Audit Report on Consolidated Financial Statements
issued by an Independent Auditor

INSTITUT CATALÀ DE FINANCES AND SUBSIDIARIES
Consolidated Financial Statements and
Consolidated Management Report
for the year ended December 31, 2021

Building a better
working world

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AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

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

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, 2021, the consolidated income statement, the consolidated statement of recognised income and expenses, the consolidated statement of 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, 2021 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.

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

Description	The Group's portfolio of loans and advances to customers at 31 December 2021 amounts to EUR 1.927.054 thousand, with an associated impairment provision of EUR 211.897 thousand (see note 8 to the accompanying consolidated financial statements). The impairment of loans and advances at amortised cost is a significant and complex estimate. The relevant accounting principles and criteria applied by the Group to estimate the impairment losses, either individually or collectively, are detailed in note 2.h to the accompanying consolidated financial statements. The methods used to estimate impairment losses involve the exercise of a high degree of judgement in elements such as the classification of transactions according to their risk, the identification and classification of impaired exposures or those with a significant increase in risk, the sale value of the pledged collateral and, in the case of estimates made on an individual basis, the assessment of the borrowers' likeliness to pay based on the future evolution of their business. For the collective analysis, the Group uses the model for estimating credit risk impairment losses established in Circular 4/2017 by Bank of Spain, and a specific calculation methodology for estimating losses for individual exposures. The COVID-19 pandemic has been negatively affecting the Spanish economy since 2020. In order to mitigate the impacts of COVID-19, the Generalitat de Catalunya has activated initiatives to help the sectors and costumers most affected through several measures such as the granting of credit lines by the Generalitat and the flexibility of lines financing and liquidity. These circumstances increase the uncertainty around the variables considered by the Group in the estimation of expected credit losses, such as the future evolution of its customers' businesses, the sale value of the pledged collateral, etc. As a result of this situation, the Group has recorded in 2021 an additional provision for credit risk impairment losses of EUR 19.200 thousand. Therefore, the estimation of credit risk impairment losses for loans and advances at amortised cost has been considered a most relevant audit issue.
Our response	Among the audit procedures that we have performed in this area, we have evaluated the internal control environment around the estimation of credit-risk impairment losses and performed substantive testing on losses estimated both individually and collectively. With regards to the evaluation of the internal control environment, our tests have focused, among others, on: ► Assessing of the adequacy of the policies and procedures established by the Group in accordance with the applicable regulatory requirements, as well as their effective application; ► Reviewing the procedures established by the Group in the process of granting loans to assess their collectability based on the debtor's likeliness to pay and its financial information. ► Verification of the criteria for classifying exposures (“staging”) according to their credit risk, taking into account the seniority of the defaults, the conditions of the operation, including refinancing or restructuring, and the controls or monitoring alerts established by the Group.

- Reviewing of the procedures for the periodic monitoring of loans, mainly those related to updating the debtor's financial information and the periodic review of the loan file, as well as and monitoring the alerts established by the Group for the identification of assets under special surveillance or impaired;
- Assessing the design of the relevant controls in place for managing and measuring collaterals pledged in credit operations.

Additionally, we have performed substantive procedures, mainly consisting of:

- In relation to the estimation of impairment losses determined on an individual basis, we reviewed a sample of loans to assess their appropriate classification and the assumptions used by the Institute's management to identify and estimate impairment losses, including the debtor's financial position, forecasts of future cash flows and, when considered, the valuation of the pledged collaterals. In this sample, we have included borrowers operating in the economic sectors affected by Covid-19, as well as other borrowers that have been recipients of the relief measures promoted by the Generalitat de Catalunya.
- In relation to the estimation of impairment losses determined collectively, we have reviewed a sample of transactions to assess their segmentation and classification, by testing, against supporting evidence, certain attributes included in the Institute databases, such as the days past due, the existence of refinancing or restructuring transactions or the values of collaterals pledged, considering, in any case, the effects that may have arisen from the deterioration of the economy, as well as the changes introduced by the Group in its policies and procedures.
- We have recalculated the estimate of credit-risk impairment losses determined collectively, reproducing the impairment model that considers the loss percentages in accordance with the segmentation and classification of transactions established in Bank of Spain in Circular 4/2017, as well as the additional provisions recognised by the Group in 2021.
- We have assessed whether the accompanying consolidated financial statements contain the information required by the regulatory framework for financial information applicable to the Group.

Valuation of venture capital investments

Description	In accordance with note 7 to the accompanying consolidated financial statements, the Group holds investments in venture capital entities amounting to EUR 171.254 thousand at 31 December 2021, which are measured, in accordance with the accounting policies detailed in note 2.b to the consolidated annual accounts, at fair value, the cumulative changes in which are classified in the Group's equity. The determination of the fair value of venture capital investments is an estimate based on accounting information on the equity value of investee companies. Therefore, we consider the valuation of private equity investments a most relevant audit issue.
Our response	Our audit approach included analysing and evaluating the internal control environment over the monitoring processes of investments in venture capital entities, including the analysis and processing of information obtained by the Institute's management on these investments to estimate their valuation.

Additionally, we have performed, mainly, the following substantive audit procedures:

- Tests of details to assess the quality and completeness of the technical and management accounting information on the projects developed by the venture capital entities in which the Group invests, and on the treatment given to it by the Institute's management.
- Tests of details on the reliability of this information, as well as on the arithmetic calculation performed by management to measure the fair value of the venture capital entities, assessing how the Institute's management has considered the uncertainty inherent in this information in the environment of economic deterioration as caused by the COVID-19 pandemic.
- 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 2021 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 2021 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.

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 26, 2022

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, 2021 AND 2020 (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	31/12/2021	31/12/2020*	LIABILITIES AND EQUITY	Note	31/12/2021	31/12/2020*
				LIABILITIES			
Cash, cash balances with central banks and other demand deposits	**5**	**64,445**	**24,817**	**Financial liabilities held for trading**	**6**	**1,598**	**4,015**
				Derivatives		1,598	4,015
Financial assets at fair value through other comprehensive income	**7**	**444,589**	**361,081**	**Financial liabilities at amortized cost**	**15**	**1,573,586**	**1,598,410**
Equity instruments		172,058	129,899	Deposits		1,236,395	1,267,967
Debt securities		272,531	231,182	Credit institutions		987,851	1,058,701
				Client funds		248,544	209,266
Financial assets at amortized cost	**8**	**1,950,871**	**1,985,984**	Debt securities issued		332,831	326,337
Loans and advances		1,950,871	1,985,984	Other financial liabilities		4,360	4,106
Central banks		3,600	-				
Credit institutions		20,217	29,009	**Derivatives – hedge accounting**	**9**	**2,615**	**5,764**
Customers		1,927,054	1,956,975				
				Changes in the fair value of the hedged items in a portfolio covered against interest rate risk		**1,705**	**1,935**
Derivatives – hedge accounting	**9**	**7,338**	**9,408**	**Provisions**	**16**	**3,498**	**2,599**
Changes in the fair value of the hedged items in a portfolio covered against interest rate risk		**47**	**-**	Commitments and guarantees given		2,616	1,717
				Other provisions		882	882
Investments in joint ventures and associates	**11**	**7,814**	**8,100**	**Tax liabilities**	**21**	**1,250**	**2.657**
Associates		7,814	8,100	Current tax liabilities		422	2.657
				Deferred tax liabilities		828	-
Tangible assets	**12**	**69,463**	**69,507**	**Other liabilities**	**17**	**108,139**	**84,601**
Property, plant and equipment		11,480	11,056				
Investment property		57,982	58,451	**TOTAL LIABILITIES**		**1,692,392**	**1,699,981**
Intangible assets	**13**	**3,772**	**3,936**	**EQUITY**			
Other intangible assets		3,772	3,936				
				Own funds	**20**	**921,248**	**883,625**
Tax assets	**21**	**60,417**	**56,066**	Capital		693,149	693,149
Current tax assets		5,159	183	Paid-in capital		693,149	693,149
Deferred tax assets		55,258	55,883	Retained earnings		188,890	182,163
				Other reserves		2,790	2,904
Other assets	**14**	**41,753**	**76,638**	Reserves from joint ventures and associates		2,790	2,904
Rest of other assets		41,753	76,638	Profit/(loss) attributable to equity holders of the parent		36,419	5,409
				Accumulated other comprehensive income	**19**	**52,105**	**24,676**
				Items that will not be reclassified to profit or loss		53,638	27,455
Non-current assets and disposal groups classified as held for sale	**10**	**15,236**	**12,745**	Changes in fair value of equity instruments through profits/(loss)		53,638	27,455
				Items that can be reclassified to profit or loss		(1,533)	(2,779)
				Hedging derivatives. Cash flow hedge.		(1,689)	(3,335)
				Changes in fair value of debt instruments		156	556
				TOTAL EQUITY		**973,353**	**908,301**
TOTAL ASSETS		**2,665,745**	**2,608,282**	**TOTAL LIABILITIES AND EQUITY**		**2,665,745**	**2,608,282**
MEMORANDUM ACCOUNTS: OFF-BALANCE SHEET ITEMS							
Financial guarantees granted	**22**	112,530	107,438				
Contingent commitments granted	**22**	259,760	172,832				

* Presented solely and exclusively for comparative purposes.
Notes 1 to 36 in these financial statements and the appendixes I, II and III form an integral part of the consolidated balance sheet on December 31st, 2021.

INSTITUT CATALÀ DE FINANCES GROUP

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(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 2021	Year 2020*
Interest income	23	47,095	42,781
Financial assets at fair value through other comprehensive income		1,234	1,243
Financial assets at amortized cost		45,861	41,538
(Interest expenses)	24	(11,915)	(12,133)
A) INTEREST MARGIN		**35,180**	**30,648**
Dividend income	7	2,377	289
Commission income	25	4,589	2,390
(Commission expenses)	26	(3,321)	(1,318)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	27	(537)	(752)
Gains or (-) losses from assets and liabilities held for trading, net	9.2	2,416	1,982
Gains or (-) losses from hedge accounting, net	9	1,931	(797)
Exchange rate differences [Gains or (-) losses], net		31	(41)
Other operating income	28	15,244	8,188
(Other operating expenses)	29	(1,856)	(1,454)
B) GROSS MARGIN		**56,054**	**39,135**
(Administrative expenses)		(11,202)	(11,195)
(Personnel expenses)	30	(7,004)	(6,845)
(Other administrative expenses)	31	(4,198)	(4,350)
(Depreciation and amortisation)	32	(2,217)	(1,813)
(Provisions or (-) reversal of provisions)	16	(899)	(6)
(Impairment losses or (-) reversal of impairment losses on financial assets not at fair value through profit or loss)		(9,883)	(22,955)
(Financial assets at fair value through other comprehensive income)	33	(483)	-
(Financial assets at amortized cost)	33	(9,400)	(22,955)
C) OPERATING MARGIN		**31,852**	**3,166**
Gains or (-) losses on non-current assets and disposal groups classified as held for sale not eligible as discontinued operations	34	4,914	2,972
D) PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**36,766**	**6,138**
(Gains or (-) losses on income tax from continuing operations)	21	(347)	(729)
E) PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS		**36,419**	**5,409**
F) PROFIT OR (-) LOSS FOR THE YEAR		**36,419**	**5,409**

* Presented solely and exclusively for comparative purposes.

Notes 1 to 36 in these financial statements and the appendixes I, II and III form an integral part of the consolidated balance sheet on December 31st, 2021.

INSTITUT CATALÀ DE FINANCES GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (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, 2021 and 2020:

	Year 2021	Year 2020*
Profit or (-) loss for the year	**36,419**	**5,409**
Other comprehensive income	**27,429**	**11,066**
Items that will not be reclassified to profit or loss	**26,182**	**9,590**
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	26,182	9,590
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	-	-
Items that can be reclassified to profit or loss	**1,247**	**1,476**
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]	**1,647**	1,182
Revaluation gains/(losses) recognized in equity	3,621	(421)
Amount transferred to profit or loss	(1,974)	1,603
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	**(483)**	785
Revaluation gains or (-) losses recognized in equity	(381)	846
Amount transferred to profit or loss	(102)	(61)
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	82	(491)
Total comprehensive income for the year	**63,848**	**16,475**

* Presented solely and exclusively for comparative purposes.

Notes 1 to 36 in these financial statements and the appendixes I, II and III form an integral part of the consolidated balance sheet on December 31st, 2021.

B) Consolidated statements of total changes in equity for the years ended December 31, 2021 and 2020:

Statement for the year ended December 31, 2021	Capital	Cumulative earnings		Joint Business Reserves	(-) Treasury shares	Profit/(loss) attributable to equity holders of the parent	(-) Interim dividend	Other accumulated comprehensive income	Total
		Voluntary Reserves	Capitalization Reserves						
Sources of changes in equity									
Opening Balance [December 31, 2020]	**693,149**	**172,597**	**9,566**	**2,904**	**-**	**5,409**	**-**	**24,676**	**908,301**
Effects of correction of errors	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-
Adjusted opening Balance [December 31, 2020]	**693,149**	**172,597**	**9,566**	**2,904**	**-**	**5,409**	**-**	**24,676**	**908,301**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**36,419**	-	**27,429**	**63,848**
Other changes in equity	**-**	**4,454**	**2,273**	**(114)**	**-**	**(5,409)**	-	**-**	**1,204**
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	-	3,136	2,273	-	-	(5,409)	-	-	-
Derecognition of financial assets at fair value thorugh other comprehensive income (note 7)	-	1,318	-	-	-	-	-	-	1,318
Share-based payments	-	-	-	-	-	-	-	-	-
Other increases or (-) decreases in equity	-	-	-	(114)	-	-	-	-	(114)
Closing Balance [December 31, 2021]	**693,149**	**177,051**	**11,839**	**2,790**	-	**36,419**	-	**52,105**	**973,353**

Statement for the year ended December 31, 2020	Capital	Cumulative earnings		Joint Business Reserves	(-) Treasury shares	Profit/(loss) attributable to equity holders of the parent	(-) Interim dividend	Other accumulated comprehensive income	Total
		Voluntary Reserves	Capitalization Reserves						
Sources of changes in equity									
Opening Balance [December 31, 2019]	**693,149**	**142,224**	**8,332**	**2,804**	**-**	**29,202**	**-**	**16,015**	**891,726**
Effects of correction of errors	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-
Adjusted opening Balance [December 31, 2019]	**693,149**	**142,224**	**8,332**	**2,804**	**-**	**29,202**	**-**	**16,015**	**891,726**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**5,409**	-	**11,066**	**16,475**
Other changes in equity	**-**	**30,373**	**1,234**	**100**	**-**	**(29,202)**	-	**(2,405)**	**100**
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	-	27,968	1,234	-	-	(29,202)	-	-	-
Derecognition of financial assets at fair value thorugh other comprehensive income (note 7)	-	2,405	-	-	-	-	-	(2,405)	-
Share-based payments	-	-	-	-	-	-	-	-	**-**
Other increases or (-) decreases in equity	-	-	-	100	-	-	-	-	100
Of which: discretionary allowances to foundations and social funds (only savings Banks and cooperative credit institutions)	-	-	-	-	-	-	-	-	**-**
Sources of changes in equity	**693,149**	**172,597**	**9,566**	**2,904**	-	**5,409**	-	**24,676**	**908,301**

* Presented solely and exclusively for comparative purposes.

Notes 1 to 36 in these financial statements and the appendixes I, II and III form an integral part of the consolidated balance sheet on December 31st, 2021.

