Institut Català de Finances

2019

Financial Report

Generalitat de Catalunya

Contents

AUDITORS REPORT

(Free translation from the original in Catalan. In the event of discrepancy, the Catalan-language version prevails)

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Translation of a report and consolidated financial statements originally issued in Catalan. In the event of discrepancy, the Catalan-language version prevails. (See note 37).

AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

To the Governing Board of Institut Català de Finances:

Opinion

We have audited the consolidated financial statements of Institut Català de Finances (the Institute) and subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2019, the consolidated income statement, the consolidated statement of recognised income and expenses, the consolidated statement of total changes in equity, the consolidated cash flow statement, and the consolidated notes thereto for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group as at December 31, 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 1.b to the accompanying consolidated financial statements) and, specifically, the accounting principles and criteria contained therein.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those regulations are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

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

Most relevant audit issues

Most relevant audit issues are those matters that, in our professional judgment, were the most significant assessed risks of material misstatements in our audit of the consolidated financial statements of the current period. These risks were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these risks.

Domicilio Social: Calle de Raimundo Fernández Villaverde, 65. 28003 Madrid - Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª. C.I.F. B-78970506.

Estimation of credit risk impairment losses for loans and advances at amortised cost

Description	Estimating credit risk impairment losses is one of the most significant and complex areas of judgement in preparing the financial information of the Group. In note 2.h to the accompanying consolidated financial statements management details de main criteria and principles applied by the Group in estimating credit risk impairment losses. The process of estimating credit risk impairment losses is carried out both individually and collectively. ► Individually: the estimation of impairment losses for individual loans takes into account, among other factors, the identification and classification of impaired exposures, the estimation of the debtors cash-flows and, if applicable, the estimation of the collateral realization value. ► Collectively: the main factors considered in the collective estimation of credit risk impairment losses are the identification and classification of exposures either in the watch-list or impaired, and the portfolio stratification into homogenous groups, on which the Group applies loss parameters considering those included in Circular 4/2017. For all this, we have considered the estimation of credit risk impairment losses for loans and advances a most relevant issue in our audit.
Our response	Among the audit procedures that we have performed in this area, we have evaluated the effectiveness of the internal controls and performed substantive testing on credit risk impairment losses both calculated individually and collectively. With regards to the internal controls, our procedures have been focused on: ► Evaluating the policies and procedures established by the Group based on the applicable legal requirements, as well as its application; ► Reviewing the procedures established by the Group within the process of granting loans and advances to evaluate the debtors' financial situation based on cash-flow projections and other financial information; ► Evaluating the process of reviewing credit exposures to determine its classification and, if necessary, identification of impairment; ► Evaluating the classification criteria based on amounts past due, and the situation of the debtor and the transactions, including whether these are refinanced or restructured; ► Assessing the accounting policies and criteria established by the Group to refinance or restructure risk exposures, as well as the controls established to monitor them, and ► Evaluating the design of relevant controls established by the Group to manage and value collaterals and other guarantees linked to risk exposures. Additionally, we have performed substantive procedures, consisting of, mainly: ► In relation to the impairment losses determined individually, evaluating the hypothesis used by management to identify and quantify impairment losses, based on a sample of loans with objective evidence of impairment, to evaluate the impairment recorded, and

- In relation to the impairment losses determined collectively:
  - evaluating, for a sample of transactions, the stratification and classification of loans and advances, considering, among others, debtors' financial information and the existence of forbearance measures;
  - comparing the realization value of collaterals (if considered by management) to the appraisals made by specialists;
  - re-calculating the collective impairment loss allowance, and
  - evaluating the adequacy of collective impairment losses recorded in addition to the minimum loss percentages included in the aforementioned Circular 4/2017.

Finally, we have evaluated whether the accompanying consolidated financial statements include the information required by the regulatory framework for financial information applicable to the Group.

Valuation of venture capital investments

Description

As included in note 7 to the accompanying consolidated financial statements, the Institute maintains investments in venture capital entities for a total amount of Euro 94,993 thousand as of 31 December 2019, which are measured, as disclosed in note 2.b of the consolidated notes, at fair value. Determining the fair value of the investments is an estimation based on the information accounted for in the equity value of these entities. For all this, we have considered that the valuation of venture capital investments is a relevant issue in our audit.

Our response

Among the procedures that we have performed in this area, we have evaluated and tested the design of internal controls implemented within the processes of managing investments in venture capital entities, evaluating the information provided on them and measuring its fair value.

Additionally, we have performed the following substantive procedures:

- Tests of details directed to evaluate the quality and completeness of technical and project management information on the projects developed by the venture capital entities which the Group is investing in, as well as the use given to this information by management.
- Tests of details on the reliability of this information, as well as of the arithmetic calculation performed by management to measure the fair value of the venture capital entities.
- Analytical procedures to test the consistency of the valuation of these investments with the profitability of the entities and the general trends of the markets in which they operate.

Finally, we have evaluated whether the accompanying consolidated financial statements include the information required by the regulatory framework for financial information applicable to the Group.

Other information: consolidated management report

Other information refers exclusively to the 2019 consolidated management report, the preparation of which is the responsibility of the Institute's directors and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. In conformity with prevailing audit regulations in Spain, our responsibility in terms of the consolidated management report is to assess and report on the consistency of the consolidated management report with the consolidated financial statements based on the knowledge of the entity we obtained while auditing the consolidated financial statements, and not including any information not obtained as evidence during the course of the audit. In addition, our responsibility is to assess and report on whether the content and presentation of the consolidated management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described in the above paragraph, the information contained in the consolidated management report is consistent with that provided in the 2019 consolidated financial statements and their content and presentation are in conformity with applicable regulations.

Directors' responsibilities for the consolidated financial statements

The directors are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with the regulatory framework for financial information applicable to the company in Spain, identified in Note 1.b to the accompanying consolidated financial statements, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations 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 consolidated financial statements.

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As part of an audit in accordance with prevailing audit regulations 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to 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 Group to cease to continue as a going concern.

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

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

We communicate with the directors of the Institute regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated with the Institute's directors, we determine those that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the most significant assessed risks.

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

ERNST & YOUNG, S.L.

(Signature in the original report in Catalan)

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Roberto Diez Cerrato

April 9, 2020

CONSOLIDATED FINANCIAL STATEMENTS
ICF GROUP

(Translation from the original Consolidated Financial Statements issued in Catalan. In the event of discrepancy, the Catalan-language version prevails)

INSTITUT CATALÀ DE FINANCES GROUP

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31, 2019 AND 2018 (in thousands of Euros)

(Translation from the original Consolidated Financial Statements issued in Catalan. In the event of discrepancy, the Catalan-language version prevails)

ASSETS	Note	31/12/2019	31/12/2018*
Cash, cash balances with central banks and other demand deposits	**5**	**68,175**	**88,795**
Financial assets held for trading	**6**	**-**	**-**
Derivatives		-	-
Financial assets at fair value through other comprehensive income	**7**	**354,427**	**559,133**
Equity instruments		94,993	94,671
Debt securities		259,434	464,462
Financial assets at amortized cost	**8**	**1,482,180**	**1,550,123**
Loans and advances		1,482,180	1,550,123
Credit institutions		54,607	78,905
Customers		1,427,573	1,471,218
Debt securities		-	-
Derivatives – hedge accounting	**9**	**7,622**	**5,677**
Investments in joint ventures and associates	**11**	**8,176**	**9,096**
Associates		8,176	9,096
Tangible assets	**12**	**69,010**	**63,126**
Property, plant and equipment		9,743	9,680
Investment property		59,267	53,446
Intangible assets	**13**	**1,785**	**817**
Other intangible assets		1,785	817
Tax assets	**21**	**51,446**	**60,625**
Current tax assets		229	141
Deferred tax assets		51,217	60,484
Other assets	**14**	**23,371**	**4,604**
Rest of other assets		23,371	4,604
Non-current assets and disposal groups classified as held for sale	**10**	**11,498**	**10,001**
TOTAL ASSETS		**2,077,690**	**2,351,997**
MEMORANDUM ACCOUNTS: OFF-BALANCE SHEET ITEMS			
Financial guarantees granted	**22**	80,682	108,058
Contingent commitments granted	**22**	204,247	150,080

LIABILITIES AND EQUITY	Note	31/12/2019	31/12/2018*
LIABILITIES			
Financial liabilities held for trading	**6**	**5,997**	**-**
Derivatives		5,997	-
Financial liabilities at amortized cost	**15**	**1,135,720**	**1,462,325**
Deposits		822,642	966,881
Credit institutions		693,680	837,662
Client funds		128,962	129,219
Debt securities issued		310,410	491,336
Other financial liabilities		2,668	4,108
Derivatives – hedge accounting	**9**	**6,742**	**13,878**
Changes in the fair value of the hedged items in a portfolio covered against interest rate risk		**166**	**-**
Provisions	**16**	**2,606**	**4,346**
Commitments and guarantees given		1,724	3,464
Other provisions		882	882
Tax liabilities	**21**	**733**	**3,263**
Current tax liabilities		733	3,253
Deferred tax liabilities		-	10
Other liabilities	**17**	**34,000**	**6,617**
TOTAL LIABILITIES		**1,185,964**	**1,490,429**
EQUITY			
Own funds	**20**	**875,711**	**844,831**
Capital		693,149	693,149
Paid-in capital		693,149	693,149
Retained earnings		150,556	135,535
Other reserves		2,804	3,016
Reserves from joint ventures and associates		2,804	3,016
Profit/(loss) attributable to equity holders of the parent		29,202	13,131
Accumulated other comprehensive income	**19**	**16,015**	**16,737**
Items that will not be reclassified to profit or loss		20,270	29,569
Changes in fair value of equity instruments through profits/(loss)		20,270	29,569
Items that can be reclassified to profit or loss		(4,255)	(12,832)
Hedging derivatives. Cash flow hedge.		(4,222)	(8,973)
Changes in fair value of debt instruments		(33)	(3,859)
TOTAL EQUITY		**891,726**	**861,568**
TOTAL LIABILITIES AND EQUITY		**2,077,690**	**2,351,997**

* Presented solely and exclusively for comparative purposes. The figures have been adapted in accordance with Note 1.b.
Notes 1 to 37 in these financial statements and the annexes I and II form an integral part of the consolidated balance sheet at December 31st, 2019.

INSTITUT CATALÀ DE FINANCES GROUP

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(in thousands of Euros)
(Translation from the original Consolidated Financial Statements issued in Catalan. In the event of discrepancy, the Catalan-language version prevails)

	Note	Year 2019	Year 2018*
Interest income	23	40,786	48,796
Financial assets at fair value through other comprehensive income		2,716	2,844
Financial assets at amortized cost		38,072	45,952
(Interest expenses)	24	(13,554)	(16,338)
A) INTEREST MARGIN		**27,232**	**32,458**
Dividend income	7	697	-
Commission income	25	2,373	2,932
(Commission expenses)	26	(921)	(752)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	27	2,907	90
Gains or (-) losses from assets and liabilities held for trading, net	9.2	(5,997)	-
Gains or (-) losses from hedge accounting, net		6	-
Other operating income	28	5,837	4,285
(Other operating expenses)	29	(1,635)	(1,648)
B) GROSS MARGIN		**30,449**	**37,365**
(Administrative expenses)		(9,897)	(9,376)
(Personnel expenses)	30	(6,367)	(5,709)
(Other administrative expenses)	31	(3,530)	(3,667)
(Depreciation and amortisation)	32	(1,471)	(1,220)
(Provisions or (-) reversal of provisions)	16	1,739	(581)
(Impairment losses or (-) reversal of impairment losses on financial assets not at fair value through profit or loss)		7,510	(14,519)
(Financial assets at fair value through other comprehensive income)	33	-	-
(Financial assets at amortized cost)	33	7,510	(14,519)
C) OPERATING MARGIN		**28,380**	**11,669**
(Impairment of value or (-) reversal of impairment of non-financial assets)	12	6,519	-
(Tangible assets)		6,519	-
Gains or (-) losses on non-current assets and disposal groups classified as held for sale not eligible as discontinued operations	34	3,444	4,282
D) PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**38,343**	**15,951**
(Gains or (-) losses on income tax from continuing operations)	21	(9,141)	(2,820)
E) PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS		**29,202**	**13,131**
F) PROFIT OR (-) LOSS FOR THE YEAR		**29,202**	**13,131**

* Presented solely and exclusively for comparative purposes. The figures have been adapted in accordance with Note 1.b.
Notes 1 to 37 in these financial statements and the annexes I and II form an integral part of the consolidated income statement at December 31, 2019.

INSTITUT CATALÀ DE FINANCES GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (in thousands of Euros)

(Translation from the original Consolidated Financial Statements issued in Catalan. In the event of discrepancy, the Catalan-language version prevails)

A) Consolidated statements of recognized income and expense for the years ended December 31, 2019 and 2018:

	Year 2019	Year 2018*
Profit or (-) loss for the year	**29,202**	**13,131**
Other comprehensive income	**727**	**(1,531)**
Items that will not be reclassified to profit or loss	**(7,883)**	**4,415**
Actuarial gains or (-) losses on defined benefit plans	-	-
Non-current assets and disposal groups held for sale	-	-
Share in other recognized income and expenses of investments in joint ventures and associates	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	(7,883)	4,570
Fair value changes of financial liabilities at fair value through profit or loss that is attributable to changes in the credit risk	-	-
Income tax related to items that will not be reclassified	-	(155)
Items that can be reclassified to profit or loss	**8,610**	**(5,946)**
Hedge of net investments in foreign operations [effective portion]	-	-
Revaluation gains/(losses) recognized in equity	-	-
Amount transferred to profit or loss	-	-
Other reclassifications	-	-
Foreign currency translation	-	-
Gains or (-) losses on foreign currency translation recognized in equity	-	-
Amount transferred to profit or loss	-	-
Other reclassifications	-	-
Cash flow hedges [effective portion]	**6,336**	**(601)**
Revaluation gains/(losses) recognized in equity	339	(601)
Amount transferred to profit or loss	5,997	-
Amounts transferred to the initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Hedging instruments	-	-
Revaluation Gains or (-) losses recognized in equity	-	-
Amount transferred to profit or loss	-	-
Other reclassifications	-	-
Debt instruments at fair value through other comprehensive income	**4,824**	**(7,327)**
Revaluation Gains or (-) losses recognized in equity	5,840	(7,327)
Amount transferred to profit or loss	(1,016)	-
Other reclassifications	-	-
Non-current assets and disposal groups held for sale	-	-
Revaluation gains/(losses) recognized in equity	-	-
Amount transferred to profit or loss	-	-
Other reclassifications	-	-
Income tax related to items that can be reclassified to profit or loss	(2,550)	1,982
Total comprehensive income for the year	**29,929**	**11,600**

* Presented solely and exclusively for comparative purposes. The figures have been adapted in accordance with Note 1.b.

Notes 1 to 37 in these financial statements in equity and the annexes I and II form an integral part of the consolidated statements of changes in equity at December 31, 2019.

B) Consolidated statements of total changes in equity for the years ended December 31, 2019 and 2018:

Statement for the year ended December 31, 2019	Capital	Share premium	Equity instruments issued other than capital	Other equity items	Voluntary Reserves	Capitalization Reserves	Joint Business Reserves	(-) Treasury shares	Profit/(loss) attributable to equity holders of the parent	(-) Interim dividend	Other accumulated comprehensive income	Total
Sources of changes in equity	-	-	-	-	-	-	-	-	-	-	-	-
Opening Balance [December 31, 2018]	**693,149**	**-**	**-**	**-**	**127,787**	**7,748**	**3,016**	**-**	**13,131**	**-**	**16,737**	**861,568**
Effects of correction of errors	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies (note 1.b)	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted opening Balance [December 31, 2018]	**693,149**	**-**	**-**	**-**	**127,787**	**7,748**	**3,016**	**-**	**13,131**	**-**	**16,737**	**861,568**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**29,202**	**-**	**727**	**29,929**
Other changes in equity	**-**	**-**	**-**	**-**	**14,437**	**584**	**(212)**	**-**	**(13,131)**	**-**	**(1,449)**	**229**
Issue of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	**-**
Issue of preferred shares	-	-	-	-	-	-	-	-	-	-	-	**-**
Issue of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	**-**
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	**-**
Conversion of debt into equity	-	-	-	-	-	-	-	-	-	-	-	**-**
Capital decrease	-	-	-	-	-	-	-	-	-	-	-	**-**
Dividends (or remuneration of shareholders)	-	-	-	-	-	-	-	-	-	-	-	**-**
Acquisition of treasury shares	-	-	-	-	-	-	-	-	-	-	-	**-**
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-	-	**-**
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	**-**
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	**-**
Transfers between equity items	-	-	-	-	12,547	584	-	-	(13,131)	-	-	**-**
Derecognition of financial assets at fair value thorugh other comprehensive income (note 7)	-	-	-	-	1,449	-	-	-	-	-	(1,449)	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	**-**
Other increases or (-) decreases in equity	-	-	-	-	441	-	(212)	-	-	**-**	-	229
Of which: discretionary allowances to foundations and social funds (only savings Banks and cooperative credit institutions)	-	-	-	-	-	-	-	-	-	-	-	**-**
Closing Balance [December 31, 2019]	**693,149**	**-**	**-**	**-**	**142,224**	**8,332**	**2,804**	**-**	**13,131**	**-**	**16,015**	**891,726**

Notes 1 to 37 in these financial statements and the annexes I and II form an integral part of the consolidated statement of changes in equity at December 31, 2019.

Statement for the year ended December 31, 2018*	Capital	Share premium	Equity instruments issued other than capital	Other equity items	Voluntary Reserves	Capitalization Reserves	Joint Business Reserves	(-) Treasury shares	Profit/(loss) attributable to equity holders of the parent	(-) Interim dividend	Other accumulated comprehensive income	Total
Sources of changes in equity												
Opening Balance [December 31, 2017]	**693,149**	**-**	**-**	**-**	**122,145**	**6,763**	**3,372**	**-**	**15,046**	**-**	**18,897**	**859,372**
Effects of correction of errors	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	(9,048)	-	-	-	-	-	-	(9,048)
Adjusted opening Balance [December 31, 2017]	**693,149**	**-**	**-**	**-**	**113,097**	**6,763**	**3,372**	**-**	**15,046**	**-**	**18,897**	**850,324**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13,131**	**-**	**(1,531)**	**11,600**
Other changes in equity	**-**	**-**	**-**	**-**	**14,690**	**985**	**(356)**	**-**	**(15,046)**	**-**	**(629)**	**(356)**
Issue of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-
Issue of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-
Issue of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	-	-	-	-	-	-	-	-	-	-	-	-
Capital decrease	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or remuneration of shareholders)	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity items	-	-	-	-	14,061	985	-	-	(15,046)	-	-	-
Increase or (-) decrease in equity as a result of business combinations	-	-	-	-	629	-	-	-	-	-	(629)	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases or (-) decreases in equity	-	-	-	-	-	-	(356)	-	-	-	-	(356)
Of which: discretionary allowances to foundations and social funds (only savings Banks and cooperative credit institutions)	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance [December 31, 2018]	**693,149**	**-**	**-**	**-**	**127,787**	**7,748**	**3,016**	**-**	**13,131**	**-**	**16,737**	**861,568**

* Presented solely and exclusively for comparative purposes. The figures have been adapted in accordance with Note 1.b.

Notes 1 to 37 in these financial statements and the annexes I and II form an integral part of the consolidated statement of changes in equity at December 31, 2019.

INSTITUT CATALÀ DE FINANCES GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEARS ENDED AT DECEMBER 31, 2019 and 2018

(Translation from the original Consolidated Financial Statements issued in Catalan. In the event of discrepancy, the Catalan-language version prevails)

	Year 2019	Year 2018*
A) CASH FLOWS USED IN OPERATING ACTIVITIES	**189,788**	**30,025**
Profit or (-) loss for the year	29,202	13,131
Adjustments to obtain cash flows from operating activities	(17,250)	(16,247)
Depreciation and amortisation	1,471	1,220
Other adjustments	(18,721)	(17,467)
Net increase/decrease in operating assets	253,882	193,351
Financial assets held for trading	-	842
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	204,706	(46,497)
Financial assets at amortized cost	67,943	235,720
Other operating assets	(18,767)	3,286
Net increase/decrease in operating liabilities	(82,695)	(149,633)
Financial liabilities held for trading	5,997	(396)
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at fair value through other comprehensive income	(116,075)	(150,112)
Financial liabilities at amortized cost	27,383	875
Income tax receivable/payable	6,649	(10,577)
B) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	**122**	**2,305**
Payments	(1,825)	(532)
Tangible assets	(225)	(160)
Intangible assets	(1,600)	(372)
Investments in subsidiaries, joint ventures and associates	-	-
Other business units	-	-
Non-current assets and associated liabilities held for sale	-	-
Held-to-maturity investments	-	-
Other payments related to investment activities	-	-
Amounts received	1,947	2,837
Tangible assets	-	20
Intangible assets	-	-
Investments in subsidiaries, joint ventures and associates	-	-
Other business units	-	-
Non-current assets and associated liabilities held for sale	1,947	2,817
Held-to-maturity investments	-	-
Other payments related to investment activities	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES	**(210,530)**	**(26,300)**
Payments	(210,530)	(26,300)
Dividends	-	-
Subordinated liabilities	-	-
Repayment of own equity instruments	-	-
Acquisition of own equity instruments	-	-
Other payments related to financing activities	(210,530)	(26,300)
Amounts received	-	-
Subordinated liabilities	-	-
Issue of own equity instruments	-	-
Sale of own equity instruments	-	-
Other amounts received related to financing activities	-	-
D) EFFECT OF EXCHANGE RATE CHANGES	**-**	**-**
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**(20,620)**	**6,030**
F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**88,795**	**82,765**
G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**68,175**	**88,795**
CASH AND CASH EQUIVALENTS ITEMS AT THE END OF THE PERIOD		
Cash	1	1
Cash equivalents in central banks	1	4
Other financial assets	68,173	88,790
Less: bank overdrafts repayable on demand	-	-

* Presented solely and exclusively for comparative purposes. The figures have been adapted in accordance with Note 1.b.

Notes 1 to 37 in these financial statements and the annexes I and II form an integral part of the consolidated statement of cash flows at December 31, 2019.

Institut Català de Finances and companies comprising the Institut Català de Finances Group

(Translation from the original Consolidated Financial Statements issued in Catalan. In the event of discrepancy, the Catalan-language version prevails)

Notes to the Consolidated Financial Statements for the year ended December 31, 2019

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

a) Nature of the Entity and the group

Institut Català de Finances (hereinafter the Entity or ICF) is an entity with its own legal identity and is subject to the private law, wholly owned by la Generalitat de Catalunya. The standards regulating the Institut are set forth in Legislative Decree 4/2002 of December 24, 2002, approving the consolidated text of Law on Institut Català de Finances, subsequently modified several times, the most recent of which through Decree Law 5/2017 of March 28, of fiscal, administrative, financial and public sector measures.

The Institut Català de Finances has its own assets and funds and, in order to carry out its functions, acts with organizational, financial, capital, operational and management autonomy, fully independent of public entities.

The Institut Català de Finances adheres to the specific legislation of credit institutions and, therefore, is only subject to public basic legislation and that stipulated by applicable regulating bodies of the European Union, taking into account its special activity and the nature of its activities. The Institut has to prepare its annual financial statements and recognise its transactions in accordance with the accounting criteria and standards for credit institutions.

On August 1, 2011, pursuant to Law 7/2011, of July 27, 2011 on fiscal and financial measures, the ICF carried out the merger by absorption of the Institut Català de Crèdit Agrari (hereinafter the ICCA). Its corporate purpose, which was integrated as of the effective date of merger in the ICF's activity, was the financing of investments in productive assets of holders of farms or companies in the agricultural, fishery and agri-food sector. Also, on December 20, 2013, the global transfer of the assets and liabilities of Institut Català de Finances Holding SAU was signed in favor of its sole shareholder, the Institut Català de Finances.

Institut Català de Finances is the parent company of Institut Català de Finances Group (hereinafter the Group or ICF Group). At December 31, 2019 and 2018 the following subsidiaries form part of the ICF Group and are directly or indirectly 100% owned by it:

- Instruments Financers per a Empreses Innovadores, S.L. Societat Unipersonal (hereinafter IFEM) was incorporated by public deed on December, 12 2008. Its statutory activity is to hold and manage financial investments in funds of any type, in guaranteed investment companies or funds, in venture capital companies and funds and in other public and private companies. The company manages the funds provided by the Generalitat de Catalunya to roll out the JEREMIE Programme in Catalonia.

- Institut Català de Finances Capital, S.G.E.I.C., S.A. Societat Unipersonal (hereinafter ICF Capital) was incorporated for an indefinite period on February 26, 2011 and is subject to Circular 7/2008, of November 26, 2008, of the Spanish Securities Market Commission, which regulates Venture Capital Companies, in addition to the current legislation in relation to such companies, such as Law 22/2015, of November 12, 2005, and in its absence, Royal Decree 1/2011, of July 2, 2011, which approves the revised text of the Spanish Companies Act. Its statutory and principal activity is the administration and management of the funds and assets of venture capital companies. It is a solely-owned company, its sole shareholder being Institut Català de Finances.

- Capital MAB, F.C.R. (hereinafter Capital MAB) is a venture capital fund set up on February 27, 2012, subsequent to authorisation from the Spanish Securities Market Commission on February 17, 2012. On March 2, 2012 the Spanish Securities Market Commission registered the Fund in its Venture Capital Fund Register under number 134. The Fund's duration is 10 years, extendable to a maximum of 12 years. The investment period ended as of December 31st, 2018.

- Capital Expansió, F.C.R. (hereinafter Capital Expansió) is a venture capital fund set up on July 20, 2012, subsequent to authorisation from the Spanish National Securities Market Commission dated July 6, 2012. On July 26, 2012 the Spanish National Securities Market Commission registered the Fund in its Venture Capital Fund Register under number 136. The Fund's duration is 10 years, extendable to a maximum of 12 years. The investment period ended as of December 31st, 2018.

- ICF Venture Tech II, F.C.R.E. (hereinafter ICF Venture Tech II) is a venture capital fund registered on June 28th, 2019 in the administrative registers of European Venture Capital Funds of the Spanish National Securities Market Commission under number 11 and constituted on the basis of the prior authorisation granted on June 21st, 2019 by the same body. The duration of the Fund is 10 years, extendable to a maximum of 12 years.

- ICF Capital Expansión II, F.C.R.E. (hereinafter ICF Capital Expansión II) is a venture capital fund registered on June 28th, 2019 in the administrative registers of European Venture Capital Funds of the Spanish National Securities Market Commission under number 11 and constituted on the basis of the prior authorisation granted on June 21st, 2019 by the same body. The duration of the Fund is 10 years, extendable to a maximum of 12 years.

The registered office is located at Gran Via de les Corts Catalanes 635, in Barcelona.

