2021

CaixaBank

# Pillar 3 **Disclosures**

## CaixaBank Group

As at 31 December 2021

*Pillar 3 Report is originally published and prepared in Spanish.*

*This English version is a translation of the Spanish report for informational purposes only. In case of discrepancy, the original version in Spanish will prevail.*


Interactive document

CaixaBank

# 0. **Statement** by the Board of Directors

CaixaBank

# **Statement** by the Board of Directors

On 28 May 2020, the Board of Directors of CaixaBank S.A. (hereinafter "CaixaBank") approved the update of the **Corporate Policy on Financial Reporting Reliability Risk Management**, which sets out how the information that CaixaBank Group (hereinafter "the Group") discloses to the market is governed.

This policy stipulates that this document on "Pillar 3 Disclosures" will be subject to the same degree of verification as the Management Report. This is in accordance with the EBA guidelines of 4 August 2017 on disclosure requirements, pursuant to part eight of the CRR[1] and its articles 431(1) and 434(1).

At its meeting on **24 March 2022,** the Board of Directors approved this document on Pillar 3 Disclosures for the 2021 financial year (hereinafter, "P3D 2021"), having been previously verified by the Audit and Control Committee, in response to the provisions of article 435(1)(e)(f) of the CRR.

The Board of Directors, in its role[2] supervising both the disclosure process and the Group's risk profile, **states the following in relation to the P3D 2021 (hereinafter, the "Concise Statement"):**

- The P3D 2021 has been prepared **in accordance with the Corporate Policy on Financial Information Reliability Risk Management**, updated by the Board of Directors on 28 May 2020.
- **The disclosures published are truthful** and accurately reflect the Group's risk profile.
- The Group's risk management framework is considered adequate in relation to the risk appetite approved by the Board of Directors.
- The operational and technological integration with Bankia has not led to a material modification of CaixaBank Group's risk profile.
- **CaixaBank Group maintains a medium-low risk profile, with solvency, leverage and liquidity levels in line with the business model and risk appetite defined by the CaixaBank Board of Directors.**

The departments comprising the second line of defence[3] have participated in the review and verification of the information presented in this report, as well as in ensuring that this information complies with the control and/or verification procedures established in the Corporate policy on financial information reliability risk management.

Prior to the approval of this Concise Statement by the CaixaBank Governing Bodies, as a third line of defence, Internal Auditing has reviewed the content of the P3D 2021 and its compliance with the regulatory requirements, as well as the control structures that have been implemented.

CaixaBank Group maintains a medium-low risk profile, with **solvency, leverage and liquidity** levels in line with the business model and risk appetite defined by the CaixaBank Board of Directors.

[1] Section 3. Governance, organisation and risk management and the successive risk sections provide more details on risk management policies and objectives.
[2] For further information on the duties and responsibilities of the Board of Directors, see the Board of Directors Regulations: https://www.caixabank.com/en/shareholders-investors/corporate-governance/regulation-board-directors.html, in particular, articles 4 and 36.
[3] Generally speaking, the second line of defence includes the risk management function and the compliance and control function, as established in the EBA's Internal Governance guide of 26 September 2017.

# Key elements of the risk management framework

As part of the internal control framework and in accordance with the provisions of the Corporate Global Risk Management Policy, the Group has a risk management framework that enables it to make informed decisions on risk taking consistent with the target risk profile and appetite level approved by the Board of Directors. This framework contains the following elements: **(i)** governance and organisation, **(ii)** strategic processes for the identification, assessment, definition and monitoring of risks, and **(iii)** risk culture.

# Conservative risk profile

The CaixaBank Board of Directors, through the Risk Appetite Framework (RAF), which contains a consolidated view[1] of risks, has set the Group's objective to maintain a medium-low risk profile and comfortable capital and liquidity.

The most significant risk from a regulatory perspective (Pillar 1) is credit, inherent in banking activity, which includes counterparty risk, securitisation risk and equity portfolio risk as individual cases.

As it concerns market risk, the Group's activity in financial markets is focused on serving its customers and minimising exposure to risk.

Operational risk, which from a regulatory perspective encompasses different risks of a non-financial nature (e.g., conduct and compliance or technological risk), uses a common management and control infrastructure and framework for all risks in line with industry best practices, in an effort to minimise potential financial, reputational or strategic impacts.

Structural interest rate risk is among the Pillar 2 risks. In this regard, the balance sheet interest rate risk metrics are at comfortable levels, with a moderate positioning of the Group with respect to interest rate increases.

The financial and risk metrics included in the P3D 2021 show that the Group meets the objectives set by the CaixaBank Board of Directors in relation to the risk profile.

## 1. Solidity in solvency

Capital is managed so as to ensure compliance with both regulatory requirements and CaixaBank Group's internal capital targets.

One of CaixaBank's strategic objectives is to maintain the strength of its capital position, thereby maintaining sufficient headroom to deal with a stress scenario.

In 2021, the Group's capital ratios sit above the minimum requirements of SREP and are in line with its management objectives and the risk appetite laid down by the Board of Directors, thus providing support to its dividend policy. CaixaBank Group has a margin of 496 basis points, i.e. 10,698 million euros, over the minimum requirements and prudential buffers, also known as the MDA (Maximum Distributable Amount).In connection with the dividend policy for fiscal year 2021, the Board of Directors agreed to a cash distribution of 50% of the consolidated net profit—adjusted for the extraordinary impacts related to the merger with Bankia—payable in a single payment in April 2022.

Furthermore, CaixaBank's Board of Directors has stated its intention to implement a share buy-back programme in 2022 in order to bring down the CET1 ratio closer to the internal target level. Execution of this programme is subject to the relevant regulatory authorisations.

In relation to the MREL ratios, in December 2021 CaixaBank Group met all the requirements required for January 2024.

In 2021, the Group's capital ratios sit above the minimum requirements of SREP and are in line with its management objectives and the risk appetite laid down by the Board of Directors.

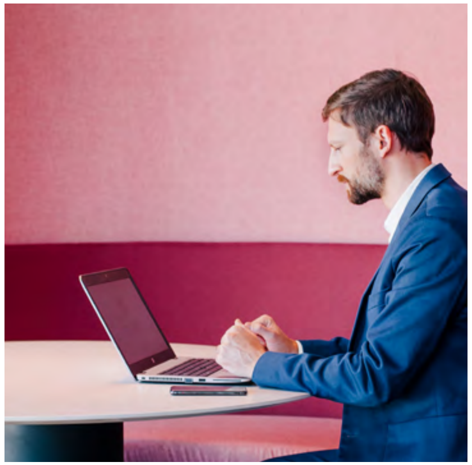
*[1] Without prejudice to the consolidated view of risks, there is management and control of intra-group transactions in place. The Corporate Shareholding Policy covers the treatment of intra-group transactions, which is reported in a specific note in CaixaBank Group Financial Statements 2021 (Note 41.- Related party transactions) and the transactions executed by any CaixaBank subsidiary or investee company that may have a material impact on the Group's risk profile.*

## 2. Comfortable liquidity metrics

CaixaBank Group's objective is to always be able to meet its obligations and funding needs in a timely manner, even under adverse market conditions. Thus, its goal is to always have a stable and diversified funding base to protect and safeguard its depositors' interests.

The liquidity metrics are comfortable vis-à-vis payment commitments, with a stable funding structure and comfortable maturity profile over the coming years.

As regards the contents of this Concise Statement and the full text of the P3D, the Group has coherent liquidity metrics that are consistent with its management policies and which are considered to be aligned with the Risk Appetite Framework established by the Board of Directors.

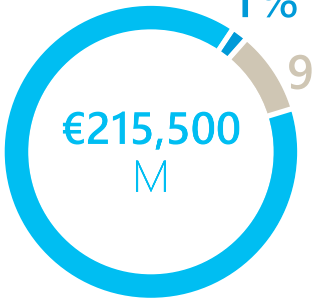


> As regards the contents of this Concise Statement and the attached P3D, the Group has coherent liquidity metrics that are consistent with its management policies and which are considered to be aligned with the Risk Appetite Framework established by the **Board of Directors.**

## Risk profile

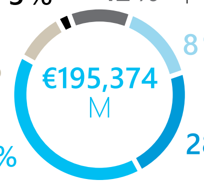
**RWA[1] total**

*Distribution by type of risk, %*



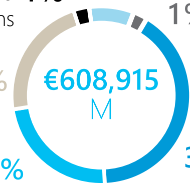

**RWA[1] by total credit risk[2]**

*Distribution by type of risk or sector, %*




**EAD[1] by total credit risk[2]**

*Distribution by type of risk or sector, %*




[1] APR: Risk-weighted assets (regulatory). EAD: Exposure at default.

[2] Includes credit, equity, counterparty and securitisation risk.

[3] The equity portfolio includes the investee business, as well as holdings in other listed and unlisted companies and in subsidiaries not consolidated by the full equity method for prudential purposes (mainly VidaCaixa).

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| | 2019 | 2020 | 2021 |
|---|---|---|---|
| NPL (%) | 3.6% | 3.3% | **3.6%** |
| Coverage ratio (%) | 55% | 67% | **63%** |
| Cost of risk (bps)[1] | 15 | 75 | **23** |
| 12-month cumulative ROTE[2] | 7.7% | 6.1% | **7.6%** |
| Efficiency ratio (%)[3] | 55.4% | 54.5% | **57.7%** |

*[1] The increase in 2020 includes the allocation of the reserve for COVID-19 of 1,252 million euros.*

*[2] This ratio does not include in the numerator the results generated by Bankia before 31 March 2021, which is the recognition date of the merger for accounting purposes or, for consistency, the contribution of the incorporated RWA or balance items in the denominator. The ratio considers the extraordinary impacts associated with the merger.*

*[3] Excluding extraordinary expenses. Including extraordinary expenses, the efficiency ratio stands at 78.3%. This item includes the costs associated with the labour agreement and other expenses incurred in the integration process. This information is detailed in the Activity and Result Report for January-December 2021.*
*https://www.caixabank.com/deployedfiles/caixabank_com/Estaticos/PDFs/Accionistasinversores/Informacion_economico_financiera/InformeFinanciero4T21_ENG.pdf*

## Solvency

| | 2019 | 2020[1] | 2021 | Reg. Min. 2021 |
|---|---|---|---|---|
| CET 1 (%) | 12.0% | 13.6% | **13.1%** | 8.19% |
| Tier 1 (%) | 13.5% | 15.7% | **15.5%** | 9.99% |
| Total capital (%) | 15.7% | 18.1% | **17.9%** | 12.41% |
| MREL[2] | 21.8% | 26.3% | **26.2%** | 22.21% |
| Leverage ratio (%)[3] | 5.9% | 5.6% | **5.3%** | 3.00% |
| Coverage ratio of the conglomerate (%)[4] | 128.3% | 147.3% | **143.8%** | |

*[1] Starting in 2020, CaixaBank joined the progressive adaptation mechanism of IFRS9.*

*[2] MREL requirement as of January 2022. As at December 2021, the issuance of €1,000 million of Senior Preferred in January 2022 is included. Without considering this issue, the ratio would be 25.8%.*

*[3] Leverage ratio requirement as of June 2021.*

*[4] The ratio is calculated according to the minimum regulatory requirements that apply each year.*

## Liquidity

| *In millions of euros* | 2019 | 2020 | 2021 | Reg. Min. |
|---|---|---|---|---|
| NFSR ratio (%) | 129% | 145% | **154%** | 100% |
| LCR (%) | 179% | 276% | **336%**[1] | 100% |
| LTD ratio (%) | 99.9% | 97.0% | **88.7%** | |
| High quality liquid assets (HQLAs) | 55,017 | 95,367 | **167,290** | |

*[1] Data at end of period. Average 12-month LCR 320%.*

# 1. **Pillar 3** CaixaBank Group

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This report complies with the requirements of Part Eight of EU Regulation 575/2013 of the European Parliament and of the Council (hereinafter, the CRR), which constitutes Pillar 3 of the Basel regulations, with regard to public disclosure of the Group's risk profile, risk monitoring and management system, capital and solvency levels. In preparing this report, we have also taken into consideration: Regulation (EU) nº 2019/876 of 20 May 2019 (CRR2), amending Regulation (EU) nº 575/2013, the guidelines on disclosure requirements under Part Eight of the CRR published by the EBA (European Banking Authority), the recommendations published by the Basel Committee on Banking Supervision (BCBS), and in the corporate policy for managing the risk of the reliability of financial information, which lays out guidelines on the information that CaixaBank Group discloses to the market.

New in this P3D 2021 are the following:

1. Disclosure of qualitative and quantitative information as per the guidelines of the technical implementing disclosure standard of Part Eight of EU Regulation 575/2013 (EBA/ITS/2020/04), which entered into force in June 2021[1].

2. Disclosure of interest rate risk exposures in positions not held in the trading portfolio (IRRBB), as per the EBA guidelines (EBA/ITS/2021/07).

3. Disclosure and information of the minimum requirement for own funds and eligible liabilities (MREL) and the total loss absorption requirement (TLAC), the technical implementing standard for which also entered into force in June 2021.

Furthermore, given the uncertainty with respect to the evolution of COVID, in January 2022, the supervisor confirmed that the disclosure of information on exposures subject to COVID measures will continue until further notice, as per EBA/GL/2020/07.

The information in this report has been prepared at the consolidated level, under a prudential scope, in compliance with CRR requirements. Moreover, due to the relevance of the insurance business headed by the subsidiary VidaCaixa, CaixaBank Group has the status of a financial conglomerate subject to additional supervision, pursuant to Act 5/2005 and Royal Decree 1332/2005. Accordingly, and in order to cover the additional monitoring requirements mentioned, the document also contains information regarding capital adequacy and risk management in the financial conglomerate as a whole. CaixaBank declares that it has not omitted any of the information items required because it regarded them as confidential or proprietary.

This report is accessible on the CaixaBank website[2].

As a supplement to the information set out in this annual document, the entity deems it appropriate to publish some of the quantitative information included in this report more frequently, pursuant to Article 433 of the CRR and the disclosure requirements set by the EBA.

Specifically, an Excel file with the main tables from this report are published on a quarterly basis, which can be accessed on the same website as this document.

As established in the corporate Policy for Managing the Risk of the Reliability of Financial Information, this report has been prepared on the basis of the various verification and control processes established in each of the three lines of defence outlined in CaixaBank's Internal Control Framework, as well as in compliance with the Bank's internal governance procedures.

This document, which contains data taken at 31 December 2021, was approved by CaixaBank's Board of Directors at its meeting on 24 March 2022, after having been verified by the Audit and Control Committee.

The amounts in the tables in this report are, for the most part, in millions of euros. In one group of tables, the amounts are in thousands of euros to provide the reader with more detailed information. This is clearly indicated in title of the table.

### Events after the reporting period

In the first weeks of the year, tension between Russia and Ukraine has escalated and triggered a war, which has been strongly condemned by Western countries. This event conditions the Group's environment, insofar as a slow resolution of the conflict results, through rising commodities prices, in high and persistent inflation, with the logical impact thereof on the decisions of central banks and on European growth. In this regard, the next few weeks will be key to determining the scenario in which this event will play out, and its effect on the materiality of the various risks.

[1] *Appendix XI shows a map with compliance with the guidelines in force, and Appendix XII shows the different articles of Part Eight of EU Regulation 575/2013 and the section of the P3D where this regulation is complied with.*

[2] *https://www.caixabank.com/en/shareholders-investors/economic-financial-information/other-financial-information.html*

# 2. CaixaBank Group

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## 2.1 Regulatory environment

### A. Prudential and supervisory framework

Financial entities are subject to a regulatory capital framework known as Basel III, which went into effect in the European Union on 1 January 2014 through a legislative package comprising Regulation 575/2013 (CRR) and Directive 2013/36 (CRD IV). The CRR is directly applicable in Spain, while CRD IV was implemented through Royal Decree-Act 14/2013, Act 10/2014 and Royal Decree 84/2015, in addition to other lower level provisions such as Bank of Spain (BoS) Circular 2/2016.

In Europe, the review of the Basel 3 framework has been introduced partially through the amendment to CRR (CRR 2) and the amendment to CRD IV (DRC V). Both regulations came into force in June 2019, whereby CRR 2 is generally applicable from June 2021 (with certain exceptions that postponed its implementation until 2023) and CRD V from the end of 2020. Nationally, CRD V became law in Spain in 2021 through Royal Decree-Law 7/2021 (which amended, among others, Act 10/2014 and Royal Decree 970/2021 (which amends, among others, Royal Decree 84/2015)). In addition, in relation to Circular 2/2016, the Bank of Spain has published a draft circular, the final version of which is expected to be published in 2022 and that will complete the transposition of CRD V into Spanish law.

In 2020, in order to curb the economic impact of COVID-19 on the financial sector, in June, the European Commission, the Council of the European Union and the European Parliament approved an amendment to CRR 2 (known as CRR 2.5 or quick fix) generally introducing temporary measures. The measures introduced include, but are not limited to, the anticipation of aspects already foreseen in CRR2 (such as the factors for reducing capital consumption in financing infrastructure and SMEs and the modification of deductions for software), an adjustment to the application of IFRS9 accounting standards (includes an extended transition period and modifications in the calculation), and other voluntary measures, such as preferential treatment for the purpose of the non-performing loan allocation schedule (prudential backstop) for loans that are backed by public institutions, as well as the flexibilisation of the leverage ratio calculation.

In the macroprudential field, in March 2019, the Spanish Macroprudential Authority Financial Stability Council (AMCESFI) was created by Royal Decree 102/2019, which laid out its legal regime and detailed certain aspects relating to the macroprudential tools contained in Royal Decree-Law 22/2018. Accordingly, in December 2021, the Bank of Spain published Circular 5/2021 on macroprudential tools, which amends Circular 2/2016. This circular defines the measures that the Bank of Spain can take, such as the countercyclical buffer against a particular sector, sector limits on the concentration of exposures and the establishment of limits and conditions for granting of loans and other operations.

In addition, as the parent company of the financial conglomerate it forms mainly with VidaCaixa, CaixaBank is subject to an additional supervisory framework pursuant to Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate.

CaixaBank closely monitors - and actively participates in - the groups in which the various regulatory frameworks are discussed and approved.

Under the first pillar of the European Banking Union, the Single Supervisory Mechanism (SSM), the ECB is directly responsible for supervising the largest financial institutions, including CaixaBank.

The ECB follows an annual cycle, known as the Supervisory Review and Evaluation Process (SREP), which gives shape to Pillar II of the regulatory framework of the Basel Committee on Banking Supervision.

The SREP is a supervisory process that relies on evaluating the sufficiency of capital, liquidity, business model, corporate governance, as well as risk management and oversight, through a Europe-wide standardised process and through the EBA's "Guidelines on common procedures and methodologies for the supervisory review and evaluation process and supervisory stress testing". These guidelines are currently being reviewed and were submitted for consultation in 2021 with the aim of promoting common methodologies and procedures in monitoring processes, incorporating best supervisory practices, as well as to adapt to new regulations.

The SREP process may require additional capital or liquidity, or other qualitative measures in response to any risks and weaknesses detected by the supervisor in an entity. The SREP seeks to assess financial institutions' viability on an individual basis (microprudential supervision), also considering comparisons against their peers. Any additional capital requirements under the SREP process (Pillar 2R requirements) may also be supplemented by combined capital buffer requirements (CBR) comprising potential capital conservation, countercyclical capital, systemically important institution, and systemic risk buffers. Furthermore, the supervisor also provides guidelines on capital known as Pillar 2G. Failure to comply with its requirements would not automatically result in actions being taken by the supervisor in relation to the distribution of profits; however, it could lead to stricter individual supervisory measures. Pillar 2G is not generally public information.

In addition to the prudential supervision framework, in 2014, Directive 2014/59/EU - otherwise known as the Bank Recovery and Resolution Directive (BRRD) - was approved, establishing a framework for the restructuring and resolution of credit institutions. In 2015, the BRRD was transposed into the Spanish regulatory framework through Act 11/2015 and other lower level regulations. The BRRD, together with Directive 2014/49/EU, on the Deposit Guarantee Scheme, enhances the capacity of the banking sector to absorb the impact of economic and financial crises, and the capacity of financial institutions to wind up their business in an orderly fashion, while maintaining financial stability, protecting depositors and avoiding the need for public bailouts. The BRRD requires Member States to ensure that institutions prepare and regularly update a Recovery Plan setting out the measures that may be taken to restore their financial position following a significant deterioration thereof. In addition to the BRRD and Spanish laws, the EBA has issued several guidelines on the definition of a recovery plan.

The BRRD also introduced the framework to create a Single Resolution Mechanism (SRM), the second pillar of the European Banking Union, which was also developed through Regulation EU 806/2014 (also known as SRMR, Single Resolution Mechanism Regulation). In the scope of the SRM, decisions are taken by the Single Resolution Board and are implemented by the National Resolution Authority (in Spain, the FROB as the executive authority and the BoS as the preventative authority). These authorities also draw up the Resolution Plan for each financial institution, which cooperate by providing the necessary information. The BRRD also introduces a Minimum Requirement for Own Funds and Eligible Liabilities (MREL) with the capacity to absorb loss and to recapitalise. The SRM came into force on 1 January 2016. The Commission's Delegated Regulation (EU) 2016/1450 of 23 May 2016, which supplemented Directive 2014/59/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the criteria relating to the methodology for setting the minimum requirement for own funds and eligible liabilities, was approved to provide resolution authorities with detailed guidance on establishing MREL requirements for banks. In particular, this Regulation grants resolution authorities discretionary powers to set the appropriate minimum level and composition of MREL for each bank.

In parallel to the review of the capital framework, the BRRD has also been reviewed in the scope of resolution (leading to BRRD 2), introducing, among other new developments, a MREL requirement based not only on risk-weighted assets (RWA) but also on exposure to calculate the leverage ratio, as well as minimum subordination levels, and new criteria for eligibility of eligible instruments such as MREL. It also grants more powers to the resolution authority to penalise any breaches of the requirements established by this authority (restriction on the distribution of dividends, etc.). Nationally, BRRD 2 became law in Spain in 2021 through Royal Decree-Act 7/2021 (which amended, among others, Act 11/2015) and RD 1041/2021 (which amends, among others, Royal Decree 1012/2015).

## B. Main regulatory developments in 2021

Of note among the proposed legislative and regulatory changes, as well as the new laws and regulation approved in 2021, are the following:

### Prudential regulation: Basel IV

On 27 October, the European Commission published two legislative proposals to amend the regulatory package on CRR and CRD capital, which will transpose the agreement of the Basel Committee to finalise the Basel Agreements (known as Basel IV) in order to enhance the resilience of financial institutions in the future. Its application is scheduled for January 2025, except for some provisions that will be applied later. In addition, transitional periods are considered for its implementation until 2029.

One of the main goals of revising the Basel III framework is to reduce the excessive variability of the risk-weighted assets (RWA) of entities. RWA represent the basis (denominator) of capital ratios, which is why fostering a greater degree of homogenisation in this area should provide for better comparability of capital ratios between entities and countries. Accordingly, it introduces a minimum level (known as output floor) for RWA. It also amends other aspects involving the calculation of RWA by credit risk (limiting the use of internal models for certain categories of exposures), operational risk (by applying a single calculation methodology), market risk and capital requirements for CVA.

### Banking crisis

In this regard, the European resolution authority (Single Resolution Board, SRB) continues to make progress to ensure the implementation of the "Expectations for banks", which it published in April 2020. In this regard, the following SRB publications are notable:

- Policy for reporting the impracticality of including bail-in clauses in contracts.
- Update to the MREL policy, including aspects related to adjusting the total MREL and subordinated MREL requirement, the internal MREL requirement for subsidiaries, and the Tier-2 eligibility for MREL purposes.

- Operational guide on the viability of the resolution, published in October 2021, detailing how banks must deliver information and the relevant analyses through an analytical document known as the separability analysis report (SAR) and through a document known as the transfer playbook.
- Liquidity and financing guidelines in the event of a resolution, published in May 2021, which focus on estimating liquidity needs and are designed to improve the resolution capacity of banks and their preparation in the event of a resolution.

### Response to COVID-19

In 2020, due to the emergence of COVID, both governments and the different competent authorities were very active in the area of regulation to promote the role of the financial sector as a channel for providing financing to companies and individuals in response to the economic crisis. In 2021, albeit to a lesser extent, support measures continued to be implemented to address the pandemic through:

- Royal Decree-Law (RDL) 5/2021 of 12 March, on extraordinary measures to support business solvency in response to the COVID-19 pandemic, as well as the Code of Good Practices for the framework of renegotiation with customers with financing backed by the Official Credit Institute (ICO), provided for in RDL 5/2021.
- Royal Decree-Law 27/2021 of 23 November, extending certain economic measures to aid the recovery.
- Resolution of 30 November 2021 of the State Office for Economy and Corporate Support, which publishes the Council of Ministers Agreement of 30 November 2021, adapting the conditions and extending the application periods for the guarantees regulated by the Royal Decree Law 8/2020 of 17 March, and 25/2020 of 3 July, and amending the Code of Good Practices for the renegotiation framework for customers with guaranteed financing provided for in RDL 5/2021 mentioned above.

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### Sustainable finance and environmental, social and governance (ESG) factors

The legislation around the concept of sustainability is seeing significant regulatory activity at the global, European and national levels, the goal being to define a regulatory framework that encourages the transformation towards a sustainable economy in which credit institutions must play a key role in channelling resources to sustainable investments.

In Europe, legislative initiatives in this area address developments framed within the European Commission's Sustainable Finance Action Plan, subsequently revised through the Renewed Sustainable Finance Strategy. The ultimate objective of all these regulations is to reach the volume of investments necessary to transform the economy pursued by the European Green Deal.

In the prudential area, regulatory developments are based on various mandates received by the EBA to incorporate ESG risks into the three pillars of banking regulations. Thus, for Pillar 1, although it is still in a very early phase, the drafters are considering whether to justify a specific prudential treatment for exposures in assets or activities subject to positive or negative impacts from environmental or social factors. In this regard, the EBA is exploring the relationship between sustainable assets and a lower credit risk that justifies a capital bonus or, on the contrary, the relationship between carbon-intensive assets and a higher credit risk that justifies a surcharge.

In relation to Pillar 2, in June 2021, the EBA published a report in which it makes a series of recommendations to entities and supervisors involving the integration of ESG risks into business strategies, governance and risk management, establishing common definitions of ESG risks and methods for measuring them. In order for these recommendations to be made enforceable, the European Commission has included in the proposed revision fo the Capital Requirements Directive (CRD VI) a section that includes all the recommendations in the EBA report, which, for the significant institutions, had previously been included in the guide that the ECB published in November 2020 on climate and environmental risks for banks. This guide reflects the supervisor's expectations for how credit institutions should manage these risks, and the mechanisms to report them transparently. In 2022, the ECB will continue with a series of supervisory actions initiated in 2021 aimed at assessing the status of banks in terms of the degree of compliance with the guide and its future action plans. In 2022, the supervisor's qualitative conclusions will form part of the SREP process and, therefore, could have an indirect impact on the minimum capital requirements due to Pillar 2.

Finally, with regard to Pillar 3, the EBA published in March 2021 the ITS (Implementing Technical Standards) for disclosing information on ESG risks. The purpose of this ITS is to provide the market with comparable and quantitative information on the physical and transitional risks to which credit institutions are exposed.

The banking package published by the European Commission on 27 October introduces requirements for identifying, disclosing and managing environmental, social and governance (ESG) risks in the CRR and CRD IV prudential banking regulations, and it moves up from 2025 to 2023 the deadline for the EBA to present the report describing its findings on this issue.

Other regulatory developments in the field of sustainable finance include Delegated Regulation (EU) 2021/2139, published by the European Commission in December 2021 and known as the "Climate Taxonomy", which lays out the technical selection criteria for determining the conditions in which an economic activity is deemed to contribute substantially to mitigating or adapting to climate change, and for determining whether that economic activity causes any significant harm to any of the other environmental objectives. This Regulation applies from 1 January 2022, and will be complemented with others to cover the remaining environmental objectives included in the taxonomy.

In addition to the Taxonomy, another of the major regulatory initiatives through which the European Commission's Action Plan is being implemented is the NFDR, in relation to which a proposal for amendment was launched in April 2021, known as the "Corporate Sustainability Reporting Directive" (CSRD), which entails greater transparency and broadens the scope of application, and introduces, among other things, a European sustainability standard to be adopted from October 2022.

The third major regulation pegged to the European Action Plan is the "Sustainable Finance Disclosure Regulation" (SFDR), which, since March 2021, has applied to asset management companies, requiring greater transparency and the classification of products marketed according to their level of risk in the field of sustainability.

Of note at the national level is Law 7/2021, on climate change and the ecological transition. The articles of this standard state that credit institutions must draw up, within the framework of the prudential relevance report, an annual report whose content shall be determined by new legislation within 2 years.

## C. Other

### Cryptoassets

The rapid and constant evolution of digital assets and blockchain technology, as well as the possible appearance of global stablecoins, have led to the need to develop a common approach at the European level with regard to cryptoassets, in order to **(i)** ensure a sound legal framework that offers legal certainty, **(ii)** support innovation and fair competition, **(iii)** establish adequate levels of protection for consumers and investors and for market integrity, and (iv) guarantee financial stability.

As part of its Digital Finance Strategy, the European Commission published in September 2020 its proposal for a regulation on markets in crypto-assets (MiCA). From a prudential standpoint, the proposal sets minimum permanent capital requirements and prudential safeguards for own funds consisting of common Tier-1 capital elements for cryptographic service providers. The proposal is still under discussion in the European Parliament.

- On 10 June, the Basel Committee issued a consultation on the prudential treatment of cryptoasset exposures. The proposed framework is very open and it is expected that, given the nature of this type of asset, future iterations will occur to shape the policies involved in this new type of exposure.

### Digital

- Launch of the investigation phase of the Digital Euro, which will last 24 months and focus on a possible functional design; created the Market Advisory Group, consisting of 30 members, whose objective is to advise the ECB.

- Amendment of the eIDAS (electronic identification and trust services) regulation to create a European digital identity, which will incorporate features to identify individuals (including information from financial institutions), authenticate them securely and verify electronic signatures.

### Retail and Markets:

- Progress in the process of replacing the IBOR, in particular in relation to the disappearance of the LIBOR. The European Commission has submitted to consultation the drafts of the Delegated Regulations that lay out the indexes to replace the CHF LIBOR and EONIA.

- Consult the EC Retail Investor Strategy with the aim of promoting greater participation by retail investors in wholesale funding markets.

- Publication of the proposal to revise the Consumer Credit Directive and public consultation to revise the Mortgage Credit Directive.

- Publication of Law 5/2021, which amends the revised text of the Spanish Corporate Enterprises Law, which entails adapting the new regime for related transactions and the new requirements for long-term shareholder involvement.

- Publication of Royal Decree-Law 24/2021, which transposes pending directives, notably the Guaranteed Bonds Directive, which completes the regulation on mortgage, regional and internationalisation bonds.

- Bank of Spain Circular 4/2021, which lays out the forms for confidential statements, for which it defines the content and frequency with which they must be sent to the Bank of Spain and the need for the entities to have a record of claims, with a predefined content, available to the supervisor.

- The ESMA published a consultation and final report on the review of the guidelines pertaining to delaying the disclosure of inside information and its interactions with prudential supervision, in accordance with the Market Abuse Regulation (MAR). The objective was to develop and expand the list of the situations contemplated in the regulation in which an issuer may, under its own responsibility, delay the public release of inside information when doing so may damage its legitimate interests.

**Prevention of money laundering and financing of terrorism (PML/FT).**

- Publication of a package with four legislative proposals: **i)** Regulation creating a new European PML/FT Supervisory Authority (AMLA); **ii)** Regulation on PML/FT obligations; **iii)** the 6th PML/FT Directive (amending the 5th and repealing the 4th); and **iv)** the Regulation on transfers of funds.

- Royal Decree 7/2021 on the transposition of Directives, including the transposition of the Fifth Money Laundering Directive, with the aim of improving transparency and the availability of information on the beneficial owner.

## 2.2 Scope of application

CaixaBank is a Spanish public limited company registered in the Mercantile Register of Valencia, Volume 10370, Sheet 1, Page V-178351, and the Special Administrative Register of the Bank of Spain under number 2100. The Legal Entity Identifier (LEI) of CaixaBank and its tax identification number (NIF) are 7CUNS533WID6K7DGFI87 and A08663619, respectively.

**CaixaBank shares have been admitted to trading** on the Madrid, Barcelona, Valencia and Bilbao stock exchanges and the continuous trading market since 1 July 2011. The registered and tax address of CaixaBank is calle Pintor Sorolla, 2-4, Valencia.

The corporate object of CaixaBank mainly entails:

- all manner of activities, operations, acts, contracts and services related to the banking sector in general, including the provision of investment services and ancillary services and performance of the activities of an insurance agency;
- receiving public funds in the form of irregular deposits or in other similar formats, for the purposes of application on its own account to active credit and microcredit operations, and other investments, providing customers with services including dispatch, transfer, custody, mediation and others; and
- the acquisition, holding, enjoyment and disposal of all manner of securities and drawing up takeover bids and sales of securities, and of all manner of ownership interests in any entity or company.

CaixaBank and its subsidiaries make up CaixaBank Group.

CaixaBank S.A. (CaixaBank) is the parent company of the financial conglomerate formed by the Group's entities that are considered to be regulated, recognising CaixaBank as a significant supervised entity, whereby CaixaBank comprises, together with the credit institutions of its Group, a significant supervised group of which CaixaBank is the entity at the highest level of prudential consolidation.

As a listed bank, it is subject to oversight by the European Central Bank and the Spanish national securities market regulator (Comisión Nacional del Mercado de Valores, CNMV). However, the entities of the Group are subject to oversight by supplementary and industry-based bodies.

As a Spanish corporate entity, legally constituted as a public limited company, CaixaBank is governed by the Consolidated Text of the Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of 2 July, and implementing regulations.

Additionally, as a listed company, it is also governed by the Consolidated Text of the Securities Market Act, approved by Royal Legislative Decree 4/2015, of 23 October, and implementing regulations.

## Business combinations - 2021[1]

### Merger with Bankia, S.A.

On 17 September 2020, the Board of Directors of CaixaBank and Bankia entered a Shared Merger Project involving the takeover merger of Bankia (absorbed company) by CaixaBank (absorbent company).

This Shared Merger Project was registered with the Valencia Business Registry and approved by the General Shareholders' Meetings of CaixaBank and Bankia, which were held in the beginning of December 2020 and included the following topics:

- The Merger involves the absorption of Bankia by CaixaBank, with the termination, via dissolution without liquidation, of Bankia and the bulk transfer of all its assets to CaixaBank, which acquires, by universal succession, Bankia's rights and obligations.
- The exchange ratio of the merger is 0.6845 shares of CaixaBank, S.A., with a par value of one euro each for every share of Bankia S.A., also with a par value of one euro each (hereinafter, the "Exchange ratio").
- CaixaBank meets the Exchange Ratio with newly issued shares.

Effective control was set for 23 March 2021, once all conditions precedent were met.

### Acquisition of 51% of Bankia Vida

On 29 December 2021, after obtaining the relevant regulatory authorisations, CaixaBank formalised the purchase from the Mapfre Group of 51% of the share capital of Bankia Vida, S.A. de Seguros y Reaseguros (BV), thus holding the entirety of its share capital and the Group acquiring control over this company.

The price for this operation, materialised in cash, totalled 324 million euros and includes the breakup costs expected in the agreements with Mapfre (10% of the value determined by the independent expert, equivalent to 29 million euros).

The purchase price of 51% of BV reflects the value of 577 million euros determined by the independent expert chosen by the parties for the totality of BV's share capital (excluding break-out costs).

Mapfre and CaixaBank have agreed to submit to arbitration if CaixaBank is required, as per the aforementioned banking-insurance agreements, to pay Mapfre an additional amount of 29 million euros, corresponding to 10% of the value of the life insurance business as determined by the independent expert.

As part of the Group's reorganisation of the insurance business, CaixaBank will sell 100% of its share capital in BV to VidaCaixa in the first quarter of 2022, for the value determined by the independent expert, which will be paid in cash.

[1] *For more details on CaixaBank's business combinations during 2021, see Section 7 of the annual accounts for 2021 of CaixaBank Group.*

## 2.3 Other general information

As at 31 December 2021, the following credit institutions or credit financial establishments of CaixaBank Group meet the minimum capital requirements that apply to them at the individual level: CaixaBank, Banco BPI, CaixaBank Wealth Management Luxembourg and Telefónica Consumer Finance. Additionally, as at the date of reference, CaixaBank and BPI meet the capital requirements at the consolidated and sub-consolidated level, respectively.

The following credit institutions or credit financial establishments of CaixaBank Group are exempt from capital requirements: Nuevo MicroBank, CaixaBank Payments & Consumer, Corporación Hipotecaria Mutual and Credifimo.

Furthermore, all the other regulated entities of the Group (insurers, asset management companies and others) meet the own funds requirements established in the various sectorial regulations that apply to them.

Considering the applicable regulations, it should be noted that there are no significant current or foreseeable practical or legal obstacles preventing CaixaBank from immediately transferring capital to CaixaBank Group subsidiaries or from paying off its liabilities with third parties. With regard to the capacity of CaixaBank Group subsidiaries to distribute dividends or, in any form, transfer capital to the parent company, those companies that must meet the minimum capital requirements at the individual level in order to meet those requirements, may find their capacity to distribute or transfer capital limited.

With regard to the other subsidiaries, including those that are exempt from capital requirements, there are no significant current or foreseeable practical or legal obstacles for the distribution of dividends nor, in any form, the transfer of capital beyond those deriving from the company's regulations or, as the case may be, applicable agreements between partners.

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## 2.4 Description of the consolidated group for regulatory purposes

Pursuant to prevailing accounting regulations, which follow the criteria laid down in International Financial Reporting Standards (particularly IFRS 10), a consolidated group is considered to exist when a dominant entity exercises direct or indirect control over the other entities (subsidiaries).

This relationship basically exists when a dominant entity is exposed to - or has the right to variable returns from - its involvement therein, and also has the ability to influence these returns, as a result of having power over the dependent entity.

The following provides a summary of the main differences in relation to the consolidation scope and methods applied in preparing information on CaixaBank Group in this report and to prepare its consolidated financial statements:

- For the preparation of CaixaBank Group's consolidated financial statements, all the subsidiary undertakings (companies controlled by the parent undertaking) were consolidated using the full consolidation method. However, associates (over which the parent exercises significant influence) and joint ventures (joint management by the parent and other shareholders) are consolidated using the equity method.
- For prudential purposes, subsidiary undertakings with a different activity to that of a credit, investment or financial institution, as defined in prudential regulatory framework, are accounted for using the equity method. Jointly-owned businesses that are financial institutions are consolidated using the proportionate consolidation method, regardless of the method applied in the annual financial statements.

**Appendix VIII** lists the companies with differing prudential and accounting consolidation treatment.

## 2.5 Accounting reconciliation between the financial statements and regulatory statements

As set out in the EBA document on disclosing information in titles II and III of part eight of Commission Implementing Regulation (EU) 572/2013, the following table reconciles the regulatory own funds with the balance in the audited financial statements.

## Table 2.1. EU CC2 - Reconciliation of regulatory equity with the balance sheet in the audited financial statements

| *Amounts in millions of euros* | Balance according to published financial statements | In the regulatory scope of consolidation | |
|---|---|---|---|
| **Assets - Breakdown by asset class according to the balance of the published financial statements** | | **At the end of the period** | **Reference[1]** |
| Cash and cash balances at central banks and other demand deposits | 104,216 | 103,514 | |
| Financial assets held for trading | 11,036 | 18,021 | |
| Financial assets  not designated for trading compulsory measured at fair value through profit or loss | 13,396 | 242 | |
| Financial Asset designated at fair value through profit or loss | 7,398 | 0 | |
| Financial assets at fair value with changes in other incomprehensive income | 78,883 | 16,403 | |
| Financial assets at amortised cost | 420,795 | 420,884 | |
| Derivatives - Hedge accounting | 1,038 | 1,038 | |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | 951 | 951 | |
| Investments in joint ventures and associates | 2,533 | 6,267 | |
| Associates | 2,490 | 1,281 | |
| of which: Net badwill | 376 | 76 | 8 |
| Joint ventures | 44 | (180) | |
| of which: Net badwill[2] | 0 | 22 | 8 |
| Group Entities | 0 | 5,168 | |
| of which: Badwill[3] | 0 | 1,288 | 8 |
| Insurance and reinsurance assets | 120 | 0 | |
| Tangible assets | 8,264 | 8,058 | |
| Intangible assets[4] | 4,933 | 3,736 | 8 |
| Tax assets | 21,298 | 20,422 | |
| Other assets | 2,137 | 4,720 | |
| Non-current assets and disposal groups classified as held for sale | 3,038 | 3,004 | |
| **Total Assets** | **680,036** | **607,260** | |

*The insurance business of VidaCaixa and BPI Vida and other companies of the economic group are integrated using the equity method within the reserved perimeter.*

*[1] Reference with the corresponding line of the information provided in Appendix I. EU CC1 Composition of required equity.*

*[2] For deduction purposes, 21.8 million are included which are not included in the balance sheet.*

*[3] Only 404 million are deducted, corresponding to Bankia Vida, since the Danish compromise could not be applied in December 2021.*

*[4] Part of the software activated during the last 3 years is not deducted and is weighted by RWA at 250%.*

## Table 2.2. EU LI1 - Differences betweeen accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

| *Amounts in millions of euros* | Carrying values as reported in published financial statements | Carrying values under scope of regulatory consolidation | Carrying values of items: Subject to the credit risk framework | Subject to the CCR framework | Subject to the securitisation framework | Subject to the market risk framework | Not subject to the capital requirements or subject to deduction from capital[3] |
|---|---|---|---|---|---|---|---|
| Cash and cash balances at central banks and other demand deposits | | | 103,514 | - | - | - | 0 |
| Financial assets held for trading[1] | 11,036 | 18,021 | - | 17,415 | - | 18,021 | - |
| Financial assets not designated for trading compulsory measured at fair value through profit or loss | 13,396 | 242 | 242 | - | 0 | - | 0 |
| Financial Asset designated at fair value through profit or loss | 7,398 | - | 0 | - | - | - | 0 |
| Financial assets at fair value with changes in other incomprehensive income[2] | 78,883 | 16,403 | 16,403 | - | - | 384 | 0 |
| Financial assets at amortised cost | 420,795 | 420,884 | 413,999 | 6,553 | 152 | - | 179 |
| Derivatives - Hedge accounting | 1,038 | 1,038 | - | 1,038 | - | - | - |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | 951 | 951 | - | - | - | - | 951 |
| Investments in joint ventures and associates | 2,533 | 6,267 | 4,897 | - | - | 158 | 1,370 |
| Insurance and reinsurance assets | 120 | - | - | - | - | - | - |
| Tangible assets | 8,264 | 8,058 | 8,058 | - | - | - | - |
| Intangible assets | 4,933 | 3,736 | 439 | - | - | - | 3,297 |
| Tax assets | 21,298 | 20,422 | 15,950 | - | - | - | 4,473 |
| Other assets | 2,137 | 4,720 | 1,846 | - | - | - | 2,873 |
| Non-current assets and disposal groups classified as held for sale | 3,038 | 3,004 | 3,004 | - | - | - | - |
| **Total Assets** | **680,036** | **607,260** | **568,352** | **25,007** | **152** | **18,564** | **13,143** |
| Financial liabilities held for trading[1] | 5,118 | 12,206 | - | 11,926 | - | 12,206 | 280 |
| Financial liabilities designated at fair value through profit or loss | 19,365 | - | - | - | - | - | 0 |
| Financial liabilities measured at amortised cost | 547,026 | 547,989 | 0 | 12,868 | 14 | - | 535,108 |
| Derivatives - hedge accounting | 960 | 960 | - | 960 | - | - | - |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | 670 | 670 | - | - | - | - | 670 |
| Insurance and reinsurance liabilities | 60,469 | - | - | - | - | - | - |
| Provisions | 6,535 | 6,533 | 476 | - | - | - | 6,056 |
| Tax liabilities | 2,336 | 1,430 | 652 | - | - | - | 778 |
| Other liabilities | 2,115 | 2,055 | - | - | - | - | 2,055 |
| Liabilities included in disposal groups classified as held for sale | 17 | - | - | - | - | - | 0 |
| **Total Liabilities** | **644,611** | **571,843** | **1,128** | **25,754** | **14** | **12,206** | **544,947** |
| **Total Equity** | **35,425** | **35,417** | **-** | **-** | **-** | **-** | **-** |
| **Total Equity + Total Liabilities** | **680,036** | **607,260** | **1,128** | **25,754** | **14** | **12,206** | **544,947** |

*[1] In the portfolio held for trading, the exposure of derivatives is doubled, both counterparty credit risk and market risk.*
*[2] The exposure of equity instruments in foreign currencies doubles, both credit risk and market risk.*
*[3] Of which €6,747 million is subject to deductions.*

Table 2.3 (LI2) shows how to get to the exposure amounts used for regulatory purposes starting from the carrying values in the consolidated financial statements following the requirements in Part One, Title II, Section 2 and Section 3 of the CRR, which are defined as follows:

- **Total net amount under regulatory scope of consolidation:** The amount after on-balance-sheet netting between assets and liabilities under the regulatory scope of consolidation, regardless of the eligibility of those assets and liabilities of the specific netting rules in the application of Part Three, Title II, Chapters 4 and 5, as well as of Title IV in the CRR.

- **Exposure amounts considered for regulatory purposes:** The expression designates the aggregate amount considered as a starting point of the RWA (risk weighted assets) calculation before the application of CRM methods other than netting in Part Three, Title II, Chapter 4 of the CRR but after the application of netting requirements in Part Three, Title II, Chapters 4 and 5 and Title IV of the same Regulation for each of the risk categories. Under the credit risk framework, this should correspond either to the exposure amount applied in the credit risk standardised approach (see Article 111 in Part Three, Title II, Chapter 2 of the CRR) or to the EADs in the credit risk – IRB approach.

**The breakdown of the columns according to the risk category of each exposure of the regulatory balance sheet is explained below:**

- The exposures subject to the credit risk framework correspond to the exposure amount applied in the standard credit risk method (specified in Part Three, Title II, Chapter 2, Article 111 of the CRR) and the exposures at default (EAD) in the IRB method for credit risk (as per articles 166, 167 and 168 in Part Three, Title II, Chapter 3 of the CRR).

- The counterparty credit risk framework corresponds to the exposures mentioned in Part Three, Title II, Chapter 6 of the CRR.

- The securitisation framework corresponds to exposures from the non-trading book given in Part Three, Title II, and Chapter 5 of the CRR.

- The market risk framework corresponds to the exposures in Part Three, Title IV of the CRR.

**The main sources of reconciliation between the carrying value and exposure, which are reflected in the different rows of the LI2, are:**

- **Off-balance-sheet amounts:** These include original off-balance-sheet exposures after the application of the corresponding conversion factors of the columns. The conversion factor for off-balance-sheet items to be risk-weighted in the application of Part Three, Title II of the CRR is defined in Articles 111, 166, 167 and 182 (as applicable for credit risk), Article 246 (as applicable for securitisation risk), Articles 274 and 276 and Article 283 of the same Regulation (as applicable for counterparty credit risk).

- **Differences in valuation:** They include impact of the carrying amount of value adjustments, in accordance with Part Two, Title I, Chapter 2, Article 34 and Part Three, Title I, Chapter 3, Article 105, of the CRR on the trading book and non-trading book exposures measured at fair value in accordance with the applicable accounting framework.

- **Differences due to different netting rules, other than those already included in row 2 of table LI2:** These refer to the net on-balance-sheet and off-balance-sheet exposure amounts after the application of the specific netting rules in Part Three, Title II, Chapters 4 and 5 as well as of Title IV in the CRR.

The impact of the application of the netting rules can be negative (in case more exposures have to be netted than the on-balance sheet netting in row 2), or positive (in the case of the application of netting rules in the CRR leading to a lower amount being netted out than on-balance-sheet netting in row 2).

- **Differences due to the consideration of provisions:** discloses the re-integration in the exposure value of specific and general credit risk adjustments (as defined in the Commission Delegated Regulation (EU) No 183/2014) that have been deducted in accordance with the applicable accounting framework from the carrying amount of exposures under Part Three, Part II, Chapter 3 of the CRR for risk-weighting purposes. With regard to the risk-weighted exposures according to the provisions of Part three, Part II, Chapter 2 of the CRR, when the carrying amount in the financial statements under the regulatory scope of consolidation has been reduced by elements qualifying as general credit risk adjustments under the aforementioned delegated regulation, these elements have to be re-integrated in the exposure value.

- **Differences due to prudential filters:** These include the impact on the carrying amount under the regulatory scope of consolidation of the prudential filters listed in Articles 32, 33 and 35 in Part Two, Title I, Chapter 2 of the CRR and applied in accordance with the requirements in Part Ten, Title I, Chapter 1, Articles 467 and 468 in the CRR and CEBS 04/91 Guidelines on prudential filters for regulatory capital.

## Table 2.3. EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements. Fixed format

| | | Items subject to | | | |
|---|---|---|---|---|---|
| *Amounts in millions of euros* | Total | Credit risk framework | CCR framework | Securitisation framework | Market risk framework |
| **Assets carrying value amount under the scope of regulatory consolidation (as per template LI1)** | **612,075** | **568,352** | **25,007** | **152** | **18,564** |
| Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1) | 39,102 | 1,128 | 25,754 | 14 | 12,206 |
| **Total net amount under the regulatory scope of consolidation** | **572,973** | **567,224** | **(748)** | **139** | **6,357** |
| Off-balance-sheet amounts | 141,205 | 129,623 | 11,583 | - | - |
| Risk transfer due to securitization. | (212) | (1,869) | - | 1,656 | - |
| Differences due to netting rules (netting, long/short positions, diversification). | (11,434) | - | (5,077) | - | (6,357) |
| Consideration of Provisions for EAD purposes. | 7,198 | 7,230 | - | (32) | - |
| Risk mitigators in Standard portfolio (Guarantees). | (4,492) | (4,492) | - | - | - |
| Amount corresponding to credit conversion factors (CCF). | (99,417) | (99,417) | - | - | - |
| Other differences | 1,805 | 1,805 | - | - | - |
| **Exposure amounts considered for regulatory purposes** | **607,625** | **600,103** | **5,758** | **1,764** | **-** |

*Does not include balances not subject to capital requirements. The portfolio held for trading doubles the exposure of derivatives to both counterparty credit risk and market risk. Currency exposures also double their exposure to credit risk and market risk.*

# 3. Governance, organisation and risk management

# 3. Governance, organisation and risk management

The Board of Directors states that **the risk management framework of CaixaBank Group is appropriate in relation to its profile and strategy.**

The Board of Directors, Senior Management at CaixaBank and the Group as a whole are firmly committed to risk management.

CaixaBank Group's risk management framework, as part of the internal control framework based on the three-line defence model, is built around the following central elements:

- Strategic risk management processes to identify, measure, monitor, control and report risks. Specifically: Risk Assessment, Corporate Risk Catalogue and Risk Appetite Framework (RAF).
- The risk culture, which constitutes a differential element in the Group's decision-making and business management.
- The established governance and organisation, risk infrastructures and capabilities of its human resources.

The Group's risk management framework, which is contained in the Corporate General Risk Management Policy, is subject to on-going review, and no significant amendments were made in 2021. Of note is the strategic risk event identification[1], resulting from the Risk Assessment process.

[1] *These are the most relevant events that can result in a significant impact for the Group in the medium to long term.*

**Internal control framework** based on the Three Lines of Defence model that provides a reasonable degree of assurance that the Group will achieve its objectives.

### Governance and organisation

Internal policies, rules and procedures ensure adequate supervision by the governing bodies, steering committees, and by CaixaBank's specialised teams.

### Risk culture

The Group's risk culture is imparted through training, communication and the performance-based assessment and remuneration of staff.


### Strategic risk management processes

#### Identification and assessment of risks: *Risk Assessment*

Based on a semmi-annual risk self-assessment of the Group's risk profile. . Its objective is to assess the inherent risk situation and its trend, management and control, as well as the results for each of the risks in the Catalogue. This involves identifying strategic events associated with one or more risks which, based on their potential mid- to long-term impact, may require specific monitoring.

#### Classification and definition of Risks: Risk Catalogue

An annually-reviewed list and description of the material risks identified in the Risk Assessment. It facilitates monitoring and *reporting* of the Group's risks, both internally and externally.

#### Risk monitoring: Risk Appetite Framework (RAF)

A comprehensive and forward-looking tool used by the Board of Directors to determine the types and thresholds it is willing to assume in achieving the Group's strategic objectives concerning all risks included in the Risk Catalogue.

# 3.1 Governance and organisation

## 3.1.1 Corporate governance

Robust Corporate Governance enables companies to **maintain an efficient and methodical decision-making process**, which conveys clarity in the allocation of responsibilities, thereby avoiding potential conflicts of interest, ensuring the efficiency of risk management and internal control, and promoting transparency.

As part of our commitment to our mission and vision, we implement good Corporate Governance practices in our activity. This enables us to be a well-governed and coordinated company that is recognised for its good practices.

The information included in this report concerning corporate governance at the Bank is complemented by the following publicly-available documents that are made available on the CaixaBank website (www.caixabank.com):

- The 2021 **Annual Corporate Governance Report** (ACGR), which is part of this Management Report and has been drawn up by the Board of Directors.
- The 2021 **Annual Corporate Remuneration Report** (ACRR), which is part of this Management Report and has been drawn up by the Board of Directors, and is submitted to a non-binding vote at the Annual General Meeting.
- The **Policy for the selection, diversity, and assessment** of the suitability of directors, members of senior management, and other key function holders of CaixaBank and its Group; and
- CaixaBank's **Registration Document** (which includes all board members' positions on other boards of directors, communicated to the Registry of Senior Positions of the Bank of Spain, for the last 5 years, with the exception of asset-holding companies, subsidiaries of an issuer of which the person is also a director or in companies of CaixaBank Group).

**CaixaBank's Corporate Governance Policy**, which is based on the Bank's corporate values and also on the best practices of good governance, particularly recommendations in the Good Governance Code of Listed Companies. This policy establishes the action principles that regulate the Company's corporate governance.

### Corporate Governance principles and practices

1. Competencies and efficient self-governance of the Board of Directors
2. Diversity and balance in the composition of the Board of Directors
3. Professionalism for the proper performance of the duties of members of the Board of Directors.
4. Balanced remuneration aimed at attracting and retaining the appropriate profile of members of the Board of Directors.
5. Commitment to ethical and sustainable action.
6. Protection and promotion of shareholders' rights.
7. Compliance with current regulations as the guiding principle for all people who form part of CaixaBank.
8. Prevention, identification and appropriate treatment of conflicts of interest, in particular with regard to operations with related parties, considering intragroup relations.
9. Achievement of corporate interest under the acceptance and update of good governance practices.
10. Information transparency covering the financial and non-financial activity.

## Milestones in 2021

### Changes to the composition of the Board of Directors and its committees

On 26 March 2021, the resignation of the following members of CaixaBank's Board of Directors became effective: Jordi Gual, Maria Teresa Bassons, Alejandro García-Bragado, Ignacio Garralda, and Fundación CajaCanarias, represented by Natalia Aznárez.

On this same date, the following became part of CaixaBank's Board of Directors: José Ignacio Goirigolzarri, Joaquín Ayuso, Francisco Javier Campo, Eva Castillo, Teresa Santero and Fernando María Ulrich, having verified their suitability as directors by the competent banking supervisor.

On 30 March 2021, the CaixaBank's Board of Directors agreed to appoint José Ignacio Goirigolzarri as Executive Chairman of the Board of Directors.

The 2021 Ordinary General Shareholders' Meeting held on 14 May approved the re-election of José Serna as a non-executive proprietary board member at the proposal of the La Caixa Bank Foundation (FBLC) and CriteriaCaixa, and Koro Usarraga as an independent non-executive board member. In addition to changes in the composition of members of the Board, the reorganisation of the composition of the Board committees was agreed in March 2021.

The details of the directors who left the Board of Directors during the year are provided below

| | Director category at the time of termination | Date of last appointment | Date director left | Specialised committees of which he/she was a member | State whether the director left before end of term |
|---|---|---|---|---|---|
| Jordi Gual | Proprietary | 06/04/2017 | 26/03/2021 | Executive Cmte., Innovation, Technology and Digital Transformation Cmte. | Resignation(*) |
| Teresa Bassons | Proprietary | 05/04/2019 | 26/03/2021 | Appointments Committee | Resignation(*) |
| Alejandro García-Bragado | Proprietary | 06/04/2017 | 26/03/2021 | Remuneration Committee | Resignation(*) |
| Ignacio Garralda | Proprietary | 06/04/2017 | 26/03/2021 | - | Resignation(*) |
| CajaCanarias Foundation represented by Natalia Aznárez | Proprietary | 06/04/2017 | 26/03/2021 | Risk Committee | Resignation(*) |

| Appointment | Board Position and Committee | Replaces |
|---|---|---|
| José Ignacio Goirigolzarri | Chairman and member of the Executive Committee | Jordi Gual |
| | President of the Innovation, Technology and Digital Transformation Committee | Jordi Gual |
| Joaquín Ayuso | Member of the Remuneration Committee | Incorporation, the number of Committee members is increased by one |
| | Member of the Risk Committee | Incorporation, the number of Committee members is increased by one |
| Francisco Javier Campo | Member of the Appointments and Sustainability Committee | Incorporation, the number of Committee members is increased by one |
| | Member of the Audit and Control Committee | Incorporation, the number of Committee members is increased by two |
| Eva Castillo | Member of the Executive Committee | Incorporation, the number of Committee members is increased by one |
| | Member of the Innovation, Technology and Digital Transformation Committee | Incorporation, the number of Committee members is increased by one |
| Teresa Santero | Member of the Audit and Control Committee | Incorporation, the number of Committee members is increased by two |
| José Serna | Member of the Remuneration Committee | Alejandro García-Bragado |
| Fernando María Ulrich | Member of the Appointments and Sustainability Committee | María Teresa Bassons |
| | Member of the Risk Committee | Fundación CajaCanarias, represented by Natalia Aznárez |

(*) *Resignation as part of the takeover merger of Bankia, S.A., communicated by ORI No 8193 dated 26/03/2021*

## Corporate Governance Structure

At CaixaBank, the management and control functions in the Bank are distributed among the General Shareholders' Meeting, the Board of Directors, and its committees.

**ANNUAL GENERAL MEETING**

**EXTERNAL AUDIT**

BOARD OF DIRECTORS

- Executive Committee
- Appointments and Sustainability Committee
- Risk Committee
- Remuneration Committee
- Innovation, Technology and Digital Transformation Committee
- Audit and Control Committee

>> Designates/

>> Reports to/

**MANAGEMENT BODIES**

CEO and Management Committee

**Gonzalo Gortazar Rotaeche**
CEO

**Juan Antonio Alcaraz García**
Managing Director of Business

**Jordi Mondéjar López**
Managing Director of Risks

**Iñaki Badiola Gómez**
Director of CIB and International Banking

**Luis Javier Blas Agüeros**
Media Director

**Matthias Bulach**
Director of Accounting, Management and Capital Control

**Óscar Calderón de Oya**
General Secretary and Secretary to the Board of Directors

**Manuel Galarza Pont**
Director of Compliance and Control

**David López Puig**
Director of Human Resources

**María Luisa Martínez Gistau**
Director of Communications and Institutional Relations

**Javier Pano Riera**
Financial Director

**Marisa Retamosa Fernandez**
Director of Internal Auditing

**Eugenio Solla Tomé**
Sustainability Director

**Javier Valle T-Figueras**
Insurance Director

[1] *See Other Relevant Information published on 18 February 2021 at https://www.caixabank.com/StaticFiles/pdfs/20210218_OIR_CD_en.pdf*

## Board of Directors

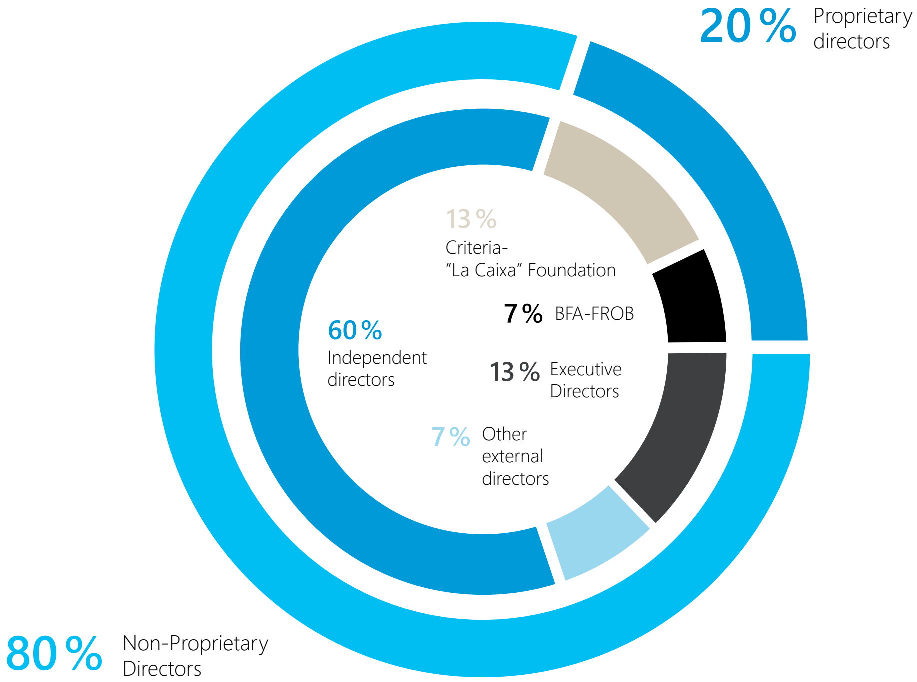
The Board of Directors is the Company's most senior representative, management and administrative body, with powers to adopt agreements on all matters except those that fall within the purview of the Annual General Meeting (AGM). It approves and oversees the strategic and management directives established in the interest of all Group companies and it ensures regulatory compliance and the implementation of good practices in the performance of its activity, as well as adherence to the additional principles of social responsibility that it has voluntarily assumed.

At CaixaBank, the Chairman and CEO have different yet complementary roles. There is a clear division of responsibilities between each position. The Chairman is the Company's senior representative, performs the functions assigned by the By-laws and current regulations, and coordinates together with the Board of Directors, the functioning of the Committees for a better performance of the supervisory function. Furthermore, since 2021, the Chairman carries out these functions together with certain executive functions within the scope of the Board's Secretariat, External Communications, Institutional Relations and Internal Audit (notwithstanding this area reporting to the Audit and Control Committee). The Board has appointed a CEO, the main executive director of the Company who is responsible for the day-to-day management under the supervision of the Board. There is also a delegated committee, the Executive Committee, which has executive functions (excluding those that cannot be delegated). It reports to the Board of Directors and meets on a more regular basis.

There is also an Independent Coordinating Director appointed from among the independent directors who, in addition to leading the periodic assessment of the Chairman, also chairs the Board in the absence of the Chairman and the Deputy Chairman, in addition to other assigned duties.

The CaixaBank Board of Directors strives for an adequate balance in its composition at all times, with a large majority of non-executive directors and promoting diversity with regard to gender, experience and knowledge. Within this framework and in accordance with the verification of compliance with the policy for the selection of directors and the individual suitability re-evaluation undertaken for each director, the Appointments and Sustainability Committee has concluded that the structure, size and composition of the Board of Directors is adequate.

## Board at end of 2021 - Categories of members of the CaixaBank Board of Directors



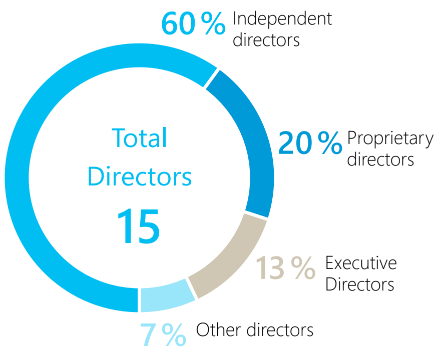

The CaixaBank Board of Directors strives for an adequate balance in its composition at all times, with a large majority of non-executive directors and **promoting diversity with regard to gender, experience and knowledge.**

## Committees of the Board of Directors

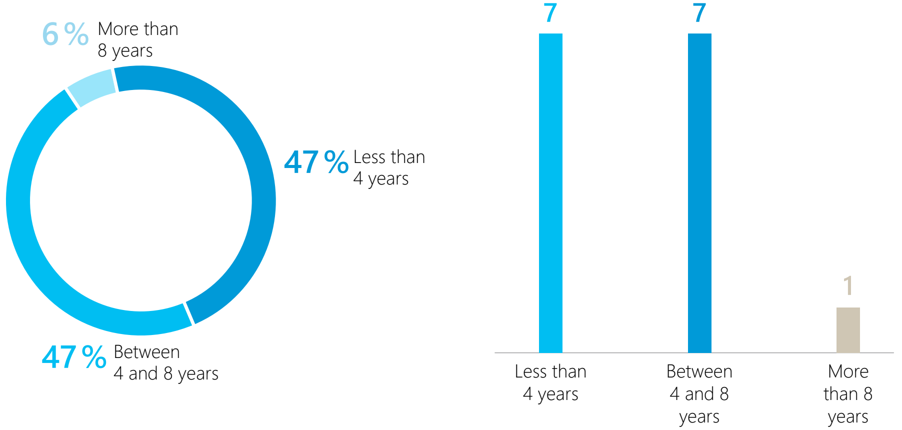
As part of its self-governance activities, the Board of Directors of CaixaBank has a number of specialised committees, with supervisory and advisory powers, as well as an Executive Committee:

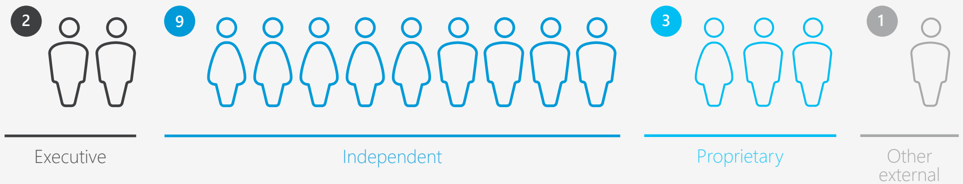
| 60 % INDEPENDENT DIRECTORS | 20 % PROPRIETARY DIRECTORS | 13 % EXECUTIVE DIRECTORS | 7 % OTHER EXTERNAL DIRECTORS | 4 YEARS TIME IN THE ROLE<br>4.4 YEARS IN THE CASE OF INDEPENDENT DIRECTORS |
|---|---|---|---|---|

### Directors by category, at 31 December




### Time in role as at 31 December




As a consequence of the gradual reduction in the size of the Board in recent years and the appointments made as a result of the takeover merger of Bankia registered in March 2021, practically half of the Board members have been in their roles for less than 4 years and the other half between 4 and 8 years (only one Director has been more than 8 years on the Board). The average number of years for which a member has been on the Board is 4 years.

## Diversity Board of Directors

CaixaBank has a Selection, Diversity and Suitability Assessment Policy in place for directors (as well as members of Senior Management and other people in key roles). This Policy is regularly reviewed and was updated in 2020, based on the amendments to the recommendations in the Code of Good Governance, particularly with regard to the increase in senior management. The aim of this Policy is to ensure a suitable balance at all times in the composition of the Board, promoting diversity of gender, age and background, as well as in relation to training, knowledge and professional experience to foster diverse and independent opinions and a robust and mature decision-making process.

As provided for in article 15 of the Regulations of the Board of Directors, the Appointments and Sustainability Committee is responsible for supervising compliance with this Policy. This Committee must, among other duties, analyse and propose the profiles of candidates to fill Board positions, considering diversity as an essential factor in the selection process and suitability, with a particular focus on gender diversity.

Within the framework of the Policy, and with a view to diversity, the following measures are established:

- Consideration, during the director selection and re-election procedures, of the goal of ensuring a governing body composition that is suitable and diverse, particularly in terms of diversity of gender, knowledge, training and professional experience, age and geographical origin in the composition of the Board, ensuring a suitable balance and facilitating the selection of candidates from the gender with the least representation. For this purpose, the candidate's suitability assessment reports shall include an assessment of how the candidate contributes to ensuring a diverse and appropriate composition of the Board of Directors.

- Annual assessment of the composition and competencies of the Board, considering the diversity aspects discussed previously and, in particular, the percentage of Board members of the less represented gender, establishing actions in case of deviation.

- Preparation and update of a competency matrix, the results of which may serve to detect future needs relating to training or areas to improve in future appointments.

The CaixaBank Selection Policy[1] and, in particular, section 6.1 of the policy regarding the fundamental elements of the diversity policy in the Board of Directors and the Protocol on Procedures for assessing suitability and appointing directors and senior management, along with other key positions in CaixaBank and its group establish the obligation of the Appointments Committee to assess the collective suitability of the Board of Directors each year.

Adequate diversity in the composition of the Board is taken into account throughout the entire process of selection and suitability assessment at CaixaBank, considering, in particular, diversity of gender, training, professional experience, age, and geographic origin.

Recommendation 15 currently establishes that the percentage of female directors should never be less than 30% of the total number of members of the Board of Directors and that by the end of 2022, the number of female directors should be at least 40% of the members of the Board of Directors. The percentage of women on the Board of Directors after the Ordinary General Shareholders' Meeting in May 2020, was 40%, above the target of 30% set by the Appointments Committee in 2019 to achieve in 2020. Following the extraordinary General Shareholders' Meeting of December 2020 and following the 2021 Ordinary General Shareholders' Meeting, the presence of female directors in CaixaBank's management body accounted for and continues to account for 40% of its members. This shows the Company's concern and firm commitment to meeting the target of 40% female representation on the Board of Directors.

In the annual compliance assessment of the aforementioned Policy, the Board concluded that, during the 2021 financial year, it had a suitable structure, size and composition and a satisfactory, balanced and complementary composition of skills and diversity as well as knowledge and experience among its members, both in the financial sector and in other relevant areas to ensure the good governance of a credit institution. The determination of suitability in terms of the composition of the Board, which includes the individual re-evaluation of the suitability of each director by the Appointments and Sustainability Committee, also extends to diversity of gender, age and background.

[1] https://www.caixabank.com/deployedfiles/caixabank/Estaticos/PDFs/Informacion_accionistas_inversores/Politicadeseleccionconsejoadmrev2020vaprobada17dic.pdf

CaixaBank

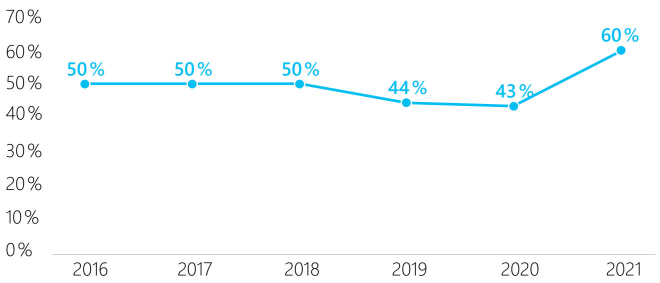
## Matrix of the CaixaBank Board of Directors 2021

*(Order of names according to corporate website page)*

| | | Chairman José Ignacio Goirigolzarri | Deputy Chairman Tomás Muniesa | CEO Gonzalo Gortazar | Coordinating director John S. Reed | Joaquín Ayuso | Francisco Javier Campo | Eva Castillo | Fernando Maria Ulrich | María Verónica Fisas | Cristina Garmendia | Eduardo Javier Sanchiz | Teresa Santero | Mª Amparo Moraleda | José Serna | Koro Usarraga |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Category** | | I | P | I | I | I | I | I | Other | I | I | I | P | I | P | I |
| **Training** | Law | | | ● | | | | ● | | ● | | | | | ● | |
| | Economics, business | ● | ● | ● | | | | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| | Mathematics, physics, engineering, other science degrees | | | | ● | ● | ● | | | | ● | | | ● | | |
| | Other university degrees | | | | ● | | | | | | | | | | | |
| **Senior management experience (Senior management board or senior management)** | In Banking/ Financial Sector | ● | ● | ● | ● | | | ● | ● | | | | | | ● | |
| | Other sectors | | | | | ● | ● | ● | ● | ● | ● | ● | | ● | | ● |
| **Experience in the financial sector** | Credit institutions | ● | ● | ● | ● | ● | ● | ● | ● | ● | | ● | ● | ● | ● | ● |
| | Financial markets (other) | ● | ● | ● | ● | ● | ● | ● | ● | | ● | | | | ● | |
| **Other experience** | Academic sector - Research | ● | | | | | | | | | ● | | ● | | | |
| | Public Service/ Relations with Regulators | | ● | | ● | | | | ● | | ● | | ● | | ● | |
| | Corporate governance (including membership of governing bodies) | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| | Audit | ● | ● | ● | ● | ● | ● | ● | ● | | ● | ● | | | ● | ● |
| | Risk management/ compliance | ● | ● | ● | ● | ● | ● | ● | ● | ● | | ● | | ● | | ● |
| | Information Technology | ● | | ● | | | | ● | | | ● | | | ● | | |
| **International experience** | Spain | ● | ● | ● | ● | ● | ● | ● | | ● | ● | ● | ● | ● | ● | ● |
| | Portugal | ● | ● | ● | | ● | ● | ● | ● | | | ● | | ● | | |
| | Rest of Europe (including European institutions) | ● | | ● | | ● | ● | ● | ● | | ● | ● | ● | ● | | |
| | Other (USA, Latin America) | ● | | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | | |
| **Diversity of gender, geographical origin, age** | Gender diversity | | | | | | | ● | | ● | ● | | ● | ● | | ● |
| | Nationality | ES | ES | ES | USA | ES | ES | ES | PT | ES | ES | ES | ES | ES | ES | ES |
| | Age | 67 | 69 | 56 | 82 | 66 | 66 | 59 | 69 | 57 | 59 | 65 | 62 | 57 | 79 | 64 |

In recent years, the presence of independent directors and gender diversity on the Board has progressively increased, reaching and even exceeding the target set by the Appointments and Sustainability Committee to have at least 30% female directors:

### Evolution of independence




| | Number of female directors | | | | % of total Directors in each category | | | |
|---|---|---|---|---|---|---|---|---|
| | Financial year 2021 | Financial year 2020 | Financial year 2019 | Financial year 2018 | Financial year 2021 | Financial year 2020 | Financial year 2019 | Financial year 2018 |
| Executive | - | - | - | - | 0 | 0 | 0 | 0 |
| Proprietary | 1 | 2 | 2 | 2 | 33.33 | 28.57 | 25 | 25 |
| Independent | 5 | 4 | 4 | 3 | 55.55 | 66.67 | 57.14 | 33.33 |
| Other external | - | - | - | - | 0 | 0 | 0 | 0 |
| **Total** | **6** | **6** | **6** | **5** | **40** | **42.86** | **37.5** | **27.78** |

**40%**
**Women on the Board**
Target: >30%

**57%**
**Women on the Executive Committee**

**33%**
**Women on the Risk Committee**

**50%**
**Women on the Remuneration Committee**

**60%**
**Women on the Innovation, Technology and Digital Transformation Committee**

**50%**
**Women on the Audit and Control Committee**

As a result, the CaixaBank Board can be said to be within the upper band of Ibex 35 companies in terms of the presence of women, according to the public information available on the composition of Boards of Directors of Ibex 35 companies at year-end 2021 (the average of which is 32.65%)[1].