INSTITUT CATALÀ DE FINANCES GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEARS ENDED AT DECEMBER 31, 2021 and 2020

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

	Year 2021	Year 2020*
A) CASH FLOWS USED IN OPERATING ACTIVITIES	**39,504**	**(40,991)**
Profit or (-) loss for the year	36,419	5,409
Adjustments to obtain cash flows from operating activities	10,309	24,768
Depreciation and amortisation	2,217	1,813
Other adjustments	8,092	22,955
Net increase/decrease in operating assets	30,652	(525,169)
Financial assets held for trading	-	-
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	(57,766)	(28,665)
Financial assets at amortized cost	6,088	(503,986)
Other operating assets	82,330	7,482
Net increase/decrease in operating liabilities	(32,856)	456,889
Financial liabilities held for trading	(2,417)	(1,982)
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at fair value through other comprehensive income	(24,824)	462,690
Financial liabilities at amortized cost	(5,615)	(3,819)
Income tax receivable/payable	(5,020)	(2,888)
B) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	**155**	**(2,367)**
Payments	(2,268)	(3,344)
Tangible assets	(1,160)	(2,456)
Intangible assets	(1,108)	(888)
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	2,423	977
Tangible assets	-	-
Intangible assets	-	-
Investments in subsidiaries, joint ventures and associates	-	-
Other business units	-	-
Non-current assets and associated liabilities held for sale	2,423	977
Held-to-maturity investments	-	-
Other payments related to investment activities	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES	**-**	**-**
Payments	-	-
Dividends	-	-
Subordinated liabilities	-	-
Repayment of own equity instruments	-	-
Acquisition of own equity instruments	-	-
Other payments related to financing activities	-	-
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	**(31)**	**-**
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**39,628**	**(43,358)**
F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**24,817**	**68,175**
G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**64,445**	**24,817**
CASH AND CASH EQUIVALENTS ITEMS AT THE END OF THE PERIOD		
Cash	-	1
Cash equivalents in central banks	-	1
Other financial assets	64,445	24,815
Less: bank overdrafts repayable on demand		

* Presented solely and exclusively for comparative purposes.

Notes 1 to 36 in these financial statements and the appendixes I, II and III form an integral part of the consolidated balance sheet on December 31st, 2021.

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, 2021

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 a public financial institution 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, 2021 and 2020 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. It is a solely-owned company, its sole shareholder being Institut Català de Finances.

- 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, 2020 were prepared by the Governing Board on March 25th, 2021 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, 2020 were approved by the Government on May 25th ,2021.

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, 2021 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, 2021 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, 2021, 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, 2021.

On June 16, 2020, the Bank of Spain published Circular 3/2020, dated June 11, 2020, which amends Circular 4/2017, dated November 27, to credit institutions, on public and confidential financial reporting standards and model statements. As a result of this amendment, the restructuring or refinancing of a credit operation is no longer considered an automatic classification factor to the category of normal risk in special surveillance and becomes another factor to be considered in the assessment of whether there has been a significant increase in credit risk from the initial moment (see note 3.4.5).

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 2021 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 occurred in the period between 1 January and 31 December 2021

The following are the main novelties produced in the regulations applicable to the Entity from 1 January 2021 considered in the preparation of these annual accounts:

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

This Circular regulates certain aspects related to credit risk solvency requirements. Specifically, the establishment of the anticyclical capital buffer on one or more sectors, limits on exposures to certain sectors and the possibility of establishing limits and conditions on the granting of loans and other operations by entities for operations with the private sector in Spain.

Circular 6/2021, of 22 December, of the Bank of Spain, amending Circular 4/2017, of 27 November, on credit institutions, on public and reserved financial information standards, and models of financial statements, and Circular 4/2019, of 26 November, in financial credit establishments, on public financial information and models of financial statements. (BOE of 29 December 2021)

This Circular updates and modifies Circular 4/2017 in certain aspects, and the most relevant are the following:

- The changes that have occurred in the international financial information standards NIC39, IFRS4, IFRS 7, IFRS9 and IFRS16 are collected as a result of phase 2 of the IASB project that responds to the reform of the reference interest rate indices known as IBOR (InterBank Offered Rates). The changes introduced in the aforementioned rules simplify the accounting treatment of contracts affected by the reform and focus on the accounting of financial instruments to which the introduction of a new risk-free reference index (Risk free rate or RFR) impacts.

- At 31 December 2021, the main benchmark index for the Bank's financial assets and liabilities is Euribor. This index, although modifications have been promoted in the methodology to meet the requirements of the European Regulation of Reference Indices, does not disappear.

- Certain guidelines of the European Banking Authority on the granting and monitoring of loans are adopted, with the aim of improving the practices, processes and procedures related to the granting of credit operations.

- Alternative solutions are updated for the collective estimation of credit risk loss hedges and discounts on the reference value of assets awarded or received in debt payments, with the aim of collecting the evolution of the data from operations declared by banks to the Bank of Spain and incorporating updated forecasts on future macroeconomic conditions. This update, in general, will mean greater requirements for collective coverage. However, the entry into force of this update will take place on June 30, 2022, so the impact of this update will depend on the classification and type of exposures to that date.

c) Responsibility for information and estimates

During the preparation of the ICF Group's 2021 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, 2021, 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) Information comparison

The figures for the financial year 2020 included in the accompanying consolidated financial statements for the year 2021 are presented solely and exclusively for comparative purposes and, accordingly, do not constitute the Group's consolidated financial statements for 2021.

e) Environmental impact

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.

f) Management of the effects of the COVID-19 pandemic at ICF

On March 11, 2020, the World Health Organization upgraded the public health emergency caused by the coronavirus outbreak (COVID-19) to an international pandemic. The evolution of events, nationally and internationally, has led to an unprecedented health crisis that has affected the macroeconomic environment and business developments. In this sense, during 2020 the Government of Spain proceeded, among other measures, to the declaration of the state of alarm through the publication of Royal Decree 463/2020, of 14 March, which was lifted on 1 July 2020, and the approval of a series of extraordinary urgent measures to address the economic and social impact of COVID-19, through, among others, Royal Decree-Law 8/2020, of 17 March and Royal Decree-Law 11/2020, of 31 March.

During 2021 a progressive de-escalation of the health alert situation that began in 2020 is taking place, mainly thanks to the progress in vaccination against Coronavirus and the significant economic stimuli adopted by the authorities, among which the publication of Royal Decree-Law 5/2021 of March 12, of extraordinary measures to support the pandemic in response to COVID-19, stands out.

In this context, the ICF Group has launched multiple financing solutions in the last two years with the aim of dealing with the consequences of COVID-19, supporting the business fabric by granting new loans, guarantees and restructuring operations with the aim of making the current loan payment schedule more flexible. As part of these solutions, the Group has offered its clients the benefit of public guarantee programmes promoted by the Generalitat de Catalunya aimed at the self-employed, SMEs and companies. The amount of the guarantee and its duration depend on the size of the company and the type of product.

During 2021 and until the date of formulation of these annual accounts, there are uncertainties about the future final impact of the pandemic and therefore continues to have consequences for the economy in general and for the Bank's operations, whose effects in the coming months are uncertain and will depend to a large extent on the evolution of the new variants of the coronavirus.

The main impacts of the COVID-19 pandemic on the Group's financial statements are detailed in the following notes:

- Note 3.4.4 includes information on the impact on credit risk of financing linked to public guarantee programs.

- Note 3.4.9. Includes additional impairment figures recorded by the Group.

2. Accounting Principles and Valuation Criteria

In the elaboration of the consolidated financial statements for 2021, 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. The significant influence can be shown, among others, 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 as "Financial assets at fair value through other comprehensive income".

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 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 2021 the Group held assets and/or liabilities classified in this category, corresponding exclusively to derivative instruments that do not meet the requirements to be considered accounting hedges. During 2020 it did not hold financial assets and/or liabilities held for trading. Changes in this fair value are recorded under "Gains or (-) losses on assets and liabilities held for trading, net" in 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 the case may be, of the hedging instrument or instruments and that, in retrospect, the coverage meets the conditions established in Rule 31 of Circular 4/2017 that adapts to the governing body of IFRS 9, paragraph 6.4.1, not requiring that the results range within a range of variation of eighty to one hundred and twenty-five percent with respect to the result.

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 or 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 and 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.

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.

- 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 3.4.6 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. 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 2021 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).

On July 10, 2021, Law 11/2021, of July 9, on measures to prevent and combat tax fraud was published in the Official Credit Institute (ICO). This modification, among other aspects, implies a change in the tax rate of the Group's parent company and the other entities that form part of the perimeter of the consolidated tax group, as well as a change in the estimation of the deductibility relative to credit risk coverage in accordance with articles 8 and 9 of the Corporate Tax Regulation (note 21).

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 2021, 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 FEDER fund

The ICF considers the funds received under the FEDER 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.

- The Group's short-term deposits, registered under the "Deposits in Credit Institutions – Other Accounts" heading.

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.

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

In 2021, the Group has a notional interest rate swap of 55,000 thousand euros in the trading portfolio (55,000 thousand euros in 2020).

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. Formalization of long-term operations.

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, 2021 and 2020, classified in accordance with the time remaining to maturity at these dates, according to the conditions stipulated in the associated contractual conditions:

On December 31st, 2021

	Thousands of euors						
	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	64,445	-	-	-	-	-	64,445
Loans and advances	15,859	32,532	53,443	292,976	1,020,177	535,883	1,950,871
Deposits in credit institutions	12,259	323	595	1,736	2,648	2,656	20,217
Central banks	3,600	-	-	-	-	-	3,600
Loans to customers	-	32,210	52,848	291,240	1,017,530	533,227	1,927,054
Debt securities	-	4,013	25,348	28,296	207,994	6,880	272,531
Total assets	**80,304**	**36,544**	**78,791**	**321,272**	**1,228,171**	**542,763**	**2,287,847**
Liabilities	4,360	15,158	6,283	395,700	647,103	504,982	1,573,586
Financial liabilities at amortized cost	-	2,082	(191)	88,495	479,188	418,277	987,851
Deposits from credit institutions	-	*3,945*	*6,474*	*35,677*	*136,045*	*66,403*	*248,544*
Funds from customers	-	9,131	-	271,528	31,870	20,302	332,831
Other financial assets	4,360	-	-	-	-	-	4,360
Total liabilities	**4,360**	**15,158**	**6,283**	**395,700**	**647,103**	**504,982**	**1,573,586**
Maturity GAP	75,944	21,386	72,509	(74,428)	581,068	37,781	714,260
% of total assets	3%	2%	3%	(3%)	22%	1%	27%

On December 31st, 2020

	Thousands of euors						
	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	24,817	-	-	-	-	-	24,817
Loans and advances	14,694	13,217	32,942	272,141	1,138,778	514,211	1,985,984
Deposits in credit institutions	14,694	1,158	1,651	5,426	3,748	2,332	29,009
Loans to customers	-	12,059	31,292	266,715	1,135,030	511,879	1,956,975
Debt securities	-	1,012	10,526	63,858	154,268	1,518	231,182
Total assets	**39,511**	**14,229**	**43,468**	**336,000**	**1,293,046**	**515,729**	**2,241,983**
Liabilities							
Financial liabilities at amortized cost	-	2,344	9,379	94,253	572,783	589,209	1,267,968
Deposits from credit institutions	-	1,215	6,449	64,630	445,869	540,538	1,058,701
Funds from customers	-	1,129	2,929	29,623	126,914	48,672	209,266
Debt securities issued	-	4,537	5,052	25,983	270,143	20,622	326,337
Total liabilities	**-**	**6,881**	**14,431**	**120,236**	**842,926**	**609,831**	**1,594,304**
Maturity GAP	39,511	7.348	29,037	215,764	450,120	(94,102)	647,679
% of total assets	2%	0%	1%	8%	17%	(4%)	25%

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 indicated analysis has been carried out considering the evolution of the rate curve for the reference tranches used by the Entity and keeping constant the rest of the variables affecting the Group's results and equity. The effect shown below has been calculated considering the existing financial instruments as of December 31, 2021 and 2020, respectively, without taking into account the existence of new investments or financing that may be made as of this moment.

The following tables show, through a static gap, the distribution of maturities and revisions of variable interest rates, at December 31st, 2021 and December 31st, 2020, 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.

On December 31st, 2021:

in thousands of Euros	Sensitive balance sheet		As a % of total assets (TA)		Quantification of static GAP		
RENEWAL	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Simple**	**Accum.**	**Ac. Gap (% TA)**
Up to 1 month	242,747	400,674	9.2%	15,2%	(157,927)	(157,927)	-6.0%
From 1 to 3 months	272,108	406,848	10.3%	15,5%	(134,740)	(292,667)	-11.1%
From 3 to 6 months	472,957	129,739	18.0%	4,9%	343,219	50,551	1.9%
From 6 to 12 months	793,383	29,961	30.2%	1,1%	763,422	813,973	30.9%
ACCUMULATED 12m	**1,781,195**	**967,221**	**67.7%**	**36,8%**		**813,973**	**30.9%**
From 1 to 2 years	66,226	48,825	2.5%	1.9%	17,401	831,375	31.6%
From 2 to 3 years	155,186	67,563	5.9%	2.6%	87,624	918,998	34.9%
From 3 to 4 years	56,140	35,503	2.1%	1.3%	20,638	939,636	35.7%
From 4 to 5 years	45,795	44,476	1.7%	1.7%	1,320	940,956	35.8%
From 5 to 7 years	28,018	49,510	1.1%	1.9%	(21,492)	919,464	35.0%
From 7 to 10 years	26,437	71,675	1.0%	2.7%	(45,238)	874,226	33.2%
From 10 to 15 years	28,595	39,657	1.1%	1.5%	(11,062)	863,164	32.8%
From 15 to 20 years	14,869	-	0.6%	0.0%	14,869	878,032	33.4%
From 20 to 25 years	12,316	-	0.5%	0.0%	12,316	890,348	33.8%
From 25 to 30 years	462	-	0.0%	0.0%	462	890,810	33.9%
TOTAL	**2,215,239**	**1,324,429**	**84.2%**	**50.3%**		**890,810**	**33.9%**

On December 31st, 2020:

in thousands of Euros	Sensitive balance sheet		As a % of total assets (TA)		Quantification of static GAP		
RENEWAL	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Simple**	**Accum.**	**Ac. Gap (% TA)**
Up to 1 month	241,950	336,375	9.3%	12.9%	(94,425)	(94,425)	-3.6%
From 1 to 3 months	438,237	176,192	16.9%	6.8%	262,045	167,620	6.4%
From 3 to 6 months	578,320	175,901	22.3%	6.7%	402,419	570,039	21.9%
From 6 to 12 months	709,722	64,611	27.3%	2.5%	645,111	1,215,151	46.6%
ACCUMULATED 12m	**1,968,229**	**753,078**	**75.8%**	**28.9%**		**1,215,151**	**46.6%**
From 1 to 2 years	31,956	341,420	1.2%	13.1%	(309,463)	905,687	34.8%
From 2 to 3 years	41,787	31,754	1.6%	1.2%	10,033	915,720	35.1%
From 3 to 4 years	117,789	56,535	4.5%	2.2%	61,254	976,974	37.5%
From 4 to 5 years	13,065	36,783	0.5%	1.4%	(23,718)	953,256	36.6%
From 5 to 7 years	9,556	65,599	0.4%	2.5%	(56,043)	897,213	34.4%
From 7 to 10 years	5,665	49,193	0.2%	1.9%	(43,528)	853,686	32.8%
From 10 to 15 years	7,422	62,661	0.3%	2.4%	(55,240)	798,446	30.6%
From 15 to 20 years	1,459	-	0.1%	0.0%	1,459	799,905	30.7%
From 20 to 25 years	3,535	-	0.1%	0.0%	3,535	803,440	30.8%
TOTAL	**2,200,464**	**1,397,024**	**84.8%**	**53.6%**		**803,440**	**30.8%**

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.