These consolidated financial statements of the ICF Group for the year ended December 31st, 2019 were prepared by the Governing Board on March 25th, 2020 and are pending approval by the Government; however, the Governing Board understands that they will be approved without changes. The consolidated financial statements of the ICF Group for the year ended December 31st, 2018 were approved by the Government on June 4th, 2019.

b) Basis of presentation for the consolidated financial statements

In accordance with applicable regulations, the ICF consolidated Group presents the consolidated financial statements for the year ended December 31st, 2019 primarily in accordance with the measurement and recognition criteria established in Bank of Spain Circular 4/2017 of November 27th to credit institutions on public and private financial reporting standards and financial statement formats (“Circular 4/2017”) and subsequent amendments thereto, which constitute the development and adaptation to the Spanish credit institution sector of the International Reporting Standards (EU-IFRS), in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of European Parliament relating to the application on July 19th, 2002 of international standards of accounting.

The ICF Group's financial statements for the year ended December 31st, 2019 were prepared taking into account all the applicable accounting principles and standards and measurement bases in order to present fairly, in all material respects, the ICF Group's equity and financial position at December 31st, 2019, as well as the results of its operations and cash flows, all consolidated, for the year then ended, in accordance with the aforementioned applicable financial reporting framework and, in particular, with the accounting principles and criteria contained therein.

Note 2 summarises the most significant accounting principles and policies as well as the measurement bases applied in preparing the ICF Group's consolidated financial statements for the year ended December 31st, 2019.

The consolidated financial statements have been prepared on the basis of the accounting records kept by Institut Català de Finances and the other Group companies. Nonetheless, and since the accounting principles and measurement criteria applied in the preparation of the Group's 2019 consolidated financial statements may differ from those used by some of the entities comprising the Group, certain adjustments and reclassifications have been made in the consolidation process in order to standardise these principles and criteria and bring them into line with the accounting standards adopted by the Group.

Main regulatory changes in the period from January 1st to December 31st, 2019

Main regulatory changes with entry into force in January 1st, 2019

On December 28th, 2018, Bank of Spain Circular 2/2018 of December 21st was published amending Circular 4/2017, of November 27th to credit institutions on public and reserved financial information standards, and models of financial statements, and Circular 1/2013, of May 24th, on the Risk Information Center.

The main purpose in this circular is to adapt the accounting standards applicable to credit institutions in Spain to the changes in the European accounting standards derived from the adoption of IFRS 16 which, since January 1st 2019, modifies the accounting criteria for leases to lessees.

The objective is to establish the criteria of recognition, measurement, presentation and disclosure of leases. The standard maintains, in essence, the treatment for the lessors contained in the previous standard through a dual model distinguishing between financial leasing and operating leasing.

For lessees, Circular 2/2018 eliminates the dual accounting model and develops a single model for which most of the leases will be accounted for in a similar way as the financial leases under the previous standard. At the initial stage, the lessee registers a liability for the committed payments and an asset for the right to use of use the underlying asset during the term of the lease. It is also necessary to record separately an interest expense for the liability associated with the lease agreement and an expense for the amortization of the right of use the underlying asset. The standard includes two exemptions for lessees: short-term leases and leases in which the underlying asset is of little value.

Circular 2/2018 requires an assessment to revalue the lease liability in order to reflect the changes in payments after the start date as a result of certain events, such as the change on the deadline or on a rate for updating payments, among others. As a general rule, the revaluation of liabilities is recognized as an adjustment to the right of use of the underlying asset.

First application by the ICF Group

Since the ICF Group was not a lessee in leases at December 31st, 2018, this amendment had no impact on these consolidated financial statements.

c) Responsibility for information and estimates

During the preparation of the ICF Group's 2019 consolidated financial statements, estimates have been used to quantify certain assets, liabilities, income, expenses and commitments disclosed therein. These estimates basically refer to:

- Impairment losses of certain assets (see notes 7, 8, 9 and 10).
- The useful life of tangible assets and intangible assets (see notes 12 and 13).
- The fair value of certain unquoted financial assets (see note 18).
- The recovery of deferred tax assets (see note 21).

While these estimates are made based on the best information on the facts disclosed available at December 31st, 2019, future events may take place requiring these estimates to be modified (increased or decreased) in subsequent years. The effects on the balance sheet and income statement of changes in accounting estimates are recognized prospectively in accordance with the nineteenth standard of Circular 4/2017.

d) Comparison with information

The figures for the financial year 2018 included in the accompanying consolidated financial statements for the year 2019 are presented solely and exclusively for comparative purposes and, accordingly, do not constitute the Group's consolidated financial statements for 2019.

e) Environmental matters

Given its activities, the Group has no responsibilities, expenses, assets, provisions or contingencies of an environmental nature that may be material to its equity, financial position or results. Therefore, the notes to the Group's consolidated financial statements do not include specific disclosures on environmental issues.

2. Accounting Principles and Valuation Criteria

In the elaboration of the consolidated financial statements for 2019, the following accounting principles and policies, and valuation criteria have been applied:

a) Consolidation principles

The consolidated financial statements have been prepared by applying the global integration method to the subsidiaries and the equity method to the associated entities.

Subsidiary entities

Subsidiary entities (also called subsidiaries) are those entities over which the ICF has the capacity to exercise control, which is understood to be when:

- The Group has the power to govern the activities of the subsidiary;
- The Group has the practical capacity to exercise this power for the purpose of influencing its profitability;
- Due to the involvement of the Group, it is exposed or is entitled to variable profits from the subsidiary.
- Any event or circumstance which could have an effect on the assessment of whether control exists or not, as well as the analyses described in the related guidelines for the application of legislation, i.e. that a direct or indirect interest of more than 50% of voting rights of the entity being assessed is held.

When events and circumstances indicate that there have been changes in one of the three preceding conditions, the Group shall once again evaluate its control capacity over the subsidiary.

In the acquisition of control over a subsidiary, the Group applies the acquisition method set out in the regulatory framework, except for if it involves the acquisition of an asset or group of assets.

The financial statements of subsidiaries are fully consolidated, irrespective of their activity, with those of the ICF, which involves aggregating the assets, liabilities and equity, income and expenses of a similar nature disclosed in the individual financial statements. A percentage of the carrying amount of direct and indirect holdings in subsidiaries is eliminated equivalent to the proportion of equity of these subsidiaries represented by these holdings. The remaining balances and transactions are eliminated in the consolidation process. For consolidation purposes, the results of subsidiaries are those generated since the acquisition date.

Those companies forming part of the venture capital activity are not considered to be subsidiaries, because in accordance with the Regulations on Management of Venture Capital Funds and Companies, the ICF has no control over their management, with the only exception being Capital MAB F.C.R., Capital Expansió F.C.R., ICF Venture Tech II, F.C.R.E. and Capital Expansió II F.C.R.E., with a 100% participation by the Entity and managed by the company ICF Capital S.G.E.I.C. S.A.U.

Associated entities

Associated entities (also called associates) are entities over which the ICF directly or indirectly exercises significant influence and which are not subsidiaries or joint ventures entities. Significant influence arises, inter alia, in the following situations:

a) Representation in the Governing Board or equivalent management body of the subsidiary.
b) Participation in the establishing of policies, including those relating to dividends and other distributions.
c) Existence of significant transactions between the Group and subsidiary.
d) Exchange of senior management personnel.
e) Supply of essential technical information.

The analysis to determine the existence of significant influence over a subsidiary shall also take into consideration the importance of the investment in the subsidiary, the age of the subsidiary's governing bodies and the existence of potential voting rights convertible at the analysis date. Significant influence is considered to exist in most cases when the Group has 20% or more of the voting rights of a subsidiary in which it holds a stake.

Companies which form part of the venture capital activity are not considered associates since, in accordance with the Regulations on Management of Venture Capital Funds and Companies, it does not have significant influence over its management. These investments are recognized under “Available-for-sale financial assets”.

Associates are accounted for in the consolidated financial statements using the equity method, i.e. for the percentage of their equity equal to the Group's percentage shareholding, after taking into account dividends received and other equity eliminations. The same percentage of any gains or losses from transactions with associates is eliminated.

Appendix II presents a breakdown of the Group's subsidiaries and associates, together with relevant information thereon.

b) Financial instruments

Initial recognition

Financial instruments are initially recognized on the balance sheet when the Group becomes party to the relevant contract, in accordance with the terms set out therein. Loans and deposits — the most common type of financial asset and liability — are recognized on the date the amount becomes legally payable or receivable. Financial derivatives are generally recognized on the hire date.

Operations involving regular-way sale and purchase of financial assets, and which may not be settled net, are recognized on the date when the rewards, risks, rights and duties inherent to ownership of the asset are transferred to the purchaser. Depending on the type of financial asset acquired or sold, this may occur on the trade, settlement or delivery date. In particular, spot currency transactions are recognized on the settlement date; transactions involving equity instruments traded on Spanish secondary securities markets are recognized at the trade date; and those involving debt instruments traded on secondary Spanish markets are recognized on the settlement date.

Derecognition of financial instruments

An asset is fully or partially derecognized from the balance sheet when the contractual rights to the associated cash flows expire or when the asset is transferred. Transfer of an asset must involve the substantial transfer of the risks and rewards, or, if not, the transfer of control of the asset (Note 2.f).

A financial liability is fully or partially derecognized when the obligations it generates are extinguished or when it is purchased by the Group.

Fair value and amortized cost

All financial instruments are initially recognized in the balance sheet at fair value, this being the cost of the transaction unless there is evidence to indicate otherwise. Subsequently, on a specific date, the fair value is taken to be the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The most objective and common benchmark for the fair value of a financial instrument is the quoted price in an organised, transparent and deep market ("quoted price" or "market price").

If there is no market price for a specific financial instrument, its fair value is estimated based on that established in recent transactions involving similar instruments and, failing that, on models that have been adequately tested by the international financial community. Consideration must also be given to the specific nature of the asset to be valued and, in particular, to the different types of risk associated with the instrument.

The fair value of financial derivatives traded on organised, transparent and deep markets recognized as financial assets held for trading is taken as the daily quoted price. If, for exceptional reasons, it is not possible to obtain a price for a specific date, the instrument will be valued using methods similar to those used to value derivatives that are not traded on organised markets.

The fair value of derivative instruments not traded on organised markets, or which are traded on insufficiently transparent or deep markets, is determined using recognized methods such as the net present value (NPV) method or models used to determine the price of options.

Nevertheless, some specific financial assets and financial liabilities are recognized in the balance sheet at amortized cost. This criterion is applied to financial assets included under “Financial assets at amortized cost” and to financial liabilities recognized as “Financial liabilities at amortized cost”.

Amortized cost is the acquisition cost of the financial asset or financial liability, plus or minus principal repayments and the part systematically taken to profit and loss using the effective interest method, of any difference between that initial amount and the maturity amount. In the case of financial assets, amortized cost also includes any reduction for impairment, and also the value adjustments due to the impairment experienced.
The effective interest rate is the rate that exactly matches the initial amount of a financial instrument to all its estimated cash flows of all kinds over its remaining life. For fixed-rate financial instruments, the effective interest

rate coincides with the contractual interest rate established on the acquisition date, adjusted, where applicable, for initial premiums, discounts and commissions that are similar in nature to interest charges or transaction costs. For variable rate financial instruments, the effective interest rate is the same as that used for all other instruments until the next review of the benchmark interest rate takes place.

As already mentioned above, certain assets and liabilities are recorded in the balance sheet, if applicable, at fair value, such as "Financial assets at fair value through other comprehensive income" and "Derivatives ".

A portion of the assets and liabilities recognized under these headings are included in some of the fair-value and cash flow microhedges managed by the Group and the carrying amount is therefore adjusted to include its fair value attributable to the hedged risk.

The ICF Group considers that the fair value of assets and liabilities as a result exclusively of movements of the market interest rate will not be significantly different from those recorded in the balance sheet (see note 3.1).

Regarding the fair value of the assets classified in the balance sheet of "Tangible Assets", see in Note 12.

Classification and measurement of financial assets and financial liabilities

The financial instruments not classified under one of the categories detailed below are recognized under one of the following headings in the accompanying balance sheet: “Cash, cash balances in central banks and other demand deposits”, Derivatives - hedge accounting” and “Investments in subsidiaries, joint ventures and associates”. Additionally, all other financial instruments are classified on the balance sheet according to the following categories:

- **Financial assets at amortized cost:** Financial assets must be classified in this category when they are managed with a business model whose purpose is to maintain financial assets to receive contractual cash flows, and their contractual conditions give rise to cash flows at specified dates which are solely payments of principal and interest on principal outstanding amount. This category includes "Loans and advances" and "Debt securities":

    - **Loans and advances:** This heading includes financing extended to third parties in connection with the ordinary lending activities carried out by the Group, and receivables from goods and services. It also includes unquoted debt securities or debt securities which are traded on markets which are barely active. Financial assets included in this category are initially measured at fair value adjusted by the amount of the commissions and transaction costs that are directly attributable to the acquisition of the financial asset and which are expensed using the effective interest method over the life of the asset. They are subsequently measured at amortized cost, as previously described in this Note.

      Assets acquired at a discount are measured at the cash amount paid. The difference between their repayment value and the amount paid is recognized as finance income on the income statement during the remaining term to maturity.

      The interest accrued on these operations, which is calculated using the effective interest rate method, is recognized under “Interest income” in the income statement. The exchange differences for securities denominated in foreign currency other than the euro are recognized as described in Note 2.d. Any impairment losses on these securities are recognized as set out in Note 2.g. Finally, differences arising in the fair value of financial assets included in fair value hedges are recognized as described in Note 2.c.

    - **Debt securities:** This chapter includes the debt securities traded in an active market with a precise maturity date and give rise to payments on a fixed and predetermined date, and on those whose intention and intent is to maintain them until maturity.

      They are measured at amortized cost, using the effective interest method for their determination.

- **Financial assets at fair value through other comprehensive income:** Financial assets will have to be classified in this category when they are managed with a business model whose purpose combines the perception of the contractual cash flows of financial assets and the sale, and their contractual conditions give rise to cash flows at specified dates which are solely payments of principal and interest on the principal amount.

This category includes equity securities owned by the Group corresponding to entities that are not subsidiaries or associates, as well as debt instruments not classified as financial assets at amortized cost. The instruments included in this category are initially valued at their fair value, adjusted for the amount of the transaction costs that are directly attributable to the acquisition of the financial asset. After their acquisition, the financial assets included in this category are valued at their fair value.

The changes that occur in the fair value of the debt instruments classified in this category are accounted for with a balancing entry under "Equity. Other comprehensive income. Changes in the fair value of debt instruments valued at fair value thorugh other comprehensive income" until the moment in which the financial asset is derecognized or there is evidence of impairment. At this time, the balance recorded in equity is taken to the profit and loss account, under the heading "Impairment of the value or reversal of impairment of the value and gains or losses for changes in cash flows of financial assets not valued at fair value through gain or loss". In relation to the debt securities, the valuation is made based on the quote on organized markets, considering that there is evidence of impairment when the market value is less than 60% of the cost value.

In the particular case of the equity stake in Entities and Capital Funds without an official quote, they are valued at their fair value, registering in the equity the result of the variations of such fair value, except that this supposes a decrease of the value less than 10%. Once the results are realized, the value adjustments are reclassified against the item "Retained earnings" within the Group's Own Funds.

The receipts received from the Venture Capital Societies and Funds corresponding to the accrued dividends are recorded in the "Dividend income" caption in the income statement.

- **Financial liabilities at amortized cost:** Financial liabilities not classified as held for trading are included under this heading. The balances recognized correspond to the standard activities of obtaining funds carried out by credit institutions, irrespective of the type of operation or its maturity.

  They are initially measured at fair value adjusted by the amount of transaction costs that are directly attributable to the issue of the financial liability and which are expensed in the income statement using the effective interest method until maturity. They are subsequently measured at amortized cost, as previously described in this Note.

  The interest accrued on these financial liabilities is recognized under “Interest expenses” in the income statement. The exchange differences for securities denominated in foreign currency other than the euro are recognized as described in Note 2.d. The differences arising in the fair value of financial liabilities included in fair value hedges are recognized as described in Note 2.c.

In addition, Circular 4/2017 stipulates the following category for financial instruments: “Assets and liabilities held for trading”. During 2019, the group has not held any assets and/or liabilities classified in this category, corresponding exclusively to derivative instruments that do not comply with requirements to be considered as accounting coverage. During 2018, it also did not hold the assets and/or liabilities held for negotiation. Changes in this fair value were registered under "Gains or (-) losses of assets and liabilities held for trading, net" of the income statement.

Reclassification between portfolios

Only if the Group decides to change its business model for the management of financial assets, it would reclassify all the financial assets affected according to the requirements set out in Circular 4/2017. This reclassification would be made prospectively from the date of reclassification. In accordance with the Circular 4/2017 approach, the changes in the business model occur very rarely.

c) Derivative instruments and hedging

The ICF Group uses financial derivatives as a tool to manage financial risks (Note 3). When these transactions meet certain requirements, they are considered as “hedges”.

When the ICF Group designates a transaction as a hedge, it does so from the date of inception of the transactions or instruments included in the hedge, and provides adequate documentation of the hedging transaction, in accordance with current regulatory requirements. The hedge accounting documentation includes adequate 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 ICF Group to assess the effectiveness of the hedge over its entire life, taking into account the risk to be hedged.

The ICF Group only applies hedge accounting for hedges that are considered highly effective. A hedge is regarded as highly effective if, during its expected life, the changes in the fair value or cash flows of the hedged item that are attributable to the risk being hedged in the operation 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 ICF Group analyses whether, from the inception to the end of the term defined for the hedge, the Group can expect, prospectively, that the changes in fair value or cash flows of the hedged item that are attributable to the hedged risk will be almost completely offset by changes in the fair value or cash flows, as appropriate, of the hedging instrument(s) 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 transactions performed by the ICF Group are classified as follows:

- Fair value hedges that hedge the exposure to changes in the fair value of financial assets or liabilities or unrecognized firm commitments, or of an identified portion of such assets, liabilities or firm commitments, that is attributable to a particular risk, provided that it affects profit or loss.
- Cash flow hedges that hedge the exposure to variability in cash flows that is attributable to a particular risk associated with a financial asset or financial liability or a highly probable forecast transaction, provided that it affects profit or loss.

In the specific case of financial instruments designated as hedged items and qualifying for hedge accounting, gains and losses are recognized as follows:

- In fair value hedges, the gain or loss on both the hedging instruments and the hedged items attributable to the type of risk being hedged are recognized directly in profit or loss.
- Cash flow hedges: the Group recognises as income and expenses recognized in equity the gains and losses arising from the measurement at fair value of the hedging instrument which corresponds to the portion that is determined to be an effective hedge. If a hedge of a forecast transaction results in the recognition of a financial asset or liability, the associated gains of losses that were recognized in equity are reclassified to profit or loss in the same period or periods during which the acquired asset or assumed liability affect profit or loss, and in the same income statement caption.

The gains or losses on the ineffective portion of the hedging instruments are recognized directly under “Gains or losses on hedge accounting, net” in the income statement.

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

When, as described in the previous paragraph, a fair value hedge is discontinued, in the case of hedged items carried at amortized cost, the value adjustments made as a result of the hedge accounting described above are recognized in the income statement over the life of the hedged items using the effective interest rate recalculated at the hedge’s discontinuation date.

Derivatives embedded in other financial instruments or contracts are disclosed separately when their risks and characteristics are not closely related to those of the host instrument or contract, provided it is possible to assign a reliable, independent fair value to the embedded derivative.

d) Foreign currency transactions

The ICF Group's functional currency is the Euro. Therefore, all balances and transactions denominated in currencies other than the Euro are deemed to be denominated in foreign currency. The Group has no significant balances in foreign currency in its financial statements.

e) Recognition of income and expenses

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

a) Interest, dividends amd similar concepts income and expenses

Interest income, interest expenses and similar items are generally recognized on an accrual basis using the effective interest method, independently of when the associated cash or financial flows arise.

Interest accrued on receivables classified as non-performing exposures, including those associated with country risk, is credited to income when collected, as an exception to the general rule.

Dividends received from other companies are recognized as income when the Group's right to receive them arises, provided that distribution corresponds to profit generated by the subsidiary since the ICF gained a shareholding interest in it.

b) *Comission income and expenses*

Commission income and expense are recognized in the income statement using criteria that vary according to their nature.

Financial commissions, such as loan arrangement fees, are a part of the effective cost or yield of a financial transaction and are recognized under the same headings as the finance income or costs, i.e. "Interest income" and "Interest expenses". These commissions, which are collected in advance, are recorded as income over the life of the transaction, except to the extent that they offset related direct costs.

Non-financial commissions deriving from the provision of services are recognized under "Commission income" and "Commission expense" over the period in which the service is provided, except for those relating to services provided in a single act, which are recognized when the single act is carried out.

c) *Non-financial income and expenses*

These are recognized for accounting purposes on an accrual basis.

d) *Deferred collections and payments*

These are recognized for accounting purposes at the amount resulting from discounting the expected cash flows at market rates.

f) Transfers of financial assets

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 risks and rewards of the transferred assets are transferred to third parties (unconditional sale of financial assets, sale of financial assets under an agreement to repurchase them at their fair value at the date of repurchase, 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 derecognized and any right or obligation retained or created in the transfer is recognized simultaneously.

- If the risks and rewards associated with the transferred financial asset are substantially retained (sale of financial assets under an agreement to repurchase them at a fixed price or 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 loan enhancement is retained that absorbs substantially all the expected credit losses on the securitised assets, and other similar cases), the transferred financial asset is not derecognized and continues to be measured using the same criteria as those applied before the transfer. However, the following items are recognized, without offsetting:

    - An associated financial liability, for an amount equal to the consideration received; this liability is subsequently measured at amortized cost.

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

- If all the risks and rewards associated with the transferred financial assets are neither substantially transferred nor retained (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 other type of credit enhancement for a portion of the transferred asset, and other similar cases) a distinction is made between:

    - If the Group does not retain control of the transferred financial asset, it is derecognized from the balance sheet and any right or obligation retained or created in the transfer is recognized.

    - If the Group retains control of the transferred financial asset, it continues to recognise the 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 amount of the transferred asset and the associated liability is the amortized cost of the rights and obligations retained, if the transferred asset is measured at amortized cost; or the fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

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

g) Impairment of financial assets

Debt instruments valued at amortized cost or fair value through other comprehensive income

The impairment model is applicable to debt instruments at amortized cost, to debt instruments at fair value through other comprehensive income, as well as to other exposures that entail credit risk, such as loan commitments granted and financial guarantees granted.

The criteria for the analysis and classification of operations in the financial statements according to their credit risk include, on the one hand, credit risk due to insolvency and, on the other hand, the country-risk to which if any, are exposed. Credit exposures in which there are reasons for their credit rating due to insolvency as per country-risk are classified in the category corresponding to the risk of insolvency as a country-risk, unless it corresponds to a worse category for country-risk , without prejudice to the fact that impairment losses due to insolvency risk are calculated by the concept of country risk when it implies a higher demand.

The impairment losses of the period are charged to the income statement as an expense, reducing the carrying amount of the asset. The subsequent reversals of previously recognized impairment losses are registered as income in the income statement. In the case of instruments valued at fair value through other comprehensive income, the instrument will subsequently adjust to its fair value with a balancing entry in "Other accumulated comprehensive income" in equity.

Classification of operations based on credit risk due to insolvency

Financial instruments - including off-balance-sheet items- are classified in the following categories, taking into account whether there has been a significant increase in credit risk since the originitation of the transaction, and if an event of failure:

- Phase 1 – Standard risk: the risk of a failure event has not increased significantly since the initial recognition of the operation. The impairment loss for this type of instrument is equivalent to the expected credit losses in twelve months.

- Phase 2 – Standard risk under special monitoring: the risk of a failure event has increased significantly since the origination. The impairment loss for this type of instrument is calculated as the expected loss of credit in the estimated life of the transaction.

- Phase 3 – Doubtful risk: there has been an event of default in the operation. The impairment loss for this type of instrument is calculated as the expected loss of credit in the estimated life of the transaction. Operations for which the Group has no reasonable expectations of recovery. The impairment loss for this type of instrument is equivalent to its book value.

- Write-off – Operations for which the Group has no reasonable expectations of recovery. The impairment loss for this type of instrument is equivalent to its book value.

In this sense, and for the purpose of making the classification of a financial instrument in one of the previous categories, the Group has taken into account the following definitions:

Significant increase in credit risk

For financial instruments classified in Phase 1 - Standard risk, the Group assesses whether the credit losses expected to be 12 months are still considered appropriate. In this regard, the Group carries out an assessment of whether there has been a significant increase in credit risk since its originitation. If this is the case, the financial instrument is transferred to Phase 2 - Standard risk under special monitoring and its expected loss of credit is recognized throughout its entire life. This evaluation is symmetrical, in such a way that the return of the financial instrument to the category Phase 1 - Standard risk is allowed.

In order to carry out this assessment, the Group's credit risk management systems collect both quantitative and qualitative elements that, in combination or by themselves, could lead to the consideration that there has been a significant increase in the credit risk of the financial instrument, such as adverse changes in the debtor's financial situation, reductions in credit rating, unfavorable changes in the sector in which it operates, its regulatory or technological environment, among others, that do not show evidence of deterioration.

Regardless of the existence of signs of aging of the credit risk of the exposure, it is considered that there has been a significant increase in credit risk, in those operations where any of the following circumstances occur:

- Unpaid installments past-due 30 days, rebuttable presumption based on reasonable and supported information. The Group has not used a longer period of time for these purposes.

- Refinancing or restructuring that does not show evidence of impairment. Note 3.4.5 describes the classification criteria for restructured or refinanced operations.

- Special agreement for debt sustainability that does not show evidence of impairment until it applies the criterion of care.

- Those held with issuers or holders declared in arrangement with creditors which do not show evidence of impairment.

Notwithstanding the foregoing, for the assets in which the counterparty has a low credit risk, the Group applies the possibility set forth in the rule to consider that its credit risk has not increased significantly. This type of counterparty identifies, mainly, central banks and Public Administrations.

Impaired exposures and objective evidence of deterioration

For the purpose of determining the risk of default, the Group applies a definition that is consistent with that used for the internal management of credit risk of financial instruments and takes into account quantitative and qualitative indicators.

In this regard, the Group considers that there is objective evidence of impairment (OEI) when one or more events with a negative impact on their estimated cash flows have occurred. The following events constitute evidence that a financial asset presents is impaired:

- Unpaid installments past-due 90 days. Likewise, all operations of a holder are included when the amount of transactions with overdue balances with more than 90 days, exceeds 20% of the amounts pending collection.

- There are reasonable doubts about the total reimbursement of the asset.

- Significant financial difficulties of the issuer or the borrower.

- Breach of contractual clauses, such as non-payment or default events.

- Granting of the concessionaire or advantages due to economic or contractual reasons due to financial difficulties of the borrower, which otherwise would not have been granted and which show evidence of impairment.

- An increase in the likelihood that the borrower enters bankruptcy or in any other financial reorganization situation.

- Disappearance of an active market for the financial instrument caused by the financial difficulties of the issuer.

- Purchase or origin of a financial asset with a significant discount that reflects the credit losses suffered.

Methodologies for estimating the credit losses expected by insolvency

The amount of impairment losses experienced by these instruments is equivalent to the negative difference that arises when comparing the current values of their expected future cash flows discounted at the effective interest rate and their respective book values.

In the estimation of the future cash flows of the debt instruments are taken into account:

- The total amount that is expected to be obtained during the remaining life of the instrument, even if applicable, of those that may originate from the guarantees with which it counts (after deducting the costs necessary for its acquisition and later sale). The impairment loss considers the estimate of the possibility of charging the accrued, expired and not collected interest.

