claims available to the Bank of Spain with predefined content.

Bank of Spain Circular 3/2021, of May 13, which modifies Circular 5/2012 with regard to the definition of the reference interest rate based on the Euro short-term rate (€STR), of June 27, to credit institutions and payment service providers, on transparency of banking services and responsibility in granting loans (BOE of May 17, 2021).

The Circular includes the modification that is proposed to be introduced in the definition of the €STR index provided for in the sixth section of annex 8 of the aforementioned Circular 5/2012, of June 27, after the publication of the BCE/2021/10 Guideline, where the procedures for determining and the rules for disseminating the compound average rates based on the €STR are included.

Bank of Spain Circular 2/2021, of January 28, which modifies Circular 8/2015, of December 18, of the Bank of Spain, to the entities and branches attached to the Deposit Guarantee Fund of Credit Institutions, on information to determine the bases for calculating contributions to the Deposit Guarantee Fund for Credit Institutions (BOE of February 2, 2021).

This circular meets the principles of necessity, effectiveness, and legal certainty required by article 129.1 of Law 39/2015, of October 1, on the common administrative procedure of Public Administrations (hereinafter, "Law 39/2015") , since it responds to the need to undertake the changes that ensure the correct fulfillment of the obligations contained in Circular 8/2015 by the entities and branches attached to the FGD and, therefore, the fulfillment, by the Bank of Spain of the control and supervision function aimed at ensuring the proper functioning of the Deposit Guarantee Fund.

Bank of Spain Circular 1/2021, of January 28, which modifies Circular 1/2013, of May 24, on the Risk Information Center, and Circular 5/2012, of June 27 , to credit institutions and payment service providers, on transparency of banking services and responsibility in granting loans (BOE of January 30, 2021).

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, “Investments in subsidiaries, joint ventures and associates” and in Appendix I “Group companies” to these financial statements provide significant information on these companies and on the most significant acquisitions and disposals in 2021 and 2020.

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 “Transfers and disposals of financial assets and liabilities from the balance sheet”).

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 2021 and 2020 various reverse repurchase loan operations (see Note 8 "Financial assets at amortised cost"), for which it must return the securities making up the collateral to the former owner at expiration. At 31 December 2021 and 2020 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.

As of December 31, 2021, Cecabank considers that, in general, there is no uncertainty about the Euribor, since it has been replaced by the hybrid Euribor with a methodology that meets the standards required by the different international organizations. In the case of the rest of the indices in which there are accounting hedges, except for the USD Libor whose application is scheduled until June 2023, there is no uncertainty.

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

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

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

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

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

For this reason, 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, 2021, 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 “Classification and measurement of financial assets and liabilities”).

    - 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 “Assets delivered as security” and 27.4 “Financial assets lent and borrowed” contain a summary of the main circumstances of the principal transfers of assets outstanding at 2021 and 2020 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 2021 and 2020 is as follows:

Equivalent Value in Thousand euro (*)

	2021		2020	
Nature of Foreign Currency Balances:	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Amount in US Dollars-				
Cash	76,078	-	59,341	-
Financial assets and liabilities held for trading	162	175	5,413	573
Financial assets at fair value through other comprehensive income	85,805	-	131,883	-
Demand deposits and financial assets at amortised cost	561,340	-	411,206	-
Financial liabilities at amortised cost	-	3,745,143	-	2,234,401
Derivatives - hedge accounting	-	-	-	4,816
Other assets and liabilities	3	7	224	25
	723,388	**3,745,325**	**608,067**	**2,239,815**
Balances in Japanese yen-				
Cash	1,019	-	724	-
Demand deposits and financial assets at amortised cost	52,092	-	58,569	-
Financial liabilities at amortised cost	-	473,385	-	272,207
Other assets and liabilities	-	-	-	-
	53,111	**473,385**	**59,293**	**272,207**
Balances in pounds sterling-				
Cash	40,860	-	25,389	-
Financial assets/liabilities held for trading	11,127	-	-	-
Demand deposit and financial assets at amortised cost	126,268	-	69,908	-
Financial liabilities at amortised cost	-	207,147	-	203,036
Other assets and liabilities	23	-	304	-
	178,278	**207,147**	**95,601**	**203,036**
Balances in Swiss francs-				
Cash	3,876	-	3,308	-
Demand deposit and financial assets at amortised cost	5,642	-	35,616	-
Financial liabilities at amortised cost	-	64,387	-	37,209
Other assets and liabilities	-	1	-	36
	9,518	**64,388**	**38,924**	**37,245**
Balances in Norwegian krone-				
Cash	1,556	-	784	-
Demand deposit and financial assets at amortised cost	3,037	-	1,719	-
Financial liabilities at amortised cost	-	7,147	-	5,509
	4,593	**7,147**	**2,503**	**5,509**
Balances in Swedish krone-				
Cash	1,883	-	1,013	-
Demand deposit and financial assets at amortised cost	2,327	-	1,652	-
Financial liabilities at amortised cost	-	15,460	-	8,471
Other assets and liabilities	-	-	19	-
	4,210	**15,460**	**2,684**	**8,471**
Balances in other currencies-				
Cash	11,670	-	9,098	-
Demand deposits and loans and receivables	49,407	-	23,890	-
Financial liabilities at amortised cost	-	29,435	-	55,865
Other assets and liabilities	-	2	11	1
	61,077	**29,437**	**32,999**	**55,866**
Total foreign currency balances	**1,034,175**	**4,542,289**	**840,071**	**2,822,149**

(*) Equivalent value calculated by applying the exchange rates at 31 December 2021 and 2020 respectively.

In addition to the currency positions recognised in the balance sheets at 31 December 2021 and 2020 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 "Exposure to market risk").

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 "Provisions"). 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 "Administrative expenses - Personnel expenses" 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 2021, the total amount of the Bank's accrued unearned pension commitments and accrued pension commitments amounted to EUR 150,975 thousand (31 December 2020: EUR 170,341 thousand), which are hedged with the external pension fund whose fair value as at 31 December 2021 amounts to EUR 156,698 thousand (31 December 2020: EUR 176,222 thousand), and the Bank has therefore recognised EUR 5,723 thousand and EUR 5,881 thousand, respectively, under "Other assets – Rest of Other assets" in the accompanying balance sheets at 31 December 2021 and 2020 (see Notes 14.1 "Other assets" and 35 "Administrative expenses - Staff costs").

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 planredemptions 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 2021 the portion of the accrued expense for the contributions to the external pension fund relating to defined contribution obligations amounted to EUR 161 thousand (2020: EUR 631 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 2021 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 2021 and 2020.

Additionally, the premiums on these policies and on other insurance policies covering pension obligations and other obligations to employees totalled EUR 129 thousand in the financial year 2021 (2020: EUR 176 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 2022.

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 insuranceprotocol 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 45,426 thousand at 31 December 2021 (EUR 29,051 thousand at 31 December 2020), 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 2021 and 2020 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 2021 year-end was EUR 14 thousand (2020 year-end: EUR 30 thousand) and is recognised under “Administrative Expenses - Staff Costs” in the accompanying income statement.

2.11.3.4. 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 2021, amounting to EUR 26,423 thousand, is recognised under “Administrative Expenses - Staff Costs” in the income statement (see Note 35). At 31 December 2020, EUR 2,812 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 80 employment contracts.

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

In accordance with the membership requests made, 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 allocation made by the bank in 2021 to meet these commitments has amounted to a total of 24,763 thousand euros.

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.

2.11.4. Loans to employees

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

Employees, in accordance with the applicable sectoral Collective Bargaining Agreement and collective agreements negotiated with the 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 10 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% to 4%
Furniture and office equipment	10% to 15%
Computer hardware	15% to 25%
Fixtures	8% to 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 2021 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 2021, 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 2020, is presented below:

Thousand euro

	2021	2020
Voluntary Reserve	55,074	49,510
Dividends	14,144	4,844
Net profit for the year	69,218	54,354

For the financial year 2021, the European Central Bank announced the adoption of recommendation ECB/2021/31 repealing recommendation ECB/2020/62 with effect from 30 September 2021, whereby the ECB indicates that it will assess the capital, dividend distribution and share buyback plans of each institution in the context of its regular supervisory process, removing the remaining restrictions on dividends and buyback programs contained in recommendation ECB/2020/62.

Therefore, on 25 January 2022, the Board of Directors proposed the distribution of a dividend of Euros 14,144 thousand subject to the approval of Cecabank's General Shareholders' Meeting. In addition, on 23 March 2021, Cecabank's General Shareholders' Meeting approved the distribution of a dividend of EUR 4,844 thousand from the profit generated in 2020, based on the recommendation dated 27 March 2020 regarding the distribution of dividends due to the impact of Covid-19.

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 2021 and 2020 is shown in the following table:

Thousand euro

	2021	2020
Azuaga Moreno, Manuel	22,8	24,8
Carbó Valverde, Santiago	60,0	60,0
García Lurueña, Francisco Javier	26,9	33,1
Iglesias Ruiz, Víctor Manuel	31,0	33,1
Méndez Álvarez-Cedrón, José María	22,8	24,8
Motellón García, Carmen	55,8	57,9
Pano Riera, Javier	31,0	24,8
Ruano Mochales, Jesús	29,0	41,4
Salaverría Monfort, Julia	53,8	47,6
Sarro Álvarez, María del Mar	62,0	55,9
	395,1	403,4

The aforementioned attendance fees for 2021 relating to the participation of an executive of Bankia, S.A. on the Board of Directors of Cecabank, S.A. and its support committees, which are paid directly to that entity, in this case to CaixaBank, S.A. as a result of the merger between the two entities, amounted to EUR 6 thousand (2020: EUR 27 thousand).

Note 40, “Related parties”, details the Bank’s other balances with its 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 2021 and 2020 (although its composition has changed during the year 2021).

The remuneration earned by the senior executives and the members of the Board of Directors in their capacity as executives of the Bank totalled EUR 2,136 thousand in 2021, of which EUR 2,017 thousand related to short-term remuneration for 2021, including the amount that will be paid by Phantom Shares (see note 35) and EUR 119 thousand related to post-employment benefits (EUR 2,141 thousand in 2020, of which EUR 1,993 thousand related to short-term remuneration and EUR 148 thousand to post-employment benefits).

The amount of the consolidated pension rights for senior management and the members of the Board of Directors in their capacity as Bank executives at 31 December 2021 totals EUR 3,104 thousand (EUR 2,966 thousand at 31 December 2020).

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 2020 amounted to EUR 269 thousand (2020: EUR 252 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 2021, there were three 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 three occasions is as follows: on two occasions resolutions were adopted on the formalisation of financial transactions and on another occasion a resolution was adopted to review the remuneration of the executive director.

During 2020, 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 2021 and 2020 is as follows:

Thousand euro

	2021	2020
Cash in euro	42.396	22,400
Cash in foreign currency	136.942	99,657
Cash balances at central banks (Note 1.10) (*)	8.388.867	5,071,475
Other sight deposits in euro	110.600	155,145
Of which: in foreign currency	100.792	*137,519*
Of which: in Euros	9.808	*17,626*
Doubtful credit institutions (Note 22.7)	175	640
Valuation adjustments -		
Impairment losses (Note 22.4.2 and 22.8)	(188)	(409)
	8,678,793	5,348,908

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

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.

At 31 December 2020, doubtful positions with correspondents were classified under this heading. Impairment losses also include EUR 288 thousand of individually assessed impairment losses, EUR 24 thousand collectively assessed impairment losses and EUR 97 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 2021 and 2020:

Thousand euro

	Debtor balances		Creditor balances	
	2021	2020	2021	2020
Debt securities	**340,306**	**749,943**		**-**
Government securities	223,183	148,633		-
Treasury Bills	-	-		-
Other public entities	10,026	10,293		-
Non-resident public administrations	14,217	6,776		-
Credit institutions	42,981	150,127		-
Private sector (Spain)	26,699	146,568		-
Private sector (rest of the world)	23,201	287,546		-
Doubtful assets	-	-		-
Equity instruments	**292,528**	**146,992**		**-**
Shares listed on the Spanish Market	291,240	145,535		-
Shares listed on markets in the restof the world	1,288	1,457		-
Derivatives held for trading-	**781,544**	**961,056**	**805,612**	**1,088,340**
Derivatives traded on organisedmarkets	332	-	-	-
Derivatives not traded on organisedmarkets	781,212	961,056	805,612	1,088,340
Short securities positions	**-**	**-**	**279,524**	**205,633**
	1,414,378	**1,857,991**	**1,085,136**	**1,293,973**

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 2021 and 2020:

Thousand euro

	2021			2020		
	Fair Value			Fair Value		
	Assetbalances	Liability balances	Notionalamount	Assetbalances	Liability balances	Notionalamount
Interest rate risk	698,146	729,187	18,114,028	929,847	968,241	20,385,128
Foreign currency risk	79,188	68,066	7,529,624	31,004	116,121	5,262,020
Share price risk	1,962	5,757	322,650	-	-	147,569
Credit risk	2,248	2,602	130,000	205	3,978	120,000
	781,544	805,612	26,096,302	961,056	1,088,340	27,392,818

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 2021 and 2020, is as follows:

Thousand euro

	2021	2020
Classification:		
For securities lending-	-	-
Equity instruments	-	-
Overdrafts on disposals-repurchase agreement		
Debt securities	279,524	205,633
	279,524	205,633

“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 2021 and 2020 is as follows:

Thousand euro

	2021	2020
Equity instruments	4,550	6,451
Shares listed in organised markets	-	1,576
Shares listed in rest of the world markets	-	-
Unquoted shares	4,550	4,875
Debt securities	23,924	21,720
Private sector (Spain)	13,937	-
Private sector (rest of the world)	9,987	21,720
Loans and advances	110	620
	28,584	28,791

Note 22 includes information on the Bank’s exposure to credit risk at 31 December 2021 and 2020 associated with these financial instruments other than equity instruments.

Note 21 includes information on the fair value of these financial instruments at 31 December 2021 and 2020. 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 2021 and 2020.

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

At 31 December 2021 and 2020 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 2021 and 2020:

		Thousand euro
	2021	**2020**
Debt securities		
Securities - Spanish Public Administrations	1,716,039	1,017,434
Treasury Bills	1,495,750	501,073
Government debt	220,289	516,361
Non-resident public institutions	852,526	969,276
Spanish credit institutions	250,801	124,903
Credit institutions not residing in Spain	10,125	-
Private sector (Spain)	164,765	158,133
Private sector (rest of the world)	248,636	151,498
	3,242,892	**2,421,244**
Measurement adjustments-		
Accrued interest	6,553	13,252
Results due to measurement and other	(9,272)	29,591
Impairment losses (Notes 22.8 and 38)	(4,228)	(3,813)
	(6,947)	**39,030**
	3,235,945	**2,460,274**
Equity instruments-		
Shares not traded on organised markets	10,816	17,992
	10,816	**17,992**
Measurement adjustments-		
Results due to measurement and other	2,288	2,043
Impairment losses (Notes 22.8 and 38)	(10,101)	(17,397)
	(7,814)	**(15,354)**
	3,002	**2,638**
	3,238,947	**2,462,912**

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.

In 2020, the Bank sold its stake in Caser Seguros S.A. for 18,572 thousand euro, thus recognising a derecognition of 5,420 thousand euro under financial assets at fair value through other comprehensive income - equity instruments, as well as the corresponding net gain in reserves of 9,206 thousand euro (Note 17.3).

8. Financial assets at amortised cost

Following is a detail of the financial assets included in "Loans and Receivables" in the balance sheets at 31 December 2021 and 2020:

Thousand euro

	2021	2020
Debt instruments-		
Debt securities issued by Spanish Public Administrations	-	-
Debt securities issued by entities other than Spanish Public Administrations	108,427	302,241
Doubtful assets	-	-
	108,427	302,241
Measurement adjustments-		
Impairment losses (Notes 22.8 and 38)	(291)	(4,648)
Accrued interest	1,459	1,419
	1,168	(3,229)
	109,595	**299,012**
Loans and advances to central banks	-	-
Different advances	16,180	-
Measurement adjustments-		
Impairment losses	-	-
Accrued interest	(6)	-
	(6)	-
	16,174	**-**
Loans and prepayments to credit institutions-		
Reverse repurchase agreements	1,089,469	1,521,350
Other term loans	64,345	45,187
Advances different from loans	941,127	931,315
Doubtful assets	25	25
	2,094,966	2,497,877
Measurement adjustments-		
Impairment losses (Notes 22.8 and 38)	(25)	(25)
Accrued interest	(742)	(698)
	(767)	(723)
	2,094,199	**2,497,154**
Loans and prepayments to customers-		
On demand	4,391	5,493
Credit card debt	620	572
Trade receivables	-	-
Reverse repurchase agreements	1,086	309,138
Other term loans	229,322	630,824
Advances different from loans	725,518	134,000
Doubtful assets	407	429
	961,344	**1,080,456**
Measurement adjustments-		
Impairment losses (Notes 22.8 and 38)	(198)	(508)
Acquisition Premium	14,734	8,303
Accrued interest	2,728	2,292
	17,264	10,087
	978,608	**1,090,543**
	3,198,576	**3,886,709**

"Financial Assets at Amortised Cost - Loans and Advances to Customers" includes mortgage loans to customers with a carrying amount of EUR 41,505 thousand at 31 December 2021 (31 December 2020:

EUR 41,313 thousand).