31/12/2021 (Thousands of euros)	**Interest margin (1)**	**Impact on equity (2)**
200 basic points decrease	(131)	23,498

31/12/2020 (Thousands of euros)	**Interest margin (1)**	**Impact on equity (2)**
200 basic points decrease	(69)	68

(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, 2021 and 2020 for each class of financial instrument, without deducting any real guarantee or other loan enhancements received to ensure debtors honour their payment obligations:

On December 31st, 2021:

Types of instruments	Thousands of euros				
	Asset balances(*)				
	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost – Loans and receivables	Derivatives	Memorandum: Off-balance sheet items	Total
Debt instruments	-	-	-	-	-
Deposits in credit institutions	-	20,204	-	-	20,204
Loans to customers	-	2,141,279	-	-	2,141,279
Debt securities	270,063	-	-	-	270,063
Total debt instruments	**270,063**	**2,161,483**	**-**	**-**	**2,431,546**
Guarantees granted	-	-	-	-	-
Financial guarantees	-	-	-	112,530	112,530
Other financial guarantees granted	-	-	-	-	-
Total guarantees given	-	-	-	**112,530**	**112,530**
Other exposures	-	-	-	-	-
Derivatives	-	-	7,338	-	7,338
Contingent commitments granted	-	-	-	259,760	259,760
Total other exposures	-	-	**7,338**	**259,760**	**267,098**
MAXIMUM LEVEL OF CREDIT RISK EXPOSURE	**270,063**	**2,161,483**	**7,338**	**372,290**	**2,811,175**

* Amounts not including value adjustments.

On December 31st, 2020:

Types of instruments	Thousands of euros				
	Asset balances(*)				
	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost – Loans and receivables	Derivatives	Memorandum: Off-balance sheet items	Total
Debt instruments	**-**	**-**	**-**	**-**	**-**
Deposits in credit institutions	-	28,964	-	-	28,964
Loans to customers	-	2,144,073	-	-	2,144,073
Debt securities	228,426	-	-	-	228,426
Total debt instruments	**228,426**	**2,173,037**	**-**	**-**	**2,401,463**
Guarantees granted	-	-	-	-	**-**
Financial guarantees	-	-	-	107,438	107,438
Other financial guarantees granted	-	-	-	-	-
Total guarantees given	**-**	**-**	**-**	**107,438**	**107,438**
Other exposures	-	-	-	-	**-**
Derivatives	-	-	9,408	-	9,408
Contingent commitments granted	-	-	-	172,832	172,832
Total other exposures	**-**	**-**	**9,408**	**172,832**	**182,240**
MAXIMUM LEVEL OF CREDIT RISK EXPOSURE	**228,426**	**2,173,037**	**9,408**	**280,270**	**2,691,141**

* 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 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, 2021 and 2020, excluding Public Administrations, are as follows:

On December 31st, 2021:

(Thousands of euros)	Real estate guarantee	Other real guarantees	Guarantees from financial institutions	Guarantees from the public sector	Total
Debt instruments					
Loans to customers	266,256	79,204	116,718	13,135	475,313
Total debt instruments	**266,256**	**79,204**	**116,718**	**13,135**	**475,313**
Guarantees granted					
Financial guarantees	4,927	22,565	-	38,364	65,856
Total guarantees granted	**4,927**	**22,565**	**-**	**38,364**	**65,856**
Total hedged amount	**271,183**	**101,769**	**116,718**	**51,499**	**541,169**

With no prejudice on the last table, that show the principal grants, there's a total of 431,977 thousand euros (364,900 thousand euros in 2020) of credit risk covered by public guarantees, mainly linked to the COVID-19 facilities granted during 2020 and 2021 see notes 1 f) and 3.4.4).

On December 31st, 2020:

(Thousands of euros)	Real estate guarantee	Other real guarantees	Guarantees from financial institutions	Guarantees from the public sector	Total
Debt instruments					
Loans to customers	280,904	72,491	121,488	13,527	**488,410**
Total debt instruments	**280,904**	**72,491**	**121,488**	**13,527**	**488,410**
Guarantees granted					
Financial guarantees	2,726	27,717	-	39,303	**69,746**
Total guarantees granted	**2,726**	**27,717**	**-**	**39,303**	**69,746**
Total hedged amount	**283,630**	**100,208**	**121,488**	**52,830**	**558,156**

3.4.4 Covid-19 facilities

The financing granted with a public guarantee, as indicated in note 1 f), does not affect the assessment of the significant increase in risk since this is assessed through the credit quality of the instrument and not of the guarantor. However, in the estimates of expected loss, the existence of the guarantor implies a possible reduction in the level of provisions required since, for the portion covered, the loss that would be incurred in the execution of a guarantee is taken into account.

3.4.5 Credit quality of unmatured and unimpaired financial assets

3.4.5.1 Classification of exposure to credit risk by counterparty

The level of credit risk exposure classified according to the counterparties of the transactions as of December 31, 2021 and 2020 of such credit risk exposures which, at those dates, were neither past due nor impaired, is presented below:

On December 31st, 2021:

Thousands of euros	Public entities	Financial institutions	Other national sectors	Total
Debt instruments				
Financial assets at amortized cost – Debt securities	6,464	118,048	145,551	270,063
Deposits in credit institutions	-	20,204	-	20,204
Loans to customers	377,658	-	1,576,534	1,954,192
Total debt instruments	**384,122**	**138,252**	**1,722,085**	**2,244,459**
Guarantees granted				
Financial guarantees	14,053	-	97,731	111,784
Other guarantees granted	-	-	-	-
Total guarantees granted	**14,053**	**-**	**97,731**	**111,784**
Total	**398,176**	**138,252**	**1,819,816**	**2,356,243**

On December 31st, 2020:

Thousands of euros	Public entities	Financial institutions	Other national sectors	Total
Debt instruments				
Financial assets at amortized cost – Debt securities	23,215	103,427	101,784	228,426
Deposits in credit institutions	-	28,964	-	28,964
Loans to customers	373,868	-	1,631,200	2,005,068
Total debt instruments	**397,083**	**132,391**	**1,732,984**	**2,262,458**
Guarantees granted				
Financial guarantees	26,185	-	77,994	104,179
Other guarantees granted				-
Total guarantees granted	**26,185**	**-**	**77,994**	**104,179**
Total	**423,268**	**132,391**	**1,810,978**	**2,366,637**

3.4.6 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 be 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.

The economic impact caused by the COVID-19 pandemic has required the adequacy of the amortization of operations calendar with and without mortgage guarantees. These moratoriums comply with the principles established by the European Banking Authority in the *Directives about legislative and non-legislative moratoriums* about amortizations of loans applied during the COVID-19 crisis, on April 2 2020 and actualized on 25 June and on December 2 2020, which made possible the application of the differential accounting procedure.

Below is the book value, classified by financial instrument class, of financial assets as of December 31st, 2021 and December 31st, 2020, considered refinanced or restructured according to the definitions of Circular 4/2017 of the Bank of Spain :

31/12/2021	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	3	1,152	-	-	-	-	-	-	-	-
Non-financial companies and individual entrepreneurs (non-financial business activity)	131	180,930	34	24,426	(112,628)	84	108,196	18	11,851	(103,153)
Of which: funding to property construction and development (including land)	6	1,461	3	609	(1,267)	6	1,461	-	-	(1,267)
Total	**134**	**182,082**	**34**	**24,426**	**(112,628)**	**84**	**108196**	**18**	**11,851**	**(103,153)**

31/12/2020	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	2	818	-	-	-	-	-	-	-	-
Non-financial companies and individual entrepreneurs (non-financial business activity)	170	195,166	28	47,308	(108,162)	94	88,068	20	28,398	(89,169)
Of which: funding to property construction and development (including land)	8	26,062	1	580	(8,306)	7	962	1	580	(1,379)
Total	**172**	**195,984**	**28**	**47,308**	**(108,162)**	**94**	**88,068**	**20**	**28,398**	**(89,169)**

3.4.7 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, 2021 and 2020, based on the age of the oldest outstanding amount of each operation, are as follows:

On December 31st, 2021:

	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	120,697	53,269	2,379	3,277	7,465	187,087
Total debt instruments	120,697	53,269	2,379	3,277	7,465	187,087
Total	**120697**	**53,269**	**2,379**	**3,277**	**7,465**	**187,087**

On December 31st, 2020:

	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	117,369	6,850	3,336	2,012	9,437	139,005
Total debt instruments	117,369	6,850	3,336	2,012	9,437	139,005
Total	**117,369**	**6,850**	**3,336**	**2,012**	**9,437**	**139,005**

3.4.8 Financial assets considered as impaired

Below is a detail at December 31st, 2021 and 2020, classified by type of financial assets, of those assets that have been considered as impaired and the impairment losses assigned:

On December 31st, 2021:

	Thousands of euros	
	Carrying amount (excluding impairment losses)	Impairment losses
Debt instruments		
Loans to customers	187,087	(122,699)
Total debt instruments	**187,087**	**(122,699)**

On December 31st, 2020:

	Thousands of euros	
	Carrying amount (excluding impairment losses)	Impairment losses
Debt instruments		
Loans to customers	139,005	(104,326)
Total debt instruments	**139,005**	**(104,326)**

3.4.9 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 2021 and 2020 are as follows:

2021	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, 2021	-	**2,004,894**	**81,755**	**57,423**	**2,144,072**
Balance at December 31, 2021	-	**1,954,202**	**96,048**	**91,029**	**2,141,279**
Impairment					
Balance at January 1, 2021		**(79,214)**	**(66,315)**	**(38,012)**	**(183,541)**
Charges/Recoveries		(9,438)	(15,920)	(6,840)	(32,198)
Transfers between phases	-	(546)	(12,732)	13,278	-
Transfers to failed	-	-	-	3,842	3,842
Balance at December 31, 2021	-	**(89,198)**	**(94,967)**	**(27,732)**	**(211,897)**

2020	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, 2020	-	**1,492,046**	**59,957**	**49,898**	**1,601,901**
Balance at December 31, 2020	-	**2,004,894**	**81,755**	**57,423**	**2,144,072**
Impairment					
Balance at January 1, 2020		**(86,507)**	**(46,991)**	**(32,299)**	**(165,797)**
Charges/Recoveries		(7,176)	(11,689)	(7,974)	(26,839)
Transfers between phases	-	14,469	(7,635)	(6,834)	-
Transfers to failed	-		-	9,095	9,095
Balance at December 31, 2020	-	**(79,214)**	**(66,315)**	**(38,012)**	**(183,541)**

On December 31st, 2021, the hedges of unimpaired operations included 36,437 thousand euros (26,137 thousand euros in 2020) for operations classified as normal and 52,762 thousand euros (53,078 thousand euros in 2020) per for operations classified as normal under special surveillance.

The calculation of the provisions for impairment of credit risk, calculated according to the accounting policy described in note 2, have been supplemented with the aditional quantities that have been considered necessary to collect the particular characteristics of the accredited, sectors or portfolios that, unable to be identified in the general estimation procedure of the impairment of provisions, have been temporarily affected by the effects of the COVID-19 pandemic.

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 2021, which amount to 20,090 thousand euros (4,610 thousand euros in 2020).

3.4.10 Matured and unimpaired financial assets

Details of financial assets that have matured but are not impaired at December 31st, 2021 and 2020, classified by class of financial instrument and the period passed from maturity, are as follows:

On December 31st, 2021:

Thousands of euros	Up to 3 months	More than 3 months	Total
Debt instruments			
Loans to customers	5,064	-	5,064
Total debt instruments	**5,064**	**-**	**5,064**

On December 31st, 2020:

Thousands of euros	Up to 3 months	More than 3 months	Total
Debt instruments			
Loans to customers	1,823	-	1,823
Total debt instruments	**1,823**	**-**	**1,823**

3.4.11 Impaired financial assets and derecognized from assets

A summary of movements in 2021 and 2020 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	2021	2020
Opening balance at year:	**317,519**	**320,204**
Additions	**4,550**	**11,510**
Charged to doubtful assets (note 8.2)	4,481	10,170
Recognition of meritorious interests	69	1,340
Recoveries	**(36,590)**	**(14,195)**
Recovery of principal in cash and/or instruments expired and not received	(36,590)	(14,195)
Disposals	**(18,748)**	**-**
By condonation and prescription	(18,748)	-
Closing balance at year:	**266,731**	**317,519**

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

Distribution of the Group's credit portfolio at December 31st, 2021 is as follows:

Thousands of euros	Total	Catalonia	Other
Credit institutions	**5,664**	**5,664**	**-**
Public Administrations and rest of Public Sector	**377,658**	**377,658**	**-**
Others	377,658	377,658	**-**
Non-financial companies and individual entrepreneurs	**1,763,621**	**1,707,196**	**56,425**
Property construction and development	248,101	248,101	-
Other purposes	1,515,520	1,459,095	56,425
Large-sized companies	603,457	560,704	42,753
Small and medium-sized companies and individual entrepreneurs	907,024	893,352	13,672
Other purposes	5,039	5,039	-
Minus: Impairment adjustments of assets not attributable to specific operations	**(211,897)**	**(211,897)**	**-**
TOTAL	**1,935,046**	**1,878,621**	**56,425**

And the distribution of the credit portfolio on December 31, 2020:

Thousands of euros	Total	Catalonia	Other
Credit institutions	**12,558**	**12,558**	**-**
Public Administrations and rest of Public Sector	**373,868**	**373,868**	**-**
Others	373,868	373,868	-
Non-financial companies and individual entrepreneurs	**1,770,205**	**1,749,491**	**20,714**
Property construction and development	234,176	234,176	-
Other purposes	1,536,029	1,515,315	20,714
Large-sized companies	582,230	577,525	4,705
Small and medium-sized companies and individual entrepreneurs	953,799	937,790	16,009
Minus: Impairment adjustments of assets not attributable to specific operations	**(183,541)**	**(183,541)**	**-**
Total	**1,973,090**	**1,952,376**	**20,714**

3.4.13 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:

On December 31st, 2021:

31/12/2021 Thousands of euros	TOTAL	Of which: real estate guarantee	Of which: other real guarantees
Public Administrations	**377,658**	**40,571**	**134,485**
Non-financial companies and individual entrepreneurs	**1,763,621**	**141,524**	**757,558**
Property construction and development (including land)	248,101	85,722	91,827
Other purposes	1,515,520	55,802	665,731
Large-sized companies	603,457	9,437	312,058
Small and medium-sized companies and individual entrepreneurs	907,024	46,365	351,418
Other purposes	5,039	-	2,255
TOTAL	**2,141,279**	**182,095**	**892,043**

On December 31st, 2020:

31/12/2020 Thousands of euros	TOTAL	Of which: real estate guarantee	Of which: other real guarantees
Public Administrations	**373,868**	**61,752**	**84,689**
Non-financial companies and individual entrepreneurs	**1,770,205**	**130,476**	**802,123**
Property construction and development (including land)	234,176	56,214	50,512
Other purposes	1,536,029	74,262	751,611
Large-sized companies	582,230	26,182	310,434
Small and medium-sized companies and individual entrepreneurs	953,799	48,080	441,177
TOTAL	**2,144,073**	**192,228**	**886,812**

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.

During 2021, the fair value macro-hedge on the portfolio of loans and advances to customers has been extended with the arrangement of 3 interest rate swaps for a total amount of 28,817 euros. The counterparties to the interest rate hedges at December 31, 2021 and 2020 are 5 credit institutions, with notional amounts of 431,886.91 i 406,138 thousand euros, respectively.

The distribution of notional by maturity is as follows:

Trading portfolio:

Derivative type	Maturity	Notional 2021 *(thousands of euros)*	Notional 2020 *(thousands of euros)*
IRS	From 1 to 3 years	55,000	55,000
IRS	From 3 to 5 years	-	-
IRS	More than 5 years	-	-
		55,000	**55,000**

Fair value hedging derivatives:

Derivative type	Maturity	Notional 2021 *(thousands of euros)*	Notional 2020 *(thousands of euros)*
IRS	From 1 to 3 years	542	1,116
IRS	From 3 to 5 years	12,000	12,000
IRS	More than 5 years	124,345	98,022
		136,887	**111,138**

Cash flow hedging derivatives:

Derivative type	Maturity	Notional 2021 *(thousands of euros)*	Notional 2020 *(thousands of euros)*
IRS	From 1 to 3 years	240,000	240,000
IRS	From 3 to 5 years	-	-
IRS	More than 5 years	-	-
		240,000	**240,000**

The notional value of derivatives is the magnitude that serves as the basis for the estimation of the results associated with them, but it cannot be understood that this magnitude represents a reasonable measure of the ICF's exposure to the risks associated with these products.