- The different types of risk to which each instrument is subject.

- The circumstances in which foreseeable collections will occur.

The process of evaluating the possible losses due to impairment of these assets is carried out through differentiated processes based on the client's consideration as individually significant or not significant, after carrying out an analysis of the portfolio and the monitoring policy applied by the entity.

Once the thresholds are set, the following process is as follows:

- Individualized analysis: for individually significant assets, an analysis is carried out to identify clients with objective evidence of impairment (OEI), distinguishing two groups:

    • Customers with OEI: the loss incurred based on the present value of the expected future flows (repayment of the principal plus interests) of each client's transaction (discounted with the original effective interest rate) is computed and this current value is compared with the book value That is why both the business continuity hypothesis (going concern) and the assumption of liquidation and execution of guarantees (gone concern) are considered.

    • Customers that do not have OEI: it is verified that they do not present a certain evidence of impairment, not requiring any kind of provision given their proper credit status. These exhibitions are grouped into homogenous groups of risk and a collective assessment of their impairment losses is carried out.

- Collective analysis: for non-significant exhibitions with OEI and for the rest of exhibitions, a collective calculation is done for homogeneous groups of risk, in order to obtain both the generic coverage associated to a group of operations and those of specific coverage to cover specific operations, which have similar risk characteristics that allow classification in homogeneous groups. For this purpose, the ICF uses as a reference and minimum percentages the risk parameters provided by the Bank of Spain in Circular 4/2017, which are based on the historical experience of the Spanish market, which are increased if considered necessary for some group in particular, according to estimation set forth by the Group.

Equity instruments valued at cost of acquisition

The impairment losses on equity instruments measured at acquisition cost are the difference between their carrying amount and the present value of the expected future cash flows discounted at the market rate of return for similar securities.

Impairment losses are recognized in the income statement for the period in which they arise as a direct reduction of the cost of the instrument. These losses may only be subsequently reversed if the related assets are sold.

The estimation and calculation of the impairment losses of shareholdings in subsidiaries, joint venture or associates which, for the purpose of the preparation of these financial statements, are not considered Equity instruments, are made by the ICF Group in accordance with the criteria set out in Note 2.a above.

h) 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 Group. These operations are disclosed in a memorandum account to the balance sheet, under “Contingent liabilities”.

When the contracts are arranged they are recognized at fair value (taken to be the present value of the future cash flows) under “Loans and receivables” with a balancing entry in Financial liabilities at amortized cost. Changes to the value of the contracts are recognized as finance income in the income statement under “Interest income”.

Financial guarantees, 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 measured at amortized cost (described in Note 2.h above).

The provisions made for these transactions are recognized under “Provisions – Contingent commitments and guarantees” on the liabilities side of the balance sheet. These provisions are recognized and reversed with a charge or credit, respectively, to “Provisions or (-) reversal of provisions” in the income statement.

i) Leases

In accounting for lease transactions, a distinction is made between transactions in which the Group acts as the lessee and those in which it acts as the lessor.

The Group as a lessee

At the beginning of a contract, the Group assesses whether a contract is or contains a lease. For contracts where the Group has determined that there is or contains a lease, the Group recognises in the consolidated balance sheet an asset that represents the right to control the use of the asset underlied in the lease for a specified period and, simultaneously, a leasing liability which represents the obligation to make the committed payments for the use of the underlying asset that have not been paid by that date.

The Group applies a single recognition and measurement approach for all leases, except for Short-term leases (12 months or less) and leases of assets of little value, for which the Group records lease payments as an expense on a straight-line basis over the period of the lease, under the heading 'Administrative expenses-Other administrative expenses'.

Recognition and measurement of lease liabilities

At the commencement date of the lease, the Group recognises a liability for the lease of the asset for the present value of the lease payments to be made during the term of the lease and that have not been paid by that date, discounted using the interest rate implicit in the lease, if this can be easily determined. Otherwise, the Group’s incremental borrowing rate will be used. Lease payments include fixed and variable lease payments that depend on an index or a tariff, and the expected amounts to be paid resulting from the existence of guarantees. Lease payments also include the price for the (reasonably expected) exercise of an option to purchase by the Group and penalty payments for the termination of the lease, if the contract reflects the possibility of exercising the cancellation option. Variable lease payments that are not dependent on an index or fee are recognized as an expense in the period in which the event or condition that triggers the payment takes place, under the heading 'Administrative expenses - other administrative expenses' of the consolidated profit and loss account attached.

Lease liabilities are recognised under "Financial Liabilities at Amortised Cost - Other Financial Liabilities" account in the consolidated balance sheet attached and the finance costs associated with the lease liabilities are recognised under "Interest Expenses"account in the consolidated income statement attached.

Subsequently, the lease liability is measured by increasing its carrying amount to reflect interest calculated by applying the effective interest rate and reducing the carrying amount to reflect payments made by the lease.

Recognition and valuation of assets by right of use

The Group recognises assets for the right to use the underlying asset on the commencement date of the lease (i.e. the date on which the asset is available for use). Assets with a right to use are initially measured at cost, which includes the amount of the lease liability, the initial direct costs incurred and the lease payments made at the inception of the lease, and the cost that may be incurred to dismantle or dispose of the underlying asset or return it to the condition required under the terms of the lease. contractual. The assets by right of use are recorded under the heading 'Tangible assets - Property, plant and equipment' or Tangible assets - Investment property' in the accompanying consolidated balance sheet.

Subsequently, the carrying amount of the assets by right of use is adjusted as follows:

- Accumulated amortisation. Assets with a right to use are depreciated over the shorter of the useful life of the underlying asset and the term of the lease. The provisions for depreciation are recognised in an offsetting account entry under "Depreciation and Amortisation" account in the accompanying consolidated income statement.

- Impairment losses, if any, are recognised under "Impairment Losses or (-) Reversal of Impairment Losses on Non-Financial Assets" in the accompanying consolidated income statement. In assessing impairment, the directors apply the same criteria as those used for the tangible assets described in Note 2.3.8.

- Reflect changes in the value of lease liabilities.

The group as a lessor

Leases in which the Group does not substantially transfer all the risks and rewards of the property are classified as operating leases. Rental income is recognised on a straight-line basis in accordance with the terms of the lease and is included under "Other Operating Income" in the accompanying consolidated income statement based on its operating nature. Costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the lease on the same basis as the rental income. Contingent rent is recognised as income in the period in which it is earned.

j) Personnel expenses

Termination benefits

Circular 4/2017 of the Bank of Spain and subsequent updates only allow recognition of a provision for redundancy payments planned in the future when the ICF is demonstrably committed to terminate the bond that unites employees before the normal date of retirement or pay compensation as a result of an offer to encourage voluntary rescission from employees.

k) Income tax

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

The income tax expense for the financial year is calculated as the tax payable on the taxable profit for the year, adjusted by the amount of the changes in the year in the recognized assets and liabilities due to temporary differences and to tax credit and tax losses.

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

Tax credits for tax deductions and benefits are amounts that, after occurrence or performance of the activity or obtainment of the profit or loss carrying the right to them , are not applied for tax purposes in the tax return until the conditions to do so established in the tax regulations are met but the Group considers it probable that they will be used in future periods, as it expects to have sufficient taxable profits in the future against which to offset them.

All these temporary differences are recognized in the balance sheet as deferred assets or liabilities, separate from current tax assets and liabilities.

Deferred tax assets and liabilities are reviewed at each reporting date in order to ascertain that they are still valid, and appropriate adjustments are made in accordance with the findings of the analyses carried out.

Since January 1st, 2006, the Group has been subject to the special provisions on consolidation for tax purposes set out in article 64 et seq. of the revised text of the Law on Income Tax approved by Royal Legislative Decree 4/2004.

The consolidated fiscal group at December 31st 2019 is made up of the ICF and its subsidiaries, Instruments Financers per Empreses Innovadores, S.L. and Institut Català de Finances Capital, S.G.E.I.C. S.A.U. (Note 21.1).

l) Tangible assets

Tangible assets are classified in the balance sheet under property, plant and equipment, and investments. Tangible assets arising from the adjustment of loans and receivables are classified as "Non-current assets and disposal groups classified as held for sale".

Property, plant and equipment for own use include assets, owned or held under a finance lease, for present or future administrative uses or for the production or supply of goods, that are expected to be used for more than one financial year. Investment property corresponds to the net value of land, buildings and other constructions held for the purposes of generating rental income or gains from their sale.

Tangible assets are normally recognized at acquisition cost less accumulated depreciation and any adjustment resulting from a comparison of the net value with the corresponding recoverable amount.

Depreciation is calculated on a straight-line basis on the acquisition cost of the assets less their residual value. An exception is land, which is considered to have an indefinite life and is therefore not depreciated.

Depreciation is charged annually to "Amortisation and depreciation" in the income statement, and is calculated using the following fixed rates as percentages of the estimated useful life of each asset type.

	% Annual depreciation
Buildings for own use and constructions	2%
Furniture	10%
Machinery and electronic equipment	10%
Installations	10%
IT equipment	25%

At the reporting date the Group assesses whether there is indication that the net value of its tangible assets 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 this needs to be re-estimated. The reduction in the carrying amount of tangible assets is charged to "Impairment losses or (-) reversal of impairment losses on non-financial assets" in the income statement.

Similarly, if there is an indication of a recovery in the value of an impaired item of tangible assets, the Group recognises the reversal of the impairment loss recognized in prior periods in the aforementioned heading in the income statement and adjusts the future depreciation charges accordingly. Under no circumstances may the reversal of an impairment loss on an asset increase its carrying amount above the carrying amount it would have if no impairment losses had been recognized in previous years.

Once a year, or when circumstances make it advisable, the estimated useful lives of tangible assets are reviewed and any necessary adjustments made to the depreciation to be charged to the income statement in future financial years.

Upkeep and maintenance expenses are charged to "Other general administrative expenses" in the income statement.

Independent experts carry out appraisals on behalf of the Group in order to determine whether any impairment exists in its real estate assets.

m) Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance which are acquired from third parties or which are developed internally. Only intangible assets whose cost can be estimated objectively and from which it is considered probable that future economic benefits will be generated are recognized.

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

This heading basically refers to amortisable expenses incurred in relation to the development of IT systems. Such assets have a fixed useful life and are amortized over a maximum of five years.

Amortisation is charged annually to “Amortisation and depreciation” in the income statement and any impairment losses and subsequent recoveries are charged to “Impairment losses or (-) reversal of impairment losses on non-financial assets”.

n) Non-current assets and disposal groups held for sale

The Group only has classified as non-current assets held for sale the tangible assets received in settlement of loans, which have not been retained for own use or classified as investment property available for lease.

Assets received in settlement of debts are recognized at the lower of the carrying amount of financial assets and the asset’s fair value less costs to sell.

Should foreclosed assets remain on the balance sheet for a longer time than initially envisaged, the value of the assets is adjusted to recognise any impairment loss caused by difficulties in finding buyers or receiving reasonable offers.

Impairment losses that become evident after capitalization are recognized under “Impairment losses or (-) reversal of impairment losses of non-financial assets” in the income statement. If the value subsequently recovers, this is recognized under the same heading in the income statement, the amount recovered being limited to the amount of the impairment previously recognized. Assets classified under this category are not depreciated.

o) Provisions and contingencies

Provisions cover present obligations at the reporting date arising from past events, which could give rise to a loss for entities, and are considered to be likely to occur; their nature is certain but their amount and/or timing is uncertain.

Contingent liabilities are possible obligations that arise from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more future events not within the entities’ control.

The Group’s financial statements include all the material provisions with respect to circumstances in which it is considered that it is more likely than not that the obligation will have to be settled. Provisions are recognized in the balance sheet according to the obligations covered, including provisions for taxes and for contingent exposures and commitments. Contingent liabilities are disclosed in the memorandum accounts to the balance sheet.

Allowances to provisions are recognized in the income statement under “Provisions or (-) reversal of provisions”.

At the end of the fiscal year 2019, various legal proceedings and claims were under way by the Institute arising from the normal course of its business. The Institute's legal advisers and directors consider that the outcome of these proceedings and claims will not have a material effect on the financial statements for the years in which they are settled.

p) Deferred income ERDF fund

The ICF considers the funds received under the ERDF operating programme for Catalonia 2014-2020 as deferred income, classified under "Other Liabilities" in the accompanying consolidated balance sheet until the conditions for recognition as income for the year have been met in accordance with the criteria explained in note 17, where they would be classified as "Other Operating Income" in the accompanying consolidated income statement.

q) Consolidated statement of changes in equity

The statement of changes in equity presented in these financial statements shows the total changes in equity during the year. This information is in turn presented in two statements: the statement of recognized income and expense and the full-format statement of changes in equity. The main characteristics of the information contained in both parts of the statement are explained below:

Statement of recognized income and expense

This part of the statement of changes in equity presents the income and expenses generated by the ICF as a result of its business activity during the year, and a distinction is made between the income and expenses recognized in the income statement for the year and the other income and expenses recognized, in accordance with current regulations, directly in equity.

Accordingly, the statement presents:

a) Profit for the year.

b) Net amount of the income and expenses recognized temporarily in equity under "Valuation adjustments".

c) The net amount of the income and expenses recognized definitively in equity.

d) The income tax incurred by the items indicated in b) and c) above.

e) The total income and expenses recognized, being the sum of the above letters.

The changes in income and expenses recognized in equity under Valuation adjustments are broken down as follows:

a) Valuation gains (losses): includes the income, net of the expenses incurred in the year, recognized directly in equity. The amounts recognized in this account during the year are included under this heading, even though they are transferred in the same year to the income statement, at the initial value of other assets or liabilities, or are reclassified into another account.

b) Amounts transferred to the income statement includes the amount of the revaluation gains and losses previously recognized in equity, albeit in the same year, which are recognized in the income statement.

c) Amounts transferred to opening balance of hedged accounts: includes the amount of the revaluation gains and losses previously recognized in equity, albeit in the same year, which are recognized in the opening balances of assets or liabilities as a result of cash flow hedges.

d) Other reclassifications: transfers made in the year between valuation adjustment accounts in accordance with current regulations.

Where applicable, the amounts of these items are presented gross and the related tax effect is recognized under "Income tax".

Total statement of changes in equity

This part of the statement of changes in equity presents the reconciliation of the carrying amount at the beginning and end of the year of all net equity items grouping the movements according to their nature in the the following categories:

a) Adjustments due to changes in accounting criteria and correction of errors: changes in equity arising as a result of the retrospective restatement of the balances in the financial statements due to changes in accounting policy or to the correction of errors.

b) Income and expenses recognized during the year: the aggregate total of the aforementioned items recognized in the statement of recognized income and expense.

c) Other changes in equity: the remaining items recognized in equity, including increases and decreases in the assigned capital, distribution of profit, transactions involving own equity instruments, equity-instrument based payments, transfers between equity items and any other increases or decreases in equity.

r) Consolidated statement of cash flows

The following terms are used in the statements of cash flows:

- Cash flows: Inflows and outflows of cash or cash equivalents, which are short-term, highly liquid investments subject to a low risk of changes in value.

- Operating activities: the typical activities of credit institutions and other activities that cannot be classified as investing or financing activities.

- Investing activities: the acquisition, sale or other disposal of long-term assets and other investments not included in cash or cash equivalents

- Financing activities: activities that result in changes in liabilities that do not form part of operating activities. Issues made by the Group and placed on established markets are considered to be financing activities.

For the purpose of preparing the cash flow statement, any short-term investments that are highly liquid and have a low risk of them changing in value are considered as cash or cash equivalents. Thus, the Group recognises the following financial assets and financial liabilities as cash or cash equivalents:

- Cash held by the Group is recognized under “Cash, cash balances with central banks and other demand deposits” on the balance sheet.

- Cash held by the Group is recognized under “Cash, cash balances with central banks and other demand deposits” on the balance sheet.

s) Going concern principle

Upon preparing the statements it has been considered that the Group will continue to operate as a going concern in the foreseeable future. Therefore, the application of the accounting legislation is not focused on determining the value of equity for the purpose of global or partial transfer or the resulting amount in the event of liquidation.

t) Accrual basis

These financial statements, except for the statements of cash flows, have been prepared on the basis of the real flow of assets and services, irrespective of the date of payment or collection, with the exception of interest relating to lending and other risks without investment with borrowers considered as impaired, which is charged to profit or loss when collected.

The accrual of interest in asset and liability transactions, with liquidation terms exceeding 12 months, is calculated using the effective interest rate method. In operations of less than 12 months, interest is accrued without distinction between the interest or straight-line method.

Following general financial practice, transactions are recognized at the date on which they take place, which can differ from their corresponding value date, base on which finance income and costs are calculated.

u) Transactions with related parties

Transactions with related parties are accounted in accordance with the valuation rules detailed above, except for the following transactions:

- The non-monetary contributions of a business to a company in the group are generally measured at the book value of the equity items delivered in the consolidated financial statements at the date the transaction is carried out.
- In the merger and split operations of a business, the acquired elements are generally valued at the amount corresponding to them, once the transaction has been completed, in the consolidated financial statements. Differences that arise are registered in reserves.

The prices of operations carried out with related parties are adequately supported, so the ICF Directors consider that there are no risks that may give rise to liabilities.

3. Risk management and capital management

3.1 Market risk

The Group has a notional interest rate swap of EUR 55,000 thousand euros in the trading portfolio. In 2018 the Group did not hold any positions in the trading portfolio and, therefore, did not incur market risk.

3.2 Liquidity risk

3.2.1 Liquidity risk purposes, policies and management

Liquidity risk involves the risk of not having sufficient funds to meet obligations acquired as they fall due, as well as the risk of not being able to liquidate a certain position as a result of market imperfections.

Liquidity risk policies and procedures are approved at the Governing Board, and the ICF's Asset-Liability Committee (hereinafter the ALC) is responsible for supervising it and define the procedures for mitigating and controlling it.

The Group's fundamental objective in relation to liquidity risk is to have the necessary instruments and processes in place at all times to enable the Group to keep sufficient levels of liquidity to meet its payment obligations without significantly affecting the Group's results, and to preserve the mechanisms that, in any eventuality, enable it to meet its payment obligations.

Aside from the daily forecast of what funds are available and are needed, medium-term planning to assess these needs is fundamental. This planning is prepared taking into account future evolution of the balance sheet. This enables the Group to make forecasts sufficiently in advance of any possible cash flow tensions that could arise and ensure instruments are available to resolve them. This analysis is performed under different growth rates, bad debt, and other scenarios and enables future payments and collections that are expected to be made in the short to mid-term to be identified and planned.

As a general rule, the Group normally has several sources of funds, including capital increases, borrowing from public and private financial institutions, and issuing of debt securities.

The monthly review by the ALC of this action ensures the Group has sufficient funds to meet all its payment obligations on a timely basis, and fulfil its strategic and operating objectives regarding investments, and sustained, stable and moderate growth.

Its ordinary financing policy has always been conservative, based on the following three principles:

a. Diversifying its debt between private financial institutions, public credit institutions and capital markets.
b. Entering into long-term transactions. Consequently, the average debt contract length is 12.6 years at December 31st, 2019.

3.2.2 Maturity dates of financial assets and financial liabilities

As explained in section 3.2.1 above, a key part of the ICF Group's strategy to manage liquidity is to analyse the maturity dates of its financial assets and financial liabilities. The tables below show financial assets and financial liabilities at December 31st, 2019 and 2018, classified in accordance with the time remaining to maturity at these dates, according to the conditions stipulated in the associated contractual conditions:

At December 31st, 2019

	On-demand deposits	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Assets							
Cash, cash balances in central banks and other demand deposits	68,175	-	-	-	-	-	68,175
Loans and advances	8,899	30,500	36,616	273,545	651,218	481,402	1,482,180
Deposits in credit institutions	8,899	17,147	4,694	17,428	3,975	2,464	54,607
Loans to customers	-	13,353	31,922	256,117	647,243	478,938	1,427,573
Debt securities	-	2,249	10,445	42,457	203,838	445	259,434
Total assets	**77,074**	**32,749**	**47,061**	**316,002**	**855,056**	**481,847**	**1,809,799**
Liabilities							
Financial liabilities at amortized cost	-	30,715	39,677	109,697	317,876	324,677	822,642
Deposits from credit institutions	-	8,282	7,244	85,774	290,789	301,591	693,680
Funds from customers	-	22,433	32,433	23,823	27,087	23,086	128,962
Debt securities issued	-	1,882	5,482	11,982	269,182	21,882	310,410
Total liabilities	**-**	**32,596**	**45,159**	**121,679**	**587,058**	**346,559**	**1,133,053**

Maturity GAP	77,074	153	1,902	194,323	267,998	135,288	676,746
% of total assets	4%	0%	0%	11%	15%	7%	31%

At December 31st, 2018

	On-demand deposits	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Assets							
Cash, cash balances in central banks and other demand deposits	88,795	-	-	-	-	-	88,795
Loans and advances	27,322	17,224	81,963	225,508	671,239	526,866	1,550,123
Deposits in credit institutions	11,962	3,367	5,325	17,911	39,936	404	78,905
Loans to customers	15,360	13,857	76,638	207,597	631,303	526,463	1,471,218
Debt securities	-	1,091	6,588	45,800	408,741	2,242	464,462
Total assets	**116,117**	**18,315**	**88,551**	**271,308**	**1,079,980**	**529,108**	**2,103,380**
Liabilities							
Financial liabilities at amortized cost	80	6	624	33,286	168,906	763,979	966,881
Deposits from credit institutions	-	-	-	18,795	140,003	678,864	837,662
Funds from customers	80	6	624	14,491	28,902	85,116	129,219
Debt securities issued	-	-	2,722	150,951	305,109	32,554	491,336
Total liabilities	**80**	**6**	**3,346**	**184,237**	**474,015**	**796,533**	**1,458,217**

Maturity GAP	115,438	18,309	85,205	87,070	605,965	(267,425)	645,163
% of total assets	5%	1%	4%	4%	29%	(12%)	31%

3.3 Structural interest rate risk

3.3.1 Interest rate risk purposes, policies and management

Interest rate risk consists of the risk to which the Group is exposed in relation to its financial instruments, the source of which lies in variations in market interest rates.

The interest rate risk directly affects the Group's activity due to the effect that its variations could have on the income statement. The pegging of financial instruments to market interest rates gives rise to accrued income and expenses indexed to market performance, in such a way that variations in these references could affect, in a non-symmetric manner, other instruments (interest rate gap). In the case of variable interest rate arrangements, the risk to which the Group is exposed arises in the periods when interest rates are revised.

The objectives of managing interest rate risk and the policies to do so are approved by the entity's Governing Board. Meanwhile, the ALC is responsible for defining and overseeing procedures to ensure these objectives are met and policies are implemented.

The Group's objectives regarding this risk focus on limiting any deviation in the financial margin to ensure any corrections in market interest rate curves do not significantly directly affect its results.

The ALC implements procedures that ensure the Group complies with interest rate risk control and management policies at all times, and takes any corrective measures it sees fit to resolve any deviations that may arise in an effective manner.

In order to analyse, measure and control interest rate risk assumed by the Group, sensitivity analyses and scenario analyses are performed, establishing appropriate limits to avoid exposure to levels of risk that could significantly affect the Group. These analytical procedures and techniques are reviewed as often as is required to ensure they function correctly.

The Group uses hedges to mitigate individual interest rate risk associated with all significant financial instruments that could expose the Group to significant interest rate risk, thereby reducing this type of risk to practically zero.

3.3.2 Interest rate risk sensitivity analysis

Interest rate risk measures the exposure of the interest margin or the economic value of the Group to potential variations in market interest rates, derived from the repreciation structure and expiration profile of the sensitive masses of the balance sheet.

The information presented in this section on sensitivity to interest rate risk in the income statement and the Group's equity was calculated considering a standard market interest rate disturbance of 200 basic points with the specificities defined in the EBA guide EBA/GL/2015/08.

The analysis indicated has been done considering the evolution of the type curve for the reference sections used by the ICF and maintaining the rest of variables that affect the profit or loss and the Group's equity constant. The effect shown below has been calculated taking into account the existing financial instruments at December 31st, 2019, without taking into account the existence of new investments or financing that can be made from that moment onwards.

The following tables show, through a static gap, the distribution of maturities and revisions of variable interest rates, at December 31st, 2019 and December 31st, 2018, of the sensitive masses of the balance sheet, regardless of valuation adjustments. For those masses without contractual maturity, their sensitivity to interest rates has been analyzed along with their expected maturity term.

At December 31st, 2019:

in thousands of Euros RENEWAL	Sensitive balance sheet		As a % of total assets (TA)		Quantification of static gap		
	Assets	Liabilities	Assets	Liabilities	Simple	Accum.	Ac. Gap (%TA)
Up to 1 month	24,892	141,794	12.3%	7.2%	100,099	100,099	5.1%
From 1 to 3 months	387,548	79,614	19.6%	4.0%	307,934	408,033	20.7%
From 3 to 6 months	399,969	194,256	20.3%	9.8%	205,713	613,746	31.1%
From 6 to 12 months	449,351	28,051	22.8%	1.4%	421,301	1,035,047	52.5%
ACCUMULATED 12M	**1,478,761**	**443,715**	**75.0%**	**22.5%**		**1,035,047**	**52.5%**
From 1 to 2 years	64,414	51,671	3.3%	2.6%	12,743	1,047,790	53.1%
From 2 to 3 years	21,315	388,020	1.1%	19.7%	(366,705)	681,085	34.5%
From 3 to 4 years	27,308	31,754	1.4%	1.6%	(4,447)	676,638	34.3%
From 4 to 5 years	104,520	39,235	5.3%	2.0%	65,285	741,923	37.6%
From 5 to 7 years	11,388	29,205	0.6%	1.5%	(17,817)	724,106	36.7%
From 7 to 10 years	7,236	12,946	0.4%	0.7%	(5,710)	718,396	36.4%
From 10 to 15 years	9,373	10,829	0.5%	0.5%	(1,456)	716,940	36.3%
From 15 to 20 years	7,981	-	0.4%	0.0%	7,981	724,922	36.8%
From 20 to 25 years	4,829	-	0.2%	0.0%	4,829	729,750	37.0%
Total	**1,737,125**	**1,007,375**	**88.1%**	**51.1%**		**729,750**	**37.0%**

At December 31st, 2018:

in thousands of Euros RENEWAL	Sensitive balance sheet		As a % of total assets (TA)		Quantification of static gap		
	Assets	Liabilities	Assets	Liabilities	Simple	Accum.	Ac. Gap (%TA)
Up to 1 month	310,059	285,993	13.2%	12.2%	24,066	24,066	1.0%
From 1 to 3 months	640,340	305,182	27.2%	13.0%	335,158	359,225	15.3%
From 3 to 6 months	426,670	159,915	18.1%	6.8%	266,756	625,980	26.6%
From 6 to 12 months	405,251	49,143	17.2%	2.1%	356,108	982,088	41.7%
ACCUMULATED 12M	**1,782,321**	**800,233**	**75.7%**	**34.0%**		**982,088**	**41.7%**
From 1 to 2 years	95,589	53,995	4.1%	2.3%	41,594	1,023,682	43.5%
From 2 to 3 years	13,599	32,041	0.6%	1.4%	(18,442)	1,005,241	42.7%
From 3 to 4 years	8,707	333,020	0.4%	14.1%	(324,312)	680,928	28.9%
From 4 to 5 years	13,672	44,232	0.6%	1.9%	(30,559)	650,369	27.6%
From 5 to 7 years	57,340	56,308	2.4%	2.4%	1,032	651,401	27.7%
From 7 to 10 years	5,956	19,544	0.3%	0.8%	(13,588)	637,813	27.1%
From 10 to 15 years	7,922	(4,413)	0.3%	-0.2%	12,334	650,147	27.6%
From 15 to 20 years	7,476	-	0.3%	0.0%	7,476	657,623	27.9%
From 20 to 25 years	3,495	-	0.1%	0.0%	3,495	661,119	28.1%
Total	**1,996,079**	**1,334,960**	**84.8%**	**56.7%**		**661,119**	**28.1%**

For calculating the impact on the financial margin, interest rate projection simulations have been carried out with a period of one year and under the assumption of a constant balance structure (conditions defined by Circular 2/2016 of the Bank of Spain).