Note 22 provides certain relevant information on the credit risk, at 31 December 2021 and 2020, 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 2021 and 2020.

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 2021 and 2020.

In addition, the Bank applies the following average interest rates for loans (both mortgage and non- mortgage) for the years ending 2021 and 2020:

	2021	2020
Average interest rates:		
Energy Efficiency	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:

	2021		2020	
	Assetbalances	Liability balances	Assetbalances	Liability balances
Hedged instrument				
Financial assets at fair value through other comprehensive income	10,137	4,105	694	16,473
	10,137	4,105	694	16,473

Thousand euro

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 2021 and 2020. 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 2021 and 2020 is as follows:

Thousand euro

	2021	2020
Real properties	3,075	3,032
Equity instruments	-	-
	3,075	3,032

The changes in 2021 and 2020 in the items included in this heading in the balance sheets, and the related impairment losses, were as follows:

Thousand euro

	2021	2020
Cost:		
Balances at 1 January	4,943	4,913
Additions	-	30
Disposals	-	-
Transfers	-	-
Balances at 31 December	**4,943**	**4,943**
Impairment losses:	-	-
Balances at 1 January	(1,911)	(1,911)
Additions	43	-
Disposals	-	-
Transfers	-	-
Balances at 31 December	**(1,868)**	**(1,911)**
Net Balances at 31 December	**3,075**	**3,032**

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 2021 and 2020:

Thousand euro

Entity	Location	Ownership Percentage	Book Value 2021	Book Value 2020
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 2021 and 2020, the Bank did not hold investments in jointly-controlled entities or associates.

At 31 December 2021 and 2020, and during those years, there was any impairment of the shareholdings held by Cecabank, S.A.

12. Property, plant and equipment

The changes in 2021 and 2020 in “Property, plant and equipment” in the balance sheets were as follow:

Thousand euro

	Property, Plant and Equipment forOwn Use				
	Land andBuildings	Furniture, Fixtures and Vehicles	IT Equipmentand Related Fixtures	Investment Property	Total
Cost:					
Balance at 1 January 2020	64,373	23,425	15,857	10,905	114,560
Additions	7	764	2,415		3,186
Disposals	-	(98)	(176)		(274)
Transfers	-	-			
Balance at 31 December 2020	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
Accumulated depreciation:					
Balance at 1 January 2020	(25,894)	(20,520)	(11,619)	(3,900)	(61,933)
Charge for the year (Note 39)	(1,162)	(773)	(1,721)	(183)	(3,839)
Disposals	-	86	176	-	262
Transfers	-	-	-	-	-
Balance at 31 December 2020	(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		-	58
Transfers	1,470	-	374	(1,844)	-
Balance at 31 December 2021	(26,914)	(21,888)	(14,643)	(6,112)	(69,557)
Property, plant and equipment, net:					
Net balance at 31 December 2020	37,324	2,884	4,932	6,822	51,962
Net balance at 31 December 2021	34,248	3,552	4,060	9,297	51,157

At 31 December 2021 and 2020, property, plant and equipment for own use totalling (gross) EUR 31,042 and 28,847 thousand, respectively, had been depreciated in full. The Entity insures property, plant and equipment for own use through insurance policies.

Either at 31 December 2021 or at 31 December 2020, the Property, plant and equipment owned by the Bank were not impaired or there were no changes in this connection in those years.

In 2021 the rental income earned from investment property owned by the Bank amounted to EUR 1,535 thousand (2020: EUR 1,298 thousand) (see Note 34).

In 2021 and 2020, the losses on disposals arising under "Property, Plant and Equipment – For Own Use" totalled EUR 3 thousand, recognised under "Gains or Losses on Derecognition of Non-Financial Assets and Investments, Net" in the income statement for 2021 (2020: losses of EUR 10 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

	2021	2020
Less than a year	1,535	1,298
Between one and five years	5,917	5,807
More than five years	6,670	6,477

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 2021 and 2020, the leasehold rights of use amount to EUR 1,673 thousand and EUR 2,177 thousand, respectively.

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 2021 and 2020 is as follows:

Thousand euro

	2021	2020
Intangible assets with finite useful life	**697,991**	**664,678**
Of which for acquired depository business	*695,692*	*662,379*
Of which by computer applications	2,299	2,299
Accumulated amortisation	**(251,390)**	**(173,084)**
Of which for acquired depository business	*(249,291)*	*(171,185)*
Of which by computer applications	*(2,099)*	*(1,899)*
Total net	**446,601**	**491,594**

As of December 31, 2021, the entity has fully amortized intangible assets for an amount of 1,299 thousand euros. As of December 31, 2020, the balance also amounted to 1,299 thousand euros.

The changes in 2021 and 2020 in the balance sheets were as follows:

	Thousand euro
Cost:	
Balance at 1 January 2020	336,894
Additions and transfers	349,787
Disposals	(22,003)
Balance at 31 December 2020	**664,678**
Additions and transfers	33,313
Disposals and other movements	-
Balance at 31 December 2021	**697,991**
Accumulated amortisation:	
Balance at 1 January 2020	(141,560)
Charge for the year (Note 39)	(53,527)
Disposals and other movements	22,003
Balance at 31 December 2020	**(173,084)**
Charge for the year (Note 39)	(78,306)
Disposals and other movements	-
Balance at 31 December 2021	**(251,390)**
Intangible assets, net:	
Net balance at 31 December 2020	**491,594**
Net balance at 31 December 2021	**446,601**

The additions in 2021 and 2020 in the foregoing table relate mainly to the capitalisation of the cost of the new depository contracts that arose following the renewal of the rights and obligations resulting from businesses acquired in prior years for the management of depository and custody services for securities entrusted by third parties, as well as to the variable payments made as a result of the achievement of certain contractual objectives and to the inclusion in the cost of guaranteed amounts originating from those businesses. Parallel to this capitalisation, in 2021 and 2020 the Bank derecognised the amortisation and impairment losses associated with the contracts that were renewed or derecognised, which had been amortised in full.

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

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

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

On 29 May 2020, the Entity reached a mediation agreement with Bankia S.A., whereby Cecabank was appointed depositary for investment funds, SICAVs and pension funds deposited with Bankia,

S.A. The depositary service began to be provided to Bankia S.A. in December 2020.

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 2021 and 2020 is as follows:

Thousand euro

	2021	2020
Other assets-		
Prepayments-		
Fees and commissions receivable	18,701	14,099
Non-accrued expenses	2,449	1,845
Other prepayments	1,164	948
Other assets-		
Transactions in transit	24,510	30,583
Nets Assets Post-Employment plans (Notes 2.11.2 and 35)	5,723	5,881
Other	7,802	5,373
	60,349	58,729

“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 2021 and 2020 is as follows:

Thousand euro

	2021	2020
Accrued expenses and deferred income-		
Fees and commissions payable	2,076	1,943
Accrued expenses	35,128	33,815
Accrued revenues	346	419
Other liabilities-	-	
Transactions in transit	19,978	16,223
Other	8,068	3,997
	65,596	56,397

The balance of the heading "Accruals - Accrued expenses " of "Other liabilities" in the foregoing table includes, among other items, as of December 31, 2021, balances amounting to EUR 13,271 thousand (EUR 13,081 thousand at 31 December 2020) 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 2021 and 2020 is as follows:

Thousand euro

	2021	2020
Deposits-		
Central Banks	-	464,604
Credit institutions	2,268,731	1,572,145
Customer deposits	12,326,089	9,370,049
	14,594,820	**11,406,798**
Measurement adjustments	(3,520)	(2,362)
	14,591,300	**11,404,436**
Other financial liabilities	135,525	234,977
	14,726,825	**11,639,413**

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

At 31 December 2021 the deadlines for these liabilities are as follows:

	Totalbalance	Sight	Following day	After nextday and upto 1 week	After 1week and up to 1 month	After 1month and up to 3months	After 3months and up to6 months	After 6 months and up to9 months	After 9months and up to1 year	After 1year andup to 2 years	After 2years andup to 3 years	After 3years andup to 5 years	After 5years
Total outflows	**(14,555,295)**	**(10,440,407)**	**(1,338,155)**	**(1,932,727)**	**(481,290)**	**(70,522)**	**6,112**	**5,283**	**(51,251)**	**(38,556)**	**(54,072)**	**(54,724)**	**(104,985)**
Bank deposits	(2,292,503)	(634,154)	(1,168,471)	(355,704)	(67,103)	(47,311)	(1,748)	(787)	(17,225)	-	-	-	-
Other credit institutions	(2,292,503)	(634,154)	(1,168,471)	(355,704)	(67,103)	(47,311)	(1,748)	(787)	(17,225)	-	-	-	-
Deposits from other financial institutions and international bodies	(9,308,462)	(9,308,462)	-	-	-	-	-	-	-	-	-	-	-
Other financial institutions	(9,308,462)	(9,308,462)	-	-	-	-	-	-	-	-	-	-	-
Deposits from large non-financial companies	(55,475)	(55,475)	-	-	-	-	-	-	-	-	-	-	-
Financing from other customers	(442,316)	(442,316)	-	-	-	-	-	-	-	-	-	-	-
Retail customer deposits (households and SMEs)	(88,373)	(88,373)	-	-	-	-	-	-	-	-	-	-	-
Of which: Stable balances	(88,373)	-	-	-	-	-	-	-	-	-	-	-	-
Deposits from public administrations	(353,943)	(353,943)	-	-	-	-	-	-	-	-	-	-	-
Of which: Operating balances	(353,943)	-	-	-	-	-	-	-	-	-	-	-	-
Financing secured by securities	(2,221,612)	-	-	(1,575,517)	(412,289)	-	-	-	(29,991)	(10,995)	(38,700)	(23,981)	(130,139)
With counterparties other than central banksand public administrations	(2,221,612)	-	-	(1,575,517)	(412,289)	-	-	-	(29,991)	(10,995)	(38,700)	(23,981)	(130,139)
Secured by central administrations	(2,135,954)	-	-	(1,575,517)	(326,630)	-	-	-	(29,991)	(10,995)	(38,700)	(23,981)	(130,139)
Of which: Spanish government debt	(1,691,351)	-	-	(1,367,076)	(90,469)	-	-	-	(29,991)	(10,995)	(38,700)	(23,981)	(130,139)
Derivatives (net)	(71,025)	-	(5,782)	(1,506)	(1,898)	(23,211)	7,860	6,070	(4,035)	(27,561)	(15,372)	(30,743)	25,154
Other outflows (net)	(163,902)	-	(163,902)	-	-	-	-	-	-	-	-	-	-
Residents	(12,096,437)	(10,438,087)	(1,168,471)	(355,704)	(67,103)	(47,311)	(1,748)	(787)	(17,225)	-	-	-	-
Non-residents	(2,320)	(2,320)	-	-	-	-	-	-	-	-	-	-	-
Total inflows	**15,343,896**	**-**	**9,894,459**	**139,014**	**1,222,123**	**644,967**	**485,359**	**311,102**	**249,664**	**259,564**	**477,518**	**380,294**	**1,279,832**
Bank deposits	9,959,253	-	9,894,457	64,127	-	669	-	-	-	-	-	-	-
Other credit institutions	9,959,253	-	9,894,457	64,127	-	669	-	-	-	-	-	-	-
Acquisitions of securities and loans of securitiesunder repurchase agreements (taker)	985,755	-	-	74,226	805,308	106,221	-	-	-	-	-	-	-
Secured by central administrations	871,450	-	-	74,226	752,693	44,531	-	-	-	-	-	-	-
Of which: Spanish government debt	818,596	-	-	21,372	752,693	44,531	-	-	-	-	-	-	-
Secured by regional administrations, large agencies	-	-	-	-	-	-	-	-	-	-	-	-	-
Secured by others and companies	104,999	-	-	-	45,250	59,749	-	-	-	-	-	-	-
Secured by uncollateralised credit institutions	9,306	-	-	-	7,365	1,941	-	-	-	-	-	-	-
With guarantee of own eligible titles	(85,658)	-	-	-	(85,658)	-	-	-	-	-	-	-	-
Secured by other assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans	61,045	-	2	11	14,590	747	922	1,854	905	3,485	3,182	5,900	29,447
Retail customers (households and SMEs)	45,353	-	2	11	186	747	865	854	846	3,313	3,182	5,900	29,447
Other non- financial companies	15,692	-	-	-	14,404	-	57	1,000	59	172	-	-	-
Of which: Large non-financial companies	15,692	-	-	-	14,404	-	57	1,000	59	172	-	-	-
Public Administrations	-	-	-	-	-	-	-	-	-	-	-	-	-
Liquidation of the securities portfolio	4,308,780	-	-	-	400,600	527,492	479,028	301,993	244,473	256,079	474,336	374,394	1,250,385
Interest margin	29,063	-	-	650	1,625	9,838	5,409	7,255	4,286	-	-	-	-

At 31 December 2020 the deadlines for these liabilities are as follows:

	Totalbalance	Sight	Followingday	After nextday and upto 1 week	After 1week andup to 1 month	After 1month and up to 3months	After 3 months and up to6 months	After 6 months and up to9 months	After 9months and up to1 year	After 1year andup to 2 years	After 2years andup to 3 years	After 3years andup to 5 years	After 5years
Total outflows	**(10,644,735)**	**(7,277,398)**	**(1,028,908)**	**(1,536,289)**	**(580,456)**	**(30,013)**	**5,635**	**5,437**	**(5,006)**	**(27,561)**	**(26,367)**	**(32,422)**	**(111,386)**
Bank deposits	(1,827,744)	(363,717)	(884,950)	(228,177)	(340,269)	(6,802)	(2,225)	(633)	(971)	-	-	-	-
Other credit institutions	(1,827,744)	(363,717)	(884,950)	(228,177)	(340,269)	(6,802)	(2,225)	(633)	(971)	-	-	-	-
Deposits from other financial institutions and international bodies	(6,484,567)	(6,484,567)	-	-	-	-	-	-	-	-	-	-	-
Other financial institutions	(6,484,567)	(6,484,567)	-	-	-	-	-	-	-	-	-	-	-
Deposits from large non-financial companies	(70,484)	(70,484)	-	-	-	-	-	-	-	-	-	-	-
Financing from other customers	(358,630)	(358,630)	-	-	-	-	-	-	-	-	-	-	-
Retail customer deposits (households and SMEs)	(92,592)	(92,592)	-	-	-	-	-	-	-	-	-	-	-
Of which: Stable balances	(92,592)	-	-	-	-	-	-	-	-	-	-	-	-
Deposits from public administrations	(266,038)	(266,038)	-	-	-	-	-	-	-	-	-	-	-
Of which: Operating balances	(266,038)	-	-	-	-	-	-	-	-	-	-	-	-
Financing secured by securities	(1,729,913)	-	-	(1,306,606)	(274,093)	-	-	-	-	-	(10,995)	(1,679)	(136,540)
With counterparties other than central banksand public administrations	(1,729,913)	-	-	(1,306,606)	(274,093)	-	-	-	-	-	(10,995)	(1,679)	(136,540)
Secured by central administrations	(1,729,913)	-	-	(1,306,606)	(274,093)	-	-	-	-	-	(10,995)	(1,679)	(136,540)
Of which: Spanish government debt	(1,512,061)	-	-	(1,302,632)	(60,215)	-	-	-	-	-	(10,995)	(1,679)	(136,540)
Derivatives (net)	(71,025)	-	(5,782)	(1,506)	(1,898)	(23,211)	7,860	6,070	(4,035)	(27,561)	(15,372)	(30,743)	25,154
Other outflows (net)	(102,373)	-	(138,176)	-	35,804	-	-	-	-	-	-	-	-
Residents	(8,738,143)	(7,274,116)	(884,950)	(228,177)	(340,269)	(6,802)	(2,225)	(633)	(971)	-	-	-	-
Non-residents	(3,281)	(3,281)	-	-	-	-	-	-	-	-	-	-	-
Total inflows	**12,381,432**	**-**	**6,573,692**	**1,060,616**	**639,284**	**299,723**	**675,451**	**331,923**	**280,506**	**707,135**	**240,782**	**782,430**	**789,891**
Bank deposits	6,619,669	-	6,573,690	32,397	12,882	700	-	-	-	-	-	-	-
Other credit institutions	6,619,669	-	6,573,690	32,397	12,882	700	-	-	-	-	-	-	-
Acquisitions of securities and loans of securitiesunder repurchase agreements (taker)	1,735,748	-	-	1,027,453	607,811	62,834	37,650	-	-	-	-	-	-
Secured by central administrations	1,640,608	-	-	1,024,080	579,705	36,823	-	-	-	-	-	-	-
Of which: Spanish government debt	1,260,677	-	-	697,249	526,605	36,823	-	-	-	-	-	-	-
Secured by regional administrations, large agencies	-	-	-	-	-	-	-	-	-	-	-	-	-
Secured by others and companies	51,233	-	-	-	23,031	25,179	3,023	-	-	-	-	-	-
Secured by uncollateralised credit institutions	43,573	-	-	3,372	4,743	831	34,627						
Secured by other assets	333	-	-	-	333	-	-	-	-	-	-	-	-
Loans	68,161	-	2	13	144	796	863	950	23,464	3,374	3,230	5,972	29,353
Retail customers (households and SMEs)	45,369	-	2	13	144	736	863	857	854	3,345	3,230	5,972	29,353
Other non- financial companies	22,732	-	-	-	-	-	-	93	22,610	29	-	-	-
Of which: Large non-financial companies	22,732	-	-	-	-	-	-	93	22,610	29	-	-	-
Public Administrations	60	-	-	-	-	60	-	-	-	-	-	-	-
Liquidation of the securities portfolio	3,906,029	-	-	-	16,892	228,216	606,558	323,379	252,675	703,761	237,552	776,458	760,538
Interest margin	51,825	-	-	753	1,554	7,177	30,380	7,594	4,367	-	-	-	-