[1] *Average number of women sitting on the Board of Ibex 35 companies, calculated according to the public information available on the websites of the companies.*

## Executive Committee

**7** Number of members

**4** Independent Directors

### Average attendance at sessions

| No. of meetings in 2021[1] | 20 |
|---|---|
| José Ignacio Goirigolzarri[2] | 16/20 |
| Tomás Muniesa | 20/20 |
| Gonzalo Gortazar | 20/20 |
| Eva Castillo[2] | 16/20 |
| María Verónica Fisas | 20/20 |
| María Amparo Moraleda | 20/20 |
| Koro Usarraga | 20/20 |

*[1] The first figure refers to the number of meetings attended by the director and the second to the number of meetings held in 2021.*

*[2] Appointed on 30 March 2021.*

*N.B.: Data at 31 December 2021. Jordi Gual attended all the meetings held by this Committee until his resignation in March 2021.*

### Composition

The composition of this committee, which is made up of the Chairman and CEO, must have at least two non-executive directors, at least one of whom is independent. The appointments of its members requires a vote in favour from at least two-thirds of the Board members.

### Functions

The Executive Committee will be delegated all the responsibilities and powers available to it both legally and under the Bank's articles of association, and it will report back to the Board on the matters dealt with and the decisions made.

## Appointments and Sustainability Committee

**4** Number of members

**3** Independent Directors

The attendance of members, in person or by proxy, at the Committee's meetings during 2021 was as follows:

| No. of meetings in 2021[1] | 7 |
|---|---|
| John S. Reed | 7/7 |
| Francisco Javier Campo[2] | 5/7 |
| Fernando María Ulrich[2] | 5/7 |
| Eduardo Javier Sanchiz | 7/7 |

*[1] The first figure refers to the number of meetings attended by the director and the second to the number of meetings held in 2021.*

*[2] Appointed on 30 March 2021.*

*N.B.: Data at 31 December 2021. Teresa Bassons attended the meeting held by this Committee until her resignation in March 2021.*

### Composition

The Appointments and Sustainability Committee comprises a number of non-executive directors determined by the Board of Directors, with a minimum of 3 and a maximum of 5 members. A majority of its directors must be independent.

Members of the Appointments Committee are appointed by the Board of Directors at the proposal of the Committee itself, and the Chair of the Committee will be appointed from among the independent Directors that form part thereof.

### Functions

Its duties include:

- Evaluating and proposing to the Board the assessment of skills, knowledge and experience required of Board members and key personnel.
- Submitting to the Board the proposals for the nomination of the independent directors to be appointed by co-option or for submission to the decision of the AGM, as well as the proposals for the reappointment or removal of such directors.
- Reporting on the appointment and, as the case may be, dismissal of the Coordinating Director, the Secretary and the Deputy Secretaries for approval by the Board.
- Reporting on proposals for the appointment or removal of senior executives, with the capacity to carry out such proposals directly when the Committee deems this necessary in the case of senior executives as a result of to their control or support duties concerning the Board or its committees. Propose the basic terms of the contracts of senior executives other than their pay and remuneration, and reporting those terms once they have been established.

- Examining and organising, under the supervision of the coordinating director and with the support of the Chairman of the Board, the succession of the latter and of the Company's chief executive and, as the case may be, sending proposals to the Board so that the succession process is suitably planned and takes place in an orderly fashion.

- Reporting to the Board on gender diversity issues, ensuring that the procedures for selecting its members favour a diversity of experience and knowledge, and facilitate the selection of female directors, while establishing a representation target for the less represented sex on the Board, as well as preparing guidelines on how this should be achieved.

- Periodically evaluate, at least once a year, the structure, size, composition and actions of the Board and of its committees, its Chairman, CEO and Secretary, making recommendations regarding possible changes to these. Here, the committee shall act under the direction of the coordinating director when assessing the performance of the Chairman. Evaluating the composition of the Management Committee, as well as its replacement lists, to ensure coverage as members come and go.

- Periodically reviewing the Board selection and appointment policy in relation to senior executives and making recommendations.

- Overseeing the compliance with the Company's rules and policies in environmental and social matters, regularly evaluating and reviewing them, with the aim of confirming that it is fulfilling its mission to promote the corporate interest and catering, where appropriate, to the legitimate interests of remaining stakeholders, as well as submitting the proposals it considers appropriate on this matter to the Board and, particularly, submitting the sustainability/corporate responsibility policy for approval. In addition, the Committee will ensure the Company's environmental and social practices are in accordance with the established strategy and policy.

- Reporting on the sustainability reports made public by the Company, prior to being submitted to the Board of Directors, including the review of the non-financial information contained in the annual management report; the socio-economic impact report and the master plan for socially responsible banking, ensuring the integrity of its content and compliance with applicable legislation and international benchmarks.

- Supervising the Company's activities with regards to responsibility, and submit to the Board the corporate responsibility/sustainability policy for approval.

## Risk committees

**6** Number of members

**4** Independent Directors

The attendance of members, in person or by proxy, at the Committee's meetings during 2021 was as follows:

| No. of meetings in 2021[1] | 14 |
|---|---|
| Eduardo Javier Sanchiz | 14/14 |
| Joaquín Ayuso[2] | 10/14 |
| Verónica Fisas | 14/14 |
| Koro Usarraga | 14/14 |
| Tomás Muniesa | 14/14 |
| Fernando María Ulrich[2] | 10/14 |

*[1] The first figure refers to the number of meetings attended by the director and the second to the number of meetings held in 2021.*

*[2] Appointed on 30 March 2021.*

*N.B.: Data at 31 December 2021. Fundación CajaCanarias (represented by Natalia Aznárez) attended all the meetings held by this Committee until its resignation in March 2021.*

### Composition

The Risk Committee is exclusively formed of Non-Executive Directors, with the relevant knowledge, skills and experience to fully understand and manage the Company's risk strategy and appetite, in the number determined by the Board of Directors, between a minimum of 3 and a maximum of 6 members, the majority of which being Independent Directors.

### Functions

Its duties include:

- Advising the Board of Directors on the overall susceptibility to risk, current and future, of the Company and its strategy in this area, reporting on the Risk Appetite Framework, assisting in the monitoring of the implementation of this strategy, ensuring that the Group's actions are consistent with the level of risk tolerance previously decided and implementing the monitoring of the appropriateness of the risks assumed and the profile established.

- Propose the Group's risk policy to the Board.

- Ensuring that the pricing policy of the assets and liabilities offered to the clients fully consider the Company's business model and risk strategy.

- Working with the Board of Directors to determine the nature, quantity, format and frequency of the information concerning risks that the Board should receive and establishing the information that the Committee should receive.

- Regularly review exposures with its main customers and business sectors, as well as broken down by geographic area and type of risk.

- Examining risk reporting and control processes, as well as its information systems and indicators.

- Appraising and making decisions in relation to regulatory compliance risk within the scope of its remit, broadly meaning the risk management of legal or regulatory sanctions, financial loss, material or reputational damage that the Company could sustain as a result of non-compliance with laws, rules, regulations, standards and codes of conduct, detecting and monitoring any risk of non-compliance and examining possible deficiencies.

- Report on new products and services or significant changes to existing ones.

- Cooperating with the Remuneration Committee to establish sound remuneration policies and practices. Examining if the incentive policy anticipated in the remuneration systems take into account the risk, capital, liquidity and the probability and timing of the benefits, among other things.

- Assisting the Board of Directors in setting up effective reporting channels, ensuring the allocation of suitable resources the risk management and for the approval and periodic review of the strategies and policies with regard to risk assumption, management, supervision and reduction.

- Any others attributed to it by the law, the By-laws, the Regulations of the Board and other regulations applicable to the Company.

### Remuneration Committee

**4** Number of members

**3** Independent Directors

The attendance of members during 2021 was as follows:

| No. of meetings in 2021[1] | 10 |
|---|---|
| Amparo Moraleda | 10/10 |
| Joaquín Ayuso[2] | 7/10 |
| Cristina Garmendia | 10/10 |
| José Serna[2] | 7/10 |

*[1] The first figure refers to the number of meetings attended by the director and the second to the number of meetings held in 2021.*

*[2] Appointed on 30 March 2021.*

*N.B.: Data at 31 December 2021. Alejandro García-Bragado attended all the meetings held by this Committee until his resignation in March 2021.*

#### Composition

The Remuneration Committee is formed by Non-executive Directors, in the number determined by the Board of Directors, with a minimum of 3 and a maximum of 5 members, the majority of which being Independent Directors. The Chair of the Committee will be appointed from among the Independent Directors sitting on the Committee.

#### Functions

Its duties include:

- Drafting the resolutions related to remuneration and, particularly, reporting and proposing to the Board the remuneration policy for the directors and senior management, the system and amount of annual remuneration for directors and senior managers, as well as the individual remuneration of the executive directors and senior managers, and the conditions of their contracts, without prejudice to the competences of the Appointments and Sustainability Committee in relation to any conditions not related to remuneration.

- Ensuring compliance with the remuneration policy for directors and senior managers, and reporting on the basic terms set out in the contracts of those individuals and the compliance thereof.

- Reporting and preparing the general remuneration policy of the Company and in particular the policies relating to the categories of staff whose professional activities have a significant impact on the risk profile of the Company and those that are intended to prevent or manage conflicts of interest with the customers.

- Analysing, formulating and periodically reviewing remuneration programmes, weighing their adequacy and performance and ensuring compliance.

- Proposing to the Board the approval of the remuneration reports or policies that it is required to submit to the Annual General Meeting, as well as reporting to the Board on any remuneration-related proposals the Board may intend to bring to the Annual General Meeting.

- Considering the suggestions it receives from the Company's Chairman, Board members, executives, and shareholders.

- Ensuring that any conflicts of interest do not impair the independence of the external advice given to the Committee related to the exercise of its functions.

The Appointments and Sustainability, Remuneration and Audit and Control committees prepare an annual report on their operations with regard to their respective duties. Furthermore, when considered appropriate, the committees will include improvement proposals in this report. These reports are made public on the website www.caixabank.com.

### Audit and Control Committee

**6** Number of members

**4** Independent Directors

The attendance of members during 2021 was as follows:

| No. of meetings in 2021[1] | 15 |
|---|---|
| Koro Usarraga | 15/15 |
| Eduardo Javier Sanchiz | 15/15 |
| José Serna | 15/15 |
| Cristina Garmendia | 15/15 |
| Francisco Javier Campo[2] | 11/15 |
| Teresa Santero[2] | 11/15 |

*[1] The first figure refers to the number of meetings attended by the director and the second to the number of meetings held in 2021.*

*[2] Joined as a member on 30 March 2021.*

*N.B.: Data at 31 December 2021.*

**Composition**

The Audit and Control Committee comprises exclusively non-executive directors, in the number determined by the Board, between a minimum of 3 and a maximum of 7 members. The majority of the members of the Audit and Control Committee are independent directors.

The Committee will appoint a Chairman from among the independent directors. The Chairman must be replaced every 4 years and may be re-elected once a period of 1 year from his/her departure has transpired. The Chairman of the Committee acts as a spokesperson at meetings of the Board, and, as the case may be, at the Company's AGM. It may also appoint a Secretary and may appoint a Deputy Secretary. If no such appointments are made, the Secretary to the Board will assume these roles.

The Board will ensure that members of the Committee, particularly its Chairperson, have sufficient knowledge and experience in accounting, auditing or risk management, and in any other areas required for the Committee to fulfil all its duties.

**Functions**

Its duties include:

- Reporting to the AGM about matters raised that are within the Committee's remit, particularly on the result of the audit, explaining how this has contributed to the integrity of the financial information and the Committee's role in this process.
- Overseeing the process of elaborating and presenting mandatory financial and non-financial information regarding the Company and, where relevant, the Group, reviewing the accounts, compliance with regulatory requirements in this area, the adequate definition of the consolidation perimeter, and the correct application of generally accepted accounting criteria.
- Ensuring that the Board submits the annual Financial Statements and the management report to the AGM, without qualified opinions or reservations in the audit report and, if there are reservations, ensuring that the Committee's Chair and the auditors clearly explain the content and scope of those qualified opinions or reservations to shareholders.
- Reporting to the Board, in advance, on the financial information and related non-financial information that the Company must periodically disclose to the markets and its supervisory bodies.
- Overseeing the effectiveness of internal control systems, and discuss with the auditor any significant weaknesses identified in the internal control system during the audit, all without compromising its independence. For such purposes, and if appropriate, it may submit recommendations or proposals to the Board and set a deadline for follow-up.
- Supervise the efficiency of the internal audit, establish and oversee a mechanism which allows the employees of the Bank or of the Group to report, confidentially and, if appropriate, anonymously, irregularities of potential significance, especially financial and accounting irregularities, which they may observe within the Company. The Committee will also receive periodic information how the system is operating and it may propose any actions it deems suitable to improve and reduce the risk of irregularities in the future.

## Innovation, Technology and Digital Transformation Committee

**5** Number of members

**3** Independent Directors

| No. of meetings in 2021[1] | 5 |
|---|---|
| José Ignacio Goirigolzarri | 5/5 |
| Gonzalo Gortazar | 5/5 |
| Cristina Garmendia | 5/5 |
| Amparo Moraleda | 5/5 |
| Eva Castillo | 5/5 |

*[1] The first figure refers to the number of meetings attended by the director and the second to the number of meetings held in 2021.*

*N.B.: Data at 31 December 2021. Jordi Gual attended the meeting held by this Committee until his resignation in March 2021.*

### Composition

The Innovation, Technology and Digital Transformation Committee will be formed of a minimum of 3 and a maximum of 5 members. In all cases, the Chairman of the Board of Directors and the CEO shall sit on the Committee. The other members will be appointed by the Board of Directors, on the proposal of the Appointments and Sustainability Committee, taking into account in particular knowledge and experience of candidates on the subjects that fall within the Committee's remit, namely technology and innovation, information systems and cybersecurity.

### Independent

Its duties include:

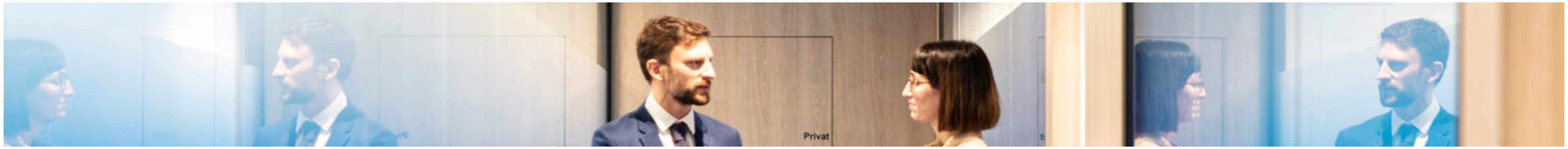
- Assist the Board of Directors in identifying, monitoring and analysing new competitors, new business models and the advances and main trends and initiatives relating to technological innovation, while studying the factors that make certain innovations more likely to succeed and increase their transformation capacity.
- Advise the Board of Directors on the implementation of the strategic plan in aspects relating to digital transformation and technological innovation (the digital strategy) and, in particular, reporting on plans and projects designed by CaixaBank in this field, as well as any new business models, products, customer relationships, etc.,
- Foster a climate of debate and reflection to allow the Board of Directors to spot new business opportunities emerging from technological developments, as well as possible threats.
- Support the Board of Directors in analysing the impact of technological innovations on market structure, the provision of financial services and customer habits. Among other aspects, the committee shall analyse the potential disruption of new technologies, the possible regulatory implications of their development, the impact in terms of cybersecurity and matters relating to the protection of privacy and data usage.
- Stimulating discussion and debating on the ethical and social implications deriving from the use of new technologies in the banking and insurance businesses.
- Support the Risk Committee, when required, in monitoring technological risks and matters relating to cybersecurity.

## Positions of directors in other listed or unlisted entities

| Name of Director | Corporate name of the company | Position | Paid or not |
|---|---|---|---|
| Jose Ignacio Goirigolzarri | Asociación Madrid Futuro | Member | No |
| Jose Ignacio Goirigolzarri | Asociación Valenciana de Empresarios | Member (CaixaBank Representative) | No |
| Jose Ignacio Goirigolzarri | Spanish Chamber of Commerce | Member (CaixaBank Representative) | No |
| Jose Ignacio Goirigolzarri | Spanish Businessmen's Association | Member (CaixaBank Representative) | No |
| Jose Ignacio Goirigolzarri | Basque Businessmen's Association | Member | No |
| Jose Ignacio Goirigolzarri | Confederación Española de Cajas de Ahorro (CECA) | Deputy Chairman | Yes |
| Jose Ignacio Goirigolzarri | Confederación Española de Directivos y Ejecutivos (CEDE) | Trustee (CaixaBank Representative) | No |
| Jose Ignacio Goirigolzarri | Confederación Española de Organizaciones Empresariales (CEOE) | Member of the Advisory Board (CaixaBank Representative) | No |
| Jose Ignacio Goirigolzarri | Advisory Board of the Benjamin Franklin American Institute of Research | Chairman | No |
| Jose Ignacio Goirigolzarri | Advisory Board of Fundación Instituto Hermes | Member | No |
| Jose Ignacio Goirigolzarri | Consejo Empresarial Español para el Desarrollo Sostenible | Director (CaixaBank Representative) | No |
| Jose Ignacio Goirigolzarri | Deusto Business School | Chairman | No |
| Jose Ignacio Goirigolzarri | Foment del Treball Nacional | Member (CaixaBank Representative) | No |
| Jose Ignacio Goirigolzarri | Fundación Aspen Institute | Trustee (CaixaBank Representative) | No |
| Jose Ignacio Goirigolzarri | Fundación CaixaBank Dualiza | Chairman (CaixaBank Representative) | No |
| Jose Ignacio Goirigolzarri | Fundación COTEC | Vice-Chairman (CaixaBank Representative) | No |
| Jose Ignacio Goirigolzarri | Fundación de Ayuda contra la Drogadicción (FAD) | Trustee | No |
| Jose Ignacio Goirigolzarri | Fundación de Estudios de Economía Aplicada (FEDEA) | Chairman (CaixaBank Representative) | No |
| Jose Ignacio Goirigolzarri | Fundación LAB Mediterráneo | Trustee (CaixaBank Representative) | No |
| Jose Ignacio Goirigolzarri | Fundación Mobile World Capital Barcelona | Trustee (CaixaBank Representative) | No |
| Jose Ignacio Goirigolzarri | Fundación Privada Consejo España-EEUU | Honorary Trustee (CaixaBank Representative) | No |
| Jose Ignacio Goirigolzarri | Fundación Pro Real Academia Española | Trustee | No |
| Jose Ignacio Goirigolzarri | Fundación Real Instituto Elcano | Trustee (CaixaBank Representative) | No |
| Jose Ignacio Goirigolzarri | Garum Fundatio Fundazioa | Chairman | No |
| Jose Ignacio Goirigolzarri | Institute of International Finance | Member (CaixaBank Representative) | No |

## Positions of directors in other listed or unlisted entities

| Name of Director | Corporate name of the company | Position | Paid or not |
|---|---|---|---|
| Tomás Muniesa | SegurCaixa Adeslas | Deputy Chairman | Yes |
| Tomás Muniesa | Allianz Portugal | Other | No |
| Tomás Muniesa | ESADE Fundación | Member of Board of Trustees | No |
| Gonzalo Gortazar | Spanish Businessmen's Association | Member (CaixaBank Representative) | No |
| Gonzalo Gortazar | Eurofi | Member (CaixaBank Representative) | No |
| Gonzalo Gortazar | Foro Puente Aéreo | Member (CaixaBank Representative) | No |
| Gonzalo Gortazar | Fundación Privada España-China | Trustee (CaixaBank Representative) | No |
| Gonzalo Gortazar | Institut International D'Etudes Bancaires | Member (CaixaBank Representative) | No |
| Gonzalo Gortazar | Institute of International Finance | Member (CaixaBank Representative) | No |
| John S. Reed | American Cash Exchange Inc. | Other | No |
| John S. Reed | Boston Athenaeum | Chairman | No |
| John S. Reed | National Bureau of Economic Research | Trust beneficiary | No |
| John S. Reed | American Academy of Arts and Sciences | Board Member | No |
| John S. Reed | American Philosophical Society | Member | No |
| Joaquín Ayuso | Adriano Care Socimi | Chairman | Yes |
| Joaquín Ayuso | Instituto Universitario de Investigación en Estudios Norteamericanos Benjamin Franklin de la Universidad de Alcalá de Henares (Madrid) | Member of the Advisory Board | No |
| Joaquín Ayuso | Real Sociedad Hípica Española Club de Campo | Chairman of the Board of Directors | No |
| Francisco Javier Campo | Asociación Española del Gran Consumo (AECOC) | Vice-chair and member of the Board of Directors | No |
| Francisco Javier Campo | Asociación para el Progreso de la Dirección | Other | No |
| Francisco Javier Campo | Fundación CaixaBank Dualiza | Trustee (CaixaBank Representative) | No |
| Francisco Javier Campo | Meliá Hotels International, S.A. | Other | Yes |

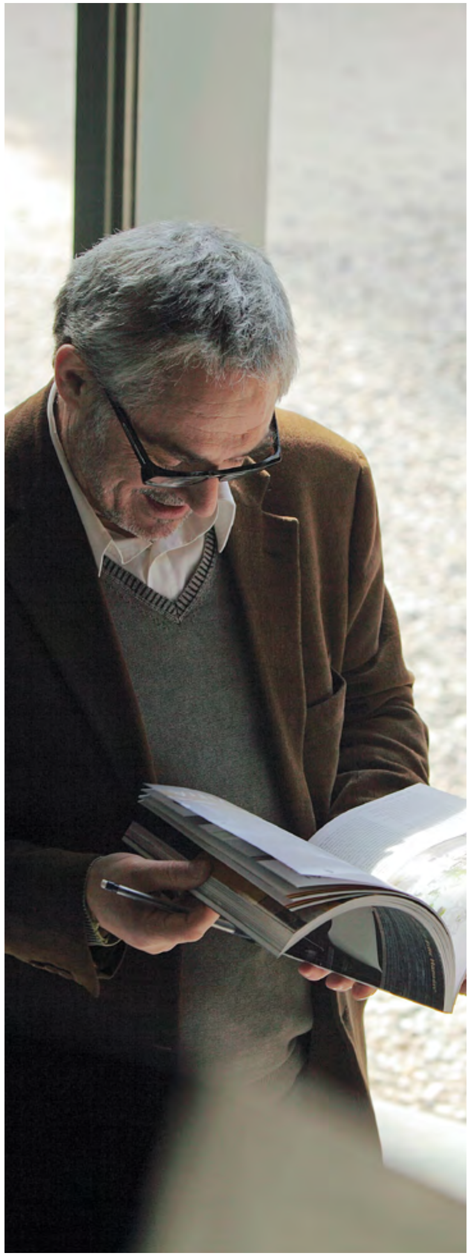


## Positions of directors in other listed or unlisted entities

| Name of Director | Corporate name of the company | Position | Paid or not |
|---|---|---|---|
| Francisco Javier Campo | Fundación Iter | Trustee | No |
| Francisco Javier Campo | Fundación F. Campo | Trustee | No |
| Eva Castillo | Zardoya Otis, S.A. | Director | Yes |
| Eva Castillo | International Airlines Group (IAG) | Director | Yes |
| Eva Castillo | Fundación Comillas- ICAI. | Trustee | No |
| Eva Castillo | Fundación Entreculturas | Trustee | No |
| Eva Castillo | Consejo para la Economía de la Santa Sede | Member of the Board | No |
| Eva Castillo | A.I.E de Advantere School of Management | Member | No |
| María Verónica Fisas | Natura Bissé International S.A. | CEO | Yes |
| María Verónica Fisas | Natura Bissé International FZE (Dubai Airport Free Zone) | Director | Yes |
| María Verónica Fisas | Natura Bissé Int. LTD (UK) | Director | Yes |
| María Verónica Fisas | Natura Bissé Int. S.A. de CV (México) | Chairwoman | Yes |
| María Verónica Fisas | Natura Bissé Inc. Dallas (USA) | Chairwoman | Yes |
| María Verónica Fisas | NB Selective Distribution S.L. | Joint administrator | Yes |
| María Verónica Fisas | Fundación Ricardo Fisas Natura Bissé | Trustee | No |
| María Verónica Fisas | Asociación Nacional de Perfumería y Cosmética (STANPA) | Chair of the Board of Directors | No |
| Cristina Garmendia | Mediaset España Comunicación, S.A. | Director | Yes |
| Cristina Garmendia | Compañía de Distribución Integral Logista Holdings | Director | Yes |
| Cristina Garmendia | Ysios Capital Partners | Director | Yes |
| Cristina Garmendia | Ysios Capital Partners CIV I | Director | No |
| Cristina Garmendia | Ysios Capital Partners CIV II | Director | No |
| Cristina Garmendia | Ysios Capital Partners CIV III | Director | No |
| Cristina Garmendia | Ysios Asset Management | Director | No |
| Cristina Garmendia | Jaizkibel 2007, S.L. (holding company) | Sole administrator | Yes |
| Cristina Garmendia | Fundación COTEC para la Innovación | Chairwoman | No |
| Cristina Garmendia | Círculo de Economia | Member of the Board of Directors | No |

## Positions of directors in other listed or unlisted entities

| Name of Director | Corporate name of the company | Position | Paid or not |
|---|---|---|---|
| Cristina Garmendia | Fundación España Constitucional | Member | No |
| Cristina Garmendia | Fundación SEPI | Member | No |
| Cristina Garmendia | Fundación Pelayo | Member | No |
| Cristina Garmendia | UNICEF, Comité español | Member | No |
| María Amparo Moraleda | Vodafone Group PLC | Director | Yes |
| María Amparo Moraleda | Airbus Group, S.E. | Director | Yes |
| María Amparo Moraleda | A.P. Møller-Mærsk A/S A.P. | Director | Yes |
| María Amparo Moraleda | Consejo Superior de Investigaciones Científicas-CSIC | Member of the Advisory Council | No |
| María Amparo Moraleda | MD Anderson Cancer Center de Madrid | Member of Board of Trustees | No |
| María Amparo Moraleda | Fundación Vodafone | Member of Board of Trustees | No |
| María Amparo Moraleda | IESE | Board Member | No |
| María Amparo Moraleda | Fundación Airbus | Trustee | No |
| María Amparo Moraleda | Academia de Ciencias Sociales y el Medio Ambiente de Andalucía | Academic | No |
| María Amparo Moraleda | Real Academia de Ciencias Económicas y Financieras | Full Member of the General Assembly | No |
| Eduardo Javier Sanchiz | Laboratorio Farmacéutico Pierre Fabre, S.A. | Other | Yes |
| Koro Usarraga | Vocento, S.A. | Director | Yes |
| Koro Usarraga | 2005 KP Inversiones, S.L. | Administrator | No |
| Koro Usarraga | Vehicle Testing Equipments, S.L. | Administrator | No |



## Paid activities other than those listed above

| Name of Director | Corporate name of the company | Position |
|---|---|---|
| Joaquín Ayuso | A.T. Kearney S.A. | Member of the Advisory Board for Spain |
| Francisco Javier Campo | Grupo Palacios | Member of the Advisory Board |
| Francisco Javier Campo | Grupo IPA Capital SL (Pastas Gallo) | Member of the Advisory Board |
| Francisco Javier Campo | Consultora Kearney | Member of the Advisory Board |
| Cristina Garmendía | CaixaBank S.A. | Member of the Private Banking Advisory Board |
| María Amparo Moraleda | SAP Ibérica | Member of the Advisory Board |
| María Amparo Moraleda | Spencer Stuart | Member of the Advisory Board |
| María Amparo Moraleda | ISS España | Member of the Advisory Board |
| Eduardo Javier Sanchiz | Sabadell -Asabys Health Innovation Investments S.C.R., S.A. | Member of the Investment Committee |
| Teresa Santero | Instituto de Empresa Madrid | Teacher |

### 3.1.2 Internal control framework

The internal control framework is the set of strategies, policies, systems and procedures that exist in CaixaBank Group to ensure prudent business management and efficient operations. It is monitored through:

- proper identification, measurement and mitigation of the risks to which the Group is or may be exposed,
- the existence of complete, pertinent, reliable and timely financial and non-financial information,
- adopting sound administrative and accounting procedures and
- compliance with regulations and requirements in terms of oversight, internal codes of ethics and policies, processes and standards.

It is integrated into the Group's internal governance system and aligned with the business model, and is in accordance with: **i)** the regulations applicable to financial institutions; **ii)** the EBA Directives on Internal Governance of 21 July 2021, implementing internal governance requirements established in Directive 2013/36/EU of the European Parliament; **iii)** the recommendations of the CNMV on this matter and **iv)** other regulatory guidelines on control functions applicable to financial institutions.

The guidelines for the Group's internal control framework are set out in the Corporate Internal Control Policy, and are structured around the "three lines of defence" model.

#### First line of defence

It comprises the business lines and units, together with the areas providing support, which give rise to the Group's exposure to risks in the performance of their operations. They assume risk, considering the Group's existing risk appetite, authorised risk limits and policies, existing procedures and controls, and managing these risks is part of their responsibility. They are therefore responsible for developing and implementing control processes and mechanisms to ensure that they identify, manage, measure, control, mitigate and report the main risks arising from their activities.

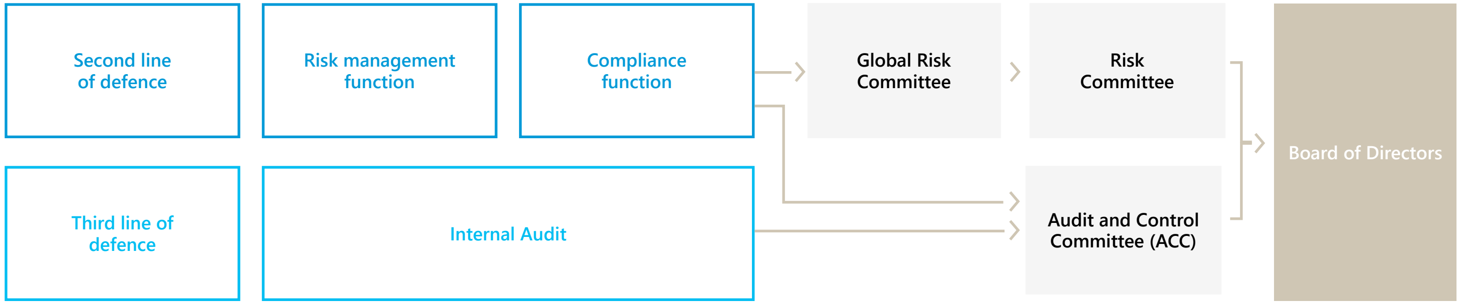
The business lines and support units integrate control into their daily activity as a basic element that reflects the Group's risk culture.

These functions may be embedded in the business units and support areas. However, when a situation's complexity or intensity require it, specific control units with greater specialism are set up to ensure that the risks are properly controlled.

#### Second line of defence

Consists of the risk management and compliance functions. They are responsible, among others, for:

- Establishing, in coordination with the first line of defence, risk management policies that are consistent with the RAF, and for assessing their compliance afterwards.
- Identifying, measuring and monitoring the risks (including emerging risks), and helping to define and implement risk indicators.
- Periodically monitoring the effectiveness of indicators and controls of the first line of defence, as well as indicators and controls inherent to the second line of defence.
- Monitoring control weaknesses that are identified, as well as establishing and implementing action plans to correct them.
- Expressing an opinion on the suitability of the risk control environment.




The activities of the second line of defence, as well as **i)** the identified weaknesses, **ii)** the monitoring of action plans and **iii)** the opinion on the adequacy of the control environment in the Group, are regularly reported to the bodies responsible for the control environment, following the established hierarchy, as well as to supervisory bodies.

- **Risk management function**

In addition to identifying, defining approval limits, measuring, monitoring, managing and reporting risks under its remit, it is responsible for **i)** ensuring all the risks to which the Group may be exposed are suitably identified, assessed, monitored and controlled; **ii)** providing the Governing Bodies with an aggregated view of all the risks to which the Group is or may be exposed, including an aggregated view of the operational oversight of risk processes; **iii)** monitoring the risk generating activities, assessing their adjustment to the approved risk tolerance and ensuring the prospective planning of the corresponding capital and liquidity needs in normal and adverse circumstances; **iv)** monitoring compliance with the risk appetite limits approved by the Board of Directors, and **v)** validating and ensuring the proper operation and governance of risk models, verifying their suitability in accordance with regulatory practices.

At CaixaBank, the functions of the second line of risk management are divided between the Divisions of Corporate Risk Management Function & Planning and Compliance and Control.

The Corporate Risk Management Function & Planning Division is responsible for coordinating the risk management function in CaixaBank Group; the direct exercise of the functions of second line of defence against the specific risks of the business model and activity, and any Group-wide aspect that affects the risk management activities carried out in Group companies. The manager of the Corporate Risk Management Function & Planning division is considered responsible for the risk management function of CaixaBank Group, and is thus the one who complies with the supervisor's requirements in this regard and performs the functions assigned to this position by the applicable regulations.

For its part, the Compliance and Control Division is responsible for the direct exercise of the second line of defence functions for non-financial risks, model validation and risk; the Group-wide function of promoting, coordinating and governing the internal operational control activity for all the risks of the Entity, the reliability of the information. As concerns the reliability of information, CaixaBank Group has in place a formal Internal Control over Financial Reporting (hereinafter, ICFR) system. ICFR is defined as the set of processes that are carried out to provide reasonable assurance on the reliability of financial information published by the bank in the markets[1].

With regard to the Pillar 3 Disclosures, the second line of defence, which is responsible for providing reasonable assurance over the reliability of its financial information, has validated the existence of the necessary controls. These controls are in place to ensure the information's quality and integrity, thus guaranteeing that the information presented is accurate.

- **Compliance function**

The purpose of the compliance function is to identify, evaluate, oversee and report on the risks of sanctions or financial losses to which the entity is exposed as a result of its failure to comply or improper compliance with laws, regulations, legal or administrative requirements, codes of conduct, ethical standards and good practices involving its area of activity with reference to the legal/regulatory risks and conduct and compliance risks (Compliance Risk); as well as to advise, inform and assist senior management and governing bodies in regulatory compliance by promoting, through training, information and awareness-raising activities, a culture of compliance throughout the organisation.

*[1] The ICFR is designed in accordance with the guidance established by the Spanish National Securities Market Regulator (CNMV) in its document "Guidelines on Internal Control over Financial Reporting in Listed Companies". Details of this function are presented in the Annual Corporate Governance Report for 2021, available on the corporate website, along with the activities carried out during the period.*

The compliance function is carried out by the Compliance Division, which is part of the Compliance and Control Department and reports directly to the Board of Directors and Delegated Committees and to the supervisory bodies (Bank of Spain, ECB, SEPBLAC (Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences), Treasury, CNMV and other bodies).

The compliance function management model relies on two basic pillars: the taxonomy of compliance risks and the model of three lines of defence. The function uses the following key elements to ensure adequate coverage of the Compliance Risk: compliance programme, annual compliance plan and monitoring of gaps (control deficiencies or regulatory breaches) identified, and the action plans for mitigating them. The function also carries out advisory activities on the matters that fall under its responsibility, and carries out actions to foster a culture of compliance throughout the organisation (corporate training, awareness and challenges).

To enable compliance with the applicable regulations and codes of conduct, CaixaBank has a confidential whistleblowing and query channel that adheres to best practices and that may be used to ask questions about their interpretation and report possible irregularities that could result in breaches.

Finally, in June 2021, CaixaBank obtained ISO 37301 certification for its Compliance Management System. This process entailed a comprehensive review of the elements with the aim of confirming alignment with best regulatory practices.

### Third line of defence

The Internal Audit is the third line of defence, independently overseeing the activities of the first and second lines of defence so as to provide reasonable certainty to the Board of Directors and Delegated Committees.

In order to set up and preserve the independence of the function, the Internal Audit Directorate functionally reports to the Chairman of the Audit and Control Committee of the Board of Directors, without prejudice to its reporting obligations to the Chairman of the Board of Directors for the due compliance of the Chairman's duties.

Internal Audit has a rule book governing how it operates, which has been approved by the Board of Directors. It establishes that it is an independent and objective assurance and consultation function, established to add value and improve operations. Its objective is to provide reasonable assurance to Senior Management and the Governing Bodies with regard to:

- The effectiveness and efficiency of internal control systems in offsetting the risks associated with the Group's activities.
- Compliance with prevailing legislation, especially the requirements of supervisory bodies and the appropriate application of the Global Management Framework and Risk Appetite Framework defined.
- Compliance with internal policies and regulations, and alignment with best practices and uses in the sector, for adequate internal governance of the Group.
- The reliability and integrity of financial, non-financial and operational information, including the effectiveness of the Internal Control over Financial and Non-Financial Reporting (ICFR and ICNFR).

Its main supervisory functions include:

- The adequacy, effectiveness and implementation of policies, regulations and procedures.
- The effectiveness of controls.
- Adequate measurement and monitoring of first line of defence and second line of defence indicators.

- The existence and correct implementation of action plans to remedy weaknesses of controls.
- The validation, monitoring and assessment of the control environment by the second line of defence.

Its functions also include:

1. Writing the Annual Audit Plan with a multi-year outlook based on the risk assessments, including requirements of regulators and tasks or projects requested by Senior Management/the Management committee and the Audit and Control Committee. In this regard, the 2021 Annual Audit Plan focused on five areas of special relevance: the integration with Bankia, sustainability, the impacts of COVID-19, cybersecurity, as well as compliance with regulation and supervisors' expectations.
2. Periodically reporting on the findings of works carried out and weaknesses detected to the Board of Directors and Delegated Committees, senior management, external auditors, supervisors and all other relevant control and management bodies.
3. Adding value by proposing recommendations to address weaknesses detected in reviews, and monitoring their implementation by the appropriate centres.

**To this end, with regard to the risks of the Corporate Risk Taxonomy, Internal Audit assesses:**

- The control environment and the functions assigned to the various units responsible for risks in the first and second line of defence.
- The procedures implemented for measuring, assessing and managing risks, and considering the relevant risk factors.
- Compliance with the internal regulations and the regulatory requirements in force.
- Economic regulatory capital calculation procedures.
- The adequacy of the reporting to Management and Governing Bodies for decision-making and regulatory reporting.
- The technology environment and applications used, both as regards information integrity and confidentiality, as well as system availability and business continuity and the coherence of the data used.

With regard to Legal/Regulatory Risks, it reviews the control environment put in place to offset risks deriving from changes in legislation and the regulatory framework, and management of court proceedings. In terms of Compliance Risk, it checks that policies and procedures established in the Group are in line with the legal and regulatory framework, and with internal codes and regulations.

In addition, Internal Audit reviews the internal capital and liquidity adequacy processes (ICAAP and ILAAP), the Recovery Plan, as well as this document, providing an objective and independent assessment of the compliance with governance established for each process and of the efficacy and efficiency of the control framework applied by the various areas involved.

CaixaBank

### 3.1.3 Relevant committees in risk management and control

Below is the organisational diagram for risk management governance purposes:

**Annual General Meeting**

**Directors**

**Board of Directors (BoD)**

The Board of Directors is the highest decision making body, except for matters reserved for the annual general meeting. It decides on and tracks the business model, and is responsible for implementing a risk governance framework in line with the Company's risk propensity level. It includes the dissemination of a solid and diligent risk culture by setting the risk appetite defined in the Risk Appetite Framework. It monitors the result of the risk assessment process, establishes the Corporate Risk Catalogue, the internal governance and risk management and control policies.

**Executive Committee**

Representative body of the BoD that meets more often than the Board. It has delegated all the powers of the BoD that can be delegated.

**Risk Committee**

The Risk Committee advises the Board of Directors on the bank's risk strategy and global risk propensity, reports on the risk appetite framework and proposes the Group's risk policy to the Board.

**Audit and Control Committee (ACC)**

It oversees the effectiveness of the internal control, internal audit and financial and non-financial risk management systems. It oversees the process of preparing and submitting financial and non-financial information.

**Appointments and Sustainability Committee**

It evaluates and proposes to the BoD its assessment of skills, knowledge and experience required of Board members and key CaixaBank personnel. It monitors and ensures the proper functioning of CaixaBank's corporate governance system, as well as compliance with environmental and social policies and rules.

**Remuneration Committee**

It establishes the general principles and governance framework of the remuneration policy for senior executives, and informs the general remuneration policy.

**Innovation, Technology and Digital Transformation Committee**

It assists the BoD in all matters involving technological innovation and digital transformation, as well as in monitoring and analysing those trends and innovations that can affect the business strategy.

**Senior Management***

**Management Committee**

The Chief Risk Officer and the Compliance and Control Director are members of the Management Committee.

- ALCO "Assets and Liabilities Committee"
- Transparency Committee
- Sustainability Committee
- Effectiveness Committee
- Regulation Committee
- Information Governance and Data Quality Committee
- Internal Control Body
- Recovery and Resolution Plans Committee
- Expert Planning Group

**Permanent Lending Committee**

Jointly approves asset operations, in compliance with the powers conferred to it by the Board of Directors.

**Global Risk Committee**

Under the presidency of the Corporate Risk Management Function & Planning (CRMF&P) and the vice-president of Compliance, the Global Risk Committee controls and monitors the general risks in the Group's Corporate Risk Catalogue, as well as the implications for managing liquidity, solvency and capital consumption.

- Credit Risk Policies Committee
- Global Recovery and Default Committee
- Operational Risk Committee
- Models Committee
- Impairment Committee
- Corporate Criminal Management Committee
- Reputational Risk Committee
- Expert Group on Technological Risk
- External Fraud Risk Group

**Acting within the framework of the assigned duties it comprises several committees for risk governance, management and control.*

*N.B.: Not all committees are shown.*

## 1. CaixaBank corporate bodies in the field of risk management:

### Management Committee

The Management Committee is responsible for drafting the consolidated Strategic Plan and Budget for the Group, which are approved by the CaixaBank Board of Directors. It does so by adopting agreements, directly or through its delegated committees, that affect or may affect risk management.

It adopts agreements that affect the Group's organisational life. It also approves structural changes, appointments, expense lines and business strategies.

### Permanent Credit Committee (PCC)

**Committee that is responsible for officially approving loan, credit and guarantee operations, as well as investment operations in general that are specific to the Bank's corporate objective,** pursuant to the powers vested in it by the Board of Directors, and its approval level is defined in the Bank's internal regulations.

### Global Risk Committee (GRC)

**Reports to the Risk Committee and is responsible for the overall management, control and monitoring of risks that may affect CaixaBank Group, as well as for assessing their implications for liquidity and solvency management, and regulatory and economic capital.** It does so by analysing the Group's global risk position, directly or through its delegated committees, and it establishes policies or procedures to optimise their management, monitoring and control within the framework of the Group's strategic objectives.

The Global Risk Committee has the specific goal of adapting the risk strategy to the RAF set out by the Board of Directors, coordinating measures to mitigate any breaches and reactions to early warnings of the RAF, as well as keeping CaixaBank's Board of Directors informed, through the Risk Committee, of the main actions being carried out by the Group and the status of its risks.

The Global Risk Committee is not responsible for the approval or rejection of new operations, renewals, renegotiations, refinancing or restructuring.

## 2. Committees reporting to the Management Committee:

### ALCO "Assets and Liabilities Committee"

**This committee is responsible for the management, monitoring and control of structural liquidity, interest rate and exchange rate risks relating to CaixaBank's balance sheet.** It is responsible for optimising the financial structure of CaixaBank Group's balance sheet and making it more profitable, including the net interest margin and the windfall profits in the Profit from Financing Operations; determining transfer rates with the various lines of business (IGC/MIS); monitoring prices, terms and volumes of the activities that generate assets and liabilities; and managing wholesale financing. All of this, under the framework of the Risk Appetite Framework and the risk limits approved by the Board of Directors.

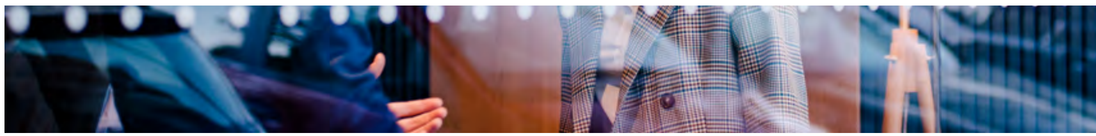
### Transparency Committee

**Its function is to ensure that all aspects that have or may have an impact on the marketing of products and services are covered in order to ensure the appropriate protection of customers, through the transparency and understanding thereof, especially by retailers and consumers, and the suitability to their needs.**

It is tasked with ensuring the transparent marketing of the Bank's products by defining policies covering marketing, the prevention of conflicts of interest, the safeguarding of customer assets and enhanced execution of transactions.

It also validates the classification of new financial instruments, banking products and savings and investment plans on the basis of their risk and complexity, in accordance with the provisions of MiFID and banking and insurance transparency regulations.

Reporting to the Transparency Committee, the Product Committee is the body responsible for approving any new product or service that is designed or marketed, after analysing its characteristics and associated risks as well as its suitability for the customer group for which it is intended. All of this is performed taking into account customer protection and transparency regulations.



### Sustainability Committee

**It is responsible for approving CaixaBank's strategy and practices and tracking them, as well as for proposing and presenting for approval by the corresponding Governing Bodies the general policies for managing corporate responsibility and reputation.**

Its mission is to help CaixaBank to be recognised for its excellent sustainability management, strengthening the Bank's position through its socially responsible banking model.

### Efficiency Committee

**Its mission is to improve the organisation's efficiency, and it is responsible for proposing and agreeing with the Divisions and Subsidiaries the proposed annual cost and investment budgets, which are presented to the Management Committee for approval.**

### Regulation Committee

**This committee is the decision-making body for all aspects related to financial regulation.**

Its functions include spearheading the activity to represent the Bank's interests, as well as the systematisation of regulatory activities, and periodically assessing the initiatives carried out in this field. In addition, this committee coordinates the participation of the executives in associations and forums at national and international level.

### Information and Data Quality Governance Committee (IDQGC)

**This committee's function is to oversee the coherence, consistency and quality of the information reported to the supervisor and to the Group's management, providing a cross-cutting view at all times.**

Among its main functions, the Committee defines the data management strategy, promoting the value of information and data as a corporate asset, and critical and differentiating factor; promotes the definition of the policy regulating the information and data quality governance framework; and approves data quality targets (criticality, indicators, tolerance thresholds, quality plans), monitoring these and reporting to the various governing bodies.

### Internal Control Group

**Responsible for promoting the development and implementation of AML/TF policies and procedures for the Group.**

This is a collegiate body at the Group level, responsible for deliberating on and taking decisions as set out in Act 10/2010 of 28 April on Anti-money laundering and prevention of terrorism financing.

### Recovery and Resolution Plan Committee (RRPC)

**This committee is responsible for preparing, approving, reviewing and updating plans to minimise the impact of future financial crises on contributors.**

In the preparation process of the Recovery Plan, the RRPC determines the scope of the plan and the areas that are implicated, it proposes updates at least annually in accordance with the applicable regulations, and it leads the project, supervising and monitoring the drafting process, which is performed by the Project Office. This Office comprises a specialised team from the Solvency and Results Department and it is responsible for the operational coordination of most aspects relating to the Recovery and Resolution Plan, as well as for ordinary communications with the supervisor and monitoring regulations in this sphere.

The RRPC also coordinates all information requests sent by both Spanish and European resolution authorities such as the Bank of Spain, FROB or the Single Resolution Board.

### Expert Planning Group

**This committee is responsible for coordinating, monitoring and integrating the different planning processes (challenges of the sales network, budget, ICAAP, Funding Plan, coordination with subsidiaries, etc.).** Its functions include conveying the planning culture to all the departments involved; establishing a common language for planning; approving and seeking consensus in both the intermediate and final stages of the process; raising proposals to the Management Committee; monitoring compliance with the plan during the year; and ensuring predefined milestones are met.

## 3. Delegated bodies of the Global Risk Committee:

### Credit Risk Policy Committee

**Its mission is to approve, or where applicable, take note of, and monitor the policies and criteria related to the granting and management of credit risk.**

Its competences include approving the general principles, guidelines and policies involved in granting credit risk, as well as those involved in mitigating and managing non-performing assets and recovering impaired risks.

The Credit Risk Policy Committee, together with the Product Committee, must ensure that the risk and operational components of new products are adapted to and aligned with the framework established by Management.

### Global Recovery and Default Committee

**It is responsible for reviewing and monitoring aspects related to non-performing and foreclosed assets.** It proposes policies to mitigate and manage NPAs and recover impaired assets and it oversees and monitors compliance with the recovery and default targets set, and liaises with the various areas to take the steps needed to redress any deviations.

### Operational Risk Committee

**It analyses and monitors the Group's operational risk profile, and proposes the corresponding management measures.**

It focuses on applying, reviewing and disseminating the operational risk management framework, as well as identifying critical points, and establishing operational risk mitigation and control procedures.

### Models Committee

**It is responsible for reviewing and formally approving, as well as managing, controlling and monitoring the models and parameters of regulated and non-regulated credit risk, (including acceptance, monitoring and recovery), market risk (including counterparty – credit risk in the Treasury activity), operational risk, liquidity risk, structural balance risk, planning and studies,** as well as for any methodology derived from the control function that it carries out. These include calculating economic capital, regulatory capital and expected loss, and estimating risk metrics (risk-adjusted return – RAR).

### Impairment Committee

**It is responsible for establishing and monitoring the accounting translation of the credit quality impairment of the risks assumed (classification of impairment and determination of provisions)**, both arising from the use of collective models and the individual analysis of exposures.

### Corporate Criminal Management Committee

**It manages any observations or reports made through any channel regarding the prevention of and response to criminal conduct. The Committee's main functions are: prevention, detection, response, report and monitoring of the model.**

This committee is responsible for organising and managing crime-prevention activities, including all procedures, measures and controls that exist in the Group. Its main purpose is to devise a system for preventing and responding to any criminal conduct applicable to legal entities; it achieves all this through taking action and implementing controls to reduce the risk of any such crimes being perpetrated.

### Reputational Risk Committee

**Responsible for coordinating, approving, managing and promoting CaixaBank Group's initiatives and strategies in the area of reputation and reputational risk, and to track its management, as established by the Board of Directors in the Risk Appetite Framework.**

Its mission is to help CaixaBank be recognised for its excellent reputation, as well as to prevent and mitigate any reputational risk resulting from its activity.

### Technology Risk Expert Group

**Responsible for analysing and monitoring CaixaBank Group's technological risk profile.**

### External Fraud Risk Expert Group

**Responsible for analysing and monitoring CaixaBank Group's fraud risk profile.**

### 3.1.4 Organisational structure

#### General Risks Division

The General Risks Division is structured as follows:

- **Retail Lending Office,** responsible for the comprehensive management of the retail portfolio, promoting risk transformation and innovation projects, providing credit risk characterisation and quantification models and metrics, accompany the teams in defining the needs in information systems, promote the use of the corporate data model as a single corporate source of reliable data for the use of information and reporting, and conducting end-to-end control and monitoring of non-performing loan portfolios.

- **Company Lending Office:** Responsible for the comprehensive management of the portfolio of all other business segments and specialised sectors (Businesses; Corporate; Institutional; Sovereign, Country and Financial Institution; Real estate; Project Finance, Tourism and Agri-Food).

- **Non-performing Loans and Corporate Restructuring:** responsible for managing and monitoring the corporate portfolio (except large corporates) with unpaid exposures over 90 days past due, including positions that have been classified as written-off risk.

  This management involves both the management of the teams of specialists of the recovery function located in the regional network, and the centralised management of the management processes that they decide to outsource at any given time. Includes negotiating solutions with these customers and, where applicable, applying non-amicable solutions to recover the debt (recovery of collateral, insolvency proceedings, legal actions, etc.).

- **Restructuring of Large Corporates and Singular Portfolios:** responsible for managing and monitoring the large corporates portfolio that have operations that evidence signs of deteriorating credit rating, and thus independently of whether the operations have defaults over 90 days old, including positions that have been classified as written-off risk.

  This management involves the centralised oversight of the management processes that are decided to be outsourced at any given time. Includes negotiating solutions with these customers and, where applicable, applying non-amicable solutions to recover the debt (recovery of collateral, insolvency proceedings, legal actions, etc.).

- **Retail Default and Recovery:** responsible for managing and monitoring exposures over 90 days past due, including positions that have been classified as written-off risk. This management involves both the management of the teams of specialists of the recovery function located in the regional network, and the centralised management of the management processes that they decide to outsource at any given time.

  Includes negotiating solutions with these customers and, where applicable, applying non-amicable solutions to recover the debt (recovery of collateral, insolvency proceedings, legal actions, etc.).

- **Foreclosed Real Estate Assets:** responsible for defining, implementing and monitoring policies associated with property management and integrating the real estate activity into global NPL management. It also monitors and tracks property investments and divestments, verifies compliance with regulatory requirements in real estate activity and reports to Governing Bodies on real estate activity.

- **Corporate Risk Management Function & Planning (CRMF&P):** its responsibilities include coordinating the risk management function in CaixaBank Group; the direct exercise of the functions of second line of defence against the specific risks of the business model and financial activity, and any Group-wide aspect that affects the risk management activities carried out in Group companies.

  It is responsible for determining limits and defining risk concession, management and mitigation policies, and it acts independently from the risk-taking areas and has direct access to the Group's Governance Bodies, especially the Risk Committee, reporting regularly to the members thereof on the status of and expected changes to the Group's risk profile.

  The manager of the Corporate Risk Management Function & Planning division is considered responsible for the risk management function of CaixaBank Group, and is thus the one who complies with the supervisor's requirements in this regard and performs the functions assigned to this position by the applicable regulations.

It is organised into four areas:

### Structural and Market Risk

Responsible for quantifying and monitoring market, counterparty, solvency and business profitability risk, valuing financial instruments, ALM, liquidity and assumed actuarial risk; this area also strives to ensure compliance with general policies and authorised management models in order for them to be accepted, which includes monitoring compliance with approved limits.

### Enterprise Risk Management & Planning

To carry out its mission, it is subdivided into two distinct areas:

Enterprise Risk Management and Internal Risk Governance: it coordinates risk identification, laid out in the Corporate Risk Catalogue, it updates and tracks the Risk Appetite Framework (RAF) and the Risk Assessment, and provides general information for Senior Management and the supervisor. It is responsible for the global risk management policy map and the global framework for the corporate structure of the risk management function, along with other Group-wide aspects.

Planning, Impairment and Regulatory Capital: coordinates risk planning with the Financial Department and with the General Risks Division; it budgets and tracks the performance of assets, non-performing assets and provisions; it integrates and governs the recognition of impairment in the accounting records; and it is responsible for calculating and analysing the regulatory capital for credit risk consumption, and for the overall integration of capital consumption.

### Regulated Credit Risk Models

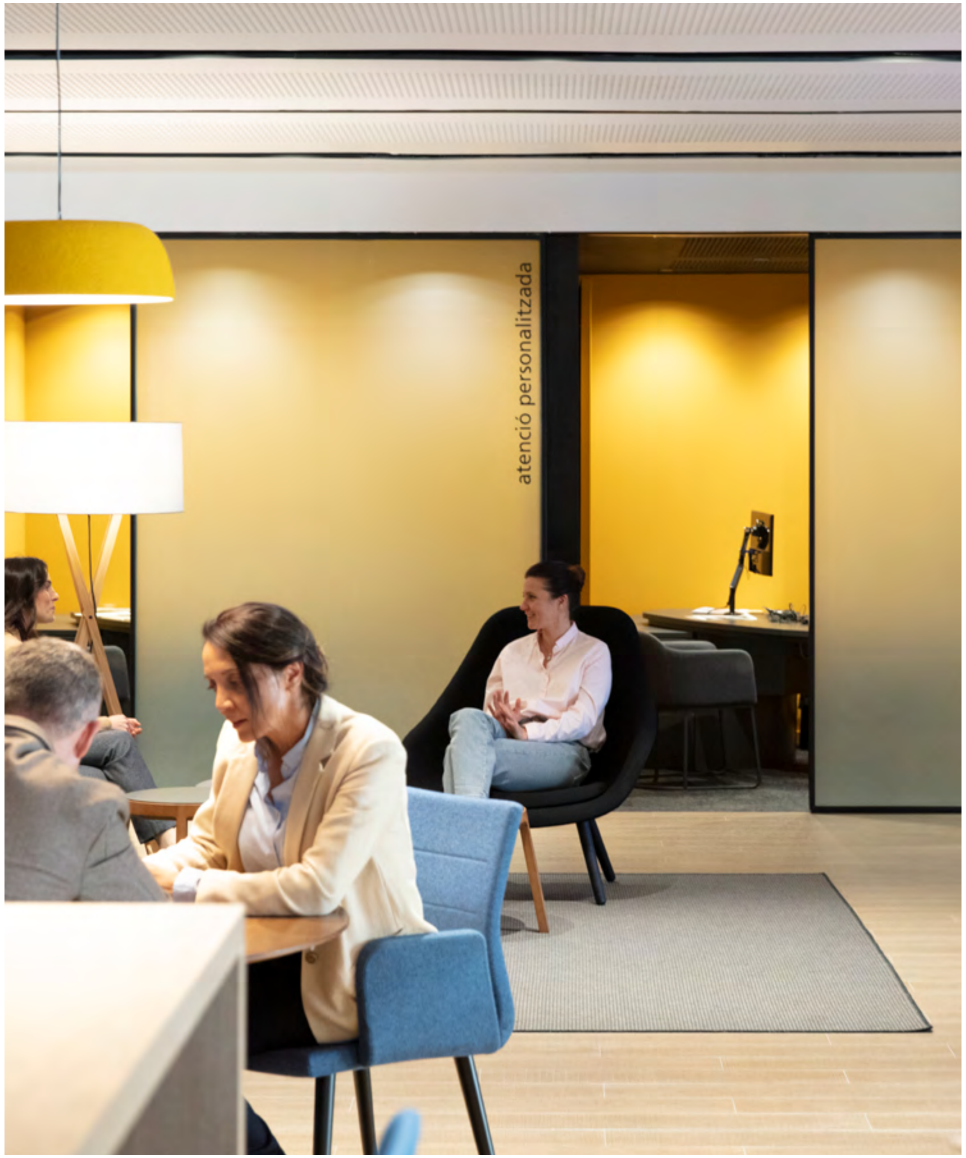
Responsible for the regulated credit risk models and for defining the thresholds that determine the monitoring rating of exposures that do not rely on individual analysis, based on the level of risk evidenced by the alert monitoring systems available for each portfolio.

### Credit Risk Policies, Tracking and Control

To carry out its mission, it is subdivided into two distinct areas:

Credit risk policies and reporting, responsible for the framework of governance, review and coordination of credit risk policies; the management of securitisations; second-line controlling processes linked to credit risk; and regulatory reporting and information, and managing the profile of the portfolio (monitoring and control panels).

Sector accounting and analysis and Major Risks, responsible for the monitoring, staging and provisions against major risks and portfolios with specific characteristics; and monitoring of the sector and of borrowers defined as individually significant.




## Compliance and Control Office

The Compliance and Control Office also performs second line of defence functions under the following organisational structure:

**Compliance**, office assigned the compliance function, which provides the second line of defence against conduct and compliance risks, as well as legal and regulatory risks.

**Model Validation and Risk**, which manages and controls the model risk to ensure that reliable models are available and designed according to best practices and to contribute to agility and efficiency in processes, overseeing the good governance of models.

It is the Internal Validation unit that, following the guidelines set by Model Risk, conducts the controls and activities necessary to issue an independent technical opinion on models that allow model risk management to keep levels of exposure to model risk within the outlined tolerance thresholds, at all times.

**Non-Financial Risks**, its functions consist of identifying, measuring, assessing, managing, mitigating and reporting the operational risk as a whole and to provide a second line of defence against technological and other operational risks (including external fraud and out-sourcing), as well as reputational risk.

**Internal Control** provides second line of defence functions against business model and financial activity risks. In addition, it does the Group-wide function of promoting, coordinating and governing the internal operational control activity for all the risks of the Entity, and it provides an overview of the internal control environment of risk processes.

## Internal Audit Directorate

To guarantee the independence and powers of the audit function, the Internal Audit Directorate reports to the Audit and Control Committee – a specialist board committee – and also reports to the Chairman of the Board of Directors. This ensures the independence and authority of the Internal Audit function, which performs independent and objective advisory and consulting activities.

## 3.2 Strategic risk management processes

The goal of strategic risk management processes to identify, measure, monitor, control and report risks. To this end, the processes include three fundamental elements, as described below: the Risk Assessment (identification and assessment), the Risk Catalogue (taxonomy and definition) and the Risk Appetite Framework (monitoring).

The result of the strategic processes is reported at least annually, first to the Global Risk Committee and then to the Risk Committee, before finally being submitted to the Board of Directors for approval.

### 3.2.1 Risk Assessment

The Group conducts a risk self-assessment process every six months, seeking to:

- Identify and assess the inherent risks assumed by the Group according to its environment and business model.
- Make a self-assessment of its risk management, control and governance capacity, as a tool to help detect best practices and weaknesses in relation to risks.

This allows it to determine the situation of each of the material risks identified in the Corporate Risk Catalogue.

Risk Assessment is one of the main sources for identifying:

- **Emerging risks:** risks whose materiality or importance is increasing such that they could be explicitly included in the Corporate Risk Catalogue.
- **Strategic events:** the most relevant events that can result in a significant impact for the Group in the medium term. It solely considers events that have not yet materialised and are not part of the Taxonomy, but to which the Company's strategy is exposed due to outside causes, although the severity of the impact of these events can be mitigated through management. Of note are:
  - Shocks resulting from the geopolitical and macroeconomic environment.
  - New competitors and the application of new technologies.
  - Cybercrime and data protection.
  - Changes in the legal, regulatory or supervisory framework.
  - Pandemics and other extreme events.
  - Operational and technological integration with Bankia.

### 3.2.2 Corporate Risk Catalogue

The Corporate Risk Catalogue is the Group's risk taxonomy. It covers both the definition of the material risks to which the institution is exposed, and it defines emerging risks and strategic events.

It facilitates internal and external monitoring and reporting and is subject to periodic review, at least on an annual basis. This update process also assesses the materiality of the emerging risks previously identified in the Risk Assessment process.

Each risk is listed below, together with its definition and its relationship with the structure of this document.

| | Corporate Risk Catalogue | | Pillar 3 Disclosures | |
|---|---|---|---|---|
| Risks of the business model | Business return | Obtaining results below market expectations or Group targets that, ultimately, prevent the company from reaching a level of sustainable returns that exceeds the cost of capital. | 9. Business return risk | |
| | Own funds/solvency | Risk caused by constraints on CaixaBank Group's ability to adapt its level of own funds to regulatory requirements or to a change in its risk profile. | 4. Capital | |
| | Liquidity and funding | Risk of insufficient liquid assets or limited access to market financing to meet the contractual maturities of liabilities, regulatory requirements, or the investment needs of the Group. | 10. Liquidity and financing risk | |
| Specific risks of the financial activity | Credit | A decrease in the value of CaixaBank Group's assets due to a decline in a customer's or counterparty's capacity to meet its obligations to the Group. | 5. Credit risk | 5.1 Fixed-income credit investment and non-debt assets<br>5.2 Counterparty risk<br>5.3 Securitisations<br>5.4 Equity portfolio |
| | Actuarial | Risk of a loss or adverse change to the value of the commitment assumed through insurance or pension contracts with customers or employees due to the differences between the estimated actuarial variables used in the tariff model and reserves and the actual performance of these. | 6. Actuarial risk<br>5.4 Equity portfolio | For prudential purposes, the capital requirements associated with the balance sheet of VidaCaixa Group are reflected through CaixaBank's shareholding. |
| | Rate risk in the banking book | Negative impact on the economic value of balance sheet items or on the net interest margin due to changes in the structure of interest rates over time and the impact thereof on asset and liability instruments and off-balance sheet items not held in the trading portfolio. | 11. Rate risk in the banking book | |
| | Market | Loss of value, with impact on results or solvency, of a portfolio (set of assets and liabilities), due to adverse movements in prices or market rates. | 7. Market risk | |
| Operational and reputational risk | Conduct and Compliance | The application of criteria that run contrary to the interests of its customers and stakeholders, or acts or omissions by the Group that are not compliant with the legal or regulatory framework, or with internal policies, regulations or procedures, or with codes of conduct, ethical standards and good practice. | 8. Operational risk | 8.4.1 Conduct and compliance risk |
| | Legal/Regulatory | The potential loss or decrease in the profitability of CaixaBank Group as a result of changes in the legislation, the improper implementation or interpretation of said legislation in CaixaBank Group processes and its various operations, improper management of legal and administrative requirements or claims or complaints received. | 8. Operational risk | 8.4.2 Legal and regulatory risk |
| | Technological | Risks of losses due to hardware or software inadequacies or failures in technical infrastructure, due to cyber-attacks or other circumstances that could compromise the availability, integrity, accessibility and security of the infrastructures and data. | 8. Operational risk | 8.4.3 IT risk |
| | Reliability of information | Risk of deficiencies in the accuracy or integrity of and the criteria used to prepare the data and information necessary to evaluate the financial and equity situation of CaixaBank Group or the information provided to stakeholders and that published to allow the market a holistic vision of the sustainability of the business in terms of its environment and in relation to environmental, social and governance (ESG) principles. | 8. Operational risk | 8.4.4 Information reliability risk |
| | Model | Potential adverse consequences for the Group arising from decisions based mainly on the results of internal models with errors in the construction, application or use thereof. | 8. Operational risk | 8.4.5 Model risk |
| | Other operational risks | Risk of loss or damage caused by errors or shortcomings in processes, due to external events or due to the accidental or intentional actions of third parties outside the Group. This includes risk factors related to outsourcing, the custody of securities or external fraud. | 8. Operational risk | 8.4.6 Other operational risks |
| | Reputational | The possibility that CaixaBank Group's competitive edge could be blunted by loss of trust by some of its stakeholders, based on their assessment of real or purported actions or omissions carried out by the Group, its Senior Management or governance bodies, or due to the bankruptcy of related unconsolidated entities (step-in risk). | 12. Reputational risk | |

The most relevant changes to this year's review are:

- Integrating the risk of impairment of other assets (such as equity investees, deferred tax assets, intangible assets and property) as part of credit risk, in line with the regulatory treatment, even taking into account the specific management of some of the above.

- With regard to ESG risk (sustainability): it remains a candidate to emerge in the Corporate Catalogue during 2022 given its growing relevance. It is currently included in the Catalogue as a transversal factor in several of its risks (credit, reputational, other operational risks). It should also be mentioned that CaixaBank has integrated specific ESG aspects in risk management into its Socially Responsible Banking Plan approved by the Board of Directors in 2017. Of note is the environmental strategy approved by the Management Committee, which is embodied in active management of environmental risks and those associated with climate change.

  In this regard, CaixaBank's lines of action in 2021 were the following:

  - Establishing an action plan to meet the supervisory expectations of the ECB's Guide on climate-related and environmental risks from November 2020;

  - Conducting a materiality analysis of ESG risks (continuing the lines of action began in previous financial years) and advancing the qualitative and quantitative analysis of climate-related risks, including the preparation of the ECB's climate risk stress rest;

  - Advancing the classification of portfolios, in compliance with the EU Taxonomy Regulation; and,

  - Joining the *Net Zero Banking Alliance*, committing to align its financing portfolios to the Paris Agreement targets and achieve net zero emissions by 2050.

  For more information, see the Environmental Strategy section of the 2021 Consolidated Management Report.

  https://www.caixabank.com/deployedfiles/caixabank_com/Estaticos/PDFs/Accionistasinversores/Informacion_economico_financiera/IGC_2021_ING.pdf

## 3.2.3 Risk Appetite Framework (RAF)

The Risk Appetite Framework (RAF) is a comprehensive and forward-looking tool used by the Board of Directors to determine the types and thresholds of risk it is willing to assume in achieving the Group's strategic objectives[1]. These objectives are formalised through qualitative statements regarding risk appetite, as expressed by the Board of Directors, and the metrics and thresholds that allow the activity's development to be monitored for the different risks in the Corporate Catalogue.

To determine the thresholds, as applicable, the requirements of the applicable regulation/law, historical trends and business objectives are taken as a reference, with a sufficient additional margin to allow steps to be taken early and thus avoid non-compliance.

[1] *It is worth noting that these objectives are not only reflected through risk tolerance levels, but the RAF also includes minimum risk appetite declarations, such as monitoring tax risk as part of the legal risk set out in the Corporate Risk Catalogue.*

**Body responsible**

| Equivalence in Risk Catalogue | Board of Directors (advised by the Risk Committee) | Global Risk Committee | Management areas / controllers of Risk and Human Resources |
|---|---|---|---|
| | Statements and primary metrics<br>**LEVEL 1** | Metrics that supplement and implement those of **LEVEL 1**<br>**LEVEL 2** | Management levers<br>**LEVEL 3** |

**Priority dimensions**

### Qualitative declarations

- Maintain a medium-low (moderate) risk profile, with comfortable capital adequacy, to reinforce customer confidence through financial soundness Have a stable and diversified funding base to preserve and protect the interests of its depositors
- Generate income and capital in a balanced and diversified way
- Align the business strategy and customer relationship with responsible social action by applying the highest ethical and governance standards, as well as by considering potential impacts on climate change and the environment
- Promote an internal risk culture that is integrated into management through policies, communication and staff training
- Pursue operational excellence, quality and resilience so as to continue providing financial services to our customers in accordance with their expectations, even in adverse scenarios.

### Business model risks

- Business profitability
- Own resources/solvency
- Liquidity and financing

LEVEL 1:
- Profitability ratios
- Regulatory solvency ratios
- Regulatory liquidity metrics and internal metrics that ensure that comfortable liquidity levels are maintained

### Risks affecting financial activity

- Credit
- Actuarial
- Market
- Rate structure

LEVEL 1:
- Calculations based on advanced models and methodologies
- Accounting parameters (cost of risk and NPL ratio)
- Indicators that promote diversification (per borrower, sector, etc.)

### Reputation and Operational risks

- Conduct and compliance
- Legal/Regulatory
- Technological
- Reliability of information
- Model risk
- Other operational Risks
- Reputational

LEVEL 1:
- Quantitative metrics on non-financial risks (i.e. reputational, operational)
- Metrics on the number of compliance incidents

LEVEL 2:
- Detailed metrics that derive from the factorial decomposition of Level 1 metrics or from a greater breakdown. They also incorporate more complex and specialised risk measurement elements

LEVEL 3:
- Training and communication
- Methodologies for measuring risks and evaluating assets and liabilities (RAF monitoring)
- Limits, policies and powers
- Incentives and appointments
- Tools and processes

### Alert System Reports

**Level 1**

#### Monthly to the Global Risk Committee

- ● Green
- ● Tolerance
  - The Global Risk Committee promotes an action plan and draws up a schedule
- ● Non-compliance
  - The Global Risk Committee monitors the action plan and communicates to the Risk Committee
- ● *Recovery Plan*
  - Governance Process of the Recovery Plan to reduce the possibility of bankruptcy

#### Quarterly to the Risk Committee

- Trend of metrics and **LEVEL-1** protection
- Non-compliance and action plans

#### Weekly to the Board of Directors

- Trend of metrics and **LEVEL-1** protection
- Non-compliance and action plans

**Level 2**

**Using reference thresholds**

## 3.3 Risk culture

The Group's risk culture encompasses the behaviours and attitudes towards risk and its management that are exhibited by employees, which reflect the values, objectives and practices shared by the Group and is integrated into management through its policies, communication and staff training.

This culture influences management and employee decisions in their daily activity, and is intended to avoid behaviours that could unwittingly increase risks or lead to non-manageable risks. It relies on a high level of risk awareness and management, a solid governance structure, an open and critical dialogue in the organisation, and the absence of incentives for the unjustified assumption of risks.

The actions and decisions that involve undertaking risk are:

- Consistent with the corporate values and the core principles of the Group's activity.
- Consistent with the Group's risk appetite and risk strategy.
- Based on a thorough knowledge of the risks involved and how to manage them, including environmental, social and governance factors.

The risk culture includes, among others, the following elements:

### Responsibility

CaixaBank's Board of Directors is responsible for establishing and supervising the implementation of a sound and diligent risk culture in the organisation that promotes conduct that is consistent with the identification and mitigation of risks. It will consider the impact of this culture on financial stability, risk profile and the appropriate governance of the entity, and will make changes when necessary.

All employees must be fully aware of their risk management responsibilities; responsibilities that correspond not only to risk experts and internal control functions, since business units are primarily responsible for the day-to-day management of risks.

### Communication

CaixaBank's management assists the governing bodies in establishing and communicating the risk culture to the rest of the organisation, ensuring that all members of the organisation know the fundamental values and expectations associated with risk management. This is essential for maintaining a robust framework that is consistent with the Group's risk profile.

Accordingly, the Risk Culture project, which seeks to raise awareness of the importance of all employees in risk management (credit, environmental, etc.) in order to be a solid and sustainable bank, has marked a turning point in spreading the risk culture to the entire Entity. Within the framework of this project, different actions have been carried out to spread the risk culture to all CaixaBank employees by publishing news related to risk projects on the intranet, among others.

More than 100 news stories were published on the risk news channel in 2021 on the bank's intranet, explaining the most relevant projects, disseminating generic information on risk measurement concepts, discussing the organisational structure, etc. Notable among these initiatives is the introduction in 2021 of the "Risk Dictionary", a series of stories that make it easy to understand the everyday vocabulary involved in managing risk for the entire organisation (e.g. RAF, Risk Assessment, NPL, etc.).

Furthermore, the corporate risk intranets (Company and Retail) are a dynamic environment for directly communicating key updates in the risk environment. The news content, institutional and sector information, training and FAQs are noteworthy.

## Training

Training is a fundamental mechanism in the Group for internalising the risk culture and ensuring that employees have the appropriate skills to carry out their functions while being full aware of their responsibility to assume the risk needed to achieve the Group's objectives. To this end, CaixaBank provides regular training tailored to functions and profiles, in accordance with the business strategy, which allows employees to be familiar with the company's risk management policies, procedures and processes, including a study of the changes introduced in the applicable legal and regulatory frameworks.

The Bank's main training programmes and initiatives are set out below.

Since 2015, a large number of employees have been certified in MiFID II through various certifications, such as a graduate degree in financial advisory services, or the graduate course in financial information and guidance (CIAF) from the UPF - Barcelona School of Management, and others have obtained a Certificate in Wealth Management from the Chartered Institute for Securities & Investment (CISI). A total of 32,175 people have been accredited in these programmes and other courses certified by the CNMV. This makes the Group the first Spanish financial institution to certify employees' training with a post-graduate university diploma in Financial Advisory and with a prestigious international qualification in the financial sector.

Turning to risks specifically, the Senior Management define the content of any training for functions supporting the Board of Directors/Senior Management, covering specific matters that help high-level decision-making, as well as the rest of the organisation, especially branch network staff. This is carried out to ensure: communication of the RAF throughout the whole organisation; the decentralisation of decision-making; the updating of risk analysis competencies; and optimisation of risk quality.

The Group structures its training programme through the Risk School. It sees training as a strategic tool to provide support to business areas, whilst providing a conduit for disseminating the Group's risk policies, providing training, information and tools for all the staff. The proposal comprises a training calendar for specialising in risk management, which will be linked to the professional development of all employees, from Retail Banking staff to specialists in any field.