The impact on the financial margin and economic value at a decrease of 200 basis points has been calculated on the base scenario, which uses the implicit types of the market curve.

31/12/2019 (Thousands of euros)	Interest margin (1)	Impact on equity (2)
200 basic points decrease	(715)	1,928

31/12/2018 (Thousands of euros)	Interest margin (1)	Impact on equity (2)
200 basic points decrease	(570)	53.279

(1) Sensitivity to 1 year of interest margin of sensitive balance masses.
(2) Sensitivity of the base economic value of sensitive masses of balance.
(1 and 2) A floor is considered 0%, except for rates that are below 0% in the calculation of the stress scenario.

3.4 Credit risk

3.4.1 Credit risk management objectives, policies and processes

Credit risk is the risk of incurring a loss due to a customer or other counterparty breaching its contractual payment obligations. This risk is inherent to traditional banking products (loans, credit facilities, financial guarantees provided, etc.). Credit risk affects both financial assets that are recognized at amortized cost in the financial statements, and those carried at fair value. The Group applies the same policies and procedures to control credit risk, irrespective of the accounting criteria used to recognise financial assets in the financial statements.

The general objectives and policies for awarding credit and the credit limits to mitigate credit risk are approved by the Group's Governing Board. The Risk Supervision and Management Department has also established the required control procedures to oversee the credit risk portfolio by type of customer and inform Supervisory Committee of its performance. On the other hand, the Global Risk Management Department performs this supervision at global level and ensures that the risk policies established in the Group's regulations are appropriately applied and that the risk control methods and procedures are adequate and are effectively implemented and reviewed regularly. This department sends any information thereon to General Management to permit them, where necessary, to implement any corrective measures required.

The Group's fundamental aim concerning credit risk is to achieve sustained, stable and moderate growth of credit risk, enabling a balance to be maintained between acceptable levels of risk concentration among creditors, sectors, activity and geographical areas on the one hand; and robust, prudent and moderate levels of solvency, liquidity and credit impairment allowances on the other.

The risk concentration objectives are approved by the Group's Governing Board from two perspectives: firstly, by selecting levels of positioning in certain priority sectors based in accordance with the Group's strategic plan; and secondly, limiting the concentration of credit risk for counterparties at an individual level and for groups of companies. The limits of risk concentration are established based on economic sector, and other common economic factors. The objectives for risk concentration limits are basically established using parameters such as equity and the total amount of credit extended.

The maximum credit risk to which the Group is exposed is measured, for financial assets at amortized cost, at the nominal value of the assets plus the balances available to debtors without any conditions applying.

The Group internally classifies financial assets subject to credit risk based on the characteristics of the operation, taking into account the counterparties with which the arrangements have been made and the guarantees provided to secure the operation, among other factors.

The Supervisory Committee decides on management, accounting qualification and associated coverage.

The Global Risk Management Department carries out regular monitoring of the levels of risk concentration, changes in bad debt rates, and various alerts that have been set up to monitor changes in credit risk, of which the Global Risk Management Committee is informed periodically that it will take the corrective measures it deems appropriate.

In addition, the Audit and Control Committee is in charge of planning and monitoring internal and external audit, global control of risk and regulatory compliance; internal control and anti-money laundering.

3.4.2 Level of credit risk exposure

The following table shows the level of credit risk to which the Group is exposed at December 31st, 2019 and 2018 for each class of financial instrument, without deducting any real guarantee or other loan enhancements received to ensure debtors honour their payment obligations:

At December 31st, 2019:

Types of instruments	Thousands of euros					
	Asset balances				Memorandum: Off-balance sheet items	Total
	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost – Loans and receivables	Financial assets at amortized cost – Debt securities	Derivatives		
Debt instruments						
Deposits in credit institutions	-	54,536	-	-	-	**54,536**
Loans to customers	-	1,601,901	-	-	-	**1,601,901**
Debt securities	255,804	-	-	-	-	**255,804**
Total debt instruments	**255,804**	**1,656,437**	**-**	**-**	**-**	**1,912,241**
Guarantees granted						
Financial guarantees	-	-	-	-	80,682	**80,682**
Other financial guarantees granted	-	-	-	-		**-**
Total guarantees given	**-**	**-**	**-**	**-**	**80,682**	**80,682**
Other exposures						
Derivatives	**-**	-	-	7,622	-	**7,622**
Contingent commitments granted	**-**	-	-	-	204,247	**204,247**
Total other exposures	**-**	**-**	**-**	**7,622**	**204,247**	**211,869**
MAXIMUM LEVEL OF CREDIT RISK EXPOSURE	**255,804**	**1,656,437**	**-**	**7,622**	**284,929**	**2,204,792**

*Amounts not including value adjustments

At December 31st, 2018:

Types of instruments	Thousands of euros					
	Asset balances				Memorandum: Off-balance sheet items	Total
	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost – Loans and receivables	Financial assets at amortized cost – Debt securities	Derivatives		
Debt instruments						
Deposits in credit institutions	-	79,106	-	-	-	**79,106**
Loans to customers	-	1,673,890	-	-	-	**1,673,890**
Debt securities	458,859	-	-	-	-	**458,859**
Total debt instruments	**458,859**	**1,752,996**	**-**	**-**	**-**	**2,211,855**
Guarantees granted						
Financial guarantees	-	-	-	-	108,058	**108,058**
Other financial guarantees granted	-	-	-	-	-	**-**
Total guarantees given	**-**	**-**	**-**	**-**	**108,058**	**108,058**

Other exposures						
Derivatives	-	-	-	5,677	-	**5,677**
Contingent commitments granted	-	-	-	-	150,080	**150,080**
Total other exposures	**-**	**-**	**-**	**5,677**	**150,080**	**155,757**
MAXIMUM LEVEL OF CREDIT RISK EXPOSURE	**458,859**	**1,752,996**	**-**	**5,677**	**258,138**	**2,475,670**

*Amounts not including value adjustments

The following points are of note in relation to the information provided in the previous tables:

- Data on debt instruments in the previous tables recognized under assets on the balance sheet are shown at their carrying amount, net of related impairment losses and any other valuation adjustments (deferred interest, loan arrangement commission and similar income pending accrual, etc.).

- Guarantees given are recognized for the maximum amount guaranteed by the Group. In general, it is estimated that the majority of these balances reach maturity without the Group having a real need to finance them. These balances are presented net of provisions established to cover any credit risk associated therewith.

- Information on other exposure to credit risks, such as counterparty risk associated with the contracting of derivative financial instruments, is presented at their carrying amount.

3.4.3 Real guarantees received and other loan enhancements

Credit risk approval decisions will be based, basically, on the borrower's ability to pay or on the ability to generate or obtain treasury to meet, in time and in form, the total of financial obligations assumed, based on the income from his business, or usual income source, without relying on guarantors, guarantors or assets delivered as collateral, which should always be considered as second, and exceptional, recovery method.

In some cases it is considered necessary to have guarantees, in particular, with effective guarantees that allow, if necessary, to be a second source of recovery. In this sense, the Group uses as a fundamental instrument in the management and mitigation of the credit risk to look for that the financial assets acquired or contracted by the Group have real guarantees and other credit improvements additional to the personal guarantee of the debtor.

The Group's policies for analysing and selecting risk define, based on the characteristics of the operations (purpose of risk, counterparty, maturity period, etc.), the real guarantees or loan enhancements required in addition to the own debtor's real guarantee for such arrangements to be entered into. Real guarantees are measured based on the nature of the real guarantee received.

Details, in thousands of euros, of the amount of credit risk covered by each type of real guarantee, other loan enhancements available and class of financial instrument to the Group at December 31st, 2019 and 2018, excluding Public Administrations, are as follows:

<u>At December 31, 2019:</u>

	Real estate guarantee	**Other real guarantees**	**Guarantees from financial institutions**	**Guarantees from the public sector**	**Total**
Debt instruments					
Loans to customers	316,118	82,552	34,444	18,056	**451,170**
Total debt instruments	**316,118**	**82,552**	**34,444**	**18,056**	**451,170**
Guarantees granted					**-**
Financial guarantees	1,591	26,770	-	30,531	**58,891**
Total guarantees granted	**1,591**	**26,770**	**-**	**30,531**	**58,891**
Total hedged amount	**317,709**	**109,321**	**34,444**	**48,587**	**510,061**

At December 31, 2018:

	Real estate guarantee	Other real guarantees	Guarantees from financial institutions	Guarantees from the public sector	Total
Debt instruments					
Loans to customers	328,162	153,636	41,062	16,708	539,567
Total debt instruments	**328,162**	**153,636**	**41,062**	**16,708**	**539,567**
Guarantees granted					
Financial guarantees	4,362	36,182	-	37,216	77,759
Total guarantees granted	**4,362**	**36,182**	**-**	**37,216**	**77,759**
Total hedged amount	**332,524**	**189,817**	**41,062**	**53,924**	**617,326**

3.4.4 Credit quality of unmatured and unimpaired financial assets

3.4.4.1 Classification of exposure to credit risk by counterparty

The level of exposure to credit risk classified by counterparty at December 31st, 2019 and 2018 for credit risk exposures that are not matured or impaired at these dates is as follows:

At December 31, 2019:

Thousands of euros	Public entities	Financial institutions	Other national sectors	Total
Debt instruments				
Financial assets at amortized cost – Debt securities	58,562	96,136	104,735	259,434
Deposits in credit institutions	-	54,536	-	54,536
Loans to customers	402,850	-	1,089,197	1,492,047
Total debt instruments	**461,411**	**150,672**	**1,193,932**	**1,806,017**
Guarantees granted				
Financial guarantees	26,367	-	51,046	77,412
Other guarantees granted	-	-	-	-
Total guarantees granted	**26,367**	**-**	**51,046**	**77,412**
Total	**487,778**	**150,672**	**1,244,978**	**1,883,429**

At December 31, 2018:

Thousands of euros	Public entities	Financial institutions	Other national sectors	Total
Debt instruments				
Financial assets at amortized cost – Debt securities	148,931	161,239	154,292	464,462
Deposits in credit institutions	-	79,106	-	79,106
Loans to customers	447,770	-	1,089,245	1,537,015
Total debt instruments	**596,701**	**240,345**	**1,243,537**	**2,080,583**
Guarantees granted				
Financial guarantees	28,519	-	71,405	99,923
Other guarantees granted	-	-	-	-
Total guarantees granted	**28,519**	**-**	**71,405**	**99,923**
Total	**625,220**	**240,345**	**1,314,942**	**2,180,506**

3.4.5 Renegotiated financial assets

In accordance with Bank of Spain Circular 04/2017, a brief summary of the policy for modifying transactions is set out below.

Modifications that involve changes to the repayment calendar are implemented in accordance with the following premises:

- A detailed analysis of the economic and financial situation of the borrower, including the circumstances that have given rise to the need to modify the envisaged repayment calendar.
- In accordance with the business plan, reviewed by the Group, the customer must be able to pay the sums included in the new repayment calendar.
- A minimum of 6 months experience with the customer in order to modify the transaction
- All accrued and unpaid interest payments, both current and in arrears, for the transaction must be up to date
- Extending time periods will be avoided, instead the subsequent payments will be adjusted to return to the agreed debt period

With regard to guarantee changes, these will be studied on a case-by-case basis, although it is envisaged that guarantee changes will be made maintaining the hedge in the approval of the transaction, and that any releasing of guarantees will be associated to a reduction in risk by the same amount.

On the other hand, modifications are classified according to the reason for the modification and the economic and financial situation of the borrower. Accordingly, the following is taken into consideration:

- Refinancing transaction: a transaction which, for reasons relating to the borrower's financial difficulties (current or foreseeable) in cancelling one or various transactions extended by the Group or other companies in its economic group, or to fully or partially fulfil payment obligations, for the purpose of facilitating payment of the debt by the borrowers because they cannot, or it is foreseen that they will be unable to, comply in time and form with these conditions.
- Refinanced transaction: a transaction which fully or partially has fulfilled payment obligations as a result of a refinancing transaction.
- Restructured transaction: a transaction which, for reasons relating to the borrower's financial difficulties (current or foreseeable) modifies the financial conditions in order to facilitate payment of the debt because the borrower cannot, or it is foreseen it will not able to, comply in time and form with these conditions, in the case that the modification is foreseen in the contract. In any case, restructured transactions include those transactions in which a waiver is carried out or assets are received to reduce the debt; terms and conditions are modified to increase the maturity period; the repayment schedule is changed to decrease the sum of the instalments in the short term, decrease their frequency or establish or extend the grace period of the principal, interest or both; except when it can be proved that the conditions are modified for reasons other than financial difficulties of the borrowers and are similar to those applied in the market at the date of modifying these transactions for customers with similar risk profiles.
- Renewal transaction: this is formalised to replace another transaction previously granted by the same Group, without the borrower having or foreseeably going to have financial difficulties.
- Renegotiated transaction: this is where the transaction's financial terms are modified without the borrower having or foreseeably going to have financial difficulties in the future.

The Group classifies the restructured, refinanced and refinanced transactions as a standard risk under special monitoring or doubtful risk based on the Bank of Spain guidelines in this regard. As a general rule, refinanced or restructured transactions and new transactions carried out for refinancing are classified as standard risk under special monitoring. However, taking into account the specific characteristics of the operation are classified as doubtful risk when they meet the general criteria for classifying such debt instruments, and in particular, i) transactions underpinned by an inadequate business plan, ii) transactions that include contractual clauses that dilate reimbursement as periods of invalidity over 24 months, and iii) transactions that present amounts deducted from the balance sheet to be considered unrecoverable that exceed the coverage that would result from applying the percentages established for standard risk under special monitoring.

Refinanced or restructured transactions and new transactions carried out for refinancing remain identified as special surveillance during a trial period until all of the following requirements are met:

- That it has been concluded, after a review of the owner's equity and financial situation, that it is not expected that it may have financial difficulties and that, therefore, it is highly probable that it can fulfill its obligations to the Group within the deadline established and in the pertinent form.
- That a minimum term of two years has elapsed since the date of formalization of the restructuring or refinancing transaction or, if it is later, from the date of reclassification from the category of doubtful risk.
- That the holder has paid the principal and interest accrued fees from the date on which the restructuring or refinancing operation has been formalized or, if it is later, from the date of reclassification from the doubtful category.
- That the holder does not have another transaction with expired amounts more than 30 days at the end of the trial period.

When all of the above requirements are met, transactions are no longer identified in the financial statements as refinancing, refinancing or restructuring transactions.

During the previous test period, a new refinancing or restructuring of refinancing transactions, refinancing, or restructuring operations, or the existence of amounts in these transactions of more than 30 days, involves the reclassification of these operations to the category of doubtful risk for reasons other than delinquency, as long as they are classified in the category of doubtful risk before the start of the trial period.

The refinanced or restructured transactions and the new transactions carried out for refinancing remain identified as a doubtful risk until the general criteria for debt instruments are verified and in particular the following requirements:

- That a period of one year has elapsed since the date of refinancing or restructuring.
- That the holder has paid the accrued quotes of principal and interests and reduced the principal renegotiated, from the date on which the restructuring or refinancing operation has been formalized or, if it is later, from the reclassification date of the one in the category of doubtful.
- That has been paid by any sources of regular payments an amount equivalent to all amounts, principal and interest, that has been expired on the date of the restructuring or refinancing operation, or which have been derecognized as a result of, or, when it is more appropriate taking into account the characteristics of the operations, that other objective criteria have been verified that demonstrate the holder's ability to pay.
- The holder has no other transaction with amounts expired in more than 90 days on the date of reclassification to the category of standard risk under special monitoring of the refinancing transaction, refinancing or restructuring operation.

Below is the book value, classified by financial instrument class, of financial assets as of December 31st, 2019 and December 31st, 2018, considered refinanced or restructured according to the definitions of Circular 4/2017 of the Bank of Spain :

31/12/2019	TOTAL					Of which: DOUBTFUL				
	Without real guarantee		With real guarantee		Accum. impairment losses due to credit risk	Without real guarantee		With real guarantee		Accum. impairment losses due to credit risk
	No. of trans-actions	Gross book value	No. of trans-actions	Gross book value		No. of trans-actions	Gross book value	No. of trans-actions	Gross book value	
Public administrations	4	16,492	-	-	-	1	713	-	-	-
Non-financial companies and individual entrepreneurs (non-financial business activity)	119	70,062	91	168,279	(88,635)	63	21,125	47	64,591	(65,692)
Of which: funding to property construction and development (including land)	4	718	7	27,749	(8,753)	1	7,285	3	937	(1,353)
Other homes	-	-	-	-	-	-	-	-	-	-
Total	**123**	**86,554**	**91**	**168,279**	**(88,635)**	**64**	**21,838**	**47**	**64,591**	**(65,692)**

31/12/2018	TOTAL					Of which: DOUBTFUL				
	Without real guarantee		With real guarantee		Accum. impairment losses due to credit risk	Without real guarantee		With real guarantee		Accum. impairment losses due to credit risk
	No. of trans-actions	Gross book value	No. of trans-actions	Gross book value		No. of trans-actions	Gross book value	No. of trans-actions	Gross book value	
Public administrations	4	20,521	-	-	-	1	729	-	-	-
Non-financial companies and individual entrepreneurs (non-financial business activity)	131	134,109	126	191,331	(114,103)	67	75,210	57	30,872	(87,668)
Of which: funding to property construction and development (including land)	12	11,979	13	15,020	(14,894)	6	1,500	1	4,189	(8,874)
Other homes	-	-	-	-	-	-	-	-	-	-
Total	**135**	**154,630**	**126**	**191,331**	**(114,103)**	**68**	**75,939**	**57**	**30,872**	**(87,668)**

3.4.6 Assets that have matured and/or are impaired due to credit risk

Furthermore, details of financial assets estimated on an individual basis to be impaired at December 31st, 2019 and 2018, based on the age of the oldest outstanding amount of each operation, are as follows:

At December 31st, 2019:

	Thousands of euros					
	Up to 6 months	From 6 to 12 months	From 12 to 18 months	From 18 to 24 months	More than 24 months	Total
Debt instruments						
Loans to customers	13,612	4,031	9,144	51,157	31,911	109,855
Total debt instruments	**13,612**	**4,031**	**9,144**	**51,157**	**31,911**	**109,855**
Total	**13,612**	**4,031**	**9,144**	**51,157**	**31,911**	**109,855**

At December 31st, 2018:

	Thousands of euros					
	Up to 6 months	From 6 to 12 months	From 12 to 18 months	From 18 to 24 months	More than 24 months	Total
Debt instruments						
Loans to customers	17,088	57,186	3,726	25,329	33,546	136,875
Total debt instruments	**17,088**	**57,186**	**3,726**	**25,329**	**33,546**	**136,875**
Total	**17,088**	**57,186**	**3,726**	**25,329**	**33,546**	**136,875**

3.4.7 Financial assets considered as impaired

Below is a detail at December 31st, 2019 and 2018, classified by type of financial assets, of those assets that have been considered as impaired and the impairment losses assigned:

At December 31st, 2019:

	Thousands of euros	
	Carrying amount (excluding impairment losses)	Impairment losses
Debt instruments		
Loans to customers	109,855	(79,290)
Total debt instruments	**109,855**	**(79,290)**

At December 31st, 2018:

	Thousands of euros	
	Carrying amount (excluding impairment losses)	Impairment losses
Debt instruments		
Loans to customers	136,875	103,243
Total debt instruments	**136,875**	**103,243**

3.4.8 Movement in impairment losses

The changes in credit risk exposures on loans and advances (recognised as financial assets at amortised cost) and in impairment losses recognised in 2019 and 2018 are as follows:

	Phase 1 and 2 Not impaired transactions		Phase 3 Impaired transactions		Total
	Individual calculation	Collective calculation	Individual calculation	Collective calculation	
Gross amount					
Balance at January 1, 2019	-	**1,537,015**	**80,978**	**55,897**	**1,673,890**
Balance at December 31, 2019	-	**1,492,046**	**59,957**	**49,898**	**1,601,901**
Impairment					
Balance at January 1, 2019	**-**	**(89,245)**	**(62,650)**	**(40,593)**	**(192,488)**
Charges/Recoveries	-	(6,761)	3,761	4,724	**1,724**
Transfers between phases	-	9,499	-	(9,499)	**-**
Transfers to failed	-	-	11,898	13,069	**24,967**
Balance at December 31, 2019	-	**(86,507)**	**(46,991)**	**(32,299)**	**(165,797)**

	Phase 1 and 2 Not impaired transactions		Phase 3 Impaired transactions		Total
	Individual calculation	Collective calculation	Individual calculation	Collective calculation	
Gross amount					
Balance at January 1, 2018	-	**1,668,292**	**110,958**	76,399	**1,855,649**
Balance at December 31, 2018	-	**1,537,015**	**80,978**	55,897	**1,673,890**
Impairment					
Balance at December 31, 2017	-	**(28,804)**	**(101,790)**	**(56,816)**	**(187,410)**
Impact on the Circular 4/2017	-	**(10,282)**	**-**	**(1,236)**	**(11,518)**
Balance at January 1, 2018	-	**(39,086)**	**(101,790)**	**(58,052)**	**(198,928)**
Charges/Recoveries	-	(29,882)	1,926	(1,803)	**(29,759)**
Transfers between phases	-	(20,277)	17,804	2,473	**-**
Transfers to failed	-	-	19,410	16,789	**36,199**
Balance at December 31, 2018	-	**(89,245)**	**(62,650)**	**(40,593)**	**(192,488)**

At December 31st, 2019, the hedges of unimpaired operations included EUR 15,026 thousand (EUR 10,117 thousand in 2018) for operations classified as normal and EUR 71,481 thousand (EUR 79,128 thousand in 2018) for operations classified as normal under special surveillance.

The amounts corresponding to debt instruments are recorded under the heading "Impairment of value or (-) reversal of impairment of financial assets not measured at fair value through profit or loss in results - Loans and receivables". This heading includes other recoveries in 2019, which amount to EUR 7,454 thousand (EUR 13,180 thousand in 2018), mainly related to the recovery of failed assets.

3.4.9 Matured and unimpaired financial assets

Details of financial assets that have matured but are not impaired at December 31st, 2019 and 2018, classified by class of financial instrument and the period passed from maturity, are as follows:

At December 31, 2019:

Thousands of euros	**Up to 3 months**	**More than 3 months**	**Total**
Debt instruments			
Loans to customers	410	-	410
Total debt instruments	410	**-**	410

At December 31, 2018:

Thousands of euros	Up to 3 months	More than 3 months	Total
Debt instruments			
Loans to customers	1,491	-	1,491
Total debt instruments	**1,491**	**-**	**1,491**

3.4.10 Impaired financial assets and derecognized from assets

A summary of movements in 2018 and 2017 in items that have been derecognized in the accompanying balance sheet as their recovery is considered remote is provided below. These financial assets are recognized under "Irrecoverable assets" in the memorandum accounts complementary to the accompanying balance sheets.

Thousands of euros	2019	2018
Opening balance at year:	**312,255**	**292,173**
Additions	**28,042**	**41,550**
Charged to doubtful assets (note 8.2)	25,929	36,199
Recognition of meritorious interests	2,113	5,350
Recoveries	**(17,469)**	**(20,468)**
Recovery of principal in cash and/or instruments expired and not received	(17,469)	(20,468)
Disposals	**(10,076)**	**(1,000)**
Closing balance at year:	**312,752**	**312,255**

3.4.11 Breakdown of the distribution of loans to customers by activity and geographical activity

Distribution of the Group's credit portfolio at December 31st, 2019 is as follows:

Thousands of euros	Total	Catalonia	Other
Credit institutions	**29,244**	**29,244**	**-**
Public Administrations and rest of Public Sector	**404,801**	**404,801**	**-**
Others	404,801	404,801	-
Non-financial companies and individual entrepreneurs	**1,118,640**	**1,096,309**	**22,331**
Property construction and development	142,711	142,712	314
Other purposes	975,928	953,911	22,017
Large-sized companies	535,711	527,521	8,190
Small and medium-sized companies and individual entepreneurs	440,217	426,391	13,827
Minus: Impairment adjustments of assets not attributable to specific operations	**(95,976)**	**(95,976)**	**-**
Total	**1,456,709**	**1,434,378**	**22,331**

And the distribution of the credit portfolio at December 31, 2018:

Thousands of euros	Total	Catalonia	Other
Credit institutions	**56,861**	**56,861**	**-**
Public Administrations and rest of Public Sector	**447,770**	**447,770**	**-**
Others	447,770	447,770	-
Non-financial companies and individual entrepreneurs	**1,122,877**	**1,114,511**	**8,366**
Property construction and development	169,489	169,215	274
Other purposes	953,388	945,296	8,092
Large-sized companies	325,458	325,100	357
Small and medium-sized companies and individual entrepreneurs	627,931	620,196	7,735
Minus: Impairment adjustments of assets not attributable to specific operations	**(89,245)**	**(89,245)**	**-**
Total	**1,538,263**	**1,529,897**	**8,366**

3.4.12 Breakdown of the distribution of loans to customers by activity and guarantee

In accordance with the provisions set out in Circular 6/2015, the distribution of credit risk to customers by activity is set out below.

At December 31st, 2019:

31/12/2019	TOTAL	Of which: real estate guarantee	Of which: other real guarantees
Public Administrations	**404,801**	**134,115**	**94,770**
Non-financial companies and individual entepreneurs	**1,118,640**	**318,253**	**227,824**
Property construction and development (including land)	142,711	88,099	43,187
Other purposes	975,928	230,155	184,637
Large-sized companies	535,711	130,570	87,825
Small and medium-sized companies and individual entrepreneurs	440,217	99,585	96,812
TOTAL	**1,523,440**	**452,368**	**322,594**

At December 31st, 2018:

31/12/2018	TOTAL	Of which: real estate guarantee	Of which: other real guarantees
Public Administrations	**447,770**	**140,731**	**32,854**
Non-financial companies and individual entepreneurs	**1,122,877**	**328,509**	**293,299**
Property construction and development (including land)	169,489	88,606	72,282
Other purposes	953,388	239,903	221,017
Large-sized companies	325,458	50,495	49,493
Small and medium-sized companies and individual entrepreneurs	627,931	189,411	171,524
TOTAL	**1,570,647**	**469,240**	**326,153**

3.5 Counterparty risk

Counterparty risk is generated by the possibility of incurring losses as a result of failure to comply with contractual obligations, in due time and form, by financial institutions in transactions involving derivative instruments.