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 Basilea 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 950,767 thousand euros on December 31st, 2021 (928,413 thousand euros on December 31st, 2020), with a solvency ratio of 42.8% (43.8% on December 31st, 2020), this coefficient being much higher than the Pillar 1 minimum required by Basilea 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, 2021 and December 31st, 2020:

Solvency ratio (thousands of euros)	2021	2020
Common equity tier 1 (CET1)	954,947	907,700
Eligible equity	975,188	928,413
Total Risk Weighted Assets	2,291,954	2,121,123
CET1 ratio	41.67%	42.80%
Solvency ratio	42.55%	**43.80%**

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

The distribution of 2021 profit that the ICF's Governing Board proposes submitting for approval and the distribution approved for 2020, respectively, are as follows:

Thousands of euros	2021	2020
Basis of allocation:		
Profit and loss	36,419	7,792
Distribution:		
Capitalization reserves	-	2,274
Voluntary reserves	36,419	5,518

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, 2021 and 2020 are as follows:

Thousands of euros	2021	2020
Cash	-	1
Deposits in Bank of Spain	-	1
Current accounts	64,445	24,815
Total	**64,445**	**24,817**

6. Financial assets and liabilities held for trade

At December 31st 2021 and at December 31st 2020, the total balances under this heading in the accompanying balance sheet was composed of trading derivatives.

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 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 2021 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, 2021 and 2020, by type of transaction, are as follows:

Thousands of euros	2021	2020
Risk capital instruments		
Commitments in venture capital entities, net return	230,611	230,704
Disbursements pending of venture capital entities	(87,698)	(103,489)
Valuation adjustments	28,341	2,660
Subtotal venture capital instruments	**171,254**	**129,875**
Other investments in capital	11,255	10,824
Valuation adjustments	(10,451)	(10,800)
Subtotal other investments in capital	**804**	**24**
Total capital instruments	**172,058**	**129,899**
Debt securities		
Debt securities	270,063	228,426
Valuation adjustments	2,468	2,756
Total debt securities	**272,531**	**231,182**
Total	**444,589**	**361,081**

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 2021, dividends of 2,377 thousand euros have been recognized on venture capital instruments. In 2020, dividends of 289 thousand euros were recognized on venture capital instruments. Likewise, results have been recognised for the transfer of venture capital instruments against the 'Dismissed gains' of reserves, in accordance with the note 2.b., for an amount of 1,319 thousand euros (2,405 thousand in 2020).

In appendix 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	2021	2020
Autonomous region public debt	5,000	21,600
Other public debt	1,400	1,614
Financial entities	117,445	103,427
Other fixed-income securities	144,800	101,785
Total	**268,645**	**228,426**

The whole balance reflects debt issues at an average effective interest rate of 0.49% for 2021 and 0.54% for 2020.

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	2021	2020
Loans and advances		
Central banks	3,600	-
Credit institutions	20,217	29,009
Customers	1,927,054	1,956,975
Total	**1,950,871**	**1,985,984**

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

Thousands of euros		Valuation adjustments 2021				
	Gross balance	Impairment provisions	Interest accrued	Commission	Other	Net balance
Central banks	3,600	-	-	-	-	3,600
Credit institutions	20,204	-	17	(3)	-	20,217
Customers	2,.141,279	(211,897)	5,974	(3,498)	(4,804)	1,927,054
Total	**2,165,083**	**(211,897)**	**5,990**	**(3,501)**	**(4,804)**	**1,950,871**

Thousands of euros		Valuation adjustments 2020				
	Gross balance	Impairment provisions	Interest accrued	Commission	Other	Net balance
Central banks	-	-	-	-	-	-
Credit institutions	28,964	-	44	-	-	29,009
Customers	2,144,073	(183,541)	4,344	(2,657)	(5,243)	1,956,975
Total	**2,173,037**	**(183,541)**	**4,388**	**(2,657)**	**(5,243)**	**1,985,984**

The account "Loans and receivables - Customers - Other valuation adjustments" includes microhedges and macrohedges on credit transactions amounting to 603 thousand euros on December 31st, 2021 (1,178 thousand euros on December 31st, 2020), accruals of the coupons of microhedges and macrohedges amounting to -456 thousand euros (-379 thousand euros on December 31st, 2020 and adjustments to the fair value of loans acquired at a discount for an amount of -4,991 thousand euros (-6,042 thousand euros in 2020).

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	2021	2020
Term deposit accounts	14,540	16,535
Intermediation loans	5,664	12,429
Total deposits in credit institutions	**20,204**	**28,964**

"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 2021 on the balances deposits in credit institutions has been 2.28%. During 2020 it was 1.87%.

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	2021	2020
Public entities and rest of Public Sector	377,658	373,868
Secured debtors	345,460	474,887
Other fixed-term debtors	1,225,066	1,154,547
Debtors on demand and sundry debtors	6,009	1,766
Doubtful assets	187,087	139,005
Total loans to customers	**2,141,279**	**2,144,073**

By borrower's sector:

Thousands of euros	2021	2020
Public sector	**377,658**	**373,868**
Public entities and rest of Public Sector	377,658	373,868
Private sector	**1,763,621**	**1,770,205**
Resident	1,763,621	1,770,205
Total loans to customers	**2,141,279**	**2,144,073**

By interest rate:

Thousands of euros	2021	2020
At fixed interest rate	297,970	297,667
At variable interest rate	1,843,309	1,846,406
Total loans to customers	**2,141,279**	**2,144,073**

The average effective interest rate payable on the balances recognized under "Loans to customers" has been 1.96% during 2021. During 2020 it was 2.15%.

Movement in the balance of non-performing exposures in 2021 and 2020 was as follows:

Thousands of euros	2021	2020
Opening balance:	139,005	109,855
Plus:		
Additions of new assets	63,883	42,213
Minus:		
Recoveries	(11,320)	(2,893)
Transfer to irrecoverable assets (Note 3.4.11)	(4,481)	(10,170)
Closing balance:	**187,087**	**139,005**

8.3 Impairment provisions

In note 3.4.9., 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 2021 and 2020.

8.4. Financial assets derecognized due to impairment

In note 3.4.11. is shown the movement produced in financial years 2021 and 2020 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, 2021 and 2020, 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, 2021 and December 31st, 2020 is as follows:

Thousands of euros	31/12/2021		31/12/2020	
	Notional	Fair value	Notional	Fair value
Debit balances:				
Micro-coverages at fair value	32,000	5,633	32,000	7,505
Macro-coverages at fair value	98,740	1,705	78,884	1,903
Total	**130,740**	**7,338**	**110,884**	**9,408**
Credit balances:				
Micro-coverages at fair value	541	603	1,724	1,785
Micro-coverages of cash flows	240,000	1,965	240,000	3,979
Macro-coverages at fair value	5,605	47	-	-
Total	**246,146**	**2,615**	**241,724**	**5,764**

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.

At 31 December 2021, as a result of the annual review of the effectiveness of hedges, an income of 1,921 thousand euros has been recorded in the profit and loss account (loss of 797 thousand euros in 2020).

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, 2021 and 2020, by ongoing fair value hedge:

Thousands of euros	31/12/2021		31/12/2020	
	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	603	603	1,724	1,935
Total	**603**	**603**	**1,724**	**1,935**
Credit balances:				
Debts represented by marketable securities issued at fixed rates classified as financial liabilities at amortised cost	5,633	5,633	121,488	7,625
Total	**5,633**	**5,633**	**121,488**	**7,625**

9.2 Cash flow hedging transactions

At December 31st, 2021 and 2020, the ICF has 4 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 2021 and 2020:

Thousands of euros	31/12/2021				
	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	3,565	2,496	(2,496)	-	
Total	**3,565**	**2,496**	**(2,496)**	**-**	

Thousands of euros	31/12/2020				
	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	3,335	421	(421)	(606)	(997)
Total	**3,335**	**421**	**(421)**	**(606)**	**(997)**

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 2021 and 2020 is as follows:

Thousands of euros	2021	2020
Opening balance for the year:	**12,745**	**11,498**
Plus:		
Other additions for the year (note 34)	13,198	8,149
Transfers	-	-
Less:		
Derecognition through sale	(581)	(977)
Derecognition through transfers	-	-
Impairment funds for the year (Note 34)	(10,126)	(5,925)
Closing balance for the year:	**15,236**	**12,745**

The 2021 and 2020 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.

Note 34 details the results generated by updating the impairment fund and the sale of this type of assets

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	2021	2020
Avalis de Catalunya S.G.R		
Shares	5,024	5,196
Equity method	2,790	2,904
Closing balance of year:	**7,814**	**8,100**

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	2021	2020
Total assets	124,877	107,676
Total liabilities	64,813	60,926
Total equity	60,065	46,750
Profit after income tax	-	-

Movement during 2021 and 2020 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 2021 and 2020 is as follows:

2021 (Thousands of euros)	Tangible fixed assets for own use	Investment property	Total
Cost			
Opening balance	14,952	72,832	87,784
Additions	431	379	810
Reclassifications and derecognitions	678	(678)	-
Total cost on December 31, 2021	**16,061**	**72,533**	**88,594**
Accumulated depreciation			
Opening balances	(2,396)	(7,738)	(10,134)
Additions (Note 32)	(719)	(441)	(1,160)
Derecognition and transfers	(1,466)	1,771	305
Total accum. Depreciation on December 31, 2021	**(4,581)**	**(6,408)**	**(10,989)**
Impairment			
Opening balances	-	(8,142)	(8,142)
Total impairment on December 31, 2021	**-**	**(8,142)**	**(8,142)**
TOTAL TANGIBLE ASSETS ON DECEMBER 31, 2021	**11,480**	**57,983**	**69,463**

2020 (Thousands of euros)	Tangible fixed assets for own use	Investment property	Total
Cost			
Opening balance	12,080	74,330	86,410
Additions	2,872	-	2,872
Reclassifications and derecognitions	-	(1,498)	(1,498)
Total cost on December 31, 2020	**14,952**	**72,832**	**87,784**
Accumulated depreciation			
Opening balances	(2,337)	(6,921)	(9,258)
Additions (Note 32)	(106)	(817)	(923)
Derecognition and transfers	47	-	47
Total accum. Depreciation on December 31, 2020	**(2,396)**	**(7,738)**	**(10,134)**
Impairment			
Opening balances	-	(8,142)	(8,142)
Total impairment on December 31, 2020	**-**	**(8,142)**	**(8,142)**
TOTAL TANGIBLE ASSETS ON DECEMBER 31, 2020	**12,556**	**56,952**	**69,507**

12.1 Tangible assets – Tangible fixed assets for own use

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, 2021 and 2020 is the following:

2021 (Thousands of euros)	Cost	Accumulated depreciation	Net balance

IT equipment and installations	955	(743)	212
Furniture and other fixtures	3,161	(1,238)	1,923
Land and buildings	11,944	(2,599)	9,346
Balances on December 31st, 2021	**16,061**	**(4,580)**	**11,480**

2020 (Thousands of euros)	Cost	Accumulated depreciation	Net balance
IT equipment and installations	817	(638)	179
Furniture and other fixtures	2,870	(1,153)	1,717
Land and buildings	9,768	(608)	9,160
Balances on December 31st, 2020	**13,455**	**(2,399)**	**11,056**

On December 31st, 2021, certain tangible fixed assets for own use valued at 1,692 thousand euros (1,502 thousand euros on December 31st, 2020) were fully depreciated.

The fair value of total tangible assets at December 31st 2021 and December 31st 2020 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, 2021 and 2020, 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.

Note 28 details net income derived from income from these investments.

The expenses associated with real estate investments that have generated income correspond to administration and maintenance expenses detailed in 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 2021 and 2020 is as follows:

2021	Thousands of euros
Cost	
Balances on January 1st, 2021	10,993
Additions	1,108
Derecognition and transfers	-
Total Cost on December 31, 2021	**12,101**
Accumulated depreciation	
Balances on January 1st, 2021	(7,057)
Additions (Note 32)	(1,057)
Derecognition and transfers	(214)
Total accum. depreciation on December 31, 2021	**(8,329)**
TOTAL INTANGIBLE ASSETS ON DECEMBER 31, 2021	**3,772**

2020	Thousands of euros
Cost	
Balances on January 1st, 2020	7,955
Additions	3,492
Derecognition and transfers	(453)
Total Cost on December 31, 2020	**10,993**
Accumulated depreciation	
Balances on January 1st, 2020	(6,169)
Additions (Note 32)	(888)
Derecognition and transfers	-
Total accum. depreciation on December 31, 2020	**(7,057)**
TOTAL INTANGIBLE ASSETS ON DECEMBER 31, 2020	**3,936**

On December 31st, 2021, certain intangible assets valued at 6,338 thousand euros (5,252 thousand euros on December 31st, 2020), were fully amortized.

14. Other assets

Details of this balance sheet caption are as follows:

Thousands of euros	2021	2020
Prepayments and accrued income	51	759
Amounts to be recovered FEDER programme (note 17)	36,875	69,977
Other items	4,827	5,902
Total	**41,753**	**76,638**

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

Thousands of euros	2021	2020
Accruals through the sale of financial instruments	-	653
Unaccrued current expenses paid	51	106
Total	**51**	**759**

Prepayments through the sale of financial instruments recognized for 2021 and 2020 correspond to the sale or cancellation of derivatives in 2012 with maturity after December 31st, 2021 and 2020, 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 2021 and 2020 mainly include the following:

- Contributions approved pending receipt from various departments of the Generalitat for obligations recognized in certain loan operations to entities and companies. In general, these loan operations have been granted as advances on subsidies from the aforementioned departments, when the assignment of collection rights has been obtained as a guarantee.

- Group receivables.

15. Financial liabilities at amortized cost

A breakdown by type of this heading on the accompanying balance sheets at December 31st, 2021 and 2020 is as follows:

Thousands of euros	2021	2020
Deposits from credit institutions	987,851	1,058,701
Client funds	248,544	209,266
Debt securities issued	332,831	326,337
Other financial liabilities	4,360	4,106
Total	**1,573,586**	**1,598,410**

The breakdown of the gross balance and valuation adjustments corresponding to the sub-prints of "Financial liabilities at amortized cost" is presented below at December 31, 2021 and 2020:

Thousands of euros	Valuation adjustments 2021					
	Gross balance	Interest accrued	Derivative micro-hedges	Transaction costs	Discounted premiums	Net balance
Deposits from credit institutions	985,850	2,078	-	(76)	-	987,851
Client funds	248,536	7	-	-	-	248,544
Debt securities issued	325,955	1,261	5,633	-	(17)	332,831
Other financial liabilities	4,360	-	-	-	-	4,360
Total	**1,564,701**	**3,346**	**5,633**	**(76)**	**(17)**	**1,573,586**

Thousands of euros	Valuation adjustments 2020					
	Gross balance	Interest accrued	Derivative micro-hedges	Transaction costs	Discounted premiums	Net balance
Deposits from credit institutions	1,056,644	2,134	-	(77)	-	1,058,701
Client funds	209,242	24	-	-	-	209,266
Debt securities issued	316,244	1,325	8,819	-	(51)	326,337
Other financial liabilities	4,106	-	-	-	-	4,106
Total	**1,586,236**	**3,483**	**8,819**	**(77)**	**(51)**	**1,598,410**

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	2021	2020
Fixed-term deposits	**985,850**	**1,056,644**
Fixed-term accounts	985,850	1,056,644
Total	**985,850**	**1,056,644**

In 2021, the average effective interest rate on the financial instruments classified under this heading was 0.60% (0.73% in 2020).

The heading contains the bank borrowings used by the Group.