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 2021 and 2020 are as follows:

Thousand euro

	2021	2020
By geographical location:		
Spain	-	464,729
	-	**464,729**
By type of instrument:		
Time deposits-		
Time deposits	-	464,604
	-	**464,604**
Measurement adjustments	-	125
	-	**464,729**

On 15 March 2021, the deposits that the Bank of Spain held with Cecabank matured, and they were not renewed during 2021.

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 2021 and 2020 are as follows:

Thousand euro

	2021	2020
By geographical location:		
Spain	1,066,075	1,104,906
Other EMU countries	1,089,535	374,161
Rest of the world	112,035	92,338
	2,267,645	**1,571,405**
By type of instrument:		
Demand deposits and other-		
Other accounts	743,267	734,046
Time deposits-		
Time deposits	551,458	501,285
Repurchase agreements	974,006	336,814
	2,268,731	**1,572,145**
Measurement adjustments	(1,086)	(740)
	2,267,645	**1,571,405**

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 2021 and 2020 are as follows:

Thousand euro

	2021	2020
By geographical location:		
Spain	12,110,531	9,158,997
Other EMU countries	182,909	169,208
Rest of the world	30,215	40,097
	12,323,655	**9,368,302**
By counterparty:		
Resident public sector	247,196	311,549
Other resident sectors	11,865,726	8,849,156
Other non-resident sectors	213,167	209,344
	12,326,089	**9,370,049**
Measurement adjustments	(2,434)	(1,747)
	12,323,655	**9,368,302**
By type of instrument:		
Current accounts	10,361,910	7,512,294
Other demand deposits	-	-
Fixed-term deposits	947,965	603,972
Repurchase agreements	1,013,780	1,253,783
	12,323,655	**9,370,049**
Measurement adjustments	-	(1,747)
	12,323,655	**9,368,302**

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 2021 and 2020 is as follows:

Thousand euro

	2021	2020
Payment obligations	3,981	20,388
Liabilities associated with rights-of-use assets	1,804	2,265
Collateral received	10,872	197
Tax collection accounts	-	-
Special accounts	23,427	26,115
Other	95,441	186,011
	135,525	**234,977**

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 38,756 thousand in repayments of loans granted to public administrations at 31 December 2021 (EUR 145,156 thousand at 31 December 2020). The most significant amount after repayments of loans granted to Public Administrations amounts to EUR 6,366 thousand, items due to credit institutions (EUR 16,454 thousand at 31 December 2020).

The balance of "liabilities associated with right-of-use assets" (see Note 12) includes an amount of Euros 1,804 thousand and an amount of Euros 2,265 thousand in respect of future lease payments during the mandatory periods of the contracts in force at 31 December 2021 and 2020, respectively.

16. Provisions

The changes in the balances of these items in the balance sheets at 31 December 2021 and 2020 were as follows:

Thousand euro

	Other long-termemployee remuneration (Note 35)	Commitments andguarantees granted (Notes2.10, 22 and 27.1)	Proceduralissues and tax litigation proceedings	Otherprovisions
Balances at 1 January 2020	41,656	303	9,011	50,878
Net addition/ (reversal) charged/ (credited)to income	(422)	(15)	(1,353)	(6,832)
Other net movements	(12,183)	-	(37)	(106)
Balances at 31 December 2020	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

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).

“Other Changes, Net” under “Other Long-Term Employee Benefits” in 2021 consists mainly of the benefits paid to participants in the defined benefit plans totalling EUR 9,268 thousand (2020: EUR 13,039 thousand) (see Note 35). This item also includes EUR 1,277 thousand (2020: 462 thousand) reclassified from the heading “Other liabilities” to this heading since it related to commitments acquired with Cecabank personnel that no longer work at the bank.

At year-end 2021, the difference between the actuarial value of the defined benefit obligations and the fair value of the assets assigned to the defined benefit plans in the amount of Euros 5,722 thousand is recognised on the asset side of the balance sheet. Actuarial gains or (-) losses on defined benefit pension plans (Note 17.2). In addition, as a result of financial year 2020 of the global financial situation produced by Covid-19, the Bank's management has concluded that the best estimate of the impact of Covid-19 amounts to 962 thousand euro, which has been recorded under the heading "Other provisions". In 2021, there was no change in the provision, and the initial figure remained stable.

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 2021 and 2020 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: 139,745,000 thousand euros at 30 April 2021.
- -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 1.04 at 30 April 2021 (0.89 at 31 December 2020).

Based on the aforementioned methodology, Cecabank has recorded an amount of EUR 34,577 thousand as a provision for operational risk at 31 December 2021.

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 2021.

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 2021 and 2020 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 2021 and 2020 in this item in the balance sheets at 31 December 2021 and 2020.

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 2021 and 2020 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 2021 and 2020 in this item in the balance sheets at 31 December 2021 and 2020.

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 2021 and 2020 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 2021 and 2020.

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 2021 and 2020, 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 2021 and 2020, 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 2021 and 2020 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 2021 and 2020 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 2021 and 31 December 2020.

The earnings per share at 31 December 2021 and 31 December 2020 are set out below:

Thousand euro

	2021	2020
Profit/(loss) for the year	69,218	54,354
Weighted average number of shares	112,256,540	112,256,540
Basic earnings per share	**0.000616606**	**0.000484195**
Profit/(loss) for the year	69,218	54,354
Corrections to results due to issues of convertibles/options	-	-
Adjusted profit/(loss)	**69,218**	**54,354**
Weighted average number of shares	112,256540	112,256,540
Diluted earnings per share	**0.000616606**	**0.000484195**

19. Retained earnings and Other reserves

The changes in the balances of these items in the balance sheets at 31 December 2021 and 2020 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 2021 and 2020, 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 20,123 thousand at 31 December 2021 (31 December 2020:

EUR 19,224 thousand).

During 2020, the Board of Directors proposed to the Shareholders' Meeting the creation of a restricted reserve. This is a reclassification within the reserves allowing the Tax Group to apply the tax incentive of the "capitalisation reserve". In view of article 25, it is ruled that:

1. Taxpayers who pay tax at the rate provided for in sections 1 or 6 of Article 29 of this Act shall be entitled to a reduction in the tax base of 10 per cent of the amount of the increase in their own funds, provided that the following requirements are met:

a) That the amount of the increase in the entity's own funds is maintained for a period of 5 years from the close of the tax period to which this reduction corresponds, except for the existence of accounting losses in the entity.

b) A reserve must be set aside for the amount of the reduction, which must be shown in the balance sheet with absolute separation and appropriate title and shall not be available during the period provided for in the previous paragraph.

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 2021 totals EUR 346,317 thousand (31 December 2020: EUR 297,707 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. At 31 December 2021, these reserves mainly include the net capital gain generated by the sale of the Bank's stake in Caser Seguros,S.A. under financial assets at fair value through other comprehensive income (see Note 7).

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 2021, 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.

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

Due to the different interpretations which may be given to certain tax rules applicable to the 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 2021 and 2020 is as follows:

Thousand euro

	Expenses/(Revenues)	
	2021	2020
Income tax expense for the year (Note 20.3)	26,056	20,505
Prior years’ and other adjustments	(1,538)	(488)
	24,518	20,017

20.3. Reconciliation of accounting profit to taxable profit

The reconciliation of the income tax expense recognised for 2021 and 2020 to the accounting profit before tax multiplied by the tax rate applicable to the Bank, and the income tax charge recognised at 31 December 2021 and 2020 is as follows:

Thousand euro

	2021	2020
Accounting profit before tax	93,737	74,371
Tax rate	30%	30%
	28,121	22,311
Permanent differences:		
Increases	85	451
Decreases	(2,150)	(2,258)
Total	26,056	20,505
(Tax credits) and (Tax relief)	-	-
Income tax expense for the year (Note 20.2)	26,056	20,505
Temporary differences effect:		
Increases	6,199	3,858
Decreases	(11,665)	(10,984)
Tax with holdings and prepayments	(12,363)	(10,066)
Limitation of 25% of the taxable base Group after integration of DTAs	(4,371)	(3,287)
Income tax charge for the year	3,856	26

The current income tax charge shown in the above table is recognised under “Tax Liabilities - Current Tax Liabilities” at 31 December 2021 and under the heading “Tax Assets -Current Tax Assets” for the year 2020.

Transitional Provision Thirty-Nine of Law 27/2014 (27 November) relating to the inclusion of accounting adjustments in the tax base due to the first application of Bank of Spain Circular 4/2017 (27 November) by credit institutions, on public and reserved financial information standards and model financial statements, stipulates that “charges and credits to reserve accounts that are considered to be expenses or income, respectively, since they have tax effects in accordance with the provisions of this Law, as a result of the first application of the Bank of Spain Circular 4/2017 (27 November by credit institutions, on public and reserved financial information standards and model financial statements), will be included equally in the tax base for each of the first three tax periods commencing on or after 1 January 2018, and including those items will not result in the application of the provisions of Article 130 of this Law."

The final paragraph of that Law stipulates that mention must be made in the notes to the financial statements for the years covering those tax periods of the amounts included in the tax base and those that have yet to be included.

For these purposes, the amounts included in the Bank's tax base in the financial years 2018 to 2020 amount to a total of EUR 1,043 thousand and there are not amounts to be included.

20.4. Tax recognised in equity

In addition to the income tax recognised in the income statement, in 2021 and 2020 the Bank recognised the following deferred amounts of income tax in equity during those periods:

Thousand euro

	Increase/Decrease inEquity	
	2021	2020
Tax effect of actuarial gains and losses on pension plans to defined benefit (Note 35)	102	(1,123)
Tax effect of unrealised gains or losses on equity instruments at fair value throughother comprehensive income	(79)	1,892
Tax effect of unrealised gains or losses on debt instruments measured at fair valuethrough other comprehensive income	6,167	(3,070)
	6,190	(2,299)

20.5. Deferred taxes

Pursuant to tax legislation in force, in 2021 and 2020 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 2021 and 2020 were as follows:

Thousand euro

	2021	2020
Deferred tax assets arising from:		
Additions and contributions to pension provisions and funds and other long-term obligations to employees	9,901	6,873
Additions to provisions	11,342	13,701
Impairment losses	38,126	48,430
Beneficios anticipados de ajustes por valoración	2,181	-
Other	4,986	4,934
	66,765	73,938

EUR 20,602 thousands of the total deferred tax assets recognised at 31 December 2021 (2020: EUR 25,238 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 2021 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 2021 and 2020, 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

	2021	2020
Deferred tax liabilities arising from:		
Restatement of property	7,813	7,873
Additions and contributions to pension provisions and funds and to provisions for otherlong-term obligations to employees	1,717	1,764
Other	2,315	6,223
	11,845	15,860

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 2021 and 2020 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 2021 and 2020, broken down as indicated above, is as follows:

Financial assets – fair value at 31 December 2021-

	Fair value hierarchy			Changes in fairvalue 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	-

Financial assets – fair value at 31 December 2020-

	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	861,209	974,027	22,755	(9,256)	(10,909)	44,356	939,483	22,755
Derivatives	-	938,301	22,755	(9,566)	(10,909)	-	938,301	22,755
Equity instruments	146,992	-	-	-	-	(1,418)	-	-
Debt securities	714,217	35,726	-	310	-	45,774	1,182	-
Financial assets not held-for-trading mandatorily classified at fair value throughprofit or loss	1,576	27,215	-	(2,889)	-	(367)	23	-
Equity instruments	1,576	4,875	-	(2,535)	-	(367)	(65)	-
Debt securities	-	21,720	-	(261)	-	-	181	-
Loans and prepayments	-	620	-	(93)	-	-	(93)	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-
Loans and prepayments	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	2,338,244	124,668	-	-	-	29,033	2,600	-
Equity instruments	-	2,638	-	-	-	-	2,043	-
Debt securities	2,338,244	122,030	-	-	-	29,033	557	-
Derivatives - Hedge accounting	-	694	-	(540)	-	-	694	-
Liabilities								
Financial liabilities held for trading	205,646	1,065,649	22,678	(78,058)	10,874	(2,954)	1,065,649	22,678
Derivatives	13	1,065,649	22,678	(78,058)	10,874	13	1,065,649	22,678
Short positions	205,633	-	-	-	-	(2,967)	-	-
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-	-
Derivatives - Hedge accounting	-	16,473	-	(9,310)	-	-	16,473	-

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 2021:

	Book value		Latent depreciation				
	Total	Corrected purchase price	Accumulated fair value losses due to credit risk	Cumulative losses in fair value not 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	947,201	954,690	-	(7,935)	446	-	710,841
Spain 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

At 31 December 2020:

	Book value		Latent depreciation				
	Total	Corrected purchase price	Accumulated fair value losses due to credit risk	Cumulative losses in fair value not due to credit risk	Latent gains	Accumulated impairment	Memorandum item: Repurchase agreement
Representative values of debt	-	-	-	-	-	-	-
Financial assets held for trading	749,943	749,943	-	-	-	-	81,008
Financial assets not held for trading compulsorily valued at fair value through profit or loss	21,720	21,720	-	-	-	-	-
Financial assets at fair value with changes in other comprehensive income	2,460,274	2,434,497	-	(616)	30,206	(3,813)	1,381,955
Financial assets at amortized cost	299,012	303,660	-	-	-	(4,648)	199,615
Total	3,530,949	3,509,820	-	(616)	30,206	(8,461)	1,662,578
Of which: Spanish Public Administrations	1,198,612	1,197,495	-	(25)	1,142	-	827,687
Financial assets held for trading	158,925	158,925	-	-	-	-	81,008
Financial assets at fair value with changes in other comprehensive income	1,039,687	1,038,570	-	(25)	1,142	-	746,679
Of which: Public Administrations not resident in Spain	1,276,385	1,259,414	-	-	16,971	-	824,112
Financial assets held for trading	6,777	6,777	-	-	-	-	-
Financial assets at fair value with changes in other comprehensive income	989,114	972,143	-	-	16,971	-	624,497
Financial assets at amortized cost	280,494	280,494	-	-	-	-	199,615

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 2021, the carrying amount of these properties amounted to EUR 44,463 thousand (31 December 2020: EUR 45,428 thousand) and their estimated fair value at that date was EUR 69,239 and 63,640 thousand at 31 December 2021 and 2020, 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

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 2021 the Bank holds positions with two counterparties with which the large exposures threshold is exceeded. As at 31 December 2020, the Bank also held positions with two counterparties with which it exceeded the large exposures threshold.