In 2019 an interest rate swap of EUR 35,000 thousand in notional amounts was cancelled and, therefore, the fair value hedging relationship of a fixed-income issue held in the financial asset portfolio at fair value with changes in accumulated other comprehensive income was discarded. In addition, during the year the Group arranged a macrocoverage at fair value on a portfolio of customer credit transactions through an interest rate swap for an initial notional amount of EUR 28,832 thousand, effective from January 2020.

The counterparties to the interest rate hedges at December 31st, 2019 and 2018 were five credit institutions, with notional amounts of EUR 357,556 thousand and EUR 364,368 thousand, respectively.

The distribution of notional by maturity is as follows:

<u>Trading portfolio:</u>

Derivative type	Maturity	Notional 2019	Notional 2018
IRS	From 1 to 3 years	-	-
IRS	From 3 to 5 years	55,000	-
IRS	More than 5 years	-	-
		55,000	**-**

<u>Fair value hedging derivatives:</u>

Derivative type	Maturity	Notional 2019	Notional 2018
IRS	From 1 to 3 years	1,724	37,368
IRS	From 3 to 5 years	12,000	12,000
IRS	More than 5 years	48,832	20,000
		62,556	**69,368**

<u>Cash flow hedging derivatives:</u>

Derivative type	Maturity	Notional 2019	Notional 2018
IRS	From 1 to 3 years	240,000	295,000
IRS	From 3 to 5 years	-	-
IRS	More than 5 years	-	-
		240,000	**295,000**

The notional value of the derivatives is the magnitude that serves as a basis for the estimation of the results associated with them, but it cannot be understood that this magnitude represents a reasonable measure of the 2011 and 2017 exposure of the ICF Group as a whole.

3.6 Operational risk

Operational risk relates to the possibility of incurring losses as a result of poor allocation or of errors in processes, systems and personnel, or extraneous circumstances.

In accordance with the Risk Control and Management Model adopted by ICF, which is based on three lines of defence, the management and control of operational risk involves the whole Group and is not limited to specific organizational areas or areas specialising in risks or control functions.

In this regard, the Group's different areas and companies are responsible, in the first instance, for the daily management of operational risk and are assigned, inter alia, the responsibility for keeping processes, risks and controls in their areas of activity updated. As a second line of defence the Group has set up an internal control coordination function, focusing on analysing the Group's operating processes and maintaining the corporate risk and control map and another operational risk function, in charge of establishing the specific procedures and methodologies for identifying, assessing and controlling operational risk. In addition, the Group has a Global Risk Management Department which is responsible, inter alia, for calculating the consumption of own resources due to operational risk using the basic indicator method set out by Basel III.

Finally, as an ultimate control measure, the Internal Audit Department carries out an independent review of the Model, verifying compliance and efficiency of the corporate policies and reporting the results of its activities to the Audit and Control Committee.

3.7 Capital management

The Group presents capital amounted to EUR 913,841 thousand at December 31st, 2019 (EUR 864,817 thousand at 31 December 2018), with a solvency ratio of 47.3% (39.8% on December 31st, 2018), this coefficient being much higher than the Pillar 1 minimum required by Basel III.

The capital ratios have been calculated in accordance with Royal Decree 84/2015, Law 10/2014 and the applicable European regulations, in particular Regulation (EU) 575/2013, as amended by Regulation (EU) 2019/876 during the fiscal year.

The detail of the coefficient is included in this report at December 31st, 2019 and December 31st, 2018:

Solvency ratio (thousands of euros)	**2019**	**2018**
Common equity tier 1 (CET1)	894,998	843,148
Eligible equity	913,841	864,817
Total Risk Weighted Assets	1,932,145	2,175,404
CET1 ratio	46.3%	38.8%
Solvency ratio	**47.3%**	**39.8%**

4. Distribution of profit for the year of Institut Català de Finances as Parent of the ICF Group

The distribution of 2019 profit that the ICF's Governing Board proposes submitting for approval and the distribution approved for 2018, respectively, are as follows:

Thousands of euros	**2019**	**2018**
Basis of allocation:		
Profit and loss	28,385	12,886
Distribution:		
Capitalization reserves	1,234	585
Voluntary reserves	27,151	12,301

The capitalization reserve is distributed in accordance with Article 25 of Law 27/2014 of 27 November on the Income Tax.

5. Cash, cash balances with central banks and other demand deposits

Details of this caption of the balance sheet at December 31st, 2019 and 2018 are as follows:

Thousands of euros	2019	2018
Cash	1	1
Deposits in Bank of Spain	1	4
Current accounts	68,173	88,790
Total	**68,175**	**88,795**

6. Financial assets and liabilities held for trade

At December 31st 2019, the total balances under this heading in the accompanying balance sheet was composed of trading derivatives. At December 31st 2018, this heading had no balance.

Transactions in trading derivatives relate mainly to derivatives on interest with which the ICF manages balance sheet positions but, although they do not meet the the regulations established by Circular 4/2017 to be designated as coverage, they are classified in the trading portfolio.

The amounts recorded in the profit and loss account for 2019 for changes in the fair value of trading derivatives correspond in their entirety to level 2 of the hierarchy, in accordance with the descriptions in Note 18.

Note 3.5 details the maturity structure of derivative instruments.

7. Financial assets at fair value through other comprehensive income

Details of this caption of the accompanying balance sheet at December 31st, 2019 and 2018, by type of transaction, are as follows:

Thousands of euros	2019	2018
Risk capital instruments		
Commitments in venture capital entities, net return	197,329	135,709
Disbursements pending of venture capital entities	(98,779)	(46,908)
Valuation adjustments	(3,581)	5,846
Subtotal venture capital instruments	**94,969**	**94,647**
Other investments in capital	10,824	10,824
Valuation adjustments	(10,800)	(10,800)
Subtotal other investments in capital	**24**	**24**
Total capital instruments	**94,993**	**94,671**
Debt securities		
Debt securities	255,804	458,859
Valuation adjustments	3,630	5,603
Total debt securities	**259,434**	**464,462**
Total	**354,427**	**559,133**

Valuation adjustments include:

- In the case of venture capital instruments, changes in fair value.
- In the case of debt securities: changes in fair value, as well as accrued interests and premiums pending for the prepayments and accrued income.

At the time of constitution of venture capital entities, the Group undertakes to disburse a fixed amount so that these financial vehicles can carry out the operations for which they were constituted. These commitments are at all times enforceable, in accordance with the subscribed contracts, for amounts detailed in the "Disbursements pending of venture capital entities" of the previous chart shown above.

In 2019, dividends of EUR 697 thousand were recognised on venture capital instruments. No dividends were recognised in 2018.

In Annex III of this report we present the details of the companies invested by the Group not considered subsidiary or associated, together with certain significant information about them.

Regarding the debt securities, the composition of the balances of this balance sheet heading, based on the nature of the transactions, is detailed below (excluding valuation adjustments):

Thousands of euros	2019	2018
Autonomous region public debt	38,500	81,219
Other public debt	19,174	63,500
Financial entities	95,930	163,569
Other fixed-income securities	102,200	150,571
Total	**255,804**	**458,859**

The whole balance reflects debt issues at an average effective interest rate of 0.67% for 2019 and 0.65% for 2018.

8. Financial assets at amortized cost

Details of this caption of the accompanying balance sheet by type of financial instrument, are as follows:

Thousands of euros	2019	2018
Loans and advances	**1,482,180**	**1,550,123**
Credit institutions	54.607	78,905
Customers	1,427,573	1,471,218
Total	**1,482,180**	**1,550,123**

The main valuation adjustments made to each asset type included under “Loans and receivables” are detailed below:

Thousands of euros		Valuation adjustments 2019				
	Gross balance	Impairment provisions	Interest accrued	Commission	Other	Net balance
Credit institutions	54,536	(20)	91	-	-	54,607
Customers	1,601,901	(165,797)	3,690	(5,915)	(6,306)	1,427,573
Total	**1,656,437**	**(165,817)**	**3,781**	**(5,915)**	**(6,306)**	**1,482,180**

Thousands of euros		Valuation adjustments 2018				
	Gross balance	Impairment provisions	Interest accrued	Commission	Other	Net balance
Credit institutions	79,106	(406)	205	-	-	78,905
Customers	1,673,890	(192,488)	4,247	(5,957)	(8,474)	1,471,218
Total	**1,752,996**	**(192,894)**	**4,452**	**(5,957)**	**(8,474)**	**1,550,123**

The account “Loans and receivables - Customers - Other valuation adjustments” includes microhedges on credit transactions amounting to 1,548 thousands of euros at December 31st 2019 (2,198 thousands of euros at December 31st, 2018), and adjustments to the fair value of loans acquired at a discount for an amount of -8,043 thousands of euros (-10,674 thousands of euros in 2019).

8.1 Credit institutions

A breakdown of the balances under this heading by type and status of the credit, excluding valuation adjustments, is as follows:

Thousands of euros	2019	2018
Term deposit accounts	25,295	22,246
Intermediation loans	29,241	56,860
Total deposits in credit institutions	**54,536**	**79,106**

“Credit institutions - Term deposits accounts” mainly comprises balances on deposits with fixed maturity held by the Group in financial institutions.

“Credit institutions - Intermediation loans” correspond to agreements signed with various financial institutions for loans marketing.

The average effective interest rate accrued during 2019 on the balances deposits in credit institutions was 1.03%. During 2018 it was 1.49%.

8.2 Customers

A breakdown of the balances under this heading by type and form of loan, borrower's sector and by type of interest accrued, excluding valuation adjustments, is as follows:

By type and form of loan:

Thousands of euros	2019	2018
Public entities and rest of Public Sector	402,850	446,586
Secured debtors	438,536	522,859
Other fixed-term debtors	650,208	565,990
Debtors on demand and sundry debtors	452	1,580
Doubtful assets	109,855	136,875
Total loans to customers	**1,601,901**	**1,673,890**

By borrower’s sector:

Thousands of euros	2019	2018
Public sector	**404,800**	**447,770**
Public entities and rest of Public Sector	404,800	447,770
Private sector	**1,197,101**	**1,226,120**
Resident	1,197,101	1,226,120
Total loans to customers	**1,601,901**	**1,673,890**

By interest rate:

Thousands of euros	2019	2018
At fixed interest rate	298,344	229,048
At variable interest rate	1,303,557	1,444,842
Total loans to customers	**1,601,901**	**1,673,890**

The average effective interest rate payable on the balances recognized under “Loans to customers” was 2,00% in 2019. During 2018 it was 2.12%.

Movement in the balance of non-performing exposures in 2019 and 2018 was as follows:

Thousands of euros	2019	2018
Opening balance:	136,876	187,357
Plus:		
Additions of new assets	20,566	19,420
Minus:		
Recoveries	(21,659)	(10,906)
Transfer to irrecoverable assets (Note 3.4.10)	(25,929)	(36,199)
Closing balance:	**109,855**	**136,876**

8.3 Impairment provisions

In note 3.4.8., it is shown the movement that occurred in the balance of the provisions that cover the impairment losses on the assets that make up the heading "Financial assets at amortized cost" for the years 2019 and 2018.

8.4. Financial assets derecognized due to impairment

In note 3.4.10. is shown the movement produced in financial years 2019 and 2018 of impairment financial assets that are not registered in the balance sheet to be considered remote recovery, although the ICF Group has not interrupted the actions to achieve the recovery of the imported indebted

9. Derivatives – Hedge accounting

At December 31st, 2019 and 2018, the ICF had entered into financial derivative transactions to hedge against interest rate risk with various reputable counterparties, in accordance with the risk management policy explained in note 3.

The detail, by product type, of the fair value of the derivatives designated as hedging derivatives at December 31st, 2019 and December 31st, 2018 is as follows:

Thousands of euros	31/12/2019		31/12/2018	
	Notional	Fair value	Notional	Fair value
Debit balances:				
Micro-coverages at fair value	32,000	7,457	32,000	5,677
Macro-coverages at fair value	28,832	166	-	-
Total	**60,832**	**7,622**	**32,000**	**5,677**
Credit balances:				

Micro-coverages at fair value	1,724	1,714	37,368	2,202
Macro-coverages at fair value	240,000	5,028	295,000	11,676
Total	**241,724**	**6,742**	**332,368**	**13,878**

All of the financial derivatives contracted as hedging derivatives relate to interest rate swaps. Note 3.5 details the maturity structure of the derivative instruments.

9.1 Fair value hedging transactions

Below is a detail, by type of hedged item, of the balance sheet value and cumulative amount of fair value hedge adjustments at December 31st, 2019 and 2018, by ongoing fair value hedge:

Thousands of euros	31/12/2019		31/12/2018	
	Balance sheet value of the hedged item	Cumulative amount of fair value hedge adjustments for the hedged item	Balance sheet value of the hedged item	Cumulative amount of fair value hedge adjustments for the hedged item
Debit balances:				
Loan portfolio at fixed rates classified as financial assets at amortized cost	30,556	1,880	2,368	2,202
Total	**30,556**	**1,880**	**2,368**	**2,202**
Credit balances:				
Debts represented by marketable securities issued at fixed rates classified as financial liabilities at amortised cost	32,444	7,457	32,362	5,677
Total	**32,444**	**7,457**	**32,362**	**5,677**

9.2 Cash flow hedging transactions

At December 31st, 2019 and 2018, the ICF had four cash flow hedges in which it designated debits as hedged items that were represented by marketable securities issued at a floating rate classified as financial liabilities at amortised cost. Following below is a reconciliation of the changes in the value of the hedged item and the changes in the value of the derivative, used as the basis for the recognition of ineffectiveness, for 2019 and 2018:

Thousands of euros	31/12/2019				
	Cash flow hedge reserve	Change in the value of the covered item	Change in value of the hedging derivative - effective portion	Change in value of the hedging derivative - ineffective portion	Amount reclassified to the income statement
Credit balances:					
Debt securities issued at fixed rates classified as financial liabilities at amortised cost	4,222	(339)	339	-	5,997
Total	**4,222**	**(339)**	**339**	**-**	**5,997**

Thousands of euros	31/12/2018				
	Cash flow hedge reserve	Change in the value of the covered item	Change in value of the hedging derivative - effective portion	Change in value of the hedging derivative - ineffective portion	Amount reclassified to the income statement
Credit balances:					
Debt securities issued at fixed rates classified as financial liabilities at amortised cost	(8,973)	601	(601)	-	-
Total	**(8,973)**	**601**	**(601)**	**-**	**-**

10. Non-current assets and disposal groups held for sale

This heading on the balance sheet only contains assets which have been foreclosed in the process of regularizing non-performing loans and which have not been retained for own use or classified as investment property.

Movement in foreclosed assets during 2019 and 2018 is as follows:

Thousands of euros	2019	2018
Opening balance for the year:	**10,001**	**6,728**
Plus:		
Other additions for the year (note 33)	6,641	7,509
Transfers	-	-
Less:		
Derecognition through sale	(1,097)	(430)
Derecognition through transfers	-	-
Impairment funds for the year (Note 34)	(4,047)	(3,805)
Closing balance for the year:	**11,498**	**10,001**

The 2019 and 2018 revaluation of the Impairment Fund has been recorded on the basis of updated individual appraisals by independent experts so that the fair value of these assets does not differ significantly from their carrying amount.

Asset sales in 2019 resulted in a profit of 850 thousand euro (574 euro in 2018). See note 34.

11. Investments in joint ventures and associates

This heading of the accompanying balance sheets contains the interest held in the capital of one associate (Note 2.a). These shareholdings are accounted for using the equity method using the best available estimate of their underlying carrying amount on the date the financial statements were authorised for issue.

Details of this company's capital, reserves, and results, as well as the interest held by the Group, are provided in Appendix II of the notes to these financial statements. Information is the latest actual or estimated data available on the date these notes to the financial statements were drafted.

Thousands of euros	2019	2018
Avalis de Catalunya S.G.R		
Shares	5,372	6,080
Equity method	2,804	3,016
Closing balance of year:	**8,176**	**9,096**

In accordance with Circular 5/2013 details of the most relevant information in relation to the financial statements of the associated entity are as follows:

Thousands of euros	2019	2018
Total assets	88,531	89,192
Total liabilities	53,721	54,009
Total equity	34,810	34,810
Profit after income tax	-	-

Movement during 2019 and 2018 of the reserves consolidated using the equity method is detailed in Note 20.2 .

12. Tangible assets

A breakdown of the heading “Tangible assets”, the corresponding accumulated depreciation and movement during 2019 and 2018 is as follows:

2019 (Thousands of euros)	Tangible fixed assets for own use	Investment property	Total
Cost			
Opening balance	12,028	74,286	86,314
Additions	181	44	225
Disposals	(129)	-	(129)
Transfers	**12,080**	**74,330**	**86,410**
Total cost at December 31, 2018			
Accumulated depreciation	(2,348)	(6,179)	(8,527)
Opening balances	(47)	(742)	(789)
Additions (Note 32)	58	-	58
Derecognition and transfers	**(2,337)**	**(6,921)**	**(9,258)**
Total accum. depreciation at December 31, 2018			
Impairment			
Opening balances	-	(14,661)	(14,661)
Additions	-	-	-
Recoveries	-	6.519	6.519
Total impairment at December 31, 2018	**-**	**(8,142)**	**(8,142)**
TOTAL TANGIBLE ASSETS AT DECEMBER 31, 2018	**9,743**	**59,267**	**69,010**

2018 (Thousands of euros)	Tangible fixed assets for own use	Investment property	Total
Cost			
Opening balance	11,941	74,245	86,186
Additions	118	41	159
Disposals	(31)	-	(31)
Transfers	-	-	-
Total cost at December 31, 2017	**12,028**	**74,286**	**86,314**
Accumulated depreciation			
Opening balances	(2,250)	(5,439)	(7,689)
Additions (Note 32)	(113)	(740)	(853)
Derecognition and transfers	15	-	15
Total accum. depreciation at December 31, 2017	**(2,348)**	**(6,179)**	**(8,527)**
Impairment			
Opening balances	-	(14,661)	(14,661)
Additions	-	-	-
Recoveries	-	-	-
Total impairment at December 31, 2017	**-**	**(14,661)**	**(14,661)**
TOTAL TANGIBLE ASSETS AT DECEMBER 31, 2017	**9,680**	**53,446**	**63,126**

The disclosure, according to its nature, of the items that make up the balance of "Tangible Assets – Tangible fixed assets for own use" in the balance sheet at December 31st, 2019 and 2018 is the following:

2019 (Thousands of euros)	Cost	Accumulated depreciation	Net balance
IT equipment and installations	822	(574)	248
Furniture and other fixtures	1,491	(1,156)	335
Land and buildings	9,767	(607)	9,160
Balances at December 31st, 2019	**12,080**	**(2,337)**	**9,743**

2018 (Thousands of euros)	Cost	Accumulated depreciation	Net balance
IT equipment and installations	765	(623)	142
Furniture and other fixtures	1,468	(1,091)	377
Land and buildings	9,795	(634)	9,161
Balances at December 31st, 2018	**12,028**	**(2,348)**	**9,680**

At December 31st, 2019, certain tangible fixed assets for own use valued at 1,502 thousands of euros (1,425 thousands of euros at December 31st, 2018) were fully depreciated.

The fair value of total tangible assets at December 31st 2019 and December 31st 2018 does not differ significantly from that recognized under “Tangible assets” in the accompanying balance sheet.

12.2 Tangible assets – real estate investments

This heading includes buildings held for rental purposes, without the existence of contingent fees. As of December 31st, 2019 and 2018, the ICF had no significant contractual obligations in relation to the future development of the investment property included in the balance sheet at this date, nor does it have a significant impact on the future development of the investment property, nor were there any relevant restrictions on its implementation, other than the current market conditions themselves real estate.

In 2019 the impairment losses on investment property were partially reversed on the basis of the evolution of the real estate market since the last review and on the basis of the appraisal performed by an independent expert.

During the financial year 2019, the net income derived from income from these investments amounted to EUR 4,191 thousand (EUR 4,097 thousand in 2018). (See note 28).

Expenses associated with investment property that has generated income correspond to expenses of administration and maintenance for EUR 626 thousand (EUR 896 thousand as of 2018). (See note 29).

13. Intangible assets

Other intangible assets correspond entirely to the acquisition of software programs and systems. Movement in this balance sheet heading in 2019 and 2018 is as follows:

2019	Thousands of euros
Cost	
Balances at January 1st, 2018	6,354
Additions	1,600
Derecognition and transfers	-
Total cost at December 31, 2019	**7,954**
Accumulated depreciation	
Balances at January 1st, 2018	(5,537)
Additions (Note 32)	(632)
Derecognition and transfers	-
Total accum. depreciation at December 31st, 2019	**(6,169)**
TOTAL INTANGIBLE ASSETS AT DECEMBER 31st, 2019	**1,785**

2018	Thousands of euros
Cost	
Balances at January 1st, 2017	5,982
Additions	372
Derecognition and transfers	-
Total cost at December 31st, 2018	**6,354**
Accumulated depreciation	
Balances at January 1st, 2017	(5,170)
Additions (Note 32)	(367)
Derecognition and transfers	-
Total accum. depreciation at December 31st, 2018	**(5,537)**
TOTAL INTANGIBLE ASSETS AT DECEMBER 31st, 2018	**817**

At December 31st, 2019, certain intangible assets valued at 5,015 thousands of euros (4,830 thousands of euros at December 31st, 2018) were fully amortized.

14. Other assets

Details of this balance sheet caption are as follows:

Thousands of euros	2019	2018
Prepayments and accrued income	1,581	1,926
Amounts to be recovered ERDF programme (note 17)	19,853	-
Other items	1,937	2,678
Total	**23,371**	**4,604**

Composition of the heading “Prepayments and accrued income” is as follows:

Thousands of euros	2019	2018
Accruals through the sale of financial instruments	1,466	1,879
Unaccrued current expenses paid	115	47
Total	**1,581**	**1,926**

Prepayments through the sale of financial instruments recognized for 2019 and 2018 correspond to the sale or cancellation of derivatives in 2012 with maturity after December 31st, 2019 and 2018, which are taken to profit or loss in accordance with the remaining life of the different hedged items (see Note 27).

“Other assets – Other items” for 2019 and 2018 mainly include the following:

- Approved contributions to be received from various departments of the Generalitat de Catalunya for obligations recognized on certain loans to entities and companies. In general, these loans have been extended in the form of advances for subsidies awarded by these departments, when they have not been obtained to secure the transfer of receivables.

- Group receivables

15. Financial liabilities at amortized cost

A breakdown by type of this heading on the accompanying balance sheets at December 31st, 2019 and 2018 is as follows:

Thousands of euros	2019	2018
Deposits from credit institutions	693,680	837,662
Client funds	128,962	129,219
Debt securities issued	310,410	491,336
Other financial liabilities	2,668	4,108
Total	**1,135,720**	**1,462,325**

Thousands of euros	Valuation adjustments 2019					
	Gross balance	Interest accrued	Derivative micro-hedges	Transaction costs	Discounted premiums	Net balance
Deposits from credit institutions	691,771	1,996	-	(87)	-	693,680
Client funds	128,941	21	-	-	-	128,962
Debt securities issued	300,691	1,214	8,591	-	(86)	310,410
Other financial liabilities	2,668	-	-	-	-	2,668
Total	**1,124,071**	**3,231**	**8,591**	**(87)**	**(86)**	**1,135,720**

Thousands of euros	Valuation adjustments 2018					
	Gross balance	Interest accrued	Derivative micro-hedges	Transaction costs	Discounted premiums	Net balance
Deposits from credit institutions	835,648	2,420	-	(405)	-	837,662
Client funds	129,195	24	-	-	-	129,219
Debt securities issued	482,978	1,617	6,811	-	(71)	491,336
Other financial liabilities	4,108	-	-	-	-	4,108
Total	**1,451,929**	**4,061**	**6,811**	**(405)**	**(71)**	**1,462,325**

15.1 Deposits from credit institutions

A breakdown of the balances under this heading by transaction type, excluding valuation adjustments, is as follows:

Thousands of euros	2019	2018
Fixed-term deposits	**691,771**	**835,648**
Fixed-term accounts	691,771	835,648
Total	**691,771**	**835,648**

In 2019, the average effective interest rate on the financial instruments classified under this heading was 0.86% (0.98% in 2018).

The heading contains the bank borrowings used by the Group. The detailed balance relates to 9 public and private entities at December 31st, 2019 (9 entities at December 31st, 2018).

Repayments of bank borrowings by residual maturity at December 31st, 2019 and 2018 were as follows:

Thousands of euros	2019	2018
Up to three months	6,251	-
From three months to one year	8,083	18,750
From one to five years	99,242	139,667
More than five years	578,195	677,231
Total	**691,771**	**835,648**

At December 31st, 2019, there are debt consolidations that were formalized and not arranged for 27 million euros. At December 31st, 2018, there are debt consolidations that were formalized and not arranged for 77 million euros.

15.2 Client Funds

A breakdown of the balances under this heading by sector and transaction type, excluding valuation adjustments, at December 31st, 2019 and at December 31st, 2018 is as follows:

By sectors:

Thousands of euros	2019	2018
Public Administrations	112,088	111,523
Other resident sectors	16,853	17,672
Total	**128,941**	**129,195**

By nature:

Thousands of euros	2019	2018
Funds received	97,979	96,352
Other – Managed loans	30,962	32,843
Total	**128,941**	**129,195**

The funds received correspond mainly to resources received from various departments and entities of the Generalitat de Catalunya as guarantees for certain credit operations.

The average effective interest rate of the items included under this heading during 2019 was 0.19% (0.21% in 2018).

15.3 Debt securities issued

A breakdown of the balances under this heading at December 31, 2018 and at December 31, 2017, considering the principal amount of the issues, is as follows:

31/12/2019	Milers d'euros		
	Venciment	**Import**	**Tipus d'interès**
Seventh issue	05/07/2022	240,000	EUR3M + 0.06%
Eight issue	15/06/2024	12,000	EUR3M+2.35%
Eleventh issue	22/10/2029	2,000	4.55%
Total		**272,000**	

31/12/2018	Thousands of euros		
	Maturity	**Amount**	**Effective cost**
Sixth issue	05/07/2022	295,000	EUR3M+0.06%
Eighth issue	15/06/2024	12,000	EUR3M+2.35%
Tenth issue	18/09/2019	14,900	4.540%
Eleventh issue	22/10/2029	20,000	EUR3M+1.550%
Twelfth issue	28/10/2019	100,000	EUR3M+1.595%
Fourteenth issue	01/09/2019	16,800	3.750%
Total		**458,700**	

At December 31st, 2019 and December 31, 2018, redemption of the aforementioned issues according to their residual maturity dates was as follows:

Thousands of euros	2019	2018
From 3 months to 1 year	-	131,700
From 1 to 5 years	252,000	295,000
More than 5 years	20,000	32,000
Total	**272,000**	**458,700**

During 2019 part of the sixth issue has been repurchased (with a corresponding principal of EUR 55,000 thousand), generating a profit of EUR 2,305 thousand (see note 27). During 2018, EUR 26 thousand was repurchased generating a negative result of EUR 301 thousand. At December31st 2019 this heading also includes promissory notes listed on the Barcelona Stock Exchange totalling EUR 28,691 thousand (EUR 24,278 thousand at 31 December 2018). This amount relates to 51 transactions (43 transactions at 31 December 2018) with a nominal value of between EUR 100 thousand and EUR 2,000 thousand (between EUR 100 thousand and

EUR 2,000 thousand at 31 December 2018). The weighted average yield on the notes is 0.78% (0.88% at 31 December 2018) and the average residual term is 0.8 years (0.8 years at 31 December 2018). In 2019 the Tenth, Twelfth and Fourteenth issues matured, with 12,000 thousand, 20,000 thousand and 100,000 thousand, respectively.