Repayments of bank borrowings by residual maturity on December 31st, 2021 and 2020 are as follows:

Thousands of euros	2021	2020
Up to three months	-	6,250
From three months to one year	13,125	13,250
From one to five years	114,270	46,944
More than five years	858,454	990,200
Total	**985,850**	**1,056,644**

On December 31st, 2021, there are debt consolidations that were formalized and not arranged for 175 million euros. On December 31st, 2020, there were debt consolidations that were formalized and not arranged for 100 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, 2021 and at December 31st, 2020 is as follows:

By sectors:

Thousands of euros	2021	2020
Public Administrations	219,369	182,954
Other resident sectors	29,167	26,288
Total	**248,536**	**209,242**

By nature:

Thousands of euros	2021	2020
Funds received	245,554	182,417
Other – Managed loans	2,982	26,825
Total	**248,536**	**209,242**

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 2021 was 0.08% (0.21% in 2020).

15.3 Debt securities issued

A breakdown of the balances under this heading on December 31, 2021 and on December 31, 2020, considering the principal amount of the issues, is as follows:

31/12/2021	Thousands of euros		
	Maturity	Amount	Interest rate
Seventh issue	05/07/2022	240,000	EUR3M + 0.06%
Eighth issue	15/06/2024	12,000	4.25%
Eleventh issue	22/10/2029	20,000	4.55%
Total		**272,000**	

31/12/2020	Thousands of euros		
	Maturity	Amount	Interest rate
Seventh issue	05/07/2022	240,000	EUR3M + 0.06%
Eighth issue	15/06/2024	12,000	4.25%
Eleventh issue	22/10/2029	20,000	4.55%
Total		**272,000**	

On December 31st, 2021 and December 31st, 2020, redemption of the aforementioned issues according to their residual maturity dates is as follows:

Thousands of euros	2021	2020
From 3 months to 1 year	240,000	-
From 1 to 5 years	20,000	252,000
More than 5 years	12,000	20,000
Total	**272,000**	**272,000**

On December 31 st, 2021, this heading also includes promissory notes listed on the Barcelona Stock Exchange totalling 53,955 thousand euros (44,243 thousand euros on December 31st, 2020). This amount relates to 50 transactions (44 transactions in 2020) with nominal values between 100 and 6,500 thousand euros (between 90 and 5,000 thousand euros in 2020). The weighted average yield on the notes is 0.25% (0.47% in 2020) and the average residual term is 0.7 years (0.7 years in 2020).

15.4 Other financial liabilities

The breakdown of this balance sheet heading is as follows:

Thousands of euros	2021	2020
Accrued commissions on financial guarantees	4,360	4,106
Total	**4,360**	**4,106**

16. Provisions

Details of this caption of the balance sheet on December 31st, 2021 and 2020 are as follows:

2021	Thousands of euros			
	31/12/2020	Net provision	Recoveries	31/12/2021
Provisions for risks and contingent commitments	**1,717**	**1,412**	**(513)**	**2,616**
Guarantess granted	1,717	244	(513)	1,448
Loan commitments granted	-	1,168	-	1,168
Other provisions	**882**	**-**	**-**	**882**
Total	**2,599**	**1,412**	**(513)**	**3,498**

2020	Thousands of euros			
	31/12/2019	Net provision	Recoveries	31/12/2020
Provisions for risks and contingent commitments	**1,724**	**155**	**(162)**	**1,717**
Guarantess granted	1,724	155	(162)	1,717
Other provisions	**882**	**-**	**-**	**882**
Total	**2,606**	**155**	**(162)**	**2,599**

The Group's directors do not consider that any additional liabilities will accrue in addition to those disclosed on December 31st, 2021.

17. Other liabilities

The breakdown of this balance sheet heading is as follows:

Thousands of euros	2021	2020
Accruals	2,201	1,800
Deferred revenue FEDER programme	102,192	73,440
Suppliers and other accounts payable	3,746	9,361
Total	**108,139**	**84,601**

Deferred revenue FEDER programme

The movement of deferred revenue from the European Regional Development Funds (FEDER) programme funds during the financial year 2021 is presented below:

(Thousands of euros)	Initial balance	Additions	Transfers to the income statement (note 28)	Ending balance
Fiscal year 2021				
Deferred revenues	73,440	40,437	(11,685)	102,192
	73,440	**40,437**	**(11,685)**	**102,192**

(Thousands of euros)	Initial balance	Additions	Transfers to the income statement (note 28)	Ending balance
Fiscal year 2020				
Deferred revenues	27,628	49,836	4,025	73,440
	27,628	**49,836**	**4,025**	**73,440**

On February 12th, 2015, the FEDER 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 FEDER. 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:

- ICF Eurocredit: 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. In the second cycle, 50% of the funds returned from the first cycle will be reinvested in the same sector.

- ICF Eurocredit COVID-19 liquidity: Line up to a maximum amount of 70 million euros, that are provided by the ICF, gradually. The ICF receives funds corresponding to 100% of the eligible amount of the financing operations. In the second cycle, 100% of the funds returned from the first cycle will be reinvested in the same sector.

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.

Until December 31, 2021, payment to the ICF has been agreed for this concept of 118,130 thousand euros, of which an amount of 36,875 thousand euros (note 14) is pending collection at December 31, 2021 (69,977 thousand euros at December 31, 2020).

Suppliers and other accounts payable

The 2021 and 2020 financial years are mainly recorded:

- Invoices pending receipt from various suppliers.

- Additionally, during 2021 2,200 thousand euros are recorded as a guarantee cost of the Covid-19 liquidity lines pending payment to the Generalitat de Catalunya (475 thousand euros in 2020).

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 III, according to the type of instrument. The valuation criteria remain the same as those in 2020.

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, 2021 and 2020, detailing the valuation technique used to estimate their fair value, are as follows:

	2021		
	Level 1	**Level 2**	**Level 3**
Assets:			
Financial assets at fair value through other comprehensive income (Note 7)	272,531	-	172,058
Hedging derivatives (Note 9)	-	7,338	-
Trading derivatives (note 6)	-	-	-
Total assets	**272,531**	**7,338**	**172,058**

	2021		
	Level 1	**Level 2**	**Level 3**
Liabilities:			
Hedging derivatives (note 9)	-	2,615	-
Trading derivatives (note 6)	-	1,598	-
Total liabilities	**-**	**4,213**	**-**

	2020		
	Level 1	**Level 2**	**Level 3**
Assets:			
Financial assets at fair value through other comprehensive income (Note 7)	231,182	-	129,899
Hedging derivatives (Note 9)	-	9,408	-
Trading derivatives (note 6)	-	-	-
Total assets	**231,182**	**9,408**	**129,899**

	2020		
	Level 1	**Level 2**	**Level 3**
Liabilities:			
Hedging derivatives (note 9)	-	5,764	-
Trading derivatives (note 6)	-	4,015	-
Total liabilities	**-**	**9,779**	**-**

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 2021 and 2020 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	2021	2020
Financial assets at fair value through other comprehensive income	53,794	28,011
Equity instruments	53,638	27,455
Debt instruments	156	556
Cash flow hedges	(1,689)	(3,335)
Total	**52,105**	**24,676**

20. Own Funds

20.1 Endowment fund

The movement in this caption during 2021 and 2020 is as follows:

Thousands of euros	2021	2020
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 2021 and 2020 was as follows:

Item	Parent reserves	Subsidiaries reserves	Reserves in equity method	Profit /(loss) for the year	Total
Balance at 31.12.2019	**151,891**	**(1,335)**	**2,804**	**29,202**	**182,562**
Distribution of profit	29,336	(134)	-	(29,202)	-
Other movements	2,405	-	100	-	2,505
Profit or loss for 2020	-	-	-	5,409	5,409
Balance at 31.12.2020	**183,632**	**(1,469)**	**2,904**	**5,409**	**190,476**
Distribution of profit	7,792	(2,383)	-	(5,409)	-
Other movements	1,318		(114)	-	1,204
Profit or loss for 2021	-	-	-	36,419	36,419
Balance at 31.12.2021	**192,742**	**(3,852)**	**2,790**	**36,419**	**228,099**

With the sole exception of capitalisation reserves, which meet the deadlines established in Law 27/2014, of 27 November on Corporation Tax, all reserves at 31 December 2021 and 2020 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 2021 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

On December 31st, 2021, 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

The reconciliation of the 2021 and 2020 accounting profit and taxable income, and the income tax expense/(recoverable income tax) is as follows:

Thousands of euros	2021	2020
Accounting profit or loss before tax	**36,766**	**6,138**
Consolidation adjustments		
Profit of companies not included in the tax group	1,835	2,002
Other consolidation adjustments	4,793	-
Permanent differences	(7,330)	(2,924)
Temporary differences	(79,969)	
Increases	24,456	35,046
Decreases	(104,426)	(17,526)
Capitalization reserve (Note 4)	-	(2,274)
Consolidated tax base	**(43,905)**	**20,462**
Tax at prevailing rate	-	5,115
Deductions and credits	(4)	(4)
Withholdings and payments on account	(5,017)	(2,888)
Income tax expense (recoverable tax)	**(5,021)**	**2,223**

Details of the income tax expense related to profit tax and profit for years 2021 and 2020 are as follows:

Thousands of euros	2021	2020
Accounting profit or loss before tax	**36,766**	**6,138**
Tax at current tax rate	11,030	1,534
Tax effect of non-deductible expenses	(2,199)	(731)
Consolidation adjustments	1,988	501
Deductions and credits applied	(4)	(4)
Capitalization reserve (Note 4)	-	(568)
Update of the tax rate	(10,469)	-
Adjustments	-	(2)
Income tax expense (recoverable tax)	**(347)**	**729**

A reconciliation of current income tax and the income tax expense (recoverable income tax) for 2021 and 2020 is as follows:

Thousands of euros	2021	2020
Taxable income due to tax rate	(13,171)	5,115
Deductions and credits	(4)	(4)
Current income tax for the year	**(13,175)**	**5,111**
Change in temporary differences	23,991	4,380
Adjustments	-	(2)
Update of the tax rate	(10,469)	**-**
Income tax expense (recoverable tax)	**(347)**	**729**

In accordance with the provisions of Note 2.k, the tax regime of the group's parent company is modified in 2021, assuming an amendment to the tax rate of the Consolidated Tax Group, from 25% to 30%. Additionally, it represents a change in the estimation of the deductibility relating to credit risk coverage in accordance with articles 8 and 9 of the Corporate Tax Regulation.

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, 2021 and December 31st, 2020 are as follows:

Thousands of euros	**2021**	**2020**
Opening balance of deferred tax assets	**55,883**	**51,217**
Provisions for hedges on non-deductible credit risk	6,590	10,132
Provisions for hedges on credit risk that become deductible	(31,107)	(7,207)
Equity adjustments	245	1,482
Limitation of depreciation	(29)	17
Negative tax base activation exercise	13,171	-
Other tax assets	36	242
Update of the tax rate	10,469	-
Closing balance of deferred tax assets	**55,258**	**55,883**

Thousands of euros	**2021**	**2020**
Opening balance of deferred tax liabilities	**-**	**-**
IFDV changes in value	828	-
Closing balance of deferred tax liabilities	**828**	**-**

21.5 Current taxes

The balances related to current tax assets on December 31st, 2021 and 2020, amouting to 5,159 and 183 thousand 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, 2021 and 2020 is as follows:

(Thousands of euros)	**2021**	**2020**
Withholding debt	231	166
Social security debt	135	141
Taxation authority, IS credit	-	2,212
Taxation authority, VAT credit	56	138
Total	**422**	**2.657**

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 on December 31st, 2021 and December 31st, 2020 is as follows:

Thousands of euros	2021	2020
Guarantees and other deposits	112,530	107,438
Total	**112,530**	**107,438**

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, 2021 and December 31st, 2020 is as follows:

Thousands of euros	2021	2020
Available to third parties	259,760	172,832
Public sector	50,520	60,568
Other resident sectors	209,240	112,264
Total	**259,760**	**172,832**

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 2021 and 2020 is the following:

Thousands of euros	2021	2020
Deposits in credit institutions	1,503	1,649
Loans to customers	44,314	39,898
Public Administrations	4,819	6,735
Other resident sectors	39,495	33,163
Debt securities	1,221	1,128
Other interests	57	106
Total	**47,095**	**42,781**

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 2021 and 2020 is as follows:

Thousands of euros	2021	2020
Deposits from credit institutions	(6,170)	(6,354)
Client Funds	(71)	(100)
Debits represented by marketable securities	(5,674)	(5,680)
Total	**(11,915)**	**(12,134)**

25. Commission income

The amount of the deposit for fees accrued at December 31, 2021 and 2020 is as follows:

Thousands of euros	2021	2020
Fees for financial guarantees granted	3,269	1,905
Management of agreed lines (note 35)	1,320	485
Total	**4,589**	**2,390**

26. Commission expenses

The amount of the fee expenditure accrued at December 31, 2021 and 2020 is as follows:

Thousands of euros	2021	2020
Corrections for asset and liabilities transactions	(691)	(842)
Cost of guarantee operations (note 3.4.4 and note 35)	(2,630)	(476)
Total	**(3,321)**	**(1,318)**

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	2021	2020
Financial income derived from the sale of debt securities classified at fair value through other comprehensive income	116	61
Accrual for sale of swaps (Note 14)	(653)	(813)
Total	**(537)**	**(752)**

28. Other operating income

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

Thousands of euros	2021	2020
Operating income from investment property	3,481	4,070
Income from FEDER operational programme (note 17)	11,685	4,025
Other items	78	93
Total	**15,244**	**8,188**

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 2021 and 2020 is as follows:

Thousands of euros	2021	2020
Operating expenses from investment property (note 12.2)	(1,355)	(735)
Other items	(500)	(719)
Total	**(1,856)**	**(1,454)**

30. Personnel expenses

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

Thousands of euros	2021	2020
Wages and Salaries	(5,587)	(5,458)
Social Security	(1,418)	(1,387)
Total	**(7,004)**	**(6,845)**

Staff expenses include the remuneration of the key personnel of the entity defined by the Appointments and Remuneration Committee (15 people) for the amount of 1,294 thousand euros in 2021 (15 people and 1,159 thousand euros in 2020). In addition, there are 225 thousand euros of provisions for variable remuneration (218 thousand euros in 2020), whose settlement is subject to the evaluation of the Appointment and Remuneration Committee. 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 And Risk Investments; General Director of Finance and Operations.

- Directors: Corporate Director of Auditing and Regulatory Compliance; Director of Financing; Finance Director; Director of Investments in Venture Capital Funds; Head of Money Laundering Prevention; Head of Internal Audit; Director of Risk Monitoring and Management; Business Development Director; Director of Treasury and Capital Market; Director of Technology; Human Resources Director.

On December 31st, 2021 and 2020, the distribution ICF Group's workforce by professional category and gender is as follows:

	December 31st 2021			December 31st 2020		
	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	15	10	25	15	10	25
Technical / Administrative	25	55	80	27	53	80
Total	42	68	**110**	**44**	**66**	**110**

The distribution ICF Group's average workforce by professional category and gender during 2021 and 2020 is as follows:

	December 31st 2021			December 31st 2020		
	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	16	11	27	15	10	25
Technical / Administrative	26	52	78	26	52	78
Total	**44**	**66**	**110**	**43**	**65**	**108**

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 2021 and 2020 the ICF Group has 2 employees with a disability equal to or greater than 33%.

31. Other administrative expenses

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

Thousands of euros	2021	2020
Furniture, fittings and materials	(247)	(325)
Information technology	(1,742)	(1,172)
Publicity and advertising	(341)	(409)
Technical reports	(736)	(1,396)
Security and fund courier services	(86)	(74)
Insurance premiums	(128)	(56)
Control and governing bodies	(145)	(141)
Outsourced administrative services	(8)	(8)
Contributions and taxes	(172)	(168)
Other expenses	(593)	(601)
Total	**(4,198)**	**(4,350)**

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 91 thousand euros (excluding VAT), in the year 2021 and 91 thousand euros (excluding VAT), in the year 2020. Likewise, in the years 2021 and 2020, the external auditor has accrued for reviewing the information on the Financial Information Control System contained in the Annual Corporate Governance Report and reviewing the Report with Prudential Relevance of the ICF Group a total of 13 thousand euros and 23 thousand euros.