At 31 December 2021, 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 2020, the distribution by country was 74%, 21%, and 5% respectively.

In Note 26 information on the risk of geographical concentration of the Bank as of December 31, 2021 and 2020 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 74% of the total risk exposure at 31 December 2021 (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 2021 and 2020 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 2021 and 2020:

31 December 2021:

	Maximum amount of real or personal guarantees that may be considered				
	Loans secured by property		Other loans with realguarantees		
	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

31 December 2020:

	Maximum amount of real or personal guarantees that may be considered				
	Loans secured by property		Other loans with realguarantees		
	Residential properties	Commercial properties	Cash (debt instruments issued)	Other	Financial guarantees granted
Loans and prepayments	**40,808**	**-**	**-**	**1,847,909**	**25**
Of which: suspicious	-	-	-	305,888	-
Of which: Other financial companies	-	-	-	-	-
Of which: Non-financial companies	40,808	-	-	-	25
Of which: Households	40,808	-	-	-	8
Of which: Home acquisition loans	-	-	-	-	4
Of which: consumer credit	40,808	-	-	1,847,909	25

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 2021, 82.1% of the exposure had been rated by a credit rating agency recognised by the Bank of Spain (80.4% at 31 December 2020). The distribution, by rating, of the rated exposure is as follows:

Tier	Rating (*)	Percentage	
		2021	2020
1	AAA-AA	2.8%	4.5%
2	A	46.4%	40.1%
3	BBB	42.2%	43.8%
4	BB	7.9%	10.8%
5	B	0.7%	0.8%
6	CCC and below	-	-
		100%	100%

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

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

22.4.2. Classification of credit risk exposure by counterparty

Following is a detail, by counterparty, of the maximum credit risk exposure (excluding impairment losses and other measurement adjustments recognised) in connection with financial assets not past-due or impaired at 31 December 2021 and 2020:

31 December 2021:

	Gross carrying amount						
	Total	Of which: heldfor 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 (Nota 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)	-

31 December 2020

	Gross carrying amount						
	Total	Of which: heldfor trading	Of which:financial assetssusceptible to impairment	Of which:restructured orrefinanced debt	Of which: doubtful	Accumulated impairment (including stage 1)	Accumulated negative changes in impairment due to credit risk deriving from doubtful exposures
Derivatives	**961,751**	**961,056**	**694**	**-**	**-**	**-**	**-**
Of which: credit institutions	603,557	602,862	694	-	-	-	-
Of which: other financial companies	357,380	357,380	-	-	-	-	-
Equity instruments	**156,080**	**146,992**	**2,638**	**-**	**-**	**-**	**-**
Of which: credit institutions	37,437	31,998	-	-	-	-	-
Of which: other financial companies	4,094	3,137	957	-	-	-	-
Of which: other non-financial companies	114,550	111,857	1,681	-	-	-	-
Debt securities (Notes 7 and 8)	**3,539,411**	**749,943**	**2,767,749**	**-**	**-**	**(8,460)**	**-**
Central banks	-	-	-	-	-	-	-
Public administrations	2,474,997	165,701	2,309,296	-	-	-	-
Credit institutions	279,852	150,127	129,725	-	-	-	-
Other financial companies	234,892	103,132	110,041	-	-	(5,082)	-
Non-financial companies	549,670	330,983	218,687	-	-	(3,378)	-
Loans and prepayments	**8,816,108**	**-**	**8,815,488**	**342**	**1,094**	**(942)**	**-**
Central banks (Note 5)	5,071,475	-	5,071,475	-	-	-	-
Public administrations	511,602	-	511,602	-	-	-	-
Credit institutions (Notes 5 and 8)	2,652,963	-	2,652,963	-	665	(434)	-
Other financial companies	531,864	-	531,864	-	-	(306)	-
Non-financial companies	2,079	-	1,459	-	-	(4)	-
Of which: small and medium sized companies	1,168	-	548	-	-	(4)	-
Households	46,125	-	46,125	342	429	(198)	-
Of which: loans secured by residential properties	41,386	-	41,386	298	366	(72)	-
Of which: consumer loans	2,537	-	2,537	-	14	(47)	-

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 2021 and 2020.

22.6. Financial assets renegotiated in the year

At 31 December 2021, 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 2021 was EUR 316 thousand (2020: EUR 342 thousand) and with a specific hedge of EUR 78 thousand in 2021 (2020: EUR 96 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 2021 and 2020:

Book value

	Assets with no significant increase in credit risk since initial recognition (stage 1)			Assets with a significant increase in credit risk since initial recognition, but with no credit impairment (stage 2)			Assets with credit impairment		
	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days	≤ 30 days
Total debt instruments	**602**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**69**
Debt securities	-	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-	-
Public administrations	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-
Other financial companies	-	-	-	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-	-	-	-
Loans and prepayments	602	-	-	-	-	-	-	-	69
Central banks	-	-	-	-	-	-	-	-	-
Public administrations	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-

At 31 December 2020:

Book value

	Assets with no significant increase in credit risk since initial recognition (stage 1)			Assets with a significant increase in credit risk since initial recognition, but with no credit impairment (stage 2)			Assets with credit impairment		
	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days
TOTAL DEBT INSTRUMENTS	-	-	-	5	74	-	1	-	69
Debt securities	-	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-	-
Public administrations	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-
Other financial companies	-	-	-	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-	-	-	-
Loans and prepayments	-	-	-	5	74	-	1	-	69
Central banks	-	-	-	-	-	-	-	-	-
Public administrations	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-
Other financial companies	-	-	-	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-	-	-	-
Households	-	-	-	5	74	-	1	-	69
Loans and prepayments for products, real guarantees and subordinated items	-	-	-	-	-	-	-	-	-
Sight and with brief notice periods (current account)	-	-	-	-	-	-	1	-	-
Credit card debt	-	-	-	-	-	-	-	-	-
Trade receivables	-	-	-	-	-	-	-	-	-
Finance leases	-	-	-	-	-	-	-	-	-
Reverse repo loans	-	-	-	-	-	-	-	-	-
Other term loans	-	-	-	5	74	-	-	-	69
Prepayments other than loans	-	-	-	-	-	-	-	-	-
Of which: loans secured by property	-	-	-	-	74	-	-	-	69
Of which: other loans with real guarantees	-	-	-	-	-	-	-	-	-
Of which: consumer credit	-	-	-	-	74	-	-	-	69
Of which: home acquisition 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.

At 31 December 2021

Gross carrying amount/ nominal amount

	Not doubtful				Doubtful								
	Total	Total notdoubtful	Not due or outstanding ≤ 30 days	Outstanding > 30 days ≤90 days	Total doubtful	Improbable payment not due or Outstanding ≤ 90 days	Outstanding > 1 year ≤ 2years	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	0
Other financial companies	279,387	279,387	279,387	279,387	-	-	-	-	-	-	-	13,570	0
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	-	-	-	-	-	-	-	-	-

At 31 December 2020

At 31 December 2020

Gross carrying amount/ nominal amount

	Not doubtful				Doubtful								
	TOTAL	Total not doubtful	Not due or outstanding ≤ 30 days	Outstanding > 30 days ≤90 days	Total doubtful	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	**9,119,151**	**9,118,057**	**9,117,983**	**74**	**1,094**	**990**	**2**	**77**	**25**	**1,094**	**1,094**	**1,888,404**	**314**
Cash balances at central banks and other	5,227,260	5,226,620	5,226,620	-	640	640	-	-	-	640	640	-	-
Debt securities	303,661	303,661	303,661	-	-	-	-	-	-	-	-	-	-
Public administrations	280,494	280,494	280,494	-	-	-	-	-	-	-	-	-	-
Other financial companies	23,167	23,167	23,167	-	-	-	-	-	-	-	-	-	-
Loans and prepayments	3,588,230	3,587,776	3,587,702	74	454	350	2	77	25	454	454	1,888,404	314
Central banks -	-	-	-	-	-	-	-	-	-	-	-	-	-
Public administrations	511,602	511,602	511,602	-	-	-	-	-	-	-	-	-	-
Credit institutions	2,497,179	2,497,154	2,497,154	-	25	-	-	-	25	25	25	1,542,021	-
Other financial companies	531,864	531,864	531,864	-	-	-	-	-	-	-	-	305,888	-
Non-financial companies	1,460	1,460	1,460	-	-	-	-	-	-	-	-	-	-
Of which: small and medium sized companies	547	547	547	-	-	-	-	-	-	-	-	-	-
Households	46,125	45,696	45,622	74	429	350	2	77	-	429	429	40,495	314
Of which: loans secured by residential	41,387	41,020	40,946	74	367	298	-	69	-	366	366	40,495	314
Of which: consumer loans	2,537	2,523	2,523	-	14	3	2	9	-	14	14	-	-
Debt instruments at fair value throughother comprehensive income	**2,464,087**	**2,464,087**	**2,464,087**	-	-	-	-	-	-	-	-	-	-
Debt securities	2,464,087	2,464,087	2,464,087	-	-	-	-	-	-	-	-	-	-
Other financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans and prepayments	2,028,801	2,028,801	2,028,801	-	-	-	-	-	-	-	-	-	-
Non-financial companies	129,726	129,726	129,726	-	-	-	-	-	-	-	-	-	-
Debt securities	86,873	86,873	86,873	-	-	-	-	-	-	-	-	-	-
Other financial companies	218,687	218,687	218,687	-	-	-	-	-	-	-	-	-	-
Non-traded debt instruments mandatorilymeasured at fair value through profit orloss or designated at fair value through profit or loss	**22,340**	**22,340**	**22,340**	-	-	-	-	-	-	-	-	-	-
Debt securities	21,720	21,720	21,720	-	-	-	-	-	-	-	-		-
Other financial companies	21,720	21,720	21,720	-	-	-	-	-	-	-	-	-	-
Loans and prepayments	620	620	620	-	-	-	-	-	-	-	-	-	-
Non-financial companies	620	620	620	-	-	-	-	-	-	-	-	-	-
Debt securities other than held for trading	**11,605,578**	**11,604,484**	**11,604,410**	**74**	**1,094**	**990**	**2**	**77**	**25**	**1,094**	**1,094**	**1,888,404**	**314**
Off-balance sheet exposures	**1,630,865**	**1,630,864**	**1,630,864**	-	-	-	-	-	-	-	-	**25,857**	-
Loan commitments granted	570,499	570,499	570,499	-	-	-	-	-	-	-	-	-	-
Public administrations	464,940	464,940	464,940	-	-	-	-	-	-	-	-	-	-
Other financial companies	16,051	16,051	16,051	-	-	-	-	-	-	-	-	-	-
Non-financial companies	86,869	86,869	86,869	-	-	-	-	-	-	-	-	-	-
Households	2,639	2,639	2,639	-	-	-	-	-	-	-	-	-	-
Other commitments granted	1,060,366	1,060,365	1,060,365	-	-	-	-	-	-	-	-	25,857	-
Public administrations	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	1,057,271	1,057,271	1,057,271	-	-	-	-	-	-	-	-	25,857	-
Other financial companies	430	430	430	-	-	-	-	-	-	-	-	-	-
Non-financial companies	2,564	2,564	2,564	-	-	-	-	-	-	-	-	-	-
Households	100	100	100	-	-	-	-	-	-	-	-	-	-

The transactions considered to be impaired (doubtful assets) by the Bank at 31 December 2021 that are classified into the categories of "Loans and prepayment to credit institutions" and "Loans and prepayments to customers" total EUR 606 thousand (EUR 1,094 thousand at 31 December 2020).

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 2021 and 2020. Excluding value adjustments for overnight deposits in Note 5:

At 31 December 2021:

	Opening balance	Origination and acquisition increases	Decreases due to derecognitionof accounts	Changesto the variancein credit risk	Changes due tomodifications 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 assets without an increase in credit risk since initial recognition	**(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 debt instruments 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)

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:

Gross carrying amount/ nominal amount

	Transfers betweenstage 1 and stage 2		Transfers betweenstage 2 and stage 3		Transfers betweenstage 1 and stage 3	
	To stage2 from stage 1	To stage1 from stage 2	To stage3 from stage 2	To stage2 from stage 3	To stage3 from stage 1	To stage1 from stage 3
Total debt instruments	-	23,002	-	-	1,013	2
Debt securities	-	22,935	-	-	-	-
Central banks	-	-	-	-	-	-
Public administrations	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-
Other financial companies	-	22,935	-	-	-	-
Non-financial companies	-	-	-	-	-	-
Loans and prepayments	-	67	-	-	1,013	2
Central banks	-	-	-	-	-	-
Public administrations	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-
Other financial companies	-	-	-	-	-	-
Non-financial companies	-	-	-	-	1,013	-
Households	-	67	-	-	-	2
Commitments and financial guarantees granted	-	-	-	-	-	-

At 31 December 2020:

	Opening balance	Changes due to variation in credit risk	Other adjustment	Closing balance
Changes due to variation in credit risk	**(4,139)**	**(2,549)**	**135**	**(8,996)**
Corrections for financial assets without increased credit risk from initial recognition (phase 1)	**(1,609)**	**(147)**	**-**	**(1,759)**
Debt securities (note 7)	(1,400)	36	-	(1,364)
Loans and advances (Note 8)	(209)	(183)	-	(395)
Of which: value adjustments valued collectively	(1,609)	(147)	-	(1,759)
Of which: individually valued value adjustments	-	-	-	
Corrections for debt instruments with a significant increase in credit risk since initial recognition, but without credit impairment (phase 2)	**(2,412)**	**(2,376)**	**135**	**(7,099)**
Debt securities (Note 8)	(2,408)	(2,376)	-	(7,098)
Loans and advances (Note 8)	(4)	-	-	(1)
Of which: value adjustments valued collectively	(4)	-	-	(1)
Of which: individually valued value adjustments	(2,408)	(2,376)	135	(7,098)
Corrections for credit-impaired debt instruments (phase 3)	**(118)**	**(26)**	**-**	**(138)**
Representative values of debt	-	-	-	
Loans and advances (Note 8)	(118)	(26)	-	(138)
Of which: value adjustments valued collectively	(86)	(33)	-	(113)
Of which: individually valued value adjustments	(32)	7	-	(25)

At 31 December 2020:

Gross carrying amount/ nominal amount

	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	To stage2 from stage 1	To stage1 from stage 2	To stage3 from stage 2	To stage2 from stage 3	To stage3 from stage 1	To stage1 from stage 3
Total debt instruments	10,070	190	-	-	50	19
Debt securities	-	-	-	-	-	-
Central banks	-	-	-	-	-	-
Public administrations	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-
Other financial companies	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-
Loans and prepayments	10,070	190	-	-	50	19
Central banks	-	-	-	-	-	-
Public administrations	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-
Other financial companies	-	-	-	-	-	-
Non-financial companies	9,990	-	-	-	-	-
Households	80	190	-	-	50	19
Commitments and financial guarantees granted	-	-	-	-	-	-

22.9. Past-due but not impaired assets

At 31 December 2021 and 2020 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 2021 and 2020 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.

22.11. Exposure to real estate risk

The only operations granted by the Bank at 31 December 2021 and 2020 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 2021:

Carrying amount

	Gross carrying amount	Central banks	Public administrations	Credit institutions	Otherfinancial 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	-	-

At 31 December 2020:

Carrying amount

	Gross carrying amount	Central banks	Public administrations	Credit institutions	Otherfinancial companies	Non-financial companies	Households
Loans and prepayments	8,816,109	5,071,475	511,602	2,652,529	531,558	2,075	45,927
Real guarantees	-	-	-	-	-	-	-
Of which: loans secured by property	41,386	-	-	-	-	-	41,313
Of which: otherloans with real guarantees	1,874,281	-	-	1,565,181	308,933	-	-

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 2021 and 2020:

At 31 December 2021:

Importe en libros

	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) Carrying amount			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	-	-	-	-	-	-	-	-	69
Of which: loans secured byproperty	-	-	-	-	-	-	-	-	69
Of which: other loans with realguarantees	-	-	-	-	-	-	-	-	69

At 31 December 2020:

Importe en libros

	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) Carrying amount			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	-	-	-	5	74	-	-	-	69
Of which: loans secured byproperty	-	-	-	-	74	-	-	-	69
Of which: other loans with realguarantees	-	-	-	-	74	-	-	-	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 2021 and 2020 or in the years then ended.