15.4 Other financial liabilities

A breakdown of this balance sheet heading is as follows:

Thousands of euros	2019	2018
Accrued commissions on financial guarantees	2,668	4,108
Total	**2,668**	**4,108**

16. Provisions

Details of this caption of the balance sheet at December 31st, 2019 and 2018 are as follows:

2019	Thousands of euros				
	31/12/2018	Net provision	Recoveries	Transfers and others	31/12/2019
Provisions for risks and contingent commitments	**3,464**	**-**	**(1,740)**	**-**	**1,724**
Guarantess granted	3,464	-	(1,740)	-	1,724
Other provisions	**882**	**-**	**-**	**-**	**882**
Total	**4,346**	**-**	**(1,740)**	**-**	**2,606**

2018	Thousands of euros				
	31/12/2017	Net provision	Recoveries	Transfers and others	31/12/2018
Provisions for risks and contingent commitments	**2,750**	**581**	**-**	**133**	**3,464**
Guarantess granted	2,750	581	-	133	3,464
Other provisions	**882**		**-**	**-**	**882**
Total	**3,632**	**581**	**-**	**133**	**4,346**

The balance shown at December 31st, 2019 and 2018 under "Commitments and guarantees granted" it corresponds to the cover due to impairment of the guarantees received.

The Group's directors do not consider that any additional liabilities will accrue in addition to those disclosed at December 31st, 2019.

17. Other liabilities

A breakdown of this balance sheet heading is as follows:

	2019	2018
Accruals	830	963
Deferred revenue ERDF programme	27,628	-
Suppliers and other accounts payable	5,542	5,654
Total	**34,000**	**6,617**

Deferred revenue ERDF programme

The movement of deferred revenue from the European Regional Development Funds (ERDF) programme funds during the financial year 2019 is presented below:

Thousands of euros	Inicial balance	Additions	Transfers to the income statement (note 27)	Ending balance
Fiscal year 2019				
Deferred revenues	-	29,127	1,498	27,628
	-	**29,127**	**1,498**	**27,628**

On February 12th, 2015, the ERDF Operational Programme for Catalonia 2014-20 was approved by Decision No. C (2015) 894 final. In compliance with Article 124 of Regulation (EU) No. 1303/2013 of the European Parliament and of the Council and Article 10(2)(c) of Royal Decree 256/2012 of 27 January 2012, Generalitat de Catalunya has been designated as the managing authority for the planned operational programmes in paragraph 1.6 of Spain's Association Agreement 2014-2020, co-financed by the ERDF. Article 38.4.c, of Regulation 1303/2013, designates the Catalan Institute of Finance as the body responsible for of the implementation of this operational programme. The main purpose of this programme is to improve the competitiveness of small and medium-sized enterprises on preferential terms. The operational programme consists of two cycles of investment, with the expected date of completion of the first cycle being December 31st, 2023. In the second cycle, 50% of the funds returned from the first cycle will be reinvested in the same sector.

The total investment foreseen in this program is 184 million euros, which are initially provided by the ICF, gradually. The ICF receives funds corresponding to 50% of the eligible amount of the financing operations. Up to December 31st 2019, it has been agreed to pay the ICF for this concept of EUR 29,127 thousand, of which EUR 19,852 thousand is pending collection at December 31st 2019 (see note 14).

The ICF has established a system of certifications that allows to accredit the level of compliance with the conditions of the program, from which moment the amounts to be received acquire the character of nonrefundable. Given the conditions of the financing programme and the system of credits, the allocation of the amounts received to the profit and loss account occurs simultaneously with the evolution of the portfolio of the operational programme.

18. Fair value of financial assets and liabilities

The fair value of a financial asset or financial liability at a certain date is understood to be the amount by which it can be exchanged or settled, respectively, on that date between two independent and expert parties, who act willingly and prudently on an arm's length basis.

The fair values of financial instruments reflected in the financial statements are classified using the following fair value levels:

- Level I: fair values are obtained from quoted prices (unadjusted) in active markets for the same instrument.

- Level II: fair values are obtained from quoted prices in active markets for similar instruments, recent transaction prices or expected cash flows or other valuation techniques in which all significant inputs are based on market data.

- Level III: fair values are obtained using valuation techniques in which a certain significant input is not based on observable market data.

The main valuation techniques, assumptions or inputs used to estimate the fair value of financial instruments classified in Levels II and II, according to the type off instrument. The valuation criteria remain the same as those in 2018.

Financial instruments Level II	**Valuation techniques**	**Main assumptions**	**Main inputs used**
Derivatives	LIBOR Market Model	This model assumes that the forward rates in the term structure of the rates curve are perfectly correlated.	- Temporary structure of interest rates - Credit risk of issuers

Financial instruments Level III	**Valuation techniques**	**Main assumptions**	**Main inputs used**
Capital instruments available for sale	Contrast of the accounting information with the equity value of the investee companies, using as equity value the one indicated in the financial statements to formulate provided by the respective management companies.	- Calculation based on the financial information of the instruments available at the date of development of the annual accounts. - Impairment exists if the fair value is below 60% of the investment value. - Variations below 10% are not significant for the volatility of the instruments	Financial information of the investee companies

The main financial instruments recognized at fair value on the accompanying balance sheet at December 31, 2018 and 2017, detailing the valuation technique used to estimate their fair value, are as follows:

	2019		
	Level 1	**Level 2**	**Level 3**
Assets:			
Financial assets at fair value through other comprehensive income (Note 7)	259,434	-	94,993
Hedging derivatives (Note 9)	-	7,622	-
Trading Derivatives (note 6)	-	-	-
Total assets	**259,434**	**7,622**	**94,993**

	2019		
	Level 1	**Level 2**	**Level 3**
Liabilities:			
Hedging derivatives (note 9)	-	6,742	-
Trading derivatives (note 6)	-	5,997	-
Total liabilites		**12,739**	

	2018		
	Level 1	**Level 2**	**Level 3**
Assets:			
Financial assets at fair value through other comprehensive income (Note 7)	464,462	-	92,206
Hedging derivatives (Note 9)	-	5,677	-
Trading Derivatives (note 6)	-	-	-
Total assets	**464,462**	**5,677**	**92,206**

	2018		
	Level 1	**Level 2**	**Level 3**
Liabilities:			
Hedging derivatives (note 9)	-	13,878	-
Trading derivatives (note 6)	-	-	-
Total liabilites	**-**	**13,878**	**-**

Any variation in one or more variables and other reasonably possible alternative assumptions would not entail any significant change in the fair value of Level 3 instruments over the whole financial instruments portfolio.

As indicated in Note 2.b, the fair value of financial assets and liabilities measured at amortized cost does not significantly differ from their carrying amount. These assets and liabilities are classified as Level 3.

During 2019 and 2018 changes in the fair value of Level 2 and Level 3 financial instruments are solely due to the maturity of existing transactions, the arranagement of new transactions and changes in the fair value classified in other comprehensive income (in the case of Available-for-sale financial assets and cash flow hedging derivatives) and in income statement (in the case of fair value hedging derivatives). No transfers from one level to another occurred.

19. Other accumulated comprehensive income

This heading of the accompanying balance sheet includes the following:

- The net amount of the tax effect of the differences between the market value and acquisition cost (net gains/losses) of assets classified as financial assets at fair value through other comprehensive income which, as disclosed in Note 2.g, must be included in the Group's equity.

- The net tax effect of the variations in cash flow hedges, in accordance with what is disclosed in Note 2.c.

The total amount of the adjustments for change in value, net of tax effect, recognized in equity is as follows:

Thousands of euros	**2019**	**2018**
Financial assets at fair value through other comprehensive income	20,237	25,710
Equity instruments	20,270	29,569
Debt instruments	(33)	(3,859)
Cash flow hedges	(4,222)	(8,973)
Total	**16,015**	**16,737**

20. Own Funds

20.1 Endowment fund

The movement in this caption during 2019 and 2018 is as follows:

Thousands of euros	2018	2017
Opening balance	693,149	693,149
Contribution to the endowment fund	-	-
Total	**693,149**	**693,149**

20.2 Reserves

The movement in this heading during 2018 and 2017 was as follows:

Item	Parent reserves	Subsidiaries reserves	Reserves in equity method	Profit /(loss) for the year	Total
Balance at 31.12.2017	**130,752**	**(1,844)**	**3,372**	**15,046**	**147,326**
Distribution of profit	14,783	263	-	(15,046)	-
Other movements	629	-	(356)	-	273
Profit or loss for 2018	-	-	-	13,131	13,131
First application of 4/2017	(9,048)	-	-	-	(9,048)
Balance at 31.12.2018	**137,116**	**(1,581)**	**3,016**	**13,131**	**151,682**
Distribution of profit	12,886	245	-	(13,131)	-
Other movements	1,889	-	(212)	-	1,677
Profit or loss for 2018	-	-	-	29,202	29,202
Balance at 31.12.2019	**151,891**	**(1,336)**	**2,804**	**29,202**	**182,561**

With the sole exception of the capitalization reserves, amounting to 8,332 thousands of euros at December 31st, 2019 and 7,748 thousands of euros at December 31st, 2018, which comply with the terms established in Law 27/2014, of 27 of November of the Corporation Tax, all reserves at December 31st, 2019 and 2018 are freely available.

21. Taxation

21.1 Tax consolidation

The ICF Group has filed consolidated corporate income tax returns since 2006.

The composition of the Group filing consolidated corporate income tax returns in 2019 is as follows:

Parent	Institut Català de Finances
Subsidiaries	Institut Català de Finances Capital, SGEIC, S.A.U. Instruments Financers per a Empreses Innovadores S.L.U.

21.2 Financial years subject to tax inspection

At December 31st, 2019, the Group is open to inspection for all taxes to which it is liable for the last four financial years. It is not estimated that there are any significant tax liabilities other than those included in these financial statements.

21.3 Reconciliation of accounting profit and taxable income and tax rate calculation

A reconciliation of the 2019 and 2018 accounting profit and taxable income, and the income tax expense/(recoverable income tax) is as follows:

Thousands of euros	2019	2018
Accounting profit or loss before tax	**38,343**	**15,951**
Consolidation adjustments		
Profit of companies not included in the tax group	(245)	276
Other consolidation adjustments	-	-
Permanent differences	(256)	103
Temporary differences		
Increases	9,573	55,514
Decreases	(35,079)	(37,743)
Capitalization reserve (Note 4)	(1,234)	(585)
Consolidated taxable income	**11,103**	**33,516**
Tax at prevailing rate	2,776	8,379
Deductions and credits	(4)	(4)
Withholdings and payments on account	(2,368)	(5,641)
Income tax expense (recoverable tax)	**404**	**2,734**

Details of the income tax expense related to profit tax and profit for years 2019 and 2018 are as follows:

Thousands of euros	2019	2018
Accounting profit or loss before tax	**38,343**	**15,951**
Tax at current tax rate	9,586	3,988
Tax effect of non-deductible expenses	(64)	26
Consolidation adjustments	(62)	69
Deductions and credits applied	-	(1,063)
Capitalization reserve (Note 4)	(4)	(4)
Adjustments	(308)	(146)
Income tax expense (recoverable tax)	(7)	(50)
Accounting profit before tax	**9,141**	**2,820**

A reconciliation of current income tax and the income tax expense (recoverable income tax) for 2019 and 2018 is as follows:

Thousands of euros	2019	2018
Taxable income due to tax rate	2,776	8,379
Deductions and credits	(4)	(4)
Current income tax for the year	**2,772**	**8,375**
Change in temporary differences	(6,376)	(4,443)
Adjustments	(7)	(50)
Activation of off-balance sheet tax credits	-	(1,063)
Income tax expense (recoverable tax)	**9,141**	**2,820**

21.4 Deferred taxes

The differences, wherever applicable, between the amount of income tax recognized and that payable corresponds to current and deferred taxes arising due to temporary differences, and are recognized under "Tax assets" and "Tax liabilities". Details of current and deferred tax balances at December 31st, 2019 and December 31st, 2018 are as follows:

Thousands of euros	2019	2018
Opening balance of deferred tax assets	**60,484**	**50,907**
For non-deductibility of provisions	(7,759)	4,544
Changes in value of equity	(1,343)	1,417
Depreciation limit	27	(20)
Other tax assets	(192)	(31)
Activation of off-balance sheet tax credits	-	1,063
Adjustments Circular 4/2017	-	2,604
Closing balance of deferred tax assets	**51,217**	**60,484**

Thousands of euros	2019	2018
Opening balance of deferred tax liabilities	**10**	**546**
IFDV changes in value	(10)	(536)
Other tax liabilities	-	-
Closing balance of deferred tax liabilities	**-**	**10**

21.5 Current taxes

The balances related to current tax assets at December 31st, 2019 and 2018, amouting to 1,433 and 141 thousands of euros respectively, correspond essentially to the uncollected arrears of Group entities that are not part of the consolidated tax .

The detail of current tax liabilities at December 31st, 2019 and 2018 is as follows:

Liabilities (thousands of euros)	2019	2018
Withholding debt	180	125
Social security debt	119	116
Taxation authority, IS credit	404	2,734
Taxation authority, VAT credit	30	278
Total	**733**	**3,253**

22. Other relevant information

a) Financial guarantees granted

Contingent exposures are defined as those amounts which the Group would be obliged to pay on behalf of a third party in the event of that party failing to meet its payment obligations, in accordance with commitments assumed during normal business activity.

The majority of such amounts will reach maturity without giving rise to any obligation to pay on the part of the Group, and therefore the total balance of these commitments cannot be considered part of the Group's real financing or liquidity needs.

Revenues earned on guarantee instruments are recognized under "Commission income" and "Interest income" (in the amount corresponding to the adjustment to the value of the commissions) in the income statement for the financial year and are calculated by applying the rate established in the contract to the nominal amount of the guarantee.

The provisions recognized to cover these guarantees, calculated using similar criteria to those used to calculate impairment losses and valued at amortized cost, are recognized under “Provisions” in the balance sheet (note 16).

The breakdown of the heading “Financial guarantees granted” included in the memorandum accounts to the balance sheets at December 31st, 2019 and December 31st, 2018 is as follows:

Thousands of euros	2019	2018
Guarantees and other deposits	80,682	108,058
Total	**80,682**	**108,058**

b) Loan commitments granted

The balance on this caption includes any irrevocable commitment that could give rise to the recognition of a financial asset.

The breakdown of the heading “Loan commitments granted” included in the memorandum accounts to the balance sheets at December 31st, 2019 and December 31st, 2018 is as follows:

Thousands of euros	2019	2018
Available to third parties	204,247	150,080
Public sector	70,331	30,313
Other resident sectors	133,916	119,767
Total	**204,247**	**150,080**

23. Interest income

This heading on the income statement includes interest accrued during the year as the implicit or explicit yield on financial assets, obtained by applying the effective interest rate (mainly for loans provided by the ICF Group).

The breakdown of the origin of interest and similar payments accrued in favour of the ICF Group in 2019 and 2018 is as follows:

Thousands of euros	2019	2018
Deposits in credit institutions	2,238	3,185
Loans to customers	35,638	42,339
Public Administrations	6,185	8,154
Other resident sectors	29,453	34,185
Debt securities	2,547	2,844
Other interest	363	428
Total	**40,786**	**48,796**

24. Interest expenses

This heading on the income statement includes interest accrued during the year as the implicit or explicit interest generated on financial liabilities, obtained by applying the effective interest rate, and also adjustments due to accounting hedges.

The breakdown of this heading in the income statements for 2019 and 2018 is as follows:

Thousands of euros	2019	2018
Deposits from credit institutions	(6,575)	(8,564)
Client Funds	(158)	(152)
Debits represented by marketable securities	(6,821)	(7,623)
Total	**(13,554)**	**(16,338)**

25. Commission income

Commission income at December 31st, 2019 and 2018 amounts to 2,373 thousands of euros and 2,932 thousands of euros, respectively, and mainly corresponds to commissions for financial guarantees granted.

26. Commission expenses

Commission expense at December 31st, 2019 and 2018 amounts to 921 thousands of euros and 752 thousands of euros, respectively, and mainly corresponds to fees for asset and liability transactions.

27. Gains or (-) losses on derecognition of financial assets and liabilities not at fair value through profit or loss, net

The breakdown of this heading is as follows:

Thousands of euros	2019	2018
Financial income derived from the sale of debt securities classified at fair value through other comprehensive income	1,016	725
Accrual for sale of swaps (Note 14)	(414)	(334)
Repurchase of own issues classified at amortized cost (note 15.3)	2,305	(301)
Total	**2,907**	**90**

28. Other operating income

The breakdown of this heading in the accomplying income statements for 2019 and 2018 is as follows:

Thousands of euros	2019	2018
Operating income from investment property	4,191	4,097
Income from ERDF operational programme (note 17)	1,498	
Other items	148	188
Total	**5,837**	**4,285**

The balance of "Operating income from investment property" relates mainly to the income that the Group has received in the lease of the offices of the buildings classified by the Group under the heading of real estate investments.

29. Other operating expenses

The breakdown of this heading in the accomplying income statements for 2019 and 2018 is as follows:

Thousands of euros	2019	2018
Operating expenses from investment property	(626)	(896)
Other items	(1,009)	(752)
Total	**(1,635)**	**(1,648)**

30. Personnel expenses

The breakdown of this heading in the accomplying income statements for 2019 and 2018 is as follows:

Thousands of euros	2019	2018
Wages and Salaries	(5,060)	(4,561)
Social Security	(1,307)	(1,148)
Total	**(6,367)**	**(5,709)**

Staff expenses include the remuneration of the key personnel of the entity defined by the Appointments and Remuneration Committee (14 people) for the amount 1.211 thousands of euros in 2019 (14 people and 1.143 thousands of euros in 2018) . Key personnel are considered those who carry out functions that, due to their level of responsibility and ability to take risks, impact on the company's risk profile; as well as all those staff who receive a global remuneration that includes it in the same salary range as senior managers and employees who take risks, and whose professional activities impact significantly on the company's risk profile. In particular, the following members are considered as key personnel of the ICF:

- **Managing Director**

- **General Directors**: General Director of Venture Capital and Capital Markets; General Director of Credit Investments and Risk; General Director of Finance and Operations.

- **Directors:** Corporate Director of Audit and Regulatory Compliance; Director of Credit Investments; Director of Financial Instruments; Director of Regulatory Compliance; Director of Finance; Director of Monitoring and Risk Management; Director of Purchases and General Services; Director of Treasury and Capital Markets; Director of Business Development; Director of Human Resources.

At December 31st, 2019 and 2018, the distribution ICF Group's workforce by professional category and gender is as follows:

	December 31st 2019			December 31st 2018		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Managing Director	1	-	**1**	1	-	**1**
General Directors	1	2	**3**	1	2	**3**
Corporate Directors	-	1	**1**	-	1	**1**
Directors / Unit Responsible	14	8	**22**	14	9	**22**
Technical / Administrative	24	50	**74**	22	48	**70**
Total	40	61	**101**	**38**	**60**	**98**

The distribution ICF Group's average workforce by professional category and gender during 2019 and 2018 is as follows:

	December 31st 2019			December 31st 2018		
	Men	Women	Total	Men	Women	Total
Managing Director	1	-	1	1	-	**1**
General Directors	1	2	3	1	2	**3**
Corporate Directors	-	1	1	-	1	**1**
Directors / Unit Responsible	14	9	23	14	9	**22**
Technical / Administrative	25	51	76	21	49	71
Total	**41**	**63**	**104**	**37**	**62**	**98**

The ICF Group complies with Law 13/1982, which requires companies with more than 50 employees to either employ 2% or more employees with a disability equal to or greater than 33%, or to adopt the alternative measures set out in Royal Decree 27/2000.

In 2019 and 2018 the ICF Group has 2 employees with a disability equal to or greater than 33%.

Additionally, the Group has supplemented this requirement adopting alternative measures and has contracted the services of the company Femarec, which has been certified to that effect in accordance with its corporate purpose.

31. Other administrative expenses

The breakdown of this heading in the accompanying income statement is as follows:

Thousands of euros	2019	2018
Furniture, fittings and materials	(136)	(167)
Information technology	(1,048)	(1,210)
Publicity and advertising	(354)	(423)
Technical reports	(939)	(909)
Security and fund courier services	(69)	(74)
Insurance premiums	(62)	(24)
Outsourced administrative services	(43)	(38)
Contributions and taxes	(193)	(242)
Control and governing bodies	(132)	(102)
Other expenses	(554)	(477)
Total	**(3,530)**	**(3,667)**

The fees and expenses of Ernst & Young S.L. are included in the balance of "Other general administrative expenses". as an annual audit amounting to € 74,000 (excluding VAT), in the year 2019 and € 74,000 (VAT excluded) in the year 2018. Also, in the years 2019 and 2018 they have accrued by the external auditor to review the information on the Financial Information Control System contained in the Annual Corporate Governance Report and review of the Report of the Prudential Relevance of the ICF Group a total of 23 thousands of euros. Additionally, during 2019, 18 thousands of euros have been credited for other services.

The heading "Government and control bodies" includes 132 thousands of euros (102 thousands of euros in 2018) corresponding to the compensation received for assistance to the governing bodies of the Institut Català de Finances, the ICF Group's dominant entity. Law 3/2015, of March 11, on fiscal, financial and administrative measures suspended the receipt of rights of assistance to the senior officials of the Generalitat as a result of concurrence to meetings of governing bodies, from the date of entry into force on March 14, 2016. Independent Directors members of the Governing Board, the Executive Committee and the control committees (Audit and Control Committee, and Appointments and Remuneration Committee) received notice a specific annual remuneration for their status as independent Directors, in accordance with the Remuneration Policy approved by the Governing Board on June 18, 2015 in accordance with the proposal of the Appointments and Remuneration Committee. A greater detail of these remunerations corresponding to the year 2019 is shown in Annex I.

There has been no transaction with any member of the governing bodies for concepts other than those detailed.

Information on payment appeals made to suppliers. Third additional provision "Duty of information", of Law 15/2012 of July 5

At December 31, 2019 and as of December 31, 2018, the Group has no pending invoices to suppliers with a postponement exceeding the established legal term.

The information on the average payment period during 2019 is as follows:

	2019	2018
	Days	**Days**
Average payment period for suppliers	29.71	29.10
Ratio of paid transactions	29.71	29.10
Ratio of transactions pending payment	-	-
		Amount in thousands
Total payments made	6,985	5,396
Total pending payments	-	-

32. Amortisation

Details of this heading in the income statement for the years ended December 31st, 2019 and December 31st, 2018 is as follows:

Thousands of euros	2019	2018
Tangible assets (Note 12):		
For own use	(98)	(113)
Investment property	(741)	(740)
Intangible assets (Note 13)	(632)	(367)
Total	**(1,471)**	**(1,220)**

33. Impairment losses or (-) reversal of impairment losses on financial assets not at fair value through profit or loss

The breakdown of the balance of this caption of the accompanying income statement for the years 2019 and 2018 is as follows:

Thousands of euros	2018	2017
Impairment losses or (-) reversal of impairment losses on financial assets not at fair value through profit or loss:		
Impairment allowances	(24,648)	(60,669)
Recoveries	24,704	32,965
Others	7,454	13,185
Total	**7,510**	**(14,519)**

34. Gains (losses) on non-current assets and disposal groups classified as held for sale not eligible as discontinued operations

The breakdown of the balance of this caption is as follows:

Thousands of euros	2019	2018
Impairment of foreclosed assets (note 10)	2,594	3,708
Gains on the sale of foreclosed assets	850	574
Total	**3,444**	**4,282**

35. Related parties

The Group considers related parties to the associated entities, the sole shareholder, the directors and senior management.

The breakdown of the balances and transactions for 2019 and 2018 with the related parties of the ICF Group, not disclosed in any other note, is as follows:

Amounts and transactions with Avalis de Catalunya S.G.R.:

Year 2019 - Thousands of euros	Assets	Liabilities	Expenses	Income
Convertible debt	641	-	-	6
Debt securities	-	7.436	(75)	-
Rental of offices	-	-	-	261
Total	**641**	**7.436**	**(75)**	**267**

Year 2018 - Thousands of euros	Assets	Liabilities	Expenses	Income
Convertible debt	982	-	-	12
Debt securities	-	9,909	(51)	-
Rental of offices	-	-	-	258
Total	**982**	**9,909**	**(51)**	**270**

Balances and transactions with the sole shareholder:

	Balances Assets / (Liabilities)		Revenues (expenses)	
	2019	2018	2019	2018
Debt securities (note 7)	40,070	81,219	1,211	1,445
Customer funds	31,636	39,795	168	702
Other assets (space rental)	199	122	645	592
Other assets (note 14)	370	370	-	-
Client Funds (note 15.2)	(127,931)	(114,247)	-	-

The amounts indicated in the heading "Representative debt securities" correspond to the acquisition in the secondary market of fixed-income securities, which have accrued market interest.

The balances under the heading "Loans and advances - Customers" correspond mainly to a credit policy, which has earned a market interest.

The amounts included in the "Other Assets" heading correspond to approved contributions pending receipt from various departments of the Generalitat de Catalunya in favor of ICF borrowers, mainly granted before the financial year 2009.

On the other hand, the "Customer funds" correspond to balances deposited by the sole shareholder, either by interest rate rebate or as collateral, as help to borrowers for certain lines. These aids have been granted in a framework of free concurrence and complying with the state aid regulations.

36. Events after the reporting period

On March 11, 2020, the World Health Organization elevated the public health emergency caused by the Covid-19 outbreak to an international pandemic. The rapid national and international developments represent an unprecedented health crisis, which will impact the macroeconomic environment and business developments. To address this situation, among other measures, the Government of Spain has proceeded to declare the state of alarm, through the publication of Royal Decree 463/2020 of 14 March, and the adoption of a series of extraordinary urgent measures to deal with the economic and social impact of Covid-19, by Royal Decree Law 8/2020 of 17 March. In the same vein, the Decree Law 7/2020 of the Generalitat of Catalonia on urgent measures to mitigate the effects of the pandemic from Covid-19.

The Group considers that these events do not imply a change in the consolidated financial statements for the year ended 31 December 2019, although they could have an impact on its operations and, therefore, on its future results and cash flows. These future impacts will be recognised prospectively in the consolidated financial statements for the relevant year.

The Group's balance sheet structure, its solvency and its liquidity position at this date, together with the appropriate steps being taken and the contingency plans that have been defined, enable it to cope with the situation and continue with the ordinary course of its operations.

37. Note added to the English translation

These consolidated financial statements have been translated from the consolidated financial statements originally prepared in Catalan. In case of discrepancy, the Catalan language version will prevail.