**The aim is for employees to have an adequate knowledge of:**

- The financial system and the risks in the economic environment and banking business.
- The organisation and operation of risk management in the Group.
- The processes and tools associated with lending transactions, covering the acceptance and monitoring, through to renegotiation and recovery, where necessary.
- Different lending products and the risks inherent to each one, together with legislation applicable to credit agreements.

In September 2015 the Risk School launched its first Risk Analysis Certificate course (aimed at sales managers) and the first postgraduate diploma in Risk Analysis, specialising in retail banking and awarded by the Pompeu Fabra University - Barcelona School of Management (UPF-BSM) (aimed at branch managers and deputy managers). Since then, more than 9,500 staff have either obtained or are in the process of obtaining risk qualifications. The first Master's Certificate in Banking Branch Management was awarded in May 2018, also by the UPF-BSM. This master's degree is awarded to employees who have obtained the following three postgraduate qualifications: Financial Advice, Banking Risk Analysis, and Expert in Saving/Forecast.

**The following training on risk has been provided by the Risk School:**

- **Basic course on Banking Risk:** basic level university qualification designed for generalist managers and staff from the branch network and other stakeholders who may need a basic knowledge of the organisation’s risk management criteria to carry out their work.

  Between 2015 and 2019, the year of its final edition, a total of 2,259 employees took part in this course.

- **Postgraduate diploma in Banking Risk Analysis:** university diploma for commercial branch deputy managers and managers and other stakeholders who, given their role, may be involved in approving loans or may require in-depth knowledge of risk.

  This postgraduate course began with its first edition in 2015, and reached its 7th Retail edition in 2021. In total, there are 2,183 employees in this speciality

  The 2nd edition of the business speciality of the graduate degree finished in 2021. In total, 589 employees completed this specialisation course.

- **Specialist training in risks for AgroBank:** intended for employees of the AgroBank branch network. Since 2018, 2,105 employees have completed this training.

- **Specialist training in risks for BusinessBank branches:** aimed at employees of the BusinessBank branch network. Since 2018, 631 employees have completed this course. In 2021, 277 Business Banking employees completed this course.

- **Specialist training for Private Banking branches:** aimed at employees of the Bank's Private Banking network. Since this initiative was launched in 2018, a total of 552 employees have completed it.

**Specific training courses were also run on the following topics:**

- **Training on the new Real Estate Credit Act 5/2019:** specialisation course at the Barcelona School of Management-Pompeu Fabra University, which assisted in designing the content and certifying the courses. In 2021, 1,020 employees were certified in editions six and seven, with a total of 30,704 employees certified throughout the Group in this or equivalent courses.

- **Documentary Compliance and Data Quality training:** this training was taken by more than 22,400 professionals, seeking to strengthen the institutional awareness of risk aspects such as documentary integrity and the quality of data entered into the systems.

- **Basic Financial-Economic Analysis Course:** available in self-training format for employees in the Retail network and Business Centres, included in Welcome Banca Empresas, Welcome Business Bank. In 2021, 517 employees took this course. Self-training completed by 397 employees, Welcome Empresas, 39 employees, and Welcome BusinessBank, 81 employees.

- **Training in Risk Management and Business Banking:** in 2021, to prepare for the merger, a training course was held on specific risk policies for the professionals in the Risk Department who were incorporated due to the integration with Bankia. Completed by 365 employees.

## Performance assessment and remuneration

The Group works to ensure that the motivation of its employees is consistent with its risk culture and compliance with the levels of risk that the Board is prepared to take on. Thus, responsibility for risk management is incorporated, insofar as it is appropriate to the functions performed by employees, into their personal objectives, performance reviews and remuneration structures.

There are compensation schemes in remuneration policies that lay out adjustments to the remuneration of senior managers and other groups whose activities have a significant impact on the risk profile, and are directly related to the annual evolution of RAF metrics, as detailed in the Annual Remuneration Report.

# 4. Capital

# 4. Capital

**13.1 %**
(€28,337 M) CET1

**17.9 %**
(€38,514 M) Total capital

**15.5 %**
(€33,322 M) Tier 1

**26.2 %[1]**
(€56,524 M) MREL

The goal of capital management in CaixaBank Group is to ensure both compliance with regulatory requirements and to ensure that the internal capital objectives are met, taking into account the status of the market and the risk profile assumed by the Bank, among other aspects.

One of CaixaBank's strategic objectives is to strengthen its capital position, thereby maintaining sufficient headroom to deal with standardised and stressed financial planning scenarios. In this regard, the Group has a financial and capital planning process in place that includes budgeting in the short term and over three years through the central ICAAP scenario, complemented by internal stress scenarios over a three-year horizon.

The Board of Directors determines the Group's corporate risk management policies, risk appetite and capital objectives. The Management Committee manages capital at the highest level, in accordance with the strategies established by the Board.

CaixaBank has a corporate policy for capital and solvency risk management, updated by the Board of Directors and revised in 2021.

Following the integration of Bankia, the Group's solvency level remains well in excess of the minimum requirements imposed by the supervisor; as a result, it applies none of the automatic solvency limits regarding the distribution of dividends, variable remuneration, and the interests of holders of additional Tier 1 capital securities.

Moreover, following the European Central Bank's announcement of not extending its recommendation on dividend distributions by banks beyond September 2021, on 29 July 2021 the Board of Directors approved the Dividend Policy for 2021, establishing a cash distribution of 50 % of the consolidated net profit adjusted by the extraordinary impacts from the merger with Bankia in a single payout in April 2022.

Furthermore, on 27 January 2022, the Board of Directors approved the Dividend Policy for 2022, consisting of a cash distribution of 50-60 % of consolidated net profit, to be paid in a single payment in April 2023, and subject to final approval from the Annual General Meeting.

CaixaBank's Board of Directors also stated the intention to implement a share buy-back programme in 2022, subject to the relevant regulatory approval, in order to bring down the CET1 ratio closer to the internal target.

## Annual evolution

This year's evolution was impacted by the integration of Bankia. Even so, the Group maintained a solid solvency position throughout 2021, reaching regulatory ratios of 13.1% CET1, 15.5 % Tier 1 and 17.9 % Total Capital at year-end.

In the annual evolution, CET1 highlights include, as extraordinary items, the impact of the incorporation of Bankia (+77 basis points due to the integration; -89 basis points due to the effect of the fair value adjustments of merged assets and liabilities (PPA: Purchase Price Allocation) and -97 basis points due to restructuring costs, the sale of the Bankia cards business, and the acquisition of Bankia Vida). The organic change in the year was +106 basis points and -24 basis points caused by the performance of the markets and other factors (includes the regulatory impacts recognised in the second quarter and the sale of the stake held in Erste Bank Group in the fourth quarter). The impact of the progressive application of IFRS9 was -22 basis points.

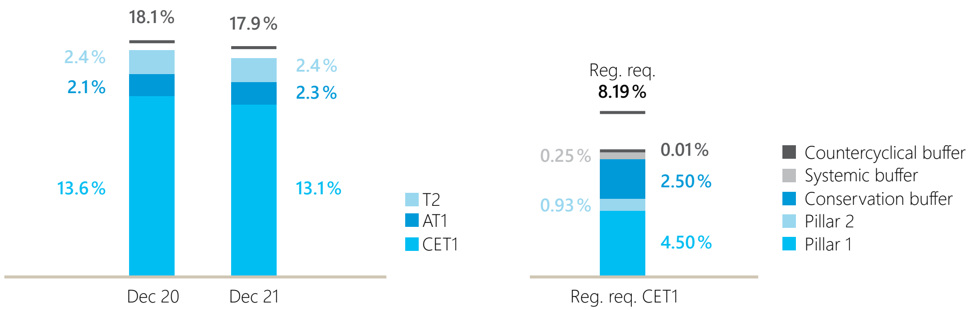
[1] *As at December 2021, the issuance of €1,000 million of Senior Preferred in January 2022 is included. Without considering this issue, the ratio would be 25.8 %.*

The CET1 ratio, without applying the transitional provisions in solvency associated with IFRS9, stood at 12.8 % at 31 December 2021.

The MREL ratio, considering all the liabilities eligible by the Single Resolution Board, was 26.2 %, above the 23.93 % required for January 2024. In 2021, in addition to a 750-million-euro issue in instruments computable as Additional Tier 1 and a one-billion-euro issue of subordinated debt computable as Additional Tier 2, CaixaBank carried out 4 issuances of senior non-preferred debt (SNP), amounting to EUR 2,789 million, and one issuance of senior preferred debt of EUR 1,000 million in January 2022, already recorded on a pro forma level in the December 2021 MREL figures.

## Capital ratios

*In %*




[1] In relation to the MREL requirement, the BdE has communicated that CaixaBank must comply, as of January 1, 2022 with a total MREL requirement of 22.21% of the RWAs (16.38% with subordinated instruments) and 6.09% on Leverage Exposure (LRE).

[2] The MDA Buffer that applies is the lower between the individual and the consolidated.

## Table 4.1 CaixaBank Solvency

*Amounts in millions of euros and in %*

| | 31/12/21 | 31/12/20 |
|---|---|---|
| CET1 | 28,337 | 19,654 |
| Additional Tier 1 | 4,984 | 2,984 |
| TIER 1 | 33,322 | 22,637 |
| TIER 2 | 5,193 | 3,407 |
| TOTAL CAPITAL | 38,514 | 26,045 |
| RWA | 215,500 | 144,073 |
| Credit | 172,645 | 111,826 |
| Shareholdings | 22,729 | 16,729 |
| Market | 1,755 | 2,267 |
| Operational | 18,371 | 13,250 |
| **CET1 Ratio** | **13.1 %** | **13.6 %** |
| **Tier 1 ratio** | **15.5 %** | **15.7 %** |
| **Total Cap. ratio** | **17.9 %** | **18.1 %** |
| **Subordinated MREL ratio** | **22.8 %** | **22.7 %** |
| **MREL ratio[1]** | **26.2 %** | **26.3 %** |
| **MREL/LRE ratio** | **9.0 %** | **9.4 %** |
| Buffer MDA[2] | 10,698 | 7,984 |
| **Leverage Exp.** | **631,351** | **403,659** |
| **Leverage ratio** | **5.3 %** | **5.6 %** |
| Ratio CET1 ind. | 13.9 % | 15.1 % |
| Buffer. MDA ind.[2] | 13,793 | 10,778 |

## 4.1 Capital management

### Capital objectives and policy

One of CaixaBank's strategic objectives is to **strengthen its capital position, thereby maintaining sufficient headroom to deal with standardised and stressed financial planning scenarios**. In this regard, the Group has a financial and capital planning process in place that includes budgeting in the short term and over three years through the central ICAAP scenario, complemented by internal stress scenarios.

The CaixaBank Board of Directors determines the Group's general risk management policies and capital objectives. The Management Committee oversees management of these policies and objectives at the highest level, in accordance with the strategies established by the Board of Directors. The planning process, in line with the Strategic Plan, is organised by the Planning Experts' Group, which reports to the Management Committee, with assistance from members of the different lines of defence in the control environment.

CaixaBank has a corporate policy for capital and solvency risk management, updated by the Board of Directors and revised in 2021.

The Directorate of Accounting, Control and Capital Management is responsible for monitoring and controlling the Group's own funds and solvency, as the first line of defence. Enterprise Risk Management, which reports to the Corporate Risk Management Function & Planning department, is the second line of defence in the control framework for this risk.

The main processes involved in the management and control of solvency and capital risk are as follows: **(i)** continuous measurement and internal and external reporting of regulatory capital and economic capital through relevant metrics; **(ii)** capital planning in different scenarios (standardised and stress scenarios, including ICAAP, EBA Stress Test and Recovery Plan), integrated in the corporate financial planning process, which includes the balance sheet projection, the income statement, capital requirements and the Group's own funds and solvency. This is in addition to monitoring the capital regulations in force at present and in the years to come.

This year's capital management was impacted by the integration of Bankia. CaixaBank Group's solvency targets have been set at a CET1 ratio of between 11.0% to 11.5%, without considering transitional IFRS9 adjustments and a buffer of between 250 and 300 basis points on the SREP regulatory requirement (MDA buffer).

With regard to the 2020 fiscal year, the Board of Directors agreed on 28 January 2021, to propose to the next Annual General Meeting of Shareholders the distribution of a cash dividend of €0.0268 gross per share, to be charged against 2020 profits and paid during the second quarter. With the payment of this dividend, the amount of shareholder remuneration for 2020 was equivalent to 15% of CaixaBank and Bankia's pro forma adjusted profit, in line with the recommendation made by the European Central Bank. The dividend was paid to all the shares in circulation at the time of payment.

Following the European Central Bank's announcement on 23 July 2021 of not extending its recommendation on dividend distributions beyond September 2021, the Board of Directors approved on 29 July 2021 the Dividend Policy for 2021, establishing the distribution of a cash dividend of 50% of the consolidated net profit adjusted by the extraordinary impacts from the merger with Bankia in a single payout in April 2022.

On 27 January 2022, the Board of Directors has agreed to submit the distribution of a €0.1463 gross cash dividend per share against the 2021 Fiscal Year profits for approval at the next Annual General Meeting, which is expected to be paid during the second quarter of 2022 The payment of this dividend will entail that shareholder remuneration for the 2021 Fiscal Year is €1,179 million, which is equivalent to 50% of the consolidated net profit adjusted by the extraordinary impacts from the merger with Bankia.

Furthermore, the Board of Directors approved the Dividend Policy for 2022, consisting of a cash distribution of 50-60% of consolidated net profit, to be paid in a single payment in April 2023, and subject to final approval at the 2023 Annual General Meeting.

CaixaBank's Board of Directors also stated the intention to implement a share buy-back programme in 2022, subject to the relevant regulatory approval, in order to bring down the CET1 ratio closer to the internal target.

## 4.2 SREP and Buffers

### 4.2.1 Minimum requirements (Pillar 1 and Pillar 2R)

In the context of Basel Pillar 2, CaixaBank carries out an annual Internal Capital Adequacy Assessment Process (ICAAP), which covers the Group's banking-insurance activities, thus capturing the specific characteristics of the Group's business model. The ICAAP includes: **(i)** financial planning over a three-year horizon in different normal and stress scenarios; **(ii)** a risk assessment to identify risks to which the Group may be exposed; and **(iii)** a purely internal (financial) capital adequacy analysis, in terms of both own funds and capital requirements. In particular, an assessment is made of potential requirements for risks other than credit, operational and market risk, such as interest rate and business risk, among others.

The ICAAP process is thoroughly integrated into the Group's management, and it is carried out in accordance with guidance from the supervisor and the European Banking Authority (EBA). The results of the process are reported each year to the supervisor.

The ICAAP is a core input into the ECB's Supervisory Review and Evaluation Process (SREP).

Based on the SREP, every year the ECB sets minimum capital requirements for each entity that it supervises. These requirements are the result of the sum of the minimum level that is common to all financial institutions (Pillar 1, pursuant to Article 92 of the CRR) and a specific minimum requirement also known as Pillar 2R (pursuant to Article 104 of CRD IV). In addition, the ECB communicates the Pillar 2 guidance (Pillar 2G). While Pillar 2R is binding and non-compliance can have direct consequences for entities, Pillar 2G is not binding and non-compliance has no direct implications. However, the ECB expects Pillar 2G to be satisfied at all times and in the event of non-compliance, the ECB will assess the causes and circumstances, and may establish enhanced supervisory activities. In the case of CaixaBank, Pillar 2 only applies on a consolidated basis, not on an individual basis.

Following the integration with Bankia, the supervisory authorities have updated the minimum capital requirements applicable to CaixaBank Group. Thus, the ECB has updated the Pillar 2R Requirement, increasing it by 15 basis points to 1.65%, which is covered 0.93% by CET1, 0.31% by AT1 and 0.41% by Tier 2.

## 4.2.2 Capital buffers

In addition to the Pillar 1 and Pillar 2R minimum requirements, each financial institution must comply with the combined specific capital requirements assigned to them, which comprise: **(i)** the capital conservation buffers for unexpected losses, **(ii)** the countercyclical buffers, the **(iii)** the buffer for entities of systematic importance, and **(iv)** the buffers against systematic risks. This combined buffer requirement (CBR) must be met using the highest quality capital (CET 1).

**The capital conservation buffer** is established to ensure that banks accumulate capital reserves outside stress periods that can be used in the event of hypothetical losses during stress situations. For CaixaBank, 2.5% of RWA is required.

**The countercyclical buffer** is the capital buffer that must be accumulated during expansion periods to strengthen solvency and neutralise the procyclical impact that capital requirements have on credit. In general, this varies between 0% and 2.5%, with the competent authorities determining the buffer to be applied to RWA for exposure in their territory each quarter. Therefore, each entity has its own specific requirements, based on the geographic composition of its portfolio (the weighted average of the percentages of the countercyclical buffers applied in the territories in which it operates). It applies both at a consolidated level and at an individual level. As of 31 December 2021, this buffer is 0.01% for both perimeters for CaixaBank.

Bank of Spain Circular 5/2021 provides for the possibility that this authority may require a countercyclical buffer to an entity's exposures to a certain sector, in addition to global exposures. At 31 December 2021, CaixaBank had no such requirement.

**The buffer for entities of systematic importance**, which is set depending on whether an entity is considered to be of systematic importance globally or domestically. Since 2016, CaixaBank has been identified each year as a domestic systematic entity (O-SII). The capital surcharge remained at 0.25% of RWA at the consolidated level through 2021. After the integration with Bankia, the Bank of Spain set an increase of 25 basis points, to 0.50%[1], from 1 January 2023, with a transition phase of 37.5 basis points for 2022. This buffer does not apply at the individual level.

Each year, the Bank of Spain identifies the following institutions, in accordance with the EBA methodology:

- Globally Systematically Important Banks (G-SIBs).
- Other Systematically Important Institutions (O-SIIs).

The EBA's key criteria for calculating an institution's domestic systematic importance score are its size, its importance for the national or EU economy, its complexity (including that derived from its cross-border activities), and its interconnections with the financial system.

The buffer for classification as a G-SIB varies between 1% and 3.5% of RWA, while for an O-SII it can generally reach up to 3% of the total RWA. If an entity is identified both as a G-SII and an O-SII, the higher of the two buffers will be applied.

CaixaBank Group's main indicators of global systematic importance at 31 December 2021 can be found in Appendix X.

**Systematic risk buffers** exist to prevent long-term systematic or non-cyclical macro-prudential risks that are not covered by the CRR. These risks may disturb the financial system, with potentially serious consequences, as well as disturbing the real economy. The competent authorities may require this buffer either against the entire financial sector, or against one or several subsectors for all exposures or a subset thereof, and, in general, for exposures in third countries and those located in other European Union member states. The buffer will be set in steps of 0.5% percentage points or multiples thereof over RWA. Different requirements may be established for different subsets of entities and exposures.

The systematic risk buffer must be added, i.e. it is cumulative, to the G-SII or O-SII buffer. Currently, the systematic risk buffer is 0% for CaixaBank.

### Table 4.2 Capital buffer requirement

*In %*

| Capital buffer | 2021 |
|---|---|
| Capital conservation | 2.50% |
| Specific anticyclical[1] | 0.01% |
| Systemic[2] | 0.25% |

*[1] At discretion of the competent authorities where exposures are located.*

*[2] At the discretion of the competent authority, in phases of 0.25% for 2021, 0.37% for 2022 and 0.5% for 2023. Does not apply at the individual level.*

*[1] This requirement is subject to confirmation as part of the Bank of Spain's review process in 2022.*

## 4.2.3 Total SREP requirements

For 2021, following the supervisory review of the minimum requirements, and after the integration with Bankia, the minimum requirements stood at 8.19% for CET1, which includes the Pillar 1 regulatory minimum (4.5%), the Pillar 2R Requirement (0.93%), the capital conservation buffer (2.5%), the O-SII buffer (0.25%) and the countercyclical buffer (0.01%).

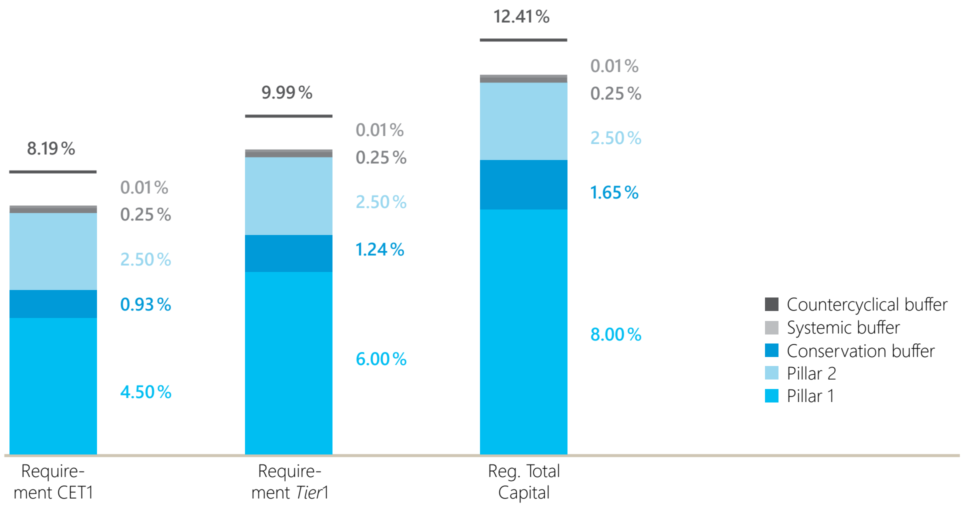
Similarly, taking minimum applicable Pillar 1 requirements for Tier 1 (6%) and for total capital (8%), capital requirements would be 9.99% and 12.41%, respectively.

Pillar 2R and the O-SII buffer do not apply on an individual level, which means that the individual CET1 minimum requirement is 7.01%.

The ECB's decision indicates the regulatory CET1 level below which CaixaBank Group would be required to limit dividend payments, as well as variable pay and interest to holders of additional Tier 1 (AT1) capital instruments. This threshold, known as the maximum distributable amount trigger (MDA trigger), was set at 8.19% in 2021. This threshold would need to be increased by any potential additional Tier 1 or Tier 2 capital deficits arising at any given time relative to the minimum implicit Pillar 1 and Pillar 2R levels of 1.81% and 2.41%, respectively. At December 2021, CaixaBank did not have any of these deficits. Compared to current CET1 ratio levels, this requirement means that the requirements applicable to CaixaBank Group will not entail any limitation whatsoever of the types referred to in the solvency regulations.

As concerns the countercyclical buffer, the following table provides a geographical breakdown of exposure by country of origin. The exposures are greater in Spain, where a 0% surcharge applies.

### Minimum requirements 2021




Pillar 3 Disclosures 2021

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## Table 4.3. EU CCyB1 - Geographical distribution of credit exposures used in the countercyclical buffer

*Amounts in EUR millions and %*

| | General credit exposures[1 2] | | Relevant Credit Exposures – Market Risk | | | | Own funds requirements | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Country | Exposure value under the standardised approach | Exposure value under the IRB approach | Sum of long and short positions of trading book exposures for SA | Value of trading book exposures for internal models | Securitisation exposures Exposure value for non-trading book | Total exposure value | Relevant credit risk exposures - Credit risk | Relevant credit exposures – Market risk | Relevant credit exposures – Securitisation positions in the non-trading book | Total | Own fund requirements weights | Own fund requirements weights (%) | Countercyclical buffer rate |
| Spain | 63,400 | 258,301 | 576 | 141 | 1,680 | 324,098 | 10,929 | 60 | 29 | 11,018 | 137,731 | 79.60 % | 0.00 % |
| Portugal | 26,530 | 821 | - | - | 74 | 27,425 | 1,231 | - | 3 | 1,234 | 15,424 | 8.91 % | 0.00 % |
| France | 1,786 | 1,897 | - | - | 10 | 3,693 | 216 | - | 1 | 217 | 2,713 | 1.57 % | 0.00 % |
| United Kingdom | 1,669 | 2,641 | - | - | - | 4,310 | 206 | - | - | 206 | 2,576 | 1.49 % | 0.00 % |
| USA | 2,075 | 456 | - | - | - | 2,532 | 168 | - | - | 168 | 2,103 | 1.22 % | 0.00 % |
| Germany | 282 | 3,198 | - | - | - | 3,480 | 137 | - | - | 137 | 1,708 | 0.99 % | 0.00 % |
| Luxembourg | 1,147 | 741 | - | - | - | 1,887 | 117 | - | - | 117 | 1,469 | 0.85 % | 0.50 % |
| Netherlands | 239 | 2,517 | - | - | - | 2,756 | 103 | - | - | 103 | 1,293 | 0.75 % | 0.00 % |
| Mexico | 952 | 245 | - | - | - | 1,197 | 83 | - | - | 83 | 1,035 | 0.60 % | 0.00 % |
| Poland | 458 | 1,329 | - | - | - | 1,787 | 82 | - | - | 82 | 1,026 | 0.59 % | 0.00 % |
| Canada | 1.0W64 | 37 | - | - | - | 1,100 | 80 | - | - | 80 | 1,004 | 0.58 % | 0.00 % |
| Italy | 424 | 1,108 | - | - | - | 1,533 | 65 | - | - | 65 | 815 | 0.47 % | 0.00 % |
| Chile | 650 | 53 | - | - | - | 704 | 46 | - | - | 46 | 577 | 0.33 % | 0.00 % |
| Ireland | 332 | 296 | - | - | - | 627 | 38 | - | - | 38 | 471 | 0.27 % | 0.00 % |
| Norway | 424 | 125 | - | - | - | 549 | 35 | - | - | 35 | 437 | 0.25 % | 1.00 % |
| Others | 1,820 | 2,739 | - | - | - | 4,559 | 213 | - | - | 213 | 2,658 | 1.54 % | 0.00 % |
| **Total** | **103,252** | **276,505** | **576** | **141** | **1,764** | **382,238** | **13,749** | **60** | **34** | **13,843** | **173,038** | **100.00 %** | **0.01 %** |

[1] *Does not include EAD for Credit Value Adjustment (CVA).*

[2] *For the calculation of the countercyclical capital buffer, and as specified in Delegated Regulations 2015/1555, pertinent credit exposures shall include all categories of exposures other than those referred to in article 112, letters a) to f) of Regulation (EU) No. 575/2013.*

## Table 4.4. EU CCyB2 - Amount of the countercyclical capital buffer specific to each entity

| *Amounts in EUR millions and %* | Value |
|---|---|
| Total amount of risk exposure | 215,500 |
| Percentage of countercyclical buffer specific to each entity | 0.01% |
| Countercyclical buffer requirement specific to each entity | 16 |

### 4.2.4 MREL requirements

In the context of the Bank Recovery and Resolution Directive ("BRRD"), banking institutions are required to comply with both minimum requirements for own funds and eligible liabilities ("MREL requirement"), one on the total level of these instruments ("MREL Total") and other on instruments considered subordinated ("subordinated MREL"). These MREL requirements are determined by the Single Resolution Board (SRB).

BRRD2 went into effect in December 2020, and it sets 1 January 2024 as the deadline for complying with MREL requirements, with an intermediate requirement that must be met on 1 January 2022. It also determines that the total and subordinated MREL requirements must be expressed as a percentage of both RWA and the leverage ratio exposure.

In February 2022, the Bank of Spain informed CaixaBank of the minimum requirements for Total and Subordinated MREL, as determined by the Single Resolution Board ("SRB") based on the information for 31 March 2021, once the integration with Bankia is complete. According to this, starting on 1 January 2024, CaixaBank, on a **consolidated basis**, will have to reach a minimum volume of total **MREL of 23.93%[1] of RWA, including the combined capital buffers requirement** ("CBR") currently expected for said date. With regard to the intermediate requirement, the SRB has determined that, from 1 January 2022, the Group must reach a total MREL requirement of 22.21%[2] including the CBR.

With regard to the subordinate level requirement, CaixaBank must reach, on a consolidated basis starting on 1 January 2024, a subordinated MREL requirement of 18.70%[3] of RWA, including CBR, and an intermediate requirement, from 1 January 2022, of 16.38%[4] of RWA, including CBR.

Similarly, from 1 January 2024, the Group must comply on **an LRE basis** with a **total and subordinated MREL requirement of 6.19%**, with an intermediate requirement from 1 January 2022 of 6.09%

The MREL requirements established are consistent with CaixaBank's forecasts and are met with ease, both as a percentage of RWA and as a percentage of LRE. In addition, the long-term financing plan seeks to continue to comfortably meet future requirements.

According to the BRRD, the resolution authority will have the power to prohibit an entity from distributing more than the MDA for own funds and liabilities Eligible (MREL-MDA, calculated as per the new article 16.a) (4) of the BRRD) through the distribution of dividends, variable remuneration and payments to holders of additional Level 1 instruments, when it meets its combined buffer requirements in conjunction with the relevant own funds requirements, but not in conjunction with the MREL requirement. The BRRD includes a potential grace period of nine months, during which the resolution authority will assess monthly whether to exercise its discretionary powers. This MREL-MDA power is fully applicable from 1 January 2022.

## Total and Subordinated MREL Requirements

| Requirement in % RWA | 2022 | 2024 |
|---|---|---|
| Total MREL | 22.21% | 23.93% |
| Subordinated MREL | 16.38% | 18.70% |

| Requirement in % LRE | 2022 | 2024 |
|---|---|---|
| Total MREL | 6.09% | 6.19% |
| Total MREL | 6.09% | 6.19% |

*[1] In addition to the 20.92% RWA requirement, there is a combined buffer requirement (3.01% of RWA expected for 2024).*
*[2] In addition to the 19.33% RWA requirement, there is a combined buffer requirement (2.88% of RWA expected for 2022).*
*[3] In addition to the 15.69% RWA requirement, there is a combined buffer requirement (3.01% of RWA expected for 2024).*
*[4] In addition to the 13.50% RWA requirement, there is a combined buffer requirement (2.88% of RWA expected for 2022).*

# 4.3 Regulatory capital

## 4.3.1 Eligible own funds

Common Tier 1 (CET1) capital consists of the highest-quality elements of own funds (mostly accounting own funds). Together with additional Tier 1 (AT1) and Tier 2 equity instruments, these are the eligible own funds (total capital).

CaixaBank undertakes a comprehensive capital management to ensure the Bank's solvency and to comply with the minimum requirements at all levels: CET1, Tier 1 and Total Capital.

Appendix I details CaixaBank Group's eligible own funds at 31 December 2021.

In January 2022, it also covers the MREL requirements. This includes Total Capital and other eligible subordinated instruments, mostly senior non-preferred (SNP) debt and senior preferred debt, in accordance with BRRD2 (based on RWA and the LRE).

Based on the supervisor's recommendation, in March 2020, CaixaBank accepted the transitional provisions of the IFRS9 regulation, which allows its solvency calculations to mitigate, in part, the procyclicity associated with the provisions model under IFRS9 regulations throughout the established transitional period. Figures without transitional provisions are shown in the table in Appendix III.

### Table 4.5. Eligible own funds

| *Amounts in millions of euros* | 31/12/21 | 31/12/20 |
|---|---|---|
| **CET1 Instruments** | **34,824** | **25,546** |
| Shareholders' equity | 37,013 | 27,118 |
| Capital | 8,061 | 5,981 |
| Profit | 5,226 | 1,381 |
| Reserves and others | 23,727 | 19,755 |
| Minority interests and OCIs | (1,596) | (1,847) |
| Adjustments of comput. of minority int. and OCIs | 71 | (100) |
| Other adjustments[1] | (665) | 375 |
| Deductions from CET1 | (6,487) | (5,892) |
| Intangible assets | (3,856) | (3,873) |
| Deferred tax assets | (2,074) | (1,789) |
| Other CET1 deductions | (556) | (229) |
| **CET1** | **28,337** | **19,654** |
| **AT1 instruments[2]** | **4,984** | **2,984** |
| **AT1 deductions** | **-** | **-** |
| **TIER 1** | **33,322** | **22,637** |
| **T2 instruments** | **5,193** | **3,407** |
| Financing of subordinated issues[3] | 4,658 | 3,153 |
| Excess of IRB provisions | 535 | 255 |
| **T2 deductions** | **-** | **-** |
| **TIER 2** | **5,193** | **3,407** |
| **TOTAL CAPITAL** | **38,514** | **26,045** |
| Senior non-preferred issues[4] | 10,628 | 6,629 |
| Other computable subordinate MREL items | - | 36 |
| **SUBORDINATED MREL** | **49,142** | **32,709** |
| Other computable MREL items[5] | 7,382 | 5,111 |
| **MREL** | **56,524** | **37,820** |

*[1] Mainly forecast of dividends for the current year, IFRS9 and AVAs.*
*[2] In the third quarter, an AT1 issue of €750 million was made.*
*[3] This year, an issue of €1,000 million of Tier 2 was made, replacing another of the same amount.*
*[4] Four SNP emissions, a green bond for 1,000 million euros, a social bond for 1,000 million euros, an issue of 500 million GBP and an issue of 200 million CHF were made in the year.*
*[5] In January 2022, a new SP issue for €1,000 million was made, already included on a proforma basis in the December MREL ratios.*

As of 31 December 2021, CaixaBank Group's own funds amounted to EUR 37,013 million (EUR 9,895 million more than in 2020, primarily due to the incorporation of Bankia). The OCI (accumulated other comprehensive income) is added to the own funds, also includes the phasing adjustment for the IFRS9 regulation. Instruments eligible as CET1 are further reduced by other elements. These primarily include the expected amount of any outstanding dividends, which is charged to the financial year, and any additional valuation adjustments (AVAs).

The payment of this dividend, charged to the 2021 FY (1,179 million euros) was calculated equivalent to 50% of the consolidated net profit adjusted by the extraordinary impacts from the merger with Bankia.

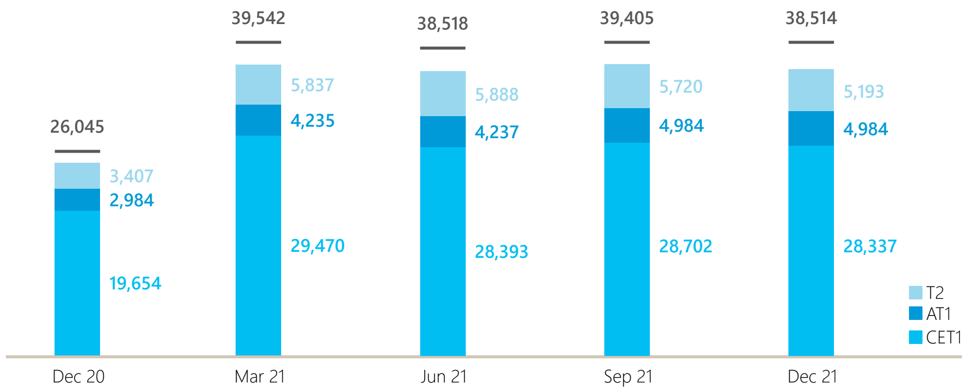
Instruments eligible as CET1 stand at EUR 34,824 million (EUR 9,278 million more than in 2020).

Other deductions from the regulatory CET1 include, in addition to the 3,856 million euros in intangible assets, the deferred tax assets arising from tax losses and other tax credits, as well as irrevocable commitments to the national Single Resolution Fund (SRF) and Deposit Guarantee Fund (DGF).

**As a result, the regulatory CET1 stood at EUR 28,337 million (EUR 8,683 million more than in 2020), and the CET1 ratio stood at 13.1% of RWA** (12.8% without applying the temporary disposals associated with IFRS9).

**Trend in regulatory capital**

*Amount in millions of euros*




Additional Tier 1 (AT1) capital is composed of issuances of eligible hybrid instruments. In 2021, a new issue of eligible AT1 instruments was made for €750 million. CaixaBank currently has six senior debt issues for an accounting amount of EUR 4,984 million, two of which originated at Bankia (1,250 million euros). The characteristics of the issue are detailed in Appendix IV. The Tier 1 capital stood at EUR 33,321 million (EUR 10,684 million more than in 2020), **and the Tier 1 ratio stood at 15.5% of RWA** (15.1% without applying the temporary disposals associated with IFRS9).

The Tier 2 own funds components include subordinated funding and the surplus of provisions with respect to the expected losses in those exposures whose capital requirements are evaluated using the IRB method.

On 31 December 2021, CaixaBank had eight own subordinated debt issues with an accounting amount of EUR 4,658 million, two of which originated at Bankia (1,505 million euros). In 2021, an issue of €1,000 million was made, eligible as subordinated debt. The details of these issues is provided in Appendix IV of this document.

The Total Capital stood at EUR 38,514 million (EUR 12,469 million more than in 2020), and the **Total Capital ratio at 17.9%** (17.5% without applying the temporary disposals associated with IFRS9).

On 31 December, CaixaBank had a margin of 496 basis points to the Group's MDA trigger, representing 10,698 million euros (2,714 million euros more than in 2020).

To comply with MREL requirements, CaixaBank has 14 issuances of senior non-preferred debt (SNP), with an eligible amount of EUR 10,628 million (this includes 2 issues originating at Bankia for 1,250 million euros). In 2021, 4 SNP instruments were issued for an accounting amount of 2,772 million euros. The ratio of subordinated instruments (subordinated MREL) over RWA, including mostly Total Capital and SNP, was 22.8% (7.8% of LRE).

It also has 10 issues of senior preferred debt with an eligible MREL amount of 7,332 million euros (including 3 emissions from Bankia for 1,309 million euros). In December 2021, the issuance of €1,000 million of SP was included on a proforma basis, and made in January 2022. In all, the MREL ratio including all eligible liabilities according to the Single Resolution Board was 26.2% (9.0% of LRE).

## Table 4.6. Variation in regulatory capital

| *Amounts in millions of euros* | 2020-2021 |
|---|---|
| **CET1 at the beginning of the period** | **19,654** |
| **CET1 instrum. movements** | **9,278** |
| Capital | 2,079 |
| Profit | 5,226 |
| Dividend | (1,179) |
| Reserves | 2,807 |
| OCIs & others | 346 |
| **CET1 deduc. movements** | **(594)** |
| Intangible assets | 17 |
| Deferred tax assets | (285) |
| Other CET1 deductions | (327) |
| **CET1 at the end of the period** | **28,337** |
| **Additional Tier 1 at the begining of the period** | **2,984** |
| **TIER 1 instrum. movements** | **2,001** |
| Eligible Tier 1 instruments | 2,001 |
| **Tier 1 deduc. movements** | **-** |
| **Additional Tier 1 at the end of the period** | **4,984** |
| **Tier 2 at the begining of the period** | **3,407** |
| **Tier 2 instrum. movements** | **1,785** |
| Subordinated debt | 2,675 |
| Redemption of issuances | (1,175) |
| Other Tier 2 instruments | 285 |
| **Tier 2 deduc. movements** | **-** |
| **Tier 2 at the end of the period** | **5,193** |

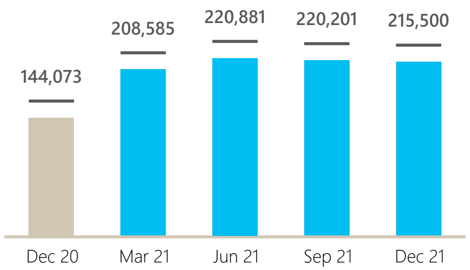
## 4.3.2 Capital requirements

The quantitative information in this document complies with the EBA guidelines of 24 June 2020 on the disclosure requirements pursuant to Part Eight of the CRR.

A number of the most significant tables requested by the BCBS are published on the CaixaBank website every quarter, as per the disclosure requirements in the EBA.

**Evolution of RWA**

*Amounts in millions of euros*




The total RWA volume at 31 December 2021 was 215,500 million euros, 71,427 million euros more than in 2020, mainly due to the organic impact of the integration with Bankia.

With regard to the RWA of the equity portfolio, on the one hand, they increased mainly due to the incorporation of investees from Bankia, and on the other, they decreased following the sale of the stake in the Erste Bank Group.

## Table 4.7 EU INS1 - Table 4.7. EU INS1 - Insurance participations not deducted

| *Amounts in millions of euros* | Exposure value[1] | Risk-weighted exposure amount |
|---|---|---|
| Own fund instruments held in insurance or re-insurance undertakings or insurance holding company not deducted from own funds | 3,834 | 14,187 |

[1] *Corresponding to the equity position hold by VidaCaixa Group under which is applied the art. 49,1 of the CRR ("Danish compromise"). Insurance investees from Bankia are not included as they have not yet been transferred to VidaCaixa Group.*

## Table 4.8. Capital consumption by segments

| *In millions of euros and %* | 2021 Capital | 2021 % | 2020 Capital | 2020 % |
|---|---|---|---|---|
| Credit* | 15,630 | 90 % | 10,284 | 89 % |
| Market | 140 | 1% | 182 | 2 % |
| Operational | 1,470 | 9 % | 1,060 | 9 % |
| **Total** | **17,240** | **100 %** | **11,526** | **100 %** |

* *Includes equity portfolio, securitisations and counterparty.*

### Consumption of Capital 2021


### Consumption of Capital 2020


Table 4.9 provides details of CaixaBank Group's risk-weighted assets and capital requirements for each type of risk at 31 December 2021. The requirements for eligible own funds are equivalent to 8 % of the RWA.

## Table 4.9. EU OV1 - Overview of risk weighted exposure amounts

| | | Risk weighted exposure amounts (RWEAs) | | Total own funds requirements | |
|---|---|---|---|---|---|
| *Amounts in millions of euros* | | 31/12/21 | 31/12/20 | 31/12/21 | 31/12/20 |
| **1** | **Total own funds requirements** | **191,406** | **125,095** | **15,312** | **10,008** |
| 2 | Of which: with the standard method | 80,103 | 60,791 | 6,408 | 4,863 |
| 3 | Of which: using the foundation internal ratings-based approach (FIRB)[1] | - | - | - | - |
| 4 | Of which: subject to slotting approach[1] | 2,222 | - | 178 | - |
| EU 4a | Of which: securities with the simple risk weighting method | 15,701 | 10,828 | 1,256 | 866 |
| 5 | Of which: using the advanced internal rating-based method (AIRB) | 86,235 | 47,575 | 6,899 | 3,806 |
| **6** | **Counterparty risk** | **3,662** | **2,761** | **293** | **221** |
| 7 | Of which: with the standard method[1] | 2,270 | 1,523 | 182 | 122 |
| 8 | Of which: the internal model method (IMM)[1] | 632 | 419 | 51 | 34 |
| EU 8a | Of which: exposures to a central counterparty | 50 | 150 | 4 | 12 |
| EU 8b | Of which: credit valuation adjustment (CVA) | 710 | 668 | 57 | 53 |
| 9 | Of which: another counterparty risk | - | - | - | - |
| **15** | **Settlement risk** | **-** | **-** | **-** | **-** |
| **16** | **Securitisation exposures in the non-trading book (after applying the maximum limit)[1]** | **423** | **700** | **34** | **56** |
| 17 | Of which: the SEC-IRBA method | 342 | 613 | 27 | 49 |
| 18 | Of which: the SEC-ERBA method (including the internal assessment method | 63 | 63 | 5 | 5 |
| 19 | Of which: the SEC-SA method | 17 | 23 | 1 | 2 |
| EU 19a | Of which: 1,250 %/deduction | 1 | 1 | 0 | 0 |
| **20** | **Position, exchange rate and commodities risks (market risk)** | **1,637** | **2,267** | **131** | **181** |
| 21 | Of which: with the standard method | 568 | 1,158 | 45 | 93 |
| 22 | Of which: with the internal model method (IMM) | 1,069 | 1,109 | 86 | 89 |
| EU 22a | Large exposures | - | - | - | - |
| **23** | **Operational risk** | **18,371** | **13,250** | **1,470** | **1,060** |
| EU 23a | Of which: with the basic indicator method | - | - | - | - |
| EU 23b | Of which: with the standard method | 18,371 | 13,250 | 1,470 | 1,060 |
| EU 23c | Of which: with the advanced measurement method | - | - | - | - |
| **24** | **Amounts below the deduction thresholds (with a 250 % risk weighting)** | **6,449** | **5,981** | **516** | **478** |
| **25** | **Total** | **215,500** | **144,073** | **17,240** | **11,526** |

[1] *Concepts that present adaptations with respect to the EBA mapping tool.*

*The RWA information per quarter is published in the Pillar 3 Dec-21 report (https://www.caixabank.com/es/accionistas-inversores/informacion-economico-financiera/otra-informacion-financiera.html)*

## 4.3.3 Trends in solvency

The solvency evolution was impacted in 2021 by the integration of Bankia. Even so, CaixaBank maintained a solid solvency position throughout the year, reaching a regulatory CET1 ratio at year-end of 13.1%, -49 basis points with respect to the previous year. The year includes one-off impacts of Bankia's integration (+77 basis points corresponding to the integration; -89 basis points due to the effect of the fair value adjustments of merged assets and liabilities (PPA: Purchase Price Allocation) and -97 basis points due to restructuring costs, the sale of the Bankia cards business, and the re-acquisition of the 51% stake in Bankia Vida).

The organic change in the year was +106 basis points and -24 basis points caused by the performance of the markets and other factors (includes the regulatory impacts recognised in the second quarter and the sale of the stake held in Erste Bank Group in the fourth quarter). The impact due to the gradual application of the transitional provisions in the IFRS9 rule was -22 basis points.

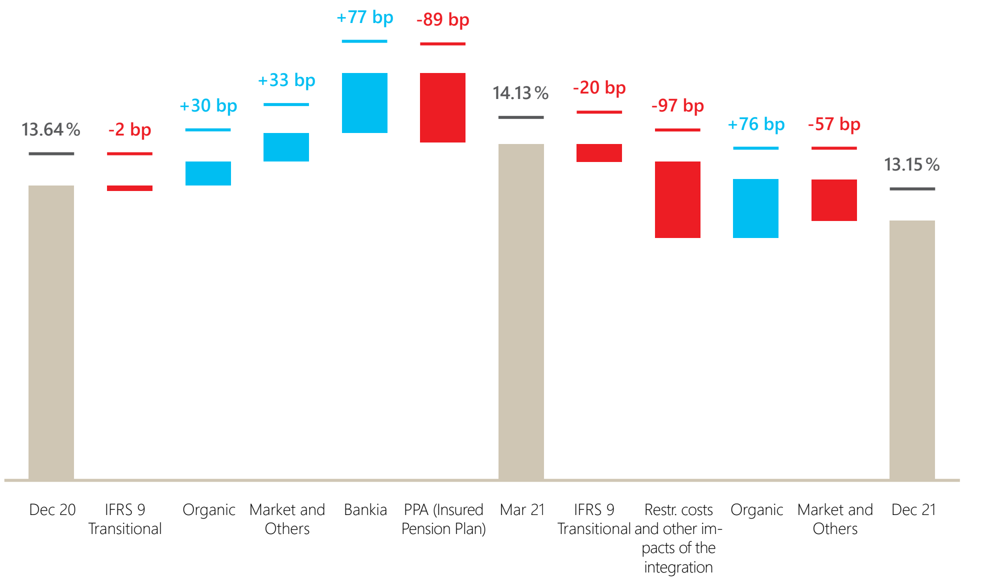
The Tier 1 ratio stood at 15.5%, down 25 basis points from the previous year. In 2021, the Entity made a new issue of eligible AT1 instruments for €750 million. The Group has a bucket of AT1 that covers not only Pillar 1 requirements (1.5%), but also the eligible Pillar 2 requirements (0.31%).

The Total Capital ratio stood at 17.9%, down 21 basis points from December 2020. In 2021, an issue of €1,000 million was made, eligible as subordinated debt, which replaced another issue for the same amount. The Tier 2 capital elements fully cover the corresponding Pillar 1 (2%) and Pillar 2 (0.41%) requirements.

The ratios, without applying the transitional provisions in solvency associated with IFRS9, stood at 12.8% for CET1, 15.1% for Tier 1 and 17.5% for Total Capital at 31 December 2021.

In December 2021, the subordinated MREL ratio reached 22.8% (7.8% of LRE), up 10 basis points from the previous year. Four new SNPs were issued for an amount of 2,772 million euros. With regard to the MREL ratio, it remains at 26.2% (9.0% of LRE), down 2 basis points from December 2020. This ratio includes, on a proforma basis, a new €1,000 million of SP debt issued in January 2022.

### Evolution of solvency (CET1)




## 4.3.4 Leverage ratio

The Basel 3 framework introduces the leverage ratio as a non-risk sensitive measure, to be used to limit excessive balance sheet growth relative to available capital.

This ratio is calculated by dividing Tier 1 capital by a measure of exposure based on total assets, less Tier 1 deductions and including, among others, contingent risk and commitments weighted in accordance with the applicable regulations, the net value of derivatives (plus a surcharge for potential future exposure) and other related adjustments. CaixaBank publishes the calculation of the leverage ratio in the quantitative component of the P3D on a quarterly basis, and estimates of the leverage ratio are also calculated in the three-year scenarios for the ICAAP.

The CRR, since its last modification ("CRR 2"), specifies a minimum requirement of 3 %, applicable from June 2021. Furthermore, CRD V states that the competent authority can impose an additional own funds requirement to cover the risk of excessive leverage (P2R-LR) and additional guidance involving own funds to cover the risk of excessive leverage in stress situations (P2G-LR). On the date of this document, CaixaBank has not received any communications in this regard

At 31 December 2021, CaixaBank Group's leverage ratio stood at 5.3 % (-33 basis points compared to the previous year), well above the regulatory minimum set for June 2021. For this reason, CaixaBank decided not to take advantage of the transitional measure to exclude reserves in central banks from the leverage ratio exposure calculation, which was introduced as a result of COVID-19.

In 2021, the ratio was affected, on the one hand, by the increase in Tier 1 following the integration with Bankia, the organic evolution of the activity, and the issuance of 750 million in AT1 instruments (+265 basis points); and on the other, by the increase in assets following the incorporation of Bankia, as well as the high balance of the reserves (-298 basis points).

The leverage ratio is part of the Corporate Policy for Capital and Solvency Risk Management, which was revised in 2021. CaixaBank actively manages the leverage ratio, which is why it is calculated monthly to ensure that it remains far from the minimum requirements and to analyse the main variations in its components (balance sheet performance, collateral, etc.). Additionally, within the Capital Planning exercise (ICAAP), estimates of the leverage ratio are made out to three years in both normal and stress scenarios. This metric is also part of the Risk Appetite Framework and is presented quarterly to the Global Risk Committee. It is currently above the risk appetite level (5 %).

The ALCO committee also regularly monitors compliance with the Capital and Funding Plan, including monitoring and managing the leverage ratio.

Appendices V, VI and VII include mandatory information regarding the leverage ratio.

### Table 4.10. Leverage ratio

| *Amounts in millions of euros and %* | Value |
|---|---|
| **Tier 1** | **33,322** |
| Total regulatory assets | 607,260 |
| Tier 1 deductions | (6,487) |
| Other adjustments[1] | 30,577 |
| **Leverage exposure** | **631,350** |
| **Leverage ratio** | **5.3 %** |

*[1] Includes off-balance-sheet items, derivatives and SFTs.*

### 4.3.5 Financial Conglomerate

CaixaBank Group has been a financial conglomerate subject to additional supervision[1] since 2014. This supervision entails a heightened degree of monitoring by the supervisor in relation to the Group's financial and insurance operations.

CaixaBank is authorised by the supervisor not to deduct its investment in insurance companies, pursuant to Article 49.1 of the CRR ("Danish compromise"). Investments in these insurance companies are weighted at 370% in terms of RWA.

Following the merger with Bankia, the calculation of the capital coefficient of the financial conglomerate includes the insurance subsidiaries resulting from the integration, mainly Bankia Vida and Sa Nostra Vida. In the first quarter of 2022, they are expected to be transferred to VidaCaixa Group.

Furthermore, in addition to the capital requirements in terms of prudential banking regulations, CaixaBank periodically calculates and monitors the solvency of the financial conglomerate. In December 2021, the financial conglomerate's coverage ratio (i.e. the conglomerate's own funds compared to the minimum requirements under Solvency 2) stood at 143.8% (down 350 basis points from the previous year). The main impacts in 2021 were, on the negative side, the incorporation of Bankia, together with the increased capital requirements this entailed (+15 basis points with higher P2R), and on the positive side, the organic evolution of bank capital. This metric is within the Risk Appetite Framework and is analysed on a quarterly basis and presented to the Global Risk Committee.

#### Table 4.11. EU INS2 - Financial conglomerates information on own funds and capital adequacy ratio

| *Amounts in millions of euros* | 31/12/21 |
|---|---|
| Total bank capital | 38,514 |
| additional elements | 815 |
| **Capital for conglomerate purposes** | **39,329** |
| Requirements on total bank capital | 26,737 |
| Other requirements | 615 |
| **Conglomerate capital requirements** | **27,352** |
| **Capital adequacy ratio of the financial conglomerate (%)** | **143.8%** |
| **Supplementary own fund requirements of the financial conglomerate (amount)** | **11,977** |

## 4.4 Stress test

CaixaBank Group, due to the merger with Bankia, was excluded from the EBA's stress test in 2021.

In January 2021, the ECB announced that it will carry out a Climate Stress Test between March and July 2022 to identify vulnerabilities in significant entities with regard to physical and transitional climate risks. CaixaBank will take part in the mandatory modules 1 and 2, and provide the starting point of module 3, having received authorisation to be exempt from the projections of module 3. The goal announced for this exercise is to provide joint learning to improve supervisory capacities and the ability of entities to assess climate risk; identify best practices and understand the limitations of banks; focus on how banks plan to adjust their business models in response to climate risks; promote methodological efforts and improve data availability.

In December 2021, the European Banking Authority (EBA) published that the Board of Supervisors of the European Banking Authority decided to carry out its next EU-wide stress test in 2023, in line with the decision to run this test every two years.

## 4.5 Economic capital

CaixaBank Group has developed a model for economic capital that measures its available own funds and the capital requirements for all of the risks associated with its activity. This measure complements the regulatory view of solvency and enables better alignment with the Group's risk profile, since it incorporates risks that are not considered, or are only partially considered, in the regulatory requirements. This approach is used **(i)** for the capital adequacy assessment, subject to presentation and periodic review in the Group's corresponding bodies; **(ii)** as a control and monitoring tool; **(iii)** for risk planning, and **(iv)** to calculate the Risk-Adjusted Return (RAR) and the Ppricing.

The own funds available for economic purposes are determined on the basis of adjusted regulatory own funds, which basically consists of the gains or losses of the fixed-income and equity portfolios that are not registered at their fair value in the accounts, as well as for the market valuation of certain assets and liabilities of VidaCaixa.

In contrast with regulatory capital, economic capital is an internal estimate which the Entity adjusts according to its level of tolerance to risk, volume, and type of business activity. In addition to the risks referred to in Pillar 1 (credit, market and operational risk), it includes the other risks contained in the Corporate Risk Catalogue (for example, the structural interest rate risk, liquidity

[1] *Law 5/2005, of 22 April, on the supervision of financial conglomerates and amending other financial sector laws, and Royal Decree 1332/2005 of 11 November, which implements Law 5/2005."*

risk, business and actuarial risk). When managing it, the same confidence level as in the Pillar 1 calculations is generally applied, i.e. 99.9% of Basel III.

**Two of the most significant differences for credit risk with regard to the regulatory approach are the following:**

1. **Single large exposures:** single large exposures have a significant impact on economic capital estimates, particularly in the equity portfolio and in the corporate and banking segments. The regulatory formula, which considers infinitely granular portfolios, is not particularly appropriate for covering the level of concentration of the Group portfolio. Accordingly, the internal model reflects the possibility of having single large exposures and it simulates potential default on these specific positions. This means the simulated loss distribution includes the individual concentration risk for large exposures. The opposite effect of this concentration is that it leads to additional diversification among portfolios.
2. **Estimation of sensitivities and diversification:** CaixaBank Group has developed its own scheme for determining sensitivities of probabilities of default to specific economic and financial variables, thereby implicitly estimating correlations of probabilities of default adjusted to the Group's scope of activity. The different sensitivities estimated introduce additional diversification among portfolios and industrial sectors, as a result of the various sensitivities produced. It also considers specific sensitivities for international financial stakes in the equity portfolio, which provide additional diversification with the rest of the portfolio.

## 4.6 Recovery and Resolution Plans

> With regard to the Group's resolution plan, this is drawn up and approved by the resolution authorities.

In keeping with section 2.1 of the regulatory scope of this document, and with the framework of BRRD II, CaixaBank has updated the Group's Recovery Plan for 2021, taking into account the merger process with Bankia. This Plan was approved by the Board of Directors and sent to the European Central Bank in September 2021.

With regard to the Plan's scope, it covers the entire Group, including BPI and the branches and representative offices abroad.

The Recovery Plan makes it possible to check the viability, complexity and effectiveness of a series of recovery measures that could be applied if the company were to suffer a severe crisis situation, thus avoiding a public bailout.

CaixaBank Group's Recovery Plan is fully integrated into the Group's internal management. In this regard, the Plan is aligned with the internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP), as well as the Risk Appetite Framework (RAF) through recovery indicators, and it is included in regular monitoring reports. These recovery indicators facilitate the monitoring and control of the financial situation, and a breach of the associated thresholds could result in escalating the decision as to whether to activate the Recovery Plan.

With regard to the Group's resolution plan, this is drawn up and approved by the resolution authorities. CaixaBank collaborates with these authorities to ensure the availability and supply of the relevant information in the event of resolution, as well as to improve the Bank's resolvability by developing those projects that the European resolution authority deems a priority, both at the sector level and those that are specific to CaixaBank.

In the field of resolution, the BRRD II also requires financial institutions to have a buffer to absorb losses (MREL) to ensure the possible application of the bail-in resolution tool and to cover the MREL requirements (see section 4.2.4 in this document). Accordingly, CaixaBank has developed a specific manual to implement this tool, it has defined a plan to finance eligible MREL instruments, and it is developing a culture of "resolvability" in the Group to ensure its operational continuity and analyse the structure, complexity and interdependencies of the Group in order to ensure the absence of obstacles to its resolvability in a resolution scenario.

CaixaBank

# 5. Credit risk

CaixaBank

# 5. Credit **risk**

RWA credit risk
**€195,374 M**

EAD credit risk
**€608,915 M**

EAD under internal models
**46 %** (79% vs. private sector)

Credit risk is defined as the potential loss of value of the assets of the Group through a customer or a counterparty, due to the impairment of the capacity of this customer or counterparty to meet their commitments to the Group.

Due to the specific treatment provided by prudential regulation for certain exposures subject to credit risk, explicit details are provided of exposures to counterparty risk (derivatives and securities financing transactions), securitisations and the equity portfolio. Due to the CaixaBank business model, the first two account for just 3% of total credit risk requirements, while the equity portfolio accounts for 12%. Thus, the remaining 85% of credit risk requirements come from credit investment portfolios, the fixed-income portfolio and other non-debt assets.

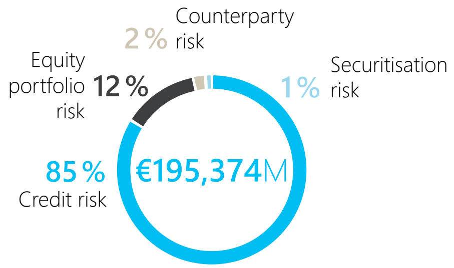
46% of the total assets subject to credit risk are assessed using the IRB approach. Excluding those portfolios for which there is authorisation for the permanent application of the standardised approach (e.g., exposure to the public sector and financial institutions), as well as non-debt assets (i.e., real estate), the IRB coverage is 79%.

## Annual evolution

The total RWA in credit risk increased by €66,818 million, up 52% year-on-year, mainly due to the inorganic impact of the Bankia's portfolio integration.

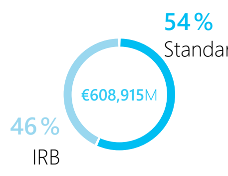
### RWA total credit risk

*Distribution by risk, %*

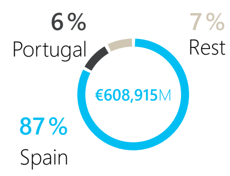



### EAD Total credit risk

*Distribution by approach and country, %*




*Geographical distribution, %*




### Table 5.0. Credit risk dashboard

| *Amounts in millions of euros* | EAD | | | RWA | | | | Capital requirements[5] | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | STD | IRB | Total | STD | IRB | Total | Density | STD | IRB | Total |
| Credit risk[1] | 324,424 | 268,121 | 592,546 | 80,103 | 88,457 | 168,559 | 28.4% | 6,408 | 7,077 | 13,485 |
| Counterparty credit risk[2] | 6,159 | 888 | 7,047 | 3,030 | 632 | 3,662 | 52.0% | 242 | 51 | 293 |
| Securitisation risk[3] | 154 | 1,610 | 1,764 | 81 | 342 | 423 | 24.0% | 6 | 27 | 34 |
| Equity risk[4] | - | 7,558 | 7,558 | - | 22,729 | 22,729 | 300.7% | - | 1,818 | 1,818 |
| **Total credit risk** | **330,738** | **278,177** | **608,915** | **83,213** | **112,160** | **195,374** | **32.1%** | **6,657** | **8,973** | **15,630** |

*[1] Includes all balance sheet items subject to credit risk, except those that are separately indicated. Therefore, it mainly includes: loans and receivables, fixed-income and non-debt assets.*

*[2] Counterparty risk including CVA risk and Default Fund risk (under the standardised approach).*

*[3] The EAD shown for securitisation risk corresponds to the exposure subject to risk weight before deductions.*

*[4] Risk in the equity portfolio includes the investees business and holdings in subsidiaries not consolidated by the full equity method for prudential purposes (mainly VidaCaixa).*

*[5] Capital requirements at 8% on RWA.*

## 5.1. Loans and receivables, fixed-income and non-debt assets

RWA credit risk
**€168,559 M**

EAD credit risk
**€592,546 M**

EAD under internal models
**45 %** (79 % vs. the private sector)

> Credit risk is the most significant risk item on the balance sheet. The general regulatory treatment for credit risk includes: impairment and default of credit investment counterparties, the fixed-income portfolio and other non-debt assets, mainly real estate.

As regards ordinary activity, the group focuses its lending activity towards meeting the funding needs of households and companies, and to providing value-added services to the large corporates segment, while targeting a medium-low credit risk profile, in line with the RAF.

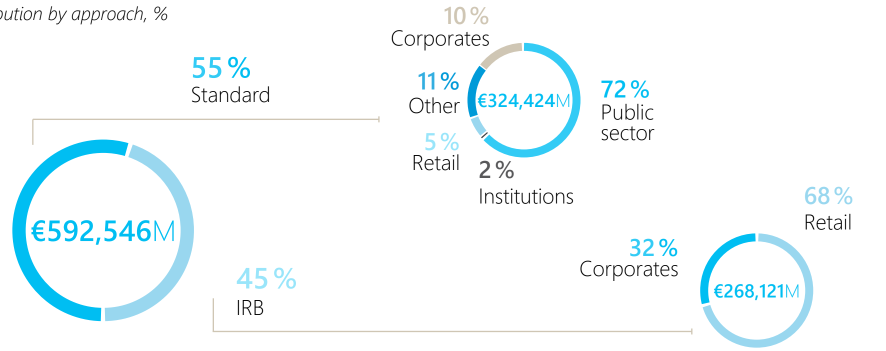
Approval of lending transactions follows the basic criterion of evaluation of the borrower's repayment capacity, and it is not the Group's policy to approve transactions merely because guarantees exist. If repayment capacity is deemed to exist, it then becomes important for the Bank to obtain additional guarantees as a risk mitigation factor, particularly in respect of long-term transactions, and to fix a price in accordance with the above two requirements.

With regard to the geographic distribution of credit risk, 83 % comes from Spain, 6 % from Portugal and 11 % from the rest of the world. In terms of distribution by category, exposure in private customers accounts for 40 % of the total, followed by non-financial corporations with 38 %. By residual maturity, 82 % of the exposure has a maturity of more than 1 year, and 54 % a maturity of more than 5 years.

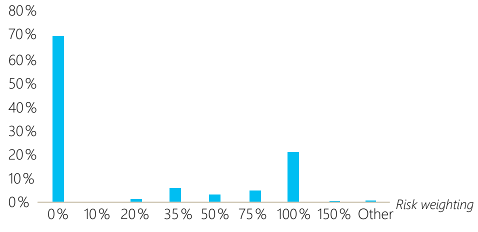
## Annual evolution

RWA in credit risk increased by €60,194 million, up 56 % year-on-year, mainly due to the inorganic impact: on the one hand, integration of the Bankia portfolio and, on the other hand, supervisory decisions relating to internal models, such as the authorisation of their application to the mortgage portfolio from Banco Mare Nostrum (Bankia) or the outcome of the inspection of the Corporate portfolio.

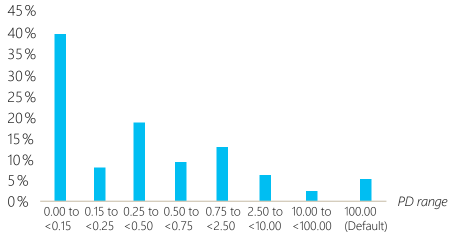
**EAD credit risk**
*Distribution by approach, %*




**EAD under standardised approach**
*Distribution by risk-weighting, %*




**EAD under IRB approach**
*Distribution by PD, %*



## 5.1.1 Credit risk management

### Description and general policy

Credit risk corresponds to the loss of value of the assets of the Group through a customer or a counterparty, due to the impairment of the capacity of this customer or counterparty to meet their commitments to the Group. It is the most significant risk item from the Group's financial activity, based on marketing banking and insurance, treasury operations and long-term equity investments (equity portfolio).

The Corporate Credit Risk Policy, approved by the Board of Directors, establishes the general framework and basic principles that serve as a reference and minimum standard for the identification, assessment, approval, monitoring and mitigation of credit risk, as well as the criteria for quantifying the coverage of expected credit risk losses, both for accounting and capital adequacy purposes.

**The main principles and policies that underpin credit risk management in the Group are as follows:**

- The credit risk management policy and strategy, as well as the frameworks and limits to control and mitigate credit risk, should be integrated and consistent with the overall risk appetite and strategy.
- The responsibilities will be clearly defined and allocated to the different areas involved in the credit risk approval, management, monitoring and control cycle in order to ensure effective credit risk management.
- The business lines and business units that give rise to credit risk shall be primarily responsible for managing the credit risk generated by their activities throughout the credit lifecycle. These lines and business units will have suitable internal controls to ensure compliance with internal policies and applicable external requirements. The risk management function will be responsible for assessing the adequacy of these controls.
- Approval will be based on the borrower's repayment capacity, with an appropriate relationship between income and the expenses borne by the customer. As a general rule, guarantees, whether personal or in rem, are no substitute for a lack of ability to repay or uncertain finality of the operation.
- There will be a suitable assessment of both the guarantees and the foreclosed assets.
- The pricing system will be adjusted to the risk assumed in the operations, so as to ensure an appropriate risk/return trade-off and where collateral acts as a mitigating element, in particular in long-term transactions.
- The development of internal models for the classification of exposures and borrowers, as well as for measuring risk parameters for regulatory capital consumption or provisioning, will ensure the establishment and standardisation of the key aspects of these models in accordance with a methodology adapted to the characteristics of each portfolio.
- There shall be a system of independent internal validation and periodic review of the credit risk models used for both management and regulatory purposes, for which materiality criteria shall be applied.
- There will be a monitoring framework that ensures that information related to credit risk exposures, borrowers and collateral is relevant and kept up to date throughout the lifecycle of the credit exposures, and that the external reports are reliable, full, up to date and drawn up within the established time frames.
- Criteria will be established for the accounting classification of transactions and for the quantification of expected losses and capital requirements for credit risk that accurately reflect the credit quality of the assets.
- The recovery process will be governed by the principles of anticipation, objectivity, efficiency and focus on customers. The recovery circuit will be designed on the basis of early detection of the possibility of default and will be equipped with adequate measures for the effective recovery of debts.

To ensure appropriate protection is given to customers, individuals and credit institutions, the current legal framework (the Sustainable Economy Act 2/2011 and Ministerial Order EHA/2899/2011 on transparency and protection of customers of banking services and the most recent Act 5/2019 of 15 March regulating real estate lending agreements) requires all financial institutions to establish policies, methods and procedures to ensure that the process of assessing and granting loan applications is appropriate. Therefore, as a mechanism to protect users of financial services, the new concept of a "responsible loan" establishes the need to adequately evaluate customer solvency and promote practices to ensure responsible lending.

CaixaBank has adhered to the Code of Good Practices for the viable restructuring of mortgage debts on primary residences included in Royal Decree-Act 6/2012 of 9 March, on urgent measures to protect mortgagors without funds, as amended by Act 1/2013 of 14 May, on measures to strengthen the protection of mortgage borrowers, debt restructuring and subsidised housing rentals, and Royal Decree-Act 1/2015 of 27 February, regarding second chance mechanisms and the reduction in the financial burden, and Royal Decree-Act 5/2017 of 17 March, amending Royal Decree-Act 6/2012 of 9 March and Act 1/2013 of 14 May.

With regard to the private sector in Spain, CaixaBank supplemented legislative moratoriums, both mortgage and non-mortgage, with other agreements mainly of a sectoral nature. Also noteworthy is the efforts made to ensure the deployment of the new guarantee facilities from the ICO (Official Credit Institute), which CaixaBank extended through working capital and special financing facilities, among others.

Other extraordinary provisions implemented by CaixaBank are those arising from the Royal Decree-Acts containing urgent measures to support the economic recovery and employment affecting the tourism, automotive, transport and housing sectors, as well as other measures to support business solvency and the energy sector. Among these provisions, it is worth highlighting the approval of Royal Decree-Act 5/2021 of 12 March. This regulation articulates a set of measures to mobilise public investment of up to 11 billion euros around four lines of action: three additional funds to finance direct aid, balance sheet restructuring and recapitalisation of companies, and the extension of tax and bankruptcy moratoria. These measures regulate both the extension of the application period for guarantees and the adaptation of certain conditions of the "ICO COVID-19 guarantee" lines, the Code of Good Practices (CGP), to which CaixaBank Group voluntarily adhered in order to continue supporting the business fabric affected by the pandemic, and the collection system for operations with an ICO COVID-19 guarantee. Tables 5.14 and subsequent tables include information about the loans and advances subject to legislative and non-legislative moratoria, as well as those under public guarantee schemes in response to the COVID-19 crisis.

## Structure and organisation of the credit risk control and management function

### First line of defence

Integrated into the procedures and processes of the operational units that effectively manage operational risk: they are responsible for the application of internal policies and procedures; proactively implement identification, management and mitigation measures; and establish and implement appropriate controls.

Given the business profile and relevance of this risk for the Group, there are several originating areas that also serve the function of a first layer of control (lines of defence): the **General Business Division**, the **Directorate of Corporate and International Banking** and the **General Risks Division**. In the case of the General Risk Division, the first line of defence is covered by: the Retail and Company Lending Offices through the different Default and Restructuring divisions (Individuals, Companies and Large Corporates).

### Second line of defence

The second line of defence ensures the quality of the entire credit risk management process: it reviews the consistency with internal policies/frameworks and public guidelines for related processes; provides guidance on the design and review of the processes and the controls established by the management units; and carries out specific controls on the different phases of the process. The functions of the second line of defence are divided between the divisions of **Corporate Risk Management Function & Planning** and **Compliance and Control**.

**Corporate Risk Management Function & Planning** comprises the following divisions linked to credit risk management:

- **Credit Risk Policies, Information and Monitoring,** responsible for the governance framework, revising and coordinating the approval policies and managing recoveries and defaults, among other things; monitoring, classifying and providing against credit exposures identified as Large Exposures; information and regulatory reporting; and management of the risk profile of the portfolio.
- **Regulated Credit Risk Models** is responsible, among other activities, for the development, information and governance of regulated credit risk models.
- **Planning, Impairment and Regulatory Capital is** involved, among other activities, in the budgeting and monitoring of the performance of credit assets, non-performing loans (NPLs) and provisions;the integration and governance of the accounting recognition of impairment; and it is responsible for calculating regulatory capital for credit risk consumption.

On the other hand, the **Compliance and Control Division** carries out the **Model Validation and Risk** function, with responsibility for issuing an independent technical opinion on the suitability of the models as regards their goals, their implementation and integration in management, and the **Internal Control** function, which directly exercises the second line control functions for credit risk.

### Third line of defence

See section 3.1.2.Internal Control Framework - Third line of defence.

## Credit risk cycle

The full credit risk management cycle covers the entire life of the transaction, from feasibility studies and the approval of risks as per established criteria, to monitoring borrower solvency and returns; and, ultimately, to recovering impaired assets. Diligent management of each of these stages is essential to successful recovery.

### 1. Admission and approval

The process for accepting and approving new loans is based on the analysis of the solvency and the characteristics of the transaction.

The decision on the approval of a risk must always be based on documented and verified information on the applicants and on the purpose of the loan. To this end, the authorisation system is based on an **electronic dossier** that includes all the relevant information needed to analyse and resolve the transaction at the corresponding approval level, capturing basic information —in general automatically— from the computer systems.

In particular one major component in this process of the assessment of a borrower's ability to repay a debt is the probability of default, measured by the scoring and rating systems. These tools were developed using statistical techniques in due consideration of the past experience of default.

In order to streamline approvals, there are different Risk Admission Centres (RACs) depending on the type of customer:

- individuals and self-employed workers are handled by the Individual Customer Admission Centre centralised within Corporate Services; and
- businesses are handled by Admissions Centres distributed throughout the country, which manage the applications within the scope of its approval powers, transferring the applications that exceed this scope to Corporate Services.

Except those that can be approved at branch level or by the Business Area Manager, the risk of transactions can only be approved when countersigned by a business manager and risk manager. In addition, the pre-approval of loans to individuals and legal persons in the micro and small enterprises segment for certain products is carried out in a centralised manner and in accordance with defined limits and risk criteria.

Specifically, the internal organisation of Business Risk Approvals at Central Services is based on the following specialised structure, according to the type of risk and customer segment:

Specifically, the internal organisation of Business Risk Approvals at Central Services is based on the following specialised structure, according to the type of risk and customer segment:

| | |
|---|---|
| **Corporate risk** | Centralises business groups with an annual turnover of over EUR 200 million in corporate centres and international branches. |
| **Company risk** | Businesses or business groups with a turnover up to EUR 200 million and those with a turnover over EUR 200 million not managed by corporate centres or international branches and that do not belong to specialised segments (real estate, agri-food, tourism or project finance). |
| **Real estate risk** | Covers developers in any segment, regardless of turnover, and real estate investment companies, including specialised real estate financing. |
| **Tourism and Agri-Food risk** | Covers all companies and business groups that operate in the tourism and food and agriculture sectors. It also includes the self-employed segment in the agricultural sector. |
| **Project Finance** | Includes all transactions presented under the project finance scheme, object finance and asset finance operations. |
| **Institutional banking** | It comprises autonomous or central institutions, town councils and local public institutions and members of economic groups or management groups whose partner/parent is one of these institutions. It also includes private institutions (foundations, universities, NGOs, religious orders, etc.) managed by the institutional centres. |
| **Sovereign, Country and Financial Institution Risk** | Responsible for the approval and management of country risk and financial institution risk inherent in funding transactions for the various segments. |

Lastly, the Permanent Credit Committee holds the power to approve individual operations up to EUR 100 million, provided the accumulated risk with the customer or its group is equal to or lower than EUR 150 million and, in general, it holds powers to approve operations that involve exceptions to the characteristics of those that can be approved in branches and in the RACs. In the event of exceeding the aforementioned amounts, the power of approval corresponds to the Executive Committee.