In 2021 and 2020 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 2021 and 2020 is as follows:

Thousand euro

	2021	2020
Money and currency markets	654	283
Forex products	142	319
Debt table	60	44
Variable income table	231	286
Derivatives products	110	220
Credit table	157	319
Banknotes	13	36

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 approvedby 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 2021 and 2020 (including measurement adjustments):

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

31 December 2021:

Thousand euro

	Total	Spain	Rest of the EuropeanUnion	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**
·Construction and real estate development (including land)	-	-	-	-	-
·Execution of civil works	-	-	-	-	-
·Other purposes	647,934	458,430	125,268	53,156	11,080
- Large companies	637,587	448,832	125,238	53,156	10,361
- SME's and self-employed	10,347	9,598	30	-	719
Other homes	**46,111**	**45,584**	**1**	**-**	**526**
·Homes	42,939	42,413	-	-	526
·Consumption	2,438	2,437	1	-	-
·Other purposes	734	734	-	-	-
Total	**16,429,610**	**13,767,758**	**2,154,853**	**213,437**	**293,562**

31 December 2020:

Thousand euro

	Total	Spain	Rest of the EuropeanUnion	America	Rest of the world
Central banks and credit institutions	**8,712,726**	**7,029,101**	**1,245,580**	**98,249**	**339,796**
Public institutions	**2,986,601**	**1,710,216**	**1,276,385**	**-**	**-**
·Central administration	2,313,142	1,036,757	1,276,385	-	-
·Other public administrations	673,459	673,459	-	-	-
Other financial institutions	**1,123,241**	**866,166**	**161,639**	**21,143**	**74,293**
Non-financial companies and individual businesses	**666,292**	**385,643**	**213,610**	**24,790**	**42,249**
·Construction and real estate development (including land)	-	-	-	-	-
·Execution of civil works	-	-	-	-	-
·Other purposes	666,292	385,643	213,610	24,790	42,249
- Large companies	649,732	381,922	200,797	24,790	42,223
- SME's and self-employed	16,560	3,721	12,813	-	26
Other homes	**46,027**	**45,915**	**2**	**-**	**110**
·Homes	43,211	43,101	-	-	110
·Consumption	2,489	2,487	2	-	-
·Other purposes	327	327	-	-	-
Total	**13,534,887**	**10,037,041**	**2,897,216**	**144,182**	**456,448**

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

31 December 2021:

Thousand euro

		Autonomous communities								
	Total	Andalucía	Aragón	Asturias	Baleares	Canarias	Cantabria	Castilla La Mancha	Castilla 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 Individual entrepreneurs	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 and individual 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 Individual entrepreneurs	-	-	2,874	-	-	38	4,998	54	-
Rest of households	**-**	**1**	**44,452**	**-**	**-**	**4**	**-**	**-**	**-**
· Houses	-	-	41,349	-	-	-	-	-	-
· Consumption	-	1	2,371	-	-	4	-	-	-
· Other purposes	-	-	732	-	-	-	-	-	-
Total	**116,157**	**142,337**	**9,357,620**	**19,880**	**6**	**365,629**	**69,269**	**49,631**	**-**

31 December 2020:

Thousand euro

	Autonomous communities									
	Total	Andalucía	Aragón	Asturias	Baleares	Canarias	Cantabria	Castilla La Mancha	Castilla León	Cataluña
Credit Institutions	**7,029,101**	**109,417**	**478**	**-**	**3,249**	**-**	**557,990**	**-**	**-**	**-**
Public Administrations	**1,710,216**	**71,124**	**84,041**	**88,637**	**29,740**	**-**	**-**	**86,219**	**60,087**	**-**
· Central Administration	1,036,757	-	-	-	-	-	-	-	-	-
· Other	673,459	71,124	84,041	88,637	29,740	-	-	86,219	60,087	-
Other Credit Institutions	**866,166**	**3,964**	**-**	**-**	**2,802**	**-**	**-**	**-**	**16,025**	**2,747**
Non- financial societies andindividual entrepreneurs	**385,643**	**-**	**-**	**700**	**350**	**-**	**11,497**	**-**	**-**	**52,368**
· Construction and property development	-	-	-	-	-	-	-	-	-	-
· Construction of Civil Works	-	-	-	-	-	-	-	-	-	-
· Other purposes	385,643	-	-	700	350	-	11,497	-	-	52,368
- Large companies	381,922	-	-	700	350	-	11,497	-	-	52,229
- SMEs and Individual entrepreneurs	3,721	-	-	-	-	-	-	-	-	139
Rest of households	**45,915**	**-**	**-**	**1**	**-**	**-**	**-**	**500**	**169**	**1**
· Houses	43,101	-	-	-	-	-	-	482	169	-
· Consumption	2,487	-	--	-	-	-	-	18	-	-
· Other purposes	327	-	-	1	-	-	-	-	-	1
Total	**10,037,041**	**184,505**	**84,519**	**89,338**	**36,141**	**-**	**569,487**	**86,719**	**76,281**	**55,116**

Thousand euro

	Autonomous communities								
	Extremadura	Galicia	Madrid	Murcia	Navarra	Com. Valenciana	País Vasco	La Rioja	Ceuta y Melilla
Credit Institutions		**18115,096**	**5,851,463**	**-**	**-**	**289,746**	**101,644**	**-**	**-**
Public Administrations	**102,463-**		**196**	**-**	**-**	**93,488**	**-**	**57,465**	**-**
· Central Administration	-	-	-	-	-	--	-	-	-
· Other	102,463	-	196	-	-	93,488	-	57,465	-
Other Credit Institutions	**-**	**18,641**	**821,987**	**-**	**-**	**-**	**-**	**-**	**-**
Non- financial societies and individual entrepreneurs	**-**	**19,010**	**271,308**	**-**	**936**	**38**	**29,382**	**54**	**-**
· Construction and property development	-	-	-	-	-	-	-	-	-
· Construction of CivilWorks	-	-	-	-	-	-	-	-	-
· Other purposes	-	19,010	271,308	-	936	38	29,382	54	-
- Large companies	-	19,010	267,818	-	936	-	29,382	-	-
- SMEs and Individual entrepreneurs	-	-	3,490	-	-	38		54	-
Rest of households	**-**	**-**	**45,240**	**-**	**-**	**4**	**-**	**-**	**-**
· Houses	-	-	42,450	-	-	-	-	-	-
· Consumption	-	-	2,465	-	-	4	-	-	-
· Other purposes	-	-	325	-	-	-	-	-	-
Total	**102,481152,747**		**6,990,194**	**-**	**936**	**383,276**	**131,026**	**57,519**	**-**

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 2021 and 2020. 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 2021:

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-currentassets 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**

31 December 2020:

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-currentassets and disposable groups of items classified as held for sale (Note 10)	Total
Depending on the type ofissuer					
Spanish financialinstitutions	31,998	5,439	-	-	37,437
Other Spanish companies	113,537	1,012	2,392	-	116,941
Other foreign companies	1,457	-	246	-	1,703
	146,992	**6,451**	**2,638**	**-**	**156,081**

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 2021 and 2020 is as follows:

	Thousand euro 2021	2020
Loan commitments granted		
Public administrations	471,000	464,940
Other financial companies	16,318	16,051
Non-financial companies	71,344	86,869
Households	3,209	2,639
	561,871	570,499
Financial guarantees granted		
Credit institutions	-	-
	-	-
Other commitments granted		
Credit institutions	68,679	1,057,271
Public entities	-	-
Other financial companies	113	430
Non-financial companies	2,564	2,564
Households	75	101
	71,431	1,060,366
	633,302	1,630,865

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 granted" mainly includes commitments for the purchase of simultaneous and deposits lent in the amount of EUR 981,305 thousand as at 31 December 2020.

Furthermore, financial guarantees and surety in the amount of EUR 39,169 thousand are also recorded at 31 December 2021 (EUR 70,573 at 31 December 2020).

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 262 thousand at 31 December 2021 (31 December 2020: EUR 288 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 2021 and 2020, 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 2021 and 2020 was as follows:

Thousand euro	2021	2020
Spanish Public Debt classified as financial assets at fair value through othercomprehensive income	78,300	75,000
Other Assets classified as financial assets at fair value through other comprehensiveincome	223,000	10,000
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	140,723	53,300
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	435,144
Issued Public Debt by no resident public administrations classified as financial Assets Heldfor Trading	37,901	74,000
	534,924	647,444

At 31 December 2021 and 2020, the Bank had securities with a face value of EUR 46,120 and 109,460 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 2021, the Bank had entered into repurchase agreements for securities in its portfolio and reverse repurchase agreements for a total amount of EUR 2,784,445 thousand (31 December 2020: EUR 2,518,039 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 2021 and 2020, 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 2021 and 2020 is as follows:

Thousand euro	2021	2020
Financial instruments granted to third parties-		
Debt instruments	130,426,771	82,792,033
Equity instruments	164,793,952	100,993,020
	295,220,723	183,785,053
Other financial assets	44,390.907	18,549,398
	339,611,630	202,334,451
Conditional bills and other securities received	109,470	108,403
Borrowed securities (Note 27.4)	168,612	122,388
	339,889,712	202,565,242

"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 2021 and 2020:

Thousand euro

	2021	2020
Equity instruments	-	-
Debt instruments	249,730	263,265
	249,730	263,265

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 2021 and 2020:

Thousand euro

	2021	2020
Securities borrowed by the Bank-		
Debt instruments ssued by Public sector - Spain (Note27.3)	168,612	122,388
	168,612	122,388

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 2021 and 2020. Certain claims submitted to the Service were not admitted for consideration in 2021 and 2020 because they were claims that affected entities other than the Bank:

	2021	2020
Number of complaints and claims received	1	2
Number of complaints and claims not admitted for processing	1	2
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 2021 and 2020, by type of instrument giving rise to it, is as follows:

Thousand euro

	2021	2020
Financial assets held for trading	9,987	9,925
Non trading financial assets mandatorily at fair value through profit or loss	300	319
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	27,897	31,334
Financial assets at amortised cost	9,763	10,793
Derivatives – hedge accounting, interest rate risk	12,012	13,577
Interest income on financial liabilities	50,866	34,191
Other assets	511	326
	111,336	100,465

"Interest Income on Financial Liabilities" in the table above includes the income arising in 2021 and 2020, 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 2021 and 2020, by type of instrument giving rise to them, is as follows:

Thousand euro

	2021	2020
Financial liabilities held for trading	6,174	5,998
Financial liabilities at amortised cost	1,791	7,600
Derivatives – hedge accounting, interest rate risk	14,923	15,922
Interest Expense on financial assets / other liabilities	81,775	55,344
Interest cost of pension funds (Note 35)	299	968
	104,962	85,832

"Interest Expense on Financial Assets / other liabilities" in the table above includes the expenses arising in 2021 and 2020 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 2021 and 2020:

Thousand euro

	2021	2020
Financial assets held for trading	3,611	3,394
Non-trading financial assets mandatorily at fair value through profit or loss	327	136
Financial assets at fair value through other comprehensive income	128	137
	4,066	3,667

31. Commission income

Following is a detail of the commission income earned in 2021 and 2020, classified on the basis of the main items giving rise thereto:

Thousand euro

	2021	2020
Commissions arising from contingent liabilities (Note 27.1)	185	265
Commissions for contingent commitments	1,001	1,936
Commissions arising from collection and payment services	27,082	24,665
Commissions arising from securities services	185,102	127,653
Commissions arising from foreign exchange and foreign banknotes	167	168
Other commissions	9,920	8,745
	223,457	163,432

The balance of “Fees and Commissions Arising from Securities Services” in the foregoing tableincludes, inter alia, EUR 172,748 thousand earned in 2021 (2020: EUR 118,512 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 2021 and 2020, classified on the basis of the main items giving rise thereto:

Thousand euro

	2021	2020
Commissions assigned to other entities and correspondents	8,975	7,478
Commission expenses on securities transactions	24,115	18,218
	33,090	25,696

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 2021 and 2020 is as follows:

Thousand euro

	2021	2020
Net gains/losses on financial assets and liabilities held for trading	(6,018)	(14,725)
Gains (losses) on non-trading financial assets mandatorily at fair value through profit orloss, net	(1,043)	(3,141)
Net gains/losses from unsubscribe financial assets and liabilities not valued at fair value through profit or loss, net-	34,588	24,126
Financial assets at fair value through other comprehensive income	34,585	24,812
Financial assets at amortised cost	3	3
Financial liabilities at amortised cost	-	(689)
Net gains/losses on financial assets and liabilities designated at fair value through profit orloss	-	-
Net gains/losses resulting from hedge accounting	206	(1,199)
	27,733	5,061

34. Other operating income

The breakdown of the balance of "Other Operating Income" in the income statement for exercises 2021 and 2020 is as follows:

		Thousand euro
	2021	2020
Rental income (Note 12)	1,535	1,298
Income from expenses charged	8,403	3,984
Other income	35,473	41,487
	45,410	46,769

The balance of "Other income" in the foregoing table includes the dues collected from the services given to the Confederación Española de Cajas de Ahorros, which amounts in 2021 EUR 11,392 thousand (12,687 thousand in 2020) (see Note 40). This item also records the income from the different services that Cecabank provide to its customers such as: Kondor, e-banking, Business Intelligence, among others.

35. Administrative expenses – Staff Costs

The detail of "Administrative Expenses - Staff Costs" in the income statement for 2021 and 2020 is as follows:

		Thousand euro
	2021	2020
Wages and salaries	36,887	38,347
Social security costs	7,200	7,274
Insurance premiums (Note 2.11.2)	129	176
Termination Benefits (Note 2.11.4) (Note 16)	26,423	2,812
Contributions to defined contribution plans (Note 2.11.2)	32	455
Normal cost for the year of defined benefit obligations	-	-
Training expenses	330	318
Other staff costs	426	560
	71,427	49,942

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 as of December 31, 2021 in the heading "Indemnities for termination" corresponds mainly to an amount of 24,763 thousand euros to the expenses estimated in the agreement of the employment regulation file reached on August 6, 2021.

Additionally as of 30 September 2020, CECA and the trade unions reached an agreement on the text of the collective bargaining agreement for savings banks and financial institutions for the years 2019 to 2023, whose main novelty lies in the area of remuneration for active and passive staff; the agreement associates wage increases to a fixed percentage plus additional payments that can reach up to 0.5% of basic salary, instead of being indexed to the CPI as was the case in previous agreements.

In 2021 and 2020, the average number of employees at the Bank, by level, was as follows:

	2021			2020		
Professional levels	Men	Women	Total	Men	Woman	Total
1 - LEV.I	5	3	8	4	0	4
1 - LEV.II	3	2	5	5	3	8
1 - LEV.III	18	12	30	17	8	25
1 - LEV.IV	29	12	41	30	16	46
1 - LEV.V	31	30	61	31	25	56
1 - LEV.VI	53	46	99	64	56	120
1 - LEV.VII	27	40	67	28	43	71
1 - LEV.VIII	26	55	81	27	55	82
1 - LEV.IX	9	14	23	9	18	27
1 - LEV.X	7	5	12	8	6	14
1 - LEV.XI	3	4	7	2	4	6
1 - LEV.XII	10	10	20	1	2	3
1 - LEV.XIII	-	-	-	1	1	2
2 - LEV.I	1	-	1	1	0	1
2 - LEV.II	2	-	2	3	0	3
2 - NIV.IV	1	-	1	-	-	-
OTHER	3	1	4	4	1	5
	228	234	462	235	238	473

At the end of 2021, the Bank had two contracted employees with a disability greater than or equal to 33%, although at the end of 2020 there was one. The commitments assumed in terms of disabled personnel are complemented through alternative measures duly authorized by the Community of Madrid.

At 31 December 2021, the total number of employees was 461 (2020: 475), of whom 227 were men (2020: 234) and 234 women (2020: 241), representing 49% and 51%, respectively (49% and 51% respectively, at 31 December 2020).

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 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 theobligation (IV)	Valueof the plan assets (V)	Total (VI = IV - V) (*)	Total (III + VI)
Instrumented in external pension plansand/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).

At 31 December 2020:

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 the plan assets (V)	Total (VI = IV -V) (*)	Total (III + VI)
Instrumented in external pension plansand/or insurance policies	170,341	176,222	(5,881)	-	-	-	(5,881)
Not instrumented in pension plans or insurance policies	-	-	-	29,051	-	29,051	29,051
Total at 31 December 2020	170,341	176,222	(5,881)	29,051	-	29,051	23,170

(*) This amount is recognised under "Provisions – Other Long-Term Employee Benefits" on the liability side of the balance sheet as at 31 December 2020 (see Note 16).
(**) This amount is recognised under "Other Assets – Other" in the balance sheet as at 31 December 2020 (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 2021 was 10,67 years for retired employees and there are no active employees at the end of 2021 (at 31 December 2020, 10,97 years for serving employees and there are no active employees at the end of 2020).