APPENDIX I – ALLOWANCES AND REMUNERATION OF THE MEMBERS OF THE GOVERNING BODIES OF INSTITUT CATALÀ DE FINANCES DURING 2019 (Note 31)

(Translation from the original Consolidated Financial Statements issued in Catalan. In the event of discrepancy, the Catalan-language version prevails)

The composition at 31/12/2019 of the governing bodies and the delegated commissions was as follows:

	Governing Board	Executive Committee	Control committees
Independent	Casas Selvas, Francesc Domingo Piera, Mercedes Verger Casasnovas, Virgínia Abella Martín, Rafael Peydró Alcalde, José Luis Vilumara Pérez, Albert	Casas Selvas, Francesc Domingo Piera, Mercedes Vilumara Pérez, Albert	<u>Audit and Control</u> Verger Casasnovas, Virgínia Abella Martín, Rafael Peydró Alcalde, José Luís <u>Remuneration and Appointments</u> Casas Selvas, Francesc Domingo Piera, Mercedes Vilumara Pérez, Albert
Proprietary	Obach Medrano, Ester Castellanos Maduell, Albert Villarroya Martínez, Matilde Juncà Pujol, Lluís	-	-
Executives	Sanromà i Celma, Josep Ramon	Sanromà i Celma, Josep Ramon	-

Taking into consideration all the aforementioned changes, the table below shows the remuneration earned by the members of the governing board and delegate committees at December 31, 2019:

Euros	Remuneration of Governing Board	Remuneration of Delegate Committees	Total
Abella Martin, Rafael	12,272	8,180	20,452
Casas Selva, Francesc	12,272	13,188	25,460
Domingo Piera, Mercedes	12,272	13,188	25,460
Vilumara Pérez, Albert	9,647	10,156	19,803
Verger Casasnovas, Virginia Maria	12,272	8,180	20,452
Peydró Alcalde, José Luis	12,272	8,180	20,452
TOTAL	**71,007**	**61,072**	**132,079**

APPENDIX II - SUBSIDIARIES AND ASSOCIATES IN THE INSTITUT CATALÀ DE FINANCES GROUP AT DECEMBER 31, 2019

(Translation from the original Consolidated Financial Statements issued in Catalan. In the event of discrepancy, the Catalan-language version prevails)

Investment	Address	Activity	Auditors	% of shares owned:	Figures in Thousands of euros at 31/12/2018							
					Capital	Share premium	Technical provisions	Reserves/ Prior years' profit (loss)	Profit/(loss) for the last year	Valuation adjustments	Interim dividend	Total Shareholders' equity
Subsidiaries												
Instruments Financers per a Empreses Innovadores, S.L.	Gran Via de les Corts Catalanes, 635 Barcelona	Possession and management of financial and equity stakes on behalf of the Generalitat, in funds of any type, in companies and guarantee funds, companies and venture capital funds.	EY	100.00%	50,000	-	-	(355)	384	1,174	-	51,203
Institut Català de Finances Capital SGEIC, S.A.	Gran Via de les Corts Catalanes, 635 Barcelona	Administration and management of Venture Capital Funds and assets of Venture Capital Companies.	EY	100.00%	300	-	-	968	188	-	-	1,456
Capital Expansió, F.C.R.	Gran Via de les Corts Catalanes, 635 Barcelona	Venture capital for technology and industrial companies.	EY	100.00%	12,900	-	-	(3,365)	1,049	-	-	10,584
Capital MAB, F.C.R.	Gran Via de les Corts Catalanes, 635 Barcelona	Venture capital for technology and industrial companies.	EY	100.00%	4,992	-	-	134	(7)	2,592	-	7,711
ICF Capital Expansió II, F.C.R.E.	Gran Via de les Corts Catalanes, 635 Barcelona	Venture capital for technology and industrial companies.	EY	100.00%	2,750	-	-	-	(132)	-	-	2,618
ICF Venture Tech II, F.C.R.E.	Gran Via de les Corts Catalanes, 635 Barcelona	Venture capital for technology and industrial companies.	EY	100.00%	3,500	-	-	-	(50)	-	-	3,450
Associates												
Avalis de Catalunya S.G.R.	Gran Via de les Corts Catalanes 129-131, Barcelona	Reciprocal Guarantee Society	KPMG	14.97%	19,000	-	16,295	(485)	-	-	-	34,810

(1) There are two companies of the ICF Group that hold Avalis, ICF and Instruments Financers per a Empreses Innovadores S.L.

APPENDIX II - SUBSIDIARIES AND ASSOCIATES IN THE INSTITUT CATALÀ DE FINANCES GROUP AT DECEMBER 31, 2018

Inversió	Adreça	Activitat	Auditors	Fracció de capital que es posseeix:	Xifres en Milers d'euros a 31/12/2018							
					Capital	Prima d'emissió	Fons de provisions tècniques	Reserves / Rtats exercicis anteriors	Resultats últim exercici	Ajustos per valoració	Dividend a compte	Total Fons Propis
Societats dependents												
Instruments Financers per a Empreses Innovadores, S.L.	Gran Via de les Corts Catalanes, 635 Barcelona	Tinença i gestió de participacions financeres i patrimonials en nom de la Generalitat, en fons de qualsevol tipus, en societats i fons de garantia, societats i fons de capital risc.	EY	100,00%	50,000	-	-	(793)	326	182	-	49,715
Institut Català de Finances Capital SGEIC, S.A.	Gran Via de les Corts Catalanes, 635 Barcelona	Administració i gestió de Fons de Capital Risc i d'actius de Societats de Capital Risc.	EY	100,00%	300	-	-	885	82	-	-	1,268
Capital Expansió, F.C.R.	Gran Via de les Corts Catalanes, 635 Barcelona	Capital risc per empreses tecnològiques i industrials.	EY	100,00%	16,000	-	-	(3,192)	(173)	-	-	12,635
Capital MAB, F.C.R.	Gran Via de les Corts Catalanes, 635 Barcelona	Capital risc, suport sortides al M.A.B.	EY	100,00%	4,992	-	-	(378)	511	350	-	5,476
Societats associades												
Avalis de Catalunya S.G.R.	Gran Via de les Corts Catalanes 129-131, Barcelona	Societat de Garantia Recíproca	KPMG	16,57%	19,000	-	16,295	(485)	-	-	-	34,810

(1) There are two companies of the ICF Group that hold Avalis, ICF and Instruments Financers per a Empreses Innovadores S.L.

APPENDIX III - INVESTEES OF INSTITUT CATALÀ DE FINANCES – DECEMBER 31, 2019

(Translation from the original Consolidated Financial Statements issued in Catalan. In the event of discrepancy, the Catalan-language version prevails)

Company name	Address	Activity	Auditors	%	Figures in thousands of Euros		
					Shareholders' equity	Changes in value	Net value of share
Spinnaker Invest S.C.R., S.A.	Diputació 246, Barcelona	Capital risc pel sector media	KPMG	25,39%	6,488	-	2,033
Barcelona Empren S.C.R., S.A.	Gran Via de les Corts Catalanes 635, Barcelona	Capital risc per a empreses tecnològiques	BDO Auditores	26,04%	947	1,927	754
Nauta Tech Invest II S.C.R., S.A.	Diagonal, 593, Barcelona	Capital risc per a tecnologia, media i telecomunicacions	EY	7,50%	1,249	-	93
Mediterrània Capital, F.C.R.	Diputació 246, Barcelona	Capital risc	KPMG	24,00%	30,357	-	7,933
Caixa Capital TIC, S.C.R., S.A.	Diagonal 621, Barcelona	Capital risc per a empreses tecnològiques	Vir Audit, SLP	9,68%	1,209	1,207	961
Nauta Tech Invest III S.C.R., S.A	Diagonal, 593, Barcelona	Capital risc per a tecnologia, media i telecomunicacions	EY	5,72%	5,033	58,471	4,921
Ysios BioFund I, F.C.R.	Avda. de la Libertad 25, San Sebastian	Capital risc per ciències de la salut i biotecnologia	KPMG	4,34%	23,104	625	818
Caixa Capital Biomed S.C.R., S.A.	Diagonal 621, Barcelona	Capital risc per ciències de la salut i biotecnologia	Vir Audit, SLP	4,55%	1,200	-	193
Caixa Innvierte Industria S.C.R.	Diagonal 621, Barcelona	Capital risc per empreses tecnològiques i industrials.	Vir Audit, SLP	8,57%	1,302	689	1,950
Amerigo Innvierte Spain Ventures F.C.R.	Diagonal 401, Barcelona	Capital risc per projectes tecnològics	BDO Auditores	3,72%	62,151	977	2,629
Caixa Innvierte BioMed II, F.C.R.	Diagonal 621, Barcelona	Capital risc per ciències de la salut i biotecnologia	Vir Audit, SLP	5,70%	34,780	-	1,424
Suma Capital Growth Fund I, S.C.R	Diagonal 640, Barcelona	Capital risc per a empreses amb projectes de creixement	BDO Auditores	30,30%	1,273	15,802	10,579
Nauta Tech Invest IV, F.C.R.	Diagonal 593, Barcelona	Capital risc per projectes tecnològics	EY	14,06%	43,509	11,542	7,198
Idinvest Digital Fund II	Avenue des Champs Elysées 117, Paris	Capital risc per a empreses del sector digital	Aplitec	2,59%	148,865	1,094	4,639
Aurica III, S.C.R.	Diagonal 407, Barcelona	Capital risc	Price WaterHouse	15,71%	95,473	-	8,254
Elaia Delta Fund, FPCI	Rue de Ponthieu 54, Paris	Capital risc per projectes tecnològics	Price WaterHouse	2,40%	29,195	-	1,435
SC Efficiency & Environment Fund II, F.C.R.	Diagonal 640, Barcelona	Capital risc per projectes d'eficiència energètica	EY	8,90%	16,134	-	4,110
Bonsai Partners Fund I, F.C.R	Zurbano 76, Madrid	Capital risc	BDO Auditores	5,54%	11,882	715	614
Idinvest Digital Fund III	Avenue des Champs Elysées 117, Paris	Capital risc per a empreses del sector digital	KPMG	1,50%	45,251	-	1,644
Nauta Sidecar Tech I, FCR	Diagonal, 593, Barcelona	Capital risc per projectes tecnològics	EY	10,50%	2,382	-	250
Adara Ventures III, SCA, SICAR	15, Boulevard F.W. Raiffeisen, Luxemburgo	Capital risc	Deloitte	5,39%	4,454	-	240
Alma Mundi Fund II, FCR	Plaza Santa Bárbara 2, Madrid	Capital risc	BDO Auditores	3,40%	14,292	1,083	500
Alta Life Science Spain, FCR	Paseo de la Castellana, 91 Madrid	Capital risc	Price WaterHouse	6,30%	-	-	1129
Sino-French (Innovation) Fund II, FPCI	52 rue d'Anjou – 75008 Paris	Capital risc	KPMG	1,10%	127,305	-	1,421
Fund Underwriting – FEI	-	Capital risc	-	-	-	-	81
Ysios BioFund III, F.C.R.	Avda. de la Libertad 25, San Sebastian	Capital risc per ciències de la salut i biotecnologia	KPMG	10,00%	-	-	11

SC Growth Fund II Plus, FCR	Diagonal 640, Barcelona	Capital risc	BDO Auditores	39,06%	5,111	-	2,000
FINAVES IV, SA	Avinguda Diagonal 453, Barcelona	Societat d'Inversió en Capital Risc	GNL Russell Bedford Auditors	12,86%	2,507	2,865	454
HEALTHEQUITY, SCR SA	Pg. Bonanova, 47 Barcelona	Societat d'Inversió en Capital Risc	Deloitte	35,03%	9,001	2,972	3,154
VENTURCAP II SCR SA	Dr. Ferran, 3-5 Barcelona	Societat d'Inversió en Capital Risc	BDO Auditores	33,33%	2,477	413	772
INVEREADY INNVIERTE BIOTECH II, SCR SA	Zuatzu 7 PB, San Sebastián	Societat d'Inversió en Capital Risc	BDO Auditores	5,81%	14,723	11,426	1,637
INVEREADY VENTURE FINANCE, SCR SA	Orfila 10, Madrid	Societat d'Inversió en Capital Risc	RSM Spain Auditors	8,90%	906	1,321	217
INVEREADY FIRST CAPITAL SCR SA	Orfila 10, Madrid	Societat d'Inversió en Capital Risc	BDO Auditores	31,58%	1,228	24	313
CAIXA INNVIERTE START, FCR	Av. Diagonal, 621 Barcelona	Societat d'Inversió en Capital Risc	VirAudit	9,48%	16,663	-	793
K FUND, FCRE	Juan Bravo 10, Madrid	Societat d'Inversió en Capital Risc	KPMG	3,57%	36,453	5,976	1,295
ECOMENDA SEED I B FCRE SA	Muntaner 449, Barcelona	Societat d'Inversió en Capital Risc	Grant Thorntom	10,71%	5,219	-	537
INVEREADY BIOTECH III, SCR SA	Orfila 10, Madrid	Societat d'Inversió en Capital Risc	BDO Auditores	5,32%	7,500	-	399
INVIVO VENTURES, FCR	Passeig de Gràcia 54, Barcelona	Societat d'Inversió en Capital Risc	EY	15,80%	2,028	-	321
INVEREADY FIRST CAPITAL III, SCR SA	Orfila 10, Madrid	Societat d'Inversió en Capital Risc	BDO Auditores	16,75%	3,000	-	502
INVEREADY FIRST CAPITAL III PARALLEL, SCR SA	Zuatzu 7 PB, San Sebastián	Societat d'Inversió en Capital Risc	BDO Auditores	3,37%	5,126	-	172
SABADELL ASABYS HEALTH INNOVATION INVESTMENTS, SCR	Passeig de Gràcia 53, Barcelona	Societat d'Inversió en Capital Risc	KPMG	10,00%	9,370	-	937
NINA CAPITAL FUND I, DCRE	Balmes 211 3-1, Barcelona	Societat d'Inversió en Capital Risc	BDO Auditores	6,35%	2,835	-	180
SAMAIPATA II CAPITAL, FCR	Velázquez 18, Madrid	Societat d'Inversió en Capital Risc	Deloitte	6,94%	-	-	-
TOTAL							**79,497**

In addition, at 31 December 2019 the Group had direct investments in venture capital amounting to EUR 15,472 thousand, mainly through Capital MAB F.C.R., Capital Expansión F.C.R., ICF Capital Expanapnsió II F.C.R.E. and ICF Venture Tech II F.C.R.E.

Figures relating to the equity of these companies were obtained from their financial statements at December 31, 2019 available at the date these financial statements were authorised for issue.

APPENDIX III - INVESTEES OF INSTITUT CATALÀ DE FINANCES – DECEMBER 31, 2018

Company name	Address	Activity	Auditors	%	Figures in thousands of Euros		
					Shareholders' equity	Changes in value	Net value of share
Spinnaker Invest S.C.R., S.A.	Diputació 246, Barcelona	Venture capital for media sector	KPMG	24.10%	6,488	23,624	12,808
Barcelona Empren S.C.R., S.A.	Gran Via de les Corts Catalanes 635, Barcelona	Venture capital for technology companies	BDO Auditores	27.07%	898	1,423	628
Nauta Tech Invest II S.C.R., S.A.	Diagonal, 593, Barcelona	Venture capital for technology, media and telecommunications	EY	7.40%	2,375	27,924	2,241
Mediterrània Capital, F.C.R.	Diputació 246, Barcelona	Venture capital	KPMG	24%	48,255	-	11,580
Caixa Capital TIC, S.C.R., S.A.	Diagonal 613, Barcelona	Venture capital for technology companies	Vir Audit, SLP	9.68%	9,488	982	1,013
Ysios BioFund I, F.C.R.	Travessera de Gràcia 11, Barcelona	Venture capital for health sciences and biotechnology	KPMG	4.33%	23,104	(2,407)	895
Nauta Invest Tech III S.C.R., S.A.	Diagonal, 593, Barcelona	Venture capital for technology, media and telecommunications	EY	5.72%	33,485	59,307	5,308
Caixa Capital Biomed S.C.R., S.A.	Diagonal 613, Barcelona	Venture capital for health sciences and biotechnology	Deloitte	4.55%	4,214	-	192
Caixa Innvierte Industria S.C.R.	Diagonal 613, Barcelona	Venture capital for technology and industrial companies.	Deloitte	8.57%	20,218	689	1,792
Amerigo Innvierte Spain Ventures F.C.R.	Diagonal 401, Barcelona	Venture capital for technological projects	BDO Auditores	3.72%	62,151	-	2,312
Caixa Innvierte BioMed II, F.C.R.	Diagonal 613, Barcelona	Venture capital for health sciences and biotechnology	Deloitte	5.71%	22,783	-	1,301
Suma Capital Growth Fund I, S.C.R	Diagonal 640, Barcelona	Venture capital for companies with growth projects	BDO Auditores	30.30%	25,238	16,352	12,602
Idinvest Digital Fund II	Avenue des Champs Elysées 117, Paris	Venture capital for companies in the digital sector	Aplitec	2.59%	148,865	-	3,873
Nauta Tech Invest IV, F.C.R.	Diagonal 593, Barcelona	Venture capital for technological projects	EY	14.06%	46,667	9,515	7,900
Aurica III, S.C.R.	Diagonal 407, Barcelona	Venture capital	Price WaterHouse	15.71%	48,664	-	7,676
Elaia Delta Fund, FPCI	Rue de Ponthieu 54, Paris	Venture capital for technological projects	Price WaterHouse	2.36%	29,195	-	840
Indivest Digital Fund III	Avenue des Champs Elysées 117, Paris	Venture capital for companies in the digital sector	KPMG	1.82%	45,251	-	900
Bonsai Partners Fund I, F.C.R	Caracas 19, Madrid	Venture capital	BDO Auditores	6.38%	4,205	-	300
SC Efficiency & Environment Fund II, F.C.R.	Diagonal 640, Barcelona	Venture capital for energy efficiency projects	EY	8.81 %	16,134	-	1,640
Finaves IV, S.A.	Diagonal 453, Barcelona	Investment Company in joint venture	GNL Russell Bedford Auditors	12.86%	717	2,865	461
Inveready First Capital I, SA	Serrano 50, Madrid	Investment Company in joint venture	BDO Auditores	31.58%	1,071	471	487

Societat d'Inversió dels Enginyers S.L.	Via Laietana 39, Barcelona	Investment Company in joint venture	BDO Auditores	49.58%	1,705	-	1,796
Inveready Venture Finance, S.C.R.	Serrano 50, Madrid	Investment Company in joint venture	RSM Spain Auditores	8.90%	2,416	2,106	402
Healthequity, S.C.R. SA	Pg. Bonanova, 47 Barcelona	Investment Company in joint venture	Deloitte	35.03%	5,758	1,419	2,514
Venturcap II, S.C.R.	Dr. Ferran, 3 Barcelona	Investment Company in joint venture	BDO Auditores	33.33%	2,014	303	772
Inverready Biotech II, S.C.R.	Serrano 50, Madrid	Investment Company in joint venture	BDO Auditores	5.81%	16,316	4,241	1,195
Caixa Innvierte Start, F.C.R.	Diagonal 613, Barcelona	Investment Company in joint venture	VirAudit	9.48%	12,615	-	1,196
K Fund, F.C.R.E	Rafael Calvo 40, 1-2 Madrid	Investment Company in joint venture	KPMG	3.44%	22,792	1,005	888
Encomenda Seed I BFCRE SA	Muntaner 449, Barcelona0	Investment Company in joint venture	Grant Thorton	10.71%	2,473	-	300
Inveready Biotech III, S.C.R, SA	Serrano 50, Madrid	Investment Company in joint venture	BDO Auditores	5.32%	3,384	-	200
TOTAL							**86,012**

Additionally, at December 31, 2018, the Group has direct capital investments in venture capital of 8,635 thousands of euros, mainly through Capital MAB F.C.R. and Capital Expansió F.C.R.

Figures relating to the equity of these companies were obtained from their financial statements at December 31, 2018 available at the date these financial statements were authorised for issue.

DIRECTOR'S REPORT OF THE ICF GROUP

(Translation from the original Consolidated Director's Report issued in Catalan. In the event of discrepancy, the Catalan-language version prevails)

CONTENTS

1. THE INSTITUT CATALA DE FINANCES (ICF) GROUP

1.1 ICF Group Structure

The Institut Català de Finances (hereinafter referred to as the Institute or the ICF) is a public financial entity with its own legal personality subject to the private legal system, wholly owned by the Generalitat of Catalonia. The regulations governing the ICF can be found in Legislative Decree 4/2002, of December 24, approving the revised text of the Law of the ICF, subsequently amended several times, the most recent one of the Decree Law 4/2015, of December 29.

The net assets and liabilities of the ICF account for almost all of the ICF Group. The rest of the Group's perimeter as of December 31, 2019 consists of:

- **IFEM (Instruments Financers per a Empreses Innovadores, SLU):** An entity focused on the management of resources from the JEREMIE - Joint European Resources for Micro to Medium Enterprises - programme, which has the support of structural funds, dedicated to creating and expanding micro, small and medium-sized companies, through participating loans, venture capital, guarantees, micro-credits and investment and working capital loans. Wholly owned by ICF.

- **ICF Capital SGEIC, SAU:** its main objective is to promote, advice and manage venture capital funds or companies which contribute capital to Catalan companies. Wholly owned by ICF. ICF currently directly manages three investment vehicles:

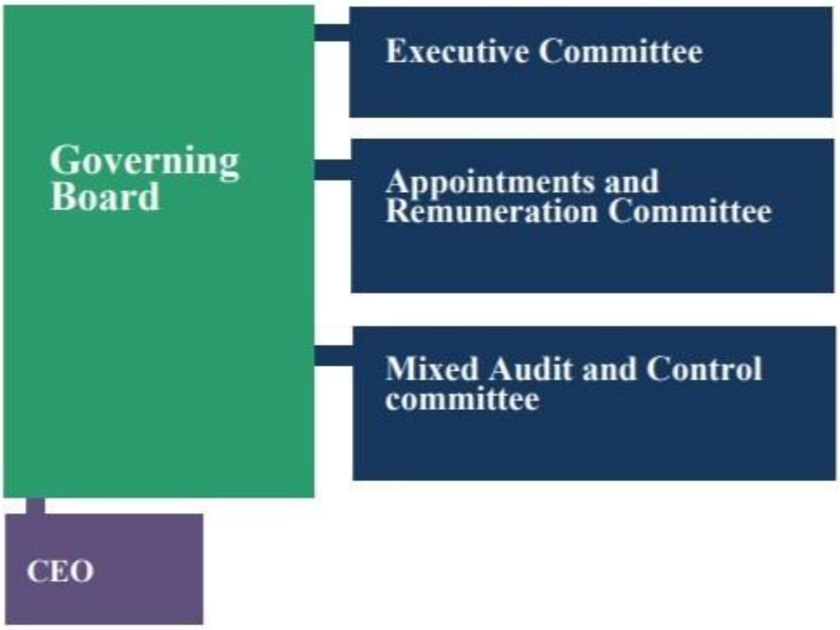
    - **Capital MAB F.C.R.**
    - **Capital Expansió F.C.R.**
    - **Venture Tech, F.C.R**
    - **Capital Expansió II, F.C.R**
    - **BCN Emprèn, S.C.R.,S.A.**

The first four are venture capital funds wholly owned by the ICF, which are also consolidated for accounting purposes.

- The company Avalis de Catalunya, S.G.R. is also a member of the Group and is considered an associate: a mixed capital (public-private) mutual guarantee company promoted by the Government of Catalonia in 2003 to to facilitate access to credit for SMEs and self-employed persons operating in Catalonia and to improve their conditions of financing through the provision of guarantees to banks. The Group had a 14.97% interest at 31 December 2005. December 2019, through the Institut Català de Finances and IFEM.

1.2 Corporate governance model and structure

At December 31, 2109 the governing structure of ICF, the parent of the Group, is as follows:



Governing Bodies

The **Governing Board** is the maximum governing body of the entity and makes strategic and essential decisions regarding its activity

In accordance with law, the Governing Board can present budgets, notes to the annual accounts, balance sheet and accounts of the entity and propose the distribution of results, to the Generalitat de Catalunya - owner of the entity - for approval. It can also make decisions regarding the ICF's organization, functioning and legal relationships and be informed of the initiatives of the other bodies of the ICF.

In accordance with the regulations of the ICF, the Governing Board can set up committees to which it may delegate powers such as approving and amending investment and credit operations that have been specifically delegated. The **Executive Committee** is the competent body for approving and amending credit operations, investments in venture capital and financial investments, as delegated by the Governing Board.

In the specific area of governance and in accordance with Law 10/2014 of 26 June 2014 on the organization, supervision and solvency of credit institutions, ICF has delegated specific powers to the Appointments and Remuneration Committee and the Mixed Audit and Control Committee, which report directly to the entity's highest governance body. Both committees are currently exclusively formed by independent individuals appointed by the Governing Board.

The **Appointments and Remuneration Committee** has the competency to analyse, validate and make proposals to the Governing Board on aspects regarding the appointment of the members (whether they are honourable and suitable) of the ICF's governing bodies and key personnel and their fixed and variable remuneration.

The **Mixed Audit and Control Committee** is in charge of planning and monitoring internal and external audit; globally controlling risk; legislative compliance; internal control and anti-money laundering

CEO

The Chief Executive Officer (CEO) is appointed freely by the Generalitat de Catalunya and is proposed by the Vice-Presidency of Economy and Tax subsequent to approval by the Appointments and Remuneration Committee. The CEO assumes the ordinary and extraordinary representation of the entity in any scope or circumstance.

Since February 22, 2011, the CEO of the ICF is Josep-Ramon Sanromà i Celma.

Governing bodies of ICF's subsidiaries: ICF Capital and IFEM

ICF's two subsidiaries (ICF Capital and IFEM) have their own Governing Board which is their highest governing body and is responsible for the administration and management of the ICF.

2. ECONOMIC ENVIRONMENT AND POSITIONING IN 2018

Economic environment

After two consecutive years of high growth (3.8% in 2017 and 3.6% in 2018), the economy The global economy has closed 2019 with an estimated growth rate of 2.9%, which is confirmation of the of the slowdown that was intuited on the horizon and that we will have to see what evolution follows in the future more The first is that of the "new", which is the first step in the process of the development of the new economy. exercises. Against the backdrop of this decline, a global economy at a time of The business cycle is the continuation of certain uncertainties already present in the previous year: the trade tensions - mainly, but not only - between the United States and China, Brazil and its impact on the British economy and the British pound; global geopolitical tensions - Hungary Kong, Iran or Chile as exponents; or the difficulties of certain industries at the global level -case of the automotive industry –

With regard to macro-financial risks, it is worth noting the strengthening of accommodative monetary policies by the main central banks. Examples are the Federal Reserve's latest 25 b.p. cut, the stimulus package announced in September by the European Central Bank and the reduction by the Chinese central bank of some of its reference rates.

Within the global trend, however, unequal realities are observed. While the good pace of growth is maintained in the United States, where despite trade tensions they observe unemployment rates (3.5%) at minimum levels of the last 50 years, and also in China, the impact of the slowdown has been greater in the Eurozone, especially affected by global trade tensions and the slowdown in German industry.

In this context, the Catalan economy grew for the sixth consecutive year - with a GDP in absolute terms and per capita that has recovered pre-crisis levels - and did so one more exercise with greater dynamism than the The Eurozone; while sharing the trend of moderation in growth, resulting from the impact of the global trade and industrial tensions, which are partially offset by the dynamism of the sector services. As for the labour market, employment continues to grow positively, although more moderately that in recent years, in line with the trend of economic growth.

Financial system

The sector continues to focus on the digital transformation and profitability, without losing sight of the regulatory impacts.