## Authority system

The authority system assigns the determined approval levels to employees, with a standard level of responsibility set according to their position. The authority system is based on the study of four key parameters:

### 1. Amount

The amount applied for, together with any risk already granted; this is the first key parameter and it involves calculating the accumulated risk for each of the title holders of the application and their economic group, where applicable. The amount of the transaction is defined by two alternative methods according to the segment to which the transactions of the holders of the submitted application belong and, where applicable, their economic group. The amount of the transaction is defined using two alternative methods according to the sector to which the transactions belong:

- **Loss weighted by product:** based on the expected loss calculation formula, it takes into account the risk appetite according to the nature of each product. It is applied to applications whose primary holder is a legal person.
- **Nominal:** taking into account the nominal amount and guarantees of risk transactions. It is applied to individuals.

### 2. Guarantee

The group of assets and/or funds pledged to secure fulfilment of a repayment obligation. The guarantee may either be **personal**, consisting of the solvency of the borrower and their guarantors, or **collateral**, involving a specific asset secured as collateral for a loan.

Decisions on whether or not to approve finance must be based on an evaluation of the borrower's repayment ability. In any event, the guarantees must be used when there is no repayment capacity or if there is an uncertain purpose to the transaction.

Mortgage guarantees are the main guarantees the Group uses to determine the degree of risk involved in a transaction.

To establish the approval authority levels necessary for the financing application being considered, the type, purpose and other aspects of guarantees are considered, as well as the loan-to-value ratio.

### 3. General risk policy

This is the set of policies identifying and evaluating the relevant variables of each type of transaction. These policies include a general study to assess certain characteristics of applications or customers, and they can be used to assign a specific risk approval level, or increase or decrease the approval risk level. They take into account aspects such as default alerts in internal or external databases, the scoring/rating diagnosis, the debt ratio, the outcome of the monitoring activities, certain characteristics of the borrower or whether the transaction concerns a small amount, whether in relative or absolute terms.

### 4. Term

This refers to the duration of the transactions requested, which must always be coherent with the purpose of the loan, as the longer the term, the greater the uncertainty with regard to the borrower's economic future, the value of the collateral and changes in the legal or socio-economic environment. Therefore, a longer term must be offset, in principle, by greater returns.

There are specific policies depending on the type of the transaction and the term, which require a higher level of authority to be approved.

### Risk-adjusted pricing

The purpose of calculating the risk-adjusted **pricing** is to determine the price that covers the total cost of the transaction.

For **pricing** purposes, all the factors associated with the transaction will be considered. In other words, costs involving structure, financing, customer historical profitability and expected loss of the transaction. Furthermore, transactions must provide a minimum contribution to financial capital requirements, which will be calculated net of tax.

Tools related to **pricing** and RAR (Risk-Adjusted Return) allow the highest standards to be reached in controlling the balance between risk and return, making it possible to identify the factors determining the returns of each customer more easily and, thus, to analyse customers and portfolios in accordance with their adjusted returns.

The Business General Management is responsible for approving the prices of the transactions. Following on from this, the determination of the prices is subject to an authority system focused on obtaining minimum compensation and, additionally, on establishing margins according to different businesses.

### Concentration of risks

In the Corporate Risk Catalogue, concentration risk is included within credit risk, since it is the main source of risk, although it covers all types of assets, as recommended by sector supervisors and as reflected in best practices.

The Group has developed policies setting out concentration risk guidelines and frameworks that develop calculation methodologies and establish specific limits within management. Mechanisms have also been developed to systematically identify its overall exposure and, wherever considered necessary, relative exposure limits have also been defined within the RAF.

Specifically, exposures are identified[1]:

i. In relation to the customer concentration or "large exposures", the Group monitors compliance with regulatory limits (25 % on Tier 1 capital) and risk appetite thresholds (at the end of the year there was no infringement of the defined thresholds);

ii. In relation to the type of product, the Group monitors a full perspective of accounting positions, segregated by product and issuer/counterparty, classified under loans and advances, debt securities, equity instruments, derivatives and guarantees given, which complement the other positions and the secured investment and pension funds;

iii. By geographical location;

iv. By economic sector, differentiating the position held with different activity segments of the private business sector and lending to the public sector;

v. By creditworthiness; and

vi. By sovereign risk.

[1] *See section 3.4.1. Credit concentration risk of CaixaBank Group's Financial Statements for more quantitative details of this risk.*

## 2. Mitigation of the risk

The Group's credit risk management profile is characterised by a prudent granting policy, at a price in keeping with the conditions of the borrower and suitable hedges/guarantees. In any case, long-term operations must have more robust guarantees due to the uncertainty deriving from the passing of time. These guarantees should never be used to substitute a lack of repayment capacity or an uncertain outcome for the operation.

### Main techniques for reducing credit risk

**1. Netting policies and processes for on- and off-balance-sheet positions**

Transaction netting agreements included in clauses of framework netting agreements provide an offsetting facility between contracts of the same type. In this respect, when managing risk and calculating own funds, the reciprocal positions between the Group company and the counterparty are offset.

Counterparty risk mitigation measures are specified in section 5.2.1. Counterparty risk management.

**2. Types of guarantees and management and valuation policies and procedures**

The approval of transactions and their maximum value must be related to the borrower's repayment capacity, such that they can meet their financial obligations in due time and form. If this criterion is met, the provision of additional guarantees is also assessed.

All transactions involving a risk are secured by the personal guarantee of the borrowers, irrespective of whether they are an individual or legal entity, given that they pledge all of their existing and future assets to secure fulfilment of the obligations concerned. Furthermore, additional security may be required, representing a risk factor reducer, since it allows unforeseen contingencies to be covered. Thus, the greater the probability of these contingencies occurring, the greater the guarantees demanded must be. Additionally, these guarantees should never be used to substitute a lack of repayment capacity or an uncertain outcome for the transaction.

#### Effective guarantees

For accounting purposes, effective guarantees are collateral and personal guarantees that can be demonstrated as valid risk mitigators, according to: **(i)** the amount of time required to be enforced; **(ii)** the ability to realise the guarantees; and **(iii)** the experience in realising them.

The different types of guarantees are as follows:

*Personal guarantees or guarantees constituted through the solvency of holders or guarantors*

Most of these relate to risk transactions with companies in which the collateral provided by the shareholders, irrespective of whether they are individuals or legal entities, is considered relevant. In the case of individuals, the collateral is estimated on the basis of declarations of assets, and where the backer is a business, it is analysed as the holder for the purposes of the approval process.

*Collateral*

Main types:

- **Pledged guarantees** notably include the pledge of funding transactions or the intermediated balances.

  To be admitted as collateral, financial instruments must, among other requirements: **(i)** be free of liens and charges; **(ii)** their contractual definition must not restrict their pledge; and **(iii)** their credit quality or change in value must not be related to the borrower. The pledge remains until the loan matures or is repaid early, or it is derecognised.

  During the guarantee registration process, the system verifies that a pledge can be applied on the security in question and determines the applicable pledge percentage. This varies depending on the type of financial instrument involved, between 100% for cash and 50% for equities.

  **The main financial instruments that can be pledged are:**

  - **On-demand savings accounts:** on which a pledge is drawn up for a specific sum. The rest may be freely drawn, and may even be used as security for another transaction.
  - **Term deposits and savings facilities:** the total sum of the deposit is effectively withheld.
  - **Investments in mutual funds:** these must be Spanish mutual funds, or funds of international managers registered with the CNMV and marketed by CaixaBank through *Allfunds Bank*. The guarantee withholding is applied to the number of holdings that make up the amount of the transaction, depending on the valuation at the time of pledging. Other holdings may be pledged to secure lending transactions.

- **Life-savings insurance policies:** the pledge is made on the associated policy and for the lowest value between the surrender value and the sum of the capital, pensions and contributions. The pledged policy is fully affected.

- **Fixed income securities:** these must be senior or mortgage bond issues, and they may not be subordinated, convertible or preference issues. The securities must be admitted for trading in a regulated market of the European Union or similar, and have a rating of at least BBB.

- **Equity securities:** they may be pledged, provided they are quoted on a regulated market of the European Union or similar.

- **Mortgage guarantees.** A real right on immovable property to secure an obligation, in relation to which internal policy establishes the following:

  - The **procedure for approval of guarantees** and the requirements for drawing up operations, e.g., the documentation that must be supplied and the mandatory legal certainty of this documentation.

  - The **review process for the appraisals** registered, in order to ensure proper monitoring and control of the guarantees. Regular processes are also carried out to check and confirm the appraisal values, in order to detect any anomalies in the procedures used by the valuation companies supplying the Group.

  - The **outlay policy**, mainly concerning property development and self-development transactions.

  - **Loan-to-value (LTV)** of the transaction. The capital granted in mortgage transactions is limited to percentages of the value of the guarantee, which is defined as the lower between the appraisal value and the value shown on the official deed in the purchase transaction. IT systems calculate the level of approval required for each type of transaction.

*Credit derivatives*

In addition, the Group occasionally uses credit derivatives, contracted with entities with a high credit level and protected by collateral contracts, to hedge against credit risk.

### Exposure by mitigation technique

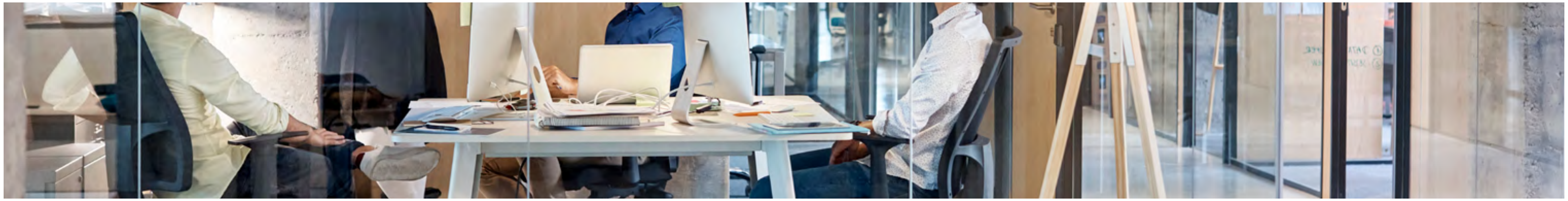
The following tables show information on **credit risk exposures** by type of guarantee applied to mitigate credit risk as at 31 December 2021 (not including the equity portfolio, counterparty, or securitisations).

## Table 5.1. Exposure by application of mitigation techniques

| *Amounts in millions of euros* | EAD | | | |
|---|---|---|---|---|
| **Type of guarantee** | **STD approach** | **IRB approach** | **Total** | **%l** |
| Mortgage | 19,131 | 163,642 | 182,772 | 30.85 % |
| Collateral | 373 | 3,168 | 3,541 | 0.60 % |
| Personal | 304,921 | 101,312 | 406,233 | 68.56 % |
| **Total** | **324,424** | **268,121** | **592,546** | **100.00 %** |

## Table 5.2. Standardised approach: exposure by application of mitigation techniques

| *Amounts in millions of euros* | EAD | | | |
|---|---|---|---|---|
| **Type of guaranty applied in the credit risk mitigation - SA portfolio** | **Mortgage Guarantees** | **Collateral** | **Personal Guarantees** | **Total** |
| Central governments or central banks | 126 | 26 | 206,426 | 206,578 |
| Regional governments or local authorities | 395 | 40 | 21,274 | 21,710 |
| Public sector entities | 142 | 66 | 5,801 | 6,009 |
| Multilateral development banks | 3 | 3 | 2,936 | 2,942 |
| International organisations | - | - | - | - |
| Institutions | - | 11 | 3,966 | 3,977 |
| Corporates | 295 | 188 | 30,161 | 30,645 |
| Regulatory retail exposures | 50 | 31 | 16,012 | 16,093 |
| Exposures secured by mortgages on immovable property | 17,781 | - | 199 | 17,980 |
| Exposures in default | 138 | 7 | 906 | 1,050 |
| Exposures associated with particularly high risks | 202 | - | 129 | 330 |
| Covered bonds | - | - | - | - |
| Exposures to institutions and corporates with a short-term credit assesment | - | - | - | - |
| Exposures in the form of units or shares in collective investment undertakings (CIU's) | - | - | - | - |
| Equity exposures | - | - | - | - |
| Other assets | - | - | 17,111 | 17,111 |
| **Total** | **19,131** | **373** | **304,921** | **324,424** |



## Table 5.3. IRB approach: exposure by application of mitigation techniques

| *Amounts in millions of euros* | EAD | | | |
|---|---|---|---|---|
| **Type of guaranty applied in the credit risk mitigation - IRB portfolio** | **Mortgage Guarantees** | **Collateral** | **Personal Guarantees** | **Total** |
| **Specialized financing subject to the allocation criteria** | **307** | **687** | **2,195** | **3,189** |
| Entities | - | - | 62 | 62 |
| Corporates | 14,351 | 1,505 | 66,941 | 82,797 |
| Of which: corporates-SMEs | 8,043 | 345 | 10,945 | 19,332 |
| Of which: corporates-others | 6,308 | 1,161 | 55,996 | 63,465 |
| Retailers | 148,984 | 975 | 32,113 | 182,072 |
| Of which: retail exposures-real estate, SMEs | 13,445 | - | - | 13,445 |
| Of which: retail-real estate exposures, not SMEs | 135,540 | - | - | 135,540 |
| Of which: Eligible Renewable Retail Exposures | - | - | 10,638 | 10,638 |
| Of which: retail exposures-other SMEs | - | 520 | 11,393 | 11,913 |
| Of which: retail exposures-other non-SMEs | - | 455 | 10,082 | 10,537 |
| **Credit risk AIRB method** | **163,335** | **2,481** | **99,116** | **264,932** |
| **Total** | **163,642** | **3,168** | **101,312** | **268,121** |

## Table 5.4. EU CR7-A - IRB approach - Disclosure of the extent of the use of CRM techniques

*Amounts in millions of euros*

| | | Credit risk Mitigation techniques | | | | | | | | | | | Credit risk Mitigation methods in the calculation of RWEAs | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Funded credit Protection (FCP) | | | | | | | | | Unfunded credit protection (UFCP) | | | |
| IRB | Total exposures[2] | Part of exposures covered by Financial Collaterals (%) | Part of exposures covered by Other eligible collaterals (%) | Part of exposures covered by Immovable property Collaterals (%) | Part of exposures covered by Receivables (%) | Part of exposures covered by Other physical collateral (%) | Part of exposures covered by Other funded credit protection (%) | Part of exposures covered by Cash on deposit (%) | Part of exposures covered by Life insurance policies (%) | Part of exposures covered by Instruments held by a third party (%) | Part of exposures covered by Guarantees (%) | Part of exposures covered by Credit Derivatives (%) | RWEA without substitution effects (reduction effects only)[1] | RWEA with substitution effects (both reduction and substitution effects) |
| **Specialised lending under slotting approach** | **3,189** | | | **5.23 %** | **0.00 %** | **0.00 %** | | **0.00 %** | **0.00 %** | **0.00 %** | | | **2,222** | **2,222** |
| Institutions | 62 | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 25 | 25 |
| Corporates | 82,797 | 1.45 % | 43.49 % | 42.61 % | 0.00 % | 0.88 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 48,943 | 48,287 |
| Of which SME | 19,332 | 2.03 % | 113.92 % | 113.51 % | 0.00 % | 0.41 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 9,603 | 9,215 |
| Of which Other Corporates | 63,465 | 1.28 % | 22.04 % | 21.02 % | 0.00 % | 1.02 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 39,340 | 39,073 |
| Retails | 182,072 | 1.10 % | 230.01 % | 229.92 % | 0.00 % | 0.09 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 38,019 | 37,922 |
| Of which Retail – Immovable property SMEs | 13,445 | 0.21 % | 369.91 % | 369.90 % | 0.00 % | 0.01 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 3,158 | 3,106 |
| Of which Retail – Immovable property non-SMEs | 135,540 | 0.07 % | 272.17 % | 272.16 % | 0.00 % | 0.01 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 22,208 | 22,208 |
| Of which Retail – Qualifying revolving | 10,638 | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 2,975 | 2,975 |
| Of which Retail – Other SMEs | 11,913 | 9.02 % | 0.63 % | 0.00 % | 0.00 % | 0.63 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 4,354 | 4,309 |
| Of which Retail – Other non-SMEs | 10,537 | 7.60 % | 0.78 % | 0.00 % | 0.00 % | 0.78 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 5,325 | 5,325 |
| **Credit Risk advanced IRB (AIRB) approach** | **264,932** | **1.21 %** | **171.67 %** | **171.33 %** | **0.00 %** | **0.34 %** | **0.00 %** | **0.00 %** | **0.00 %** | **0.00 %** | **0.00 %** | **0.00 %** | **86,987** | **86,235** |
| **Total** | **268,121** | **1.21 %** | **169.69 %** | **169.35 %** | **0.00 %** | **0.34 %** | **0.00 %** | **0.00 %** | **0.00 %** | **0.00 %** | **0.00 %** | **0.00 %** | **89,209** | **88,457** |

[1] *The only effect that is eliminated is the substitution of PD by guarantor.*

[2] *EAD.*

## Table 5.5. EU CR3 - Credit risk mitigation techniques – overview[1]

| | *Amounts in millions of euros* | Exposures unsecured – Carrying amount | Guaranteed exhibitions - Amount in books | | | |
|---|---|---|---|---|---|---|
| | | | | Exposures secured by collateral | Exposures secured by financial guarantees | Exposures secured by credit derivatives |
| **1** | **Loans and advances** | **223,921** | **237,552** | **179,407** | **58,145** | **210** |
| 2 | Representative values of debt | 79,224 | 3,759 | 1 | 3,759 | |
| **3** | **Total exposures** | **303,146** | **241,311** | **179,408** | **61,903** | **210** |
| 4 | Of which: non-performing exposures | 6,360 | 9,076 | 6,672 | 2,403 | 210 |
| EU5 | Of which: defaulted | 6,103 | 9,064 | - | - | - |

Of the total of all exposures at year-end 2021, the exposures secured with collateral represented 44% of the total, and 51% in the case of loans. As for the exposures in default, those guaranteed with collateral represent 61% of the total.

At year-end 2021, CaixaBank has no credit derivatives covered by collateral contracts for hedging credit risk, and therefore the table EU CR7 has not been published.

[1] *Information obtained from FINREP (carrying amount).*

CaixaBank

## 3. Monitoring and measurement of credit risk

The Group has a monitoring and measurement system that guarantees the coverage of any borrower and/or transaction through methodological procedures adapted to the nature of each holder and risk:

### 1 BORROWER MONITORING PROCESSES

**SCOPE**

**INDIVIDUALISED MONITORING**

**Large exposures:**
*By economic group of borrowers*
- Greater than EUR 30 million in general
- Lower than EUR 30 million euros, but they meet the condition that some of their group components:
  - Exceed an exposure volume of EUR 10 million euros and presents some weakness (defaults over 45 days, refinanced transactions, etc.)
  - Exceed an exposure volume of EUR 5 million and have non-performing contracts

**Market and balance sheet risk:**
*Per borrower*
- When there is market information

**COLLECTIVE MONITORING**

Other transactions/ borrowers

### 2 QUANTIFICATION AND ASSESSMENT OF THE CREDIT RISK

**RATING METHOD**

**Manual:**
- Expert allocation of the monitoring rating for each borrower

**Automatic**
- Model based on statistical patterns (Early Alert Model), the PD calibrated with forward-looking vision and other relevant alerts

### 3 DEFINING THE ACCOUNTING CLASSIFICATION

***STAGING:* ASSESSMENT OF THE EXISTENCE OF SICR AND DEFAULT**

***Single Names (SN)***
- Borrowers that, due to their exposure volume or associated risk, require individualised and expert processing File on SNs and continuous and proactive management via triggers

**REST (NON-SN)**
- Classification through automatic processes
- There is alignment between the monitoring rating and the accounting classification

### 4 DEFINING THE HEDGE ACCOUNTING

**BASED ON EXPECTED LOSS**

- Calculation of the provision based on **expert criteria**

- Monitoring
- Determining hedging through **statistical models** based on the Group's experience and projections of relevant variables

### 1. Borrower monitoring process

The purpose of the monitoring action is to determine the quality of the risk assumed with the borrower ("Monitoring Rating") and any actions to be taken depending on its result, including the estimation of impairment. The targets of risk monitoring are the accredited holders of the debt instruments and off-balance-sheet exposures that bear credit risk, and the profit or loss is a reference for the future granting policy.

The Credit Risk Monitoring Policy is based on the type and specific nature of the exposure, which is segregated into differentiated areas, in accordance with the various credit risk measurement methods.

The Monitoring Rating is an assessment of the situation of each customer and their risks. All borrowers have a monitoring rating based on five categories[1], ranging from better to worse: imperceptible, low, medium, medium-high and non-performing. They can also be generated **manually** (in the case of the scope of borrowers under individualised monitoring) or **automatically** (for the rest).

According to the scope of monitoring and rating of borrowers, monitoring can be:

- **Individualised:** applied to exposures of a significant amount or that have specific characteristics. The monitoring of large exposures leads to the issuance of group monitoring reports, concluding in a monitoring rating for the borrowers in the group.

  The Group defines as individually significant borrowers (Single Names) those that meet the following thresholds or characteristics[2]:

  - Exposure greater than 30 million euros for two consecutive months or more than 24 million euros one month.
  - Exposure greater than 10 million euros for two consecutive months or more than 12 million euros one month, which meet one of the following criteria: expected loss of 200 thousand euros, with refinanced operations, with early default (>45 days) or those consolidated with the Bank by the equity method.
  - Exposure exceeding 5 million euros with non-performing transactions (objective or subjective) accounting for more than 5% of the borrower's risk.
  - Borrowers that form part of the Group (fully consolidated), with the exception of BPI.
- **Collective:** the ratings are obtained by combining a statistical model, referred to as the Early Alert Model (EAM), the Probability of Default (PD) calibrated with a forward-looking view (consistent with the PD used to calculate the credit risk hedges) and other relevant alerts. Both the EAM and the PD are obtained at least on a monthly basis, and daily in the case of the alerts.

Additionally, the EAM and PD models are subject to the credit risk model management policy.

[1] *The different monitoring ratings are:*

- *Imperceptible risk: all customer operations are carried out correctly and there are no indications that the customer's ability to repay is in doubt.*
- *Low risk: the payment capacity is adequate, although the customer or one or more of their operations shows some minor signs of weakness.*
- *Medium risk: there are indications of customer impairment, nonetheless, these weaknesses do not, at present, put the ability to repay the debt at risk.*
- *Medium-high risk: the customer's credit quality has been seriously weakened. If the customer impairment continues, the customer may not have the capacity to repay the debt.*
- *Non-performing (doubtful): there is evidence of sustained impairment or non-performance as regards the customer's capacity to meet their obligations.*
- *No rating: there is insufficient information to assign a monitoring rating.*

[2] *In addition to these borrowers, transactions with low credit risk, classified as such because they are transactions with no discernible risk, which are non-performing, will require an individual estimate of the credit risk loss. On the basis of a materiality criterion, the individual loss estimation will be made for borrowers with more than EUR 1 million of exposure where more than 20% of the exposure is non-performing.*

## 2. Quantification and assessment of the credit risk

Credit risk quantifies losses that might derive from failure by borrowers to comply with their financial obligations, based on two concepts: expected loss and unexpected loss.

- **Expected Loss (EL):** the average or mathematical expectation of potential losses foreseen, calculated by multiplying three factors: probability of default (PD), exposure at default (EAD) and loss given default (LGD).

- **Unexpected loss:** potential unforeseen loss caused by a possible variability in losses with respect to the estimated expected loss. This can occur due to sudden changes in cycles, alterations in risk factors, and the dependence between the credit risk for the various debtors. Unexpected losses have a low probability and large amount, and should be absorbed by the Group's own funds. The calculation of unexpected loss is also mainly based on the operation's PD, EAD and LGD.

Credit risk parameters are estimated based on the historical default experience. To do so, the Group has a set of tools and techniques for the specific needs of each type of risk, described below based on how they affect the three factors for calculating the expected loss:

- **EAD:** provides an estimate of the outstanding debt in the event of default by the customer. This measurement is significant for financial instruments with a repayment structure that varies according to customer drawdowns (in general, any revolving credit product).

  This estimate is obtained based on the internal default experience, relating the drawdown levels upon default with drawdown levels over the 12 preceding months. Several variables are considered to build the model, such as product type, term to maturity and customer characteristics.

- **PD:** the Group uses management tools covering virtually all of its lending business to help predict the probability of default associated with each borrower.

These tools, implemented in the branch network and the risk monitoring and granting channels, were developed on the basis of NPL experience and include the measurements required to fine-tune the results both to the business cycle, with a view to securing relatively stable measures in the long term, and to recent experience and future projections. The models can be classified according to their orientation toward the product or customer:

- **Product-oriented tools** are used mainly within the scope of authorisation of new retail banking transactions (approval scorings) and take account of the debtor's characteristics, information derived from the customer relationship, internal and external alerts, as well as the specific characteristics of the transaction to determine its probability of default.

- **Customer-oriented tools** assess the debtor's probability of default. They comprise behavioural 'scoring' models for the monitoring of risk of individuals and ratings of corporates.

  - Rating tools for **corporates** are specific according to the customer segment. The rating process for micro-enterprises and SMEs, in particular, is based on a modular algorithm, in which four different areas of data are rated: the financial statements, the information drawn from dealings with customers, internal and external alerts and certain qualitative factors.

  - As regards **large corporates**, the Group has models that require the expert criteria of analysts, and their goal is to seek to replicate and be coherent with the ratings of rating agencies. In view of the lack of sufficient frequency of internal default rates for drawing up purely statistical models, the models were built in line with the Standard & Poor's methodology, enabling the global public default rates to be used, making the methodology much more reliable.

The customers are scored and rated on a monthly basis in order to keep the credit rating up to date, except for the rating of large corporates, which is updated at least annually, and whenever significant events occur that can alter credit quality. For legal persons, the financial statements and qualitative information is updated periodically to achieve the maximum level of coverage of the internal rating.

- **LGD:** quantifies the percentage of debt that cannot be recovered in the event of borrower default.

  The historic loss given default is calculated using internal information, taking into account the cash flows associated with contracts from the moment of default. The models enable loss given defaults to be obtained based on the guarantee, the Loan to Value ratio, the product type, the borrower's credit quality and, for uses in which it is required by regulation, the recessional conditions of the economic cycle. This calculation also makes an estimate of the indirect expenses (office staff, infrastructure costs and similar) associated with the recovery process. In the case of large corporates, loss given default also includes elements of expert judgement, coherent with the rating model.

It should be noted that through LGD the Group considers the income generated on the sale of written-off loans as one of the possible future cash flows generated to measure expected credit impairment losses. This income is calculated based on the internal information of the sales made in the Group[1]. The sale of these assets is considered reasonably foreseeable as a recovery method and is therefore considered by the Group as one of the recurrent tools to be used as part of its strategy to reduce non-performing balances. In this sense, there is an active impaired debt market that ensures a high probability of generating future debt sale transactions[2].

In addition to regulatory use to determine the Group's minimum capital requirements and the calculation of hedges, the credit risk parameters (PD, LGD and EAD) are used in a **number of management tools**, e.g., the Risk-Adjusted Return (RAR) calculation tool, the pricing tool, customer pre-classification tools, monitoring tools and alert systems.

**3. Defining the accounting classification**

Accounting definitions of default and impaired positions[3].

- A financial asset is considered to be impaired when there is objective evidence of an adverse impact on the future cash flows of the holder of the debt as regards those that were estimated at the time the transaction was granted, where the borrower is unable or will be unable to meet its obligations in time or form, or when the asset's carrying amount may not be fully recovered. However, a decline in fair value to below the cost of acquisition is not in itself evidence of impairment.

*[1] See Note 2.7 to the 2021 annual accounts for reference to the fact that cases of exposure sales with significantly increased credit risk do not compromise the business model of holding assets to collect contractual cash flows.*
*[2] See note 27.4 to the 2021 annual accounts for reported sales of non-performing and write-off portfolios.*
*[3] For further details on the incorporation of forward-looking information into the expected loss models, see section 3.4.1. under the heading of Monitoring and measurement. Monitoring and measurement of credit risk in CaixaBank Group Report.*

Positions are classified into one of the following categories, on the basis of the insolvency risk attributable to the customer or transaction:

| CREDIT RISK CATEGORY | OBSERVED CREDIT RISK IMPAIRMENT SINCE INITIAL RECOGNITION | | | |
|---|---|---|---|---|
| | PERFORMING | WATCH-LIST PERFORMING | NON-PERFORMING | WRITE-OFF |
| | *STAGE* 1 | *STAGE* 2 | *STAGE* 3 | |
| CRITERIA FOR CLASSIFICATION AND TRANSFER | Operations for which there has been no material increase in credit risk since the initial recognition | Operations for which there has been a significant increase in credit risk (SICR) but there are no default events | Operations with credit impairment<br><br>Default event when there are amounts past due over **90 days** | Operations without reasonable expectations of recovery |
| CALCULATION OF THE IMPAIRMENT HEDGE | Expected credit losses at twelve months | Expected credit losses during the life of the operation | | Recognition in results of losses for the carrying amount of the operation and total derecognition of the asset |
| INTEREST CALCULATION AND RECOGNITION | Calculated by applying the effective interest rate to the gross carrying amount of the operation | | Calculated by applying the effective interest rate at amortised cost (adjusted to reflect impairment value corrections) | Not recognised in the statement of profit or loss |
| INCLUDED OPERATIONS | Initial recognition of financial instruments | Operations included in a sustainability agreement that have not completed the probation period<br><br>Operations of debtors seeking bankruptcy proceedings which are not classified as non-performing or write-offs<br><br>Refinanced or restructured operations which do not need to be classified as non-performing and are still in the probation period<br><br>Operations with amounts past due over **30 days**<br><br>Operations that can be determined as having produced a significant increase in risk, using market indicators/triggers | **Doubtful due to borrower arrears:** operations with amounts past due over **90 days.** Operations where all holders are considered cluster risk (personal risk criterion)<br><br>**Doubtful for reasons other than borrower arrears:**<br>• Operations that pose reasonable doubts regarding full repayment<br>• Operations with legally claimed balances<br>• Operations in which collateral execution processes have been initiated<br>• Operations and guarantees by insolvent borrowers without an application for liquidation<br>• Refinanced operations classifiable as non-performing<br>• Operations purchased / originated with credit impairment | Operations with unlikely recovery<br><br>Partial derecognition of operations without extinction of the rights (partial write-offs)<br><br>Non-performing operations due to default reasons, which have been in the category for more than 4 years when the amount not hedged with collateral has been maintained with credit risk hedging of 100% for more than 2 years (except when there is collateral to cover at least 10% of the gross amount)<br><br>Operations where all the holders are declared bankrupt in the settlement phase (except if they have collateral to cover at least 10% of the gross amount) |

Performing, or **Stage 1**, comprises instruments that do not meet the requirements for classification in other categories.

The next tranche, known as **Stage 2** or watch-list performing, encompasses all operations which, without qualifying individually for classification as non-performing or write-off risk, show impairment in their credit quality from the time they are granted.

With regard to **Stage 3** or non-performing due to customer arrears, the amount to be classified in this category includes the total amount of any debt instruments with a portion of principal, interest or contractually agreed expenses that are past-due more than 90 days, regardless of who the holder is and whatever the guarantee or collateral, unless such instruments should be classified as write-offs. This category also includes guarantees given where the guaranteed transaction is non-performing. In addition, operations in which all the holders are non-performing due to personal risk criteria are also classified as non-performing due to arrears, i.e., when operations with amounts past due of over 90 days account for more than 20% of the amounts pending collection.

The classification of non-performing due to reasons other than borrower arrears also applies to debt instruments which, although they do not meet the criteria for classification as write-offs or non-performing due to borrower arrears, pose reasonable doubts regarding full repayment (principle and interest) within the contractual terms agreed; as well as off-balance-sheet exposures whose payment by the bank is probable and whose repayment is doubtful.

The Group classifies debt instruments for which – after an individual analysis – recovery is considered remote, as write-offs, regardless of whether they have matured. It proceeds to derecognise the asset, without prejudice to any actions that may be initiated to seek collection until their contractual rights are extinguished definitively by expiry of the statute-of-limitations period, forgiveness or any other cause.

In order to reclassify transactions to this category before these terms expire, it is necessary to demonstrate the remote likelihood of recovering the corresponding balances.

According to the Group's experience of recoveries, it deems the recovery of the remaining balance of mortgage transactions remote when there is no additional collateral once the good has been recovered, and therefore, the aforementioned remainder is classified as a write-off.

### Prudential definition of default

The definition of default used for regulatory purposes is provided for in Article 178 of the Capital Requirements Regulation (CRR) (EU) 575/2013 implemented in the guidelines EBA/GL/2016/07; hereinafter NDoD (New Definition of Default).

The most differential aspects of the NDoD with respect to the accounting definition are as follows:

- **Establishment of thresholds:** the materiality criterion incorporates a relative component in addition to the absolute component for individuals (€100 and 1%) and legal entities (€500 and 1%).
- **Default period accounting:** the periods of default begin with the two previous thresholds being exceeded, and 90 days must be exceeded to identify the default.
- **Cure period:** once the asset is no longer in a default situation, if – during the following 3 months – there are amounts due exceeding thresholds for more than 30 consecutive days, the transaction would be considered in arrears again.
- **Pulling effect:** contracts in which the best holder, or all holders, are non-performing, are transferred to default.

### Definition of Default

| | Prudential | Accounting |
|---|---|---|
| | Article 178 of CRR | Circular 4/2017 Bank of Spain |
| Period counting for the identification of default | The default date is counted from when the defaulted amount exceeds the absolute and relative thresholds established in the EBA definition of default and continues as long as the defaulted amount exceeds the thresholds.* The operation defaults when the number of days past due is >90 days.<br><br>*Absolute and relative materiality criteria for individuals (€100 and 1%) and legal entities (€500 and 1%). | The default date corresponds to the oldest past due and unpaid debt.<br><br>The entry into **Stage 3** occurs when 90 days of non-payment are exceeded. |
| Cure period | Once the default payments have been regularised, the operation remains in default for the following 3 months. If during this period there are unpaid amounts exceeding the thresholds that are more than 30 days old, the cure period is reset. | There is no cure period. |
| Pulling effect | All operations of holders in which the best holder is in default are moved to default. | Operations by holders are moved to **Stage 3** when the operations with amounts past due over 90 days represent more than 20% of the outstanding amounts. |

Non-performing exposures, both due to arrears and reasons other than arrears, which are classified in **Stage 3** for accounting purposes, are considered impaired operations.

Risks classified as non-performing may not simultaneously meet the classifications of impaired (**Stage 3**) and defaulted. At year-end 2021, EUR 18,230[1] million was recognised as default of which EUR 13,339 million was classified in **Stage 3**, financial assets acquired or originated with credit impairment (EUR 689 million) not included.

Operations marked as refinancing operations may be classified in **Stage 3** or **Stage 2** for accounting purposes and as either defaulted or non-defaulted from a regulatory point of view.

### Accounting classification process

The accounting classification among the different **stages** of IFRS 9[2] for operations with credit risk is defined according to whether a default event has occurred and/or whether there has been a significant increase in credit risk (SICR) since the operation's initial recognition.

It will be considered that there has been SICR from the initial recognition (such operations being classed as **Stage 2**) when there are weaknesses that may involve significantly higher losses than expected at the time the credit is granted. To identify weaknesses, the Group has the monitoring and rating processes described in point 2. Quantification and assessment of credit risk. Specifically, when the operations meet any of the following qualitative or quantitative criteria, unless they must be classified as **Stage 3**.

- **i.** Refinanced exposures that do not classify as **Stage 3**.
- **ii.** Operations involving borrowers that are in insolvency proceedings which do not classify as **Stage 3**, because:
  - **a.** The borrower has paid at least 25% of the company's loans affected by the insolvency proceedings – after deducting the agreed write-off, where applicable.
  - **b.** Two years have elapsed since the order approving the borrowers' agreement was registered with the Commercial Register, provided that this agreement is being faithfully performed and the equity and financial situation of the corporation dispels any doubts regarding full repayment of its debts, all unless interest has been agreed that is noticeably lower than the market rate.
- **iii.** Operations with amounts that are more than 30 days past due (but less than 90 days, in which case they would be classified as **Stage 3**).
- **iv.** Operations for which, through market indicators/ triggers, it is possible to determine that an SICR has occurred.
- **v.** Operations for which an SICR has occurred since the initial recognition on the basis of either of the two following criteria[3]: a deterioration in the monitoring rating or a relative increase in PD (see in further detail below).

With respect to the previous year, there have been no changes in the general criteria for determining a significant increase in credit risk. Notwithstanding the above, in 2021, as in 2020, the Bank applied certain prudent adjustments in the context of COVID-19, as set out in the section "COVID-19 impact".

Operations that no longer meet the conditions to qualify for **Stage 1** will be classified as **Stage 2**, unless they are identified as refinancing, refinanced or restructured operations.

With respect to r**efinancing, refinanced or restructured transactions** classified as **Stage 2** as it is not appropriate to classify them as **Stage 3** on the refinancing or restructuring date or because they have been reclassified from **Stage 3**, they will continue to be identified as **Stage 2** during a trial period until all the following requirements are met:

*[1] For further details see table EU-CR1.*

*[2] See Note 2 of CaixaBank Group Report.*

*[3] Unless, for operations with individually significant borrowers or Single Names, the individualised analysis determines that this significant increase in risk has not occurred.*

**i.** A minimum period of two years has elapsed from the date of authorisation of the restructuring or refinancing operation, or, if later, from the date of its reclassification from the non-performing category.

**ii.** It has been in repayment for more than one year and has not been in default for more than thirty days.

**iii.** None of the transactions involved in the refinancing/ restructuring are in default.

**iv.** That an amount equal to all amounts, principal and interest, which were due at the date of the refinancing or restructuring operation, or which were written off as a result of it, has been satisfied by means of regular payments. (note: or we are not applying it and now it is no longer in force because it was removed from the last circular).

**v.** The borrower must have no other operations with amounts that are more than thirty days past due at the end of the trial period.

**vi.** That there is no other reason to keep this operation in **Stage 2**.

It will be considered that there has been a **default** and, therefore, an operation will be classified at **Stage 3** when – regardless of the holder and the guarantee – there is an amount past due (capital, interests or contractually agreed costs) by more than 90 days, as well as the operations of all other holders when the operations with past due amounts of over 90 days account for more than 20% of the amounts pending collection.

Operations classified in **Stage 3** due to the customer being non-performing will be reclassified to **Stage 1** or **Stage 2** when, as a result of collecting part of the overdue amounts, the reasons that caused their classification as **Stage 3** disappear and there remain no reasonable doubts regarding their full repayment by the holder for other reasons.

Additionally, the following operations will be classified as **Stage 3**:

**i.** transactions with legally claimed balances;

**ii.** transactions in which the collateral execution process has been initiated;

**iii.** transactions made by borrowers who have declared insolvency or are expected to declare insolvency where no liquidation petition has been made;

**iv.** guarantees extended to borrowers that are undergoing insolvency proceedings where the liquidation phase has or will be declared, or that have undergone a significant and irrecoverable loss of solvency, even though the beneficiary of the guarantee has not demanded payment;

**v.** refinancing, refinanced or restructured transactions classifiable as non-performing including those that, having been classified as non-performing before the trial period, are refinanced or restructured or that have amounts that are more than 30 days past-due;

**vi.** operations that have a second or subsequent charge mortgage guarantee when the first-charge secured operation is classed as non-performing;

**vii.** operations in which all holders have refinanced operations under a Code of Good Practice; and

**viii.** operations with holders who, after an individualised review, pose reasonable doubts regarding full repayment (principal and interest) in the contractually agreed terms.

Unless they are identified as refinancing, refinanced or restructured operations, those classified as **Stage 3** for reasons other than the customer being non-performing can be reclassified to **Stage 1** or **Stage 2** if, as a result of an individualised study, the reasonable doubts regarding their full repayment by the holder in the contractually agreed terms disappear and there are no amounts overdue by more than ninety days on the date of reclassification to **Stage 1** or **Stage 2**.

In the case of refinanced, restructured or refinancing transactions, in order to consider the credit quality of the transaction to have improved and, therefore, to proceed to reclassify it to **Stage 2**, all the following criteria must be verified in general:

- **i.** That more than one year has passed since the date of refinancing or since the date of entry into non-performing due to default of more than 30 days or second refinancing.
- **ii.** It has been in repayment for more than one year and has not been in default for more than thirty days.
- **iii.** That the borrower has no other operations with amounts past due of over ninety days at the date of reclassification to **Stage 2** of the refinancing, refinanced or restructured operation.
- **iv.** None of the transactions involved in the refinancing/ restructuring are in default.
- **v.** That an amount equal to all amounts, principal and interest, which were due at the date of the refinancing or restructuring operation, or which were written off as a result of it, has been satisfied by means of regular payments.
- **vi.** That there is no other reason to keep this operation in **Stage 3**.

The risks of borrowers declared bankrupt without liquidation request shall be reclassified as watch-list performing when they have fulfilled one of the following conditions:

- The borrower has paid at least 25 % of the company's loans affected by the insolvency proceedings – after deducting the agreed write-off, where applicable.
- Two years have elapsed since the order approving the borrowers' agreement was registered with the Commercial Register, provided that this agreement is being faithfully performed and the equity and financial situation of the corporation dispels any doubts regarding full repayment of its debts, all unless interest has been agreed that is noticeably lower than the market rate.

All risks incurred after the approval of the agreement will not be classified as non-performing as long as the borrower is in compliance with the agreement and does not pose doubts as to its collection. They will remain classified as normal risk.

The process for determining the borrower's accounting classification is specified below:

- **Single Name:** these borrowers are constantly assessed as regards the existence or indications of impairment, as well as a potential significant increase in credit risk (SICR) from the initial recognition, and losses associated with the assets of this portfolio are assessed.

  To assist in the proactive management of evidence, indications of impairment and SICR, the Group has developed triggers, which are indications of asset impairment affecting the customer or operations and are assessed by the analyst to determine the **Stage 2** or **Stage 3** classification of the customer's operations. They are based on available internal and external information, by borrower and by transaction, grouped according to segment, which determines the type of information required for credit risk analysis and the sensitivity to changes in the impairment indicator variables. The triggers are an indication of impairment of the asset affecting the customer or the operations.

  1. **Global triggers:**

     - Financial difficulties of the issuer or debtor: subjective doubtful triggers (i.e., unfavourable financial information on the debtor, measured via various ratios on the available financial statements) and triggers of a minimum of **Stage 2** (due to deterioration of the monitoring rating).
     - A breach of contract, such as a default or delinquency in interest or principal payments: **Stage 3** triggers (i.e., non-payments exceeding 90 days) and triggers of a minimum of **Stage 2** (non-payments exceeding 30 days).
     - In the event of financial difficulties, the borrowers are given concessions or advantages that would otherwise not be considered. Trigger of a minimum of **Stage 2** (refinancing).
     - Probability of the borrower declaring bankruptcy or restructuring **Stage 3** trigger (declared insolvent).
     - Market triggers, referring to identifying financial difficulties of the debtor or issuer, due to breaches of contractual clauses or to the disappearance of an active market for the financial security:
       - External or internal rating indicating default or near to default (Level 6 Credit Quality as defined in CRR).
       - Significant deterioration in the Group's credit rating of the borrower.
       - Deterioration of the automatic rating.
       - External rating lower than CCC+.
       - Relative variation of the CDS to a benchmark (iTraxx).
       - Significant impairment in the issuer's external rating with respect to the time the transaction is granted.
       - Default event other than those covered by the ISDA definition of default.
       - Reduction in the price of the borrower's bond issue >30% or share price below 70%.
       - Trading of the borrower's shares is suspended.

  2. **Specific triggers:** for sectors such as property developers, project finance and public administrations.

  In cases in which, in the opinion of the analyst, contracts are classified as **Stage 2** or **Stage 3**, the Group proceeds to the expert calculation of the specific provision.

- **Other contracts (not Single Name):** as previously stated, when the borrower's rating has significantly deteriorated or when there is a relative increase of relevant PD with respect to the start of the transaction, the Group proceeds to classify the contract at accounting **Stage 2**. For these purposes, the classification is revised on a monthly basis, taking into account that any of the two following conditions would determine that an SICR has occurred:

- **Deterioration of the monitoring rating:** an SICR shall be deemed to have occurred if at the accounting classification date (close of each month) the borrower's monitoring rating has deteriorated from the time of initial recognition of the transaction to medium risk or worse.

- **Relative increase in PD:** there is deemed to be an SICR if the regulatory PD[1] of the transaction at the accounting date exceeds a certain absolute threshold and there has been a relative increased in regulatory PD of the transaction since its initial recognition (in the case of exposures for natural persons, this is compared to the earliest outstanding PD of the transaction). Therefore, it must be reclassified to **Stage 2** if it meets the following conditions:

  - The Master Scale[2] is greater than or equal to 4. That is, with a PD greater than 0.4205 %.

  - The current PD is more than 3.75 times the original PD of the contract.

  - The difference between the current Master Scale and the original Master Scale is equal to or greater than two degrees.

The monitoring rating and PDs used are the most recent. Both are updated at least once a month, as are the other **Stage 2** and **Stage 3** classification criteria.

In the context of COVID-19, there have been no changes in the criteria for the SICR determination. Notwithstanding the above, the Group has applied certain prudent adjustments by reinforcing the recurrent criteria. Specifically, additional criteria have been included in customers in which the company and family support mechanisms (chiefly general moratoria and state-backed financing) may have affected their classification under general criteria, either due to the lower financial burden born by the borrowers from the individuals segment, or for other reasons such as the gap between the effect of COVID-19 and the formulation and presentation of companies' annual accounts. This is a temporary overlay on SICR criteria, which will be reviewed with the evolution of the environment.

Under no circumstances has the granting of financial aid involved an improvement in the accounting classification of the exposure, and the ordinary accounting management procedures of credit impairment have not been suspended or relaxed.

### 4. Defining the hedge accounting

The aim of the IFRS 9 requirements as regards impairment is to ensure recognition of the expected credit losses of operations, assessed collectively or individually, considering all the reasonable and substantiated information available, including information of a prospective nature (forward looking).

#### Principles for measuring expected credit losses for the purpose of defining the credit risk loss hedges

The **calculated hedge or provision is** defined as the difference between the gross carrying amount of the transaction and the estimated value of future expected cash flows, discounted at the original effective interest rate of the transaction, **considering the effective guarantees received.**

**The Group estimates the expected credit losses of a transaction so that these losses reflect:**

i. a weighted and non-biased amount, determined through the assessment of a series of possible results;

ii. the time value of money; and

iii. the reasonable and substantial information that is available at the reference date, at no disproportionate cost or effort, on past events, current conditions and forecasts of future economic conditions.

*[1] Regulatory PD: probability of default estimated as the expected average PD over an economic cycle or trough-the-cycle, in accordance with the requirements of the CRR for use in calculating risk-weighted assets under the internal ratings-based (IRB) approach.*

*[2] The Master Scale is a correlation table between probability of default ranges (PD) and a scale between 0 and 9.5, with 0 being the score associated with the best PDs and 9.5 being those associated with the highest PDs in the performing portfolio. The use of this Master Scale is linked to the use of default probabilities in management, as elements such as cut-off points or authority levels are expressed in terms of Master Scale score rather than PD.*

**In line with applicable rules, the coverage calculation method is set according to whether the borrower is individually significant and its accounting category.**

- If, in addition to being **individually significant**, the customer has transactions that are **Stage 3** non-performing (whether for reasons of delinquency or for other reasons) or in **Stage 2**, the allowances for their non-performing transactions are estimated through a detailed analysis of the holder's status and their capacity to generate future cash flows.

- In all other cases, **hedging** is estimated **collectively** using internal methodologies, subject to the **Policy of credit risk management models** in force, based on past experience of portfolio defaults and recoveries and factoring in the updated and adjusted value of the effective guarantees. Additionally, future economic condition predictions will be considered under various scenarios.

- To determine hedging for credit losses of portfolios under collective analysis, the Group uses models to estimate the PD; probability of correcting defaulting cycles (specifically its complementary measurement, PNC); loss given loss (LGL) in the event of no correction; recoverable value models for mortgage guarantees (haircuts); and adjustments to include lifetime or forward-looking effects, according to the agreement's accounting classification. It should be noted that all haircuts, LGL and PNC models are models of LGD.

The models used are re-estimated or re-trained every six months, and they are executed monthly in order to properly reflect the current economic environment at any given time. This makes it possible to reduce the differences between estimated loss and recent observations. The models will include an unbiased view of the potential forward-looking evolution to determine the expected loss, taking into account further relevant macroeconomic factors: **(i)** GDP growth, **(ii)** the unemployment rate, **(iii)** 12-month Euribor and **(iv)** evolution of property prices. Following on from this, the Group generates a baseline scenario, as well as a range of potential scenarios that make it possible to adjust the estimated expected loss, weighted by its probability.

**The calculation process is structured in two steps:**

- Establishing the **basis for calculation of allowances**, which is itself a two-stage process:

  **a.** Calculation of the **exposure amount**, which is the sum of the gross carrying amount at the time of calculation plus off-balance-sheet amounts (available or exposure) expected to be disbursed when the borrower fulfils the conditions to be considered non-performing.

  **b.** Calculation of the **recoverable value of the effective guarantees** linked to the exposure. In order to establish the recoverable value of these guarantees, for real estate collateral the models estimate the amount of the future sale of the collateral which is discounted from the total expenses incurred until the moment of the sale.

- Establishing the **hedging** to be applied on this basis for calculation of allowances:

  This calculation factors in the probability of the borrower defaulting on the transaction obligations, the probability of the situation being remedied or resolved and the losses that would occur if this did not happen.

  For insignificant portfolios where it is considered that the internal model approach is not suitable due to the processes involved or a lack of past experience, the Group may use the default coverage rates established in the current national regulations.

  Both transactions classified as not bearing appreciable risk and those that, due to their type of collateral, are classified as not bearing appreciable risk, could have 0% accounting hedging. In the case of the latter, this percentage will only be applied to the guaranteed part of the risk.

  The hedges estimated individually or collectively must be coherent in terms of the way in which the different categories into which the transactions can be classified are processed. Thus, the hedging level for a transaction must be higher than the level that would correspond to it, if it were classified in another category of a lower credit risk.

The necessary improvements detected in the backtesting and benchmarking exercises are also incorporated into the review cycles. Similarly, the models developed are documented so they can be replicated by a third party. The documentation contains key definitions, information regarding the process of acquiring samples and data processing, methodological principles and results obtained, as well as the comparison of said results with those of previous years.

CaixaBank has a total of 81 models, in order to obtain the parameters necessary to calculate the hedges using a collective analysis. For each of the risk parameters, different models can be used to adapt to each type of exposure. Specifically, the models include those indicated below:

- **18** scoring and rating parameter models
- **21** PD parameters
- **10** EAD parameter models
- **19** PNC parameter models
- **9** LGL parameters
- **3** Haircut parameter models
- **1** LT/FL transformation parameter model (lifetime/ forward-looking)

Other subsidiaries also have their own additional internal models. In the case of BPI, it has a total of 70, and in the case of CaixaBank Payments & Consumer, it has a total of 42.

The accounting and prudential authorities have issued recommendations in relation to upholding an adequate level of provisions considering the macroeconomic environment of heightened uncertainty generated by COVID-19.

In this regard, as evidenced in the following section, the Group has taken into account macroeconomic scenarios of different levels of severity, consistent with internal planning processes. These stages have been contrasted and they are aligned with those issued by public bodies, following the recommendation of the European Central Bank in its letter of 1 April 2020.

This update has led to an accounting adjustment (Post Model Adjustment) for the Group of EUR 1,395 million at 31 December 2021 in the form of a collective fund, based on the existing provisioning models and a prudent approach. This estimation methodology is temporary (associated with the uncertainty and effects of the pandemic), supported by the guidelines issued by the supervisory and regulatory bodies in the context of the pandemic and underpinned by duly documented processes and subject to strict governance. In this regard, this collective fund will be reviewed in the future with the new available information and the reduction in uncertainty regarding the true impact of the health crisis.

## 4. NPL management

The default and recovery function is aligned with the Group's risk management guidelines. The default monitoring and recovery activity is particularly relevant in the current unfavourable economic context due to the COVID-19 pandemic, with the principal goal of minimising the impact on the volume of doubtful positions and provisions.

The principles underlying NPL management focus not only on default management, but also on preventive and anticipatory actions based on the various impairment indicators available to the bank, avoiding the emergence of triggers that would lead to the classification of positions as **Stage 2** and their consequent impact on the statement of profit & loss.

The portfolio classified in **Stage 3** for reasons other than non-performing loans is also proactively monitored for provisions, designing specific management plans focused on the reasons that led to its classification in this accounting classification.

Thus, the governance model and the operational framework for problem asset management have evolved, maintaining the holistic view of the overall life cycle and reinforcing specialised management according to the moment of default of the debt. The responsibility for management is broken down into two different areas:

- **Cash flow management:** covers the timely management of non-performing loans of customers with defaults between day 1 and day 90 of non-payment. On the business side, the Solutions & Collections area centrally coordinates the network of branches and collection agencies in the management of the recovery prior to going into default. In the current economic climate, the branch network's connectivity and closeness with the customer continues to be essential in identifying their situations and needs, especially in terms of social vulnerability.

- **Stock management:** concerns the management of customers with default positions, with non-payment exceeding 90 days. This area is the responsibility of the Risks department, with management differentiated by the retail and corporate customer segment. The specialist team is geared towards finding definitive solutions in more advanced default scenarios.

In addition, the overall management of recoveries and default has been adapted to the economic support measures to address the pandemic adopted by CaixaBank. In terms of non-performing loans, we have collaborated in identifying and supporting customers whose debt remains structurally viable with sustainable solutions, ensuring that the financing needs of these customers, arising from the temporary decline in their income, are covered. It is also worth mentioning the Bank's adherence to the addenda to the original contracts of the ICO COVID facilities relating to the measures of the Code of Good Practices, in order to continue supporting the business fabric that continues to be affected by the impacts of the pandemic.

All this management has been subject to the application of the policies and procedures in force in the Bank which, in accordance with accounting and regulatory standards, establish the guidelines for the appropriate classification of loans and estimation of hedges.

One of the main lines of work is the support provided throughout the management cycle of the moratoria and ICO-backed loans granted by the Bank, especially through active monitoring of the expiry of the measures granted.

The default and recovery function is aligned with the Group's risk management guidelines. The default monitoring and recovery activity is particularly relevant in the current unfavourable economic context due to the COVID-19 pandemic, with the principal goal of minimising the impact on the volume of doubtful positions.

**Foreclosure assets**

BuildingCenter is the Group's company responsible for the ownership of real estate assets in Spain, which basically originate from streamlining of the Group's credit activity through any of the following ways: **(i)** acquisition at auctions held after assets have been foreclosed, mainly in relation to mortgage loans; **(ii)** acquisition of mortgaged real estate assets of individuals, with the subsequent subrogation and cancellation of the debts; and **(iii)** acquisition of real estate assets of companies, mainly property developers, to cancel their debts.

The acquisition process includes conducting full legal and technical reviews of the properties using the committees appointed for such purpose.

In all cases, purchase prices are based on appraisals performed by appraisal firms approved by the Bank of Spain and in accordance with the parameters set forth in the internal rules approved.

The strategies undertaken for the sale of these assets are as follows:

- **Individual sale:** through Servihabitat Servicios Inmobiliarios, with which there is a servicing contract until 31 December 2023, for multi-channel marketing activities through its own branches, the external collaboration of the network of real-estate agents and an active presence on the internet. This marketing activity comes in addition to a key factor: support in prescribing properties generated by the branch network.
- **Institutional sales:** the Group features institutional transactions of sales of asset portfolios to other specialised companies.
- **Completion of housing developments:** a number of minor measures to improve some of these developments are made to ensure they can be sold. These measures are performed using the synergies of the Group.
- **Rental:** a means of benefiting from rising demand and generating recurring income, as well as creating added value on the property in the event of its future sale.

## Refinancing policies

The Group has a detailed customer debt Corporate Refinancing and Recovery Policy that covers the same general principles issued by the EBA for this type of transaction.

Under current legislation, these relate to operations in which the customer has, or will foreseeably have, financial difficulty in meeting its payment obligations under the contractually agreed terms and, therefore, the agreement has been amended and/or a new transaction has been arranged.

**These operations may derive from:**

1. A new operation (refinancing operation) granted that fully or partially cancels other operations (refinanced operations) previously granted by any Group company to the same borrower or other companies forming part of its economic group, the previously past-due loans becoming current.

2. The amendment of the contractual terms of an existing operation (restructured operations) that changes its repayment schedule (grace periods, extension of loan maturities, reduction in interest rates, changes in the repayment schedule, extension of all or part of the capital on maturity, etc.).

3. The activation of contract clauses agreed at source that extend the debt repayment terms (flexible grace period).

4. The partial cancellation of the debt without the contribution of funds by the customer (foreclosure, purchase or lieu of payment of the collateral, or forgiveness of capital, interest, fees and commissions or any other cost relating to the loan extended to the borrower).

The existence of previous defaults is an indication of financial difficulty. Unless otherwise demonstrated, a restructuring or refinancing transaction is assumed to exist when the amendment to contractual term affects transactions that have been past-due for more than 30 days at least once in the three months prior to the amendment. However, previous defaults are not a requirement for an operation to be classified as refinanced or restructured.

In contrast, debt renewals and renegotiations may be granted when the borrower does not have, or is not expected to have, financial difficulties; i.e., for business reasons, not to facilitate repayments.

For a transaction to be classified as such, the borrower must have the capacity to obtain credit from the market, at the date in question, for a similar amount and on similar terms to those offered by the Entity. These terms must be adjusted to reflect the terms offered to borrowers with a similar risk profile.

For further details on the classification and risk transition criteria, see point 3 "Determining the accounting classification" in the section Credit Risk Monitoring and Measurement.

The risk management procedures and policies applied allow for detailed monitoring of credit transactions. In this regard, any transaction detected whose terms may need to be changed due to evidence of impairment of the borrower's solvency is marked appropriately so it has the corresponding accounting classification and provision for impairment at the date of its modification. Therefore, as these transactions are correctly classified and valued according to the Group's best judgement, no additional provisions emerge in relation to the impairment of refinanced loans.

### Exposure credit quality

This section shows information from the FINREP on the quality and management of credit risk exposures with the following disclosures:

- Maturity of exposures.
- Exposure class.
- Business sector.
- Geographical area.
- Exposures subject to the measures applied in response to the COVID-19 crisis.

Also, in accordance with article 431.3 of the CRR, all information that the Bank considers relevant for the disclosure of the Group's risk profile in relation to non-performing assets is shown. In this regard, it has been considered that the Entity is not subject to additional regulatory reporting requirements on this category of assets as it does not exceed 5% in the ratio of exposures in regulatory default or **Stage 3** accounting[1].

The amounts shown in the tables in this section do not include counterparty, securitisation or equity portfolio exposures.

### Maturity of exposures

The following tables show the distribution of exposures for CaixaBank Group at 31 December 2021, in terms of the net value of valuation adjustments and provisions, broken down by the residual maturity and by loans and advances and debt securities.

By residual maturity, 82% of the exposure has a maturity of more than 1 year, and 54% a maturity of more than 5 years.

## Table 5.6. EU CR1-A - Maturity of exposures

*Amounts in millions of euros*

| | Net exposure value | | | | | |
|---|---|---|---|---|---|---|
| | On demand | <= 1 year | > 1 year <= 5 years | > 5 years | No stated maturity | Total |
| Loans and advances | 5,097 | 49,056 | 91,022 | 207,575 | - | 352,750 |
| Debt securities | - | 26,313 | 31,196 | 25,877 | 1 | 83,387 |
| **Total** | **5,097** | **75,369** | **122,218** | **233,453** | **1** | **436,137** |

### Performing and non-performing exposures

The following table shows information on changes in the stock of non-performing loans and advances between the previous and current year ends.

## Table 5.7. EU CR2 - Changes in the stock of non-performing loans and advances

*Amounts in millions of euros*

| | | Gross carrying amount |
|---|---|---|
| **010** | **Initial stock of non-performing loans and advances** | **9,159** |
| 020 | Inflows to non-performing portfolios | 9,708 |
| 030 | Outflows from non-performing portfolios | (3,452) |
| 040 | Outflows due to write-offs | (1,397) |
| 050 | Outflow due to other situations | (2,055) |
| **060** | **Final stock of non-performing loans and advances** | **15,415** |

During 2021 there was an increase in loans and advances classified as non-performing of EUR 6,256 million, the main reason being the integration of Bankia in the first quarter of 2021.

[1] *In accordance with the requirements of EBA/ITS/2020/04, tables CR2-A, CQ2, CQ6 and CQ8 were not prepared, as CaixaBank's NPL ratio does not exceed 5%.*

Table CR1 shows both an NPL overview (prudential) of EUR 18,230 MM and **Stage 3** overview (accounting) of EUR 13,339, the main differences arising from the difference in regulatory and accounting criteria, notably the following: period accounting for NPL detection (past-due), cure periods and difference in application of pulling effect.

## Table 5.8. EU CR1 - Performing and non-performing exposures and related provisions

| | Gross carrying amount/nominal amount | | | | | | | | Accumulated impairment, accumulated negative changes in fair value due to redit risk and provisions | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Performing exposures | | | *Non-performing exposures* | | | | | Performing exposures - accumulated impairment and provisions | | | Non-performing exposures - accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | | | Collateral and financial guarantees received | |
| *Amounts in millions of euros* | | Of which: Stage 1 | Of which: Stage 2 | | Of which: Stage 2 | Of which: Stage 3 | Of which: defaulted | Of which: financial assets acquired or originated credit-impaired | | Of which: Stage 1 | Of which: Stage 2 | | Of which: Stage 2 | Of which: Stage 3 | Accumulated partial write-off | On performing exposures | On non-performing exposures |
| **Cash balances in central banks and other demand deposits** | **100,470** | **100,470** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | | |
| **Loans and advances** | **345,588** | **315,730** | **29,789** | **15,415** | **1,629** | **12,293** | **15,167** | **689** | **2,431** | **895** | **1,536** | **5,822** | **106** | **5,621** | **-** | **228,476** | **9,076** |
| Central banks | 63 | 63 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| General governments | 19,844 | 19,400 | 378 | 217 | 12 | 28 | 215 | 31 | 5 | 1 | 3 | 16 | 0 | 4 | - | 1,133 | 165 |
| Credit institutions | 7,809 | 7,808 | 1 | 2 | 0 | 2 | 2 | - | 8 | 8 | - | 2 | - | 2 | - | 1,698 | 0 |
| Other financial corporations | 5,375 | 5,208 | 165 | 26 | 0 | 26 | 26 | 0 | 17 | 11 | 6 | 24 | 0 | 24 | - | 2,246 | 1 |
| Non-financial corporations | 133,931 | 119,475 | 14,453 | 6,887 | 1,312 | 4,680 | 6,816 | 259 | 904 | 320 | 584 | 2,644 | 83 | 2,501 | - | 71,725 | 3,836 |
| Of which SMEs | 53,730 | 43,982 | 9,745 | 4,130 | 800 | 2,969 | 4,072 | 207 | 476 | 139 | 337 | 1,569 | 61 | 1,466 | - | 42,247 | 2,503 |
| Households | 178,568 | 163,775 | 14,792 | 8,282 | 304 | 7,558 | 8,108 | 399 | 1,497 | 555 | 942 | 3,137 | 23 | 3,091 | - | 151,674 | 5,073 |
| **Debt securities** | **82,963** | **82,848** | **109** | **21** | **-** | **21** | **21** | **-** | **11** | **5** | **6** | **4** | **-** | **4** | **-** | **3,759** | **-** |
| Central banks | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| General governments | 76,268 | 76,268 | - | - | - | - | - | - | - | - | - | - | - | - | - | 3,478 | - |
| Credit institutions | 3,199 | 3,199 | - | - | - | - | - | - | 1 | 1 | - | - | - | - | - | 62 | - |
| Other financial corporations | 498 | 493 | - | - | - | - | - | - | 1 | 1 | - | - | - | - | - | 40 | - |
| Non-financial corporations | 2,997 | 2,888 | 109 | 21 | - | 21 | 21 | - | 9 | 4 | 6 | 4 | - | 4 | - | 180 | - |
| **Off-balance-sheet exposures** | **141,689** | **136,689** | **5,001** | **2,794** | **526** | **1,024** | **2,780** | **-** | **137** | **95** | **42** | **324** | **12** | **311** | **-** | **42,608** | **848** |
| Central banks | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| General governments | 6,315 | 6,290 | 26 | 41 | 0 | 3 | 41 | - | 0 | 0 | - | 0 | - | 0 | - | 47 | 0 |
| Credit institutions | 3,203 | 3,203 | 0 | 21 | 1 | 0 | 21 | - | 2 | 2 | - | 0 | 0 | 0 | - | 130 | 2 |
| Other financial corporations | 3,403 | 3,377 | 26 | 2 | 0 | 2 | 2 | - | 2 | 2 | 0 | 0 | - | 0 | - | 286 | 2 |
| Non-financial corporations | 77,113 | 74,357 | 2,755 | 2,436 | 499 | 753 | 2,428 | - | 78 | 42 | 37 | 292 | 12 | 279 | - | 16,692 | 654 |
| Households | 51,656 | 49,462 | 2,194 | 294 | 26 | 266 | 288 | - | 55 | 50 | 5 | 32 | 0 | 32 | - | 25,454 | 190 |
| **Total** | **570,241** | **535,267** | **34,898** | **18,230** | **2,155** | **13,339** | **17,967** | **689** | **2,579** | **995** | **1,583** | **6,151** | **118** | **5,937** | **-** | **274,844** | **9,924** |

CaixaBank

## Table 5.9. EU CQ3 - Credit quality of performing and non-performing exposures by past due days

| *Amounts in millions of euros* | Gross carrying / nominal amount | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Performing exposures | | | Non-performing exposures | | | | | | | | |
| | | Not past due or Past due < 30 days | Past due > 30 days < 90 days | | Unlikely to pay that are not past-due or past-due < = 90 days | Past due > 90 days <= 180 days | Past due > 180 days < =1 year | Past due > 1 year <= 2 years | Past due > 2 year <= 5 years | Past due > 5 year <= 7 years | Past due > 7 years | Of which defaulted |
| **Cash balances at central banks and other demand deposits** | **100,470** | **100,470** | - | - | - | - | - | - | - | - | - | - |
| **Loans and advances** | **345,588** | **344,747** | **842** | **15,415** | **8,702** | **982** | **1,313** | **1,130** | **1,685** | **582** | **1,020** | **15,167** |
| Central banks | 63 | 63 | | | | | | | | | | |
| General governments | 19,844 | 19,837 | 6 | 217 | 182 | - | 2 | - | 3 | 6 | 24 | 215 |
| Credit institutions | 7,809 | 7,808 | 1 | 2 | 2 | - | - | | | | | 2 |
| Other financial corporations | 5,375 | 5,363 | 12 | 26 | 4 | - | - | 21 | 1 | | - | 26 |
| Non-financial corporations | 133,931 | 133,633 | 298 | 6,887 | 4,900 | 309 | 392 | 410 | 509 | 83 | 285 | 6,816 |
| Of which SMEs | 53,730 | 53,579 | 151 | 4,130 | 2,606 | 204 | 296 | 318 | 446 | 76 | 185 | 4,072 |
| Households | 178,568 | 178,042 | 525 | 8,282 | 3,614 | 673 | 920 | 699 | 1,172 | 494 | 711 | 8,108 |
| **Debt Securities** | **82,963** | **82,963** | - | **21** | **21** | - | - | - | - | - | - | **21** |
| Central banks | | | | | | | | | | | | |
| General governments | 76,268 | 76,268 | | | | | | | | | | |
| Credit institutions | 3,199 | 3,199 | | | | | | | | | | |
| Other financial corporations | 498 | 498 | | | | | | | | | | |
| Non-financial corporations | 2,997 | 2,997 | | 21 | 21 | | | | | | | 21 |
| **Off-balance sheet exposures** | **141,689** | - | - | **2,794** | - | - | - | - | - | - | - | **2,780** |
| Central banks | | | | | | | | | | | | |
| General governments | 6,315 | | | 41 | | | | | | | | 41 |
| Credit institutions | 3,203 | | | 21 | | | | | | | | 21 |
| Other financial corporations | 3,403 | | | 2 | | | | | | | | 2 |
| Non-financial corporations | 77,113 | | | 2,436 | | | | | | | | 2,428 |
| Households | 51,656 | | | 294 | | | | | | | | 288 |
| **Total** | **570,241** | **427,710** | **842** | **18,230** | **8,723** | **982** | **1,313** | **1,130** | **1,685** | **582** | **1,020** | **17,967** |

## Table 5.10. EU CQ4 - Credit quality of exposures by geography

| *Amounts in millions of euros* | Gross carrying / nominal amount | Of which: non-performing | Of which: defaulted | Of which: subject to impairment | Impairment of accumulated value | Provisions for financial commitments and guarantees granted off-balance sheet | Accumulated negative changes in fair value due to credit risk due to doubtful exposures |
|---|---|---|---|---|---|---|---|
| **On balance sheet exposures** | **443,987** | **-** | **15,188** | **-** | | | |
| Spain | 368,296 | - | 14,013 | - | | | |
| Portugal | 31,217 | - | 692 | - | (526) | - | - |
| Rest of the world | 44,473 | - | 483 | - | (184) | - | - |
| **Off balance sheet exposures** | **144,483** | **-** | **2,780** | **-** | **-** | **461** | **-** |
| Spain | 120,137 | - | 2,624 | - | - | 433 | - |
| Portugal | 6,612 | - | 82 | - | - | 18 | - |
| Rest of the world | 17,733 | - | 74 | - | - | 9 | - |
| **Total** | **588,470** | **-** | **17,967** | **-** | **(8,261)** | **461** | **(8)** |

## Table 5.11. EU CQ5 - Credit quality of loans for non-financial companies by economic sector

| Amounts in millions of euros | Gross carrying amount | | | | Accumulated value determination | Accumulated negative changes in fair value due to credit risk due to non-performing exposures |
|---|---|---|---|---|---|---|
| | | Of which: non-performing | | Of which: loans and advances susceptible to impairment | | |
| | | | Of which: defaulted | | | |
| Agriculture, forestry and fishing | 2,882 | - | 179 | - | (68) | - |
| Mining and quarrying | 927 | - | 14 | - | (11) | - |
| Manufacturing | 21,367 | - | 950 | - | (490) | - |
| Supply of electricity, gas, steam and air conditioning | 10,839 | - | 280 | - | (131) | - |
| Water supply | 1,586 | - | 235 | - | (17) | - |
| Building | 12,196 | - | 826 | - | (391) | - |
| Wholesale and Retail | 20,515 | - | 1,098 | - | (495) | - |
| Transport and storage | 12,236 | - | 487 | - | (266) | - |
| Hostelry | 9,440 | - | 807 | - | (231) | - |
| Information and communications | 3,669 | - | 129 | - | (62) | - |
| Financial and insurance activities | 12,643 | - | 124 | - | (63) | - |
| Real estate activities | 13,276 | - | 418 | - | (175) | - |
| Professional, scientific and technical activities | 6,366 | - | 461 | - | (233) | - |
| Administrative activities and auxiliary services | 4,046 | - | 184 | - | (75) | - |
| Public administration and defense; social security and compulsory | 1,395 | - | 1 | - | - | - |
| Education | 712 | - | 76 | - | (43) | - |
| Health and social services activities | 1,891 | - | 53 | - | (27) | - |
| Artistic, recreational and entertainment activities | 1,356 | - | 269 | - | (84) | - |
| Other services | 3,475 | - | 223 | - | (679) | (8) |
| **Total** | **140,818** | **-** | **6,814** | **-** | **(3,540)** | **(8)** |

A substantial part of the portfolio in default is concentrated in the economic sectors: Wholesale and retail trade (16.1%), Manufacturing (13.9%), Construction (12.1%) and Hospitality (11.8%).

## Forborne exposures

### Table 5.12. EU CQ1 - Credit quality of forborne exposures

| Amounts in millions of euros | Gross carrying amount/ nominal amount of exposures with forbearance measures | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | Collateral received and financial guarantees received on forborne exposures | |
|---|---|---|---|---|---|---|---|---|
| | Performing forborne | Non-performing forborne | | | | | | |
| | | | Of which: defaulted | Of which: impaired | On performing forborne exposures | On non-performing forborne exposures | | Of which collateral and financial guarantees received on non-performing exposures with forbearance measures |
| **Cash balances in central banks and other demand deposits** | - | - | - | - | - | - | - | - |
| **Loans and advances** | **5,011** | **7,606** | **7,581** | **7,201** | **230** | **2,466** | **8,562** | **4,910** |
| Central banks | - | - | - | - | - | - | - | - |
| General governments | 173 | 14 | 14 | 13 | 3 | 4 | 80 | 7 |
| Credit institutions | - | - | - | - | - | - | - | - |
| Other financial corporations | 96 | 23 | 23 | 23 | 2 | 22 | 94 | 1 |
| Non-financial corporations | 2,712 | 3,062 | 3,046 | 2,692 | 112 | 1,234 | 3,456 | 1,631 |
| Of which: SMEs and medium enterprises | 1,194 | 1,866 | 1,850 | 1,653 | 60 | 595 | 2,094 | 1,152 |
| Of which: secured by commercial real estate | 705 | 1,287 | 1,275 | 1,187 | 48 | 254 | 1,652 | 1,017 |
| Households | 2,030 | 4,507 | 4,498 | 4,472 | 113 | 1,206 | 4,932 | 3,271 |
| Of which: loans secured by residential real estate | 1,622 | 3,964 | 3,958 | 3,942 | 63 | 850 | 4,575 | 3,106 |
| Of which: consumer credit | 203 | 278 | 277 | 272 | 15 | 119 | 162 | 125 |
| **Debt securities** | **32** | **12** | **12** | **12** | **2** | **4** | - | - |
| **Loan commitments given** | **186** | **101** | **100** | **71** | **1** | **7** | **95** | **42** |
| **Total** | **5,229** | **7,720** | **7,694** | **7,284** | **233** | **2,477** | **8,657** | **4,952** |

During 2021 there was an increase in refinancing of EUR 6,041 million, the main reason being the incorporation of the refinanced portfolio from Bankia during the first quarter of 2021.

## Table 5.13. Refinanced or restructured exposures by geographic area

| *Amounts in millions of euros* | Gross carrying amount/Nominal amount of restructured and refinanced exposures | | |
|---|---|---|---|
| | Spain | Portugal | Rest of the world |
| **Cash balances in central banks and other demand deposits** | **0** | **0** | **0** |
| **Loans and advances** | **11,854** | **355** | **407** |
| Central banks | 0 | 0 | 0 |
| General governments | 186 | 0 | 0 |
| Credit institutions | 0 | 0 | 0 |
| Other financial corporations | 99 | 0 | 21 |
| Non-financial corporations | 5,268 | 169 | 336 |
| Of which: SMEs and medium enterprises | 2,905 | 103 | 53 |
| Of which: secured by commercial real estate | 1,984 | 8 | 0 |
| Households | 6,301 | 186 | 50 |
| Of which: loans secured by residential real estate | 5,396 | 153 | 36 |
| Of which: consumer credit | 461 | 19 | 2 |
| **Debt securities** | **0** | **45** | **0** |
| **Loan commitments given** | **265** | **7** | **15** |
| **Total** | **12,119** | **408** | **422** |

## Table 5.14. EU CQ7 - Collateral obtained by taking possession and execution processes

| *Amounts in millions of euros* | Collateral obtained by taking possession | |
|---|---|---|
| | Value at initial recognition | Accumulated negative changes |
| **Inmobilized material** | **-** | **-** |
| **Other than tangible fixed assets** | **5,221** | **(1,149)** |
| Residential immovable property | 4,155 | (817) |
| Commercial Immovable property | 1,066 | (332) |
| Movable property (auto, shipping, etc.) | - | - |
| Equity and debt instruments | - | - |
| Other real guarantees | - | - |
| **Total** | **5,221** | **(1,149)** |

**Exposures subject to measures applied in response to the COVID-19 crisis**

The table below presents a breakdown of the legislative and non-legislative moratoria for loan repayments applied in face of the COVID-19 crisis.