Following is the reconciliation of the beginning and ending balances in 2021 and 2020 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 2021:

Thousand euro

	Post-employmentbenefits			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 the participants 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**

Year 2020:

Thousand euro

	Post-employmentbenefits			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 2020	**177,731**	**180,004**	**(2,273)**	**41,656**	**-**	**41,656**	**39,383**
2. Current service cost	-	-	-	863	-	863	863
3. Expected return on plan assets	-	834	(834)	-	-	-	(834)
4. Interest cost	968	-	968	(7)	-	(7)	961
5. Contributions made by the participants of the plan	-		-	-	-	-	-
6. Contributions made by theBank	-		-	-	-	-	-
7. Effect of the recalculation onthe measurement of the net obligations:	1,456	5,198	(3,742)	(422)	-	(422)	(4,164)
7.1 Actuarial gains and lossesarising as a result of changes in the demographic assumptions	1,018	440	578	-	-	-	578
7.2 Actuarial gains and losses arising as a result of changes inthe financial assumptions	438	4,758	(4,320)	-	-	-	(4,320)
7.3 Effect of the change inreturn on plan assets	-	-	-	-	-	-	-
8. Benefits paid	(9,814)	(9,814)	-	(13,039)	-	(13,039)	(13,039)
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 2020	**170,341**	**176,222**	**(5,881)**	**29,051**	**-**	**29,051**	**23,170**

The amount recognised by the Bank in relation to the current service cost for defined benefit plans in 2021 amounted to EUR 299 thousand. It was recognised under "Administrative Expenses - Staff Costs" in the accompanying income statement (2020: EUR 968 thousand) (See Note 29).

In the 2021 financial year, the Bank has not recorded any provision under the heading "Provisions or reversal of provisions" in the profit and loss account; In the 2020 financial year, this amount amounted to 452 thousand euros as allocations to the fund for other long-term employee benefits.

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 2021 and 2020, 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 238 and EUR 2,619 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 2021 and 2020 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 2021 and 2020:

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: 0.61%

  - The interest rate applied to obtain the present value of the accounting obligation is the market rate according to the financial duration of the flows of the commitments (10.67 years), and according to the corresponding Iboxx rate curve as of December 31, 2021 to corporate bonds with a high credit rating (AA).

  - The interest rate applied to obtain the fair value of the affected assets coincides with the interest rate used to obtain the current value of the obligation.

- Expected rate of return on the accounting asset for the assets used to cover the obligations covered by the Plan is 0.18%.

Other long-term obligations at 31 December 2021 and 2020:

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: (0.11%) for all plans except for the ERE plan which is (0.0058%).

- Market rate according to the financial duration of the commitment flows for this group together with the groups of early retirees (1.88 years) (3.57 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 2021 would give rise to a EUR 7,844 thousand reduction and a EUR 8,579 thousand increase, respectively, in the value of the obligations (at 31 December 2020: EUR 8,965 and EUR 9,793 thousand, respectively).

A 50 basis point upward/downward shift in the pension discount rate at 31 December 2021 would give rise to a EUR 7,459 thousand reduction and a EUR 8,147 thousand increase, respectively, in the value of the obligations (At 31 December 2020: EUR 8,735 and EUR 9,532 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 637 thousand reduction and a EUR 653 thousand increase, respectively at 31 December 2021 (At 31 December 2020: EUR 299 and EUR 306 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 2021, 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 2021 and 2020 shown in the previous tables is shown below, taking into account the nature of the same:

Thousand euro

	2021			2020		
	Pension obligations	Other long-termobligations	Total	Pension obligations	Other long-termobligations	Total
Pension fund	10,650	-	10,650	7,532	-	7,532
Insurance policies taken outwith CASER	146,048	-	146,048	168,690	-	168,690
Total	156,698	-	156,698	176,222	-	176,222

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 2021 and 2020, is as follows:

	2021	2020
Quoted Spanish government debt	9.76%	17.81%
Quoted private fixed-income securities	53.92%	58.38%
Quoted equity securities	15.21%	14.38%
Cash and bank balances	21.11%	9.43%
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 2021 and 2020 there were no financial assets relating to assets issued by the Bank.

There are no active recipients of the defined benefits at the end of 2021 since they were moved to defined contributions (Subplan 3) on 1 January 2020.

36. Administrative expenses - Other general administrative expenses

The detail of this heading in the income statements for 2021 and 2020 is as follows:

Thousand euro

	2021	2020
Property, fixtures and supplies	2,022	1,819
IT equipment	14,531	17,928
Communications	2,319	2,743
Advertising and publicity	347	351
Technical reports	2,789	2,209
Surveillance and cash courier services	3,374	3,821
Insurance and self-insurance premiums	753	718
Outsourced administrative services	32,177	25,766
Levies and taxes	6,522	4,796
Entertainment and travel expenses	188	300
Association membership fees	1,592	1,551
External personnel	1,652	1,023
Subscriptions and publications	3,099	3,157
Other administrative expenses	767	926
	72,132	67,108

The balance under “Technical reports” records the 2021 and 2020 fees for the services rendered by the Bank’s auditor, PricewaterhouseCoopers Auditores, S.L., as follows:

Thousand euro

	2021	2020
Audit services	264	273
Other attest services	26	33
Total audit and related services	290	306
Tax counselling services	-	-
Other services	-	-
	-	-
Total professional services	290	306

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 2021 and 2020 are as follows:

	2021	2020
	Days	Days
Average period of payment to suppliers	46.5	44.5
Ratio of transaction settled	46.8	45.1
Ratio of transaction not yet settled	18.0	24.5
	Thousand euro	
Total payments made	90,854	87,140
Total payments outstanding	1,118	2,388

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.

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

	2021	2020
Contribution to the Deposit Guarantee Fund (Note 1.11)	230	169
Contribution to the Single Resolution Fund (Note 1.11)	6,950	4,426
Other Concepts	224	558
	7,404	5,153

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 7,180 thousand at 31 December 2021 and EUR 4,595 thousand at 31 December 2020 (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 2021 and 2020 is as follows:

Thousand euro

	2021	2020
Financial assets at fair value through other comprehensive income		
Debts instruments (Note 22.8)	416	3,146
Equity instruments	-	-
	416	3,146
Financial assets at amortised cost (Note 22.8)	(4,996)	2,624
	(4,996)	2,624
	(4,580)	5,770

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 4,472 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 2021 and 2020 is as follows:

Thousand euro

	2021	2020
Depreciation of Property, plant and equipment (Note 12)	4,105	3,840
Amortisation of intangible assets (Note 13)	78,306	53,527
	82,411	57,367

40. Related party transactions

Agreement for the Provision of Services between the Confederación Española de Cajas de Ahorros (CECA) and Cecabank, S.A.

As part of the process to create Cecabank, S.A. and the spin-off carried out by CECA in favour of this entity in 2012 (see Note 1.1), the "Internal protocol of relations between Confederación Española de Cajas de Ahorros and Cecabank, S.A." was established. This protocol identified the services provided by Cecabank to CECA and established the general criteria for intra-group transactions and services.

As a result of CECA losing its status as a credit institution in 2014, as described in Note 1.1, on

19 December 2014 a new "Agreement for the Provision of Services between the Confederación Española de Cajas de Ahorros (CECA) and Cecabank, S.A." was signed. This agreement redefines the services that Cecabank, S.A. renders to CECA in accordance with its new status.

Once CECA ceased to be a credit institution the process for CECA to join the Association of Savings Banks for Labor Relations (ACARL) was started. A public document "Overall Assignment of ACARL Assets and Liabilities to CECA" was executed on 30 September 2016 and the latter began to perform the duties falling to ACARL with respect to the negotiation of the Collective Bargaining Agreement for Savings Banks, among others.

Cecabank has made organisational modifications that recommend a review of the identity of the Departments and specific areas that have been rendering services to CECA by virtue of the aforementioned Agreement, and this has led the Parties to sign an adaptation of the Appendixes to the Service Agreement that reflects the updated services that Cecabank renders to CECA. This agreement was signed on 9 May 2019 but took retroactive effect as from 1 January 2019.

The services that are rendered by Cecabank, S.A. to CECA after this agreement was signed are listed below:

- Rendering of association services:
  - Regarding regulatory and interest representation matters
  - Regarding financial and economic matters
  - Regarding cooperation matters
  - Regarding communication matters
  - Regarding Community Projects Fund matters
  - Regarding customer service matters
  - Regarding financial education matters
  - Regarding institutional relationship matters
  - Regarding knowledge management matters
  - Regarding technological matters
  - Regarding quality matters
  - Regarding CSR matters
  - Regarding regulatory compliance matters
- Rendering of support services:
  - Regarding legal, tax and governing body support matters
  - Regarding financial planning matters
  - Regarding internal audit matters
  - Regarding computer security matters
  - Regarding operating risk and control matters
  - Regarding resource matters
  - Regarding protocol matters
  - Regarding technological matters
  - Regarding external network support matters

Income received by the Bank for these services, which amounted to EUR 11,392 and 12,687 thousand in 2021 and 2020 respectively, are recognised under "Other operating income" in the income statements for 2021 and 2020 (see Note 34).

Furthermore, on 22 October 2020, an additional agreement was signed between CECA and Cecabank, S.A., which was previously approved by the Boards of Directors of CECA on 13 October 2020 and of Cecabank on 20 October 2020, whereby they agreed to provide additional services during 2020 related to the COVID-19 health crisis. The amount of these services during 2020 amounts to EUR 1,295 thousand (see Note 34).

Similarly, interest on the at sight account the CECA with the Bank is included under "Interest income" totalling EUR 150 thousand at 31 December 2021 (EUR 170 thousand at December 2020). The amount of these sight accounts, excluding accruals and deferred income, amounted to EUR 23,257 and 28,858 thousand at 31 December 2021 and 2020, respectively.

The amount of the fees received by the Bank accrued by the CECA amounted to EUR 5 thousand at December 31, 2021 (31 December 2020: EUR 5 thousand).

The amount that, as of December 31, 2021 and 2020, the staff of Senior Management and the members of the Board of Directors of the Bank, and the entities or persons related to them, maintain in the sight accounts amounts to 957 and 1,085 thousand euros respectively. These balances have not accrued interest in the 2021 financial year, while the "Interest expense" caption in the profit and loss account for the 2020 financial year includes an amount of 1 thousand euros. Likewise, the debt contracted for loans amounts to 628 and 620 thousand euros, respectively. These amounts have accrued in the years 2021 and 2020, 2 thousand euros during each year, recorded under the heading "Interest income" of the profit and loss account for the year. In the 2021 financial year, no balance has been recorded for other commitments granted, amounting to 5 thousand euros at the end of the 2020 financial year.

The breakdown of the balances arising from transactions with jointly controlled entities recognised in the balance sheets at 31 December 2021 and 2020 and in the income statements for 2021 and 2020 is as follows (Note 2.1):

	Thousand euro	
	2021	**2020**
Assets:		
Financial assets at amortised cost-Loans and advances-Customers	581	567
Liabilities:		
Financial liabilities at amortised cost	74	355
Other financial liabilities	5	5
Losses and Profits:		
Interest Incomes	-	2
Other operating income	725	694
Administrative Expenses - Other administrative expenses	42	49
Commissions	1,026	1,102

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 2021 and 2020 (see Note 11).

41. Events after the balance sheet date

After 31 December 2021 and up to 17 February 2022, the date on which these financial statements were authorised for issue by the Board of Directors of the Entity, no significant events have occurred that should be included in the accompanying financial statements in order for them to present fairly the Entity's equity, 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 2021:

Thousand euro

			Proportion of ownershipInterest (%)			Entity data at 31 December 2021(*)			
	Location	Line of business	Direct	Indirect	Total	Assets	Liabilities	Equity	Profit for the year
Trionis, S.C.R.L.	Brussels	Development and maintenance of the international payment services operative	100%	-	100%	2,841	1,651	1,190	(160)

(*) The company's financial statements at 31 December 2021 have not yet been approved by their shareholders at the respective Annual General Meetings.

At 31 December 2020:

Thousand euro

			Proportion of ownershipInterest (%)			Entity data at 31 December 2020			
	Location	Line of business	Direct	Indirect	Total	Assets	Liabilities	Equity	Profit for the year
Trionis, S.C.R.L.	Brussels	Development and maintenance of the international payment services operative	78.62%	-	78.62%	3,554	1,633	1,921	23

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:

- 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.
- The provision of technological, administrative and advisory services to public authorities, as well as to any other public or private-sector entity; and
- The acquisition, holding, use and disposal of all types of marketable securities.

The Cecabank Group carries on its activity in Spain. However, it has a branch in Lisbon (Portugal), two representative offices in Frankfurt (Germany) and London (United Kingdom) and a subsidiary in Belgium.

The Cecabank Group is composed, in addition to the Parent, Cecabank, S.A., of Trionis S.C.R.L., incorporated in 1990, set in Brussels (Belgium) whose company object is the development and maintenance of the international payment services operative.

b. Turnover:

Turnover at the Cecabank Group is defined as gross income, which amounted to EUR 305,680 thousand in 2021 and EUR 246,465 thousand in 2020.

c. Number of employees on a full-time equivalent basis:

At 31 December 2021, the Cecabank Group had 463 full-time employees (a further five had reduced working hours and four worked part-time). At 31 December 2020, the Group had 477 full-time employees (a further four 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 2021 year-end amounted EUR 93,600 thousand (2020: EUR 74,394thousand).

e. Tax on profit or loss:

Tax on the profit for the year ended 31 December 2021 amounted to EUR 24,542 thousand (2020: EUR 20,017 thousand).

f. Public subsidies received:

The entity has not received any subsidies during the years 2021 and 2020.

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 2021 by the total balance sheet, was 0.40% at 31 December 2021 (31 December 2020: 0.38%).

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Annual Accounts
Cecabank, S.A.
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Auditor’s Report

Financial Statements

Annual Report

Management Report

Cecabank, S.A.

Directors' Report for the year ended 31 December 2021

The main aim of this directors' report is to provide information on the most significant activities carried on by Cecabank in 2021, to present the results obtained in comparison with the budget, and to disclose both the most significant matters relating to risk management and the activities that will be carried out in order to comply with the strategic lines of action defined for 2022.

1. Management of COVID-19

In 2021 it has been necessary to continue managing the health crisis that began in 2020. Prudence, business continuity and flexibility have been the main premises for managing the situation.

The Crisis Committee has held regular meetings, similar to what was done throughout 2020, with the aim of guaranteeing the health of the workforce and the level and quality of service to our customers at all times. The meetings have been structured with a focus on the following aspects:

- Monitoring of the national and international context, both in terms of the epidemiological evolution of the pandemic and the measures adopted by the different authorities.
- Review of weekly public epidemiological KPIs.
- Monitoring of the evolution of Cecabank's own panel, in which external and internal indicators of the crisis are assessed, to determine the level of alert and the decisions to be made.
- Periodic review of operational and business performance, including monitoring of the evolution of strategic projects and results.
- Decision making on actions to be carried out related to crisis management.
- Permanent monitoring of the health situation of employees and their families.

The year has been characterized above all by the management of different levels of de-escalation, as vaccination progressed and in line with the context:

- During the first half of the year, the blended learning model was implemented through "bubble groups", dividing the workforce into 2 groups that attended the Entity's facilities in person on non-coinciding dates. This model avoids possible contagion between groups and facilitates the continuity of all processes in the event of internal contagion.
- The second half of the year has been characterized by the deployment of the global de-escalation plan, in which bubble groups have been eliminated and the face-to-face work model has been implemented for the entire workforce, except for people with a higher level of vulnerability. To carry out the global de-escalation, prevention measures have been reinforced, highlighting: maintenance of social distancing, use of masks, reinforcement of cleaning and ventilation, carrying out periodic tests and continuous communication with the workforce.
- The year ended with close monitoring and the taking of additional measures due to the appearance of the Omicron variant, which led to reinforcing the basic measures of distancing and the use of a mask.

One of the keys to managing the crisis has been continuous and fluid communication with the staff. From the beginning of the crisis, a comprehensive communication strategy was deployed, flexible enough to be able to adapt at all times to the needs of the evolution of the crisis and with different types of communication.

The measures adopted were recognized by the Madrid Guarantee Foundation for the commitment shown in the fight against covid-19 in September 2020. This recognition has been maintained and renewed throughout 2021.