The heading "Government and control bodies" includes 126 thousand euros (141 thousand euros in 2020) 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 2021 is shown in Appendix 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

On December 31, 2021 and as of December 31, 2020, the Group has no pending invoices to suppliers with a postponement exceeding the established legal term.

The information on the average payment period during 2021 is as follows:

	2021	**2020**
	Days	**Days**
Average payment period for suppliers	24.37	33.37
Ratio of paid transactions	24.37	33.37
Ratio of transactions pending payment		-
	Amount in thousands	**Amount in thousands**
Total payments made	11,101	8,788
Total pending payments	-	-

32. Amortization

Details of this heading in the income statement for the years ended December 31st, 2021 and December 31st, 2020 is as follows:

Thousands of euros	**2021**	**2020**
Tangible assets (Note 12):		
For own use	(719)	(109)
Investment property	(441)	(816)
Intangible assets (Note 13)	(1,057)	(888)
Total	**(2,217)**	**(1,813)**

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 2021 and 2020 is as follows:

Thousands of euros	2021	2020
Impairment losses or (-) reversal of impairment losses on financial assets not at fair value through profit or loss:		
Impairment allowances	(58,003)	(46,474)
Recoveries	28,029	18,909
Others	20,091	4,610
Total	**(9,883)**	**(22,955)**

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	2021	2020
Impairment of foreclosed assets (note 10)	3,072	2,224
Gains on the sale of foreclosed assets	1,842	748
Total	**4,914**	**2,972**

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 2021 and 2020 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 2021 – Thousands of euros	Assets	Liabilities	Expenses	Income
Convertible debt	374	-	-	2
Debt securities	-	17,960	44	-
Rental of offices	-	-	-	268
Total	**374**	**17,960**	**44**	**270**

Year 2020 – Thousands of euros	Assets	Liabilities	Expenses	Income
Convertible debt	525	-	-	3
Debt securities	-	23,400	(73)	-
Rental of offices	-	-	-	264
Total	**525**	**23,400**	**(73)**	**267**

Balances and transactions with the sole shareholder:

	Balances Assets / (Liabilities)		Revenues (expenses)	
	2021	2020	2021	2020
Debt securities (note 7)	5,000	21,600	131	213
Customer funds	39,466	40,354	269	166
Other assets (space rental)	-	-	-	259
Other assets (departmental debt)	2,982	3,960	-	-
Management of lines in agreement (note 25)	900	485	1,320	485
Warranty cost of operations (note 3.4.4 and 26)	(2,200)	(476)	(2,630)	(476)
Customer funds (note 15.2)	(245,554)	(209,243)	-	-

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

The invasion of Ukraine by Russia and the subsequent escalation has led to an increase in the degree of uncertainty of the global economy, with impacts, among others, on the increase in the cost of energy and raw materials, as well as difficulties in the supply chain. In this sense, although the Group does not have direct exposures with the region, the entity will closely monitor potential indirect impacts through its customers that may occur in the coming months within the framework of its global risk management, which in any case is recorded prospectively.

Other significant events that have not been broken down in the previous notes have not occurred after the end of 2021.

APPENDIX I – ALLOWANCES AND REMUNERATION OF THE MEMBERS OF THE GOVERNING BODIES OF INSTITUT CATALÀ DE FINANCES DURING 2021 (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 31/12/2021 of the governing bodies and the delegated commissions was as follows:

	Governing Board	Executive Committee	Control committees
Independent	Abella Martín, Rafael Peydró Alcalde, José Luis Vilumara Pérez, Albert Casas Onteniente, Joan B. Puig Pla, Xavier Soldevila García, Pilar	Vilumara Pérez, Albert Peydró Alcalde, José Luis Vilumara Pérez, Albert	<u>Audit and Control</u> Abella Martín, Rafael Peydró Alcalde, José Luís Casas Onteniente, Joan B <u>Remuneration and Appointments</u> Vilumara Pérez, Albert Abella Martín, Rafael Soldevila García, Pilar
Proprietary	Cabrafiga Macias, Jordi Castellanos Maduell, Albert Villarroya Martínez, Matilde Cuenca León, Núria	Cabrafiga Macias, Jordi	-
Executives	Òliva Ritort, Jordi	Òliva Ritort, Jordi	-

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, 2021:

Euros	Remuneration of Governing Board	Remuneration of Delegate Committees	Total
Peydró Alcalde, José luis	12,692	10,575	23,267
Abella Martín, Rafael	12,692	9,755	22,447
Vilumara Pérez, Albert	12,692	13,640	26,332
Puig Pla, Francisco Javier	3,173	2,115	5,288
Soldevila García, Pilar	3,173	1,295	4,468
Casas Onteniente, Joan B.	3,173	2,115	5,288
Casas Selvas, Francesc	7,051	6,820	13,871
Domingo Piera, Mercedes	7,051	6,820	13,871
Verger Casasnovas, Virginia Maria	7,051	4,230	11,281
TOTAL	**68,748**	**57,365**	**126,113**

APPENDIX II - SUBSIDIARIES AND ASSOCIATES IN THE INSTITUT CATALÀ DE FINANCES GROUP AT DECEMBER 31, 2021

(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 on 31/12/2021							
					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%	50,000	-	-	314	2,466	160	-	51,876
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%	300	-	-	434	139	-	-	873
Capital Expansió, F.C.R.	Gran Via de les Corts Catalanes, 635 Barcelona	Venture capital for technology and industrial companies.	EY	100%	10,775	-	-	2,234	(2,514)	-	-	6,027
Capital MAB, F.C.R..	Gran Via de les Corts Catalanes, 635 Barcelona	Venture capital for technology and industrial companies.	EY	100%	1,862	-	-	-	1,225	-	(1,225)	1,862
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%	6,585	-	-	(420)	(738)	-	-	5,427
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%	9,732	-	-	-	143	36	(143)	9,876
Associates												
Avalis de Catalunya S.G.R.	Gran Via de les Corts Catalanes 129-131, Barcelona	Reciprocal Guarantee Society	KPMG	13.69%	18,751	-	41,313	207	(698)	-	-	59,573

(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, 2020

(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 31/12/2020							
					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	-	-	29	(619)	2,614	-	52,025
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	-	-	1,556	279	-	-	2,135
Capital Expansió, F.C.R.	Gran Via de les Corts Catalanes, 635 Barcelona	Venture capital for technology and industrial companies.	EY	100.00%	11,625	-	-	(2,316)	81	-	-	9,390
Capital MAB, F.C.R.	Gran Via de les Corts Catalanes, 635 Barcelona	Venture capital for technology and industrial companies.	EY	100.00%	3,050	-	-	-	3,034	1,928	(2,509)	5,503
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%	5,850	-	-	(132)	(288)	-	-	5,430
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%	4,800	-	-	(50)	171	67	-	4,988
Associates												
Avalis de Catalunya S.G.R.	Gran Via de les Corts Catalanes 129-131, Barcelona	Reciprocal Guarantee Society	KPMG	14.11%	19,000	-	28,307	207	(698)	-	-	46,816

(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, 2021

(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	Venture capital for the media sector	KPMG	24.59%	7,561	(7,561)	-
Barcelona Emprèn S.C.R. S.A.	Gran Via de les Corts Catalanes 635, Barcelona	Venture capital for technology companies	BDO Auditores	27.07%	2,520	(2,106)	415
Nauta Tech Invest II, S.C.R. S.A.	Diagonal, 593, Barcelona	Venture capital for technology, media and telecommunications	EY	7.47%	-	92	92
Mediterrania Capital F.C.R.	Diputació 246, Barcelona	Venture capital	KPMG	24.00%	7,286	-	7,286
Caixa Capital TIC S.C.R. S.A.	Diagonal 621, Barcelona	Venture capital for technology companies	Vir Audit, SLP	9.68%	1,205	(512)	693
Ysios BioFund I, F.C.R.	Avda. de la Libertad 25, San Sebastian	Venture capital for health sciences and biotechnology	KPMG	4.34%	143	577	720
Nauta Invest Tech III. S.C.R.	Diagonal, 593, Barcelona	Venture capital for technology, media and telecommunications	EY	5.72%	-	1,583	1,583
Caixa Capital BioMed S.C.R.	Diagonal 621, Barcelona	Venture capital for health sciences and biotechnology	Vir Audit, SLP	4.55%	627	(414)	213
Caixa Innvierte Industria S.C.R.	Diagonal 621, Barcelona	Venture capital for technology and industrial companies.	Vir Audit, SLP	8.57%	17	3,071	3,088
Amerigo Innvierte Spain Ventures F.C.R.	Diagonal 401, Barcelona	Venture capital for technological projects	BDO Auditores	3.72%	1,073	(81)	992
Caixa Innvierte BioMed II, F.C.R.	Diagonal 621, Barcelona	Venture capital for health sciences and biotechnology	Vir Audit, SLP	5.71%	4,548	8,765	13,313
Suma Capital Growth Fund I, SCR	Diagonal 640, Barcelona	Venture capital for companies with growth projects	BDO Auditores	30.30%	2,186	(381)	1,805
Idinvest Digital Fund II	Avenue des Champs Elysées 117, Paris	Venture capital for companies in the digital sector	Aplitec	2.59%	1,997	4,270	6,268
Nauta Tech Invest IV, F.C.R.	Diagonal 593, Barcelona	Venture capital for technological projects	EY	14.06%	7,465	6,689	14,154
Aurica III, F.C.R.	Diagonal 407, Barcelona	Venture capital	Price WaterHouse	15.71%	12,288	15,075	27,363
Elaia Delta Fund	Rue de Ponthieu 54, Paris	Venture capital for technological projects	Price WaterHouse	2.37%	2,055	363	2,418
SC Efficiency & Environment Fund II	Diagonal 640, Barcelona	Venture capital for energy efficiency projects	EY	8.87%	4,100	1,777	5,877
Bonsai Partners Fund I	Zurbano 76, Madrid	Venture capital	BDO Auditores	5.00%	903	2,235	3,138
Idinvest Digital Fund III	Avenue des Champs Elysées 117, Paris	Venture capital for companies in the digital sector	KPMG	1.43%	3,167	1,098	4,264
Nauta Sidecar Tech I, F.C.R.	Diagonal, 593, Barcelona	Venture capital for technological projects	EY	10.50%	250	17	267
Fund Underwriting - FEI	-	Venture capital	-	n.a.	1,741	1,070	2,811
Adara Ventures III, S.C.A, SICAR	15, Boulevard F.W. Raiffeisen, Luxemburgo	Venture capital	Deloitte	5.06%	1,360	544	1,904
Alma Mundi Fund II, FCRE	Plaza Santa Bárbara 2, Madrid	Venture capital	BDO Auditores	2.87%	1,250	321	1,571

Sino-French (Innovation) Fund II, FPCI	52 rue d'Anjou – 75008 Paris	Venture capital	KPMG	0.77%	3,856	1,683	5,539
Alta Life Science Spain I, FCR	Paseo de la Castellana, 91 Madrid	Venture capital	Price WaterHouse	6.31%	3,227	54	3,281
Ysios Biofund III FCRE	Avda. de la Libertad 25, San Sebastian	Venture capital for health sciences and biotechnology	KPMG	9.63%	3,648	-	3,648
SC Growth Fund II Plus, FCRE	Diagonal 640, Barcelona	Venture capital	BDO Auditores	22.83%	3,104	467	3,571
Nauta Tech Invest V FCR + SCR	Diagonal, 593, Barcelona	Venture capital for technological projects	EY	12.46%	5,958	-	5,958
Kibo Ventures Fund III, FCRE	Carrer Zurbano 34, Madrid	Venture capital for technological projects	BDO Auditores	5.83%	885	-	885
Seaya Ventures III Fondo de Capital Riesgo, FCRE	Carrer de Alcalá, 54, Madrid	Venture capital for technological projects	Deloitte	5.89%	1,701	189	1,890
Finaves iv, sa	Avinguda Diagonal 453, Barcelona	Venture Capital Investment Company	GNL Russell Bedford Auditors	12.86%	265	(17)	248
Healthequity, SCR	Pg. Bonanova, 47 Barcelona	Venture Capital Investment Company	Deloitte	35.31%	4,998	1,036	6,034
inveready Venture Finance, SCR	Orfila 10, Madrid	Venture Capital Investment Company	RSM Spain Auditors	8.90%	-	159	159
Inveready Biotech II, SCR A	Zuatzu 7 PB, San Sebastián	Venture Capital Investment Company	BDO Auditores	5.81%	530	1,711	2,240
K Fund, FCRE	Juan Bravo 10, Madrid	Venture Capital Investment Company	KPMG	4.03%	1,970	842	2,811
Encomenda Seed i B FCRE SA	Muntaner 449, Barcelona	Venture Capital Investment Company	Grant Thorntom	10.71%	1,287	406	1,693
Inveready Biotech iii, SCR, SA	Orfila 10, Madrid	Venture Capital Investment Company	BDO Auditores	5.81%	798	194	992
Invivo Ventures, FCR	Passeig de Gràcia 54, Barcelona	Venture Capital Investment Company	EY	13.61%	1,798	-	1,798
Inveready First Capital III SCR SA	Orfila 10, Madrid	Venture Capital Investment Company	BDO Auditores	16.75%	1,843	-	1,843
Inveready First Capital III Parallel FCR	Zuatzu 7 PB, San Sebastián	Venture Capital Investment Company	BDO Auditores	3.37%	633	-	633
Sabadell Asabys Health Innovation Investments, SCR	Passeig de Gràcia 53, Barcelona	Venture Capital Investment Company	KPMG	7.34%	2,500	-	2,500
Nina Capital Fund i, FCRE	Balmes 211 3-1, Barcelona	Venture Capital Investment Company	BDO Auditores	5.56%	620	16	636
Samaipata II, Capital, FCR	Velázquez 18, Madrid	Venture Capital Investment Company	Deloitte	4.18%	425	89	514
K Fund II, FCRE	Rafael Calvo, 40, Madrid	Venture capital	KPMG	4.45%	925	-	925
4Founders Capital II, FCRE	Passeig Joan de Borbó, 99-101, Barcelona	Venture capital	-	6.85%	350	-	350
Fondo Axon Innovation Growth IV	Sagasta, 18, Madrid	Venture capital	KPMG	4.17%	300	-	300
Enion I Energy Fund, FCRE	Jordi Girona, 29, Barcelona	Venture capital for energy transition projects	-	17.00%	245	-	245
SLP impact croissance IV	Pépinière, 22, París	Venture capital	Deloitte	2.10%	723	-	723
Aldea tech fund I-A, FCR	Avinguda Diagonal, 640, Barcelona	Venture capital	-	10.80%	1,800	-	1,800
Venturecap II, SCR	Dr. Ferran, 3-5 Barcelona	Venture Capital Investment Company	BDO Auditores	33.33%	826	(342)	483
Caixa Innvierte Start, FCR	Orfila 10, Madrid	Venture Capital Investment Company	BDO Auditores	5.81%	1,344	(565)	779
Inveready Frist Capital	Av. Diagonal, 621 Barcelona	Venture Capital Investment Company	VirAudit	9.48%	610	(507)	103
TOTAL							**152,816**

In addition, on 31 December 2021 the Group had direct investments in venture capital amounting to 19,039 thousand euros, mainly through Capital MAB F.C.R., Capital Expansió F.C.R., ICF Capital Expansió 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, 2021 available at the date these financial statements were authorised for issue.