The following table shows the details of CaixaBank Group's outstanding moratoria as at 31 December 2021.

## Table 5.15. Template 1: Information on loans and advances subject to legislative and non-legislative moratoria

| | Gross carrying amount | | | | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk | | | | | | | Gross carrying amount |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Performing | | | Non-performing | | | | Performing forborne | | | Non-performing forborne | | | |
| *In millions of euros* | | | Of which: exposures with forbearance measures | Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2) | | Of which: exposures with forbearance measures | Of which: Unlikely to pay that are not past-due or past-due <= 90 days | | | Of which: exposures with forbearance measures | Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2) | | Of which: exposures with forbearance measures | Of which: Unlikely to pay that are not past-due or past-due <= 90 days | Inflows to non-performing exposures |
| **Loans and advances subject to moratorium** | **165** | **145** | **3** | **34** | **21** | **10** | **16** | **(6)** | **(2)** | **0** | **(1)** | **(4)** | **(3)** | **(3)** | **5** |
| of which: Households | 126 | 107 | 3 | 27 | 19 | 9 | 14 | (6) | (2) | 0 | (1) | (4) | (3) | (3) | 4 |
| of which: Collateralised by residential immovable property | 110 | 93 | 3 | 22 | 17 | 9 | 13 | (4) | (1) | 0 | 0 | (3) | (2) | (2) | 4 |
| of which: Non-financial corporations | 39 | 38 | 0 | 7 | 2 | 1 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| of which: Small and Medium-sized Enterprises | 24 | 22 | - | 6 | 2 | - | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| of which: Collateralised by commercial immovable property | 32 | 32 | - | 6 | 1 | - | - | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

The following table shows the moratoria offered and granted according to their maturity:

## Table 5.16. Template 2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

| Millions of euros | Number of obligors[1] | Gross carrying amount | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Remaining maturity of moratoria | | | | |
| | | | Of which: legislative moratoria[2] | Of which: expired | <= 3 months | > 3 months <= 6 months | > 6 months <= 9 months | > 9 months <= 12 months | > 1 year |
| **Loans and advances for which moratorium was offered** | **428** | **23,161** | - | - | - | - | - | - | - |
| Loans and advances subject to moratorium (granted) | 373 | 20,687 | 4,127 | 20,521 | 165 | - | - | - | - |
| of which: Households | - | 17,234 | 1,676 | 17,108 | 126 | - | - | - | - |
| of which: Collateralised by residential immovable property | - | 15,515 | 1,560 | 15,405 | 110 | - | - | - | - |
| of which: Non-financial corporations | - | 3,453 | 2,451 | 3,413 | 39 | - | - | - | - |
| of which: Small and Medium-sized Enterprises | - | 2,436 | 1,801 | 2,412 | 24 | - | - | - | - |
| of which: Collateralised by commercial immovable property | - | 1,163 | 257 | 1,131 | 32 | - | - | - | - |

*[1] Number of obligors in thousands.*

*[2] Not including moratoria that combined the legislative and non-legislative grace period.*

The new exposures subject to public guarantee programmes are detailed below:

## Tabla 5.17. Template 3: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

| | Gross carrying amount | | Maximum amount of the guarantee that can be considered | Gross carrying amount |
|---|---|---|---|---|
| *Amounts in millions of euros* | | Of which: forborne | Public guarantees received | Inflows to non-performing exposures |
| **Newly originated loans and advances subject to public guarantee schemes** | **21,762** | **1,238** | **16,660** | **421** |
| of which: Households | 1,415 | - | - | 15 |
| of which: Collateralised by residential immovable property | 1 | - | - | - |
| of which: Non-financial corporations | 20,347 | 1,161 | 15,529 | 406 |
| of which: Small and Medium-sized Enterprises | 13,810 | - | - | 253 |
| of which: Collateralised by commercial immovable property | 10 | - | - | 1 |

*This table does not include the amount of public guarantees for households.*
*At 31 December, there are EUR 1,131 million in public guarantees received for households on a carrying amount in such loans and advances originated with public guarantee amounting to EUR 1,415 million.*

## 5.1.2. Minimum capital requirements for credit risk

**The tables in this section, both under the standardised and advanced approach, present:**

- The original exposure ("Exposure prior to the application of the credit conversion factor and credit risk mitigation provisions", which includes exposures to credit risk both on and off the balance sheet).
- EAD ("Exposures post-CCF and CRM").
- Risk-weighted assets (RWA).
- The ratio of EAD to RWA gives the RWA density ratio. This calculation equates to the average weighting applied to each category of exposure.

**With regard to the evolution of the RWA during 2021, the following aspects should be noted:**

- Increase of EUR 19,312 million in RWA in the portfolio subject to the standardised approach, mainly in the category of central administrations, due to the integration of the Bankia portfolio.
- Increase of EUR 40,882 million in RWA in the portfolio subject to the IRB approach, mainly in the category of corporates, due to the integration of the Bankia portfolio, the authorisation for the application of internal models in the mortgage portfolio from Banco Mare Nostrum (Bankia) and the result of the inspection of the Corporate portfolio.

### Minimum capital requirements for credit risk by standardised method

Using the standardised approach, risk is weighted in accordance with the exposure's credit quality. CaixaBank Group uses the external rating agencies designated as being eligible by the Bank of Spain, namely Standard & Poor's, Moody's, Fitch and DBRS.

### Table 5.18. Credit quality level correspondence between rating agencies

| Credit quality level | S&P's | Moody's | Fitch | DBRS |
|---|---|---|---|---|
| 1 | AAA to AA- | Aaa to Aa3 | AAA to AA- | AAA to AAL |
| 2 | A+ to A- | A1 to A3 | A+ to A- | AH to AL |
| 3 | BBB+ to BBB- | Baa1 to Baa3 | BBB+ to BBB- | BBBH to BBBL |
| 4 | BB+ to BB- | Ba1 to Ba3 | BB+ to BB- | BBH to BBL |
| 5 | B+ to B- | B1 to B3 | B+ to B- | BH to BL |
| 6 | Below B- | Below B3 | Below B- | CCCH and below |

### Table 5.19. Correspondence of credit quality level by weighting between exposure categories[1]

| Credit quality level | Central administrations or central banks | Public sector entities | Rated institutions ≤ 3 months | Rated institutions > 3 months | Unrated institutions[2] | Corporates |
|---|---|---|---|---|---|---|
| 1 | 0% | 20% | 20% | 20% | 20% | 20% |
| 2 | 20% | 50% | 20% | 50% | 50% | 50% |
| 3 | 50% | 100% | 20% | 50% | 100% | 100% |
| 4 | 100% | 100% | 50% | 100% | 100% | 100% |
| 5 | 100% | 100% | 50% | 100% | 100% | 150% |
| 6 | 150% | 150% | 150% | 150% | 150% | 150% |

*[1] General treatment of exposures, with the particular cases provided in the CRR falling outside the scope of the Table.*

*[2] For the category "Unrated institutions", the rating corresponding to the central government of the country to which the exposure belongs is used.*

CaixaBank Group applies the standardised approach permanently to the following exposures:

- Central government administrations and central banks.
- Regional administrations and local authorities.
- Public sector entities.
- Institutions.
- Within corporates, the project finance portfolio.
- All the exposure of CaixaBank Payments & Consumer Finance and CaixaBank Equipment Finance, except for card exposures, for which advanced models have been approved.

In addition, all exposures outside the scope of the internal ratings-based (IRB) models are assessed under the standardised approach, as are the exposures incorporated from Banco BPI.

According to the application of the measurement approaches set out in the regulations in force, where external ratings are not available for exposures of regional or local administrations, the rating for the next higher level of public body available is used.

The Group does not assign credit ratings for publicly traded security issues or comparable assets not included in the trading portfolio.

The following tables provide details of original exposure, EAD and RWA at December 2021 by category, under the standardised approach. This does not include exposures to counterparty, securitisations or equity portfolio risks.

## Table 5.20. EU CR4 - Standardised approach - Credit risk exposure and CRM effects

| *Amounts in millions of euros* | Exposures before CCF and CRM | | Exposures post CCF and CRM | | RWA and RWA density | |
|---|---|---|---|---|---|---|
| **Exposure classes** | **On-balance-sheet amount** | **Off-balance-sheet amount** | **On-balance-sheet amount** | **Off-balance-sheet amount** | **RWA** | **RWA density (%)** |
| Central governments or central banks | 169,567 | 776 | 205,050 | 1,528 | 18,472 | 8.94% |
| Regional governments or local authorities | 40,467 | 4,969 | 20,712 | 997 | 296 | 1.36% |
| Public sector entities | 5,227 | 1,289 | 5,722 | 288 | 1,651 | 27.48% |
| Multilateral development banks | 1,467 | 17 | 2,937 | 4 | - | 0.00% |
| International organisations | - | - | - | - | - | 0.00% |
| Institutions | 5,309 | 1,627 | 3,559 | 418 | 1,385 | 34.83% |
| Corporates | 31,910 | 10,412 | 28,450 | 2,195 | 27,436 | 89.53% |
| Regulatory retail exposures | 16,496 | 6,923 | 15,208 | 884 | 8,978 | 55.79% |
| Exposures secured by mortgages on immovable property | 17,938 | 1,173 | 17,722 | 258 | 6,985 | 38.85% |
| Exposures in default | 1,204 | 214 | 1,023 | 27 | 1,293 | 123.18% |
| Exposures associated with particularly high risks | 293 | 190 | 282 | 48 | 496 | 150.00% |
| Covered bonds | - | - | - | - | - | 0.00% |
| Exposures to institutions and corporates with a short-term credit assesment | - | - | - | - | - | 0.00% |
| Exposures in the form of units or shares in collective investment undertakings (CIU's) | - | - | - | - | - | 0.00% |
| Equity exposures | - | - | - | - | - | 0.00% |
| Other assets | 17,111 | - | 17,111 | - | 13,110 | 76.62% |
| **Total** | **306,989** | **27,590** | **317,776** | **6,648** | **80,103** | **24.69%** |

*Credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*

## Table 5.20. EU CR4 - Standardised approach - Credit risk exposure and CRM effect PY

2020

| *Amounts in millions of euros* | Exposures before CCF and CRM | | Exposures post CCF and CRM | | RWA and RWA density | |
|---|---|---|---|---|---|---|
| **Exposure classes** | On-balance-sheet amount | Off-balance-sheet amount | On-balance-sheet amount | Off-balance-sheet amount | RWA | RWA density (%) |
| Central governments or central banks | 91,804 | 31 | 103,566 | 623 | 8,684 | 8.33% |
| Regional governments or local authorities | 16,509 | 4,514 | 16,190 | 925 | 412 | 2.41% |
| Public sector entities | 3,777 | 1,557 | 4,466 | 557 | 1,777 | 35.38% |
| Multilateral development banks | 39 | 13 | 888 | 1 | - | 0.00% |
| International organisations | - | - | - | - | - | 0.00% |
| Institutions | 3,727 | 1,025 | 3,137 | 249 | 1,322 | 39.04% |
| Corporates | 29,346 | 8,325 | 25,596 | 1,734 | 24,771 | 90.64% |
| Regulatory retail exposures | 12,664 | 3,822 | 11,562 | 261 | 6,929 | 58.61% |
| Exposures secured by mortgages on immovable property | 16,152 | 1,223 | 16,086 | 275 | 6,399 | 39.11% |
| Exposures in default | 889 | 157 | 839 | 14 | 1,003 | 117.55% |
| Exposures associated with particularly high risks | 277 | 109 | 273 | 19 | 437 | 150.00% |
| Covered bonds | 7 | - | 7 | - | 1 | 20.00% |
| Exposures to institutions and corporates with a short-term credit assesment | - | - | - | - | - | 0.00% |
| Exposures in the form of units or shares in collective investment undertakings (CIU's) | - | - | - | - | - | 0.00% |
| Equity exposures | - | - | - | - | - | 0.00% |
| Other assets | 13,961 | - | 13,961 | - | 9,055 | 64.86% |
| **Total** | **189,153** | **20,776** | **196,570** | **4,658** | **60,791** | **30.21 %** |

*All tables with information on previous years have been updated according to the requirements set out in EBA/ITS/2020/04.*

The following table shows the distribution of exposure and risk-weighted assets based on CRR regulatory categories, and the risk weights applied, not including exposures to counterparty risk, securitisation risk or the equity portfolio:

## Table 5.21. EU CR5 - Standardised approach (EAD)

*Amounts in millions of euros*

| | Risk weighting | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Exposure classes** | **0%** | **2%** | **4%** | **10%** | **20%** | **35%** | **50%** | **70%** | **75%** | **100%** | **150%** | **250%** | **370%** | **1,250%** | **Other** | **Total** | **Of which: unrated** |
| Central governments or central banks | 191,565 | - | - | - | 0 | - | - | - | - | 12,705 | 2 | 2,306 | - | - | - | 206,578 | 206,575 |
| Regional governments or local authorities | 20,627 | - | - | - | 938 | - | 73 | - | - | 71 | - | - | - | - | - | 21,710 | 21,622 |
| Public sector entities | 2,914 | - | - | - | 276 | - | 2,447 | - | - | 373 | - | - | - | - | - | 6,009 | 6,008 |
| Multilateral development banks | 2,942 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,942 | 2,942 |
| International organisations | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Institutions | 340 | - | - | - | 1,877 | - | 1,510 | - | - | 241 | 9 | - | - | - | - | 3,977 | 1,736 |
| Corporates | 305 | - | - | - | 51 | - | 335 | - | - | 29,944 | 10 | - | - | - | - | 30,645 | 30,497 |
| Regulatory retail exposures | 3,230 | - | - | - | - | - | - | - | 12,863 | - | - | - | - | - | - | 16,093 | 16,093 |
| Exposures secured by mortgages on immovable property | - | - | - | - | - | 14,154 | 3,106 | - | 117 | 603 | - | - | - | - | - | 17,980 | 17,980 |
| Exposures in default | - | - | - | - | - | - | - | - | - | 563 | 487 | - | - | - | - | 1,050 | 1,050 |
| Exposures associated with particularly high risks | - | - | - | - | - | - | - | - | - | - | 330 | - | - | - | - | 330 | 330 |
| Covered bonds | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Exposures to institutions and corporates with a short-term credit assesment | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Exposures in the form of units or shares in collective investment undertakings (CIU's) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Equity exposures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other assets | 3,893 | - | - | - | 135 | - | - | - | - | 13,083 | - | - | - | - | - | 17,111 | 17,111 |
| **Total** | **225,816** | **-** | **-** | **-** | **3,277** | **14,154** | **7,471** | **-** | **12,980** | **57,583** | **838** | **2,306** | **-** | **-** | **-** | **324,424** | **321,945** |

*Credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*

## Table 5.21. EU CR5 - Standardised approach (EAD) PY

2020

*Amounts in millions of euros*

| Exposure classes | Risk weighting 0% | 2% | 4% | 10% | 20% | 35% | 50% | 70% | 75% | 100% | 150% | 250% | 370% | 1,250% | Other | Total | Of which: unrated |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Central governments or central banks | 97,487 | - | - | - | 0 | - | - | - | - | 5,378 | 3 | 1,320 | - | - | - | 104,189 | 104,185 |
| Regional governments or local authorities | 15,938 | - | - | - | 904 | - | 85 | - | - | 189 | - | - | - | - | - | 17,116 | 17,106 |
| Public sector entities | 1,663 | - | - | - | 321 | - | 2,650 | - | - | 388 | - | - | - | - | - | 5,023 | 5,022 |
| Multilateral development banks | 888 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 888 | 888 |
| International organisations | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Institutions | - | 0 | - | - | 1,810 | - | 1,239 | - | - | 330 | 7 | - | - | - | - | 3,386 | 973 |
| Corporates | 396 | - | - | - | 15 | - | 17 | - | - | 26,890 | 11 | - | - | - | - | 27,330 | 27,153 |
| Regulatory retail exposures | 1,841 | - | - | - | - | - | 1 | - | 9,980 | - | - | - | - | - | - | 11,823 | 11,823 |
| Exposures secured by mortgages on immovable property | - | - | - | - | - | 12,556 | 3,239 | - | 100 | 465 | - | - | - | - | - | 16,361 | 16,361 |
| Exposures in default | - | - | - | - | - | - | - | - | - | 554 | 299 | - | - | - | - | 853 | 853 |
| Exposures associated with particularly high risks | - | - | - | - | - | - | - | - | - | - | 292 | - | - | - | - | 292 | 292 |
| Covered bonds | - | - | - | - | 7 | - | - | - | - | - | - | - | - | - | - | 7 | 7 |
| Exposures to institutions and corporates with a short-term credit assesment | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Exposures in the form of units or shares in collective investment undertakings (CIU's) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Equity exposures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other assets | 4,765 | - | - | - | 177 | - | - | - | - | 9,019 | - | - | - | - | - | 13,961 | 13,961 |
| **Total** | **122,979** | **0** | **-** | **-** | **3,236** | **12,556** | **7,232** | **-** | **10,080** | **43,213** | **612** | **1,320** | **-** | **-** | **-** | **201,228** | **198,623** |

*Credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*

## Table 5.22. EU CR5 - Standardised approach (RWA)

| *Amounts in millions of euros* | Risk weighting | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Exposure classes** | **0%** | **2%** | **4%** | **10%** | **20%** | **35%** | **50%** | **70%** | **75%** | **100%** | **150%** | **250%** | **370%** | **1,250%** | **Other** | **Total** | **Of which: unrated** |
| Central governments or central banks | - | - | - | - | 0 | - | - | - | - | 12,705 | 3 | 5,764 | - | - | - | 18,472 | 18,468 |
| Regional governments or local authorities | - | - | - | - | 188 | - | 37 | - | - | 71 | - | - | - | - | - | 296 | 278 |
| Public sector entities | - | - | - | - | 55 | - | 1,223 | - | - | 373 | - | - | - | - | - | 1,651 | 1,650 |
| Multilateral development banks | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| International organisations | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Institutions | - | - | - | - | 375 | - | 755 | - | - | 241 | 14 | - | - | - | - | 1,385 | 375 |
| Corporates | - | - | 0 | - | 10 | - | 168 | - | - | 27,245 | 14 | - | - | - | - | 27,436 | 27,288 |
| Regulatory retail exposures | - | - | - | - | - | - | - | - | 8,978 | - | - | - | - | - | - | 8,978 | 8,978 |
| Exposures secured by mortgages on immovable property | - | - | - | - | - | 4,922 | 1,429 | - | 85 | 550 | - | - | - | - | - | 6,985 | 6,985 |
| Exposures in default | - | - | - | - | - | - | - | - | - | 563 | 730 | - | - | - | - | 1,293 | 1,293 |
| Exposures associated with particularly high risks | - | - | - | - | - | - | - | - | - | - | 496 | - | - | - | - | 496 | 496 |
| Covered bonds | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Exposures to institutions and corporates with a short-term credit assesment | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Exposures in the form of units or shares in collective investment undertakings (CIU's) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Equity exposures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other assets | - | - | - | - | 27 | - | - | - | - | 13,083 | - | - | - | - | - | 13,110 | 13,110 |
| **Total** | **-** | **-** | **0** | **-** | **655** | **4,922** | **3,611** | **-** | **9,063** | **54,830** | **1,256** | **5,764** | **-** | **-** | **-** | **80,103** | **78,922** |

*Credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*

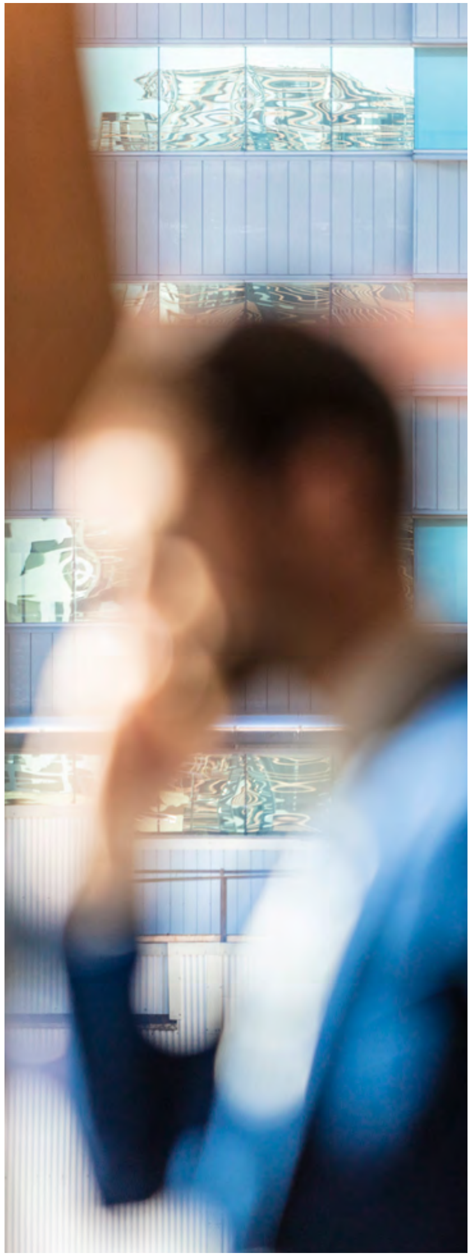
## Table 5.22 PY. EU CR5 - Standardised approach (RWA) PY

2020

*Amounts in millions of euros*

| | Risk weighting | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Exposure classes** | 0% | 2% | 4% | 10% | 20% | 35% | 50% | 70% | 75% | 100% | 150% | 250% | 370% | 1,250% | Other | Total | Of which: unrated |
| Central governments or central banks | - | - | - | - | - | - | - | - | - | 5,378 | 4 | 3,301 | - | - | - | 8,684 | 8,678 |
| Regional governments or local authorities | - | - | - | - | 181 | - | 42 | - | - | 189 | - | - | - | - | - | 412 | 410 |
| Public sector entities | - | - | - | - | 64 | - | 1,325 | - | - | 388 | - | - | - | - | - | 1,777 | 1,777 |
| Multilateral development banks | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| International organisations | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Institutions | - | - | - | - | 362 | - | 619 | - | - | 330 | 11 | - | - | - | - | 1,322 | 413 |
| Corporates | - | - | - | - | 3 | - | 9 | - | - | 24,744 | 16 | - | - | - | - | 24,771 | 24,594 |
| Regulatory retail exposures | - | - | - | - | - | - | 1 | - | 6,929 | - | - | - | - | - | - | 6,929 | 6,929 |
| Exposures secured by mortgages on immovable property | - | - | - | - | - | 4,375 | 1,538 | - | 73 | 413 | - | - | - | - | - | 6,399 | 6,399 |
| Exposures in default | - | - | - | - | - | - | - | - | - | 554 | 449 | - | - | - | - | 1,003 | 1,003 |
| Exposures associated with particularly high risks | - | - | - | - | - | - | - | - | - | - | 437 | - | - | - | - | 437 | 437 |
| Covered bonds | - | - | - | - | 1 | - | - | - | - | - | - | - | - | - | - | 1 | 1 |
| Exposures to institutions and corporates with a short-term credit assesment | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Exposures in the form of units or shares in collective investment undertakings (CIU's) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Equity exposures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other assets | - | - | - | - | 35 | - | - | - | - | 9,019 | - | - | - | - | - | 9,055 | 9,055 |
| **Total** | - | - | - | - | 647 | 4,375 | 3,534 | - | 7,002 | 41,015 | 917 | 3,301 | - | - | - | 60,791 | 59,697 |

*Credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*



The following table shows exposure guaranteed by real estate assets, broken down into commercial and residential.

## Table 5.23. Standardised approach: exposure guaranteed by real estate assets, by type of collateral

| *Amounts in millions of euros* | Original Exposure | Exposures after CRM and before CCF | EAD | RWA | RWA density | Capital (8 %) |
|---|---|---|---|---|---|---|
| Commercial immovable property | 4,153 | 3,966 | 3,683 | 1,957 | 53.13 % | 157 |
| Residential immovable property | 14,957 | 14,919 | 14,297 | 5,028 | 35.17 % | 402 |
| **Total** | **19,110** | **18,885** | **17,980** | **6,985** | **38.85 %** | **559** |

2020

| *Amounts in millions of euros* | Original Exposure | Exposure after CRM and before CCF | EAD | RWA | RWA density | Capital (8 %) |
|---|---|---|---|---|---|---|
| Commercial immovable property | 4,110 | 4,032 | 3,686 | 1,939 | 52.62 % | 155 |
| Residential immovable property | 13,315 | 13,275 | 12,675 | 4,460 | 35.19 % | 357 |
| **Total** | **17,425** | **17,307** | **16,360** | **6,399** | **39.11 %** | **512** |

## Minimum capital requirements for credit risk under the IRB approach

The Group has internal rating based (IRB) models for the calculation of capital requirements. The Group has advanced methodology (AIRB) models for the retail portfolio (retail, SME/non-SMEs secured by real estate mortgage, retail, qualifying revolving, and other retail, SME/non-SMEs), as well as for the corporates and SME portfolio and equities. Following the integration of Bankia, the specialised financing portfolios originating in Bankia are methodologically maintained by slotting criteria, as well as the portfolio of Entities originating in Bankia, which are assessed using advanced methods. In the sub-section "Use of the internal ratings-based approach" in 5.1.3. Quantitative aspects are related to the IRB models authorised to date.

Exposures under IRB according to the regulatory categories of the current regulation are set out below:

## Table 5.24. IRB: Credit risk exposures by portfolio

| | Original exposure | | | EAD | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *In millions of euros* | On-balance-sheet amount | Off-balance-sheet amount | Total Original exposure | On-balance-sheet amount | Off-balance-sheet amount | Total EAD | Average PD[1] | Number of debtors[2] | LGD | Average maturity (years) | RWA | RWA density | EL | Valuation adjustments and provisions | Capital (8%) |
| **Specialised lending under slotting approach** | **3,160** | **277** | **3,437** | **3,160** | **29** | **3,189** | **0.00%** | **0** | **0.00%** | **-** | **2,222** | **69.66%** | **194** | **(196)** | **178** |
| Institutions | 36 | 151 | 187 | 36 | 27 | 62 | 0.46% | 0 | 34.80% | 2.00 | 25 | 40.68% | 0 | (0) | 2 |
| **Corporates** | 77,601 | 48,186 | 125,787 | 68,270 | 14,528 | 82,797 | 5.59% | 53 | 39.59% | 2.51 | 48,287 | 58.32% | 1,756 | (2,085) | 3,863 |
| Of which SME | 22,102 | 5,440 | 27,542 | 17,599 | 1,733 | 19,332 | 9.56% | 43 | 30.66% | 2.97 | 9,215 | 47.66% | 651 | (918) | 737 |
| Of which Other Corporates | 55,499 | 42,746 | 98,245 | 50,671 | 12,795 | 63,465 | 4.38% | 10 | 42.31% | 2.38 | 39,073 | 61.57% | 1,104 | (1,167) | 3,126 |
| **Retails** | 179,521 | 52,944 | 232,465 | 172,191 | 9,881 | 182,072 | 6.27% | 15,417 | 29.51% | 4.29 | 37,922 | 20.83% | 4,264 | (4,966) | 3,034 |
| Of which Retail – Immovable property SMEs | 13,220 | 2,447 | 15,667 | 13,190 | 254 | 13,445 | 11.36% | 169 | 20.00% | 4.52 | 3,106 | 23.10% | 422 | (416) | 248 |
| Of which Retail – Immovable property non-SMEs | 134,693 | 24,752 | 159,445 | 134,689 | 851 | 135,540 | 5.81% | 2,028 | 21.93% | 4.87 | 22,208 | 16.39% | 2,524 | (2,769) | 1,777 |
| Of which Retail – Qualifying revolving | 4,589 | 17,257 | 21,847 | 4,589 | 6,048 | 10,638 | 2.54% | 10,362 | 76.84% | 1.00 | 2,975 | 27.96% | 208 | (219) | 238 |
| Of which Retail – Other SMEs | 17,134 | 6,521 | 23,655 | 9,869 | 2,044 | 11,913 | 8.45% | 698 | 52.37% | 1.92 | 4,309 | 36.17% | 568 | (924) | 345 |
| Of which Retail – Other non-SMEs | 9,885 | 1,966 | 11,851 | 9,854 | 683 | 10,537 | 6.97% | 2,160 | 65.51% | 2.50 | 5,325 | 50.53% | 541 | (638) | 426 |
| **Credit Risk advanced IRB (AIRB) approach** | **257,158** | **101,281** | **358,439** | **240,497** | **24,435** | **264,932** | **5.48%** | **15,470** | **31.65%** | **3.73** | **86,235** | **32.55%** | **6,019** | **(7,052)** | **6,899** |
| **Total credit risk IRB approach[3]** | **260,318** | **101,558** | **361,876** | **243,657** | **24,465** | **268,121** | **6.05%** | **15,471** | **32.66%** | **3.73** | **88,457** | **32.99%** | **6,213** | **(7,247)** | **7,077** |

[1] *Includes portfolio in default. Table EU CR6 includes the distinction of PD by performing and default portfolio.*

[2] *Number of obligors in thousands.*

[3] *Only credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*

## Table 5.24 PY. IRB: Credit risk exposures by portfolio PY

2020

| *In millions of euros* | Original exposure | | | EAD | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | On-balance-sheet amount | Off-balance-sheet amount | Total Original exposure | On-balance-sheet amount | Off-balance-sheet amount | Total EAD | Average PD[1] | Number of debtors[2] | LGD | Average maturity (years) | RWA | Density of RWA | EL | Valuation adjustments and provisions | Capital (8%) |
| Specialised lending under slotting approach | - | - | - | - | - | - | 0.00% | - | 0.00% | - | - | 0.00% | - | - | - |
| Institutions | - | - | - | - | - | - | 0.00% | - | 0.00% | - | - | 0.00% | - | - | - |
| Corporates | 48,356 | 31,097 | 79,454 | 44,090 | 8,493 | 52,583 | 4.14% | 38 | 34.08% | 2.83 | 27,226 | 51.78% | 831 | (1,096) | 2,178 |
| Of which SME | 12,675 | 3,388 | 16,063 | 10,466 | 1,293 | 11,759 | 6.60% | 31 | 29.22% | 3.26 | 5,477 | 46.58% | 240 | (421) | 438 |
| Of which Other Corporates | 35,682 | 27,709 | 63,390 | 33,624 | 7,200 | 40,824 | 3.44% | 8 | 35.48% | 2.71 | 21,749 | 53.28% | 591 | (675) | 1,740 |
| Retails | 114,099 | 43,777 | 157,876 | 108,536 | 6,681 | 115,217 | 6.05% | 9,828 | 27.28% | 4.23 | 20,349 | 17.66% | 2,531 | (3,273) | 1,628 |
| Of which Retail – Immovable property SMEs | 8,261 | 2,320 | 10,581 | 8,223 | 181 | 8,404 | 12.34% | 100 | 17.55% | 4.55 | 1,931 | 22.98% | 272 | (314) | 154 |
| Of which Retail – Immovable property non-SMEs | 83,206 | 24,267 | 107,473 | 83,202 | 461 | 83,663 | 5.56% | 1,422 | 18.25% | 4.89 | 10,323 | 12.34% | 1,366 | (1,877) | 826 |
| Of which Retail – Qualifying revolving | 3,527 | 10,833 | 14,359 | 3,527 | 3,426 | 6,953 | 3.30% | 5,935 | 76.80% | 1.00 | 1,748 | 25.15% | 166 | (160) | 140 |
| Of which Retail – Other SMEs | 13,055 | 4,541 | 17,596 | 7,541 | 1,824 | 9,365 | 6.18% | 565 | 52.77% | 1.89 | 3,126 | 33.38% | 365 | (523) | 250 |
| Of which Retail – Other non-SMEs | 6,050 | 1,816 | 7,866 | 6,043 | 789 | 6,832 | 6.96% | 1,806 | 64.46% | 2.32 | 3,221 | 47.14% | 361 | (398) | 258 |
| Credit Risk advanced IRB (AIRB) approach | 162,456 | 74,874 | 237,330 | 152,626 | 15,174 | 167,800 | 5.45% | 9,866 | 29.41% | 3.79 | 47,575 | 28.35% | 3,361 | (4,369) | 3,806 |
| Total credit risk IRB approach[3] | 162,456 | 74,874 | 237,330 | 152,626 | 15,174 | 167,800 | 5.45% | 9,866 | 29.41% | 3.79 | 47,575 | 28.35% | 3,361 | (4,369) | 3,806 |

[1] *Includes portfolio in default.*
[2] *Number of obligors in thousands.*
[3] *Only credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*

## Tabla 5.25. EU CR6 - IRB - credit risk exposures by portfolio and probability of default (PD) range

*In millions of euros*

| PD range | On-balance sheet exposures | Off-balance-sheet exposures pre-CCF | Exposure weighted average CCF | Exposure post CCF and post CRM | Exposure weighted average PD (%) | Number of obligors[1] | Exposure weighted average LGD (%) | Exposure weighted average maturity (years) | Risk weighted exposure amount after supporting factors | Density of risk weighted exposure amount | Expected loss amount | Value adjustments and provisions |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0,00 to <0,15 | 98,460 | 34,633 | 19.88 % | 103,898 | 0.08 % | 6,926 | 26.66 % | 2 | 11,.831 | 11.39 % | 140 | (494) |
| 0,00 to <0,10 | 60,566 | 21,701 | 19.05 % | 63,807 | 0.05 % | 4,127 | 27.10 % | 3 | 6,423 | 10.07 % | 83 | (294) |
| 0,10 to <0,15 | 37,894 | 12,932 | 21.26 % | 40,091 | 0.13 % | 2,798 | 25.97 % | 2 | 5,407 | 13.49 % | 57 | (200) |
| 0,15 to <0,25 | 16,500 | 16,987 | 32.32 % | 20,671 | 0.18 % | 1,111 | 46.07 % | 2 | 7,929 | 38.36 % | 36 | (60) |
| 0,25 to <0,50 | 44,403 | 19,766 | 31.29 % | 46,859 | 0.30 % | 1,363 | 34.94 % | 2 | 16,666 | 35.57 % | 110 | (277) |
| 0,50 to <0,75 | 24,569 | 8,443 | 31.72 % | 23,989 | 0.58 % | 1,118 | 32.99 % | 3 | 9,744 | 40.62 % | 75 | (207) |
| 0,75 to <2,50 | 34,028 | 11,377 | 33.50 % | 32,119 | 1.38 % | 2,782 | 35.45 % | 3 | 16,535 | 51.48 % | 187 | (461) |
| 0,75 to <1,75 | 28,291 | 9,438 | 32.51 % | 27,272 | 1.24 % | 1,994 | 34.71 % | 3 | 13,649 | 50.05 % | 143 | (341) |
| 1,75 to <2,5 | 5,737 | 1,939 | 38.36 % | 4,847 | 2.20 % | 788 | 39.59 % | 3 | 2,886 | 59.55 % | 44 | (119) |
| 2,50 to <10,00 | 18,426 | 5,583 | 30.98 % | 17,807 | 4.84 % | 1,371 | 34.02 % | 3 | 13,126 | 73.71 % | 236 | (504) |
| 2,5 to <5 | 10,723 | 3,223 | 32.72 % | 10,174 | 3.33 % | 794 | 34.52 % | 3 | 7,043 | 69.22 % | 109 | (229) |
| 5 to <10 | 7,703 | 2,361 | 28.60 % | 7,633 | 6.85 % | 577 | 33.35 % | 3 | 6,083 | 79.69 % | 128 | (275) |
| 10,00 to <100,00 | 7,263 | 1,871 | 30.25 % | 6,761 | 22.33 % | 435 | 33.98 % | 3 | 7,712 | 114.08 % | 335 | (516) |
| 10 to <20 | 3,600 | 1,189 | 31.47 % | 3,357 | 12.96 % | 279 | 35.68 % | 3 | 3,811 | 113.51 % | 111 | 202) |
| 20 to <30 | 1,590 | 250 | 35.75 % | 1,450 | 21.76 % | 72 | 34.81 % | 3 | 1,973 | 136.06 % | 81 | (93) |
| 30,00 to <100,00 | 2,073 | 431 | 23.70 % | 1,954 | 38.84 % | 84 | 30.45 % | 3 | 1,929 | 98.73 % | 143 | (221) |
| **Perfoming Portfolio** | **243,649** | **98,659** | **27.72 %** | **252,104** | **1.27 %** | **15,105** | **32.23 %** | **3** | **83,543** | **33.14 %** | **1,118** | **(2,519)** |
| 100,00 (Default) | 13,508 | 2,622 | 8.94 % | 12,828 | 100.00 % | 366 | 41.15 % | 3 | 2,692 | 20.99 % | 4,901 | (4,533) |
| **Total** | **257,158** | **101,281** | **27.23 %** | **264,932** | **6.05 %** | **15,470** | **32.66 %** | **3** | **86,235** | **32.55 %** | **6,019** | **(7,052)** |

[1] *Number of obligors in thousands.*

*Credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*

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## Tabla 5.25 PY. EU CR6 - IRB - credit risk exposures by portfolio and probability of default (PD) range PY

2020

*In millions of euros*

| PD range | On-balance sheet exposures | Off-balance-sheet exposures pre-CCF | Exposure weighted average CCF | Exposure post CCF and post CRM | Exposure weighted average PD (%) | Number of obligors[1] | Exposure weighted average LGD (%) | Exposure weighted average maturity (years) | Risk weighted exposure amount after supporting factors | Density of risk weighted exposure amount | Expected loss amount | Value adjustments and provisions |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0,00 to <0,15 | 71,522 | 36,353 | 15.21% | 75,797 | 0.07% | 4,103 | 23.78% | 2 | 4,653 | 6.14% | 13 | (293) |
| 0,00 to <0,10 | 56,990 | 24,449 | 12.21% | 59,170 | 0.05% | 2,794 | 22.62% | 2 | 2,194 | 3.71% | 7 | (237) |
| 0,10 to <0,15 | 14,532 | 11,904 | 21.37% | 16,627 | 0.13% | 1,309 | 27.89% | 3 | 2,459 | 14.79% | 6 | (56) |
| 0,15 to <0,25 | 11,482 | 7,652 | 22.39% | 12,554 | 0.18% | 708 | 33.97% | 3 | 2,627 | 20.93% | 8 | (61) |
| 0,25 to <0,50 | 28,298 | 13,151 | 26.82% | 29,418 | 0.32% | 813 | 31.86% | 3 | 8,799 | 29.91% | 30 | (183) |
| 0,50 to <0,75 | 10,576 | 4,771 | 31.90% | 10,492 | 0.61% | 672 | 36.36% | 3 | 5,197 | 49.53% | 23 | (75) |
| 0,75 to <2,50 | 20,382 | 8,394 | 31.92% | 19,461 | 1.52% | 2,065 | 36.13% | 3 | 11,545 | 59.32% | 108 | (260) |
| 0,75 to <1,75 | 14,608 | 6,265 | 30.57% | 14,064 | 1.23% | 1,407 | 35.27% | 3 | 7,317 | 52.03% | 61 | (165) |
| 1,75 to <2,5 | 5,774 | 2,129 | 35.89% | 5,397 | 2.28% | 657 | 38.36% | 3 | 4,228 | 78.34% | 47 | (95) |
| 2,50 to <10,00 | 9,680 | 3,064 | 24.94% | 9,678 | 5.33% | 937 | 31.92% | 4 | 8,139 | 84.11% | 166 | (268) |
| 2,5 to <5 | 6,095 | 1,867 | 24.09% | 6,007 | 3.82% | 548 | 31.64% | 3 | 4,299 | 71.57% | 73 | (140) |
| 5 to <10 | 3,585 | 1,198 | 26.25% | 3,671 | 7.79% | 389 | 32.37% | 4 | 3,840 | 104.62% | 93 | (128) |
| 10,00 to <100,00 | 3,061 | 762 | 18.66% | 2,983 | 23.13% | 348 | 32.61% | 3 | 3,859 | 129.36% | 233 | (285) |
| 10 to <20 | 1,573 | 460 | 21.60% | 1,558 | 14.38% | 210 | 33.49% | 3 | 2,020 | 129.70% | 76 | (117) |
| 20 to <30 | 677 | 138 | 17.58% | 645 | 23.78% | 64 | 29.31% | 2 | 819 | 126.99% | 46 | (62) |
| 30,00 to <100,00 | 812 | 164 | 11.31% | 780 | 40.08% | 74 | 33.56% | 3 | 1,019 | 130.64% | 111 | (106) |
| Perfoming Portfolio | 155,000 | 74,148 | 21.41% | 160,383 | 1.08% | 9,646 | 29.04% | 3 | 44,819 | 27.95% | 580 | (1,425) |
| 100,00 (Default) | 7,455 | 726 | 15.63% | 7,417 | 100.00% | 220 | 37.50% | 3 | 2,756 | 37.16% | 2,781 | (2,944) |
| Total | 162,456 | 74,874 | 21.36% | 167,800 | 5.45% | 9,866 | 29.41% | 3 | 47,575 | 28.35% | 3,361 | (4,369) |

[1] *Number of obligors in thousands.*

*Credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*

## Table 5.26. EU CR6-A – Scope of the use of IRB and SA approaches

| In millions of euros | | Exposure value as defined in Article 166 CRR for exposrues subject to IRB approach<br>a | Total exposure value for exposures subject to the Standardised approach and to the IRB approach<br>b | Percentage of total exposure value subject to the permanent partial use of the SA (%)<br>c | Percentage of total exposurevalue subject to a roll-out plan (%)<br>d | Percentage of total exposure value subject to IRB Approach (%)<br>e |
|---|---|---|---|---|---|---|
| 1 | **Central governments or central banks** | - | 101,572 | 100.00 % | 0.00 % | 0.00 % |
| 1.1 | Of which Regional governments or local authorities | - | 44,272 | 100.00 % | 0.00 % | 0.00 % |
| 1.2 | Of which Public sector entities | - | 5,986 | 100.00 % | 0.00 % | 0.00 % |
| 2 | Institutions | 187 | 6,531 | 97.14 % | 0.00 % | 2.86 % |
| 3 | **Corporates** | 129,224 | 159,349 | 13.40 % | 5.51 % | 81.10 % |
| 3.1 | Of which Corporates - Specialised lending, excluding slotting approach | - | 20,419 | 100.00 % | 0.00 % | 0.00 % |
| 3.2 | Of which Corporates - Specialised lending under slotting approach | 3,437 | 3,437 | 0.00 % | 0.00 % | 100.00 % |
| 3.3 | Of which Corporates SMEs | 27,542 | 29,911 | 0.76 % | 7.16 % | 92.08 % |
| 4 | **Retail** | 232,465 | 255,700 | 1.86 % | 7.23 % | 90.91 % |
| 4.1 | of which Retail – Secured by real estate SMEs | 15,667 | 16,496 | 0.00 % | 5.03 % | 94.97 % |
| 4.2 | of which Retail – Secured by real estate non-SMEs | 159,445 | 172,768 | 0.00 % | 7.71 % | 92.29 % |
| 4.3 | of which Retail – Qualifying revolving | 21,847 | 21,847 | 0.00 % | 0.00 % | 100.00 % |
| 4.4 | of which Retail – Other SMEs | 23,655 | 26,615 | 1.02 % | 10.10 % | 88.88 % |
| 4.5 | of which Retail – Other non-SMEs | 11,851 | 17,974 | 24.92 % | 9.15 % | 65.93 % |
| 5 | Equity | 7,558 | 7,558 | 0.00 % | 0.00 % | 100.00 % |
| 6 | Other non-credit obligation assets | - | - | 0.00 % | 0.00 % | 0.00 % |
| **7** | **Total** | **369,434** | **530,709** | **25.25 %** | **5.14 %** | **69.61 %** |

*Excluding counterparty and securitisation.*

## Table 5.27. EU CR8 - RWA flow statements of credit risk exposures under the IRB approach

| *In millions of euros* | Risk weighted exposure amount |
|---|---|
| **Risk weighted exposure amount as at the end of the previous reporting period** | **47,575** |
| Asset size | (4,182) |
| Asset quality | (2,987) |
| Model updates | 11,553 |
| Methodology and policy | (980) |
| Acquisitions and disposals | 37,877 |
| Foreign exchange movements | - |
| Other | (399) |
| **Risk weighted exposure amount as at the end of the reporting period** | **88,457** |

Table 5.26 shows that the evolution of the RWA in the credit portfolio evaluated under IRB models 2021 has meant an increase of EUR 40,882 million mainly due to inorganic effects (integration of Bankia portfolio, authorisation of the application of internal models in the mortgage portfolio from Banco Mare Nostrum (Bankia) and the result of the inspection of the corporate portfolio).

### Impairment losses and reversals of previously recognised losses

#### Evolution of impairment losses

Below are the Group's funds for asset impairment losses and provisions for contingent liabilities and commitments corresponding to the last four financial years and for each of the risk categories.

With regard to the evolution of provisions for 2021, beyond the inorganic increase resulting from the integration of Bankia, it should be noted that coverage levels have remained high and specific provisions have been increased due to the reclassification of parameters in 2Q21. Collective funds have also increased, mainly to contractually cover the deficit in provisions in 2022 for "NPL prudential coverage" for 2020 and 2021.

*Credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*

## Table 5.28. Provisions evolution

*Amounts in millions of euros*

| | 2018 | | 2019 | | 2020 | | 2021 | |
|---|---|---|---|---|---|---|---|---|
| **Regulatory exposure class** | **Provisions** | **%** | **Provisions** | **%** | **Provisions** | **%** | **Provisions** | **%** |
| Central governments or central banks | (5) | 0.08% | (0) | 0.01% | (1) | 0.01% | (1) | 0.01% |
| Regional governments or local authorities | (1) | 0.02% | (1) | 0.02% | (2) | 0.04% | (3) | 0.04% |
| Public sector entities | (63) | 1.01% | (51) | 0.99% | (33) | 0.56% | (196) | 2.13% |
| Multilateral development banks | - | - | (0) | 0 | - | - | (1) | 0.01% |
| International organisations | - | - | - | - | - | - | - | - |
| Institutions | (3) | 0.04% | (2) | 0.04% | (2) | 0.03% | (9) | 0.10% |
| Corporates | (601) | 9.60% | (169) | 3.29% | (410) | 6.93% | (461) | 5.03% |
| Regulatory retail exposures | (166) | 2.65% | (358) | 6.98% | (400) | 6.76% | (415) | 4.52% |
| Exposures secured by mortgages on immovable property | (47) | 0.75% | (50) | 0.97% | (50) | 0.84% | (60) | 0.66% |
| Exposures in default | (1,180) | 18.84% | (824) | 16.07% | (637) | 10.76% | (766) | 8.35% |
| Exposures associated with particularly high risks | - | - | (6) | 0 | (8) | 0 | (15) | 0.16% |
| Covered bonds | - | - | - | - | - | - | - | - |
| Exposures to institutions and corporates with a short-term credit assesment | - | - | - | - | - | - | - | - |
| Exposures in the form of units or shares in collective investment undertakings (CIU's) | - | - | - | - | - | - | - | - |
| Equity exposures | - | - | - | - | - | - | - | - |
| Other assets | (19) | 0 | (11) | 0.21% | (5) | 0.08% | (5) | 0.06% |
| **Total Credit Risk - SA portfolio** | **(2,086)** | **33.31%** | **(1,472)** | **28.70%** | **(1,548)** | **26.16%** | **(1,933)** | **21.06%** |
| **Specialised lending under slotting approach** | **-** | **0.00%** | **-** | **0.00%** | **-** | **0.00%** | **(196)** | **2.13%** |
| Institutions | - | 0.00% | - | 0.00% | - | 0.00% | (0) | 0.00% |
| **Corporates** | (1,491) | 23.81% | (1,059) | 20.66% | (1,096) | 18.52% | (2,085) | 22.71% |
| Of which SME | (585) | 9.34% | (339) | 6.61% | (421) | 7.12% | (918) | 10.00% |
| Of which Other Corporates | (907) | 14.48% | (721) | 14.05% | (675) | 11.41% | (1,167) | 12.71% |
| **Retails** | (2,685) | 42.88% | (2,597) | 50.64% | (3,273) | 55.32% | (4,966) | 54.10% |
| Of which Retail – Immovable property SMEs | (267) | 4.26% | (232) | 4.52% | (314) | 5.31% | (416) | 4.53% |
| Of which Retail – Immovable property non-SMEs | (1,686) | 26.92% | (1,452) | 28.32% | (1,877) | 31.73% | (2,769) | 30.16% |
| Of which Retail – Qualifying revolving | (117) | 1.87% | (159) | 3.10% | (160) | 2.71% | (219) | 2.39% |
| Of which Retail – Other SMEs | (260) | 4.15% | (392) | 7.65% | (523) | 8.85% | (924) | 10.07% |
| Of which Retail – Other non-SMEs | (356) | 5.68% | (362) | 7.06% | (398) | 6.73% | (638) | 6.95% |
| **Credit Risk advanced IRB (AIRB) approach** | **(4,176)** | **66.69%** | **(3,656)** | **71.30%** | **(4,369)** | **73.84%** | **(7,052)** | **76.81%** |
| **Total[1]** | **(6,262)** | **100.00%** | **(5,128)** | **100.00%** | **(5,917)** | **100.00%** | **(9,180)** | **100.00%** |

[1] *Only credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*

The following table contains details of the impairment losses and reversals of previously recognised losses on assets written off, recognised directly in the statement of profit or loss for CaixaBank Group in 2021[1].

## Table 5.29. Detail of impairment of value or reversal of impairment of Financial Assets not Valued at Fair Value with Changes in Results

| *Amounts in millions of euros* | 2021 | 2020 |
|---|---|---|
| **Financial assets at amortized cost / loans and receivables** | **(897)** | **(1,942)** |
| Loans and advances | (897) | (1,942) |
| Net endowments | (878) | (1,694) |
| Of which Credit Institutions | (7) | (1) |
| Of which clientele | (871) | (1,693) |
| Of which POCI | (142) | - |
| Sanitation | (473) | (698) |
| Bad assets recovered | 454 | 450 |
| Representative values of debt | - | |
| **Financial assets at fair value with changes in other comprehensive income / Financial assets available for sale** | **-** | **(1)** |
| Sanitation | - | (1) |
| Heritage instruments | - | - |
| representative values of debt | - | (1) |
| **Total** | **(897)** | **(1,943)** |

## Table 5.30. Impairment or reversal of impairment on nonfinancial assets

| *Amounts in millions of euros* | 2021 | 2020 |
|---|---|---|
| **Tangible assets** | **(62)** | **(110)** |
| Tangible assets - own use | (87) | (30) |
| Provisions | (16) | - |
| Cash and cash equivalents | - | 5 |
| Provisions | (71) | (35) |
| Property investments | 25 | (80) |
| Provisions | (57) | (145) |
| Cash and cash equivalents | 82 | 65 |
| Provisions | - | - |
| **Intangible assets** | **(58)** | **(14)** |
| Provisions | (5) | - |
| Cash and cash equivalents | - | - |
| Provisions | (53) | (14) |
| **Others** | **(38)** | **12** |
| Stock | (4) | (2) |
| Provisions | (6) | (4) |
| Cash and cash equivalents | 2 | 2 |
| Remainder | (34) | 14 |
| **Total** | **(158)** | **(112)** |

[1] *Refer to Notes 36 "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss" and 37 "Impairment or reversal of impairment on non-financial assets" to CaixaBank Group's 2020 financial statements.*

## 5.1.3. Quantitative aspects

### Utilisation of the IRB approach

In July 2005, in accordance with the directives of the Bank of Spain, the Board of Directors of "la Caixa" approved the Master Plan for Adaptation to Basel II. At that time, "la Caixa" requested official permission from the Bank of Spain to use internal models for measuring credit risk. The Bank of Spain validated them in the course of 2007, and on 25 June 2008 issued authorisation for the "la Caixa" Group to apply the model to calculate its capital requirements as of that year.

The Bank of Spain has authorised the use of the Internal Ratings-Based Approach (IRB) to calculate capital requirements for the following credit exposure classes:

- Mortgage loans to individuals (behaviour and approval models), applying internal estimates of default losses and credit conversion factors.
- Personal loans to individuals (behaviour and approval models), applying internal estimates of losses in the event of default and credit conversion factors.
- Cards to individuals (behaviour and approval models), applying internal estimates of losses in the event of default and credit conversion factors.
- SMEs, for the range of medium-sized enterprises, small enterprises and micro-enterprises, applying internal estimates of losses in the event of default and credit conversion factors.
- Developer SMEs, applying internal estimates of losses in the event of default or credit conversion factors.
- Corporate, applying internal estimates of losses in the event of default or credit conversion factors.
- Equity, with internal models (VaR), PD/LGD and simple risk-weighting.

The Bank of Spain authorised the use of the IRB approach for the calculation of capital requirements for credit exposures arising from transactions by MicroBank de la Caixa, S.A., following the reorganisation of Grupo Nuevo Micro Bank, S.A., applicable as of the 2009 year-end.

1. Implementation of internal estimates in the management process

The results obtained from these tools are used for the following courses of action[1]:

- Back-up for the decision-making process.
- Authority system for expected loss in the approval of risk for companies.
- System of diagnostics by risk premium in the authorisation of retail lending.
- Optimisation of internal processes and monitoring function.
- Risk-Adjusted Return (RAR) system.
- Risk approval pricing system.
- Calculation of provisions and accounting classification using internal models under IFRS9 or Bank of Spain Circular 4/2017.

2. Management process and recognition of risk reduction.

   The result of the application of risk mitigating techniques on the IRB portfolio is reflected in the estimation and allocation of probability of default (PD) parameters, in the case of personal guarantees, or loss given default (LGD) parameters, in the case of collateral. The LGD will vary according to the guarantees provided. To this end, the type of guarantee is observed for each transaction: financial, real estate or other collateral. Moreover, in the case of real estate used as collateral, the nature of the property is checked to determine whether it is residential or commercial.

[1] *See the end of this section for more details on the integration of internal estimates in management.*

## Description of the internal rating assignment process, for each exposure class

### 1. Structure of the internal rating systems

The Group has internal credit rating models which, by assigning solvency or internal ratings to customers, provide predictions of the probability of each borrower defaulting, covering practically all lending activity.

These internal models, used at both a product and customer level, have been developed on the basis of historical experience of defaults and incorporate the necessary measurements to adjust the results to the business cycle.

Product-oriented tools take into consideration the specific characteristics of the debtor relating to the product concerned, and are mainly used for approval of new retail banking transactions.

Customer-orientated tools assess the debtor's probability of default on a general basis, though the results for individuals may differ according to the product. They comprise behaviour scores for individuals and credit ratings for corporates. They are implemented across the entire branch network and integrated within the normal asset product approval tools.

The rating tools for corporates are customer-focused and vary considerably depending on the segment to which they belong. The rating results are also adjusted to the business cycle using the same structure as that employed for individuals.

The Group has a Corporate Rating function in place to provide specialised ratings for the large corporates segment, for which it has developed internal rating models. These are expert models that require the involvement of analysts. These models have been built in line with the methodology of one of the major ratings agencies, meaning that the global default rates published by this rating agency can be used, making the methodology more reliable.

- **Probability of default (PD) estimation models**

There are 26 internal probability of default (PD) estimation models in place, covering most of the Group's portfolios.

The type of probability of default (PD) that the Group uses in its estimates is "through the cycle": the scores assigned by the rating models are associated with the average PDs for a full economic cycle or a period with sufficient variability between good and bad years. The estimate is performed by anchoring the PD curve to the long-term trend (central trend) estimated for each portfolio. When a probability of default has been assigned to each contract/customer, it is then transferred to the master scale, a categorisation to which the results of all scoring and rating tools are linked for easier interpretation.

The above methodology is followed for the large corporates portfolio, however, due to the singularities of this portfolio, with low default, the PDs are obtained on the basis of external information from specialised and reputable providers. It should be noted that the probability of default with a corporate is at least 0.03%.

- **Exposure at default (EAD) estimation models**

CaixaBank has 10 internal exposure at default (EAD) estimation models.

Exposure at default (EAD) is defined as the amount a customer is expected to owe to the credit institution in the event of defaulting at some point over the next 12 months.

EAD is calculated as the current balance (amount included on the assets side of the Group's balance sheet) plus a percentage of the unused (available) credit line that has been granted, i.e., an equivalence factor known as the CCF (credit conversion factor), which represents a quantitative estimate of the percentage available to the customer that is expected to be drawn down on at the time default occurs.

The method used to estimate EAD is the variable-horizon approach (setting a one-year horizon for the calculation of realised CCFs). On the one hand, the models for available balance commitments have been developed according to the holder segment and product.

- **Loss given default (LGD) estimation models**

CaixaBank has 36 internal loss given default (LGD) estimation models.

LGD is the economic loss arising from a default. The Bank currently estimates average long-term LGD, as well as LGD in adverse cycle conditions (downturns) for all transactions that are not in default. For transactions that are in default, a best estimate of loss is also calculated.

The model used to calculate the LGD of the large corporates portfolio is the Mertonian (or structural) approach, whereby the LGD is calculated on the basis of a comparison between the stressed economic value of the assets and the structure of the borrower's liabilities. With regard to the DT LGD, it is estimated by applying a higher stress to the value of the firm's assets, trimming the average value of the firm's assets by one standard deviation.

## 2. Rating models

A description of the rating models approved for use in the calculation of capital requirements through the IRB approach is shown below:

### Individuals and the self-employed

- **Asset behavioural model:** provides a monthly evaluation of all customers who have been with the Bank for at least 6 months (both private individuals and self-employed workers) and who hold a loan with either a personal guarantee or a mortgage.

  This is mainly used to monitor the risk outstanding on all transactions that were arranged at least 6 months ago.

  The methodology of construction of the model is based on a multivariate analysis (logistic regression), according to the customer's financial behaviour.

- **Non-asset-related behaviour model:** provides a monthly evaluation of all customers (private customers and self-employed workers) who hold no asset-related contracts other than credit cards.

  Its main use is to monitor the risk outstanding on cards that were issued at least 6 months ago and overdrafts when the asset behavioural model does not apply.

  The method used to build the model is logistic regression, primarily based on data regarding the customer's financial behaviour.

- **Customer mortgage model:** used to evaluate the approval of mortgage guarantee transactions for customers. The rating at the time of approval is maintained over the first 6 months of the transaction.

  The estimate model is based on a multivariate analysis (logistic regression), using information concerning the transaction, socio-demographic information and information relating to the customer's financial behaviour.

- **Non-customer mortgage model:** used for evaluation in the approval of mortgage guarantee transactions for non-customers. The rating at the time of approval is maintained over the first 6 months of the transaction.

  The method used by this model is different to that of the customer mortgage model, as it only uses information relating to the transaction, the collateral and socio-demographic information about the holder.

- **Self-employed customer model:** used for evaluation in the approval of transactions with a non-mortgage guarantee for customers to be used for business purposes. The rating at the time of approval is maintained over the first 6 months of the transaction.

  A multivariate analysis methodology was used to build the model (logistic regression). It is based on information concerning the transaction, socio-demographic information and information concerning the customer's financial behaviour.

- **Customer credit cards model:** used for evaluation in the approval of credit cards for customers. The rating at the time of approval is maintained over the first 6 months of the transaction.

  A Gradient Boosting Machine (GBM) methodology was used to build the model. It is based on information concerning the transaction, socio-demographic information and information concerning the customer's financial behaviour.

- **Non-customer credit cards model:** used for evaluation in the approval of credit cards for non-customers. The rating at the time of approval is maintained over the first 6 months of the transaction.

  A multivariate analysis methodology was used to build the model (logistic regression). It is based on information about the holder (socio-demographic, work-related, economic, etc.) and internal and external alerts.

## Corporates

- **Rating of SMEs and Property Developer SMEs:** the aim of the SME and property developer SME rating model is to assign an internal rating to private companies classified as micro-enterprises, small enterprises, medium-sized enterprises or property developer SMEs in accordance with the internal risk segmentation system. The entire SME and property developer SME portfolio is evaluated monthly, as well as whenever a new transaction is approved for an SME or property developer SME, if no calculated rating is available.

  **A multivariate analysis methodology was used to build the four models (logistic regression). It is based on:**

  - **Financial information:** information available from balance sheets and income statements. For example: total assets, equity and net profit.
  - **Operating information:** bank and credit information on the customer company, in connection with CaixaBank or other banks in the Spanish financial system (Bank of Spain's Risk Information Facility - CIRBE). For example: average balance of liabilities or average CIRBE utilisation.
  - **Qualitative information:** based on the company's characteristics and position within its sector. For example: the company manager's experience, real estate asset status, etc.

- **Corporate rating:** The aim of the Corporate rating model is to assign an internal rating to private companies and property developers classified as large corporates, in accordance with CaixaBank's internal risk segmentation system. The corporate rating is calculated by a centralised unit, and the frequency of recalculation of the rating will depend on the receipt of new information added to the appraisal, with a maximum validity of 12 months.

  The corporate model is based on an expert opinion produced in accordance with the methodology of one of the major ratings agencies, using a number of different rating tools (templates) depending on the sector to which the company belongs.

  The variables used for the corporate model take into account both qualitative and quantitative factors:

  - **Qualitative variables** represent business risk – the position of the company within the sector, for example.
  - **Quantitative variables** are usually financial ratios – total debt/EBITDA, for example.

# Table 5.31. Businesses by probability of default (PD) range according to the advanced IRB (AIRB) approach

## Table 5.31.a. EU CR6 - IRB - credit risk exposures by portfolio and probability of default (PD) range (Corporates - SMEs)

*Amounts in millions of euros*

| PD range | On-balance sheet exposures | Off-balance-sheet exposures pre-CCF | Exposure wei-ghted average CCF | Exposure post CCF and post CRM | Exposure weigh-ted average PD (%) | Number of obligors[1] | Exposure weighted average LGD (%) | Exposure wei-ghted average maturity (years) | Risk wei-ghted exposure amount after su-pporting factors | Density of risk weighted exposure amount | Expec-ted loss amount | Value ad-just-ments and provisions |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0,00 to <0,15 | 2,365 | 662 | 46.43% | 2,279 | 0.13% | 5 | 32.75% | 2 | 597 | 26.18% | 4 | (17) |
| 0,00 to <0,10 | 731 | 171 | 47.71% | 698 | 0.07% | 3 | 33.38% | 3 | 164 | 23.50% | 2 | (7) |
| 0,10 to <0,15 | 1,634 | 491 | 45.99% | 1,580 | 0.15% | 2 | 32.47% | 2 | 432 | 27.37% | 3 | (11) |
| 0,15 to <0,25 | 873 | 168 | 44.46% | 791 | 0.15% | 3 | 31.12% | 3 | 238 | 30.14% | 2 | (9) |
| 0,25 to <0,50 | 4,263 | 1,236 | 44.84% | 3,885 | 0.30% | 10 | 29.98% | 3 | 1,446 | 37.21% | 10 | (43) |
| 0,50 to <0,75 | 3,564 | 917 | 43.21% | 2,945 | 0.60% | 5 | 30.57% | 3 | 1,398 | 47.46% | 11 | (42) |
| 0,75 to <2,50 | 6,286 | 1,516 | 38.59% | 5,315 | 1.51% | 13 | 28.96% | 3 | 3,029 | 56.98% | 30 | (106) |
| 0,75 to <1,75 | 4,118 | 935 | 40.29% | 3,503 | 1.16% | 9 | 28.32% | 3 | 1,909 | 54.50% | 17 | (60) |
| 1,75 to <2,5 | 2,168 | 580 | 35.85% | 1,812 | 2.18% | 4 | 30.20% | 3 | 1,120 | 61.79% | 13 | (45) |
| 2,50 to <10,00 | 1,983 | 610 | 35.99% | 1,807 | 5.11% | 4 | 30.14% | 4 | 1,428 | 79.01% | 24 | (65) |
| 2,5 to <5 | 1,446 | 466 | 36.19% | 1,313 | 4.18% | 3 | 29.35% | 4 | 977 | 74.39% | 15 | (37) |
| 5 to <10 | 538 | 144 | 35.35% | 493 | 7.58% | 1 | 32.25% | 4 | 450 | 91.30% | 9 | (27) |
| 10,00 to <100,00 | 1,027 | 197 | 32.20% | 855 | 21.79% | 1 | 28.03% | 3 | 838 | 98.03% | 35 | (56) |
| 10 to <20 | 659 | 106 | 35.05% | 505 | 13.11% | 1 | 29.90% | 3 | 455 | 90.11% | 13 | (35) |
| 20 to <30 | 47 | 10 | 19.56% | 43 | 22.42% | 0 | 26.10% | 4 | 34 | 80.02% | 1 | (4) |
| 30,00 to <100,00 | 322 | 81 | 29.96% | 307 | 35.98% | 0 | 25.22% | 4 | 349 | 113.59% | 21 | (16) |
| **Perfoming Portfolio** | **20,361** | **5,305** | **41.47 %** | **17,876** | **2.19 %** | **41** | **30.10 %** | **3** | **8,972** | **50.19 %** | **117** | **(337)** |
| 100,00 (Default) | 1,741 | 135 | 13.32% | 1,456 | 100.00% | 2 | 37.55% | 3 | 242 | 16.63% | 535 | (581) |
| **Total** | **22,102** | **5,440** | **40.78%** | **19,332** | **9.56%** | **43** | **30.66%** | **3** | **9,215** | **47.66%** | **651** | **(918)** |

[1] Number of obligors in thousands.

*Credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*

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## Table 5.31.b. EU CR6 - IRB - credit risk exposures by portfolio and probability of default (PD) range (Corporates - other)

*Amounts in millions of euros*

| PD range | On-balance sheet exposures | Off-balance-sheet exposures pre-CCF | Exposure weighted average CCF | Exposure post CCF and post CRM | Exposure weighted average PD (%) | Number of obligors[1] | Exposure weighted average LGD (%) | Exposure weighted average maturity (years) | Risk weighted exposure amount after supporting factors | Density of risk weighted exposure amount | Expected loss amount | Value adjust-ments and provisions |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0,00 to <0,15 | 5,583 | 2,268 | 52.38% | 6,587 | 0.09% | 1 | 39.58% | 2 | 1,827 | 27.74% | 6 | (19) |
| 0,00 to <0,10 | 3,051 | 730 | 59.43% | 3,472 | 0.06% | 0 | 40.02% | 3 | 868 | 24.99% | 3 | (11) |
| 0,10 to <0,15 | 2,533 | 1,538 | 49.03% | 3,114 | 0.12% | 1 | 39.10% | 2 | 959 | 30.80% | 4 | (8) |
| 0,15 to <0,25 | 12,491 | 14,762 | 31.06% | 16,504 | 0.19% | 1 | 44.75% | 2 | 6,895 | 41.78% | 22 | (23) |
| 0,25 to <0,50 | 15,200 | 12,401 | 34.86% | 18,239 | 0.31% | 2 | 42.98% | 2 | 10,419 | 57.12% | 40 | (51) |
| 0,50 to <0,75 | 6,961 | 3,591 | 40.56% | 6,990 | 0.69% | 1 | 41.07% | 3 | 5,111 | 73.12% | 25 | (39) |
| 0,75 to <2,50 | 6,504 | 3,828 | 33.05% | 6,603 | 1.43% | 2 | 39.85% | 3 | 5,759 | 87.22% | 40 | (67) |
| 0,75 to <1,75 | 6,012 | 3,663 | 33.02% | 6,141 | 1.37% | 2 | 40.66% | 3 | 5,443 | 88.63% | 38 | (60) |
| 1,75 to <2,5 | 491 | 165 | 33.72% | 462 | 2.24% | 0 | 29.06% | 3 | 316 | 68.37% | 3 | (7) |
| 2,50 to <10,00 | 4,254 | 2,750 | 36.02% | 4,278 | 4.07% | 1 | 42.00% | 3 | 5,033 | 117.63% | 63 | (51) |
| 2,5 to <5 | 2,713 | 1,287 | 39.34% | 2,573 | 2.97% | 1 | 41.94% | 3 | 2,846 | 110.61% | 30 | (29) |
| 5 to <10 | 1,541 | 1,464 | 33.11% | 1,705 | 5.73% | 0 | 42.10% | 3 | 2,187 | 128.22% | 33 | (21) |
| 10,00 to <100,00 | 2,454 | 1,308 | 33.32% | 2,281 | 16.90% | 1 | 38.13% | 3 | 3,658 | 160.35% | 109 | (78) |
| 10 to <20 | 1,396 | 928 | 32.63% | 1,382 | 11.35% | 0 | 38.04% | 3 | 2,097 | 151.72% | 48 | (44) |
| 20 to <30 | 795 | 173 | 42.68% | 691 | 21.42% | 0 | 39.20% | 3 | 1,301 | 188.33% | 48 | (15) |
| 30,00 to <100,00 | 263 | 207 | 28.60% | 209 | 38.72% | 0 | 35.23% | 3 | 260 | 124.80% | 13 | (19) |
| **Perfoming Portfolio** | **53,446** | **40,908** | **34.82 %** | **61,482** | **1.30%** | **9** | **42.29%** | **2** | **38,701** | **62.95%** | **306** | **(327)** |
| 100,00 (Default) | 2,053 | 1,838 | 8.07% | 1,983 | 100.00% | 1 | 42.98% | 3 | 371 | 18.73% | 799 | (840) |
| **Total** | **55,499** | **42,746** | **33.67%** | **63,465** | **4.38%** | **10** | **42.31%** | **2** | **39,073** | **61.57%** | **1,104** | **(1,167)** |

*[1] Number of obligors in thousands.*

*Credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*

CaixaBank

# Table 5.32. Institutions by probability of default (PD) range according to the advanced IRB (AIRB) approach

## Table 5.32. EU CR6 - AIRB Approached- credit risk exposures by portfolio and probability of default (PD) range (Institutions)

*Amounts in millions of euros*

| PD range | On-balance sheet exposures | Off-balance-sheet exposures pre-CCF | Exposure weighted average CCF | Exposure post CCF and post CRM | Exposure weighted average PD (%) | Number of obligors[1] | Exposure weighted average LGD (%) | Exposure weighted average maturity (years) | Risk weighted exposure amount after supporting factors | Density of risk weighted exposure amount | Expected loss amount | Value adjust-ments and provisions |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0,00 to <0,15 | - | 39 | 20.00% | 8 | 0.08% | 0 | 34.80% | 2 | 2 | 21.24% | 0 | - |
| 0,00 to <0,10 | - | 39 | 20.00% | 8 | 0.08% | 0 | 34.80% | 2 | 2 | 21.24% | 0 | - |
| 0,10 to <0,15 | - | - | 0.00% | - | 0.00% | - | 0.00% | - | - | 0.00% | - | - |
| 0,15 to <0,25 | 17 | 8 | 29.17% | 20 | 0.18% | 0 | 34.80% | 3 | 8 | 40.42% | 0 | (0) |
| 0,25 to <0,50 | 18 | 1 | 33.26% | 18 | 0.31% | 0 | 34.80% | - | 5 | 25.56% | 0 | (0) |
| 0,50 to <0,75 | 0 | 96 | 13.80% | 13 | 0.62% | 0 | 34.80% | 3 | 8 | 62.18% | 0 | - |
| 0,75 to <2,50 | 0 | 5 | 41.17% | 2 | 1.64% | 0 | 34.80% | 1 | 1 | 69.42% | 0 | - |
| 0,75 to <1,75 | 0 | 5 | 41.17% | 2 | 1.64% | 0 | 34.80% | 1 | 1 | 69.42% | 0 | - |
| 1,75 to <2,5 | - | - | 0.00% | - | 0.00% | - | 0.00% | - | - | 0.00% | - | - |
| 2,50 to <10,00 | 0 | 2 | 50.00% | 1 | 4.70% | 0 | 34.80% | - | 1 | 97.39% | 0 | (0) |
| 2,5 to <5 | - | 2 | 50.00% | 1 | 3.34% | 0 | 34.80% | - | 1 | 83.49% | 0 | - |
| 5 to <10 | 0 | 0 | 50.00% | 1 | 6.47% | 0 | 34.80% | 1 | 1 | 115.47% | 0 | (0) |
| 10,00 to <100,00 | 0 | 0 | 20.00% | 0 | 23.06% | 0 | 34.80% | 2 | 0 | 199.07% | 0 | - |
| 10 to <20 | - | - | 0.00% | - | 0.00% | - | 0.00% | - | - | 0.00% | - | - |
| 20 to <30 | 0 | 0 | 20.00% | 0 | 23.06% | 0 | 34.80% | 2 | 0 | 199.07% | 0 | - |
| 30,00 to <100,00 | - | - | 0.00% | - | 0.00% | - | 0.00% | - | - | 0.00% | - | - |
| **Perfoming Portfolio** | **36** | **151** | **17.70%** | **62** | **0.46%** | **0** | **34.80%** | **2** | **25** | **40.68%** | **0** | **(0)** |
| 100,00 (Default) | - | - | 0.00% | - | 0.00% | - | 0.00% | - | - | 0.00% | - | - |
| **Total** | **36** | **151** | **17.70%** | **62** | **0.46%** | **0** | **34.80%** | **2** | **25** | **40.68%** | **0** | **(0)** |

*[1] Number of obligors in thousands.*

*Credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*

## Table 5.33. Retails by probability of default (PD) range according to the advanced IRB (AIRB) approach

### Table 5.33a. EU CR6 - AIRB - credit risk exposures by portfolio and probability of default (PD) range (Retail - Immovable property SMEs)

*Amounts in millions of euros*

| PD range | On-balance sheet exposures | Off-balance-sheet exposures pre-CCF | Exposure weighted average CCF | Exposure post CCF and post CRM | Exposure weighted average PD (%) | Number of obligors[1] | Exposure weighted average LGD (%) | Exposure weighted average maturity (years) | Risk weighted exposure amount after supporting factors | Density of risk weighted exposure amount | Expected loss amount | Value adjust-ments and provisions |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0,00 to <0,15 | 4,067 | 629 | 3.71% | 4,090 | 0.08% | 71 | 17.39% | - | 354 | 8.65% | 5 | (24) |
| 0,00 to <0,10 | 2,513 | 375 | 4.16% | 2,529 | 0.05% | 44 | 17.18% | - | 214 | 8.47% | 3 | (15) |
| 0,10 to <0,15 | 1,554 | 254 | 3.04% | 1,561 | 0.13% | 27 | 17.72% | - | 139 | 8.93% | 2 | (9) |
| 0,15 to <0,25 | 302 | 66 | 15.98% | 311 | 0.16% | 2 | 19.07% | - | 57 | 18.27% | 1 | (2) |
| 0,25 to <0,50 | 1,926 | 487 | 16.36% | 2,002 | 0.31% | 22 | 18.72% | - | 333 | 16.62% | 5 | (13) |
| 0,50 to <0,75 | 835 | 182 | 9.26% | 851 | 0.54% | 10 | 19.63% | - | 160 | 18.81% | 2 | (8) |
| 0,75 to <2,50 | 2,702 | 551 | 14.27% | 2,772 | 1.35% | 25 | 19.02% | - | 826 | 29.79% | 11 | (28) |
| 0,75 to <1,75 | 2,072 | 449 | 16.36% | 2,139 | 1.12% | 20 | 19.28% | - | 586 | 27.40% | 8 | (20) |
| 1,75 to <2,5 | 630 | 102 | 4.99% | 633 | 2.16% | 5 | 18.16% | - | 240 | 37.86% | 3 | (8) |
| 2,50 to <10,00 | 1,743 | 413 | 9.89% | 1,778 | 4.85% | 22 | 19.02% | - | 953 | 53.59% | 15 | (39) |
| 2,5 to <5 | 1,195 | 298 | 11.99% | 1,227 | 3.70% | 16 | 18.41% | - | 614 | 50.07% | 9 | (23) |
| 5 to <10 | 548 | 116 | 4.49% | 551 | 7.40% | 7 | 20.36% | - | 339 | 61.42% | 6 | (16) |
| 10,00 to <100,00 | 341 | 39 | 3.53% | 341 | 26.41% | 4 | 20.64% | - | 245 | 71.92% | 12 | (20) |
| 10 to <20 | 112 | 13 | 4.15% | 112 | 13.61% | 1 | 21.89% | - | 76 | 67.42% | 2 | (5) |
| 20 to <30 | 83 | 8 | 3.01% | 83 | 22.01% | 1 | 21.24% | - | 63 | 75.30% | 2 | (5) |
| 30,00 to <100,00 | 146 | 19 | 3.31% | 146 | 38.77% | 2 | 19.35% | - | 107 | 73.45% | 8 | (9) |
| **Perfoming Portfolio** | **11,916** | **2,366** | **10.61%** | **12,146** | **1.88%** | **157** | **18.51%** | **-** | **2,927** | **24.10%** | **51** | **(133)** |
| 100,00 (Default) | 1,304 | 81 | 1.72% | 1,299 | 100.00% | 12 | 33.92% | - | 179 | 13.75% | 371 | (283) |
| **Total** | **13,220** | **2,447** | **10.32%** | **13,445** | **11.36%** | **169** | **20.00%** | **-** | **3,106** | **23.10%** | **422** | **(416)** |

*[1] Number of obligors in thousands.*

*Credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*

## Table 5.33b. EU CR6 - AIRB - credit risk exposures by portfolio and probability of default (PD) range (Retail - Immovable property non-SMEs)

*Amounts in millions of euros*

| PD range | On-balance sheet exposures | Off-balance-sheet exposures pre-CCF | Exposure weighted average CCF | Exposure post CCF and post CRM | Exposure weighted average PD (%) | Number of obligors[1] | Exposure weighted average LGD (%) | Exposure weighted average maturity (years) | Risk weighted exposure amount after supporting factors | Density of risk weighted exposure amount | Expected loss amount | Value adjust-ments and provisions |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0,00 to <0,15 | 78,467 | 17,816 | 3.30% | 79,107 | 0.08% | 1,291 | 19.61% | - | 6,514 | 8.23% | 76 | (373) |
| 0,00 to <0,10 | 47,140 | 11,504 | 3.41% | 47,572 | 0.04% | 827 | 18.43% | - | 3,075 | 6.46% | 37 | (209) |
| 0,10 to <0,15 | 31,327 | 6,312 | 3.09% | 31,536 | 0.13% | 464 | 21.38% | - | 3,439 | 10.90% | 39 | (164) |
| 0,15 to <0,25 | 422 | 4 | 47.96% | 425 | 0.17% | 4 | 31.14% | - | 49 | 11.50% | 0 | (0) |
| 0,25 to <0,50 | 17,864 | 3,105 | 2.64% | 17,952 | 0.27% | 244 | 23.07% | - | 2,781 | 15.49% | 31 | (109) |
| 0,50 to <0,75 | 10,867 | 1,737 | 2.51% | 10,914 | 0.51% | 145 | 23.38% | - | 2,187 | 20.04% | 25 | (87) |
| 0,75 to <2,50 | 10,677 | 1,102 | 3.40% | 10,718 | 1.23% | 141 | 25.15% | - | 3,307 | 30.86% | 39 | (107) |
| 0,75 to <1,75 | 10,656 | 1,102 | 3.40% | 10,697 | 1.23% | 141 | 25.13% | - | 3,291 | 30.77% | 39 | (107) |
| 1,75 to <2,5 | 21 | - | 0.00% | 21 | 2.06% | 0 | 36.95% | - | 16 | 77.33% | 0 | (0) |
| 2,50 to <10,00 | 7,331 | 637 | 3.56% | 7,355 | 5.11% | 104 | 23.79% | - | 3,749 | 50.97% | 63 | (187) |
| 2,5 to <5 | 3,379 | 327 | 3.63% | 3,392 | 2.94% | 51 | 23.31% | - | 1,464 | 43.17% | 21 | (59) |
| 5 to <10 | 3,952 | 311 | 3.49% | 3,963 | 6.98% | 53 | 24.20% | - | 2,284 | 57.64% | 42 | (128) |
| 10,00 to <100,00 | 2,511 | 157 | 4.04% | 2,518 | 25.81% | 31 | 24.58% | - | 1,970 | 78.23% | 79 | (195) |
| 10 to <20 | 983 | 61 | 4.28% | 986 | 14.46% | 12 | 24.76% | - | 713 | 72.31% | 18 | (59) |
| 20 to <30 | 491 | 31 | 3.56% | 493 | 21.59% | 6 | 24.25% | - | 392 | 79.62% | 13 | (37) |
| 30,00 to <100,00 | 1,037 | 66 | 4.05% | 1,040 | 38.57% | 13 | 24.57% | - | 865 | 83.19% | 48 | (98) |
| **Perfoming Portfolio** | **128,141** | **24,559** | **3.18%** | **128,989** | **1.03%** | **1,961** | **21.25%** | **-** | **20,557** | **15.94%** | **313** | **(1,058)** |
| 100,00 (Default) | 6,552 | 193 | 0.01% | 6,550 | 100.00% | 67 | 35.40% | - | 1,652 | 25.22% | 2,212 | (1,711) |
| **Total** | **134,693** | **24,752** | **3.16%** | **135,540** | **5.81%** | **2,028** | **21.93%** | **-** | **22,208** | **16.39%** | **2,524** | **(2,769)** |

*[1] Number of obligors in thousands.*

*Credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*

## Table 5.33c. EU CR6 - AIRB - credit risk exposures by portfolio and probability of default (PD) range (Retail - qualifying revolving)

*Amounts in millions of euros*

| PD range | On-balance sheet exposures | Off-balance-sheet exposures pre-CCF | Exposure weighted average CCF | Exposure post CCF and post CRM | Exposure weighted average PD (%) | Number of obligors[1] | Exposure weighted average LGD (%) | Exposure weighted average maturity (years) | Risk weighted exposure amount after supporting factors | Density of risk weighted exposure amount | Expected loss amount | Value adjust-ments and provisions |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0,00 to <0,15 | 1,879 | 11,909 | 34.69% | 6,004 | 0.07% | 5,168 | 77.00% | - | 896 | 14.91% | 22 | (15) |
| 0,00 to <0,10 | 1,344 | 7,974 | 34.36% | 4,080 | 0.04% | 2,911 | 77.00% | - | 535 | 13.11% | 13 | (8) |
| 0,10 to <0,15 | 535 | 3,934 | 35.36% | 1,924 | 0.12% | 2,257 | 77.00% | - | 361 | 18.75% | 9 | (6) |
| 0,15 to <0,25 | 286 | 1,416 | 37.09% | 811 | 0.19% | 937 | 77.00% | - | 143 | 17.64% | 3 | (3) |
| 0,25 to <0,50 | 259 | 995 | 37.46% | 632 | 0.34 % | 702 | 77.00% | - | 130 | 20.63% | 3 | (3) |
| 0,50 to <0,75 | 350 | 984 | 34.17% | 686 | 0.55% | 759 | 76.99% | - | 169 | 24.60% | 4 | (4) |
| 0,75 to <2,50 | 842 | 1,400 | 35.53% | 1,339 | 1.46% | 1,428 | 76.93% | - | 544 | 40.65% | 15 | (14) |
| 0,75 to <1,75 | 659 | 1,219 | 35.79% | 1,095 | 1.25% | 1,080 | 76.95% | - | 412 | 37.58% | 11 | (11) |
| 1,75 to <2,5 | 183 | 181 | 33.84% | 244 | 2.39% | 348 | 76.84% | - | 133 | 54.43% | 4 | (3) |
| 2,50 to <10,00 | 605 | 479 | 36.72% | 781 | 4.89% | 889 | 76.78% | - | 660 | 84.54% | 27 | (25) |
| 2,5 to <5 | 351 | 330 | 36.76% | 472 | 3.35% | 488 | 76.81% | - | 318 | 67.48% | 11 | (11) |
| 5 to <10 | 255 | 149 | 36.63% | 309 | 7.25% | 402 | 76.74% | - | 342 | 110.57% | 16 | (14) |
| 10,00 to <100,00 | 225 | 54 | 33.77% | 243 | 24.56% | 308 | 75.77% | - | 430 | 176.71% | 40 | (39) |
| 10 to <20 | 141 | 42 | 34.50% | 156 | 15.40% | 217 | 76.10% | - | 256 | 164.74% | 16 | (17) |
| 20 to <30 | 38 | 8 | 32.82% | 41 | 26.93% | 49 | 75.49% | - | 82 | 201.64% | 7 | (8) |
| 30,00 to <100,00 | 46 | 4 | 28.31% | 47 | 52.91% | 42 | 74.89% | - | 91 | 194.76% | 16 | (15) |
| **Perfoming Portfolio** | **4,447** | **17,235** | **35.14%** | **10,496** | **1.23%** | **10,190** | **76.95%** | **-** | **2,972** | **28.32%** | **115** | **(104)** |
| 100,00 (Default) | 142 | 22 | 0.00% | 142 | 100.00% | 172 | 69.25% | - | 3 | 1.91% | 94 | (116) |
| **Total** | **4,589** | **17,257** | **35.10%** | **10,638** | **2.54%** | **10,362** | **76.84%** | **-** | **2,975** | **27.96%** | **208** | **(219)** |

*[1] Number of obligors in thousands.*

*Credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*

## Table 5.33d. EU CR6 - AIRB - credit risk exposures by portfolio and probability of default (PD) range (Retail - other SMEs)

*Amounts in millions of euros*

| PD range | On-balance sheet exposures | Off-balance-sheet exposures pre-CCF | Exposure weighted average CCF | Exposure post CCF and post CRM | Exposure weighted average PD (%) | Number of obligors[1] | Exposure weighted average LGD (%) | Exposure weighted average maturity (years) | Risk weighted exposure amount after supporting factors | Density of risk weighted exposure amount | Expected loss amount | Value adjust-ments and provisions |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0,00 to <0,15 | 2,321 | 1,119 | 52.00% | 1,993 | 0.08% | 70 | 53.77% | - | 351 | 17.59% | 4 | (21) |
| 0,00 to <0,10 | 2,017 | 765 | 54.96% | 1,639 | 0.07% | 66 | 55.43% | - | 279 | 17.05% | 4 | (19) |
| 0,10 to <0,15 | 304 | 353 | 45.59 % | 354 | 0.15% | 4 | 46.05% | - | 71 | 20.10% | 1 | (2) |
| 0,15 to <0,25 | 1,308 | 528 | 53.00% | 998 | 0.16% | 46 | 52.62% | - | 228 | 22.81% | 3 | (14) |
| 0,25 to <0,50 | 3,225 | 1,489 | 50.75% | 2,472 | 0.33% | 163 | 51.08% | - | 751 | 30.37% | 10 | (39) |
| 0,50 to <0,75 | 1,527 | 632 | 50.12% | 1,028 | 0.61% | 27 | 51.42% | - | 394 | 38.27% | 5 | (21) |
| 0,75 to <2,50 | 5,374 | 1,742 | 52.04% | 3,299 | 1.43% | 214 | 49.75% | - | 1,569 | 47.55% | 27 | (98) |
| 0,75 to <1,75 | 3,645 | 1,261 | 52.74% | 2,307 | 1.13% | 159 | 49.74% | - | 1,045 | 45.29% | 17 | (60) |
| 1,75 to <2,5 | 1,729 | 481 | 50.20% | 992 | 2.14% | 54 | 49.79% | - | 524 | 52.81% | 11 | (38) |
| 2,50 to <10,00 | 1,811 | 564 | 39.95% | 1,058 | 5.15% | 110 | 49.84% | - | 623 | 58.92% | 24 | (80) |
| 2,5 to <5 | 1,238 | 412 | 40.34% | 753 | 3.97% | 88 | 49.41% | - | 430 | 57.14% | 14 | (45) |
| 5 to <10 | 573 | 152 | 38.91% | 305 | 8.05% | 22 | 50.88% | - | 193 | 63.31% | 10 | (35) |
| 10,00 to <100,00 | 424 | 98 | 36.45% | 238 | 25.76% | 18 | 50.70% | - | 191 | 80.05% | 22 | (51) |
| 10 to <20 | 189 | 33 | 43.41% | 95 | 14.00% | 6 | 52.50% | - | 68 | 71.77% | 5 | (16) |
| 20 to <30 | 91 | 19 | 48.56% | 55 | 22.14% | 4 | 45.32% | - | 41 | 75.31% | 4 | (11) |
| 30,00 to <100,00 | 143 | 47 | 26.67% | 89 | 40.60% | 8 | 52.07% | - | 81 | 91.86% | 13 | (25) |
| **Perfoming Portfolio** | **15,990** | **6,171** | **50.26%** | **11,087** | **1.63%** | **647** | **51.21%** | **-** | **4,105** | **37.03%** | **95** | **(325)** |
| 100,00 (Default) | 1,144 | 350 | 18.96% | 826 | 100.00% | 51 | 67.89% | - | 204 | 24.64% | 474 | (599) |
| **Total** | **17,134** | **6,521** | **48.58%** | **11,913** | **8.45%** | **698** | **52.37%** | **-** | **4,309** | **36.17%** | **568** | **(924)** |

*[1] Number of obligors in thousands.*

*Credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*

## Table 5.33e. EU CR6 - AIRB - credit risk exposures by portfolio and probability of default (PD) range (Retail - other non-SMEs)

*Amounts in millions of euros*

| PD range | On-balance sheet exposures | Off-balance-sheet exposures pre-CCF | Exposure wei-ghted average CCF | Exposure post CCF and post CRM | Exposure weigh-ted average PD (%) | Number of obligors[1] | Exposure weighted average LGD (%) | Exposure wei-ghted average maturity (years) | Risk wei-ghted exposure amount after su-pporting factors | Density of risk weighted exposure amount | Expec-ted loss amount | Value ad-just-ments and provisions |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0,00 to <0,15 | 3,777 | 192 | 29.74% | 3,830 | 0.06% | 320 | 63.34% | - | 1,292 | 33.72% | 22 | (24) |
| 0,00 to <0,10 | 3,771 | 143 | 29.85% | 3,809 | 0.06% | 276 | 63.28% | - | 1,286 | 33.77% | 22 | (24) |
| 0,10 to <0,15 | 7 | 50 | 29.44% | 22 | 0.12% | 43 | 73.98% | - | 6 | 25.81% | 0 | (0) |
| 0,15 to <0,25 | 800 | 35 | 32.97% | 811 | 0.19% | 119 | 66.96% | - | 312 | 38.43% | 4 | (7) |
| 0,25 to <0,50 | 1,647 | 52 | 33.21% | 1,659 | 0.37% | 219 | 66.04% | - | 802 | 48.35% | 10 | (19) |
| 0,50 to <0,75 | 466 | 305 | 32.36% | 562 | 0.65% | 170 | 64.56% | - | 318 | 56.49% | 4 | (7) |
| 0,75 to <2,50 | 1,643 | 1,234 | 35.62% | 2,071 | 1.60% | 960 | 63.71% | - | 1,500 | 72.42% | 23 | (43) |
| 0,75 to <1,75 | 1,128 | 804 | 33.24% | 1,388 | 1.27% | 583 | 63.84% | - | 961 | 69.28% | 13 | (24) |
| 1,75 to <2,5 | 515 | 430 | 40.08% | 683 | 2.26% | 376 | 63.44% | - | 538 | 78.80% | 9 | (19) |
| 2,50 to <10,00 | 698 | 127 | 42.19% | 748 | 5.33% | 240 | 66.90% | - | 679 | 90.71% | 21 | (58) |
| 2,5 to <5 | 402 | 103 | 42.97% | 444 | 3.75% | 148 | 66.69% | - | 392 | 88.25% | 10 | (24) |
| 5 to <10 | 296 | 25 | 38.98% | 304 | 7.64% | 92 | 67.19% | - | 287 | 94.31% | 12 | (34) |
| 10,00 to <100,00 | 281 | 17 | 28.02% | 284 | 27.02% | 72 | 68.08% | - | 381 | 134.03% | 38 | (77) |
| 10 to <20 | 120 | 7 | 33.83% | 121 | 14.01% | 42 | 69.32% | - | 146 | 120.08% | 9 | (26) |
| 20 to <30 | 45 | 3 | 27.49% | 45 | 22.57% | 12 | 66.79% | - | 59 | 131.81% | 5 | (14) |
| 30,00 to <100,00 | 117 | 7 | 22.49% | 118 | 42.15% | 19 | 67.31% | - | 176 | 149.28% | 24 | (37) |
| **Perfoming Portfolio** | **9,313** | **1,962** | **34.79%** | **9,966** | **1.64%** | **2,100** | **64.63%** | **-** | **5,283** | **53.01%** | **123** | **(234)** |
| 100,00 (Default) | 572 | 3 | 13.94% | 571 | 100.00% | 61 | 80.74% | - | 42 | 7.31% | 418 | (404) |
| **Total** | **9,885** | **1,966** | **34.75%** | **10,537** | **6.97%** | **2,160** | **65.51%** | **-** | **5,325** | **50.53%** | **541** | **(638)** |

[1] *Number of obligors in thousands.*

*Credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*

## Comparative analysis of estimates and results obtained

### 1.Introduction

**Regulatory expected loss includes estimated annual average loss for a complete economic cycle. It is calculated taking the following items into consideration:**

- **Probability of Default - Through the Cycle "PD"):** indicates the ratio of defaults to average total risk on non-distressed assets expected during one year of the economic cycle for a given credit rating.
- **Downturn Loss Given Default ("DT LGD"):** indicates the proportion of debt expected to not be recovered in a downturn of the cycle. Consequently, the loss given default that is initially estimated – based on flows from processes to recover contracts in default and in accordance with the portfolio – is stressed using an explicative variable or is estimated based on an estimate sample restricted to a downturn in the cycle.
- **Exposure at Default (EAD):** expected exposure when default occurs.
- **Probability of Default - Through the Cycle "PD"):** indicates the ratio of defaults to average total risk on non-distressed assets expected during one year of the economic cycle for a given credit rating.

Given that expected loss is calculated using a probability of default anchored to the cycle and a representative loss given default in a downturn in the cycle, the value used for expected loss will vary only, given certain risk parameters, as a result of changes in the composition or characteristics of the portfolio.

**In addition, the effective loss is the value of the adjusted loss incurred in the portfolio during a specific period. It can be broken down into the following concepts:**

- **Observed Default Frequency ("ODF"):** proportion of non-distressed loans that default in a one-year time horizon.
- **Realised Loss Given Default ("LGD"):** calculated based on recovery flows and losses on contracts in default. This LGD indicates the proportion of debt recovered during the recovery process.
- **Realised exposure:** risk assigned to a contract at the time of default.

Because effective loss is calculated using the values corresponding to each observation period, the values obtained for this item will depend directly on the economic situation during that period.

**According to the definitions set out above, the historical ODFs and comparisons applied to the main IRB portfolios are given:**

- **ODF vs PD:** a comparison is made of the ODF risk tranche for 2021 with the PD calculated at 31 December 2020 and used to calculate the capital requirements at the same date.
- **EAD vs realised** exposure:for contracts that entered into default in 2021, the estimated EAD at 31 December 2020 is compared to the actual realised exposure when the default was identified.
- **DT LGD vs realised** LGD:compares downturn LGD at 31 December 2018 with realised LGD of defaults identified in a one-year period whose recovery process has been completed. A reference date prior to that used for the rest of the parameters is taken to allow the recovery cycles to mature so as to have a more representative sample for the analysis.
- **Observed loss vs. expected loss:** the estimated expected loss at 31 December is compared to the realised loss on the portfolio during the following year. The analysis covers the period 2017-2021.

The large corporates portfolio is not included in the analysis of LGD, since the low number of defaults in this portfolio are not considered representative.

### 2. Historical ODFs

Historical ODFs show the level of default on exposures contracted with CaixaBank over time.

## Table 5.34. ODF series

| *Amounts in %* | | | | | ODF historical* |
|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| Retail | 1.41% | 1.56% | 1.87% | 1.97% | 1.81% |
| Companies | 3.44% | 3.33% | 4.48% | 4.60% | 5.19% |

** As of 2020, the ODF have been developed in accordance with the guide EBA/GL/2016/07. For the years 2017-2019, the previous definition of default has been maintained.*

The increase in the ODF is due, among other reasons, to the adoption of a conservative criterion when considering as subjective non-performing certain operations that, since the client meets certain characteristics and, in turn, satisfies the eligibility criteria of RDL 34/2020, have modified the characteristics of the operations with ICO guarantees by increasing the maturity or grace period.

During 2020, in the context of the health crisis, several legislative initiatives were approved to facilitate the maintenance of employment and to mitigate the economic effects of the crisis. Among these initiatives, RDL 8/2020, with a budget of 100,000 million stands out, was implemented through a State Guarantees Facility, specifically the Ministry of Economic Affairs and Digital Transformation. The guarantees were provided for financing granted by financial institutions to facilitate access to credit and liquidity for businesses and the self-employed to cope with the economic and social impact of COVID-19. This State Guarantee Line for businesses and the self-employed was managed by the ICO, with the segment of small and medium-sized companies, due to the context and nature of the situation, making the greatest use of them.

### 3. Comparison of ODF and PD

Depending on the score for contracts as compared to that of individuals, or on the ratings of legal entities, each portfolio is segmented into various levels of credit quality, as defined in the master scale, with various PD levels.

The accuracy of the models may be analysed by comparing the ODF actually obtained in the year with the PD estimate made at the beginning of the year, for each credit-quality tranche of each portfolio. This analysis seeks to:

- Confirm that the relationship between ODF and the master scale is a monotone increase, which is what is expected of models with significant discriminatory power, as are those of the Group.

- Compare the levels for analysing the cyclical nature of the estimate with actual data.

The probability of default used for regulatory purposes is that which results from a calibration process on observed default rates. Pursuant to the prudential requirement regulations, and to maintain stability in the estimates, a portfolio's Through-the-Cycle PD (hereinafter "PD" for simplicity) at year-end is not intended to predict default for the following year, but rather to measure the mean probability of default throughout the cycle.

Therefore, ODFs during weak points in the economic cycle should be naturally higher than the respective estimated PDs, whilst in boom times ODFs should be lower than PDs.

Despite their different roles in reflecting the impact of business cycles, a comparison of the two variables indicates the size of the adjustment to the cycle made in PD estimates. As can be seen from the following charts, in most tranches, ODFs are close to estimated PD levels.

The first definition of default comes from the Capital Requirements Regulation (CRR IV), where article 178, Default of an Obligor, establishes the necessary criteria for identifying default of obligors and their contracts.

New criteria for default set down in Circular 4/2016 were adopted in October 2016. This resulted in an increase in the observed default frequency (ODF), due to a wider range of reasons for refinancing being considered as non-performing and a larger pulling effect. Nevertheless, the entry into force of Circular 4/2017 did not have any additional impact on default rates.

Finally, in December 2019, CaixaBank adopted the new default definition of the EBA/GL/2016/07, which specifies criteria that were generic in the definition of default in the Capital Requirements Regulation (CRR IV).

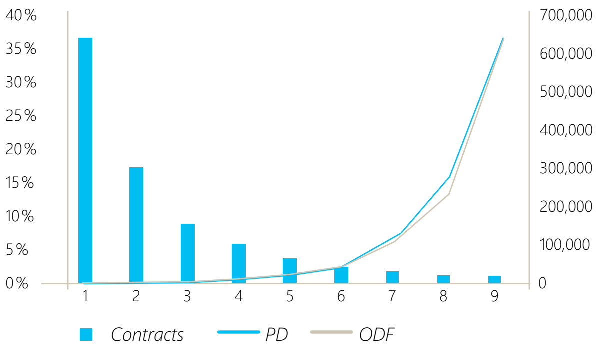
**In this section, a comparison is made for each risk tranche in each portfolio:**

- 2021 ODFs. Figures for default between January and December 2021 are used.
- Estimated PD at year-end 2020.

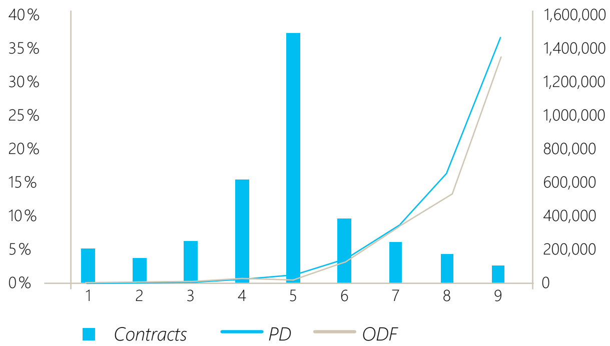
The graphs also show the distribution of the number of retail contracts and the number of corporate customers at year-end 2020.

## Retail

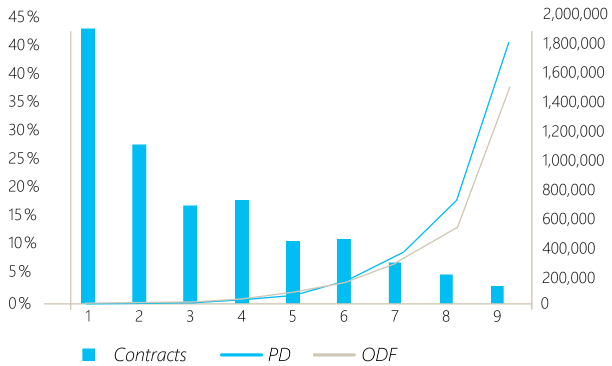
### Chart 1. Mortgage




### Chart 2. Consumer




### Chart 3. Cards

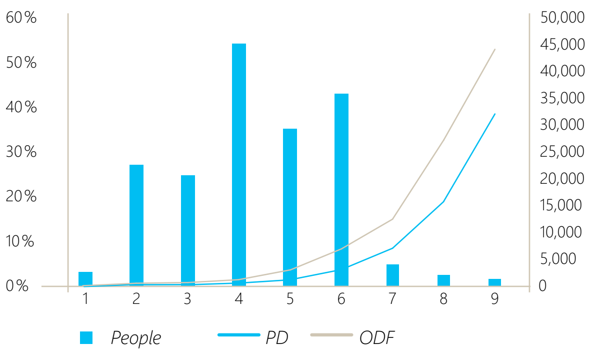



The individuals portfolio confirms that the ODF series is a rising monotone function of the master scale. In other words, as indicated previously, it reflects the fact that the internal retail models discriminate customers correctly by level of risk.

The PD for the mortgage portfolio is in line with the default frequency observed in 2021 for the lower tranches of the master scale, which is where the majority of this portfolio's exposure is focused; while in all other products, PD is generally above the ODF.

## SME

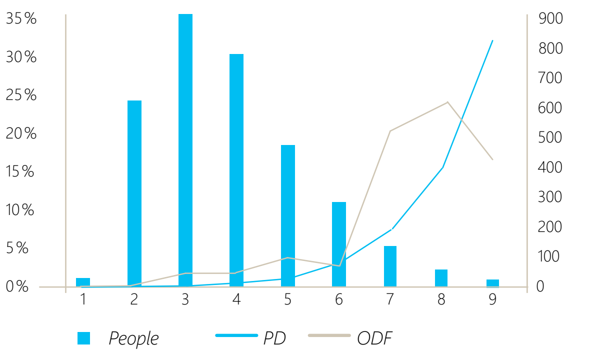
Chart 4. Non-real estate developer SMEs




In the non-property developer SME portfolio, the ODF is a monotonically increasing function with respect to the master scale. Thus, the internal models are correctly classifying customers by risk level.

This portfolio has a PD that is slightly below the ODF, demonstrating that in the case of this portfolio we have default frequencies above the central trend, as explained in further detail below.

Chart 5. Large corporates




## Corporate

The small numbers of customers in the large corporates portfolio means that the ODF on the master scale does not provide statistically conclusive inferences. However, the ODF series is generally a monotonically increasing function with respect to the master scale, except the last two tranches, where the volume of observations is particularly reduced.

## Average PD and ODF for IRB loan portfolios

The following tables show information on the average PD of the Group's exposure at 31 December 2021, and the average annual default rate for the last five years, for each IRB segment, based on the PD scales defined by the master scale.

## Table 5.35. EU CR9 - IRB - Backtesting of probability of default (PD) per portfolio - Corporates others A-IRB

*Number of obligors in units*

| PD scale | Number of obligors at the end of previous year | Of which number of obligors which defaulted in the year | Observed average default rate (%) | Exposures weighted average PD (%) | Average PD (%)[1] | Average historical annual default rate (%) |
|---|---|---|---|---|---|---|
| 0,00 a <0,15 | 952 | 4 | 0.42% | 0.09% | 0.14% | 0.40% |
| 0,00 a < 0,10 | 77 | 0 | 0.00% | 0.06% | 0.08% | 0.00% |
| 0,10 a < 0,15 | 875 | 4 | 0.46% | 0.12% | 0.15% | 0.43% |
| 0,15 a < 0,25 | 293 | 0 | 0.00% | 0.19% | 0.18% | 1.12% |
| 0,25 a < 0,50 | 1,945 | 13 | 0.67% | 0.31% | 0.28% | 0.97% |
| 0,50 a < 0,75 | 1,076 | 7 | 0.65% | 0.69% | 0.59% | 1.46% |
| 0,75 a < 2,50 | 2,126 | 28 | 1.32% | 1.43% | 1.47% | 2.47% |
| 0,75 a < 1,75 | 1,550 | 12 | 0.77% | 1.37% | 1.16% | 2.25% |
| 1,75 a < 2,5 | 576 | 16 | 2.78% | 2.24% | 2.31% | 3.14% |
| 2,50 a < 10,00 | 624 | 16 | 2.56% | 4.07% | 5.91% | 3.92% |
| 2,5 a < 5 | 364 | 4 | 1.10% | 2.97% | 4.34% | 3.65% |
| 5 a < 10 | 260 | 12 | 4.62% | 5.73% | 8.11% | 4.70% |
| 10,00 a < 100,00 | 219 | 26 | 11.87% | 16.90% | 22.96% | 10.58% |
| 10 a < 20 | 133 | 15 | 11.28% | 11.35% | 15.86% | 8.47% |
| 20 a < 30 | 47 | 0 | 0.00% | 21.42% | 29.44% | 7.75% |
| 30,00 a < 100,00 | 39 | 11 | 28.21% | 38.72% | 39.21% | 15.06% |
| 100,00 (Default) | 609 | 4 | 0.66% | 100.00% | 100.00% | 1.84% |

*Credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*

*[1] The average PD is calculated by weighting by number of obligors and corresponds to the end of the previous year.*

## Table 5.36. EU CR9 - IRB - Backtesting of probability of default (PD) per portfolio - Corporates SMEs A-IRB

*Number of obligors in units*

| PD Range | Number of obligors at the end of previous year | | Observed average default rate (%) | Exposures weighted average PD (%) | Average PD (%)[1] | Average historical annual default rate (%) |
|---|---|---|---|---|---|---|
| | | Of which number of obligors which defaulted in the year | | | | |
| 0,00 a <0,15 | 4,492 | 29 | 0.65% | 0.13% | 0.11% | 0.30% |
| 0,00 a < 0,10 | 2,415 | 14 | 0.58% | 0.07% | 0.07% | 0.22% |
| 0,10 a < 0,15 | 2,077 | 15 | 0.72% | 0.15% | 0.15% | 0.36% |
| 0,15 a < 0,25 | 1,974 | 10 | 0.51% | 0.15% | 0.16% | 0.36% |
| 0,25 a < 0,50 | 7,580 | 76 | 1.00% | 0.30% | 0.32% | 0.64% |
| 0,50 a < 0,75 | 3,657 | 77 | 2.11% | 0.60% | 0.60% | 1.19% |
| 0,75 a < 2,50 | 9,055 | 288 | 3.18% | 1.51% | 1.41% | 2.56% |
| 0,75 a < 1,75 | 6,439 | 161 | 2.50% | 1.16% | 1.11% | 1.81% |
| 1,75 a < 2,5 | 2,616 | 127 | 4.85% | 2.18% | 2.17% | 3.80% |
| 2,50 a < 10,00 | 2,350 | 164 | 6.98% | 5.11% | 4.99% | 4.80% |
| 2,5 a < 5 | 1,777 | 94 | 5.29% | 4.18% | 4.02% | 3.99% |
| 5 a < 10 | 573 | 70 | 12.22% | 7.58% | 7.97% | 7.61% |
| 10,00 a < 100,00 | 503 | 145 | 28.83% | 21.79% | 25.83% | 17.88% |
| 10 a < 20 | 187 | 50 | 26.74% | 13.11% | 13.58% | 17.48% |
| 20 a < 30 | 118 | 33 | 27.97% | 22.42% | 22.43% | 18.87% |
| 30,00 a < 100,00 | 198 | 62 | 31.31% | 35.98% | 39.43% | 17.99% |
| 100,00 (Default) | 939 | 18 | 1.92% | 100.00% | 100.00% | 1.71% |

*Credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*

[1] *The average PD is calculated by weighting by number of obligors and corresponds to the end of the previous year.*

## Table 5.37. EU CR9 - IRB - Backtesting of probability of default (PD) per portfolio - retail - real estate, not SMEs A-IRB

*Number of obligors in units*

| PD Range | Number of obligors at the end of previous year | | Observed average default rate (%) | Exposures weighted average PD (%) | Average PD (%)[1] | Average historical annual default rate (%) |
|---|---|---|---|---|---|---|
| | | Of which: number of obligors which defaulted in the year | | | | |
| 0,00 a <0,15 | 990,429 | 629 | 0.06 % | 0.08 % | 0.05 % | 0.07 % |
| 0,00 a < 0,10 | 875,306 | 452 | 0.05 % | 0.04 % | 0.05 % | 0.06 % |
| 0,10 a < 0,15 | 115,123 | 177 | 0.15 % | 0.13 % | 0.12 % | 0.18 % |
| 0,15 a < 0,25 | 78,110 | 227 | 0.29 % | 0.17 % | 0.19 % | 0.28 % |
| 0,25 a < 0,50 | 147,516 | 635 | 0.43 % | 0.27 % | 0.38 % | 0.41 % |
| 0,50 a < 0,75 | 24,654 | 215 | 0.87 % | 0.51 % | 0.72 % | 0.73 % |
| 0,75 a < 2,50 | 63,618 | 871 | 1.37 % | 1.23 % | 1.49 % | 1.36 % |
| 0,75 a < 1,75 | 59,451 | 794 | 1.34 % | 1.23 % | 1.42 % | 1.32 % |
| 1,75 a < 2,5 | 4,167 | 77 | 1.85 % | 2.06 % | 2.46 % | 3.48 % |
| 2,50 a < 10,00 | 54,536 | 2,088 | 3.83 % | 5.11 % | 4.75 % | 4.48 % |
| 2,5 a < 5 | 33,908 | 845 | 2.49 % | 2.94 % | 3.20 % | 3.06 % |
| 5 a < 10 | 20,628 | 1,243 | 6.03 % | 6.98 % | 7.30 % | 6.60 % |
| 10,00 a < 100,00 | 20,945 | 3,249 | 15.51 % | 25.81 % | 23.25 % | 18.83 % |
| 10 a < 20 | 9,191 | 1,023 | 11.13 % | 14.46 % | 13.68 % | 13.23 % |
| 20 a < 30 | 5,307 | 840 | 15.83 % | 21.59 % | 22.54 % | 18.77 % |
| 30,00 a < 100,00 | 6,447 | 1,386 | 21.50 % | 38.57 % | 37.48 % | 25.13 % |
| 100,00 (Default) | 41,717 | 441 | 1.06 % | 100.00 % | 100.00 % | 2.20 % |

*Credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*

[1] *The average PD is calculated by weighting by number of obligors and corresponds to the end of the previous year.*

## Table 5.38. EU CR9 - IRB - Backtesting of probability of default (PD) per portfolio - retail - real estate, SMEs A-IRB

*Number of obligors in units*

| PD Range | Number of obligors at the end of previous year | Of which: number of obligors which defaulted in the year | Observed average default rate (%) | Exposures weighted average PD (%) | Average PD (%)[1] | Average historical annual default rate (%) |
|---|---|---|---|---|---|---|
| 0,00 a <0,15 | 33,999 | 53 | 0.16% | 0.08% | 0.06% | 0.15% |
| 0,00 a < 0,10 | 28,992 | 35 | 0.12% | 0.05% | 0.05% | 0.13% |
| 0,10 a < 0,15 | 5,007 | 18 | 0.36% | 0.13% | 0.13% | 0.27% |
| 0,15 a < 0,25 | 4,982 | 14 | 0.28% | 0.16% | 0.18% | 0.38% |
| 0,25 a < 0,50 | 12,686 | 57 | 0.45% | 0.31% | 0.37% | 0.57% |
| 0,50 a < 0,75 | 2,191 | 30 | 1.37% | 0.54% | 0.67% | 0.92% |
| 0,75 a < 2,50 | 17,593 | 251 | 1.43% | 1.35% | 1.45% | 1.47% |
| 0,75 a < 1,75 | 12,645 | 137 | 1.08% | 1.12% | 1.17% | 1.24% |
| 1,75 a < 2,5 | 4,948 | 114 | 2.30% | 2.16% | 2.18% | 1.98% |
| 2,50 a < 10,00 | 16,483 | 750 | 4.55% | 4.85% | 4.66% | 4.63% |
| 2,5 a < 5 | 12,260 | 446 | 3.64% | 3.70% | 3.69% | 4.02% |
| 5 a < 10 | 4,223 | 304 | 7.20% | 7.40% | 7.48% | 6.58% |
| 10,00 a < 100,00 | 3,272 | 602 | 18.40% | 26.41% | 26.56% | 19.95% |
| 10 a < 20 | 1,032 | 103 | 9.98% | 13.61% | 13.80% | 14.21% |
| 20 a < 30 | 911 | 176 | 19.32% | 22.01% | 22.57% | 20.00% |
| 30,00 a < 100,00 | 1,329 | 323 | 24.30% | 38.77% | 39.21% | 24.48% |
| 100,00 (Default) | 8,459 | 119 | 1.41% | 100.00% | 100.00% | 1.97% |

*Credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*

[1] *The average PD is calculated by weighting by number of obligors and corresponds to the end of the previous year.*

## Table 5.39. EU CR9 - IRB - Backtesting of probability of default (PD) per portfolio - retail - other, not SMEs A-IRB

*Number of obligors in units*

| PD Range | Number of obligors at the end of previous year | | Observed average default rate (%) | Exposures weighted average PD (%) | Average PD (%)[1] | Average historical annual default rate (%) |
|---|---|---|---|---|---|---|
| | | Of which: number of obligors which defaulted in the year | | | | |
| 0,00 a <0,15 | 180,430 | 201 | 0.11% | 0.06% | 0.08% | 0.16% |
| 0,00 a < 0,10 | 154,048 | 188 | 0.12% | 0.06% | 0.07% | 0.14% |
| 0,10 a < 0,15 | 26,382 | 13 | 0.05% | 0.12% | 0.12% | 0.37% |
| 0,15 a < 0,25 | 85,022 | 286 | 0.34% | 0.19% | 0.19% | 0.45% |
| 0,25 a < 0,50 | 144,000 | 1,117 | 0.78% | 0.37% | 0.36% | 1.01% |
| 0,50 a < 0,75 | 139,029 | 692 | 0.50% | 0.65% | 0.58% | 0.68% |
| 0,75 a < 2,50 | 972,618 | 4,990 | 0.51% | 1.60% | 1.69% | 0.49% |
| 0,75 a < 1,75 | 577,841 | 2,601 | 0.45% | 1.27% | 1.27% | 0.47% |
| 1,75 a < 2,5 | 394,777 | 2,389 | 0.61% | 2.26% | 2.30% | 1.79% |
| 2,50 a < 10,00 | 188,404 | 9,127 | 4.84% | 5.33% | 5.12% | 4.14% |
| 2,5 a < 5 | 118,429 | 3,646 | 3.08% | 3.75% | 3.67% | 2.78% |
| 5 a < 10 | 69,975 | 5,481 | 7.83% | 7.64% | 7.59% | 7.98% |
| 10,00 a < 100,00 | 57,987 | 13,221 | 22.80% | 27.02% | 24.02% | 22.23% |
| 10 a < 20 | 32,520 | 4,412 | 13.57% | 14.01% | 14.41% | 14.31% |
| 20 a < 30 | 8,903 | 2,210 | 24.82% | 22.57% | 24.07% | 24.03% |
| 30,00 a < 100,00 | 16,564 | 6,599 | 39.84% | 42.15% | 42.85% | 35.66% |
| 100,00 (Default) | 38,265 | 678 | 1.77% | 100.00% | 100.00% | 3.08% |

*Credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*

[1] *The average PD is calculated by weighting by number of obligors and corresponds to the end of the previous year.*

## Table 5.40. EU CR9 - IRB - Backtesting of probability of default (PD) per portfolio - retail - other, SMEs A-IRB

*Number of obligors in units*

| PD Range | Number of obligors at the end of previous year | Of which: number of obligors which defaulted in the year | Observed average default rate (%) | Exposures weighted average PD (%) | Average PD (%)[1] | Average historical annual default rate (%) |
|---|---|---|---|---|---|---|
| 0,00 a <0,15 | 56,339 | 208 | 0.37% | 0.08% | 0.07% | 0.28% |
| 0,00 a < 0,10 | 52,723 | 155 | 0.29% | 0.07% | 0.07% | 0.21% |
| 0,10 a < 0,15 | 3,616 | 53 | 1.47% | 0.15% | 0.15% | 1.29% |
| 0,15 a < 0,25 | 36,565 | 183 | 0.50% | 0.16% | 0.17% | 0.47% |
| 0,25 a < 0,50 | 127,961 | 1,179 | 0.92% | 0.33% | 0.36% | 0.87% |
| 0,50 a < 0,75 | 24,268 | 384 | 1.58% | 0.61% | 0.64% | 1.54% |
| 0,75 a < 2,50 | 185,563 | 6,955 | 3.75% | 1.43% | 1.38% | 3.49% |
| 0,75 a < 1,75 | 137,683 | 3,978 | 2.89% | 1.13% | 1.10% | 2.87% |
| 1,75 a < 2,5 | 47,880 | 2,977 | 6.22% | 2.14% | 2.18% | 4.99% |
| 2,50 a < 10,00 | 88,173 | 8,740 | 9.91% | 5.15% | 4.60% | 7.41% |
| 2,5 a < 5 | 70,584 | 5,876 | 8.32% | 3.97% | 3.79% | 6.46% |
| 5 a < 10 | 17,589 | 2,864 | 16.28% | 8.05% | 7.88% | 13.54% |
| 10,00 a < 100,00 | 14,257 | 5,198 | 36.46% | 25.76% | 28.13% | 28.14% |
| 10 a < 20 | 4,214 | 1,065 | 25.27% | 14.00% | 14.09% | 22.37% |
| 20 a < 30 | 3,692 | 1,539 | 41.68% | 22.14% | 22.39% | 32.05% |
| 30,00 a < 100,00 | 6,351 | 2,594 | 40.84% | 40.60% | 40.78% | 29.86% |
| 100,00 (Default) | 32,373 | 645 | 1.99% | 100.00% | 100.00% | 2.41% |

*Credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*

[1] *The average PD is calculated by weighting by number of obligors and corresponds to the end of the previous year.*

## Table 5.41. EU CR9 - IRB - Backtesting of probability of default (PD) per portfolio - Eligible retailers - renewables A-IRB

*Number of obligors in units*

| PD Range | Number of obligors at the end of previous year | | Observed average default rate (%) | Exposures weighted average PD (%) | Average PD (%)[1] | Average historical annual default rate (%) |
|---|---|---|---|---|---|---|
| | | Of which: number of obligors which defaulted in the year | | | | |
| 0,00 a <0,15 | 2,836,386 | 1,067 | 0.04% | 0.07% | 0.07% | 0.07% |
| 0,00 a < 0,10 | 1,680,576 | 463 | 0.03% | 0.04% | 0.04% | 0.06% |
| 0,10 a < 0,15 | 1,155,810 | 604 | 0.05% | 0.12% | 0.12% | 0.08% |
| 0,15 a < 0,25 | 500,674 | 605 | 0.12% | 0.19% | 0.19% | 0.17% |
| 0,25 a < 0,50 | 371,798 | 1,032 | 0.28% | 0.34% | 0.33% | 0.44% |
| 0,50 a < 0,75 | 476,800 | 2,170 | 0.46% | 0.55% | 0.56% | 0.50% |
| 0,75 a < 2,50 | 814,249 | 9,786 | 1.20% | 1.46% | 1.53% | 1.33% |
| 0,75 a < 1,75 | 611,794 | 6,729 | 1.10% | 1.25% | 1.25% | 1.24% |
| 1,75 a < 2,5 | 202,455 | 3,057 | 1.51% | 2.39% | 2.38% | 1.59% |
| 2,50 a < 10,00 | 586,210 | 22,776 | 3.89% | 4.89% | 5.30% | 4.03% |
| 2,5 a < 5 | 310,278 | 8,804 | 2.84% | 3.35% | 3.46% | 3.02% |
| 5 a < 10 | 275,932 | 13,972 | 5.06% | 7.25% | 7.36% | 5.32% |
| 10,00 a < 100,00 | 251,042 | 35,777 | 14.25% | 24.56% | 23.02% | 13.57% |
| 10 a < 20 | 162,305 | 14,835 | 9.14% | 15.40% | 15.45% | 9.31% |
| 20 a < 30 | 45,239 | 6,990 | 15.45% | 26.93% | 26.26% | 15.54% |
| 30,00 a < 100,00 | 43,498 | 13,952 | 32.08% | 52.91% | 47.90% | 28.83% |
| 100,00 (Default) | 98,006 | 935 | 0.95% | 100.00% | 100.00% | 3.32% |

*Credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*

*[1] The average PD is calculated by weighting by number of obligors and corresponds to the end of the previous year.*

# Table 5.42. EU CR9 - IRB - Backtesting of probability of default (PD) per portfolio - Corporates others A-IRB

*Number of obligors in units*

| PD Range | External rating equivalent | Number of obligors at the end of previous year | | Observed average default rate (%) | Average PD (%) | Average historical annual default rate (%) |
|---|---|---|---|---|---|---|
| | | | Of which: number of obligors which defaulted in the year | | | |
| 01 | AAA | 0 | 0 | 0.00% | 0.00% | 0.00% |
| 02 | AA+ | 0 | 0 | 0.00% | 0.00% | 0.00% |
| 03 | AA | 0 | 0 | 0.00% | 0.00% | 0.00% |
| 04 | AA- | 2 | 0 | 0.00% | 0.03% | 0.00% |
| 05 | A+ | 13 | 0 | 0.00% | 0.05% | 0.00% |
| 06 | A | 26 | 0 | 0.00% | 0.07% | 0.00% |
| 07 | A- | 36 | 0 | 0.00% | 0.09% | 0.31% |
| 08 | BBB+ | 875 | 4 | 0.46% | 0.15% | 0.41% |
| 09 | BBB | 293 | 0 | 0.00% | 0.18% | 1.22% |
| 10 | BBB- | 495 | 0 | 0.00% | 0.25% | 0.63% |
| 11 | BB+ | 1,360 | 13 | 0.96% | 0.29% | 1.08% |
| 12 | BB | 1,189 | 7 | 0.59% | 0.58% | 1.60% |
| 13 | BB- | 1,465 | 12 | 0.82% | 1.14% | 2.13% |
| 14 | B+ | 726 | 16 | 2.20% | 2.36% | 3.46% |
| 15 | B | 363 | 16 | 4.41% | 5.01% | 4.47% |
| 16 | B- | 209 | 13 | 6.22% | 9.66% | 8.10% |
| 17 | CCC+ | 98 | 2 | 2.04% | 17.21% | 6.05% |
| 18 | CCC | 61 | 2 | 3.28% | 30.40% | 7.45% |
| 19 | CCC- | 25 | 9 | 36.00% | 42.41% | 14.23% |
| 20 | D | 609 | 4 | 0.66% | 100.00% | 1.84% |

*Credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*

*[1] The average PD is calculated by weighting by number of obligors and corresponds to the end of the previous year.*

## Table 5.43. EU CR9 - IRB - Backtesting of probability of default (PD) per portfolio - Corporates SMEs A-IRB

*Number of obligors in units*

| | | Number of obligors at the end of previous year | | | | |
|---|---|---|---|---|---|---|
| PD Range | External rating equivalent | | Of which: number of obligors which defaulted in the year | Observed average default rate (%) | Average PD (%) | Average historical annual default rate (%) |
| 01 | AAA | 0 | 0 | 0.00% | 0.00% | 0.00% |
| 02 | AA+ | 0 | 0 | 0.00% | 0.00% | 0.00% |
| 03 | AA | 0 | 0 | 0.00% | 0.00% | 0.00% |
| 04 | AA- | 0 | 0 | 0.00% | 0.00% | 0.00% |
| 05 | A+ | 566 | 3 | 0.53% | 0.05% | 0.13% |
| 06 | A | 1,390 | 11 | 0.79% | 0.08% | 0.26% |
| 07 | A- | 458 | 0 | 0.00% | 0.09% | 0.22% |
| 08 | BBB+ | 3,435 | 25 | 0.73% | 0.15% | 0.40% |
| 09 | BBB | 616 | 0 | 0.00% | 0.17% | 0.03% |
| 10 | BBB- | 1,412 | 4 | 0.28% | 0.27% | 0.40% |
| 11 | BB+ | 4,110 | 62 | 1.51% | 0.28% | 0.89% |
| 12 | BB | 7,798 | 104 | 1.33% | 0.62% | 0.98% |
| 13 | BB- | 4,358 | 144 | 3.30% | 1.25% | 2.13% |
| 14 | B+ | 2,661 | 127 | 4.77% | 2.18% | 3.71% |
| 15 | B | 1,880 | 101 | 5.37% | 4.23% | 5.07% |
| 16 | B- | 559 | 92 | 16.46% | 9.32% | 12.21% |
| 17 | CCC+ | 143 | 44 | 30.77% | 19.92% | 20.88% |
| 18 | CCC | 95 | 34 | 35.79% | 31.41% | 18.20% |
| 19 | CCC- | 130 | 38 | 29.23% | 42.59% | 19.16% |
| 20 | D | 939 | 18 | 1.92% | 100.00% | 1.71% |

*Credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*

*[1] The average PD is calculated by weighting by number of obligors and corresponds to the end of the previous year.*

## Table 5.44. EU CR9 - IRB - Backtesting of probability of default (PD) per portfolio - retail-real estate, not SMEs A-IRB

*Number of obligors in units*

| PD Range | External rating equivalent | Number of obligors at the end of previous year | | Observed average default rate (%) | Average PD (%) | Average historical annual default rate (%) |
|---|---|---|---|---|---|---|
| | | | Of which: number of obligors which defaulted in the year | | | |
| 01 | AAA | 0 | 0 | 0.00% | 0.00% | 0.00% |
| 02 | AA+ | 0 | 0 | 0.00% | 0.00% | 0.00% |
| 03 | AA | 0 | 0 | 0.00% | 0.00% | 0.01% |
| 04 | AA- | 552,353 | 149 | 0.03% | 0.03% | 0.04% |
| 05 | A+ | 145,915 | 138 | 0.09% | 0.05% | 0.09% |
| 06 | A | 1,857 | 0 | 0.00% | 0.06% | 0.06% |
| 07 | A- | 175,180 | 166 | 0.09% | 0.08% | 0.13% |
| 08 | BBB+ | 115,123 | 177 | 0.15% | 0.12% | 0.17% |
| 09 | BBB | 78,110 | 227 | 0.29% | 0.19% | 0.28% |
| 10 | BBB- | 1,699 | 2 | 0.12% | 0.26% | 0.29% |
| 11 | BB+ | 72,675 | 228 | 0.31% | 0.28% | 0.33% |
| 12 | BB | 98,658 | 621 | 0.63% | 0.54% | 0.66% |
| 13 | BB- | 26,849 | 275 | 1.02% | 1.08% | 1.24% |
| 14 | B+ | 56,373 | 1,006 | 1.78% | 2.12% | 2.28% |
| 15 | B | 23,501 | 973 | 4.14% | 4.87% | 4.92% |
| 16 | B- | 11,846 | 823 | 6.95% | 8.85% | 8.39% |
| 17 | CCC+ | 11,493 | 1,486 | 12.93% | 16.07% | 14.97% |
| 18 | CCC | 6,031 | 1,315 | 21.80% | 33.17% | 23.49% |
| 19 | CCC- | 2,142 | 327 | 15.27% | 41.07% | 24.81% |
| 20 | D | 41,717 | 441 | 1.06% | 100.00% | 2.20% |

*Credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*

*The average PD is calculated by weighting by number of obligors and corresponds to the end of the previous year.*

## Table 5.45. EU CR9 - IRB - Backtesting of probability of default (PD) per portfolio - retail - real estate, SMEs A-IRB

*Number of obligors in units*

| PD Range | External rating equivalent | Number of obligors at the end of previous year | | Observed average default rate (%) | Average PD (%) | Average historical annual default rate (%) |
|---|---|---|---|---|---|---|
| | | | Of which: number of obligors which defaulted in the year | | | |
| 01 | AAA | 0 | 0 | 0.00% | 0.00% | 0.00% |
| 02 | AA+ | 0 | 0 | 0.00% | 0.00% | 0.00% |
| 03 | AA | 0 | 0 | 0.00% | 0.00% | 0.01% |
| 04 | AA- | 14,942 | 9 | 0.06% | 0.03% | 0.14% |
| 05 | A+ | 5,680 | 8 | 0.14% | 0.05% | 0.13% |
| 06 | A | 703 | 4 | 0.57% | 0.08% | 0.21% |
| 07 | A- | 7,667 | 14 | 0.18% | 0.09% | 0.24% |
| 08 | BBB+ | 5,728 | 20 | 0.35% | 0.13% | 0.20% |
| 09 | BBB | 4,261 | 12 | 0.28% | 0.18% | 0.43% |
| 10 | BBB- | 1,648 | 2 | 0.12% | 0.27% | 0.32% |
| 11 | BB+ | 4,567 | 25 | 0.55% | 0.28% | 0.64% |
| 12 | BB | 12,621 | 77 | 0.61% | 0.61% | 0.72% |
| 13 | BB- | 6,847 | 85 | 1.24% | 1.22% | 1.29% |
| 14 | B+ | 8,236 | 183 | 2.22% | 2.16% | 2.89% |
| 15 | B | 12,750 | 523 | 4.10% | 4.17% | 4.88% |
| 16 | B- | 2,487 | 214 | 8.60% | 8.87% | 8.95% |
| 17 | CCC+ | 1,456 | 216 | 14.84% | 17.18% | 16.51% |
| 18 | CCC | 846 | 186 | 21.99% | 32.24% | 23.17% |
| 19 | CCC- | 765 | 179 | 23.40% | 42.28% | 23.30% |
| 20 | D | 8,459 | 119 | 1.41% | 100.00% | 1.97% |

*Credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*

*The average PD is calculated by weighting by number of obligors and corresponds to the end of the previous year.*

## Table 5.46. EU CR9 - IRB - Backtesting of probability of default (PD) per portfolio - retailers - other, not SMEs A-IRB

*Number of obligors in units*

| PD Range | External rating equivalent | Number of obligors at the end of previous year | | Observed average default rate (%) | Average PD (%) | Average historical annual default rate (%) |
|---|---|---|---|---|---|---|
| | | | Of which: number of obligors which defaulted in the year | | | |
| 01 | AAA | 0 | 0 | 0.00% | 0.00% | 0.00% |
| 02 | AA+ | 0 | 0 | 0.00% | 0.00% | 0.00% |
| 03 | AA | 0 | 0 | 0.00% | 0.00% | 0.01% |
| 04 | AA- | 5,431 | 2 | 0.04% | 0.04% | 0.06% |
| 05 | A+ | 27,757 | 23 | 0.08% | 0.04% | 0.10% |
| 06 | A | 46,064 | 38 | 0.08% | 0.06% | 0.11% |
| 07 | A- | 74,797 | 125 | 0.17% | 0.09% | 0.25% |
| 08 | BBB+ | 26,382 | 13 | 0.05% | 0.12% | 0.19% |
| 09 | BBB | 83,508 | 279 | 0.33% | 0.19% | 0.49% |
| 10 | BBB- | 1,513 | 7 | 0.46% | 0.22% | 1.17% |
| 11 | BB+ | 80,602 | 462 | 0.57% | 0.29% | 0.92% |
| 12 | BB | 204,162 | 1,374 | 0.67% | 0.54% | 0.75% |
| 13 | BB- | 563,308 | 2,226 | 0.40% | 1.26% | 0.46% |
| 14 | B+ | 420,277 | 2,916 | 0.69% | 2.31% | 0.82% |
| 15 | B | 132,959 | 5,543 | 4.17% | 4.13% | 3.87% |
| 16 | B- | 54,369 | 4,553 | 8.37% | 9.38% | 8.86% |
| 17 | CCC+ | 25,095 | 4,502 | 17.94% | 17.11% | 17.87% |
| 18 | CCC | 10,579 | 3,541 | 33.47% | 30.46% | 31.31% |
| 19 | CCC- | 10,686 | 4,029 | 37.70% | 47.56% | 33.38% |
| 20 | D | 38,265 | 678 | 1.77% | 100.00% | 3.08% |

*Credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*

*The average PD is calculated by weighting by number of obligors and corresponds to the end of the previous year.*

## Table 5.47. EU CR9 - IRB - Backtesting of probability of default (PD) per portfolio - retailers - other, SMEs A-IRB

*Number of obligors in units*

| PD Range | External rating equivalent | Number of obligors at the end of previous year | | Observed average default rate (%) | Average PD (%) | Average historical annual default rate (%) |
|---|---|---|---|---|---|---|
| | | | Of which: number of obligors which defaulted in the year | | | |
| 01 | AAA | 0 | 0 | 0.00% | 0.00% | 0.00% |
| 02 | AA+ | 0 | 0 | 0.00% | 0.00% | 0.00% |
| 03 | AA | 0 | 0 | 0.00% | 0.00% | 0.01% |
| 04 | AA- | 554 | 0 | 0.00% | 0.03% | 0.04% |
| 05 | A+ | 12,547 | 26 | 0.21% | 0.04% | 0.17% |
| 06 | A | 20,072 | 89 | 0.44% | 0.07% | 0.25% |
| 07 | A- | 19,550 | 40 | 0.20% | 0.09% | 0.24% |
| 08 | BBB+ | 14,686 | 132 | 0.90% | 0.15% | 0.62% |
| 09 | BBB | 22,875 | 92 | 0.40% | 0.18% | 0.47% |
| 10 | BBB- | 33,586 | 225 | 0.67% | 0.27% | 0.58% |
| 11 | BB+ | 27,588 | 246 | 0.89% | 0.29% | 0.88% |
| 12 | BB | 146,021 | 2,130 | 1.46% | 0.61% | 1.38% |
| 13 | BB- | 79,666 | 2,720 | 3.41% | 1.25% | 3.17% |
| 14 | B+ | 54,971 | 3,294 | 5.99% | 2.15% | 5.42% |
| 15 | B | 75,108 | 6,357 | 8.46% | 3.96% | 8.15% |
| 16 | B- | 13,329 | 2,660 | 19.96% | 9.23% | 16.83% |
| 17 | CCC+ | 5,385 | 1,972 | 36.62% | 18.80% | 28.32% |
| 18 | CCC | 2,975 | 1,116 | 37.51% | 31.88% | 30.09% |
| 19 | CCC- | 4,213 | 1,748 | 41.49% | 44.16% | 29.29% |
| 20 | D | 32,373 | 645 | 1.99% | 100.00% | 2.41% |

*Credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*

*The average PD is calculated by weighting by number of obligors and corresponds to the end of the previous year.*

## Table 5.48. EU CR9 - IRB - Backtesting of probability of default (PD) per portfolio - eligible retailers - renewables A-IRB

*Number of obligors in units*

| PD Range | External rating equivalent | Number of obligors at the end of previous year | | Observed average default rate (%) | Average PD (%) | Average historical annual default rate (%) |
|---|---|---|---|---|---|---|
| | | | Of which: number of obligors which defaulted in the year | | | |
| 01 | AAA | 0 | 0 | 0.00% | 0.00% | 0.00% |
| 02 | AA+ | 0 | 0 | 0.00% | 0.00% | 0.00% |
| 03 | AA | 0 | 0 | 0.00% | 0.00% | 0.01% |
| 04 | AA- | 1,293,211 | 120 | 0.01% | 0.03% | 0.02% |
| 05 | A+ | 254,206 | 210 | 0.08% | 0.05% | 0.11% |
| 06 | A | 133,046 | 133 | 0.10% | 0.07% | 0.16% |
| 07 | A- | 113 | 0 | 0.00% | 0.09% | 0.46% |
| 08 | BBB+ | 1,155,810 | 604 | 0.05% | 0.12% | 0.09% |
| 09 | BBB | 423,962 | 341 | 0.08% | 0.19% | 0.12% |
| 10 | BBB- | 76,712 | 265 | 0.35% | 0.22% | 0.44% |
| 11 | BB+ | 308,463 | 877 | 0.28% | 0.30% | 0.51% |
| 12 | BB | 605,699 | 3,062 | 0.51% | 0.58% | 0.76% |
| 13 | BB- | 451,360 | 3,934 | 0.87% | 1.22% | 1.17% |
| 14 | B+ | 385,529 | 7,788 | 2.02% | 2.28% | 2.13% |
| 15 | B | 333,103 | 11,314 | 3.40% | 4.39% | 3.73% |
| 16 | B- | 212,463 | 11,946 | 5.62% | 9.28% | 6.12% |
| 17 | CCC+ | 115,141 | 11,723 | 10.18% | 16.95% | 10.93% |
| 18 | CCC | 48,029 | 7,689 | 16.01% | 26.84% | 15.91% |
| 19 | CCC- | 40,313 | 13,209 | 32.77% | 48.97% | 30.59% |
| 20 | D | 98,006 | 935 | 0.95% | 100.00% | 3.32% |

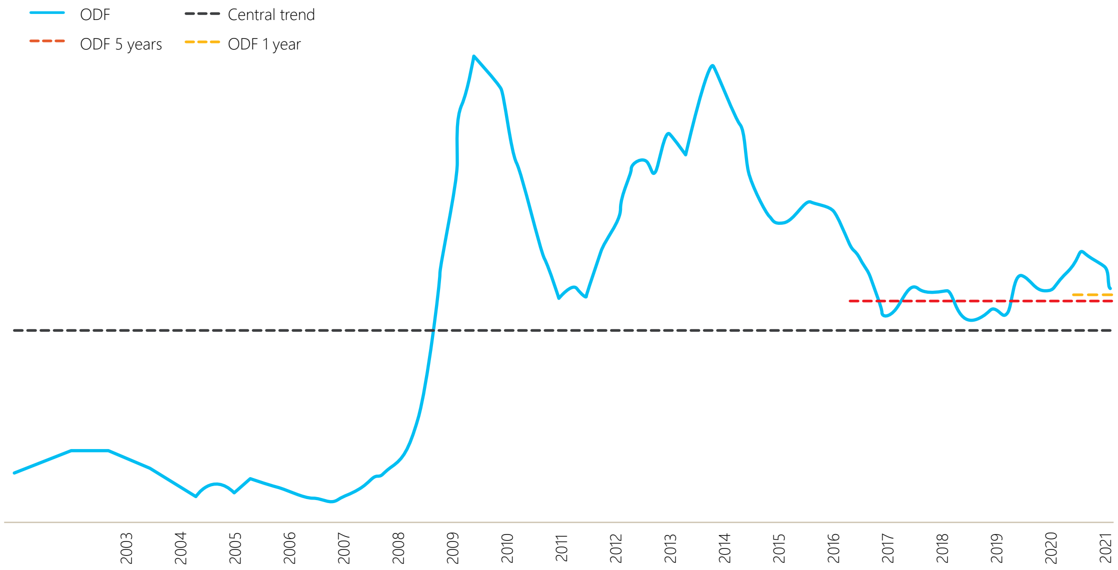
*Credit risk exposures included. Excluding counterparty, securitisation and equity portfolio exposures.*

*The average PD is calculated by weighting by number of obligors and corresponds to the end of the previous year.*

## Medium SMEs

### Chart 6. Comparison of default frequencies with the central trend

*Central trend vs. ODF at 5Y vs. ODF at 1Y*




It is noted that the average annual default frequency for the last five years is, in some cases, above the average PD of the current portfolio (at 31 December 2021). This difference is due to the fact that, on the one hand, the PD is a through-the-cycle metric, reflecting the probability of default of the cycle average, while on the other hand, the ODF reflects the default frequency at the present time.

The effect described in the previous paragraph is highlighted in the following chart for medium SMEs, although the analysis would be similar for all other portfolios. It is important to note that through-the-cycle PDs are obtained from a central trend equal to the average ODF between 1991 and December 2021.

## 4. Comparison of EAD and realised exposure

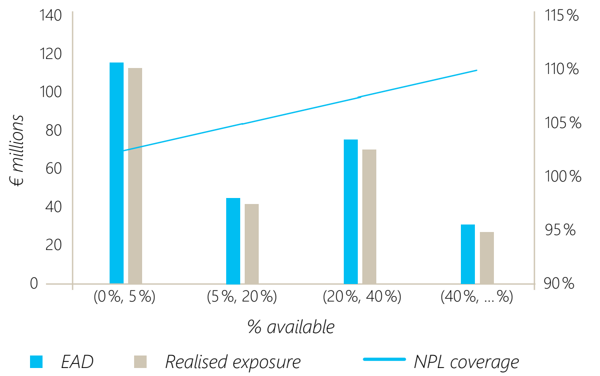
EAD (exposure at default) is defined as the estimated amount that will be drawn by the customer at the time of default. This value is obtained as the amount drawn when the estimation is made plus a percentage of the amount that could be drawn, determined by the credit conversion factor (CCF).

To verify the usefulness of the estimated CCF for the main portfolios in which the customer is permitted to draw up to the contractual limit (open-end credit, cards and credit accounts), estimated EAD at 31 December 2020 is compared to realised exposure at the date the default was identified. This comparison is made by tranches of undrawn commitments, calculated as the amount available or undrawn divided by the limit or potential maximum amount drawn.

The coverage ratio is also defined as a measure to assess the accuracy of the estimates made. This ratio is defined as estimated EAD divided by realised exposure.

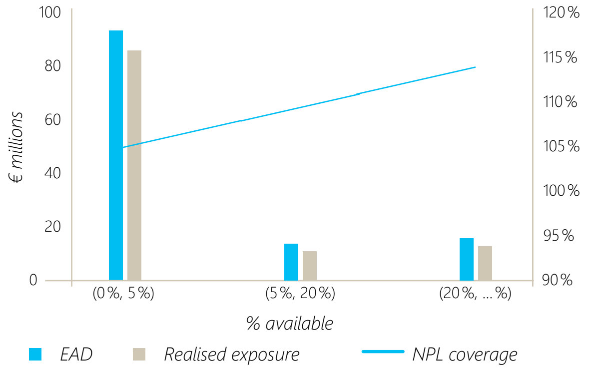
### Retail

Chart 7. Open-end credit



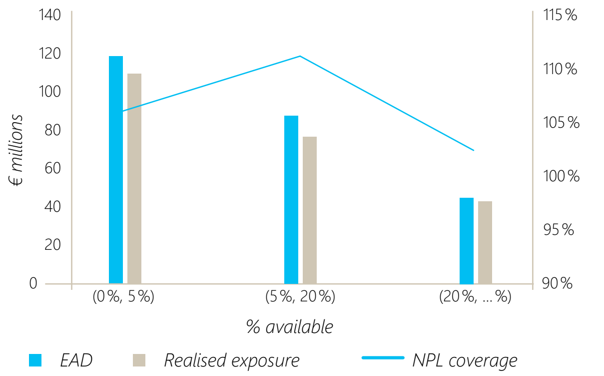

Open-end credit is one of the main products with available balances in CaixaBank, especially in its retail portfolio. In this portfolio, most of the exposure is concentrated in lower undrawn tranches, with an average coverage ratio of 102 %, indicating that the CCF of this product provides an accurate prediction of the exposure at the time of default.

Chart 8. Credit cards




In the portfolio of cards for individuals, most of the exposure is also concentrated in lower undrawn tranches, with an average coverage ratio of 109 %.

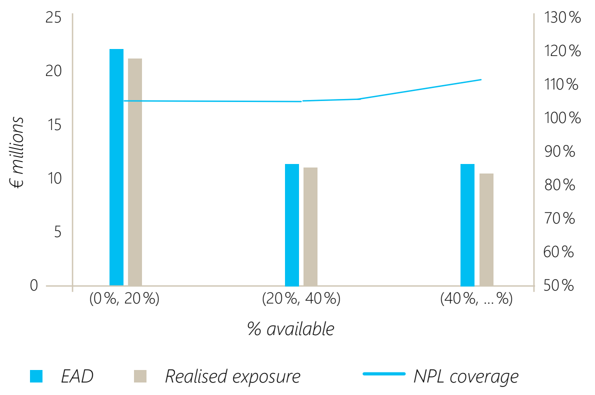
Chart 9. Credit accounts




In the credit accounts portfolio, where exposure is significantly lower than in the open credit portfolio, estimated EAD at the beginning of the year was also higher than realised EAD when the default occurs, with an average coverage ratio of 107 %.

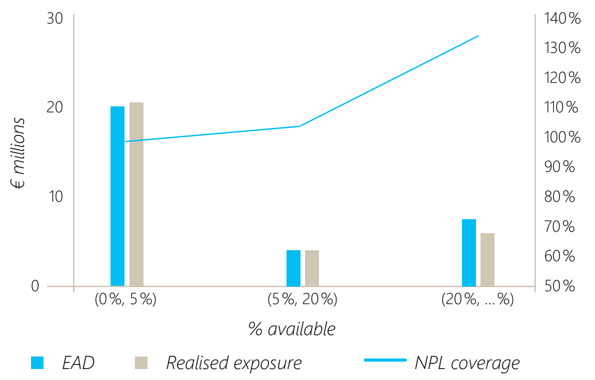
## SME

### Chart 10. Open-end credit




In all undrawn tranches, total estimated EAD for open-end credit to SMEs is higher than realised exposure at the time of default. This situation gives rise to a coverage ratio for the portfolio of 106%.

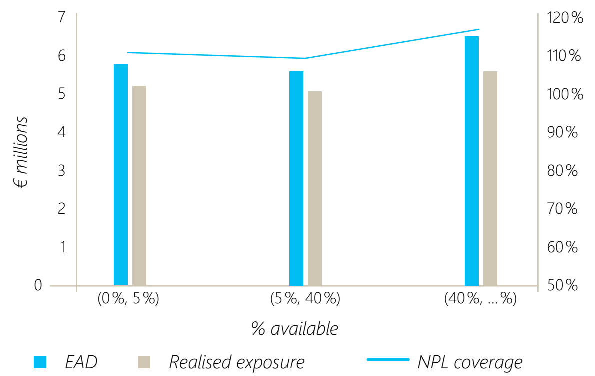
### Chart 11. Credit accounts




The fact that there is a significant concentration in the most used tranche is a good indicator that the credit limits are aligned correctly with the needs of SMEs, not offering drawdowns that could pose a higher risk to the Group.

The coverage ratio of this portfolio is 106%. Therefore, a relatively conservative CCF has been estimated, as in the case of retail customers for this product, resulting in an EAD that comfortably covers the exposure.

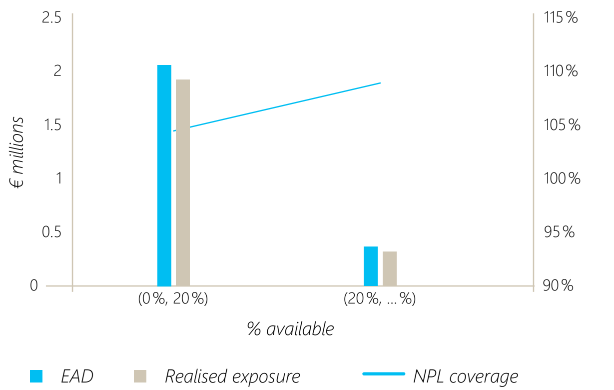
### Chart 12. Cards




In all undrawn tranches, total estimated EAD for SME cards is higher than realised exposure at the time of default, with a coverage ratio of 112%.

## Corporate

### Chart 13. Open-end credit




In all undrawn tranches, total estimated EAD for open-end credit to companies is higher than realised exposure at the time of default, especially in the highest undrawn tranche, although the low volume of defaults in this portfolio makes the results statistically unrepresentative.

Similarly, although not shown in the charts, the card and credit account portfolios for the large corporates segment also have very coverage ratios and are unrepresentative.

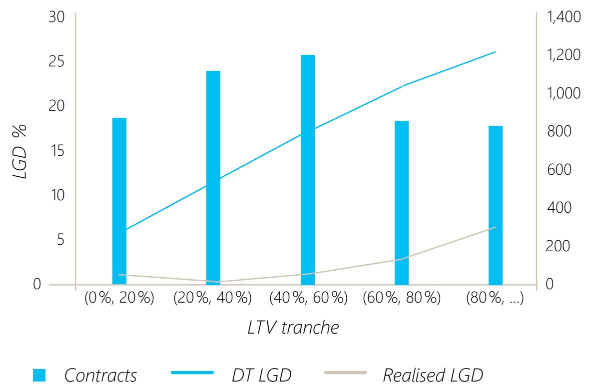
## 5. Comparison of DT LGD and realised LGD

LGD (loss given default) measures the proportion of EAD that it has not been possible to recover after completing the recovery process. Therefore, as the real loss on a default will only become certain upon conclusion of the recovery process, which can take anywhere from a few days up to several years, realised LGD can only be calculated for completed processes, i.e. completed cycles. This situation requires a longer observation period than for the ODF of exposure to obtain the realised LGD. Moreover, for the same portfolio in default, the average realised LGD can vary from one year to another due to the inclusion of new completed defaults.

To provide an observation period longer than one year, in the following analyses, defaults of performing loans at 31 December 2018 that went into default in 2019 and for which the recovery process was completed by 31 December 2021 were selected.