2. Strategic Plan 2017-2020/21 and development of the business 2021

Cecabank has successfully completed the Strategic Plan approved in December 2016. Initially, the Plan covered until 2020, although, taking into account the economic context and the environment of uncertainty in the financial sector in the first months of 2020, the Board of Administration approved the extension of the Plan until 2021.

Despite the instability in some areas of the environment, the strategy defined at the end of 2016 remains fully valid. The defined strategy is based on 3 essential pillars:

1) strengthening of recurring income;

2) increase in the customer base;

3) consolidate its national leadership in the Securities Services market.

Thus, the objectives defined in the Plan 2017-2020/21were as follows:

- Gross margin of EUR 270 million.
- Efficiency; calculated as ordinary administrative expenses and amortization of tangible assets over gross margin, between 40% and 45%.
- Profitability; measured as net profit on tangible equity, between 9% and 11%.
- Solvency; valued based on CET1 between 20% and 25%.

In 2021, the development of this strategy was completed and the goals set five years ago were achieved and even exceeded. In detail:

- The gross margin exceeds 300 million euros, largely supported by the development of the Securities Services business, since Cecabank has become a reference partner in the market, consolidating its leadership. The good behavior of the financial margin and the completion of strategic projects developed throughout the Plan have also contributed.
- The efficiency ratio stands at 41.2%, within the 40%-45% range, both due to the favorable evolution of the margin and the efforts made to contain costs.
- Profitability stands at 10.1%, in the middle of the range of 9%-11%, as a result of the level of results achieved, the outstanding growth of the business and the constant reinforcement of equity.
- Solvency exceeds the maximum established threshold of 25% based on a high level of computable own funds with respect to assets that are characterized by their moderate risk profile.

The business model included in the Strategic Plan 2017-2020/21 is structured into 3 large lines of business, for which specific strategies have been developed:

1. **Securities Services**, focused on maintaining the leadership of the depository business through acquisition opportunities that arise in the domestic market, expanding the validity of existing contracts and supplementing the services offered within the Securities Services value chain and promoting the entry into other markets.

2. **Treasury,** focused on seeking profitability despite the difficult economic context, by offering new services and maintaining the leadership held in the Notes business in Spain.
3. **Banking services,** providing the market with multiple solutions in a mature business that is conditioned by new players and regulatory changes, with the objective of attaining and increasing the degree of customer loyalty, generating economies of scale and establishing collaborate of models in order to obtain new business.

Furthermore, the Strategic Plan presents different components for each of the core businesses:

- Services that form part of the main stage in each of the 3 main lines of business, the objective of which is to maintain and consolidate traditional businesses.

- Incremental initiatives: In 2016 nine initiatives in total were identified to grow the businesses. Over recent years these initiatives have been developed in a heterogeneous manner, and some of them have redirected their initial strategy to adapt to changes in the market and in customer interests. In addition, new initiatives have been created in response to changing market needs and new business opportunities. During these five years, initiatives have been incorporated into the central scenario services, others have become new services, and some will continue to be developed in the new 2022-24 Strategic Plan.

- Initiatives aimed at the cultural transformation of the Entity, such as the adaptation of spaces, talent management, agile methodologies or the digital workplace.

- Disruptive levers: In this section the Strategic Plan calls for the continuous analysis of potential corporate opportunities that could substantially change the size of the Entity.

In overall terms, we note that in 2021 the following development took place with respect to each of the components of the Strategic Plan:

- Main Stage: The year was characterized by a gradual recovery in the levels of activity and an economic recovery in households and companies, leading to an increase in savings and investment. In this context, one of the main investment vehicles has been mutual funds, which have recorded exceptional growth in assets during the year, supported by net subscriptions and portfolio revaluation, which has generated higher profits from the Securities Services line. In addition, the increase in the activity has benefited other services rendered, such as all those linked to the payments area, while the Treasury line has successfully taken advantage of the fluctuations experienced by the financial markets. All this has allowed us to end the year with a gross margin above the forecasts of the Strategic Plan.

- The development of incremental initiatives has been uneven. Nearly all of them have been completed, either as part of existing services or as new services, except for three (Custody of Crypto assets; Securities Lending; and Strategic Agreements in Means of Payment), which will continue to be developed in the new 2022-24 Strategic Plan.

- Regarding the Transformation Initiatives, over the last five years we have worked intensively on the digital transformation plans, with significant progress in their implementation and maturity. In the last two years, the progress made during the first years of the Plan in terms of digitalization and transformation has been fundamental in order to manage the covid-19 crisis without impact at the operational level. In this sense, the extension of a culture centered on customer vision, together with measures such as teleworking, team virtualization, the implementation of agile methodologies, the use of collaborative tools and the transformation of the spaces that accompany these new ways of working, have been crucial in transforming Cecabank into an increasingly agile and flexible entity, capable of adapting to any context quickly without impacting the level and quality of the service provided to our customers.

With regard to the Disruptive Levers, a total of 44 potential corporate operations distributed throughout all of Cecabank's business areas have been analyzed over the course of the Strategic Plan. This component of the Plan will continue its course in the new Strategic Plan 2022-24, with the same operation.

The following is a summary of the evolution of the three lines of business over the course of the Strategic Plan, with the services and initiatives that they encompass:

2.1. Securities Services

The Securities Services business consists of 2 large lines of services (Depository and Securities) and 3 incremental initiatives.

This business has focused on consolidating the depository, custody and settlement service, consolidating Cecabank's leadership, accompanying our main customers on the path of growth in the field of collective investment. In addition, during 2021, a significant number of integration processes have been successfully undertaken in both the depositary and institutional custody areas. Processes that have reached entities across the entire spectrum of activity, including non-financial group management companies, fintech's, securities firms, and insurance companies, covering and diversifying the bank's client base and type of clients, and demonstrating the excellent reception in the industry of Cecabank's value proposition in this area. The performance in Securities Services has been very positive, with the following milestones standing out:

- Signing of the strategic agreement to integrate Bankia's depository business, which will enable the transfer of more than EUR 30,000 million of assets in mutual funds, SICAVs and pension funds by 2021.
- Integration of VidaCaixa's own custody portfolio and assets related to the unit-linked business.
- Integration of the depository business of Bankoa (Abanca Group).
- Integration of the depository business of Novo Banco (Abanca Group).
- Integration of the pension fund depositary business of Fineco (Kutxabank Group).
- The performance of our client managers has outperformed the rest of the market. The market leaders in subscriptions are entities deposited with Cecabank.
- Signing of the agreement to integrate Dunas Capital's depository business.

At the end of the year, we had EUR 213,000 million in assets under custody and EUR 300,000 million in balances under custody, up 118% and 146%, respectively, compared to the levels at the beginning of the Strategic Plan. Thanks to this growth, the results obtained have made it possible to meet the ambitious target set for 2021.

With regard to the incremental Securities Services business initiatives included in the Strategic Plan, in addition to the aforementioned incorporation of clients, the catalogue of services provided was expanded with the incorporation of new services for voting at meetings, contingency for custody, tax accreditations and the launch of the Global Securities Solution for domestic equities. All of them have been incorporated into the central scenario, except for Digital Asset Custody, whose development will be undertaken in the new 2022-24 Plan.

2.2. Treasury

The main stage consists of 3 services (financial activity, execution of variable income and Notes) each with incremental initiatives.

Financial activity has been affected by the evolution of rates and the low volatility of the markets, in the first years of the Plan, which has penalized the financial margin. To the extent that the markets have been recovering in terms of volatility and after having implemented a portfolio rotation strategy, together with the increase in the volume intermediated with clients, it has been possible to reduce the negative differential with respect to the objectives set in the gross margin.

The activity as market creators has been consolidated throughout the Strategic Plan. Each year it has acted as Co-lead in the different Treasury issues (approximately 3-5 per year). In 2021, the Treasury has joined the Primary Dealers network (debt issuance - Next Generation EU).

The banknote business has behaved contrary to that of the Chamber, since, although its behavior in the first years of the Plan was favored by the good evolution of tourism, it has been one of the most affected businesses since the appearance of the pandemic and your revenue has dropped considerably since the second quarter of 2020.

For its part, the Equity Execution business is a fully operational service that provides services to both external and internal clients. It enables the execution of managers, IFIs (International Financial Institutions) and corporates, among others, and also allows the routing of the retail operations of some IFIs with a guarantee of compliance with current regulations. Cecabank has positioned itself as one of the main equity brokers at a national level, ranking among the top ten in the ranking.

The only initiative that has been put on stand-by is that of Securities Lending, pending final approval of the Ministerial Order that regulates this type of operation. For this reason, it has been decided to transfer it to the new EP 2022-2024 pending its legislative development in the future.

2.3. Banking services

The Banking Services line of business includes 13 different services, together with 5 incremental initiatives, in 3 distinct groupings:

1. **Payments:** which includes the Payment Systems, Clearing and Discounting; Offshore Network; Payment Means; and the Foreign Exchange in Payment Networks, Strategic Payment Means Arrangements and FX Sharing initiatives.

2. **Digital Solutions:** comprising the Treasury and Risk Support Platform; Data, Innovation and Reporting; eBanking and Digital Payments; Technology Services; and the Digital Services Extension, Digital Payments Platform and Blockchain initiatives.

3. **Other services:** comprising the Associative Services and the Banking Training School.

Banking Services revenues were in line with the initial forecast, despite the atypical nature of the year. At a more detailed level and grouped by the nature of the services provided, the following aspects are worth highlighting:

The **Payments business**, the traditional processing and on-camera representation services have focused their efforts on renewing agreements with clients, in order to ensure the viability of these businesses in the medium term. In addition, new clients have been added, especially international banks, neo banks and corporates, together with the development of new services through the incremental initiatives (i.e. immediate payments such as ISCT or Bizum).

The Digital Solutions business has focused, on the one hand, on supporting our clients in adapting to new regulations such as PSD2 (Payment Services Directive), Mifid II (Markets in Financial Instruments Directive II) and Mifir (Markets in Financial Instruments Regulation), LCCI (Law Regulating Credit Contracts), EBA 3.0 (European Banking Authority) for financial institutions, Circular 5/2020 for payment institutions, and, on the other hand, on reaching collaboration agreements with our clients, such as with Minsait for outsourcing services, through which we have managed to increase and diversify our customer base.

In parallel, the range of services has been expanded, for example with the web remittance generator, mandates and APIs (Program Application Interface), and in the Treasury and Risk Center, RRaaS (Regulatory Reporting as a Service) services have been expanded with coverage of EMIR (European Market Infrastructure Regulation) and MIFID II, SFTR (Securities Financing Transaction Regulation) compliance, the calculation of Capital for Market Risk (FRTB - Fundamental Review of the Trading Book) and Counterparty Risk (SA-CCR - Standardised Approach for Counterparty Credit Risk).

The other services have followed an uneven evolution; while the activity of the Associative Services, linked to Cecabank's service contract in CECA, has continued with the development of regulatory cooperation projects and its role of representing the interests of its associates, the business of the Banking Training School has been reducing the volume of courses given, especially those in person, since the appearance of the pandemic.

As for the incremental initiatives, almost all of them have reached sufficient maturity to be integrated into the central scenario, except for the agreements with the strategic partners in means of payment (VISA and Diebold), which will continue to be developed in the new Strategic Plan, and the Blockchain initiative, which has been reoriented towards the field of digital assets.

2.4. Internal transformation

In 2018, the CKBe Smart culture transformation project was launched. The main objective of the project was the cultural transformation of the Entity leveraged on the extension of the use of agile methodologies.

In 2021, the transformation project has achieved the following results since its start-up:

1. More than 30% of the staff working under agile principles.

2. Teleworking implemented and operating normally, as well as the digitalization of the main talent management processes.

3. Expansion of the use of IT tools (both SW and HW) that facilitate collaboration and cooperation between teams.

4. New space model implemented that promotes new ways of working: unassigned sites, no offices, different types of spaces according to their uses. First phase of the works completed and the rest of the phases in progress.

In 2021, in parallel with the Entity's strategic planning process, a reflection on the transformation project was carried out to align it with the new Strategic Plan.

At the end of 2021, the new CKBe Smart 2.0. project was launched, which continues to focus on transformation with Culture as a lever for change.

2.5. Sustainability

Both because of its strong banking tradition linked to the social dimension, and because of its vocation for the future, Cecabank is aware of the importance of carrying out its business considering ESG (Environmental, Social and Governance) factors. These considerations are part of the national, European and international economic agenda and Cecabank wishes to actively contribute.

Sustainability management at Cecabank is structured around 4 pillars:

I. **The governance model in sustainability**, which raises these aspects to the highest level of the organization, being the responsibility of the Board of Directors, which is supported in this function by the Audit Committee. At an operational level, Cecabank has a Sustainability Committee, which reports directly to the Management Committee and is in charge of defining the specific initiatives in this area, as well as monitoring them. The following are represented on this Committee: General Secretariat, Operations Area, Financial Area, Risks, Planning, Technological Services Area, Consulting, Quality and CSR, and the Resources Area. The Sustainability and Stakeholder Relations area is responsible for the secretary.

II. **The Sustainability Policy**, approved by the Board of Directors in 2019 and aligned with the Entity's values.

III. **The Sustainability Plan**, which governs the actions to be carried out within the defined strategic horizon. In 2021, the Entity extended its 2018-2020 Sustainability Plan and continued to work on the defined sustainability axes.

During 2021, the Entity began working on the definition of its new Strategic Sustainability Plan, which will be aligned with the 2022-2024 Strategic Business Plan that the Bank approved at the end of

2021 and which identifies sustainability as a growth vector. To this end, the Entity updated its materiality study. This study has made it possible to identify and prioritize the most relevant social, environmental and governance aspects for its business and stakeholders in the current context. This analysis process has made it possible to establish the priority focuses of action in line with best practices, regulatory requirements and the main standards, sector trends, as well as guaranteeing the alignment of ESG aspects with business objectives.

Cecabank has defined a total of 15 aspects, structured into four blocks (People, Planet, Prosperity and Governance), on which the Entity is currently working from a strategic perspective.

People

- Commitment to talent
- People development
- Equality, Diversity and Inclusion
- Social impact

Planet

- Climate change
- Sustainable Business Development
- Management and reduction of the Environmental Footprint.

Prosperity

- Shareholder value and solvency
- Quality and Excellence with the client
- Cybersecurity and Information Protection
- Digital innovation and development

Governance

- Corporate governance
- Risk Management, Suppliers and Custody
- Ethics and Compliance
- Transparency and communication

IV. **Our Alliances** to achieve the objectives. Cecabank has built a network of alliances with which it seeks to contribute to the collective debate, participate in issues on the financial sustainability agenda (both national and international) and favor platforms for exchange and dialogue. The entity has a firm commitment to achieving the United Nations Sustainable Development Goals (SDGs), from which derives its participation in initiatives such as the Global Compact and is part of ESG associations such as Spansif or Forética.

Below are some examples of activities and lines of sustainability carried out in 2021, we can highlight:

- **Customers and quality:** The Entity has focused on three main focuses:
  - The maintenance and implementation of management systems for continuous improvement in those areas where certification provides a differential value.
  - Measurement and analysis of the Voice of the customer: To understand their needs and expectations, so that these are a lever for decision-making.
  - Improvement plans aimed at achieving the Entity's strategic objectives in terms of customer loyalty and the establishment of long-term relationships.
- **Issues related to talent:** The people who provide services at Cecabank are its main asset. Therefore, during 2021 various initiatives are developed that favor:
  - Professional development through internal mobility and training.
  - Safety and health at work: with 0 occupational accidents in the year.
  - Equal opportunities and non-discrimination. Some examples in 2021 are

the adherence to the Diversity Charter (Fundación Diversidad) and the Empowering Women's Talent program and the mechanisms implemented, such as the Equality Plan.

It should be noted that the Entity obtained in 2021 the EFR Certificate (Family Responsible Company) granted by the Masfamilia Foundation in terms of responsibility and respect for the reconciliation of personal, family and work life.

- **Suppliers:** Cecabank maintains a high level of commitment to its suppliers, since they are essential for the development of its business and a key link in its offer of products and services. In 2021, Cecabank has worked to incorporate sustainability aspects into its supplier approval process, seeking to align them with the Bank's sustainability values and policies. Additionally, the local purchase data stands out, which in 2021 amounted to 82.5%, highlighting the Entity's commitment to employment and Spanish society.

- **Social issues:** The Entity has implemented specific contribution actions, which also promote pride of belonging in its employees.

  - 7th edition of the Program You Choose in which a total of 19 projects from various associations were presented (14 in the social field, 4 in the environmental field and 1 in the cultural field), which Cecabank supported with a grant of 97,000 euros.