APPENDIX III - INVESTEES OF INSTITUT CATALÀ DE FINANCES – DECEMBER 31, 2020

(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	Canvis de valor	Valor net participació
Spinnaker Invest S.C.R., S.A.	Diputació 246, Barcelona	Venture capital for the media sector	KPMG	24.60%	4,160	(4,160)	-
Barcelona Empren S.C.R., S.A.	Gran Via de les Corts Catalanes 635, Barcelona	Venture capital for technology companies	BDO Auditores	27.07%	2,520	(2,202)	318
Nauta Tech Invest II S.C.R., S.A.	Diagonal, 593, Barcelona	Venture capital for technology, media and telecommunications	EY	7.47%	-	153	153
Mediterrània Capital, F.C.R.	Diputació 246, Barcelona	Venture capital	KPMG	24.00%	7,286	-	7,286
Caixa Capital TIC, S.C.R., S.A.	Diagonal 621, Barcelona	Venture capital for technology companies	Vir Audit, SLP	9.68%	1,205	(501)	704
Nauta Tech Invest III S.C.R., S.A	Diagonal, 593, Barcelona	Venture capital for technology, media and telecommunications	EY	5.72%	915	3,005	3,919
Ysios BioFund I, F.C.R.	Avda. de la Libertad 25, San Sebastian	Venture capital for health sciences and biotechnology	KPMG	4.34%	136	802	938
Caixa Capital Biomed S.C.R., S.A.	Diagonal 621, Barcelona	Venture capital for health sciences and biotechnology	Vir Audit, SLP	4.55%	627	(475)	151
Caixa Innvierte Industria S.C.R.	Diagonal 621, Barcelona	Venture capital for technology and industrial companies.	Vir Audit, SLP	8.57%	1,798	14	1,812
Amerigo Innvierte Spain Ventures F.C.R.	Diagonal 401, Barcelona	Venture capital for technological projects	BDO Auditores	3.72%	805	2,425	3,228
Caixa Innvierte BioMed II, F.C.R.	Diagonal 621, Barcelona	Venture capital for health sciences and biotechnology	Vir Audit, SLP	5.71%	2,140	(560)	1,580
Suma Capital Growth Fund I, S.C.R	Diagonal 640, Barcelona	Venture capital for companies with growth projects	BDO Auditores	30.30%	4,548	5,023	9,571
Nauta Tech Invest IV, F.C.R.	Diagonal 593, Barcelona	Venture capital for technological projects	EY	14.06%	8,663	3,147	11,810
Idinvest Digital Fund II	Avenue des Champs Elysées 117, Paris	Venture capital for companies in the digital sector	Aplitec	2.59%	3,256	2,001	5,257
Aurica III, S.C.R.	Diagonal 407, Barcelona	Venture capital	Price WaterHouse	15.71%	12,050	6,661	18,711
Elaia Delta Fund, FPCI	Rue de Ponthieu 54, Paris	Venture capital for technological projects	Price WaterHouse	2.37%	2,207	-	2,207
SC Efficiency & Environment Fund II, F.C.R.	Diagonal 640, Barcelona	Venture capital for energy efficiency projects	EY	8.87%	6,210	342	6,552
Bonsai Partners Fund I, F.C.R	Zurbano 76, Madrid	Venture capital	BDO Auditores	5.00%	1,260	29	1,289
Idinvest Digital Fund III	Avenue des Champs Elysées 117, Paris	Venture capital for companies in the digital sector	KPMG	1.43%	2,339	-	2,338
Nauta Sidecar Tech I, FCR	Diagonal, 593, Barcelona	Venture capital for technological projects	EY	10.50%	250	-	250

Adara Ventures III, SCA, SICAR	15, Boulevard F.W. Raiffeisen, Luxemburgo	Venture capital	Deloitte	5.06%	800	-	800
Alma Mundi Fund II, FCR	Plaza Santa Bárbara 2, Madrid	Venture capital	BDO Auditores	2.87%	1,000	-	1,000
Alta Life Science Spain, FCR	Paseo de la Castellana, 91 Madrid	Venture capital	Price WaterHouse	6.31%	2,352	-	2,352
Sino-French (Innovation) Fund II, FPCI	52 rue d'Anjou – 75008 Paris	Venture capital	KPMG	0.77%	2,261	-	2,261
Fund Underwriting – FEI	-	Venture capital	-	-	1,899	700	2,599
Ysios BioFund III, F.C.R.	Avda. de la Libertad 25, San Sebastian	Venture capital for health sciences and biotechnology	KPMG	9.63%	1,273	-	1,273
SC Growth Fund II Plus, FCR	Diagonal 640, Barcelona	Venture capital	BDO Auditores	22.83%	4,196	-	4,196
Kibo Ventures Fund III, F.C.R.E.	Carrer Zurbano 34, Madrid	Venture capital for technological projects	BDO Auditores	5.83%	90	-	90
Seaya Ventures III Fondo de Capital Riesgo, F.C.R.E.	Carrer de Alcalá, 54, Madrid	Venture capital for technological projects	Deloitte	5.89%	603	-	603
Nauta Tech Invest V, F.C.R., S.C.R.	Diagonal, 593, Barcelona	Venture capital for technological projects	EY	12.46%	1,285	-	1,285
FINAVES IV, SA	Avinguda Diagonal 453, Barcelona	Venture Capital Investment Company	GNL Russell Bedford Auditors	12.86%	323	129	452
INVEREADY FIRST CAPITAL SCR SA	Orfila 10, Madrid	Venture Capital Investment Company	BDO Auditores	35.31%	4,397	806	5,203
HEALTHEQUITY, SCR SA	Pg. Bonanova, 47 Barcelona	Venture Capital Investment Company	Deloitte	33.33%	826	(346)	480
INVEREADY VENTURE FINANCE, SCR SA	Orfila 10, Madrid	Venture Capital Investment Company	RSM Spain Auditors	5.81%	614	1,266	1,880
VENTURCAP II SCR SA	Dr. Ferran, 3-5 Barcelona	Venture Capital Investment Company	BDO Auditores	8.90%	-	115	175
INVEREADY BIOTECH II, SCR SA	Orfila 10, Madrid	Venture Capital Investment Company	BDO Auditores	31.58%	656	(473)	183
CAIXA INNVIERTE START, FCR	Av. Diagonal, 621 Barcelona	Venture Capital Investment Company	VirAudit	9.48%	1,375	(662)	713
K FUND, FCRE	Juan Bravo 10, Madrid	Venture Capital Investment Company	KPMG	4.03%	1,491	-	1,491
ECOMENDA SEED I B FCRE SA	Muntaner 449, Barcelona	Venture Capital Investment Company	Grant Thorntom	10.71%	882	28	910
INVEREADY BIOTECH III, SCR SA	Orfila 10, Madrid	Venture Capital Investment Company	BDO Auditores	5.32%	599	-	598
INVIVO VENTURES, FCR	Passeig de Gràcia 54, Barcelona	Venture Capital Investment Company	EY	13.61%	1,391	-	1,391
INVEREADY FIRST CAPITAL III, SCR SA	Orfila 10, Madrid	Venture Capital Investment Company	BDO Auditores	16.75%	1,139	-	1,139
INVEREADY FIRST CAPITAL III PARALLEL, SCR SA	Zuatzu 7 PB, San Sebastián	Venture Capital Investment Company	BDO Auditores	3.37%	391	-	391
SABADELL ASABYS HEALTH INNOVATION INVESTMENTS, SCR	Passeig de Gràcia 53, Barcelona	Venture Capital Investment Company	KPMG	7.34%	2,000	-	2,000
NINA CAPITAL FUND I, DCRE	Balmes 211 3-1, Barcelona	Venture Capital Investment Company	BDO Auditores	5.56%	400	-	400
SAMAIPATA II CAPITAL, FCR	Velázquez 18, Madrid	Venture Capital Investment Company	Deloitte	4.18%	175	-	175

K Fund II, FCRE	Juan Bravo 10, Madrid	Venture Capital Investment Company	KPMG	4.45%	250	-	250
TOTAL							**112,364**

In addition, on 31 December 2020 the Group had direct investments in venture capital amounting to 17.534 thousand euros mainly through Capital MAB F.C.R., Capital Expansió F.C.R., ICF Capital Expansió 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, 2020 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. 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 de Catalunya. 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, 2021 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.

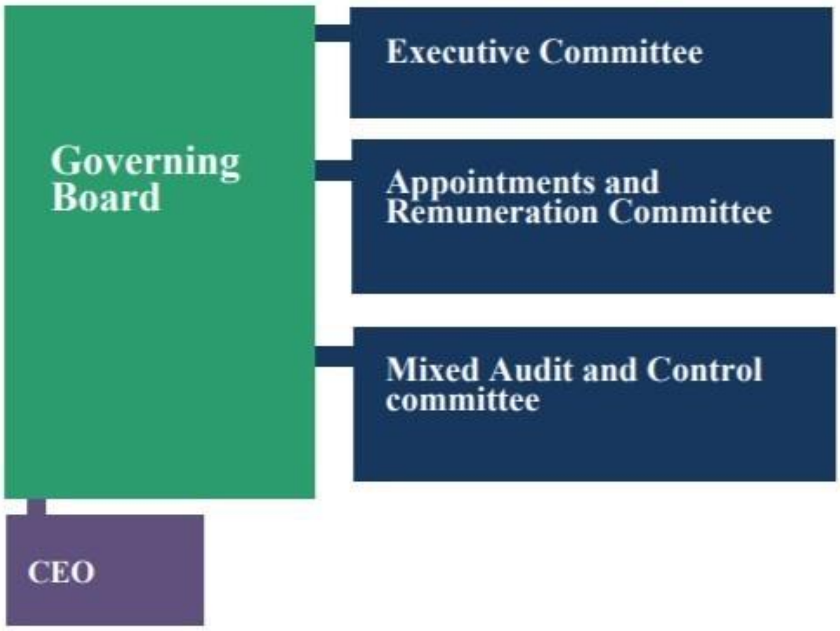
- **ICF Capital SGEIC, SAU:** its main objective is to promote, advice and manage venture capital funds or companies which contribute capital to Catalan companies. Wholly owned by ICF. ICF currently directly manages 5 investment vehicles:
    - **Capital MAB F.C.R.**
    - **Capital Expansió F.C.R.**
    - **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 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. 13.69% owned by the ICF Group at 31 December 2021, through the Catalan Institute of Finance and IFEM.

1.2 Corporate governance model and structure

On December 31, 2021 the governing structure of ICF, the parent of the Group, is as follows:



Likewise, in December 2021 the Delegated Strategy and Sustainability Committee was created.

<u>Governing Bodies</u>

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.

On December 31st, 2021, the CEO is Sr. Jordi Òliva Ritort.

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

Economic environment

The world economy in 2021 has been characterised by a rebound effect compared to the historic drop in GDP in 2020, which, like the negative impacts of the previous year, has an uneven distribution. Although the overall trend is recovery and globally goes from a fall of 3.2% in 2020 to a growth of 5.6% in 2021, this recovery has been especially significant in the United States, China or India, and more moderate in other areas, such as the Eurozone or Japan. With respect to the Eurozone, in any case, growth in 2021 has allowed the year to end with levels of gross domestic product similar to those of the fourth quarter 2019.

Beyond the efforts to balance the recovery of the economy with the fight against the different waves of the pandemic, the focus of attention worldwide has focused on the threat of inflation, global bottlenecks in the supply chain and geopolitical tensions, the latter increased in the first quarter of 2022 with the conflict in Eastern Europe.

In this regard, Catalan GDP has not yet recovered to pre-pandemic levels, standing at 2.7% below the figures for the fourth quarter of 2019, it has shown growth of 5.9% in 2021, above that of the Spanish economy (5.0%) and that of the Eurozone (5.2%). After the strong negative impact of 2020, since spring 2021 the Catalan economy is growing strongly, led by services and industry, in a context of high vaccination rates and fewer health restrictions. This buoyancy has continued for the rest of the year, with special mention in the fourth quarter, when despite the problems arising from the supply chain, the increase in inflation -6.1%, although the underlying one stands at 1.8%- and the outbreak of the sixth wave, the Catalan economy has shown a remarkable degree of adaptation to these circumstances and has accelerated its growth year-on-year, the second highest rate since 2001. As a result of this growth, the unemployment rate closes in the fourth quarter of 2021 at 10.2%, the lowest value since 2008.

For 2022, the entry into what appears to be a new phase of the pandemic, with fewer restrictions, the savings accumulated in recent quarters, as well as the potential effect of fiscal stimuli –highlighting the distribution of Next Generation funds-, represent opportunities for the Catalan economy, which on the other hand will have to face the challenges posed by the risks of maintaining high inflation, global energy transition as a backdrop, and geopolitical tensions. The latest forecasts for the Catalan economy, prior to the escalation of the military conflict in Ukraine, estimate growth for 2022 of between 5.7% and 6.4%[1], in line with those of the Spanish economy and higher than the figure forecast by the Eurozone (3.9%[2]).

Regarding the macrofinancial environment, the markets are attentive to the actions of the main central banks, with a Federal Reserve leading the withdrawal of stimuli and a European Central Bank in search of a balance between the inflation target - with a historic change in 2021 where it is made more flexible by defining it as 2% in the medium term but accepting specific deviations - and not making decisions that may lead to a temporary deviation. Notwithstanding the foregoing, the markets are already discounting rate hikes, with Euribor forecasts that would mean abandoning the field of negative rates in 2023.

Financial system

After the increase in the financing stock for 2020, as a result of the liquidity measures of European regulators and public guarantee lines, 2021 has been a year of stability at the volume level throughout the state financial system, albeit with an unequal distribution: reduction in aggregate financing for SMEs, large companies and the construction segment, and an increase in housing financing. Consumer credit, meanwhile, remains stable compared to the end of 2021.

On the liabilities side, the upward trend in sight deposits should be highlighted once again, to the detriment of term deposits. There is also a significant increase in managed investment funds (+14.8%), strengthening banks' gross margin, offsetting an interest margin that remains closely watched by the rate hikes anticipated by the market.

With regard to the evolution of impaired assets, notwithstanding the fact that in certain sectors particularly affected by the pandemic there is already an increase in non-performing loans –especially in the case of hospitality and the leisure sector-, the sector closes the year with lower figures of doubtful assets in absolute terms and relative to those of the end of 2020, with a view to the completion in 2022 of the thickness of the deficiencies granted within the framework of the Covid-19 liquidity networks. On the other hand, and with the end of these deficiencies on the horizon, asynchrony continues between the evolution of doubters and the cost of risk that, although significantly lower than that recorded in 2020, continues to be higher than in the pre-pandemic situation.

Finally, from the regulatory point of view, it is worth highlighting the approval by the Bank of Spain of Circular 6/2021, of 22 December, amending Circular 4/2017 and Circular 4/2019. In this sense, the upward re-estimation of alternative solutions for the collective estimation of the hedges of losses expected by credit risk is of particular

[1] Source: Generalitat de Catalunya / BBVA

[2] Source: FMI

relevance, transferring to the lower volume entities the increases in provisions that the bulk of the sector had been anticipating since 2020.

3. PERFORMANCE

3.1 Lending activity

The Institut Català de Finances has facilitated access to financing to 1,213 companies for an amount of 535,1 million euros in 2021, through 1,340 loan and/or guarantee operations. In addition, this year 581 transactions worth 315.2 million euros have been restructured, while Avalis de Catalunya has formalized 2,444 transactions worth 177.0 million euros.

During 2021, two different trends have coexisted. On one hand, companies in the sectors most affected by the Covid-19 restrictions, which still had liquidity needs and, on the other hand, those that began to prudently resume some of the investment projects that had been stopped by the health crisis.

In this sense, of the total activity, € 185.2M has been channelled through financing solutions aimed at dealing with the economic effects derived from Covid-19, while the remaining € 349.9M correspond to credits for investment projects or working capital financed through the multiple lines available to the ICF.

With regard to the territorial distribution of the bank's credit activity, Barcelona and its area of influence concentrate the largest amount of credit investment, with around 55% of the investment. The vegueria of Girona and Penedès are the following demarcations with the highest volume of investment.