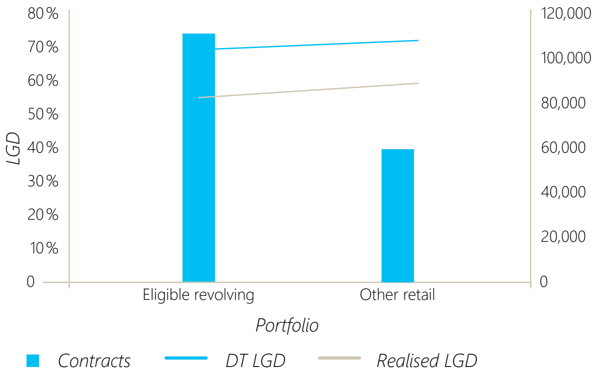
## Retail

### Chart 14. Mortgage guarantee




Generally speaking, realised LGD for individuals with mortgage collateral (1.91 %) is much lower than estimated DT LGD (15.57 %). This demonstrates that the LGD estimate is sufficiently conservative and that the observation period (2019 – 2021) has been favourable where this metric is concerned.

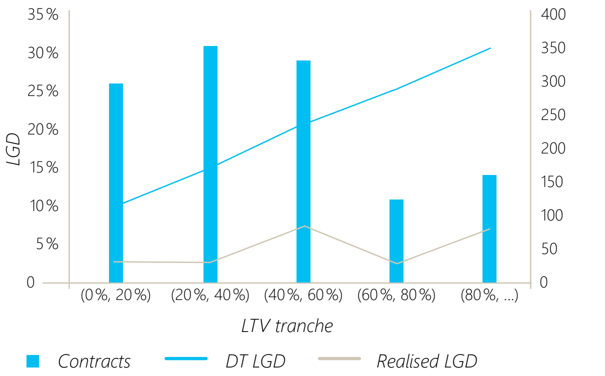
Chart 15. Personal guarantee




In the retail portfolio without guarantees, realised LGD (54.87 %) is much lower than estimated LGD (69.19 %). CaixaBank's estimate therefore includes a substantial prudential margin.

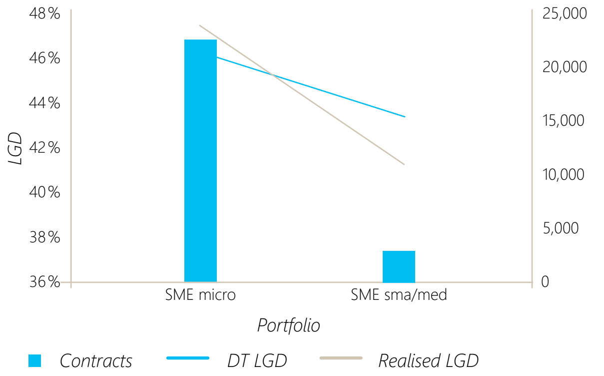
## SME

Chart 16. Mortgage guarantee




In the SME portfolio with mortgage guarantee, realised LGD (3.83 %) is also below estimated LGD (17.49 %).

Chart 17. Personal guarantee




Realised LGD (47.13 %) in the micro SME portfolio without guarantees is in line with estimated LGD (46.28 %), while realised LGD (40.66 %) in the small and medium SME segment is below estimated LGD (43.00 %).

## 6. Comparison between effective loss and regulatory expected loss

The objectives for this exercise are:

- Verifying how regulatory expected loss remains stable over the cycle, while realised loss directly depends on the economic situation at any given time.
- Evaluating the extent to which the size of the difference between the two figures is reasonable.

Regarding the first objective, regulatory expected loss is estimated to be the annual average loss for the economic cycle and, therefore, cannot be considered an estimator in line with expected loss in a specific year or period. Consequently, whereas regulatory expected loss should show stable values over time, realised loss will fluctuate in accordance with the phase of the economic cycle and the internal recovery policies.

To compare expected loss and effective loss, non-distressed loans at 31 December of each year measured using an advanced IRB approach were used, with expected loss at that time compared to realised loss observed the following year. In light of existing restrictions, the following assumptions were used to calculate effective loss:

- Effective loss is only calculated for loan contracts that have entered into default, whereby the exposure value is taken as the realised exposure at the time of default. Therefore, those that have not defaulted during the following year will have an effective loss of EUR 0.

- For contracts in default for which the recovery cycle has not been completed, and for which there is, therefore, no realised loss, expected loss at 31 December 2021 is used as the best estimate of effective loss. This means that, for the most recent year (2021), where the majority of the uncompleted cycles are concentrated, effective loss for such contracts cannot be estimated with adequate certainty. Previous years are not exempt from this problem, although it affects them to a lesser extent. For this reason, the effective loss for 2021 has been excluded from the comparison.

- Effective loss could vary from one year to another for the same period due to the completion of recovery processes.

- The percentage values of expected loss and effective loss have been calculated using the performing EAD at the end of the previous year.

Finally, CaixaBank carries out an adjustment process in which it calibrates the parameters for calculating expected loss through the use of an additional year of internal information on defaults and the associated losses. This adjustment process improves the quality of the estimated parameters in two ways:

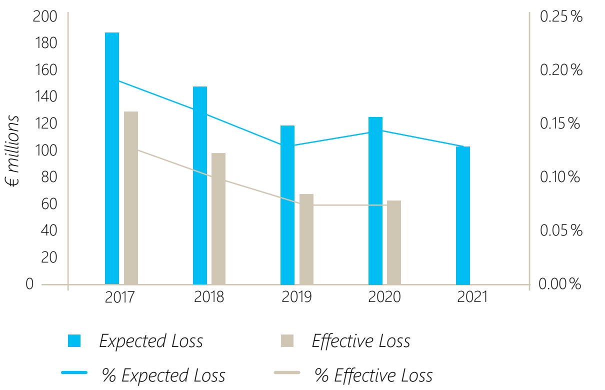
- First, having a sample with adjusted data, and a larger volume of data, improves the precision of the estimated parameters.

- Second, through the continuous process of analysing and studying the information contained in the systems, which makes it possible to identify new patterns and explicative variables or to renew the existing patterns and variables, thus improving the predictability of expected loss.

Changes in expected loss and effective loss in recent years in different advanced IRB portfolios are shown below:

## Retail

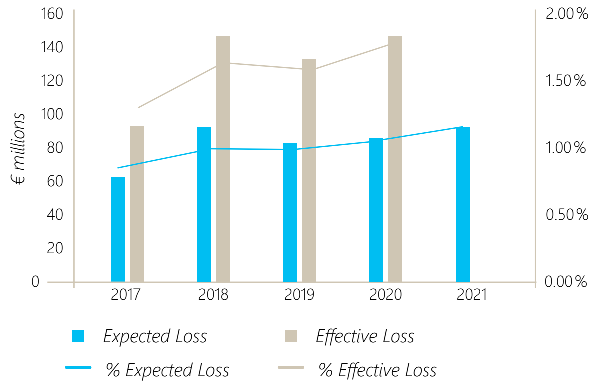
**Chart 18. Expected and effective loss in the retail mortgage portfolio:**




The evolution of the expected loss and the effective loss of the retail mortgage portfolio behave broadly in a similar way.

Moreover, the relative indicators show that the reduction in loss totals are chiefly due to improved credit quality.

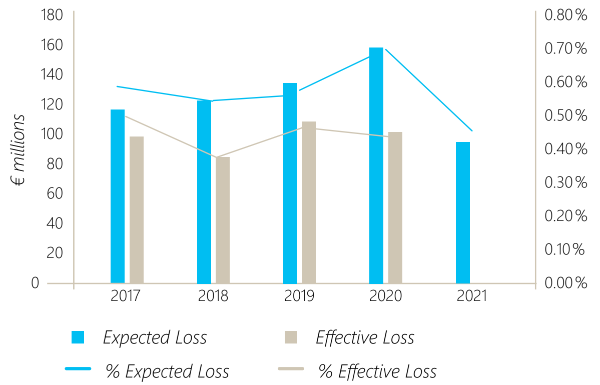
Chart 20. Expected and effective loss in the other retail portfolio:




Effective losses on consumer operations are above the loss as a result of the efforts associated with the reduction of non-performing loans since 2018.

## SME

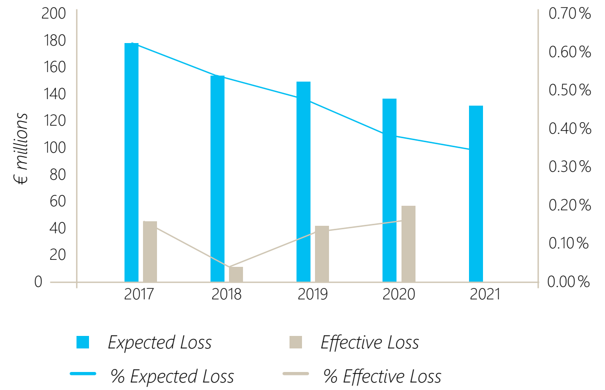
Chart 21. Expected and effective loss in the SME portfolio:




The trend of the SME portfolio in recent years is upheld, with the expected loss always above the effective loss.

## Corporate

Chart 22. Expected and effective loss in the large corporates portfolio:




In the large corporates portfolio, expected loss was higher than effective loss over the period observed. Notably, although expected loss in percentage terms fell in recent years, the portfolio exposure increased, indicating that the growth in the portfolio in the better quality tranches.

### Integration of internal risk estimates in management

The use of risk parameters, PD, LGD and EAD, is key to managing CaixaBank's credit risk and goes beyond regulatory use.

The main risk-measurement parameters are taken into account in decision-making, from approval through to the monitoring of exposure, as well as in managing incentives and monitoring the profitability of business segments.

**The main tools and policies are listed below:**

- **Authority system for weighted expected loss in the approval of risk for corporates**

  Calculating the level of risk for expected loss (PD x EAD x LGD) improves risk control, bringing approval authorisations into line with the measured risk of the customer and, if applicable, that of the customer's economic group.

  The calculation of an application's level of risk combines the expected loss and the maximum loss (exposure x LGD) of all of a customer's applications and contracts and those of its business group across the Bank, including new lending and excluding any transactions that are earmarked for cancellation.

  The limit on maximum loss prevents excessively high nominal amounts from being authorised when the customer's PD is extremely low.

  The level of risk approval is determined in accordance with expected loss amounts and maximum cumulative loss amounts for each borrower's transactions and those of its related economic group, as appropriate.

- **Risk approval pricing system**

  Ensures a suitable risk-return ratio for each application by estimating the cost of the operation as the sum of:

  - The expected loss.
  - The cost of capital.
  - An estimate of internal operating costs.
  - The cost of the funds.
  - Other expenses.

- **PD/ master scale system of diagnostics in the authorisation of retail lending**

  Automatic action-recommendation system for the approval of transactions with individuals according probability of default (PD).

  Establishing a transaction acceptance/denial boundary point, with a penalisation in the approval authorisations when they involve an especially high-risk level.

- **Risk-Adjusted Return (RAR) system**

  Calculation of the return on capital consumption, after deducting expected loss, operating costs and the cost of the funds:

  RAR = (operating income - expected loss - taxes) / capital requirement

  The minimum return on capital that a transaction should achieve is determined by the cost of capital, which is the minimum return required by shareholders.

  When a transaction yields a positive risk-adjusted return, this means that it shares in the Bank's profit, but it will only create shareholder value when the return exceeds the cost of capital.

  This system allows for greater control over the balance between return and risk relative to the Bank's customer portfolio.

- **Calculation of provisions using internal models under IFRS9 or Circular 4/2017 of the Bank of Spain:**

  This Circular establishes that – with the exception of the non-performing portfolio corresponding to assets classified as single names – expected loss shall be calculated using internal models sharing a significant basis with IRB models: such internal models differ from IRB models in the nature of their estimates, which are forward-looking rather than through-the-cycle, since they have to reflect the economic conditions of the present and those expected in the future.

  **In addition, internal models are also used in classifying risk in terms of their accounting stage.**

## 5.2. Counterparty credit risk

RWA counterparty risk, default fund and CVA
**€3,662 M**

EAD counterparty risk, default fund and CVA under internal models
**13 %**

EAD counterparty risk, default fund and CVA
**€7,047 M**

Counterparty risk is the credit risk generated by derivative transactions, repos, securities lending and deferred settlement transactions in financial market activity. It quantifies the losses derived from the counterparty's potential default before the cash flows are definitively settled.

Counterparty risk includes CVA, credit valuation adjustment, and default fund risk (amounts deposited with central counterparty clearing houses to meet possible defaults by their members).

The Group assigns internal limits and uses mitigation policies and techniques to reduce its exposure to this risk. In addition, it has an integrated system that allows users to see the amount available with any counterparty, product and term for most exposures in real time.

Counterparty risk, default fund (DF) and CVA represent 2% RWA of total credit risk. 85% of the counterparty risk capital is assessed by the standardised method, 50% of which corresponds to institutions and 39% to corporates.

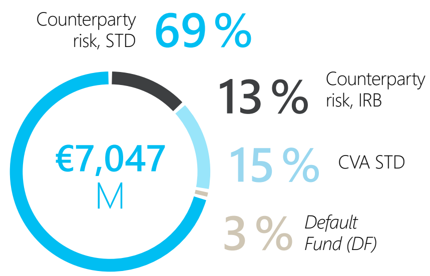
## Annual evolution

Exposure at default (EAD) increased by EUR 911 million, up 19% year-on-year, mainly due to the integration of positions from Bankia, the change in the method of calculating regulatory EAD for derivatives to the new standardised approach (SA-CCR), position variation and market price movements. As a result, counterparty risk RWA increased by EUR 824 million, up 39% year-on-year.

Due to the same reasons, the EAD for CVA risk increases by 238 million with respect to the close of the previous year, and the corresponding RWA have increased by EUR 42 million. The EAD for default fund risk increased by EUR 166 million and its related RWA by EUR 36 million. This increase also includes the adaptation of the RWA calculation to CRR2.

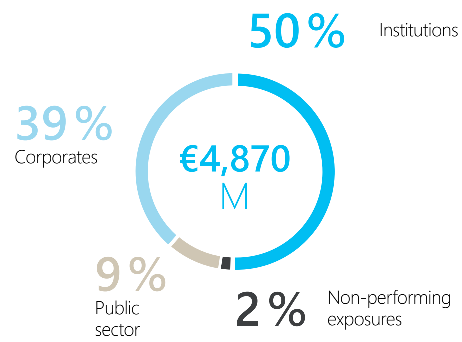
**EAD counterparty risk, DF and CVA**

*Distribution by approach, %*




**EAD counterparty risk (standard)**

*Distribution by type of exposure, %*



## 5.2.1 Counterparty credit risk management

### Description and general policy

As defined in section 272 of the CRR, counterparty risk is the risk that the counterparty in a transaction could enter into non-payment before the definitive settlement of the cash flows of the transaction. Counterparty risk arises in transactions involving derivative instruments, repurchase agreements, securities lending and long settlement transactions.

The Group controls and monitors counterparty risk for two purposes: to ensure that the risk generated by transactions of this nature are treated correctly in the general credit risk control and monitoring system; and to control the specific aspects affecting counterparty risk in order to optimise it. In addition, monitoring reports are prepared for senior management and governing bodies, as well as for the supervisor.

The approval of new transactions involving the assumption of counterparty risk in the Group is subject to an internal framework that has been approved by the Global Risk Committee and that enables rapid decision-making, for both financial and other counterparties.

In the case of transactions with financial institutions, the Group has a specific internal framework setting out the methodology used to grant credit facilities. The maximum permissible credit risk exposure to an institution is determined primarily on the basis of the institutions' ratings and analysis of their financial statements. This framework also includes the model for setting limits and calculating risk consumption for central counterparties (CCPs).

In operations with all other counterparties, including retail customers, the approval of derivative transactions linked to a loan application (hedging of interest rate risk on loans) is carried out together with the approval of the loan transaction. All other transactions subject to counterparty risk do not require explicit approval, provided the amount consumed does not exceed the assigned risk limit. If this is not the case, an individualised study will be requested. Approval of transactions corresponds to the risk areas responsible for the analysis and approval of the credit risk.

The granting of pre-approved risk limits for counterparties means the amount available for contracting new transactions is always known.

The definition of limits for counterparty risk is complemented by internal concentration limits, mainly for country and large exposure risks.

### Structure and organisation of the risk management function

Below are **the CaixaBank areas with direct responsibilities for the quantification, monitoring and control of counterparty risk.**

**First line of defence**

- **Corporate and International Banking Division and Financial Management Division:** areas where counterparty risk originates. These are the main centres dealing with derivatives, repurchase agreements, securities lending and long settlement transactions.

- **Country, Banks and Institutions Risk Department:** this is part of the Business Lending Office. It is the unit responsible for the risks undertaken by CaixaBank with financial institutions, regardless of the type of transaction and the business activity that generates them. The main functions assigned to this department in relation to counterpart risk are as follows:

  - Analysing and monitoring counterparties and risks.

  - Controlling the use of limits, and authorising breaches and exceptions to the internal framework.

- **Other centres reporting to the Business Lending Office and centres reporting to the Retail Lending Office:** these are responsible for approving risks with non-financial institutions (corporates and individuals, respectively) undertaken by CaixaBank, regardless of the type of transaction and the business activity that generates the risks. Accordingly, this includes transactions that generate counterparty risk.

- **Treasury Operational Services Department:** integrated into the Operations Department (Resources). This unit is responsible for day-to-day operational management of bilateral collateral contracts for derivative instruments, repos and securities lending, as well as collateral contracts with central counterparties (for both OTC and organised market trades). Its main functions include:

- Generating margin calls or additional margin calls to counterparties, caused by a change in the scope of collateralised transactions or a change in their market value.
- Reconciling encumbered positions and managing discrepancies.
- Monitoring settlements and the accounting entries associated with the management of such contracts.

- **Legal Advisory Division:** responsible for preparing framework agreements between CaixaBank and counterparties.

**Second line of defence**

- **Department of Market and Structural Risks:** part of the Corporate Risk Management Function & Planning Division. Its main counterparty risk functions are:
  - Defining and implementing calculation methodologies for estimating the equivalent credit exposure.
  - Daily valuation of OTC derivative collateral agreements, repos and securities lending.
  - Monitoring of limits and exposures.
  - Calculating the minimum capital requirements for counterparty risk, CVA and Default Fund, and preparing regular reports for the supervisor.
  - Preparing regular information on counterparty risk for internal bodies.

**Third line of defence**

- **Internal Audit:** its functions as the third line of defence are set out in section 3.1.4 of this document.

### Measurement and information systems for management of counterparty risk

Counterparty risk relating to **derivative transactions** is quantitatively associated with the related market risk. The amount owed by the counterparty must be calculated by reference to the market value of the contracts and their related potential value (possible changes in their future value under extreme market price conditions, based on known historical patterns).

The equivalent credit exposure for derivatives is understood as the maximum potential loss over the life of a transaction that the bank might incur should the counterparty default at any time in the future. This is calculated using Montecarlo simulation with portfolio effect and netting of positions, as applicable, at a 95% confidence interval, based on stochastic models incorporating the volatility of the underlying and all the characteristics of the transactions.

The Group's counterparty risk exposure for **repos and securities** lending is calculated as the difference between the market value of the securities/cash granted to the counterparty and the market value of the securities/cash received as collateral, considering the applicable volatility adjustments in each case.

The calculation of derivatives, repos and securities lending exposure takes into account the mitigating effect of collateral received under the Master Collateral Agreements (see section "Hedging policies and mitigation techniques for counterparty risk").

In general, the methodology for calculating counterparty risk exposure described above is applied during the acceptance of new operations and in recurrent calculations on subsequent days.

Counterparty risk in the Group for financial counterparties is controlled through an integrated system that provides real-time data on the available exposure limit for any counterparty, product and maturity. For the **remaining counterparties,** counterparty risk is controlled through corporate applications, which contain both the limits of the lines of derivatives risk (if any) and credit exposure of derivatives and repos.

### Hedging policies and mitigation techniques for counterparty risk

**The main risk mitigation policies and techniques employed for counterparty risk with financial institutions involve:**

1. ISDA/CMOF contracts. Standardised contracts for global derivative transactions with a counterparty. These explicitly provide for the possibility of offsetting the flows of outstanding collections and payments between the parties for all derivatives trading hedged by the contracts.

2. CSA Annex (ISDA) / Annex III (CMOF). Agreements whereby each of the parties undertakes to provide collateral (usually a cash deposit) as security for the net counterparty risk position arising from the derivatives traded between them. In calculating the guarantee to be exchanged, the netting clauses included in the ISDA or CMOF contracts are taken into account.

3. GMRA/ CME/ GMSLA contracts (repo agreements and securities lending). Agreements whereby the parties undertake to deliver collateral to each other for the net counterparty risk exposure arising from differences between the value of the sum accrued by simultaneous buying and selling of securities and the market value of the securities.

4. Break-up clauses. Such clauses provide for early termination of the agreement by one of the parties of its own free will, at a certain point in a contract. This mitigates counterparty risk by reducing the effective duration of the transactions subject to the clause, or reducing the counterparty's counterparty risk exposure.

5. Delivery-versus-payment in securities settlement systems. Systems that eliminate settlement risk with a counterparty, since clearing and settlement occur simultaneously and in an inseparable way. One major system is the CLS system for delivery against payment in the case of simultaneous collection and payment flows in different currencies.

6. Central Counterparties (CCPs). The use of CCPs in derivatives and repo transactions can mitigate the associated counterparty risk, as these entities act as intermediaries on their own account between the two parties to the transaction, thus absorbing the counterparty risk. The EMIR regulations set forth an obligation to clear certain OTC derivatives contracts through these Central Counterparties, as well as to give notification of all transactions conducted.

For non-financial counterparties, the mitigation techniques for counterparty risk involve: ISDA/ CMOF contracts, CSA /CMOF Annex III and break-up clauses, pledges of financial guarantees and guarantees issued by counterparties with higher credit quality than the original counterparty in the transaction.

### Methodology for the allocation of capital

The allocation of capital for counterparty risk is carried out in conjunction with credit risk. It is worth noting the entry into force in June 2021 of the new approach for calculating credit exposure of financial derivatives, SA-CCR (standardised approach for counterparty credit risk), which is explained in greater detail in section 5.2.2 below.

### Analysis and policies regarding exposure to wrong way risk

The acceptance and monitoring processes for counterparty risk enable the identification of cases in which the Group is exposed to wrong way risk. This risk can be of two different types: i) general wrong way risk. This occurs when there is a positive correlation between the probability of default of the counterparty and the general market risk factors; ii) specific wrong way risk. This occurs when, due to the nature of the transactions entered into with a counterparty, there is a positive correlation between the future exposure of these transactions and the probability of default of the counterparty. This circumstance is set out in the internal counterparty risk framework described above and it is handled accordingly within the acceptance and monitoring processes. The very specific cases in which such risk is incurred are identified and, for the transactions affected, sufficiently conservative metrics are used to estimate credit exposure, both at the time the transaction is contracted and throughout its life.

### Effectiveness of collateral

As mentioned previously, the Group has signed collateral agreements, mainly with financial institutions, in order to guarantee operations that are subject to counterparty risk. On a daily basis, in most cases, risk quantification is performed by valuing all outstanding transactions subject to the master collateral agreement at market prices and comparing this amount with the actual collateral received/delivered. This involves the modification, if applicable, of the collateral to be delivered by the debtor.

Furthermore, in the hypothetical case of a downgrade of the Group's rating, the impact on collateral would not be significant because most collateral contracts do not provide for franchises related to the Group's external credit rating. Considering that most contracts with financial institutions have a zero threshold[1], and that in those where there is a rating-linked scale the value of the portfolio does not usually exceed the threshold amount, a rating downgrade would, in the worst case, represent a non-material cash outflow. The CSA contracts signed by the subsidiary, BPI, include such surcharges which, in the event of a rating downgrade of two notches, would require an increase in collateral of EUR 3.8 million.

## 5.2.2. Minimum capital requirements for counterparty risk, default fund and CVA

This section provides details on exposures and RWA for counterparty, default fund and CVA risk exposure. This enables the alignment of this information with that disclosed to the EBA in the CRD IV reports (commonly known as COREP statements).

The default fund or default fund of central counterparties (CCP) is a mechanism that allows the distribution of losses among CCP clearing members. It is used in the event that losses incurred by the CCP as a result of the default of one or more clearing members are greater than the collateral and default fund contributions paid by that member and any other resource that the CCP could draw on before using the fund contributions of the remaining members. This means that the risk of loss associated with exposures resulting from default fund contributions may be higher than that associated with the transactions entered into. Therefore, in accordance with the provisions of article 307 of the CRR, exposures of this type must be subject to higher own fund requirements. It should be noted that at the end of June, the change introduced by the CRR2 in the calculation of RWA for CCP exposures came into force, mainly affecting the default fund RWA in which the RWA calculation formula is simplified. In addition, the CRR2 also eliminates the possibility of applying the alternative RWA calculation method defined in the previous article 310 of the CRR.

The CVA or credit value adjustment is the adjustment in the value of a derivative to offset the counterparty risk assumed, i.e., the market value of the counterparty risk assumed in a derivative. This adjustment reflects the current market value of the counterparty's credit risk vis-à-vis the counterparty. At CaixaBank, the calculation of CVA risk capital requirements is performed per counterparty and is based on the standardised approach, as set out in Article 384 of the CRR.

As mentioned above, in June 2021 the new methods for calculating derivative credit exposure under CRR2 came into effect: Original Exposure Method (OEM), Standardised Approach for Counterparty Credit Risk (SA-CCR), Simplified Standardised Approach for Counterparty Credit Risk (Simplified SA-CCR) and Internal Model Method (IMM). At CaixaBank, the calculation method used to calculate regulatory credit exposure for all derivatives is SA-CCR.

SA-CCR is a more risk-sensitive approach that allows the benefits of clearing and collateralisation to be recognised. In SA-CCR, the exposure is calculated for each of the netting sets, where a netting set is defined as a group of transactions that share the same collateral agreement (CSA) and master netting agreement (CMOF). Derivatives that are not subject to a legally enforceable netting agreement should be interpreted as their own netting set.

The aim of the SA-CCR is to replicate the exposure calculation performed in IMM, which uses a multiplier and an effective expected exposure (EEPE). In SA-CCR, the multiplier is set at 1.4 and the EEPE is calculated as the sum of the Replacement Cost (RC) and the Potential Future Exposure (PFE).

The RC is the conservative estimate of the amount that an institution would lose if the counterparty were to default at the time of calculation. The replacement cost is sensitive to whether or not there is a collateral agreement.

[1] *The amount from which collateral has to be delivered to the counterparty.*

On the other hand, the PFE represents the increase in the exposure that could occur between now and the time of default, and it depends on the volatility associated with each risk category. This factor is calculated as the product of a multiplier and an add-on of netting set. This multiplier allows us to recognise the excess collateral and to reflect it in the PFE calculation. The add-on is initially calculated per transaction, taking into account the risk category to which it belongs (interest rate, exchange rate, credit, equity, commodities or other) and applying specific formulas according to asset class. They are then aggregated up to the level of the netting set. The main transaction variables involved in the calculation of the add-on are the adjusted nominal, the maturity factor, the supervisory delta and the supervisory factor, which takes into account the volatility of the underlying risk factors.

As a result of the implementation of the SA-CCR, there is a very significant reduction in the EAD with central counterparties and financial institutions with collateral exchange. However, in the rest of the counterparties, there is an increase in the EAD, mainly due to the multiplier factor of 1.4.

Counterparty risk exposure (EAD) has increased by EUR 911 million compared to the previous year, mainly due to the integration of positions from Bankia, the change in the method for calculating regulatory EAD from derivatives to the SA-CCR, the change in the position and movements in market prices. As a result, counterparty risk RWA increased by EUR 824 million.

Due to the same reasons, the EAD for CVA risk increases by EUR 238 million with respect to the close of the previous year, and the corresponding RWA have increased by EUR 42 million. The EAD for default fund risk increased by EUR 166 million and its related RWA by EUR 36 million. This increase also includes the adaptation of the RWA calculation to CRR2.

## Table 5.49. Counterparty Credit Risk RWA, Default Fund and CVA

*Amounts in millions of euros*

| Method | RWA |
|---|---|
| Standarised Approach | 3,030 |
| of wich Counterparty | 2,284 |
| of wich Credit Value Adjustement (CVA) | 710 |
| of wichDefault Fund | 36 |
| IRB Approach | 632 |
| **Total** | **3,662** |

The counterparty risk exposure (excluding CVA and default fund) by method of calculating regulatory capital and the main parameters for each method are presented below:

## Table 5.50. EU CCR1 - Analysis of CCR exposure by approach

| *Amounts in millions of euros* | Replacement cost (RC) | Potential future exposure (PFE) | EEPE | Alpha used for computing regulatory exposure value | Exposure value pre-CRM | Exposure value post-CRM | Exposure value | RWEA |
|---|---|---|---|---|---|---|---|---|
| EU - Original Exposure Method (for derivatives) | - | - | | 1.4 | - | - | - | - |
| EU - Simplified SA-CCR (for derivatives) | - | - | | 1.4 | - | - | - | - |
| SA-CCR (for derivatives) | 1,710 | 1,417 | | 1.4 | 18,124 | 4,377 | 4,252 | 2,647 |
| IMM (for derivatives and SFTs) | | | - | - | - | - | - | - |
| Of which securities financing transactions netting sets | | | - | | - | - | - | - |
| Of which derivatives and long settlement transactions netting sets | | | - | | - | - | - | - |
| Of which from contractual cross-product netting sets | | | - | | - | - | - | - |
| Financial collateral simple method (for SFTs) | | | | | - | - | - | - |
| Financial collateral comprehensive method (for SFTs) | | | | | 25,244 | 1,268 | 1,268 | 256 |
| VaR for SFTs | | | | | - | - | - | - |
| **Total** | | | | | **43,368** | **5,645** | **5,520** | **2,902** |

CaixaBank Group calculates counterparty risk EAD according to the SA-CCR, not the IMM. Therefore, table EU CCR7, specific to internal counterparty risk models, is not included in this document.

### 5.2.3 Quantitative aspects

The following tables display counterparty risk EAD and RWA, under the standardised approach for different degrees of risk weighting according to the agency rating mapping dictated by the EBA.

#### Table 5.51. Standard Method - Exposures to counterparty risk by protfolio

| *Amounts in millions of euros* | EAD | RWA | RWA density |
|---|---|---|---|
| Central governments or central banks | 66 | - | 0% |
| Regional governments or local authorities | 232 | 0 | 0.01% |
| Public sector entities | 137 | 68 | 49.85% |
| Multilateral development banks | - | - | 0% |
| International organisations | - | - | 0% |
| Institutions | 2,473 | 476 | 19.25% |
| Corporates | 1,877 | 1,615 | 86.06% |
| Retail | 4 | 3 | 65.35% |
| Institutions and corporates with a short-term credit assessment | - | - | 0% |
| Other exposures | 81 | 122 | 150% |
| **Total standardised approach** | **4,870** | **2,284** | **46.90%** |

#### Table 5.51 PY. Standard Method - Exposures to counterparty risk by protfolio

2020

| *Amounts in millions of euros* | EAD | RWA | RWA density |
|---|---|---|---|
| Central governments or central banks | 41 | - | 0% |
| Regional governments or local authorities | 114 | 0 | 0.03% |
| Public sector entities | 80 | 40 | 49.93% |
| Multilateral development banks | - | - | 0% |
| International organisations | - | - | 0% |
| Institutions | 2,428 | 504 | 20.74% |
| Corporates | 1,423 | 1,114 | 78.25% |
| Retail | 1 | 1 | 57.80% |
| Institutions and corporates with a short-term credit assessment | - | - | 0% |
| Other exposures | 11 | 15 | 136.43% |
| **Total standardised approach** | **4,098** | **1,673** | **40.83%** |

## Tabla 5.52. EU CCR3 - Standardised approach – CCR exposures by regulatory exposure class and risk weights

*Amounts in millions of euros*

| | Risk weight | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Exposure classes** | **0%** | **2%** | **4%** | **10%** | **20%** | **50%** | **70%** | **75%** | **100%** | **150%** | **Other** | **Total** |
| Central governments or central banks | 66 | - | - | - | - | - | - | - | - | - | - | 66 |
| Regional government or local authorities | 231 | - | - | - | 0 | - | - | - | - | - | - | 232 |
| Public sector entities | 0 | - | - | - | - | 136 | - | - | - | - | - | 137 |
| Multilateral development banks | - | - | - | - | - | - | - | - | - | - | - | - |
| International organisations | - | - | - | - | - | - | - | - | - | - | - | - |
| Institutions | - | 99 | 94 | - | 2,233 | 47 | - | - | 0 | - | - | 2,473 |
| Corporates | 118 | - | 5 | - | - | - | - | - | 1,754 | - | - | 1,877 |
| Retail | - | - | - | - | - | - | - | 4 | - | - | - | 4 |
| Institutions and corporates with a short-term credit assessment | - | - | - | - | - | - | - | - | - | - | - | - |
| **Other items** | - | - | - | - | - | - | - | - | - | 81 | - | 81 |
| **Total** | **416** | **99** | **100** | **-** | **2,233** | **183** | **-** | **4** | **1,755** | **81** | **-** | **4,870** |

*Only counterparty risk is included.*

The following tables show detailed information by portfolio on counterparty risk exposures subject to the calculation of RWA under the IRB approach.

## Table 5.53. IRB: counterparty risk exposure by portfolio

| *Amounts in millions of euros* | Exposure value | Exposure weighted average PD (%) | Number of obligors | Exposure weighted average LGD (%) | Exposure weighted average maturity (years) | RWEA | Density of risk weighted exposure amount | Expected Loss | Value adjustments and provisions |
|---|---|---|---|---|---|---|---|---|---|
| Central governments and central banks (F-IRB) | 0 | 0.00% | 0 | 0.00% | 0 | 0 | 0.00% | 0 | 0 |
| Central governments and central banks (A-IRB) | 0 | 0.00% | 0 | 0.00% | 0 | 0 | 0.00% | 0 | 0 |
| Institutions (F-IRB) | 0 | 0.00% | 0 | 0.00% | 0 | 0 | 0.00% | 0 | 0 |
| Institutions (A-IRB) | 0 | 0.00% | 0 | 0.00% | 0 | 0 | 0.00% | 0 | 0 |
| Corporates (F-IRB) | 0 | 0.00% | 0 | 0.00% | 0 | 0 | 0.00% | 0 | 0 |
| Corporates (A-IRB) | 860 | 2.80% | 1,922 | 41.90% | 3 | 626 | 72.70% | 10 | 0 |
| Retail (A-IRB) | 27 | 4.40% | 1,491 | 47.30% | 2 | 6 | 23.14% | 1 | 0 |
| **Total** | **888** | **2.80%** | **3,413** | **42.10%** | **3** | **632** | **71.17%** | **11** | **0** |

*Only counterparty risk is included.*

## Table 5.53 PY. IRB: counterparty risk exposure by portfolio

2020

| *Amounts in millions of euros* | Exposure value | Exposure weighted average PD (%) | Number of obligors | Exposure weighted average LGD (%) | Exposure weighted average maturity (years) | RWEA | Density of risk weighted exposure amount | Expected Loss | Value adjustments and provisions |
|---|---|---|---|---|---|---|---|---|---|
| Central governments and central banks (F-IRB) | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % | 0 | 0 |
| Central governments and central banks (A-IRB) | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % | 0 | 0 |
| Institutions (F-IRB) | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % | 0 | 0 |
| Institutions (A-IRB) | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % | 0 | 0 |
| Corporates (F-IRB) | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % | 0 | 0 |
| Corporates (A-IRB) | 713 | 1.78 % | 1,791 | 34.39 % | 3 | 409 | 57.33 % | 4 | 0 |
| Retail (A-IRB) | 36 | 2.64 % | 1,822 | 48.98 % | 2 | 10 | 28.79 % | 0 | 0 |
| **Total** | **749** | **1.82 %** | **3,613** | **35.08 %** | **3** | **419** | **55.97 %** | **4** | **0** |

*Only counterparty risk is included.*

## Table 5.54. EU CCR4 – IRB approach – CCR exposures by exposure class and PD scale

| *Amounts in millions of euros* | PD scale | Exposure value | Exposure weighted average PD (%) | Number of obligors | Exposure weighted average LGD (%) | Exposure weighted average maturity (years) | RWEA | Density of risk weighted exposure amount |
|---|---|---|---|---|---|---|---|---|
| **Central governments and central banks (F-IRB)** | | | | | | | | |
| | 0.00 to <0.15 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 0.15 to <0.25 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 0.25 to <0.50 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 0.50 to <0.75 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 0.75 to <2.50 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 2.50 to <10.00 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 10.00 to <100.00 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 100.00 (Default) | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | **Sub-total** | **0** | **0.00 %** | **0** | **0.00 %** | **0** | **0** | **0.00 %** |
| **CCentral governments and central banks (A-IRB)** | | | | | | | | |
| | 0.00 to <0.15 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 0.15 to <0.25 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 0.25 to <0.50 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 0.50 to <0.75 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 0.75 to <2.50 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 2.50 to <10.00 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 10.00 to <100.00 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 100.00 (Default) | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | **Sub-total** | **0** | **0.00 %** | **0** | **0.00 %** | **0** | **0** | **0.00 %** |

| *Amounts in millions of euros* | PD scale | Exposure value | Exposures weighted average PD (%) | Number of obligors | Exposure weighted average LGD (%) | Exposure weighted average maturity (years) | RWEA | Density of risk weighted exposure amount |
|---|---|---|---|---|---|---|---|---|
| **Institutions (F-IRB)** | | | | | | | | |
| | 0.00 to <0.15 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 0.15 to <0.25 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 0.25 to <0.50 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 0.50 to <0.75 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 0.75 to <2.50 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 2.50 to <10.00 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 10.00 to <100.00 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 100.00 (Default) | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | **Sub-total** | **0** | **0.00 %** | **0** | **0.00 %** | **0** | **0** | **0.00 %** |
| **Institutions (A-IRB)** | | | | | | | | |
| | 0.00 to <0.15 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 0.15 to <0.25 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 0.25 to <0.50 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 0.50 to <0.75 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 0.75 to <2.50 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 2.50 to <10.00 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 10.00 to <100.00 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 100.00 (Default) | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | **Sub-total** | **0** | **0.00 %** | **0** | **0.00 %** | **0** | **0** | **0.00 %** |

| *Amounts in millions of euros* | PD scale | Exposure value | Exposures weighted average PD (%) | Number of obligors | Exposure weighted average LGD (%) | Exposure weighted average maturity (years) | RWEA | Density of risk weighted exposure amount |
|---|---|---|---|---|---|---|---|---|
| **Corporates (F-IRB)** | | | | | | | | |
| | 0.00 to <0.15 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 0.15 to <0.25 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 0.25 to <0.50 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 0.50 to <0.75 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 0.75 to <2.50 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 2.50 to <10.00 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 10.00 to <100.00 | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | 100.00 (Default) | 0 | 0.00 % | 0 | 0.00 % | 0 | 0 | 0.00 % |
| | **Sub-total** | **0** | **0.00 %** | **0** | **0.00 %** | **0** | **0** | **0.00 %** |
| **Corporates (A-IRB)** | | | | | | | | |
| | 0.00 to <0.15 | 26 | 0.14 % | 233 | 35.68 % | 2 | 6 | 23.90 % |
| | 0.15 to <0.25 | 201 | 0.18 % | 94 | 44.77 % | 2 | 83 | 41.39 % |
| | 0.25 to <0.50 | 275 | 0.32 % | 438 | 43.36 % | 3 | 182 | 66.06 % |
| | 0.50 to <0.75 | 80 | 0.65 % | 340 | 39.37 % | 3 | 53 | 65.33 % |
| | 0.75 to <2.50 | 184 | 1.48 % | 502 | 38.84 % | 4 | 170 | 92.43 % |
| | 2.50 to <10.00 | 49 | 4.39 % | 146 | 40.99 % | 3 | 64 | 130.16 % |
| | 10.00 to <100.00 | 35 | 20.33 % | 96 | 40.37 % | 3 | 67 | 192.30 % |
| | 100.00 (Default) | 10 | 100.00 % | 73 | 45.33 % | 2 | 1 | 13.50 % |
| | **Sub-total** | **860** | **2.80 %** | **1,922** | **41.90 %** | **3** | **626** | **72.70 %** |

| Amounts in millions of euros | PD scale | Exposure value | Exposures weighted average PD (%) | Number of obligors | Exposure weighted average LGD (%) | Exposure weighted average maturity (years) | RWEA | Density of risk weighted exposure amount |
|---|---|---|---|---|---|---|---|---|
| **Retail (A-IRB)** | | | | | | | | |
| | 0.00 to <0.15 | 9 | 0.11% | 293 | 49.64% | 1 | 1 | 10.42% |
| | 0.15 to <0.25 | 3 | 0.15% | 152 | 49.15% | 2 | 0 | 13.43% |
| | 0.25 to <0.50 | 5 | 0.30% | 322 | 46.17% | 2 | 1 | 20.16% |
| | 0.50 to <0.75 | 2 | 0.60% | 123 | 50.01% | 3 | 1 | 32.79% |
| | 0.75 to <2.50 | 6 | 1.36% | 444 | 42.92% | 3 | 2 | 39.01% |
| | 2.50 to <10.00 | 2 | 4.68% | 100 | 48.72% | 4 | 1 | 57.82% |
| | 10.00 to <100.00 | 0 | 23.35% | 14 | 50.35% | 4 | 0 | 87.14% |
| | 100.00 (Default) | 1 | 100.05% | 43 | 44.83% | 4 | 0 | 11.82% |
| | **Sub-total** | **27** | **4.40%** | **1,491** | **47.30%** | **2** | **6** | **23.14%** |
| **Total** | | **888** | **2.80%** | **3,413** | **42.10%** | **3** | **632** | **71.17%** |

The following table shows the effect of netting agreements and guarantees on counterparty risk exposure in derivative contracts at 31 December 2021.

## Table 5.55. EU CCR5 - Composition of collateral for exposures to CCR

*Amounts in millions of euros*

| | Collateral used in derivative transactions | | | | Collateral used in SFTs | | | |
|---|---|---|---|---|---|---|---|---|
| | Fair value of collateral received | | Fair value of posted collateral | | Fair value of collateral received | | Fair value of posted collateral | |
| **Collateral type** | Segregated | Unsegregated | Segregated | Unsegregated | Segregated | Unsegregated | Segregated | Unsegregated |
| Cash – domestic currency | - | 2,506 | - | 6,719 | - | 32 | - | 260 |
| Cash – other currencies | - | 23 | - | 196 | - | - | - | 2 |
| Domestic sovereign debt | 0 | 8,404 | 516 | 16 | 3 | 16,880 | 1,734 | 18,318 |
| Other sovereign debt | 47 | - | 364 | - | 42 | 1,162 | 567 | 627 |
| Government agency debt | - | - | - | - | - | - | - | - |
| Corporate bonds | 0 | - | 29 | - | - | 2,306 | 1 | 6,788 |
| Equity securities | - | 58 | - | - | - | - | - | - |
| Other collateral | - | - | - | - | - | - | 3,140 | - |
| **Total** | **47** | **10,990** | **908** | **6,931** | **44** | **20,380** | **5,441** | **25,995** |

The following table shows CaixaBank Group's exposure with Central Counterparties (CCPs), detailing the types of exposure and the corresponding minimum capital requirements.

## Table 5.56. EU CCR8 – Exposures to CCPs

| *Amounts in millions of euros* | **Exposure value** | **RWEA** |
|---|---|---|
| **Exposures to QCCPs (total)** | | **50** |
| Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which | 223 | 11 |
| (i) OTC derivatives | 190 | 9 |
| (ii) Exchange-traded derivatives | 8 | 2 |
| (iii) SFTs | 25 | 0 |
| (iv) Netting sets where cross-product netting has been approved | - | - |
| Segregated initial margin | - | |
| Non-segregated initial margin | 16 | 3 |
| Prefunded default fund contributions | 206 | 36 |
| Unfunded default fund contributions | - | - |
| **Exposures to non-QCCPs (total)** | - | - |
| **Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which** | - | - |
| (i) OTC derivatives | - | - |
| (ii) Exchange-traded derivatives | - | - |
| (iii) SFTs | - | - |
| (iv) Netting sets where cross-product netting has been approved | - | - |
| Segregated initial margin | - | |
| Non-segregated initial margin | - | - |
| Prefunded default fund contributions | - | - |
| Unfunded default fund contributions | - | - |

The regulatory EAD of exposure to Central Counterparties (CCPs) is calculated in accordance with section 9 (Own funds requirements for exposure to a central counterparty) of chapter 6 (Counterparty credit risk) of part three of the CRR.

Pursuant to article 306 "Own funds requirements for trade exposures" of the CRR, assets furnished as guarantees to a CCP, and that are immune to bankruptcy in the event that the CCP is declared insolvent, represent zero EAD. Therefore, EAD on the segregated initial margin category is null.

The entry into force of the initial margin obligation in accordance with Regulation (EU) 2016/2251 took effect on 1 September 2021. CaixaBank has adopted the internal model approach and has accordingly implemented the Standard Initial Margin Model (ISDA SIMM). On 24 November 2021, the CNMV approved the exemption of Caixabank, S.A. from its collateral exchange obligations in relation to its contracts with Banco BPI S.A. Given that BPI contracts all its OTC derivatives with CaixaBank, it was not necessary for CaixaBank to develop any calculation model.

The ISDA SIMM is a parametric Value at Risk (VaR) model based on delta and vega sensitivities (also known as the "Greeks") and calibrated to market data in historical stress periods. The model is consistent with Regulation (EU) 2016/2251 to calculate the initial margin with a degree of confidence of 99% and 10-day Margin Period of Risk (MPOR).

For each of the risk classes (interest rate, exchange rate, non-qualified credit, qualified credit and commodities), there are three components corresponding to two Greeks (delta and vega) for the margin of each risk class: X= DeltaMarginX + VegaMarginX + CurvatureMarginX, where the curvature is obtained from vega.

Essentially, given a portfolio of derivatives under a collateral security agreement (CSA), each deal relates to a product class (interest and exchange rates, equity, commodities). For a product class and each risk class, Greeks for each of the three components in the above equation (DeltaMargin, VegaMargin and CurvatureMargin) are summed in accordance with the weighting and combining functions described in the SIMM model and then summed together at the end.

The following table details the amount of RWA for credit valuation adjustment (CVA) risk. As previously mentioned, CaixaBank calculates this amount for all OTC derivatives subject to this requirement under the standardised approach.

## Table 5.57. EU CCR2 – Transactions subject to own funds requirements for CVA risk

| *Amounts in millions of euros* | Exposure value | RWEA |
|---|---|---|
| **1** Total transactions subject to the Advanced method | - | - |
| **2** i) VaR component (including the 3× multiplier) | | - |
| **3** ii) stressed VaR component (including the 3× multiplier) | | - |
| **4** Transactions subject to the Standardised method | 1,083 | 710 |
| **EU-4** Transactions subject to the Alternative approach (Based on the Original Exposure Method) | - | - |
| **5** Total transactions subject to own funds requirements for CVA risk | 1,083 | 710 |

The following table shows the outstanding exposure to credit derivatives at year-end 2021, all of which are in the trading book.

## Table 5.58. EU CCR6 - Credit derivatives exposures

| *Amounts in millions of euros* | Protection bought | Protection sold |
|---|---|---|
| **Notionals** | | |
| Single-name credit default swaps (CDS) | 0 | 0 |
| Index credit default swaps | 572 | 0 |
| Total return swaps | 0 | 0 |
| Credit options | 0 | 0 |
| Other credit derivatives | 0 | 0 |
| **Total notionals** | **572** | **0** |
| **Fair values** | | |
| Positive fair value (asset) | 0.00 | 0 |
| Negative fair value (liability) | (47) | 0 |

Exposure to credit derivatives includes the hedging derivatives bought in 2021 to hedge credit risk for CVA.

As of 31 December 2021, CaixaBank Group had not contracted any internal hedging for credit risk in the banking book through the purchase of protection involving credit derivatives, and it was also not involved in any intermediation activity for credit derivatives.

## 5.3. Securitisations

RWA securitisation risk
**€423 M**

Securitisation risk EAD (before deductions)
**€1,764 M**

EAD under internal models
**91.3 %**

> Credit risk in securitisations quantifies the losses of principal and interest of issuances in which CaixaBank Group has an investment, derived from the potential breach of financial obligations by the borrowers of underlying securitised assets.

CaixaBank Group is not an active investor in the securitisations market. It is mainly involved in securitisation operations as the originator entity, in order to obtain liquidity and manage consumer capital, with investments in third-party securitisations being a minor risk.

Securitisation risk represents 0.2 % RWA of total credit risk.

As an originator, CaixaBank transforms pools of homogeneous loans and credits from its portfolio into fixed-income securities through the transfer of such assets to traditional securitisation funds. It generally retains all of these securities.

In addition, in relation to capital management, CaixaBank Group has three synthetic securitisations of its own with a significant transfer of risk, with a total outstanding securitised balance of EUR 1,637 million.

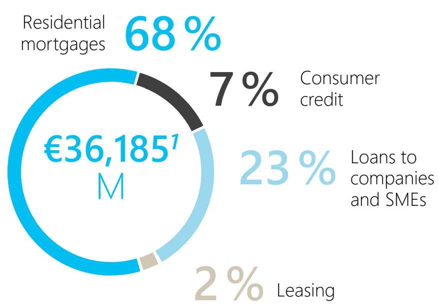
## Annual evolution

During 2021, CaixaBank Group has generated one traditional securitisation, for a total initial securitised balance of EUR 2,301 million.

EAD subject to RWA before deductions, corresponding to positions held in own securitisations with significant transfer of risk and positions in third-party securitisations, decreased by EUR 934 million compared to the previous year (-35 %), and RWA reduced by EUR 277 million (-40 %). This reduction is mainly due to the end of the replenishment period of the Gaudí II and Gaudí III synthetic securitisations, partially offset by the incorporation of securitisation positions originating in Bankia.

**Securitised loan portfolio**

*Distribution by type of exposure, %*




**Securitisation exposure**

*Distribution by existence of significant transfer of risk and origin of the risk, %*


*[1]Total securitised underlying assets*
*[2]Total positions held in securitisations, in the securitisation tranches.*

## 5.3.1. Qualitative aspects.

### Description and general policy

CaixaBank Group treats securitisation transactions as set forth in Regulation (EU) 2021/557 and Regulation (EU) 2021/558.

Regulation (EU) 2021/557 of the European Parliament and of the Council of 31 March 2021 amends Regulation (EU) 2017/2402 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised (STS) securitisation to help the recovery from the COVID-19 crisis.

Regulation (EU) 2021/558 of the European Parliament and of the Council of 31 March 2021 amends Regulation (EU) No 575/2013 as regards adjustments to the securitisation framework to support the economic recovery in response to the COVID-19 crisis.

According to both Regulations, the following definitions are established:

- **Securitisation:** a transaction or scheme through which the credit risk associated with an exposure or pool of exposures is split into different tranches. It features the following two characteristics:
    - Payments are dependent upon the performance of the exposure or pool of exposures.
    - The subordination of tranches determines the distribution of losses during the ongoing life.
- **Securitisation position:** an exposure to a securitisation.
- **Tranche:** contractually established segment of the credit risk associated with an exposure or a pool of exposures. A position in the segment entails a risk of credit loss greater than or less than a position of the same amount in another segment, without taking account of credit protection provided by third parties directly to the holders of positions in the segment or in other segments.
- **First loss or equity tranche:** the most subordinated tranche in a securitisation. It is the first tranche to bear losses incurred on the securitised exposures. Therefore, it provides protection to the second loss and, where relevant, higher ranking tranches.
- **Intermediate risk or mezzanine tranche:** the tranche that is subordinated to the senior tranche and more senior than the first loss tranche. It is subject to a risk weight of less than 1250% and above 25%, according to the weighting obtained by one of the methods for calculating securitisation risk weights in Regulation (EU) 2021/558.
- **Senior tranche:** a position backed or secured by a first priority claim on all underlying exposures, omitting amounts due under interest rate or currency derivative contracts, fees due, or other similar payments, as well as any difference in the maturity as regards one or various senior tranches with which this position enables the allocation of losses on a pro-rata basis.
- **Traditional securitisation:** a securitisation involving the economic transfer of the exposures being securitised. This is accomplished through the transfer of ownership of the securitised exposures from the originator institution to an SSPE (securitisation special purpose entity) or through sub-participation by an SSPE. The securities issued do not represent payment obligations of the originator institution.
- **Synthetic securitisation:** a securitisation where the transfer of risk is achieved by the use of credit derivatives or guarantees, and the exposures being securitised remain exposures of the originator institution.
- **Re-securitisations:** securitisation where at least one of the underlying exposures is a securitisation position.
- **Originator:** an institution that:
    - Itself or through related entities, directly or indirectly, was involved in the original agreement which created the obligations or potential obligations of the debtor or potential debtor giving rise to the exposures being securitised.
    - Purchases a third party's exposures on its own account and then securitises them.
- **Sponsor:** a credit institution, other than an originator, that:
    - Establishes and manages an asset-backed commercial paper programme or other securitisation that purchases exposures from third-party entities.
    - Establishes an asset-backed commercial paper programme or other securitisation that purchases exposures from third-party entities and delegates the day-to-day active portfolio management involved in that securitisation to an entity authorised to perform such activity in accordance with Directive 2009/65/EC, Directive 2011/61/EU or Directive 2014/65/EU.

### The objectives of securitisation

CaixaBank does not have any STS securitisations, so it is not possible to differentiate between STS and non-STS securitisations.

**Asset securitisation facilitates effective balance sheet management, as it fosters:**

- **Acquisition of liquidity:** securitisations mobilise the balance sheet, transforming non-liquid assets into liquid assets through the use of asset-backed securities, including their use as collateral to be discounted by the ECB.
- **Diversification of sources of funding:** another benefit of the securitisation activity is the diversification of the Group's funding sources, both in terms of maturity and product through the sale of asset-backed securities in wholesale markets.
- **Management and diversification of credit risk:** selling securitised bonds to the market can reduce exposure to the credit risk that arises in the normal course of business activity.
- **Optimisation of capital structure:** securitisation transactions that transfer a significant portion of their risk also make it possible to optimise the structure and management of capital.

### The nature of the risks inherent to the securitisation business

Securitisations offer a number of advantages for liquidity and risk management. However, securitisations also entail risks, which are basically assumed by the originator or the investor.

- **Credit risk:** the risk that the borrower will fail to meet their contractual obligations in due time or form, resulting in impairment to the underlying asset backing the originated securitisation positions and a change in the amortisation profile of the asset-backed securities issued. This is the main risk transferred to investors through the instruments issued in the securitisation.
- **Pre-payment risk:** the risk of early repayment, in part or in full, of the underlying assets of the securitisation, earlier than the terms of their respective contracts. This means that the actual amortisation profile of the securitisation positions is different from that initially envisaged.
- **Basis risk:** risk of the interest rates or maturities of securitised assets not matching those of the securitisation positions. This risk is usually covered through interest rate swaps.
- **Liquidity risk:** there are a number of ways of understanding this risk:

**From the originator's perspective:** this is reduced by the securitisation process, which transforms assets that are intrinsically illiquid into debt securities that can be traded in organised financial markets.

**From the investor's perspective:** there is no guarantee that there will be sufficient trading volumes or frequency for the bonds in the market to enable it to unwind its position at a particular time.

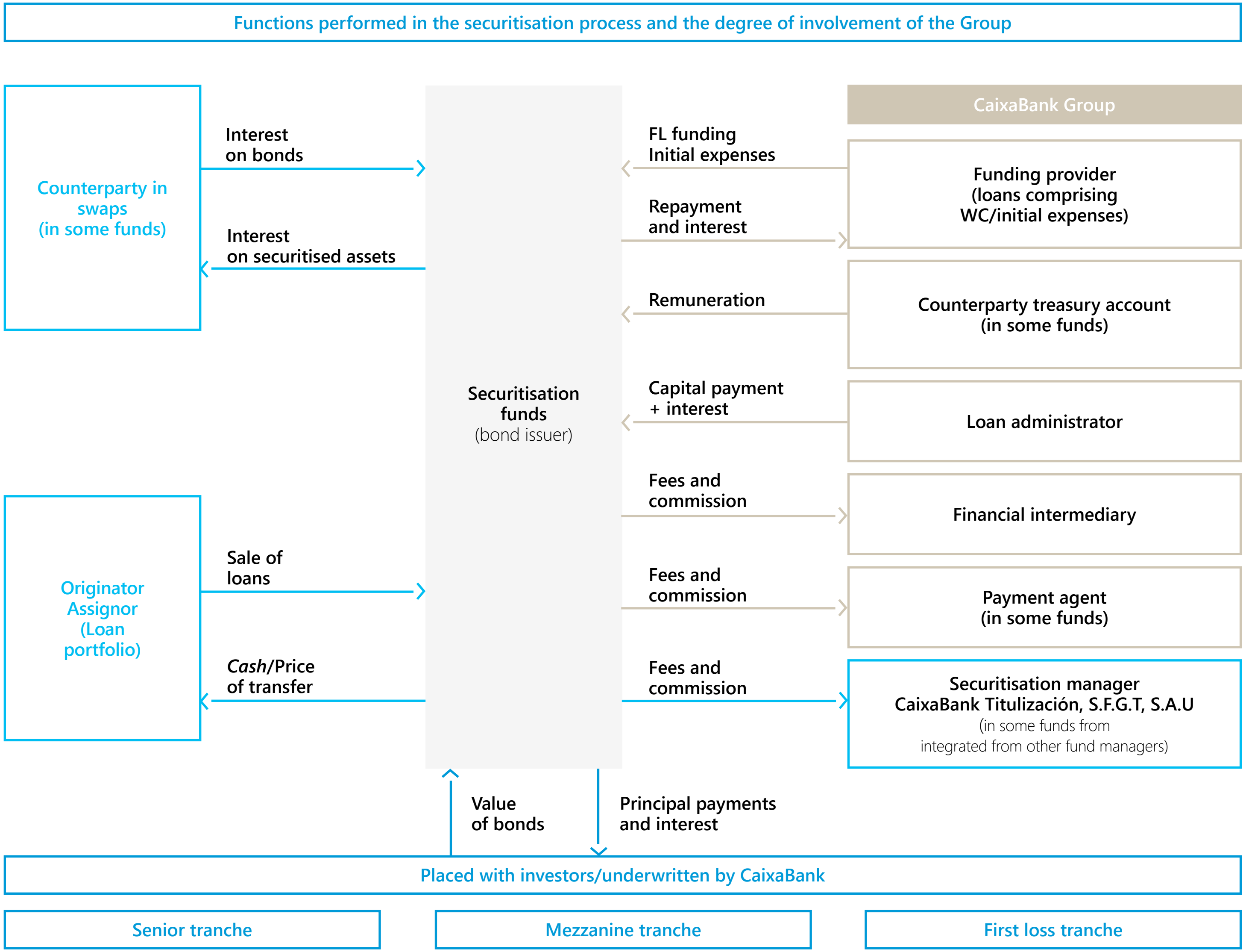
### Risk in the ranking of securitisation positions

Securitisation bonds are issued with a defined payment ranking for the underlying securitisation positions. The funds in which CaixaBank Group is involved are usually structured into a number of tranches, each of which has their own credit rating.

The first set of tranches are called "senior" tranches. This comprises the bonds of the highest credit quality and, therefore, with the highest credit rating. These are followed by mezzanine tranches, which are subordinate to the senior tranches. At the base of the structure we find the tranches of the lowest credit quality, which are known as equity, or first loss, tranches: in some cases, these are subordinated loans that CaixaBank Group has granted to the fund, while in others they are a series of bonds. The first loss tranches meet the first percentage of losses on the securitised portfolio.

## Functions performed by CaixaBank Group in the securitisation process

The main functions performed by the Group in the securitisations carried out are as follows:




**Originator:** CaixaBank Group participates in various securitisation funds to which, either individually or, occasionally, jointly with other entities, it assigns some of its residential mortgage loans, loans to small and medium-sized enterprises (SMEs), loans to large corporates, credit rights from leasing contracts and consumer finance for individuals.

**Administrator of securitised portfolios:** CaixaBank Group acts as the administrator of the securitised assets, managing collections of repayments and interest, carrying out monitoring and undertaking recovery actions for impaired assets.

**Funding provider:** CaixaBank also acts as the supplier of finance for securitisation funds in relation to subordinated loans for the purposes of establishing reserve funds, as well as supplying loans to finance the initial costs these vehicles incur.

**Provider of treasury account:** CaixaBank operates the treasury account for some securitisation funds.

**Payment agent:** CaixaBank acts as the payment agent for some securitisation funds. In the majority of the BPI securitisation funds, the payment agent is a third party.

**Underwriter for bond issues:** CaixaBank Group acts as the underwriter for some securitisation funds.

Primarily, the role of underwriter or investor corresponds to those transactions originated to create collateral that are retained. To a lesser extent, in transactions that have been placed on the market, the institution sometimes underwrites the more subordinated tranches of the fund.

**Counterparty in swaps:** CaixaBank Group acts as a counterparty in financial swaps set up in securitisation funds to reduce the interest rate risk in such structures.

**Securitisation fund management:** the company Sociedad CaixaBank Titulización S.G.F.T., S.A.U., a CaixaBank Group company, acts as CaixaBank's securitisation fund manager. For securitisations originated by BPI and outstanding at year-end 2021, the manager is "Equitis Gestion SAS".

CaixaBank Group also acts as an investor of securitisation transactions that have been originated by other institutions.

There are many areas involved in the securitisation process, most notably the Finance Department and the Corporate Risk Management Function and Planning Department. The structure of lines of defence established for each risk managed in the securitisation is maintained.

The following table enables the degree of involvement in each function to be quantified, as it shows the securitisation exposures in which CaixaBank Group acts as originator or investor.

## Table 5.59. Securitisation exposures by type of intervention of the Group

*Amounts in millions of euros*

| | 2021 | 2020 |
|---|---|---|
| Securitisation positions where the Group acts as originator | 35,230 | 36,122 |
| Securitisation positions where the Group acts as investor | 142 | 104 |

*The table above shows all securitisation exposures, including own securitisations, with and without risk transfer, and third-party securitisations. The reported exposure incorporates the application of impairment losses. In addition, consistent with the indications of the EBA mapping document for SEC1, in the case of securitisations without risk transfer and with retention type A and D (COREP C14.00 - column 61=N and column 80=A/D), the retained position is estimated as securitised exposures multiplied by the retention percentage.*

### Functions performed by CaixaBank Group in synthetic securitisations.

The main differential functions performed in the field of synthetic securitisation have been as follows:

- **Protection purchaser:** CaixaBank Group acts as a purchaser of protection against the credit risk passed on to investors.
- **Monitoring agent and credit event controller:** CaixaBank acts as the holder of the securitised assets, managing collections of repayments and interest, and monitoring and undertaking recovery actions for assets in a credit event.
- **Calculation agent:** function carried out by the Group company, Sociedad CaixaBank Titulización S.G.F.T., S.A.U.

### Other considerations

As already mentioned, CaixaBank Group's main activity with regard to securitisations is as an originator/assignor.

In traditional securitisation funds, the Group transforms homogenous parts of its loan and credit portfolio into fixed income securities by transferring assets to traditional securitisation funds. It generally retains all such instruments.

However, exceptionally, there are some merger issues in which not all of the assets issued by the fund are retained. In addition, in order to improve the credit quality of the fund, in some cases the institution also takes positions in subordinated loans, liquidity facilities or derivatives with these funds.

The securitisation funds originated by CaixaBank Group are listed below:

| | |
|---|---|
| CaixaBank RMBS 1, Fondo de Titulización | Madrid RMBS II Fondo de Titulización de Activos |
| CaixaBank RMBS 2, Fondo de Titulización | Madrid RMBS III Fondo de Titulización de Activos |
| CaixaBank RMBS 3, Fondo de Titulización | Madrid RMBS IV Fondo de Titulización de Activos |
| CaixaBank Consumo 2, Fondo de Titulización | AyT Caja Granada Hipotecario I Fondo de Titulización de Activos |
| CaixaBank Consumo 3, Fondo de Titulización | AyT Caja Murcia Hipotecario II Fondo de Titulización de Activos |
| CaixaBank Consumo 4, Fondo de Titulización | Caixa Penedés 1 Fondo de Titulización de Activos |
| CaixaBank Consumo 5, Fondo de Titulización | Caixa Penedés 2 Fondo de Titulización de Activos |
| CaixaBank PYMES 8, Fondo de Titulización | Caixa Penedés FTGENCAT 1 TDA, Fondo de Titulización de Activos |
| CaixaBank PYMES 9, Fondo de Titulización | Caixa Penedés PYMES 1 TDA, Fondo de Titulización de Activos |
| CaixaBank PYMES 10, Fondo de Titulización | AyT Hipotecario Mixto III Fondo de Titulización de Activos |
| CaixaBank PYMES 11, Fondo de Titulización | AyT Hipotecario Mixto IV Fondo de Titulización de Activos |
| CaixaBank PYMES 12, Fondo de Titulización | AyT Hipotecario Mixto V Fondo de Titulización de Activos |
| CaixaBank Leasings 3, Fondo de Titulización | TDA 22 Fondo de Titulización de Activos - Class I |
| CaixaBank Corporates 1, Fondo de Titulización | TDA 22 Fondo de Titulización de Activos - Class II |
| Foncaixa FTGENCAT 5 Fondo de Titulización de Activos | TDA 24 Fondo de Titulización de Activos |
| Foncaixa FTGENCAT 6 Fondo de Titulización de Activos | TDA 25 Fondo de Titulización de Activos |
| Gaudi Synthetic 2015-I, D.A.C. | TDA 27 Fondo de Titulización de Activos |
| Gaudi Synthetic II | TDA 28 Fondo de Titulización de Activos |
| Gaudi Synthetic III | Ayt Génova Hipotecario IV Fondo de Titulización de Activos |
| Valencia Hipotecario 2 Fondo de Titulización | Ayt Génova Hipotecario VI Fondo de Titulización de Activos |
| Valencia Hipotecario 3 Fondo de Titulización | Ayt Génova Hipotecario VII Fondo de Titulización de Activos |
| Bancaja 10 Fondo de Titulización de Activos | Ayt Génova Hipotecario VIII Fondo de Titulización de Activos |
| Bancaja 11 Fondo de Titulización de Activos | Ayt Génova Hipotecario IX Fondo de Titulización de Activos |
| Bancaja 13 Fondo de Titulización de Activos | Ayt Génova Hipotecario X Fondo de Titulización de Activos |
| Bancaja 8 Fondo de Titulización de Activos | Ayt Génova Hipotecario XI Fondo de Titulización de Activos |
| Bancaja 9 Fondo de Titulización de Activos | Ayt Génova Hipotecario XII Fondo de Titulización de Activos |
| MBS Bancaja 3 Fondo de Titulización de Activos | Ayt Goya Hipotecario III Fondo de Titulización de Activos |
| MBS Bancaja 4 Fondo de Titulización de Activos | Ayt Goya Hipotecario IV Fondo de Titulización de Activos |
| Madrid Residencial I Fondo de Titulización de Activos | Ayt Goya Hipotecario V Fondo de Titulización de Activos |
| Madrid Residencial II Fondo de Titulización de Activos | FCT Vasco |
| Madrid RMBS I Fondo de Titulización de Activos | |

CaixaBank also has traditional securitisation positions in which CaixaBank Group has not acted as originator (third-party securitisations).

In terms of monitoring credit risk in securitisations, while the positions remain in the portfolio, they are marked-to-market daily and creditworthiness is reviewed regularly.

In securitisations in which there is no regulatory risk transfer, which represent the majority of CaixaBank's securitisation exposures, the processes applied to monitor changes in the credit risk of the exposures are the same as those corresponding to the underlying assets (depending on the proportion retained). In securitisations where a significant part of the risk is transferred, this variation is measured and reviewed regularly, through the relevant external credit rating.

For synthetic securitisations, the securitised assets are subject to specific monitoring on a monthly basis, together with monitoring of changes in risk weightings for calculating RWA.

All CaixaBank's securitisation positions belong to non-trading book. There are no securitisation positions in the trading book. Therefore, all securitisation positions are excluded from the capital requirements for market risk.

At CaixaBank, the governance of future issues with regulatory risk transfer (both synthetic and traditional) is set out in the Internal Framework for Significant Risk Transfer, approved by the Global Risk Committee.

CaixaBank Group:

- Does not act as the sponsor in any securitisation schemes or as the originator in any re-securitisations.
- Does not use personal guarantees or specific hedging to offset the risks of exposure to retained securitisations.
- Does not provide implicit support in its own securitisations that involve a significant transfer of risk at a regulatory level.

The traditional securitisation funds that are originated are assessed by the following external ratings agencies, irrespective of the underlying assets securitised: Standard & Poor's, DBRS, Moody's, Fitch and SCOPE. No external rating has been requested for the synthetic securitisation issued to date.

CaixaBank Group had no assets pending securitisation at 31 December 2021.

## Securitisation activity in 2021

CaixaBank originated one traditional securitisation fund in 2021. These are managed by CaixaBank Titulización S.G.F.T., S.A.U., and all of the securities issued have been retained. The details were as follows:

- **CAIXABANK CORPORATES 1, F.T. (September 2021):** A traditional securitisation of large corporates loans, with an initial securitised value of EUR 2,301 million.

## Risk management. Accounting policies

**Criteria for derecognising securitised assets or retaining securitised assets on the balance sheet**

All or part of a financial asset is derecognised when the contractual rights to the cash flows expire or when the entity transfers the asset to a third party outside the entity.

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

- If, substantially, all the risks and rewards of ownership of the transferred asset are transferred, it is derecognised, and any rights or obligations retained or arising as a result of the transfer are simultaneously recognised. For example, among others: unconditional sales, a sale with an option to repurchase the financial asset at its fair value at the time of repurchase, a sale of a financial asset together with a put or call option that is deep out of the money, or asset securitisations in which the transferor does not retain any subordinated loans and does not provide any type of credit enhancement to the new owners.

- If, substantially, the risks and rewards of ownership of the transferred asset are retained, it is not derecognised, and the same criteria used before the transfer continue to apply and the following are recognised:
  - A financial liability equal to the consideration received, which is subsequently measured at amortised cost, unless it meets the requirements to be classified under other liabilities at fair value through profit or loss.
  - The income generated on the transferred (but not derecognised) financial asset and the expenses of the new financial liability, without offset.

This would be the case, for example, for sales of financial assets with a repurchase agreement for a fixed price or the sale price plus a lender's usual return, securities lending contracts under which the borrower has an obligation to repay the securities or similar.

- If, substantially, the risks and rewards of ownership of the transferred asset are neither transferred nor retained, a distinction is made on the basis of the transferor's control over the financial asset:
  - If it does not retain control, then it is derecognised and any right or obligation retained or arising from the transfer is recognised.
  - If it does retain control, it continues to recognise the asset for an amount equal to its exposure to changes in value of the asset, recognising a liability associated with the financial asset transferred. The net amount of the transferred asset and the associated liability shall be the amortised cost of the rights and obligations retained, if the asset is measured at amortised cost, or at fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

This would include, among others, sales of financial assets with a put or call option that is neither deep in the money nor deep out of the money, securitisations in which the transferor assumes a subordinated loan or other types of credit enhancements for a portion of the transferred asset.

**According to the terms of the transfer agreements in place, virtually the entire portfolio of loans and receivables securitised by the Group does not need to be written off the balance sheet.**

To determine whether there is control over a structured entity and, therefore whether it should be consolidated, the Group analyses the contractual rights other than voting rights. For this, it considers the purpose and design of each entity and, inter alia, evidence of the ability to direct the relevant activities, potential indications of special relationships or the ability to affect the returns from its involvement. With regard to securitisation funds, the Group is highly exposed to variable returns and has decision-making power over the entity, either directly or through an agent, so they are consolidated.

### Criteria for the recognition of gains or losses in cases where assets are derecognised from the balance sheet

In order for the Group to recognise the gain or loss generated in a sale of financial instruments, it must derecognise them from its accounts. To do this, the requirements regarding substantial transfer of risks and rewards described in the previous point must be met.

The gain or loss should be recognised in the income statement and will be calculated as the difference between the net book value and the total consideration received, including any new asset obtained minus any liabilities that are assumed.

When the amount of the financial asset being transferred matches the total amount of the original financial asset, any new financial assets, financial liabilities and liabilities from the provision of services that arise as a result of the transfer will be recognised at fair value.

In the case of the issuances of securitisations that CaixaBank Group carries out, it retains the underlying assets on its balance sheet. Therefore, at present, when a securitisation is generated in CaixaBank Group, no gain or loss is produced in the accounting records.

### Assumptions for assessing the retention of risks and rewards on securitised assets

The Group considers that the risks and rewards of securitisations are substantially retained when the subordinated bonds of issuances are kept or subordinated loans are granted to the securitisation funds in question which involve substantially retaining the expected credit losses of the loans that are transferred.

### Synthetic securitisations

With regard to synthetic securitisations, the transfer of credit risk takes the form of a financial guarantee and it is not considered a substantial transfer of risks and rewards. Therefore, the underlying exposure is retained on the balance sheet.

## 5.3.2. Minimum capital requirements for securitisation risk

As mentioned above, CaixaBank Group's minimum capital requirements for securitisation risk are calculated in accordance with Regulation 2021/558 for all securitisations.

This Regulation establishes that for securitisation funds that do not meet the requirements for determining significant risk transfer, the method used to calculate the capital requirements for securitisation transactions will be the same as the method used for the underlying assets if they had not been securitised. For funds that do meet these requirements, they shall be calculated using one of the approaches defined for securitisations (SEC-IRBA, SEC-SA, SEC-ERBA or 1250%).

It should be noted that in the SEC ERBA approach, external credit ratings are required for the calculation of securitisation capital requirements. For this purpose, CaixaBank Group uses the ratings published by the four external rating agencies considered eligible by the regulator (Moody's, S&P, Fitch and DBRS) for any type of securitisation exposure.

CaixaBank Group does not apply the Internal Assessment Approach (IAA) in any cases.

### Exposures in which CaixaBank Group acts as originator

The following table, EU SEC3, shows the securitisation exposure where the transfer of a significant part of the risk is recognised.

At year-end 2021, CaixaBank Group mainly applies the SEC-IRBA (Internal Ratings Based Approach) for both traditional and synthetic securitisations. The table also shows that most of the securitisation exposure subject to capital requirements receive risk weights in the lowest tier (below 20%) or the next tier down (below 50%).

Compared to the previous year, regulatory exposure subject to RWA before deductions of securitisations where CaixaBank acts as originator decreased by EUR 972 million (-37%), mainly due to the end of the replenishment period of the Gaudí II and Gaudí III synthetic securitisations, which were partially offset by the integration of positions from Bankia. Consequently, the RWA of securitisations where CaixaBank acts as originator reduced by EUR -276 million.