  - Cecabank received the award for the social project financed with the funds of the "You Choose" Programme, "Employment post-COVID: an opportunity to live" which, together with the Integra Foundation, has allowed 23 people in social exclusion, affected by COVID 19, to improve their employability through a program of personal strengthening and employment.

  - This year 2021, the successes in the different campaigns carried out between employees and Cecabank are noteworthy. Noteworthy is Operation Kilo with the Food Bank, the solidarity market carried out with various associations, aid to the Emergency Committee for the earthquake in Haiti, the blood donation campaign with the Red Cross, collaboration with Madre Coraje to collect clothing and footwear, the photographic exhibition held with Doctors of the World and the collaboration with the Sanders Foundation for the maintenance and organization of training in relation to financial education and digitization.

- **Environmental issues:** the general reduction of consumption stands out, as well as the optimization and systematization in the measurement of the Carbon Footprint. In 2021, Cecabank took a further step in its commitment to the fight against Climate Change, offsetting its GHG emissions for 2020 and becoming a carbon-neutral Entity.

- **Human Rights:** Cecabank joined the Global Compact in February 2017 and in 2021 it has continued to work to spread its ten principles, based on Human Rights, labour, the environment and the fight against corruption. With respect to the 2021 financial year, the Entity has not identified any risks, nor has it received any complaints on the matter.

- **Issues relating to compliance and the fight against corruption and bribery:** we continue to be certified by Aenor in the criminal risk organization and management system, which ensures continuous improvement in the management and performance of this aspect.

- **Tax and accounting information:** Cecabank seeks to comply with regulations and eliminate any risk that could arise from compliance with regulations.

For more information about Cecabank's management models and performance in terms of sustainability, see the Consolidated Non-Financial Information Statement, corresponding to the year ended December 31, 2021.

2.6. Strategic business objectives

In addition, and in line with the strategic plan and the Entity's budgets, commercial objectives are defined every year 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 2021, in general terms, not only have the commercial objectives set been achieved, but one of the most relevant figures in new revenues has been achieved, reflecting the growth of the entity and the greater robustness in the revenue mix.

In the detail shown in the table below, all indicator results have exceeded 100% of the target.

	Objetive	Achievement level
New Income	36 M€	107%
New turnover	7 M€	178%
Contracted negotiations	114	131%
New clients	41	115%

New turnover - Includes the actual impact on the profit and loss account of new contracts during the current year (EUR 38.2 million). Most of this income is of a recurring nature and largely stems from transfers of depository business from various customers.

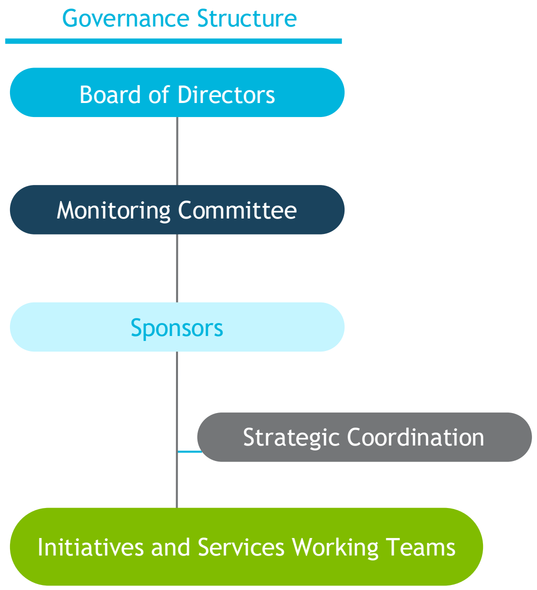
New revenues - It includes the estimated and annualised billing of the new contracts signed in the period. This is the indicator that most exceeded the target set, reaching a figure of 12.6 million euros, thanks mainly to the increased loyalty of our customers, which is also reflected in the successful negotiations.

Contracted negotiations -This includes all new or successfully concluded negotiations or renewals for which the estimated income is above €10,000/year. The target for the year was 114 negotiations and the year ended with a total of 149 contracted negotiations. Of note was the contribution of some business lines in achieving the target (i.e. Securities Services, Treasury, Payments, Clearing and Discounting, Digital Payments and Electronic Banking)

New customers - This includes customers who have contracted a service or product and who have not contracted or been provided with any service from Cecabank in the last 3 years. Thanks to the intense commercial activity carried out in the pursuit of revenue diversification, 47 new customers have been reached. Many of these new customers do not, for the time being, have a significant impact on the Bank's income statement.

2.7. Governance model of the Strategic Plan

In 2021, the governance model of the Strategic Plan has been maintained in order to ensure that the objectives defined in the Plan are met. This governance model is made up of different levels of monitoring:



Board of Directors receives a complete monitoring report on a quarterly basis that provides details of the evolution of the implementation of the Strategic Plan, the main stage and on strategic initiatives. These reports are debated by the Board of Directors.

In 2021, the Board of Directors played an important role in decision-making on the Entity's strategy, as it was involved in the strategic reflection carried out in all areas for the preparation of the next Strategic Plan 2022-2024, which was approved on 30 November.

For its part, the Strategy Committee met monthly during 2021, with a twofold objective:

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

2. Preparation of strategic planning for 2021 through detailed analyses of the Entity's various businesses of the Entity.

3. Elaboration of the Strategic Plan 2022 -2024.

3. 2021 statement of profit or los

	Real 2021 (*)	Budgeted 2021 (*)	Desviation Amount (*)	%
Financial margin (**)	76,919	62,828	14,091	22
Fee and commission and operating income (***)	228,373	210,214	18,159	9
Gross income	**305,292**	**273,042**	**32,250**	**12**
Operating expenses (including provisions) (****)	(211,604)	(199,496)	(12,108)	6
Profit from operations	**93,688**	**73,546**	**20,142**	**27**
Other income and expenses	48	-	48	-
Profit before tax	**93,736**	**73,546**	**20,190**	**27**
Income tax	(24,518)	(20,860)	(3,658)	18
Profit for the year	**69,218**	**52,686**	**16,532**	**31**

(*) Amounts in Thousand euro.
(**) Including 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 from hedge accounting, exchange differences and gains or losses on non-trading financial assets mandatorily at fair value through profit or loss.
(***) Including fee and commission income, fee and commission expenses, other operating income and other operating expenses.
(****) Including administrative expenses, the amortisation charge, provisions or reversal of provisions, and impairment or reversal of impairment on financial assets not measured at fair value through profit or loss.

Following is an analysis of the various headings making up the income statement:

- **Financial margin:** with a more favourable performance compared to the budget, it showed a positive deviation of EUR 14.1 million. Among the most noteworthy factors in achieving this margin were the good results obtained with active portfolio management mainly in the first part of the year, together with those generated by other operations, such as fx swaps or futures and options that act as management hedges. On the other hand, the Banknotes margin showed a negative deviation against budget, as the expected upturn in foreign tourism did not take place.

- **Fees and commissions and operating income:** These were EUR 18.2 million above the budgeted figure. The positive deviation was mainly in Securities Services, due to the growth of the depository business and the favourable evolution of deposited assets, which was much higher than the initial forecast. Moreover, Treasury and other businesses such as Digital Payments and e-Commerce, Payment Systems, Clearing and Discounting, Electronic Banking and the Treasury and Risk Service Centre also posted higher net revenues. On the other hand, other businesses such as the Foreign Network, Means of Payment and Reporting also underperformed. On the other hand, there was a larger contribution to the FUR and FGD in 2021, which meant a deviation of EUR -2.2 million.

- **Gross income:** this reflects the total net income from operating activities, which amounted to EUR 305.3 million, 12% above the budget, for the reasons mentioned above.

- **Operating expenses:** the items that make up operating expenses have had a mixed performance. On the one hand, personnel expenses have risen by 44% over budget, 22 million euros, due to the allocation associated with the Redundancy Plan. On the other hand, there is a positive deviation from the budget for other administrative expenses of EUR 2 million, due to cost savings associated with surveillance and fund transfers, representation and travel, and fixed asset entertainment. Depreciation was EUR 2.5 million above budget, due to the growth of its variable component linked to the depository business given the positive evolution of this business. And finally, a higher volume of provisions and impairment of assets was recovered compared to budget by 10.4 million, mainly due to the improvement in the surveillance portfolio, with recoveries also arising from country risk. On the provisions side, there were tax and operational recoveries.

- **Profit for the year:** the actual net profit after tax was EUR 69.2 million higher than budget by 31%.

4. External credit ratings

The ratings assigned to Cecabank by the international agencies Fitch Ratings, Moody's and Standard & Poor's at 31 December 2021 were as follows:

	Short-term	Long-term
FITCH RATINGS	F-3	BBB-
MOODY'S	P-2	Baa2
STANDARD & POOR'S	A-2	BBB+

In 2021, the three rating agencies reaffirmed the long and short-term ratings assigned to Cecabank and maintained the Outlook at stable.

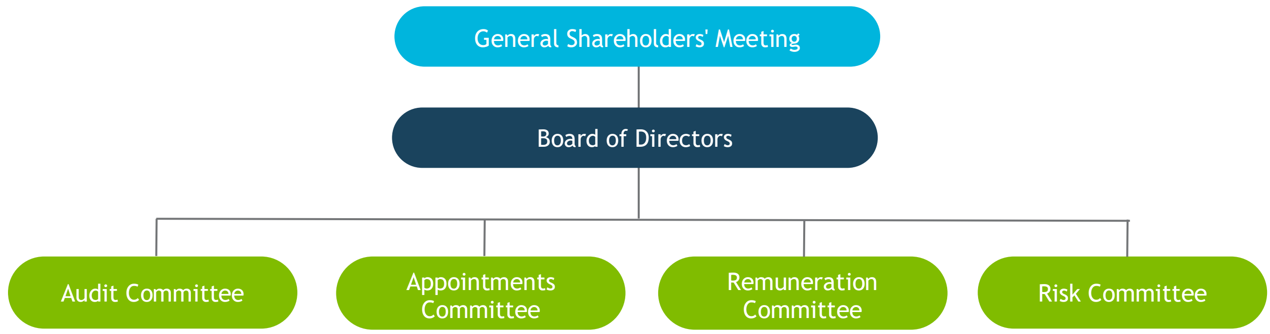
Among the strengths of Cecabank taken into consideration by the rating agencies are the specialisation of Cecabank's business, which has a leading position in Spain in the depository segment, reinforced by the acquisitions and business expansions carried out in recent years, notably the acquisition of Kutxabank's depository in 2020 and Bankia's depository in February 2021. They also positively assess that the bank maintains a moderate risk appetite, as well as satisfactory capital buffers and adequate funding and liquidity.

5. Risk management

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

6. Cecabank corporate governance during 2021

Cecabank's corporate governance is made up 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 reviewed and /o updated periodically to adapt to the best national and international practices.



On March 23, 2021, Cecabank held the Ordinary General Shareholders' Meeting exclusively telematically, that is, without the physical presence of its shareholders or representatives. However, shareholders were able to fully exercise all their rights to attend and participate in the meeting in real time. The Meeting was held for the purpose of approving, among others, the annual accounts, non-financial information statement, the renewal of an independent director, the modification of the Articles of Association, the modification of the Regulations of the General Meeting, as well as the approval of the director remuneration policy for the years 2022 to 2024.

The administration, management and representation of Cecabank corresponds to its Board of Directors. The Board of Directors has the broadest powers for the administration of the Entity and, except in matters reserved to the competence of the General Shareholders' Meeting, in accordance with the provisions of the applicable legislation and the Bylaws, it is the maximum decision-making body and the person responsible for the risks assumed by the Entity.

In relation to the composition of the Board of Directors, during the 2021 financial year, two proprietary directors resigned, an independent director was renewed and a non-executive Vice President was appointed. As of December 31, 2021, the Board is made up of ten members, of which five are proprietary directors, four independent directors and one executive director.

The Board of Directors meets, on an ordinary basis, monthly in accordance with the work plan that is approved annually, as well as extraordinarily when deemed necessary. During this financial year, the Board of Directors held eleven meetings. In consideration of the evolution of the pandemic, seven meetings were held online and the remaining four were held in person.

Among the matters dealt with by the Board of Directors during 2021, the review of the economic and financial information, the analysis of the regulatory environment and business aspects, as well as the approval of the strategic plan for the period 2022-2024 stand out.

In compliance with the regulations on capital companies and on the organization, supervision and solvency of credit institutions, Cecabank has set up four committees (Audit Committee, Appointments Committee, Remuneration Committee and Risk Committee), made up of directors not executive directors and all of them chaired by independent directors. The Committees, with their powers of supervision and advice, assist the Board in the exercise of its powers. During the 2021 financial year, the different committees held a total of nineteen meetings.

7. Significant events after the reporting period

After 31 December 2021 and up to 17 February 2022, 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 net assets, financial position, results of operations, changes in equity and cash flows of Cecabank.

8. Business objectives for 2022

Throughout the last Strategic Plan 2017-2020/21, very ambitious commercial objectives were established, aligned and focused on the diversification of the customer portfolio and with an impact on the income statement. The 2022 commercial objectives are one of the complementary tools to the new 2022-24 Strategic Plan that help to achieve the objectives set, focused on consolidating our position in the Securities Services and Transformation market. Objectives for the financial year 2022.

A series of premises have been used to set the business objectives for 2022:

- The Negotiations contracted indicator that includes the new negotiations successfully closed, whose estimated income is above €25,000 per year. This indicator has been redefined, with an increase in the threshold (€10,000) to collect only the efforts in operations that provide the greatest impact to the income statement.
- The indicator of New clients that collects the clients who have contracted a service or product and who have not contracted or have not been provided with any service for 3 years; to align it with that of negotiations, only those new clients who acquire services for a turnover of more than €25,000 will be computed.

The commercial activity targets set for 2022 are as follows:

6,323 thousand euros of new turnover, i.e. potential annual turnover of new contracts. The target set for this indicator does not consider any corporate operations and is conservative compared to previous years, in line with the strategy of consolidation and transformation of the current business.10,023 thousand euros of new revenues in the year (actual revenues in 2022 from new contracts). This is the most relevant indicator of all as it reflects the impact of the commercial successes that will materialise during the year.

76 Negotiations contracted > €25,000, which means 6 agreements/month of contracts or renewals on average.

24 New customers. Despite the difficulty of maintaining constant growth in this indicator, the target set for 2022 endorses the commitment to diversify the clients on our income statement set out in the Strategic Plan.

9. Treasury share transactions

In the period from 1 January to 31 December 2021, there were no treasury shares on the Bank's balance sheet.

10. Payments to suppliers

Pursuant to Article 262 of the Consolidated Spanish Limited Liability Companies Law, Note 36 to the Entity's financial statements includes the disclosures on the periods of payment to suppliers.

11. 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, with regard to non-financial information and diversity, the Cecabank Group has prepared the Consolidated Statement of Non-Financial Information for 2021, which is included as a separate document attached to the consolidated management report for 2021, in accordance with article 44 of the Code of Commerce. The individual information corresponding to Cecabank, S.A. has been included in this separate document attached to the consolidated management report, which will be filed with the Madrid Mercantile Registry.

Information on investment in R&D&I and disabled personnel is collected in this statement.

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 17 February 2022, authorised for issue the Financial Statements and Directors' Report of Cecabank, S.A. for 2021, which documents were transcribed, including this certificate, on the obverse of 149 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, 17 February 2022

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 – Sr. Méndez

Madrid, 17 February 2022

Mr. José María Méndez Alvarez-Cedrón

Non-executive director - CEO

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 3 /10 - Sr. Pano

Madrid, 17 February 2022

D. Javier Pano Riera

Non-executive director

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This Diligence consists of 10 correlative pages, each signed by a Director. Diligence 4 /10 – Sra. Sarro

Madrid, 17 February 2022

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Dª. 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 - Sr. García

Madrid, 17 February 2022

D. 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 - Sra. Salaverría

Madrid, 17 February 2022

Dª. Julia Salaverría Monfort

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 7 /10 - Sr. Botas

Madrid, 17 February 2022

D. 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 - Sra. Motellón

Madrid, 17 February 2022

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Dª. Carmen Motellón Garcia

Non-executive director

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This Diligence consists of 10 correlative pages, each signed by a Director. Diligence 9 /10 - Sr. Iglesias.

Madrid, 17 February 2022

D. Víctor Manuel Iglesias Ruiz

Non-executive director

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This Diligence consists of 10 correlative pages, each signed by a Director. Diligence 10 /10 - Sr. Carbó

Madrid, 17 February 2022

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D. Santiago Carbó Valverde

Non-executive director