In relation to sectoral distribution, trade, tourism, industry and transport have been the main recipients of ICF Group funding in 2021. The ICF has continued to actively work to support a wide range of sectors, such as social rental housing, and projects that contribute to the transformation, innovation and sustainability of the economy.

By type of company, 96% of the financing for the year has been allocated to the financing of self-employed workers, small and medium-sized enterprises, while credit activity for large companies and the public sector, has been 3% and 1%, respectively.

Overall, the volume of funding granted by the ICF in 2021, both in the private and public sectors, has helped to maintain and/or create more than 24,000 jobs.

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.

Currently, the ICF has accumulated investment commitments in venture capital funds and/or investment funds with outstanding portfolios of 338.4 million euros through 55 vehicles, which together with the 4,149.9 million euros committed by other investors, add up to an investment capacity of more than 4,488.3 million euros.

In 2020, new commitments were made in the Seed, Venture and Growth segments, for an amount of 9.6, 7.8 and 2.5 million euros, respectively. The venture capital funds managed by the Group have made investments for an aggregate amount of 6 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 2021 the Group has invested 2.6 million euros in 13 Catalan start-ups.

4. FINANCIAL INFORMATION

4.1. Balance sheet performance

After a 2020 financial year marked by strong growth in the balance sheet, of more than 25%, as a result of the availability of the productive fabric of the Covid-19 liquidity lines, 2021 has been a year marked by the stability of large magnitudes. The good pace of credit activity has helped to offset the depreciations of the financial year and end 2021 with levels of credit portfolio and total assets closely aligned with those of the previous year. On the other hand, a solid cash position is maintained, which together with unwilling debt ensures the Group's ability to meet its future challenges.

With regard to venture capital activity, it is worth highlighting the maintenance of the good pace of activity, which drives upwards the figures of the equity instruments within the Group's balance sheet and the generation of value for the year, which more than doubles that accumulated in December 2020. Likewise, the transfer of a substantial part of the shares in IFEM venture capital funds to ICF has meant increasing the parent company's portfolio, without impact at a consolidated level.

On the liabilities side, a liabilities structure – equity is maintained, also aligned with the previous year, maintaining significantly higher levels of capitalisation and solvency than the sectoral average and the minimums set by credit institution regulators, with equity increasing by distributing the result for 2020 and generation in reserves, one more year, with a positive result in 2021:

Solvency coefficient (Basilea III)	
2021	Minimum required by the regulator [3]
42.5%	10.5%

[3] *Source: Basilea III i Llei 10/2014 d'ordenació, supervisió i solvència de les entitats de crèdit*

With regard to the trend in non-performing loans, the Group ended the year with figures of 8.2%, compared with 6.2% in the previous year. In this sense, the bulk of doubtful assets are for reasons other than non-performing loans, the result of a prudent policy regarding the classification of risks in the face of the uncertainty posed by the current economic context. Likewise, the coverage levels of this NPL remain at levels much higher than those of the sector despite the denominator effect due to an increase in the number of doubters, closing the financial year at 114%, which means maintaining the historical policy of prudence in terms of credit risk coverage.

Average payment period for external suppliers

The Information on the Group's average payment period is shown in note 31 to the accompanying consolidated financial statements.

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

At the earnings account level, 2021 ends with a growing operating profit compared to the previous year. The improvement in the interest margin, the result of a larger average portfolio and the optimization of the cost of debt, adds to a greater volume of dividends received from venture capital investments and the increase in income from the management of European funds. This greater operating result, together with a lower need for provisions resulting from the high level of coverage of the portfolio and the effort in endowments made last year, results in an improvement in results compared to 2020.

With regard to the efficiency ratio, this is 24%, significantly below the sectoral average, and lower than the previous one (33%), the result of an overall containment of expenditure and an increase in gross margin.

4.3 Information on credit ratings

At December 31, 2021, ICF's credit rating stood at BBB- according to Fitch Rating's:

Rating			
Agency	**Last review**	**Long term**	**Outlook**
Fitch	July 2021	BBB-	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. Likewise, for prudential purposes, European Regulation 575/2013 and its amendment in EU Regulation 2019/876 apply.

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.

At 2021 closing, the doubtful assets represent the 8.2% of the total credit portfolio, with a bad debt coverage ratio at 114%, higher levels than the average of the sector. In the management of credit risk, the monitoring and control of all credit activity that has been affected by Covid-19 has been maintained, both through modified operations and new concessions, carrying out a special follow-up of those operations within the economic segments most affected by this crisis.

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.

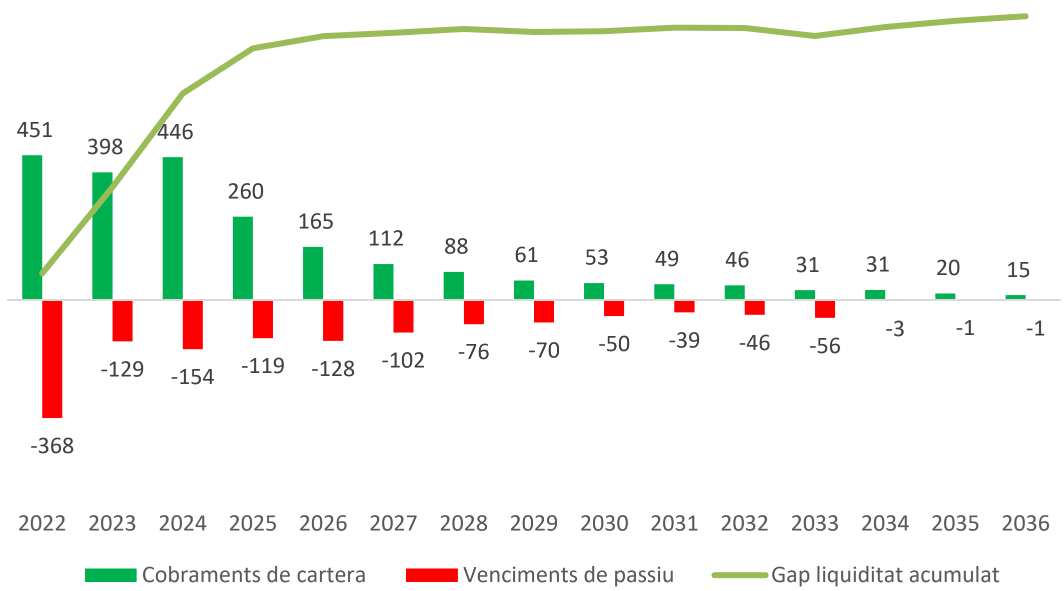
On December 2021, the counterparty risk of the ICF Group comes from the exposure it holds in trading derivatives and interest rate hedging, which it uses solely as a tool for managing financial risks.

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.

Liquidity risk

On December 31, 2021, the ICF Group's total cash position was 333 million euros of which 268 million euros are fixed-income bonds, 64 million euros in current accounts and 1 million euros in promissory notes .

Note 3.2 to the accompanying financial statements for 2021 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. In this regard, it should be noted that the ICF Group has a cumulative liquidity gap that is always positive over a period of 15 years, as shown in the following graph:



Financing:

The ICF group's debt by the end of 2021 is composed of 1,312 million euros, distributed in issues and promissory notes for a value of 326 million euros and 986 million euros in loans. This is long-term debt, with a residual maturity of more than 6 years.

Liquidity coverage ratio (LCR):

ICF Group calculates, analyzes and monitors the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) metrics, following the guidelines of Regulation 575/2013 and its amendment to Regulation 2019/876, which establish minimum compliance requirements. The ICF Group complies, at the end of 2021, with the limits established at regulatory level for the LCR and NSFR metrics:

	31/12/2021	Regulatory limit
LCR	995%	100%
NSFR	116%	100%

Market risk

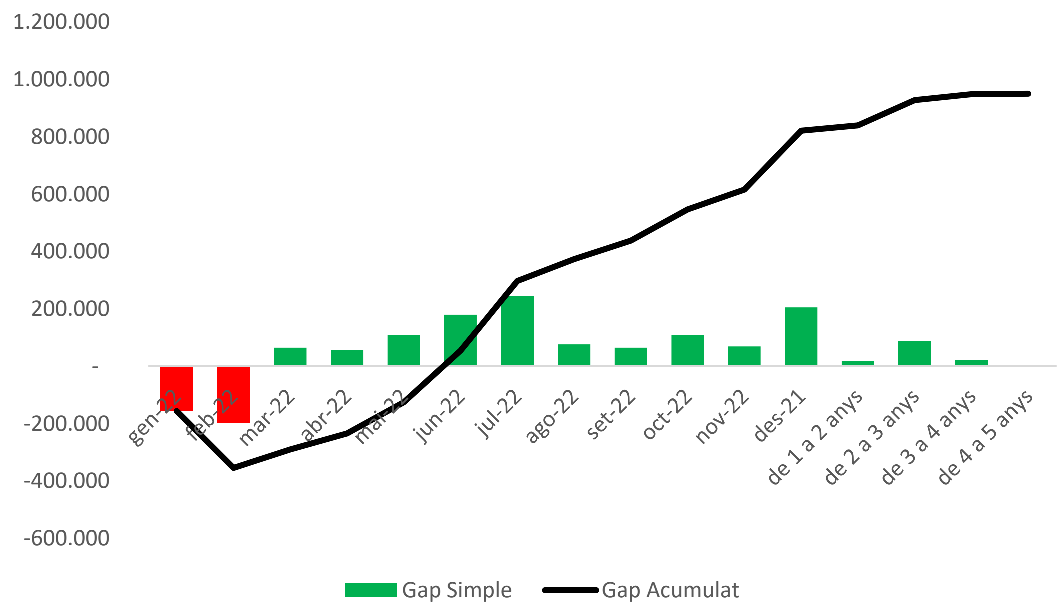
The ICF Group has a residual position in interest rate derivatives for a nominal amount of 55 million euros in the trading portfolio.With regard to the fixed-income portfolio available for sale and maturity, its totality is in euros, for which it does not incur currency risk.

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:



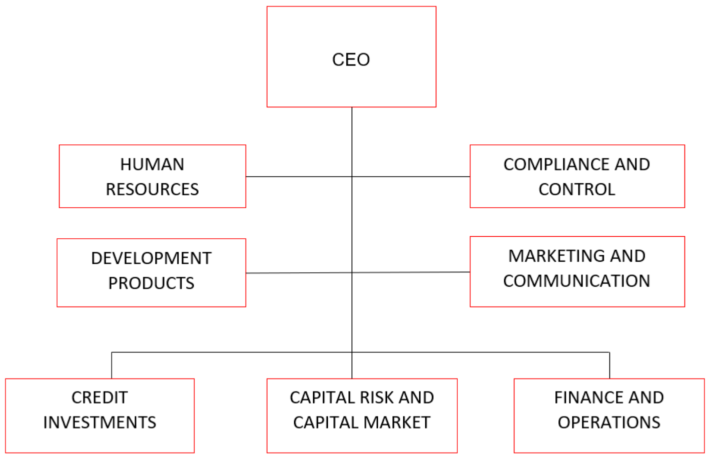
The sensitivity to net interest income over a one-year interval and under a constant balance sheet structure, taking into account a scenario applying an instantaneous and parallel variation of the yield curve of -200 basis points with floor defined for regulatory purposes[4], at -0,4%, a result in relation to the base scenario (scenario projecting the current market interest rate curve). The sensitivity to economic value, applying the same scenario, results in +2.29%, a result in relation to the equity value of the sensitive balance sheet masses. In both cases, the ICF group is below the limits set by the supervisor (Article 98, paragraph 5, Directive 2013/36 / EU).

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

On December 31, 2021 the ICF Group has a headcount of 108 workers (62% female and 38% male), with an average age of 45 years.

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 87% of the headcount.

Personnel training

[4] *The floor defined for regulatory and supervisory purposes establishes that the minimum rates cannot be less than -1% and establishes that this limit will be increased to 0% within 20 years, EBA/GL/2018/02).*

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 2021, the focus of the training has been focused on the new core banking tool implemented in the year, with a total of 5,044 hours that have been covered from transversal knowledge to the use of specific modules in the different areas. Notwithstanding the foregoing, in addition, 53 training actions have been carried out equivalent to 812.5 training hours. Among the areas of training, highlight programs focused on improving management skills, training on key aspects of various areas and training in updating new regulations.

Corporate social responsability

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

- Financial Education Day: The ICF reaffirms its commitment to financial education by joining the activities that were held during the day of October 4 to commemorate the Financial Education Day. Together with the Institute of Financial Studies (IEF), a training session was organized for Catalan SME managers with the aim of training them in business finance, providing them with tools and knowledge to carry out a better financial management of their companies.

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

The years 2020 and 2021 in the field of digital transformation have been marked by the implementation of the Group's new core banking, a market tool that has redefined the bank's system maps and approved it for all purposes to those of credit institutions. The implementation of the new tool has had the transversal involvement of all the areas of the Group, and has ended in the first half of the 2021 financial year.

8. ENVIRONMENTAL IMPACT

Given the activity in which it engages, the Institute has no environmental liabilities, expenses, assets, provisions or contingencies that could be significant in relation to the Institute's net worth, financial position and results. For this reason, the notes to the annual accounts of the Institute do not include specific disclosures with respect to information on environmental matters.

9. OUTLOOK FOR 2022

Company financing activity

Lending activity

Credit activity in 2022 is expected to pivot mainly again on investment projects, after two years where liquidity lines aimed at alleviating the economic impacts of the pandemic have focused a significant part of the efforts. In this sense, continuity will be given to initiatives already launched in previous years and will continue to be committed to new lines that cover the changing needs of the Catalan economy, highlighting:

- Continuation of the ICF Eurocrèdit line, launched in the 2017 financial year, and which channels -in the image and likeness of European public investment banks-, on a co-investment basis, ERDF funds aimed at financing the Catalan business fabric, focusing on SMEs.
- Strengthening of differential and strategic lines, highlighting those linked to the financing of social housing and industrial investment projects with significant impact.
- Maintenance of co-investment lines with private financial entities, highlighting the Group's complementarity in the financial market and its effect as a catalyst and driver of financing.
- Alignment of the activity with the Sustainable Development Goals (SDGs) and the implementation of the United Nations 2030 agenda.

Venture capital activity

In the area of Venture Capital, through the ICF itself and IFEM itself, investment in venture capital funds will continue to be promoted through the seed, venture and growth segments, in order to promote internationalisation, innovation, consolidation and growth of the business fabric. On the other hand, the commitment to the initial co-investment stage lines with Business Angels, with corporate entrepreneurship, as well as with other approved investment vehicles will be consolidated.

Attracting resources

The financing of the 2022 activity is marked by the maturity in July of the bulk of the ICF Group's emissions, as detailed in the attached annual accounts. Both liabilities maturities and new future challenges will be met through the Group's solid cash position and the generation of resources itself, complementing this if necessary by attracting funding from public and private banks. The Group's vocation is to be active in the market to achieve the best sources of financing that give long-term financing at the best cost.

Financial statements

With regard to the evolution of the balance sheet, in 2022 the trend towards the stability of the number of assets is expected to continue, while maintaining high levels of capitalisation, liquidation and hedges, significantly higher than the minimum set by regulators and the sector average, allowing the ICF Group to face future challenges from a high level of financial solidity.

The commitment, effort and spirit of continuous improvement of ICF professionals have allowed us to achieve the objectives established for 2022, and we are convinced that they must allow us to achieve the important challenges that we are setting ourselves annually.

10. EVENTS AFTER THE REPORTING PERIOD

The invasion of Ukraine by Russia and the subsequent escalation has led to an increase in the degree of uncertainty of the global economy, with impacts, among others, on the increase in the cost of energy and raw materials, as well as difficulties in the supply chain. In this sense, although the Group does not have direct exposures with the region, the entity will closely monitor potential indirect impacts through its customers that may occur in the coming months within the framework of its global risk management, which in any case is recorded prospectively.

No significant subsequent events have come to light between the closing date and the date of preparation of the financial statements.

Barcelona, 25th of March, 2022