In relation to digital disruption, aspects such as artificial intelligence and big data are at the centre of efforts, with the aim of improving the customer experience and operational efficiency. This entails a transformation of the entity at all levels, from the front office - where the transformation effort had begun - to the administration departments.

From the point of view of profitability, the context of persistently low interest rates This has a continuous impact on the margins of the entities, which additionally have to deal with the pressure from investments in digitalization, to the growing importance of new players -Fintech and Bigtech- and a stagnation in the global credit volume. All these elements act as catalysts for the search for new sources of income. On a positive note, the sustained reduction in the number of non-performing loans, which allows pressure to be released from the income statement via reduced provisioning requirements.

3. PERFORMANCE

3.1 Lending activity

The ICF / Avalis Group has facilitated access to financing for 1,564 companies for an amount of 662.3 million euros in 2019, through 2,482 loan and/or guarantee operations. 63.1 million more in 2018 (+11%). 63.1 million more in 2018 (+11%). 97% of the companies financed in 2019 were SMEs and entrepreneurs.

The table below shows details of the lending activity by product:

	Number of transactions	Amount (M€)
ICF guarantees	**23**	**31.2**
Direct loans and co-investment	**659**	**392.6**
Investment / Working capital	126	206.8
Industry	149	67.0
ICF Eurocredit	4	51.5
Agrofood	18	24.9
Housing	174	18.8
Culture	16	8.8

Other purposes	76	5.6
Intermediation loans (shared risk)	70	2.4
ICF Commerce	26	6.8
Refinancing	**66**	**87.4**
TOTAL ICF GROUP	**748**	**511.2**

Avalis guarantees	**1,734**	**151.1**
TOTAL AVALIS	**1,734**	**151.1**

TOTAL ICF GROUP + AVALIS	**2,482**	**662.3**

Direct loans and co-investment are the most important in terms of volume, with a total of 659 operations for an amount of 392.6 million in 2019. In this regard, and apart from the general line, the following should be highlighted within the activity of the year:

- The ICF Eurocrèdit line, co-financed with the European Regional Development Fund (ERDF) of the Union 67.0 million, with which 149 operations have been financed.
- The EcoVerda line, for sustainable and environmentally friendly investments or working capital needs that promote green economy, circular economy and/or energy efficiency projects, among others, through which 4 operations have been financed for 51.5 million euros.
- The ICF Industry line, launched jointly with the Directorate-General for Industry of the Department of Business and Knowledge, through which 18 operations were financed for 24.9 million euro.
- The two ICF Social Housing lines, launched jointly with the Catalan Housing Agency, with 174 operations have been financed for

Also, by number of operations, the guarantees stand out, with the formalisation of 1,757 operations, 182.3 million of financing for both investment and development. for circulation.

Regarding the territorial distribution of the entity's credit activity, Barcelona and its area of influence concentrate the most important bulk, both in terms of investment volume and number of credit operations , with more than 70% of the investment, in line with the economic weight of the demarcation

in the Catalan GDP and with the concentration of business activity in Catalonia. Central Catalonia and Lleida are the following areas with a higher volume of investment.

In relation to the sectoral distribution, industry, commerce, tourism and transport have been the main recipients of ICF Group funding in 2019. The ICF has continued to work actively to support a wide range of sectors, under the premise that the entity can provide funding to any company with activity in Catalonia.

By type of company, 96.9% of the financing for the year was allocated to financing the self-employed, small and medium enterprises. On the other hand, lending activity to large companies and the public sector has assumed 2.3% and 0.8%, respectively.

3.2 Capital activity

Venture capital activity is, along with loans and guarantees, another way through which the ICF Group facilitates access to financing for the Catalan business sector. The participation of the entity is based on collaboration and complementarity with the specialized private sector, identifying market gaps and acting as a driving force to multiply the resources coming from other investors that are allocated to each fund.

The objective of the Group in venture capital is to promote growth and the creation of companies and is directed, in general, to projects of innovation, internationalization and / or sectoral consolidation and with good profitability expectations.

Currently, the ICF has accumulated investment commitments in venture capital funds and/or investment funds with outstanding portfolios of 303.6 million euros - 82% more than in 2018 - through 47 vehicles, which together with the 2,599.7 million euros committed by other investors, add up to an investment capacity of more than 2.9 billion euros.

In 2019, new commitments were made in the Seed, Venture and Growth segments 16.7 million, 61.7 million and 60.0 million respectively. These commitments include The creation of two new funds managed by the Group should be highlighted: ICF Venture Tech II (20 million) and ICF Capital Expansión II (EUR 50 million). In addition, the venture capital funds managed by the Group have made investments totalling 6.0 million euros.

In addition to this potential venture capital investor, investment through IFEM Innovation, on a co-investment basis with private investors (business angels, venture builders, accelerators and other instruments), for innovative companies in their early stages managed through IFEM. Through this line, during 2019 the Group has invested 3.6 million euros in 19 Catalan start-ups.

4. FINANCIAL INFORMATION

4.1. Balance sheet performance

The ICF Group and its parent company closed 2019 with a total volume of assets in excess of 2 billion euros, according to the directors' forecasts, of which approximately 70% corresponds to the "loans and advances" heading, where the Group's loan portfolio is registered.

The changes in the balance sheet in the year 2,019 were mainly marked by the following items:

- Growth in the loan portfolio: growth in direct bilateral positions with the private sector, while continuing to reduce certain historical non-strategic lines, mainly mediation with banks without assuming client risk and large syndicated operations . The non-performing loan portfolio continued to decline, with an NPL ratio of 6.6%. at the end of 2019, which represents a fall of 1.2% in relation to the figures at the end of 2018. On the other hand, the coverage ratio for non-performing loans was 150.9%, higher than the previous year and the industry average.

- Evolution of the venture capital investment portfolio: an increase of 1.9% of the outstanding risk on the balance sheet at the Group level, highlighting the creation of two new direct management funds by the ICF Group, Venture Tech II FCRE and Capital Expansión II, FCRE, which give continuity to the activity of Capital MAB FCR and Capital Expansión F.C.R., entities which have completed their investment period.

- Cash flow and debt evolution: in 2019, the financing of the activity has mainly carried out thanks to the same generation of resources from the business and the own treasury, although bilateral financing operations have also materialized, allowing for an overall improvement in the terms of the debt. The Group's strong cash position has enabled it to cope with and, in addition, also to an optimisation of the cost of borrowing.

The ICF's borrowing capacity is determined by the annual budget law. Respecting these limits, the ICF can raise funds through any modality, either through contracts with public and/or private financial entities or through private issues and placements of securities in the capital markets. In this regard, it should be noted that the ICF's resources do not generate a deficit or debt for the Generalitat de Catalunya.

On the other hand, the increase in equity, as a result of the proposed distribution to reserves of the 2019 result, should be highlighted once again, thus increasing the ICF Group's capacity to increase its future activity. Thus, the ICF Group closes 2019 with consolidated equity of EUR 8730 million and a consolidated solvency ratio of 46.80%, higher than in 2018 and well above the minimum required by the regulator:

Consolidated Solvency ratio (Basel III)		
2019	**2018**	**Minimum required by the regulator***
46.8%	39.75%	10.5%

** Source: Basel III and Law 10/2014 on ordination, supervision and solvency of credit entities.*

Average payment period for external suppliers

The information on the average payment period of the group during the 2019 financial year is as follows:

	2019
	Days
Average payment period for suppliers	29.71
Paid transactions ratio	29.71
Outstanding transactions ratio	-
	Amount in thousands
Total payments made	5,985
Total pending payments	-

.

Acquisition and disposal of own shares

The ICF Group has not made acquisitions or disposals of own shares during the year.

4.2 Income statement

In terms of the income statement, there are two main trends in 2010. On the one hand, a evolution of the result of the activities in line with the managers' forecasts and with the sector trend, in a context that continues to be marked by low interest rates and competition in prices. And, on the other hand, a significant volume of extraordinary recoveries, mainly related to doubtful and failed assets, as a result of proactive management of recoveries and a historical policy of prudence in the coverage of credit risk. These extraordinary recoveries, which result in a positive risk cost for 2019, constitute the main difference between the result before taxes with respect to the previous year's figures.

In terms of the main indicators, the ICF Group ended 2019 with a return on average total assets of 1.43%, a return on equity of 2.74% and an efficiency ratio of 37.3%.

4.3 Information on credit ratings

At December 31, 2019, ICF's credit rating stood at BB according to Fitch Rating's:

Rating				
Agency	**Last review**	**Long term**	**Short term**	**Outlook**
Fitch	April 2019	BB	B	Stable

It should be pointed out that the method used by the rating agencies links ICF's rating to that of the Generalitat de Catalunya, irrespective of ICF's high solvency and liquidity ratios.

5. RISKS AND UNCERTAINTIES

Note 3 to the accompanying consolidated annual accounts provides details of ICF Group's risk management.

Structure of management and control of financial risks

The organizational structure and functions relating to the management and control of the ICF Group's financial risks are as follows:

- **Governing Board:** maximum body responsible for establishing policies and global limits for risk management purposes.
- **Mixed Audit and Control Committee (CMAiC):** responsible for overseeing that the Group's risk profile is maintained within the established objectives, advising the Board in the Group's current and future global risk strategy. It is also the responsibility of the CMAiC to ensure the validity and application of the processes to identify, measure and control financial risks.
- **Asset-Liability Committee (ALC):** maximum body for managing and controlling financial risks
- **Global Risk Management Committee:** body supervising all the Group's risks from a global perspective.

Credit Risk

The Group’s fundamental aim concerning credit risk is to achieve sustained, stable and moderate growth of credit risk, enabling a balance to be maintained between acceptable levels of risk concentration among creditors, sectors, activity and geographical areas, on the one hand; and robust, prudent and moderate levels of solvency, liquidity and credit hedging, on the other.

Concentration risk management is based on that stipulated in the Bank of Spain Circular on calculation and supervision of minimum equity capital requirements (Circular 3/2008), in particular the ninth chapter relating to limits to large risks

The highest credit risk monitoring and control bodies are the Governing Board, the Mixed Audit and Control Committee, the Executive Committee and the Credit Investments Committee.

On the other hand, the Global Risk Control Unit performs periodic monitoring of risk concentration levels, the evolution of delinquency rates and different defined alerts that allow monitoring the evolution of credit risk. Likewise, the Risk Monitoring Committee analyses in detail specific clients with large exposures, in a situation of special or doubtful surveillance and / or with alerts.

Counterparty credit risk

In compliance with article 286 of Regulation (EU) No 575/2013 "Management of CCR - policies, processes and systems", the ICF Group has a counterparty credit risk policy contained within its Financial Risks Policy and it also has systems to control counterparty credit risk and maximum exposure.

At December 2019, the counterparty risk of the ICF Group comes from the exposure it holds in trading derivatives and interest rate hedging, which it uses solely as a tool for managing financial risks.

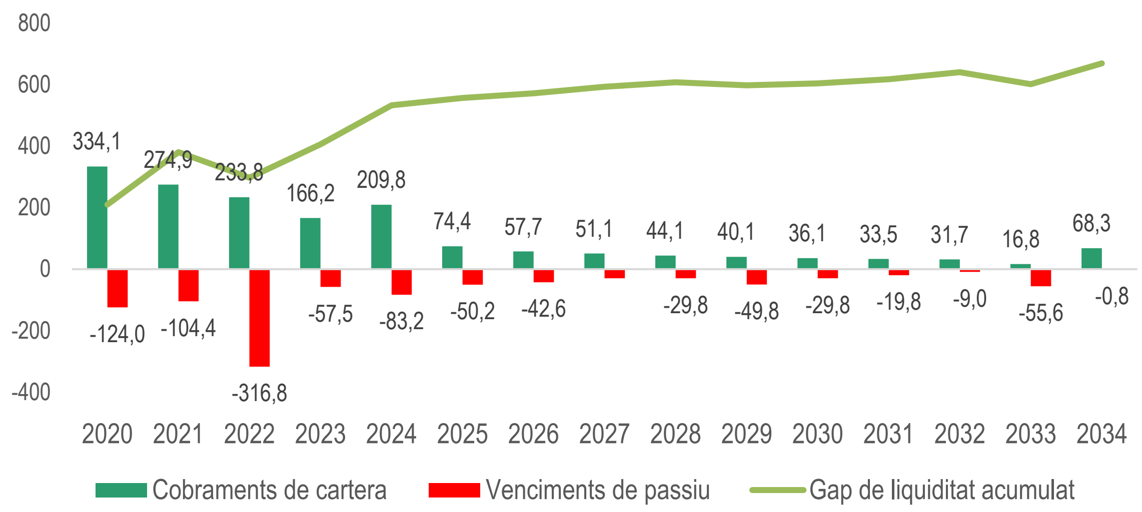
The ICF Group follows the EMIR regulation (Regulation 648/2012). This regulation entered into force on September 15, 2013 with effect as of February 12, 2014, and establishes reporting obligations that affect entities that operate with derivatives.

<u>Liquidity risk</u>

Liquidity position at December 31, 2019:

At December 31, 2019, the ICF Group's total cash position was 340.2 million euros, 250.8 million euros in fixed income, 84.4 million euros in deposits and current accounts and 5 million euros in promissory notes.

Note 3.2 to the accompanying financial statements for 2019 provides details of the liquidity management policies, as well as information on the maturity dates and main uses and potential sources of liquidity existing at reporting date. The Group has a continuously positive accumulated liquidity gap for the period 2019-2034:



The high positive value of the liquidity gap is due to the conservative risk management profile. Likewise, liquidity management aims to adapt the average life of liabilities to the average life of loans.

Financing:

The ICF group's debt at the end of 2019 is 992.5 million euros, distributed in issues and promissory notes for a value of 300.7 million euros and 691.8 million euros in loans. 691.8 million in loans. 97.1% of the financing is long-term, with a residual maturity of more than 7 years.

Liquidity coverage ratio (LCR):

In terms of liquidity, the ICF group, as at 31 December 2019, broadly meets the minimum requirements for supervised credit institutions (delegated regulation 2015/61, supplementing regulation 575/2013), with an LCR ratio:

	LCR ICF (*)	Regulator threshold
31/12/2019	4578%	100%

Market risk

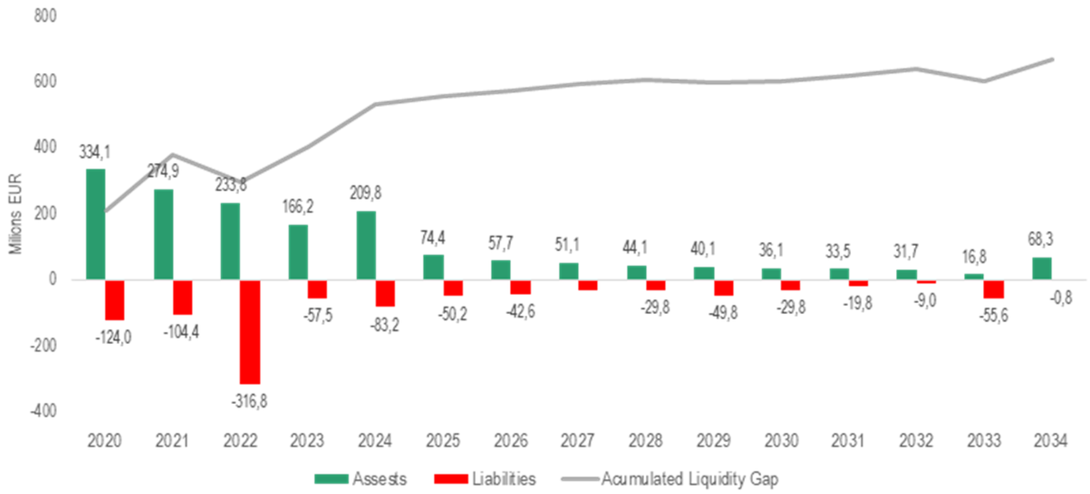
The ICF Group has a residual position in interest rate derivatives for a nominal amount of 55 million euros in the trading portfolio. In reference to the fixed income portfolio available for sale and at maturity, it is entirely in euros.

Note 3.1 to the accompanying consolidated financial statements show more details of the ICF's market risk.

Interest rate risk

The interest rate risk directly affects the Group's activity due to the effect that its fluctuations could have on the income statement and economic value. The distribution of assets and liabilities due to maturity or repreciation allows to detect concentrations of interest rate risk in different periods (repricing gap).

Note 3.3.1. to the accompanying consolidated financial statements provides details of the objectives, policies and processes for the ICF Group's management of the structural interest rate risk. The gap of the first repricing, complementing the information provided in the aforementioned note, is as follows:



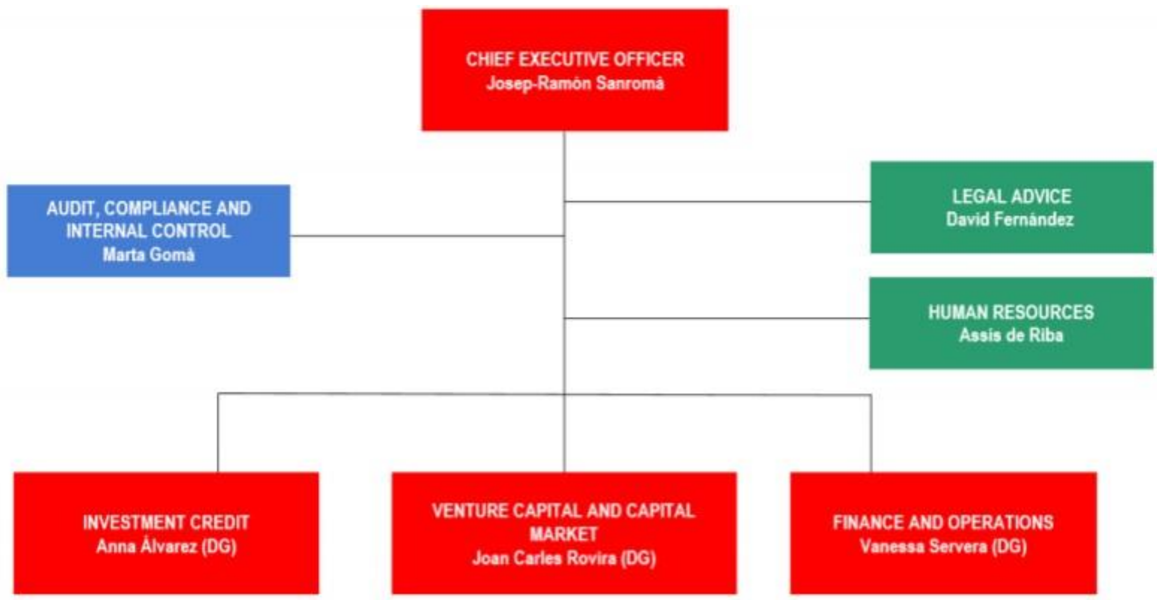
Operational risk is related to the losses that can be caused by errors linked to processes internal or human errors in the daily activity of the entity. The consolidation of the ICF group in the of risk management and control based on three lines of defense, allows to limit and manage this risk from the different areas. Note 3.6. to the accompanying consolidated financial statements details the objectives, policies and processes of the operational risk management carried out by the ICF.

Operational risk

Operational risk is related to the losses that may be caused by errors linked to internal processes or human errors within the entity's daily activity. The consolidation of the ICF group in the management and risk control model based on the three lines of defense, allows to reduce and manage this risk from the different areas. Note 3.6 to the accompanying consolidated financial statements provide details of the objectives, policies and processes for the ICF Group's management of operational risk.

6. INFORMATION ON HUMAN RESOURCES

Functional organizational chart



Workforce

At December 31, 2019 the ICF Group has a headcount of 104 workers (60% female and 40% male), with an average age of 42.

The Group's human resources are formed of highly skilled personnel. Most of the Group's workforce is formed of qualified personnel, those with university education representing 88% of the headcount.

Personnel training

The ICF Group encourages and facilitates the training and development of its team of professionals to enhance and promote internal talent. In this regard, the ICF Group promotes development through a wide range of training programs, both internal and external, as well as incentives and the cost of certifications for each area.

In relation to 2019, a total of 53 training actions were carried out, equivalent to 1,197 hours of training. Among the areas of training, we highlight the programs focused on improving management skills, training linked to the Digital Transformation and language training.

On the other hand, the ICF has promoted the "ICF Saludable" program, which is a new initiative promoted by Human Resources in collaboration with the Health and Safety Committee, and which provides us with opportunities to live a healthier life: among them, healthy food, sport, and advice are part of this program.

Corporate social responsability

- Financial Education: For the sixth consecutive year, the ICF is participating in the Financial Education for Schools in Catalonia (efectos) programme, promoted by the Catalan Government in collaboration with the Institute of Financial Studies (IEF). This participation also consists in facilitating that ICF professionals, during working hours, do volunteer work teaching economic concepts to 4th year ESO students.

- Culture: in addition to promoting cultural projects through funding, we work with the ICF to promote culture throughout the territory. Since 2014, the ICF is a founding partner, member of the Board of Trustees and of the Executive Committee of the Catalonia Culture Foundation, an entity that seeks to increase collaboration between the business community and the cultural sector, recovering its social and by enhancing the prestige of patronage. The aim is to support and actively participate in the promotion of new initiatives to transform the business-culture relationship in all areas.

- The Day to Day of the SMEs: the ICF, Avalis and the IEF signed an agreement to train the managers of SMEs in business finance to improve training of SME managers knowledge that will allow them to better manage their finances. companies. This is why the Catalan Institute of Finance (ICF) and Avalis de Catalunya have signed an agreement with the Institute of Financial Studies (IEF) to promote training in business finance among managers of Catalan SMEs. The programme, which is called of "The Day-to-Day Life of SMEs", aims to train company managers in finance and knowledge that will allow them to better manage their business financially of their companies.

  This collaboration agreement was born out of the needs of SMEs, especially when they are embarking on growth or expansion processes, phases in which financial management is of great importance. During this period, having all the possible information, knowledge and expert advice is essential to make the best decision for the business. With this objective, two face-to-face sessions were held in October at the ICF headquarters in Barcelona.

- Global money week: the ICF held a session for young people today with the aim of promoting knowledge of the entrepreneurial ecosystem of Catalonia. Within the framework of the Global Money Week, and in collaboration with the IEF, the public financial entity has held a conference with more than 30 students of Vocational Training to address one of the economic and financial issues with more interest at present: the start-ups.

7. R+D+i ACTIVITIES

In 2017, the ICF Group initiated a strategic plan for digital transformation with the aim of defining, prioritizing and planning the entity's digital strategy. The project is coordinated from the General Directorate of Finance and Operations, and has the collaboration of internal and external multidisciplinary teams.

The plan envisages different phases, in which they will be addressed:

- **Aspects of external transformation:** customer experience, relationship model, 360º client.

- **Internal transformation:** organizational model, talent management, processes and technology.

- **Innovation in the business model**: innovation model, design of products and services, disruptive models.

In accordance with the initiatives contemplated in the Digital Transformation Plan, during 2019 the following have been implemented new tools that improve customer relations and increase the efficiency of the ICF as in management and decision making with the aim of reducing time to market. Among the new implemented, highlights the new CRM of the entity, which allows to centralize the interactions that are made with the client to manage their life cycle and to promote a more direct and personal relationship, of according to the needs of each company and entity. Also, the incorporation of the digital signature. Thank you the new tool has streamlined signature processes, gaining efficiency, while reducing significantly the use of paper.

8. OUTLOOK FOR 2020

Company financing activity

Lending activity

The ICF Group maintains the objective of contributing to the economic growth of Catalonia, continuing with the strategy of focusing on facilitating access to credit for SMEs, entrepreneurs and entities and in the financing of projects of innovation, internationalization, growth and creation of employment in the Catalan business fabric. In addition, this year, 2020, measures that help to alleviate the negative economic impact on the Catalan economy derived from the health emergency scenario in which we find ourselves, at a global level, at the time of formulating the accounts, will carry a lot of weight.

In this sense, in the 2020 activity forecast stand out:

- ICF-Avalis liquidity line, in collaboration with financial institutions, to cover the liquidity needs of SMEs as a result of the emergency situation arising from Covidien-19.
- Continuation of the ICF Eurocredit line, launched in the year 2017, and which conveys- the image and resemblance of the European public investment banks-, in co-investment regime, ERDF funds allocated to the financing of the Catalan business network, focusing on in SMEs.
- Strengthening the differential and strategic lines: Social housing, Green Economy and Social Economy, among others.
- Maintenance of lines of co-investment with private financial entities, valuing the complementarity of the Group in the financial market and its effect as a catalyst and financial tool.
- Alignment of the activity with the Sustainable Development Goals (SDA) and the implementation of the United Nations Agenda 2030.

Venture capital activity

In the area of venture capital, through the ICF and the specialised Group companies (ICF Capital and IFEM) the Group continues to promote the Fund of funds lines for the Growth, Venture and Seeds segments to foster internationalisation, innovation, consolidation and growth of businesses; additionally, co-investment with business angels will be extended to entrepreneurial corporations and the knowledge industry, as well as other certified investment vehicles.

Attracting resources

The current cash position ensures the needs for 2020. However, the Group's mission is to be active in the market, to get better sources of financing that are granted in the long term at the best cost.

Financial statements

As regards the evolution of the balance sheet, the volume of assets with respect to the end of 2019, maintaining the high levels of capitalization, liquidity and coverage of 2019, significantly higher than the minimums set by the regulators and the average sector, and which allow the ICF Group to face the challenges of the future from a high level of financial soundness. The profit and loss account is expected to maintain a continuous line with respect to the figures for 2019, excluding the effect of non-recurring impacts.

Internal organization

The internal organization of the Group for 2020 is marked by two important milestones:

- Maintenance of the activity figures: reinforcement of the technical means to be able to improve the support to the business areas.

- Promotion of innovation and digital transformation of the Group. Once the first stage of the digital transformation plan initiated in 2017 has been completed, the units' efforts will focus on the implementation of a new banking core, which will redefine the bank's systems map and standardise it for all purposes for credit institutions.

The commitment, effort and spirit of continuous improvement of the professionals of the ICF have allowed us to achieve the objectives established for 2020, and we are convinced that they must allow us to achieve the important challenges that we are marking each year.

9. EVENTS AFTER THE REPORTING PERIOD

On March 11, 2020, the World Health Organization elevated the public health emergency caused by the Covid-19 outbreak to an international pandemic. The rapid national and international developments represent an unprecedented health crisis, which will impact the macroeconomic environment and business developments. To address this situation, among other measures, the Government of Spain has proceeded to declare the state of alarm, through the publication of Royal Decree 463/2020 of 14 March, and the adoption of a series of extraordinary urgent measures to deal with the economic and social impact of Covid-19, by Royal Decree Law 8/2020 of 17 March. In the same vein, the Decree Law 7/2020 of the Generalitat of Catalonia on urgent measures to mitigate the effects of the pandemic from Covid-19.

The Group considers that these events do not imply a change in the consolidated financial statements for the year ended 31 December 2019, although they could have an impact on its operations and, therefore, on its future results and cash flows. These future impacts will be recognised prospectively in the consolidated financial statements for the relevant year.

The Group's balance sheet structure, its solvency and its liquidity position at this date, together with the appropriate steps being taken and the contingency plans that have been defined, enable it to cope with the situation and continue with the ordinary course of its operations.

Barcelona, 25th of March, 2020