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## Taula 5.60. EU-SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor

| | Exposure values (by RW bands/deductions) | | | | | Exposure values (by regulatory approach) | | | | RWEA (by regulatory approach) | | | | Capital charge after cap | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Amounts in millions of euros* | ≤20% RW | >20% to 50% RW | >50% to 100% RW | >100% to <1250% RW | 1250% RW/ deductions | SEC-IRBA | SEC-ERBA (Including IAA) | SEC-SA | 1250% RW/ Deductions | SEC-IRBA | SEC-ERBA (Including IAA) | SEC-SA | 1250% RW/ Deductions | SEC-IRBA | SEC-ERBA (Including IAA) | SEC-SA | 1250% RW/ Deductions |
| **Total exposures** | **755** | **659** | **36** | **172** | **0** | **1,610** | **2** | **10** | **0** | **756** | **3** | **17** | **-** | **27** | **0** | **1** | **-** |
| Traditional securitisation | - | - | 36 | 172 | 0 | 196 | 2 | 10 | 0 | 473 | 3 | 17 | - | 5 | 0 | 1 | - |
| Securitisation | - | - | 36 | 172 | 0 | 196 | 2 | 10 | 0 | 473 | 3 | 17 | - | 5 | 0 | 1 | - |
| Retail underlying | - | - | 36 | 172 | 0 | 196 | 2 | 10 | 0 | 473 | 3 | 17 | - | 5 | 0 | 1 | - |
| Of which STS | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Wholesale | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Of which STS | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Re-securitisation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Synthetic securitisation | 755 | 659 | - | - | - | 1,414 | - | - | - | 282 | - | - | - | 23 | - | - | - |
| Securitisation | 755 | 659 | - | - | - | 1,414 | - | - | - | 282 | - | - | - | 23 | - | - | - |
| Retail underlying | - | 659 | - | - | - | 659 | - | - | - | 169 | - | - | - | 14 | - | - | - |
| Wholesale | 755 | - | - | - | - | 755 | - | - | - | 113 | - | - | - | 9 | - | - | - |
| Re-securitisation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

[1] *Including internal assessment approach*

### Exposures in which CaixaBank Group acts as investor

Table EU SEC4 shows that in securitisation positions in which CaixaBank Group acts as investor, the SEC-ERBA (External Ratings Based Approach) is applied for the most part.

Compared to the previous year, regulatory exposure subject to RWA before deductions of securitisations where CaixaBank acts as investor increased by EUR 38 million, mainly due to the integration of positions originating from Bankia, which was partially offset by a reduction in the Group's investment positions in December 2020.

## Table 5.61 EU SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor

| | Exposure values (by RW bands/deductions) | | | | | Exposure values (by regulatory approach) | | | | RWEA (by regulatory approach) | | | | Capital charge after cap | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Amounts in millions of euros* | ≤20% RW | >20% to 50% RW | >50% to 100% RW | >100% to <1250% RW | 1250% RW/ deductions | SEC-IRBA | SEC-ERBA (Including IAA) | SEC-SA | 1250% RW/Deductions | SEC-IRBA | SEC-ERBA (Including IAA) | SEC-SA | 1250% RW/Deductions | SEC-IRBA | SEC-ERBA (Including IAA) | SEC-SA | 1250% RW/Deductions |
| **Total exposures** | - | 93 | 48 | 1 | 0 | 1 | 142 | - | 0 | 1 | 60 | - | 1 | 0 | 5 | - | 0 |
| **Traditional securitisation** | - | 93 | 48 | 1 | 0 | 1 | 142 | - | 0 | 1 | 60 | - | 1 | 0 | 5 | - | 0 |
| Securitisation | - | 93 | 48 | 1 | 0 | 1 | 142 | - | 0 | 1 | 60 | - | 1 | 0 | 5 | - | 0 |
| Retail underlying | - | 67 | 48 | 1 | 0 | 1 | 115 | - | 0 | 1 | 50 | - | - | 0 | 4 | - | - |
| Of which STS | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Wholesale | - | 26 | - | - | 0 | - | 26 | - | 0 | - | 10 | - | 1 | - | 1 | - | 0 |
| Of which STS | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Re-securitisation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Synthetic securitisation** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Securitisation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Retail underlying | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Wholesale | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Re-securitisation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

[1] *Including internal assessment approach*

## 5.3.3. Quantitative aspects

### Exposures in securitisation transactions and amount of assets securitised

Set out below are the on- and off-balance-sheet positions in securitisations of CaixaBank Group at 31 December 2021, by type of exposure and role in the action, irrespective of whether a significant portion of the risk has been transferred at regulatory level.

### Table 5.62. Securitisation positions by type of exposure

*Amounts in millions of euros*

| | 2021 | | 2020 |
|---|---|---|---|
| Type of exposure | Exposure | % weight | Exposure |
| **1. Securitisation positions where the Group acts as originator** | **35,230** | **99.60 %** | **36,122** |
| **A. On-balance sheet securitisation positions** | **35,104** | **99.24 %** | **36,117** |
| Securitisation bonds - senior tranche | 24,536 | 69.37 % | 29,245 |
| Securitisation bonds - mezzanine tranche | 7,796 | 22.04 % | 5,144 |
| Securitisation bonds - equity tranche | 461 | 1.30 % | 315 |
| Subordinated loans | 2,310 | 6.53 % | 1,412 |
| **B. Off-balance securitisation positions** | **126** | **0.36 %** | **5** |
| Liquidity facilities | 2 | 0.01 % | - |
| Interest rate derivatives | 123 | 0.35 % | 5 |
| **2. Securitisation positions where the Group acts as investor** | **142** | **0.40 %** | **104** |
| **A. On-balance sheet securitisation positions** | **142** | **0.40 %** | **104** |
| Securitisation bonds - senior tranche | 141 | 0.40 % | 104 |
| Securitisation bonds - mezzanine tranche | 0 | 0.00 % | - |
| Securitisation bonds - equity tranche | 0 | 0.00 % | - |
| Subordinated loans | 1 | 0.00 % | 0 |
| **B. Off-balance-sheet securitisation positions** | **0** | **0.00 %** | **-** |
| Liquidity facilities | 0 | 0.00 % | - |
| Interest rate derivatives | 0 | 0.00 % | - |
| **Total value** | **35,372** | **100.00 %** | **36,226** |

CaixaBank's exposure in securitisation tranches has been reduced globally by EUR 854 million, mainly as a result of:

- An increase in exposure of EUR 2,415 million due to the retention of the new traditional securitisation issued in 2021 (CaixaBank Corporates 1).
- Increase of EUR 7,050 million due to the integration of positions originating from Bankia, of which EUR 6,983 million correspond to securitisation positions in which the Group acts as originator.
- A decrease by EUR 1,064 million due to the end of the replenishment period of the synthetic securitisations Gaudí II and Gaudí III.
- A reduction in exposure of EUR 6,430 million due to the periodic write-off of securitisation positions in force during the 2021 financial year.
- Decrease of EUR 37 million for the settlement of the securitisations TDA 14 Mixto and AyT Génova Hipotecario III.
- Reduction of EUR 2,754 million because, in accordance with the indications of the EBA mapping document for table EU SEC1, in the case of own securitisations without transfer of risk and with retention type A and D (COREP C14.00 - column 61=N and column 80=A/D), the retained positions has been reported as securitised exposures multiplied by the retention percentage.

The table EU SEC1 shows further details of CaixaBank Group's positions in securitisation transactions at year-end 2021, broken down by type of exposure, type of securitisation and type of action.

**The variations with respect to the previous year in the EU SEC1 table are explained by the same reasons as mentioned above.**

*The table above shows all securitisation exposures, including own securitisations, with and without risk transfer, and third-party securitisations. The reported exposure incorporates the application of impairment losses. In addition, consistent with the indications of the EBA mapping document for SEC1, in the case of securitisations without risk transfer and with retention type A and D (COREP C14.00 - column 61=N and column 80=A/D), the retained position is estimated as securitised exposures multiplied by the retention percentage.*

## Table 5.63. EU-SEC1 - Securitisation exposures in the non-trading book

| | Institution acts as originator | | | | | | | Institution acts as sponsor | | | | Institution acts as investor | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Traditional | | | | Synthetic | | | Traditional | | | | Traditional | | | |
| *Amounts in millions of euros* | STS | Of which: SRT | Non-STS | Of which: SRT | Synthetic | Of which: SRT | Subtotal | STS | Non-STS | Synthetic | Subtotal | STS | Non-STS | Synthetic | Subtotal |
| **Total exposures** | **-** | **-** | **33,816** | **208** | **1,414** | **1,414** | **35,230** | **-** | **-** | **-** | **-** | **-** | **142** | **-** | **142** |
| Retail (Total) | - | - | 28,760 | 208 | 659 | 659 | 29,419 | - | - | - | - | - | 116 | - | 116 |
| Residential mortgage | - | - | 23,832 | 208 | - | - | 23,832 | - | - | - | - | - | 68 | - | 68 |
| Credit card | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other retail exposures | - | - | 4,929 | - | 659 | 659 | 5,587 | - | - | - | - | - | 48 | - | 48 |
| Re-securitisation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Wholesale (total) | - | - | 5,055 | - | 755 | 755 | 5,810 | - | - | - | - | - | 26 | - | 26 |
| Loans to corporates | - | - | 4,328 | - | 755 | 755 | 5,083 | - | - | - | - | - | - | - | - |
| Commercial mortgage | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Lease and receivables | - | - | 727 | - | - | - | 727 | - | - | - | - | - | 26 | - | 26 |
| Other wholesale | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Re-securitisation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

*The table above shows all securitisation exposures in the banking book, including own securitisations, with and without risk transfer, and third-party securitisations. The reported exposure incorporates impairment losses. In addition, according to the EBA mapping document, in the case of securitisations without risk transfer and with retention type A and D (COREP C14.00 - column 61=N and column 80=A/D), the retained position is estimated as securitised exposures multiplied by the retention percentage.*

As previously mentioned, all of CaixaBank Group's securitisation positions belong to the held-to-maturity portfolio: there are no securitisation positions in the held-for-trading portfolio. Therefore, the table "Securitisation exposures in the trading book" (EU SEC2) is not included in this document.

The outstanding balance of securitised contracts, together with the volume of impaired or non-performing transactions and losses recognised by the Group in the last six months, by type of exposure, are shown below.

## Table 5.64. EU SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments

| | Exposures securitised by the institution - Institution acts as originator or as sponsor | | |
|---|---|---|---|
| *Amounts in millions of euros* | Total outstanding nominal amount | Of which exposures defaulted | Total amount of specific credit risk adjustments made during the period |
| **Total exposures** | **36,185** | **1,588** | **(207)** |
| Retail (total) | 30,286 | 1,442 | (185) |
| Residential mortgage | 24,456 | 988 | (128) |
| Credit card | - | - | - |
| Other retail exposures | 5,830 | 454 | (57) |
| Re-securitisation | - | - | - |
| Wholesale (total) | 5,899 | 146 | (22) |
| Loans to corporates | 5,171 | 129 | (18) |
| Commercial mortgage | - | - | - |
| Lease and receivables | 727 | 17 | (5) |
| Other wholesale | - | - | - |
| Re-securitisation | - | - | - |

As regards traditional securitisations, the Group generally retains the securities issued following its activity as originator. The portfolio of traditional securitisations originated is mostly on residential mortgages.

Finally, at the date of this report, the Group held no securitised positions in revolving structures, understood to be securitisation transactions in which outstanding customer balances are permitted to fluctuate within a previously defined range, in accordance with their availability and repayment decisions.

## 5.4. Equity portfolio

RWA equity portfolio risk
**€22,729 M**

EAD equity portfolio risk
**€7,558 M**

EAD under internal models
**100 %**

The risk associated with equity holdings (or "investees") entails the possible loss or reduction in the Group's solvency through medium- and long-term equity instruments caused by adverse movements in market prices, potential losses in sales or investee insolvency.

This category comprises the minority equity holdings not included in financial assets at fair value through profit or loss, as well as holdings in subsidiaries that are not fully consolidated in the prudential balance sheet due to the nature of their business activity, primarily VidaCaixa, the parent company of CaixaBank's insurance group.

As part of the necessary monitoring and control of the risks associated with the portfolio, there is a corporate risk management policy for equity holdings that establishes the governance mechanisms for the investment and divestment of the Group companies' equity holdings and a structure of warnings and limits.

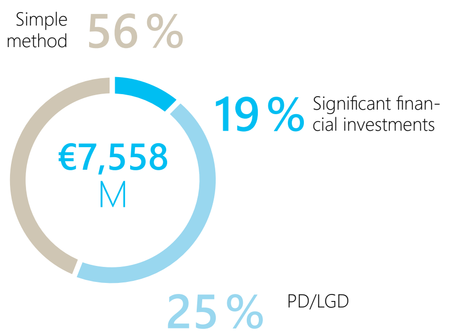
CaixaBank Group, in measuring capital requirements on the equity portfolio, mainly uses the PD/LGD method and the simple method, except for significant positions (i.e., above 10%) in financial institutions not belonging to CaixaBank's financial conglomerate, where a fixed weighting of 250% is applied for the portion not deducted from own funds. For the insurance business companies of the CaixaBank financial conglomerate, mainly VidaCaixa, the simple method is applied under article 49.2 of the CRR.

## Annual evolution

During 2021, equity portfolio RWA increased by €6,000 million, up 36% year-on-year. The main movements are due to the entry of the investee portfolio as a result of the integration of the Bankia portfolio, the sale of the stake in *Erste Bank Group* and regulatory impacts.

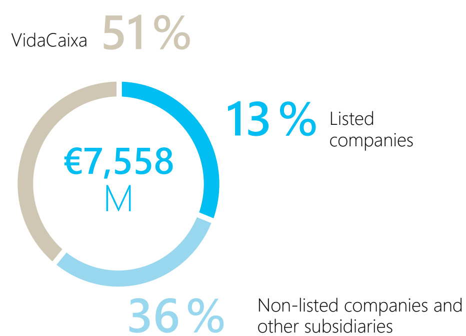
**EAD in equity portfolio**

*Distribution by approach, %*




**EAD in equity portfolio**

*Distribution in terms of listed or unlisted instruments, %*




## 5.4.1. Equity portfolio risk management

### Description and general policy

The risk associated with equity holdings (or "investees"), which by regulation is part of the credit risk for investments that are not classified in the held-for-trading portfolio, but included the Corporate Risk Catalogue as a specific type of credit risk, reflecting the possibility of incurring losses or reduction in the Group's solvency as a result of adverse movements in market prices, possible sales or the insolvency of investments made through equity instruments with a medium and long term horizon.

### Structure and organisation of the risk management function

In the Group, equity holdings are subject to monitoring and specialist analysis. This monitoring and analysis is carried out at a deeper level in the case of permanent shareholdings or those involving a material investment amount and impact on capital.

The Group's organisational structure has various levels of risk management and control:

#### First line of defence

- **Financial control and analysis:** through specialists focusing exclusively on monitoring changes in economic and financial data, as well as understanding and issuing alerts in the event of changes in regulations and competition in the countries and sectors in which the investees operate. These analysts are in the Directorate of Financial Accounting, Control and Capital.

- They are also responsible for liaising with listed investees' investor relations departments and gathering the information – including reports by third parties (e.g. investment banks, rating agencies) – needed to gain an overview of possible risks to the value of the stakes.

- In general, with the most significant shareholdings, both the estimates of and actual data on investees' contributions to income and equity (where applicable) are updated regularly by the analysts. In these processes, the market and analyst outlooks (recommendations, target prices, ratings, etc.) are shared with senior management for regular comparison with the market.

- The conclusions on the profit and loss and the most relevant alerts of changes in the contributions of equity investments are submitted to the Management Committee and shared with CaixaBank's governing bodies, generally each quarter.

- **Accounting recognition:** the Financial Accounting division, also located within the Directorate of Financial Accounting, Control and Capital, ensures that all necessary information meets the relevant quality requirements, is entered into the Group's IT systems by the required deadlines, and that the subsequent external reporting is carried out. This process implements and complies with the regulations on the Internal Control over Financial Reporting (ICFR). In matters of finance, changes in shareholders' equity in companies accounted for using the equity method are also recognised, as are the investee valuations.

#### Second line of defence

Corporate Risk Management Function & Planning is responsible for the second line of defence functions for this risk.

On the one hand, this department monitors the risk of impairment of shareholdings by analysing their impairment tests.

And on the other, Enterprise Risk Management Function & Planning monitors and reports the exposure and regulatory capital consumption associated with the investees, as well as other measurement metrics, such as Value at Risk (VaR).

It also performs functions related to risk quantification and monitoring, such as **(i)** the incorporation, on a daily basis, of the market risk of derivatives and the exchange risk associated with the investee portfolio into the Group's market risk monitoring procedures; and **(ii)** the ongoing monitoring of risks in relation to financial market operations in connection with financial investee companies.

#### Third line of defence

The function of Internal Audit as the third line of defence is included in section 3.4.3 Third line of defence.

### Management of equity exposures at CaixaBank

As part of the necessary monitoring and control of the risks associated with the portfolio, there is a corporate risk management policy for equity holdings that establishes the governance mechanisms for the investment and divestment of the Group companies' equity holdings and, within the RAF, a structure of warnings and limits.

### Measurement and information systems

Within the margins set by the regulations and in accordance with the objective of adopting the most risk-sensitive advanced methods, the criterion for assigning the various risk measurement approaches to the equity investments not included in the trading book is as follows.

Firstly, holdings that may be subject to deductions from own funds under Article 36 of the CRR are identified. The part not deducted from these holdings is assessed on the basis of its accounting classification, strategic nature and internal rating availability.

To do this, taking into account the provisions of Article 143.3 of the CRR, all components of the equity portfolio must receive the same methodological treatment in entities with authorisation to use internal models. In this way, the methodological treatment for capital consumption will generally depend on the following:

1. The accounting classification of the holding: for investments classified in the portfolio at fair value with changes in other comprehensive income, the calculation is carried out a priori using the internal VaR model.

2. The permanence strategy: for investments intended to be held on a long-term basis or with a long-term link in their management, the credit risk is the most significant. Therefore, the PD/LGD approach is used where possible.

   The internal models on which this approach is based are those described in previous sections (see subsection "Use of the internal ratings-based method" in 5.1.3.), and they are assigned according to the relevant segmentation criteria.

   In application of Article 155.3 of the CRR, the Group adopts a conservative approach to the standard, assigning an LGD of 90% in any case.

If the requirements for applying the aforementioned methods are not met or there is insufficient information on the equity position in order to asses an internal rating and assign a reliable and duly justified PD, the simple risk-weighting method is applied in accordance with current regulations.

In the case of exposure not deducted from own funds in significant financial holdings (i.e., over 10%), Article 48 of the CRR states that its weighting will be fixed at 250%. This is the case except for VidaCaixa, given that it is a subsidiary of the insurance sector that belongs to the same financial conglomerate with authorisation to apply Article 49.1 of the CRR, which means that the tangible exposure of the holding is exempt from deductions from own funds and the general regime must be applied to it, which – in this case – is the simple method with a risk weighting of 370%.

The result obtained from using internal models to measure capital charges (VaR, PD/LGD) is a key element for calculating the quantity and quality of the risk assumed, without prejudice to the analysis of other types of measurements that supplement those required by regulations and are designed to determine the market value of the holdings, their liquidity, and the estimated contribution to the Group's profit and loss, and capital.

To illustrate this point, below are some of the reports which the Corporate Risk Management Function & Planning Department generates and distributes to the relevant internal committees:

- Market risk report, monitoring the risk (VaR) of the Group's trading derivatives in connection with its strategic holdings.

- The report on Currency Risk in Investee Companies, which includes monitoring of risk (VaR) for the exchange rate associated with these holdings.

- The Group's Positioning Report for financial instruments, which is part of the global monitoring of the positions that comprise market transactions, and covers both the fixed-income and equity positions held by the Group, including those in VidaCaixa, and guaranteed mutual and pension funds.

## 5.4.2. Minimum capital requirements for risk associated with the equity portfolio

The following table contains a breakdown of exposure and RWA for the equity portfolio. This information is presented in accordance with the calculation methods set out in the European capital requirements regulation (CRD IV and CRR), and also in accordance with the equity instrument category[1].

It should be noted that, according CNMV notices on Inside Information no. 1.106 and 1.149 of 21 October 2021 and 4 November 2021, CaixaBank S.A. ("CABK") has transferred its entire 9.92 % stake in Erste Bank Group AG ("EBS"). The previous month (September 2021), the EAD and RWA for this holding were EUR 1,315 million and EUR 1,268 million.

### Table 5.65. Equity Portfolio exposures

*Amounts in millions of euros*

| Method | % | Original exposure | EAD | LGD | RWA | RWA density | EL | Capital (8%) |
|---|---|---|---|---|---|---|---|---|
| Simple risk-weight approach | | | | | | | | |
| PD/LGD approach(*) | 25.25 % | 1,908 | 1,908 | 90 % | 3,541 | 185.56 % | 7 | 283 |
| Internal Model approach | 0.00 % | - | - | 0 % | - | 0.00 % | - | - |
| Risk weighted equity exposures | 18.46 % | 1,395 | 1,395 | 90 % | 3,487 | 250.00 % | - | 279 |
| **Total** | **100.00 %** | **7,558** | **7,558** | **90 %** | **22,729** | **300.74 %** | **109** | **1,818** |

** Based on LGD of 90 %.*

2020

*Amounts in millions of euros*

| Method | % | Original exposure | EAD | LGD | RWA | RWA density | EL | Capital (8%) |
|---|---|---|---|---|---|---|---|---|
| Simple risk-weight approach | | | | | | | | |
| PD/LGD approach(*) | 45 % | 3,014 | 3,014 | 90 % | 3,988 | 132 % | 5 | 319 |
| Internal Model approach | 0 % | - | - | 0 % | - | 0 % | - | - |
| Risk weighted equity exposures | 11 % | 760 | 765 | 90 % | 1,913 | 250 % | - | 153 |
| Total | 100 % | 6,712 | 6,717 | 90 % | 16,729 | 249 % | 75 | 1,338 |

**Based on LGD of 90 %.*

[1] *Described in section 5.4.1.*

## 5.4.3. Quantitative aspects

### Description, accounting recognition and measurement

The Group's equity investment portfolio features major companies that hold a prominent position in their respective markets and have a capacity to generate recurring value and profits. In general, these are strategic investments, and the Group is involved in their governing bodies and in defining their future policies and strategies. CaixaBank Group's 2021 financial statements show a breakdown of the companies in its equity investment portfolio, with information on their area of business and scope of activity.

**Stakes in these companies are recorded under the following asset categories:**

- **Investments**[1]: investments in the capital of entities classified as Group companies, jointly controlled entities or associates. It is classified under the asset in "Investments in joint ventures and associates".

- **Other shareholdings in equity instruments:** in general, the Group irrevocably exercises the option in the initial recognition of including – in the portfolio of "Financial assets at fair value through other comprehensive income" – investments in equity instruments that are not classified as held for trading and that, in the event of not exercising this option, would be classified as Financial assets compulsorily measured at fair value through profit or loss.

  Financial assets at fair value through other comprehensive income are always measured at fair value, with any changes in value, less the related tax effect, recognised with a balancing entry in equity. For holdings in listed companies, fair value is determined on the basis of the price that would be paid in an organised, transparent and deep market. At the time of sale, the corresponding loss or gain previously recognised in other comprehensive income is taken to reserves.

  Investments are measured using the equity method, with the best estimate of their underlying carrying amount when the financial statements are drawn up. Generally accepted valuation methods are employed – for example, discounted cash flow (DCF) models, dividend discount (DDM) models, and others. No potential control premiums are considered for the purposes of valuation. Balance sheet and income statement projections are made for five years, as these are long-term investments. They are updated and adjusted on a half-yearly basis. Moderate hypotheses are used, obtained from reliable sources of information in addition to individual discount rates for each business activity and country. The growth rates used to calculate the terminal value beyond the period covered by the forecasts drawn up are determined on the basis of the data for the last period projected, and never exceed the estimated GDP growth of the country or countries in which the investees operate.

In addition, sensitivity analyses are performed for the assumptions using reasonable changes in the key hypotheses on which the recoverable amount is based, to confirm whether this continues to exceed the amount to be recovered.

[1] *For prudential purposes, subsidiaries that cannot be consolidated in view of their business activity are entered under this heading, since they are accounted for using the equity method.*

### Fair value and carrying amount of equity holdings

The following table shows the fair value and carrying amount of the Groups' stakes and equity instruments not held for trading or in the portfolio of financial assets at fair value through profit or loss, at 31 December 2021.

## Table 5.66. Carrying amount of stakes and equity instruments not held for trading

*Amounts in millions of euros*

| | |
|---|---|
| **Financial assets at fair value with changes in other comprehensive income*** | **1,646** |
| Shares in listed companies | 1,001 |
| Shares in unlisted companies | 645 |
| **Investments** | **6,267** |
| Listed | |
| Unlisted | 6,267 |
| **Total carrying amount** | **7,913** |

** The carrying amount of these assets is equal to fair value.*

## Table 5.67. Fair value of stakes and equity instruments not held for trading

*Amounts in millions of euros*

| | |
|---|---|
| **Financial assets at fair value with changes in other comprehensive income[1]** | **1,646** |
| Shares in listed companies | 1,001 |
| Shares in unlisted companies | 645 |
| **Investments** | 6,267 |
| Listed | |
| Unlisted | 6,267 |
| **Total carrying amount** | **7,913** |

** The carrying amount of these assets is equal to fair value.*

The table below shows changes in accumulated other comprehensive income in equity instruments measured at fair value for CaixaBank Group in 2021, with the amounts taken to the income statement[3]:

*[3] See Note 22.2 "Other comprehensive income" of CaixaBank Group's 2021 financial statements.*

## Table 5.68. Changes in the fair value of equity instruments measured at fair value with changes in other comprehensive income

*Amounts in millions of euros*

| Balance global to 31.12.2020 | Amounts transfered to Reserves | Liabilities and assets deferred taxes | Capital gains and losses by valuation1 | Balance global valuation adjustments to 31.12.2021[2] |
|---|---|---|---|---|
| (1,734) | 106 | 3 | 201 | (1,424) |

*[1] Before tax.*

*[2] Includes adjustments attributed to the Group.*

At 31 December 2021, the market value of the Group's portfolio of listed investee companies, which only includes those classified as "Financial assets at fair value through other comprehensive income - equity instruments", amounted to EUR 1,001 million.

At 31 December 2021, the market value of the portfolio of "Financial assets at fair value through profit and loss - equity instruments" amounted to EUR 165 million.

### Value of equity holding exposures

At 31 December 2021, the EAD for the risk associated with the equity shareholdings portfolio amounted to EUR 7,558 million. This amount includes the value of the portfolio of Financial assets at fair value with changes in other comprehensive income, stakes in associates and those in subsidiaries that are not consolidated due to their business activity.

CaixaBank

## Table 5.69. Exposures in equity investments not held for trading

*Amounts in millions of euros*

| Exposures | Exposures before CCF and CRM | EAD | LGD | RWA | RWA density | EL |
|---|---|---|---|---|---|---|
| **Financial assets at fair value in other comprehensive income*** | **1,776** | **1,776** | **90%** | **3,979** | **224%** | **11** |
| **Shares of listed companies** | **1,018** | **1,018** | | **1,669** | **164%** | **3** |
| Simple risk-weight approach | 52 | 52 | | 150 | 290% | 0 |
| Internal Model approach | - | - | | - | 0% | - |
| PD/LGD approach | 966 | 966 | | 1,519 | 157% | 2 |
| **Shares of non listed companies** | **758** | **758** | | **2,310** | **305%** | **8** |
| Simple risk-weight approach | 344 | 344 | | 1,275 | 370% | 8 |
| PD/LGD approach | 1 | 1 | | 2 | 279% | 0 |
| Risk weighted equity exposures | 413 | 413 | | 1,033 | 250% | - |
| **Shares (multigroup and associated subsidiaries)** | **5,781** | **5,781** | **90%** | **18,750** | **324%** | **98** |
| **Listed company shares** | **-** | **-** | | **-** | **0%** | **-** |
| PD/LGD approach | - | - | | - | 0% | - |
| Risk weighted equity exposures | - | - | | - | 0% | - |
| **Non listed shares** | **5,781** | **5,781** | | **18,750** | **324%** | **98** |
| Simple risk-weight approach | 3,859 | 3,859 | | 14,276 | 370% | 93 |
| PD/LGD approach | 941 | 941 | | 2,019 | 215% | 5 |
| Risk weighted equity exposures | 982 | 982 | | 2,454 | 250% | - |
| **Total** | **7,558** | **7,558** | **90%** | **22,729** | **301%** | **109** |

* *Also includes the exposures of "Financial assets compulsorily measured at fair value through profit or loss".*

## Other information

The following is a breakdown of the value of specialised lending and equity exposures subject to the slotting method and the simple method by regulatory category and risk weighting.

## Table 5.70. EU CR10 - Specialised lending and equity exposures under the simple riskweighted approach

## Table 5.70a. EU CR10.1 - Specialised lending: Project finance (Slotting approach)

*Amounts in millions of euros*

| | | Project finance[1] | | | | | |
|---|---|---|---|---|---|---|---|
| Regulatory categories | Remaining maturity | On-balancesheet exposure | Off-balancesheet exposure | Risk weight | Exposure value | Risk weighted exposure amount | Expected loss amount |
| Category 1 | Under 2.5 years | 29 | 0 | 50% | 29 | 13 | - |
| | 2.5 years or more | 1,047 | 83 | 70% | 1,065 | 665 | 4 |
| Category 2 | Under 2.5 years | 114 | 7 | 70% | 114 | 86 | 1 |
| | 2.5 years or more | 891 | 115 | 90% | 896 | 707 | 7 |
| Category 3 | Under 2.5 years | 22 | 0 | 115% | 22 | 26 | 1 |
| | 2.5 years or more | 138 | 31 | 115% | 141 | 127 | 4 |
| Category 4 | Under 2.5 years | 1 | - | 250% | 1 | 2 | 0 |
| | 2.5 years or more | 20 | 4 | 250% | 21 | 47 | 2 |
| Category 5 | Under 2.5 years | 151 | 11 | - | 151 | - | 50 |
| | 2.5 years or more | 215 | 9 | - | 217 | - | 108 |
| **Total** | **Under 2.5 years** | **318** | **18** | | **318** | **127** | **51** |
| | **2.5 years or more** | **2,312** | **242** | | **2,339** | **1,546** | **125** |

*[1] Including credit risk and counterparty risk exposures.*

*According to regulation 575/2013 in the calculation of regulatory capital by slotting criteria for the specialised lending portfolio, a tranche is established for each transaction for the corresponding RWA allocation, which is categorised as follows:*

*Category 1: Strong*

*Category 2: Good*

*Category 3: Satisfactory*

*Category 4: Weak*

*Category 5: Non-performing*

## Table 5.70b. EU CR10.2 - Specialised lending: Income-producing real estate and high volatility commercial real estate (Slotting approach)

*Amounts in millions of euros*

| | | Iome-producing real estate and high volatility commercial real estate[1] | | | | | |
|---|---|---|---|---|---|---|---|
| Regulatory categories | Remaining maturity | On-balancesheet exposure | Off-balancesheet exposure | Risk weight | Exposure value | Risk weighted exposure amount | Expected loss amount |
| Category 1 | Under 2.5 years | - | - | 50 % | - | - | - |
| | 2.5 years or more | - | - | 70 % | - | - | - |
| Category 2 | Under 2.5 years | 28 | - | 70 % | 28 | 23 | 0 |
| | 2.5 years or more | 134 | 4 | 90 % | 134 | 120 | 1 |
| Category 3 | Under 2.5 years | - | - | 115 % | - | - | - |
| | 2.5 years or more | 12 | 1 | 115 % | 12 | 14 | 0 |
| Category 4 | Under 2.5 years | 8 | - | 250 % | 8 | 19 | 1 |
| | 2.5 years or more | 57 | 0 | 250 % | 57 | 142 | 5 |
| Category 5 | Under 2.5 years | 0 | 2 | - | 0 | - | 0 |
| | 2.5 years or more | 17 | - | - | 17 | - | 8 |
| **Total** | **Under 2.5 years** | **36** | **2** | | **36** | **42** | **1** |
| | **2.5 years or more** | **219** | **5** | | **219** | **277** | **14** |

*[1] Including credit risk and counterparty risk exposures*

## Table 5.70c. EU CR10.3 - Specialised lending: Object finance (Slotting approach)

*Amounts in millions of euros*

| | | Object finance[1] | | | | | |
|---|---|---|---|---|---|---|---|
| Regulatory categories | Remaining maturity | On-balancesheet exposure | Off-balancesheet exposure | Risk weight | Exposure value | Risk weighted exposure amount | Expected loss amount |
| Category 1 | Under 2.5 years | 40 | - | 50% | 40 | 20 | - |
| | 2.5 years or more | - | 10 | 70% | 2 | 1 | 0 |
| Category 2 | Under 2.5 years | 37 | - | 70% | 37 | 26 | 0 |
| | 2.5 years or more | 183 | - | 90% | 183 | 164 | 1 |
| Category 3 | Under 2.5 years | 16 | - | 115% | 16 | 19 | 0 |
| | 2.5 years or more | - | - | 115% | - | - | - |
| Category 4 | Under 2.5 years | - | - | 250% | - | - | - |
| | 2.5 years or more | - | - | 250% | - | - | - |
| Category 5 | Under 2.5 years | - | - | - | - | - | - |
| | 2.5 years or more | - | - | - | - | - | - |
| **Total** | **Under 2.5 years** | **93** | **-** | | **93** | **65** | **1** |
| | **2.5 years or more** | **183** | **10** | | **185** | **166** | **1** |

*[1] Including credit risk and counterparty risk exposures*

## Table 5.70d. EU CR10.4 - Specialised lending : Commodities finance (Slotting approach)

*Amounts in millions of euros*

| | | Commodities finance[1] | | | | | |
|---|---|---|---|---|---|---|---|
| Regulatory categories | Remaining maturity | On-balancesheet exposure | Off-balancesheet exposure | Risk weight | Exposure value | Risk weighted exposure amount | Expected loss amount |
| Category 1 | Under 2.5 years | - | - | 50 % | - | - | - |
| | 2.5 years or more | - | - | 70 % | - | - | - |
| Category 2 | Under 2.5 years | - | - | 70 % | - | - | - |
| | 2.5 years or more | - | - | 90 % | - | - | - |
| Category 3 | Under 2.5 years | - | - | 115 % | - | - | - |
| | 2.5 years or more | - | - | 115 % | - | - | - |
| Category 4 | Under 2.5 years | - | - | 250 % | - | - | - |
| | 2.5 years or more | - | - | 250 % | - | - | - |
| Category 5 | Under 2.5 years | - | - | - | - | - | - |
| | 2.5 years or more | - | - | - | - | - | - |
| **Total** | **Under 2.5 years** | **-** | **-** | | **-** | **-** | **-** |
| | **2.5 years or more** | **-** | **-** | | **-** | **-** | **-** |

[1] *Including credit risk and counterparty risk exposures*

## Table 5.70e. EU CR10.5 - Equity exposures under the simple riskweighted approach

*Amounts in millions of euros*

| Categories | On-balance-sheet amount | Off-balance-sheet amount | Risk weight | Exposure amount | RWA | Expected loss |
|---|---|---|---|---|---|---|
| Private equity exposures | - | - | 190 % | - | - | - |
| Exchange-traded equity exposures | 52 | - | 290 % | 52 | 150 | 0 |
| Other equity exposures | 4,203 | - | 370 % | 4,203 | 15,551 | 101 |
| **Total** | **4,255** | **-** | | **4,255** | **15,701** | **101** |

The following table shows exposure to risk associated with the equity portfolio, LGD and average risk weight. This shows that most shareholdings are concentrated in PD tranches of a good credit quality (with a PD below 0.50%).

## Table 5.71. Exposure by exposure category and obligor grade

*Amounts in millions of euros*

| PD Range | Original exposure | EAD | Average PD | LGD | RWA | RWA density | EL | Capital (8%) |
|---|---|---|---|---|---|---|---|---|
| 0,00 a <0,15 | 19 | 19 | 0.15% | 90.00% | 24 | 123.34% | 0 | 2 |
| 0,00 a <0,10 | 0 | 0 | 0.09% | 90.00% | 0 | 96.45% | - | 0 |
| 0,10 a <0,15 | 19 | 19 | 0.15% | 90.00% | 24 | 123.52% | 0 | 2 |
| 0,15 a <0,25 | 35 | 35 | 0.18% | 90.00% | 47 | 134.00% | 0 | 4 |
| 0,25 a <0,50 | 1,090 | 1,090 | 0.25% | 90.00% | 1,714 | 157.25% | 2 | 137 |
| 0,50 a <0,75 | 647 | 647 | 0.59% | 90.00% | 1,435 | 221.69% | 3 | 115 |
| 0,75 a <2,50 | 115 | 115 | 1.19% | 90.00% | 316 | 275.85% | 1 | 25 |
| 0,75 a <1,75 | 115 | 115 | 1.19% | 90.00% | 316 | 275.85% | 1 | 25 |
| 1,75 a <2,5 | - | - | 0.00% | 0.00% | - | 0.00% | - | - |
| 2,50 a <10,00 | 2 | 2 | 3.64% | 90.00% | 5 | 257.27% | 0 | 0 |
| 2,5 a <5 | 2 | 2 | 3.64% | 90.00% | 5 | 257.27% | 0 | 0 |
| 5 a <10 | - | - | 0.00% | 0.00% | - | 0.00% | - | - |
| 10,00 a <100,00 | - | - | 0.00% | 0.00% | - | 0.00% | - | - |
| 10 a <20 | - | - | 0.00% | 0.00% | - | 0.00% | - | - |
| 20 a <30 | - | - | 0.00% | 0.00% | - | 0.00% | - | - |
| 30,00 a <100,00 | - | - | 0.00% | 0.00% | - | 0.00% | - | - |
| **Performing Portfolio** | **1,908** | **1,908** | **0.42%** | **90.00%** | **3,541** | **185.56%** | **7** | **283** |
| 100,00 (Default) | - | - | 100.00% | 90.00% | - | 0.00% | - | - |
| **Total** | **1,908** | **1,908** | **0.42%** | **90.00%** | **3,541** | **185.56%** | **7** | **283** |

# 6. Actuarial Risk

# 6. Actuarial **risk**

The European regulatory framework of reference for insurance companies, known as Solvency II, is transposed into to the Spanish legal system through Act 20/2015 and Royal Decree 1060/2015, which are known, respectively, as LOSSEAR and ROSSEAR. This framework is supplemented by the technical standards approved by the European Commission (ITS), which are directly applicable, and guidelines published by EIOPA (European Insurance and Occupational Pensions Authority), which have been adopted by the Directorate-General for Insurance and Pension Funds (DGSFP) as their own.

In accordance with the European Solvency II Directive, actuarial risk is defined in CaixaBank's Corporate Risk Catalogue as the risk of loss or adverse change in the value of commitments taken on via insurance contracts or pensions with customers or employees, derived from the divergence between the estimate for actuarial variables employed in pricing and reserves and their real evolution.

Actuarial risk is inherent to the activity of entering into insurance contracts which, within the Group, is focused in the sub-group of companies headed by VidaCaixa. Through VidaCaixa, the Group is exposed to actuarial risk from unfavourable changes in mortality, longevity, disability and morbidity, catastrophic, crash and expense risk factors.

In addition to the activity of entering into contracts, actuarial risk also arises from the defined benefit pension commitments of the Group companies with their employees. At CaixaBank, the risks inherent in these agreements are managed by VidaCaixa Group by entering into insurance contracts, while at Banco BPI they are implemented through a Pension Fund managed by BPI Vida e Pensões, a VidaCaixa Group company.

This risk is managed with the aim of ensuring the Group has the capacity to meet commitments to its insured parties, optimising the technical margin and keeping balances within the limits established in the Risk Appetite framework.

With the aim of ensuring correct risk management, the Group has a Corporate Policy for managing financial-actuarial risk, which lays down the general principles, governance framework, control framework and information reporting framework, which are applicable to all Group companies with exposure to such risk.

Furthermore, VidaCaixa Group companies have their own financial-actuarial risk management policies and frameworks that serve as the development of this Corporate Policy. Of particular relevance is the Underwriting and Reserving Policy, which identifies for each business line the various parameters used for risk acceptance, risk management, risk measurement, risk pricing and, finally, for the valuation and reserving of policies underwritten in the underwriting process. General operating procedures are also in place for underwriting and the provision of reserves. Similarly, the Reinsurance Policy makes it possible to identify the extent to which risk is passed, taking into account the risk profile of direct insurance contracts.

At the end of December 2021, the Group had incorporated 100% of Bankia Vida following the agreements reached with Mapfre for the repurchase of 51% of its share capital. As part of the Group's reorganisation following the merger with Bankia, this company is expected to be sold to VidaCaixa in the first quarter of 2022.

Within the prudential scope, the capital requirements related to VidaCaixa Group's actuarial risk are implicit in the quantification of the Group's actuarial risk, in accordance with the provisions of capital regulations for investments in insurance companies. In the specific case of CaixaBank and VidaCaixa, there is also the particular circumstance that they form a financial conglomerate subject to additional supervision.

## 6.1. Structure and organisation of the risk management function

CaixaBank's Board of Directors is ultimately responsible for outlining and supervising the risk management framework, approving and monitoring the Corporate Policy for managing financial-actuarial risks. Through this policy, the Board of Directors delegates actuarial risk supervision and management tasks to CaixaBank's Risk Committee and Global Risk Committee.

Within the Group's consolidated scope, the Corporate Risk Management Function & Planning Division and the Internal Audit Division, as the areas responsible for the risk management and internal audit functions in the parent company, respectively, assume the strategic guidance, supervision and coordination with regard to the respective internal control functions of the subsidiaries, while safeguarding the scope of these functions.

When undertaking its corporate function, the Corporate Risk Management Function & Planning Division develops the Corporate Policy for managing financial-actuarial risk and oversees the adequate corporate alignment with the management and control functions of financial-actuarial risk.

Meanwhile, VidaCaixa's Board of Directors outlines and supervises the risk management framework, approving and monitoring the proprietary policies that develop the Corporate Policy for the management of financial-actuarial risk. Through these policies, the VidaCaixa Board of Directors has assigned its VidaCaixa Risk Committee as a specialised committee tasked with supporting and advising the company's Board of Directors on overall risk propensity, as well as its strategy. Its main functions include supervising the effectiveness of risk management systems. In addition, the VidaCaixa Global Risk Committee, which reports to the Risk Committee and the VidaCaixa Board of Directors, undertakes the functions of global management, control and monitoring of the risks that VidaCaixa Group may incur.

Coordination between the Group's Corporate Risk Management Function & Planning Division and VidaCaixa's Actuarial and Risk Function Division ensures an adequate system of control and monitoring of the insurance business at the corporate level.

## 6.2. Risk management. Measurement and information systems

Actuarial risk management in the Group, through the sub-group of companies headed by VidaCaixa Group, stems from the European regulatory framework of reference for the insurance sector, Solvency II, as mentioned in previous sections.

The actuarial risks assumed through underwriting life insurance contracts are managed in conjunction with the inherent risks arising from the financial assets acquired for hedging purposes.

The actuarial risk management set out in policies aims to ensure the long-term stability of the actuarial factors that have an impact on the technical performance of the insurance products underwritten. Actuarial risk factors include mortality and longevity risks in the life insurance lines, where VidaCaixa incorporates a partial internal model in its management according to the methodology established in the Solvency II Directive, which provides a more accurate view of the insured group's risk profile.

The Group, through its insurance company VidaCaixa, limits its exposure to interest rate risk by applying the financial immunisation techniques set out in the provisions of the DGSFP (Directorate-General for Insurance and Pension Funds).

For credit and liquidity risk in the insurance business, the Group has risk management frameworks that outline minimum credit quality and diversification levels.

**As regards measuring, monitoring and controlling financial-actuarial risks, VidaCaixa:**

- Monitors financial-actuarial risk through various indicators. The most relevant metrics are included in the RAF of VidaCaixa Group and CaixaBank Group, which are aligned with each other.

- Frequently analyses the evolution of the risk profile of the portfolios.

- Performs ongoing analysis of the evolution of the asset and liability items, including information regarding the profitability and duration of the items according to maturities, the asset-liability mismatch and the estimated evolution of the financial technical margin.

- Frequently analyses the liquidity situation of the various portfolios.

- Performs annual stress exercises as part of the ORSA (Own Risk and Solvency Assessment) exercise on self-assessment and projection of the risks and solvency of VidaCaiza Group.

Furthermore, it should be noted that the systems for measuring actuarial risk, from which the sufficiency of the actuarial reserves are quantified and assessed policy-by-policy, are integrated with the management of the insurance business. In this sense, production operations, irrespective of the channel, are recorded in the systems using the various contracting, benefits management and provision calculation applications (e.g. TAV for individual and ACO or Avanti for group insurance). Investment management software is used to manage and control the investments backing the company's insurance activity. All the applications are accounted for automatically in the accounting support software.

There is a series of applications that perform management support tasks within these integrated and automated systems. It is worth noting applications for data processing that are used for the preparation of *reporting* information and risk management. In addition, there is a solvency and risk datamart, which serves as a support tool for compliance with all the requirements of the Solvency II Directive.

In response to the COVID-19 pandemic, VidaCaixa has implemented monitoring mechanisms that enable it to constantly monitor actuarial risk to preserve the target risk profile.

## 6.3. Reporting

The position and control of the risks of the insurance company VidaCaixa is monitored regularly by VidaCaixa's Management, Investment and Global Risk committees and CaixaBank's Global Risk Committee and ALCO. This involves calculation and analysis of the sufficiency of technical provisions, analysis of the sufficiency of expenses, and analysis of products and operations. **The reports prepared include:**

- The Expense Surcharges Sufficiency Report.

- The SME Business Monitoring Report.

- The Collective Risk Policies Results Monitoring Report.

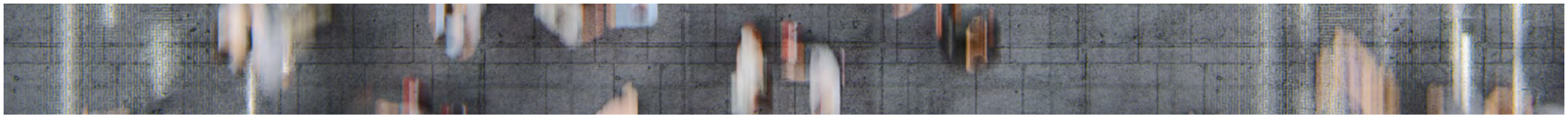
- The Annual Internal Longevity and Mortality Calibration Report.

- The Actuarial Function Reports, including: annual Solvency II hypothesis calibration cycle and validation of technical provisions.

- RAF Monitoring Report.

Furthermore, a number of reports have been prepared for the VidaCaixa Risk Committee, such as the product monitoring report and the technical provision control environment report.

With respect to the application of Solvency II, in 2021, the annual and quarterly QRTs (European *reporting* for supervision, statistics and accounting) were presented to the insurance supervisor (DGSFP). In addition, VidaCaixa Group Solvency and Financial Condition Report was published in May 2021.



## 6.4. Hedging policies and mitigation techniques

One of the elements available to the Group to mitigate the actuarial risk assumed is to pass on part of the risk to other entities, through reinsurance contracts. To do so, the Group, and specifically its insurance company, has a reinsurance policy, which is updated at least annually, that identifies the extent to which risk is passed on, taking into account the risk profile of direct insurance contracts, and the type, suitability and effectiveness of the different reinsurance agreements.

By doing so, an insurance company can reduce risk, stabilise solvency levels, use available capital more efficiently and expand its underwriting capacity. However, regardless of the reinsurance taken out, the insurance company is contractually liable for the settlement of all claims with policyholders.

**CaixaBank Group, through CaixaBank Group, establishes in the Reinsurance Policy:**

- The strategy and general principles governing reinsurance management.
- The governance, management, control and reinsurance information frameworks.

In this regard, VidaCaixa Group establishes tolerance limits based on the criteria governing the selection of reinsurance companies and the maximum retained risk.

# 7. Market risk

# 7. Market risk

RWA market risk
**€1,755 M**

Annual average VaR 10d-2021
**€6.2 M**

RWA under internal models
**68 %**

The market risk of CaixaBank Group's trading portfolio quantifies possible losses that could arise due to fluctuations in interest rates, exchange rates, credit spreads, external factors or prices in the markets where it operates.

The Group's activity in the financial markets focuses mainly on providing a service to customers, minimising exposure to risk.

CaixaBank uses internal models to estimate capital requirements for market risk. CaixaBank's Credit Valuation Adjustment (CVA) hedges and BPI's held-for-trading and foreign exchange positions are assessed under the standardised approach.

CaixaBank carries out three types of stress testing on the value of its positions (under extreme crisis scenarios) in order to estimate potential losses on the portfolio in the event of extraordinary changes in the risk factors to which it is exposed.

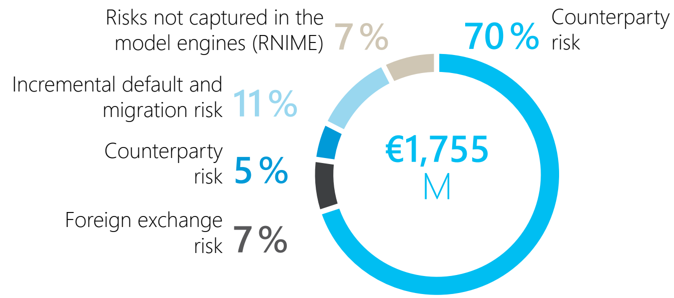
The losses estimated using the VaR (Value at Risk) calculation are compared to actual daily results to verify that the risk estimates supplied by the internal model are appropriate, in a backtesting exercise. The results of these comparisons in 2021 were satisfactory, meaning that there were no additional capital requirements for this risk.

The capital requirements for exchange risk are concentrated in BPI's shareholding in Banco de Fomento de Angola (BFA).

## Annual evolution

RWA decreased by 512 million euros, down 22.6% year-on-year. The evolution is explained by the increase in capital consumption for currency risk by the standard method as a result of the increase in own funds following the merger with Bankia, bringing the foreign currency position below the 2% threshold and allowing the Group to stop consuming own funds for this item.

**Market risk RWA**
*Distribution by type of risk, %*



# 7.1. Market risk management

## Definition and general policy

The Group defines market risk as a loss of value, with impact on results or solvency, of a portfolio (set of assets and liabilities), due to adverse movements in prices or market rates.

In prudential terms, the market risk perimeter consists of financial assets and liabilities that are held for trading or form part of a portfolio of financial instruments (jointly identified and managed) for which there is specific evidence of a trading intention. According to points (85) and (86) of Article 4(1) of Regulation EU 575/2013, "trading intent" exists when positions are intended to be either resold in the short term or held to benefit from actual or expected short term price difference between buying and selling prices or from other price or interest rate variations. Therefore, trading activity includes:

- Transactions related to the management of market risk arising from commercial or distribution efforts involving typical operations in financial markets with the Group's customers.
- Transactions carried out to obtain returns through trading and positioning in, mainly, money, fixed-income, equity and currency markets.
- CVA hedging derivatives for credit and market risk, which are recognised from an accounting perspective in the trading book.

The market risk regulatory perimeter includes the deposits and repos arranged by trading desks for management.

CaixaBank has policies and procedures in place for managing the Group's trading books, bearing in mind its own ability to manage risks and best market practices, and for determining which positions are to be calculated based on the internal model for regulatory capital requirements.

The specific policy for determining, identifying, managing, monitoring and controlling this scope for inclusion in the internal model is checked on a daily basis. A specific unit of the Risk area, which operates independently of the business areas, measures and calculates the performance and risks of the trading book and ensures compliance with the policy.

Risk factors are managed according to the risk-return ratio determined by market conditions and expectations, the limits structure and the authorised operating framework.

The Group also has sufficient systems and controls that provide prudent and reliable estimates of the fair value of financial instruments, such as policies and procedures setting out the responsibility of each area in the measurement process and reporting lines (ensuring the independence of this function from the business areas), the data sources used, the eligible models and the timing of closing prices.

## Structure and organisation of the risk management function

Market risk governance follows three lines of defence, on which the Group's internal control framework is based, guaranteeing strict segregation of functions and the existence of several layers of independent control:

### First line of defence

Comprising business units that cause exposure to market risk, i.e., the Markets and ALM, Treasury & Funding Areas in the Finance Division and the Transactions Area in the Resources Division. These areas are responsible for identifying, managing and controlling the risks associated with their activity and for implementing the approved policies and procedures.

### Second line of defence

CaixaBank's Structural and Market Risk Department, part of CaixaBank's Directorate of Corporate Risk Management Function & Planning is responsible for the valuation of financial instruments, as well as for the measurement, control and monitoring of the related risks, for the estimation of counterparty risk and for the operational risk associated with activities in financial markets.

Furthermore, the Model Validation and Risk Department performs internal validation of the models and methodologies used to quantify and monitor market risk.

### Third line of defence

The internal audit functions, as the third line of defence, are included in section 3.1.2. Internal control framework.

## Measurement and information systems

> As part of the required monitoring and control of the market risks undertaken, the Board of Directors and, by delegation of the latter and on a more restricted basis, CaixaBank's Global Risk Committee and Finance Division **approve a structure of overall VaR and sensitivity limits for the assumption of market risk at CaixaBank.**

The benchmark market risk measurement is VaR at 99% with a one-day time horizon for which the RAF defines a limit for the Group's trading activities of EUR 20 million (excluding the economic hedging credit default swaps [CDSs] for the CVA, recognised for accounting purposes in the held-for-trading portfolio).

CaixaBank's daily VaR is defined as the highest of the following three calculations:

- The parametric VaR technique with a covariance matrix based on a 75-day lookback period, giving more weight to recent observations. The parametric VaR is based on volatility and matching fluctuations in the prices and interest and exchange rates of the assets comprising the portfolio.
- Parametric VaR with a covariance matrix arising from historical performance over one year and equal weightings.
- The historical VaR technique, based on calculating the impact on the value of the current portfolio of historical changes in risk factors. Daily changes observed over the last year are taken into account, with a confidence interval of 99%.

Moreover, since a downgrade in the credit rating of asset issuers can also give rise to adverse changes in market prices, quantification of risk is completed with an estimate of the losses arising from changes in the volatility of the credit spread on private fixed-income and credit derivative positions (spread VaR), which constitutes an estimate of the specific risk attributable to the security issuers. This calculation

is made using a historical method while taking into account the potentially lower liquidity of these assets, with a confidence interval of 99%, and assuming absolute weekly variations in the simulation of credit spreads.

To verify the suitability of the risk estimates, two backtests (gross, i.e. actual; and net, i.e. hypothetical) are conducted to compare the daily results to the VaR. Stress tests are also performed on the value of the Market area positions and on positions included in the internal model in order to calculate the potential losses on the portfolio in situations of extreme crisis.

In BPI, the standard measurement for market risk is parametric VaR at 99% with a 10-day time horizon.

## Hedging policies and mitigation techniques

Formalising and updating the Risk Appetite presented to the governing bodies delimits and validates that the market risk metrics defined by CaixaBank Group are commensurate with the established risk tolerance levels. The RAF approved by CaixaBank's Board of Directors sets a limit for VaR with a one-day time horizon and confidence level of 99% for CaixaBank's trading activities, excluding hedging derivatives for the CVA, which are considered within the CVA management framework. Moreover, positions in both the held-for-trading portfolio and in the banking investments portfolio are restricted to the concentration limits set out in the RAF (e.g. concentration in large exposures, in the public sector or in an economic sector).

As part of the required monitoring and control of the market risks undertaken, the Board of Directors and, on a more restricted basis, the Global Risk Committee and Finance Division approve a structure of overall VaR and sensitivity limits for the assumption of market risk at CaixaBank. This structure establishes the following types of limits:

- **Global limit.** The Board of Directors is responsible for defining the maximum level of market risk that may be undertaken in the Group's treasury and trading management operations.

- **Limit on operations of CaixaBank's Markets division.** In accordance with the general framework determined by the Board of Directors, the Global Risk Committee or CaixaBank's Finance Division are authorised to implement the market risk limits structure and to determine lower levels of maximum risk if appropriate given the market circumstances or the approved management approach. This has been used to draw up specific limits for these operations, both on a global basis (VaR, stop loss, stress test, as determined by the Global Risk Committee) and by risk factors (as determined by the Executive Finance Division), e.g. interest rate, inflation or equity volatility.

- **Limit on trading derivatives linked to equity holdings.** In accordance with the general framework determined by the Board of Directors, the Global Risk Committee approves specific limits (VaR, *stop loss* and *stress test*) for this activity, which is managed with market risk management criteria and included in the internal model for market risk.

In addition, CaixaBank's Global Risk Committee supplements the limit structuring by defining specific limits on incremental risk of default and rating migration (IRC) of the fixed-income portfolios, as well as on stressed VaR.

Furthermore, BPI's General Risks Division determines the overall limit structure of VaR and sensitivities for the market risk acceptance activity in the Portuguese subsidiary within the thresholds and levels set by the Group's RAF.

## 7.2. Minimum capital requirements for market risk

CaixaBank Group's capital requirements for market risk at 31 December 2021 were EUR 140 million.

The table below shows the breakdown of RWA separated into position risk of the trading book and foreign exchange risk and risk for the position in gold under the standardised approach.

### Table 7.1. EU MR1 - Market risk under standardised approach

| *Amounts in millions of euros* | RWA | Capital requirements |
|---|---|---|
| **Outright products** | | |
| Interest rate risk (general and specific) | 568 | 45 |
| Equity risk (general and specific) | - | - |
| Foreign exchange risk | - | - |
| Commodity risk | - | - |
| **Options**[1] | | |
| Simplified approach | - | - |
| Delta-plus method | - | - |
| Scenario approach | - | - |
| Securitisation (specific risk) | - | - |
| **Total** | **568** | **45** |

[1] *This only applies when using standard methods.*

Market risk capital requirements for hedging derivatives of CVA credit risk (in this case, CDSs, also included in the held-for-trading portfolio in the accounts) are calculated under the standardised approach (specific interest rate risk), as are the requirements for balance sheet exchange rate risk in the banking book and in equity holdings.

Capital requirements for market risk under internal models amount to EUR 95 million, which represents 68 % of the total requirements for market risk.

There were no requirements for settlement risk on the reporting date.

Capital requirements for market risk under internal models amount to **EUR 95 million,** which represents **68 % of the total requirements for market risk.**

# 7.3. Quantitative aspects

## Internal models

The Group is subject to market risk as the result of adverse movements in the following risk factors: interest rate, foreign exchange rates, share prices, inflation, volatility and changes in the credit spread of private fixed-income positions and credit derivatives. All material risk factors are captured in the metrics of the internal VaR, stressed VaR, and incremental default risk model and migrations. Estimates are drawn up daily, on the basis of sensitivity and VaR, aggregated and also segmented by risk factor and business unit.

The scope of application of the internal model encompasses the aforementioned risk factors for the held-for-trading accounting portfolio, except for those arising from CVA credit default swaps (CDSs). Deposits and repos arranged by trading desks are also included in the scope of the model. The risk management function is performed through three business units, which report to the Finance Division: Markets (divided into Rates and Equity Derivatives, Fixed Income and Foreign Exchange), CVA and Funding Value Adjustment (FVA) Management and Pricing, and Investee Derivatives[1]:

- The main function of **Markets** is to trade and execute transactions in the market to meet the funding needs of CaixaBank customers and generation of income by taking proprietary positions.
- **CVA and FVA Management and Pricing** is responsible for hedging the CVA risk, as well as for determining the marginal CVA and FVA of new derivatives that are acquired.
- **Investee Derivatives** manages and ensures the profitability of the equity portfolio by trading derivatives.

In July 2006, CaixaBank requested permission from the Bank of Spain to use an internal VaR model for the calculation of minimum capital requirements for market risk in the trading portfolio, foreign currency risk, gold risk and commodity price risk. In 2007, following the appropriate validation process, the Bank of Spain granted permission for the use of this internal model, which was first applied for the calculation of capital requirements at 31 December 2007. Subsequently, in 2011, a request was made for the Bank of Spain to permit the use of internal models to calculate the capital requirements for IRC and stressed VaR. In 2012, following the appropriate validation process, the Bank of Spain authorised the use of this internal model, which was first applied for the calculation of 31 December 2011. Within the Group, only CaixaBank uses internal models to determine capital requirements for market risk. Since that time, the internal model has been updated to date through successive non-material changes.

## Characteristics of the models used

The methodologies used to comply with the requirements of Part 3, Title IV, Chapter V, Sections 1-4 of Regulation EU 575/2013 for calculating own fund requirements according to the Group's internal model are as follows.

As a general rule, there are two types of measurements which constitute a common denominator and market standard for the measurement of market risk: sensitivity and VaR.

- Sensitivity represents risk as the impact a slight change in risk factors has on the value of positions, without providing any assumptions about the probability of such a change.
- To standardise risk measurement across the entire portfolio, and provide certain assumptions regarding the extent of changes in market risk factors, VaR methodology is employed using a one-day time horizon and a statistical confidence interval of 99% (i.e. 99 times out of 100, actual losses will be less than the losses estimated in the VaR model). Two methodologies are used to obtain this measurement, parametric VaR and historical VaR:
    - **Parametric VaR:** Based on the portfolio's first-order sensitivities (delta-vega) to changes in risk factors, its returns are assumed to follow a normal distribution. Based on volatility and matching, the loss distribution is clearly defined, and the expected range for the change in value over a given time horizon is estimated. A specific probability level and time horizon applied to this range constitute the portfolio's Value at Risk.

[1] *The CVA and FVA Management and Pricing and Investee Derivatives business units are attached to the ALM, Treasury & Funding Area.*

Distribution parameters (volatility and matching) are statistically determined on the basis of the fluctuations in equity prices, interest rates, inflation and exchange rates of portfolio assets, using two time horizons that are updated on a daily basis: a 75-day data window (giving more weight to recent observations through exponential smoothing), and a one-year data window (giving equal weight to all observations).

- **Historical VaR** is calculated according to the impact on the portfolio's present value of historical daily changes in risk factors over the past year, with daily updating of the observation window. Historical VaR is a useful system for completing the estimates obtained by the parametric VaR technique since it does not include any assumptions on the statistical behaviour of risk factors. The parametric VaR technique assumes fluctuations in returns that can be modelled using normal statistical distribution.

Historical VaR also includes the consideration of non-linear relationships between the risk factors. Risk factors are modelled using relative changes, except for interest rate variations, for which absolute changes are used. A large majority of the changes are calculated by a full revaluation of the portfolio, verifying that the estimated VaR is immaterial where delta-vega approximations are used. Spread VaR is only calculated using historical VaR methodology and full-revaluation.

Total VaR is the aggregate VaR arising from fluctuations in interest rates, exchange rates (and the volatility of both) and from the spread VaR—which are aggregated on a conservative basis, assuming zero correlation between the two groups of risk factors—and the addition of VaR of the equities portfolio and VaR of the commodities portfolio (currently with no position), assuming in both cases a correlation of one with the other risk factor groups.

A single model is used that splits out the general (systematic) and specific (diversifiable) risk of equities, whilst the specific risk of private fixed-income and credit derivatives is estimated in a separate calculation (spread VaR) and added to the VaR of the interest rate and exchange rate portfolios with zero correlation. Interest rate VaR separates out the general and specific risk of sovereign debt in a single model.

**Daily VaR** is defined as the highest of the three quantifications (historical VaR, 1-year parametric VaR and 75-day parametric VaR).

## Additional measures to VaR

As an analysis measurement, the Group completes the VaR measurements with the following risk metrics, updated weekly:

- **Stressed VaR** indicates the maximum loss on adverse movements in market prices based on a stressed historical period of one year, with a 99% confidence level and a daily time horizon (subsequently extrapolated to the regulatory horizon of 10 market days, multiplying by the root of 10). The stressed VaR calculation is leveraged by the same methodology and infrastructure as the historical VaR, with the only significant difference being the historical window selected.

  Historical scenarios starting from September 2008 to the present are taken into account when determining the stressed VaR window. The methodology consists of establishing a historic one-year window with the current position and moving the window for that P&L vector in single day's steps from 2008 to the present. The sale that represents the highest VaR figure under the Historical VaR methodology is the one that determines the period and stressed VaR. A full revaluation approach is used to estimate the P&L (profit and loss) of the portfolio associated with the variations of the risk factors for each day of the data window with the current position, and the historical VaR formula is replicated. The replication of Historical VaR for each day of the window consists of choosing the 99th percentile of the P&L scenarios for the window ending on that date and starting one year earlier.

The annual period is chosen strategically based on the timing of the situation, and the annual stress period is reviewed quarterly. The stressed VaR window was established at year-end starting on 23/05/2011 and ending on 22/05/2012.

- **The incremental default and migration risk** reflects the risk related to changes in credit ratings or breach of positions in fixed-income instruments and credit derivatives in the trading portfolio, with a confidence level of 99.9%, one-year time horizon, and a quarterly liquidity horizon. Given the high liquidity of portfolio issuances due to the existence of strict inclusion criteria that limit the concentration by country, rating, issuance and issuer, the liquidity horizon is assumed to be three months for all risk factor products/families. Therefore, the weighted liquidity horizon is three months.

  It is estimated using the Monte Carlo simulation of possible future states for external issuer and issue ratings, based on transition matrices published by the main rating agencies, where dependence among credit quality variations between the different issuers is modelled using Student's t-distributions calibrated using historical CDS data series. This allows for higher correlations of default in the simulation.

Similarly to the IRB models, this sets a minimum probability of default of 0.03% a year. Incremental default and migration risk is mainly concentrated in the fixed-income desk, which is responsible for market making of sovereign debt and brokerage of private fixed-income securities. It covers all products with specific fixed-income risk: bonds, bond futures and credit derivatives.

**Daily VaR is defined as the highest of the three quantifications (historical VaR, 1-year parametric VaR and 75-day parametric VaR).**

For management purposes, CaixaBank uses a one-day time horizon in both its VaR and stress VaR models. The regulatory models require a time horizon of 10 days. Both VaR and stressed VaR for regulatory purposes are scaled up by multiplying the aforementioned management metrics by the square root of 10. The maximum, minimum and average values of these measurements during 2021 with the regulatory time horizon of 10 days, as well as their value at the close of the reference period, are shown in the following table.

## Table 7.2. EU MR3 - IMA[1] values for trading portfolios

*Amounts in millions of euros*

| | | |
|---|---|---|
| **VaR (10 day, 99%)** | | |
| 1 | Maximum value | 12 |
| 2 | Average value | 6 |
| 3 | Minimum value | 3 |
| 4 | Period end | 4 |
| **SVaR (10 day, 99%)** | | |
| 5 | Maximum value | 37 |
| 6 | Average value | 12 |
| 7 | Minimum value | 7 |
| 8 | Period end | 37 |
| **IRC (10 day, 99%)** | | |
| 9 | Maximum value | 24 |
| 10 | Average value | 17 |
| 11 | Minimum value | 7 |
| 12 | Period end | 7 |
| **Comprehensive risk capital charge (10 day, 99%)** | | |
| 13 | Maximum value | - |
| 14 | Average value | - |
| 15 | Minimum value | - |
| 16 | Period end | - |

[1] *IMA: Internal Model Approach.*

The different elements determining final regulatory charges using the internal market risk and RWA flows model for each of the aforementioned measurements are shown below. Charges for VaR and stressed VaR are identical and correspond to the maximum of the most recent available value and the arithmetic mean of the last 60 values, multiplied by a factor depending on the number of times the daily result was less than the estimated daily VaR. Similarly, requirements for Incremental Default and Migration Risk is the maximum of the last value and the arithmetic mean of the preceding 12 weeks. "Model updates/changes" in the RWA flows table mainly reflects the impact on RWA of changes to the calibration and current time frame: weekly for IRC and stressed VaR, and daily for VaR.

## Tabla 7.3. EU MR2-A - Market risk under the IMA

| *Amounts in millions of euros* | RWA | Capital requirements |
|---|---|---|
| VaR (higher of values a and b)+B5:B18 | 233 | 19 |
| Previous day's VaR | - | 4 |
| Average 60d x multiplication factor | - | 19 |
| Stressed VaR (higher of values a and b) | 635 | 51 |
| Latest SVaR | - | 37 |
| Average 60d x multiplication factor | - | 51 |
| IRC | 200 | 16 |
| Most Recent | - | 7 |
| Average over 12 weeks | - | 16 |
| Comprehensive risk | - | - |
| Most recent risk number | - | - |
| Average over 12 weeks | - | - |
| Other | 118 | 9 |
| **TOTAL** | **1,187** | **95** |

## Table 7.4. EU MR2-B - RWA flow statements of market risk exposures under the IMA

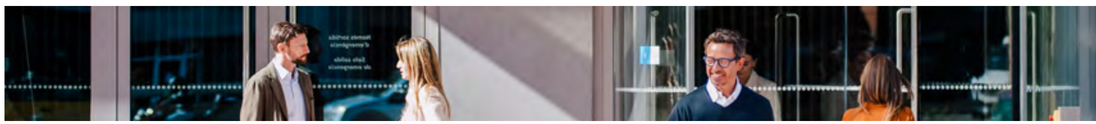
| *Amounts in millions of euros* | VaR | SVaR | IRC | Comprehensive risk measure | Other | Total RWA | Total capital requirements |
|---|---|---|---|---|---|---|---|
| **RWA at previous year end** | **313** | **575** | **222** | | **-** | **1,109** | **89** |
| Regulatory adjustment | (172) | (354) | - | | | (526) | (42) |
| **RWA at the previous year end (end of the day)** | **140** | **221** | **222** | | **-** | **583** | **47** |
| Movement in risk levels | (91) | 10 | (135) | | 118 | (98) | (8) |
| Model updates/changes | (5) | 228 | 5 | | | 228 | 18 |
| Methodology and policy | | | | | | | |
| Acquisitions and disposals | 1 | 1 | - | | | 3 | 0 |
| Foreign exchange movements | | | | | | | |
| Other | | | | | | | |
| **RWA at the end of the reporting period (end of the day)** | **46** | **461** | **91** | | **118** | **716** | **57** |
| Regulatory adjustment | 187 | 175 | 109 | | | 471 | 38 |
| **RWA at the end of the reporting period** | **233** | **635** | **200** | | **118** | **1,187** | **95** |

There was a slight increase in the RWA in the Internal Model, which is explained by the imposition of the add-on to the model multiplier, derived from the revision of the TRIM. In addition, this year, exposure to risk factors not included in the model's calculation engine (RNIME) has become apparent. However, the impact has been cushioned by reductions in VaR and IRC consumption due to lower exposure to corporate bonds and equities.

CaixaBank uses appropriate valuation models and inputs in accordance with standard market practice, prioritising in the following order: official market price, market price from independent contributors or valuation models according to commonly accepted methodologies and market inputs from standard market contributors. These valuation processes are managed by the Corporate Risk Management Function & Planning Division. As such, they are totally separate from the business areas. Furthermore, the processes are subject to internal review processes in compliance with IPV (Independent Price Verification) principles.

Although the valuations obtained are compared daily with other bank counterparties, the fair value of an asset may be exposed to a certain degree of uncertainty arising from the existence of alternative market data sources, the bid-offer spreads, alternative models and their unobservable parameters, and concentration or illiquidity of the underlying asset. The uncertainty in fair value is measured by adjusting eligible own funds through Additional Valuation Adjustments (AVA).

Adjustments for this uncertainty are applied and calculated mainly for assets with limited liquidity, where the most conservative bid-offer spread from comparable sources or conservative assumptions under the scope of the mark-to-model measurement are used (this term is used to determine prices by valuation model rather than via markets through observable market variables). It should be noted that the volume of Level 3 assets in the trading portfolio is marginal (EUR 29 million), and null for the internal market risk model perimeter, thereby significantly reducing the potential model risk.



## Verification of the reliability and consistency of the internal models

To confirm the suitability of the estimates of the internal model, daily results are compared against the losses estimated under the VaR technique, an exercise known as *backtesting*. The risk estimate model is checked in two ways:

- **Net or hypothetical backtesting**, which relates the portion of the daily marked-to-market result of open positions at the close of the previous session to estimated VaR over a one-day time horizon, calculated on the basis of the open positions at the close of the previous session. This backtesting is the most appropriate means of performing a self-assessment of the methodology.

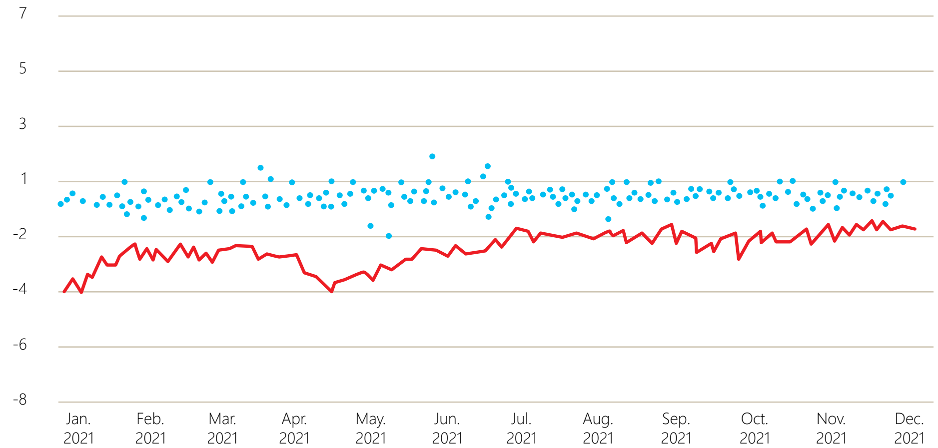
- **Gross (or actual) backtesting**, which compares the total result obtained during the day (including intraday transactions) to VaR for a one-day time horizon, calculated on the basis of the open positions at the close of the previous session. This provides an assessment of the importance of intraday transactions in generating profit and estimating the risk.

**The daily result used in both backtesting exercises does not include mark-ups, reserves, fees or commissions.**

## Table 7.5. EU MR4 - Comparison of VaR estimates with gains/ losses

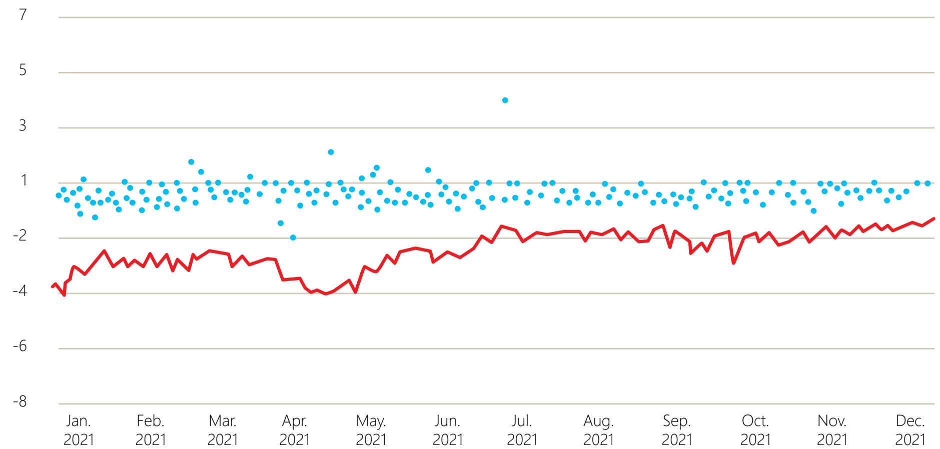
### Distribution of daily net profit vs daily VaR

*In millions of euros* • Net profit/(loss) — VaR




### Distribution of the daily gross profit vs daily VaR

*In millions of euros* • Net profit/(loss) — VaR



During the year, there were **no excesses in the gross or net backtesting** exercises of the internal model.

During the year, there were no excesses in the gross or net backtesting exercises of the internal model.

Backtesting is not carried out for the IRC model. Simulations, with an annual liquidity horizon or bell curve, run with different numbers to verify stability, are used to validate the internal consistency and accuracy of the results of the model. In its annual review, the Model Validation and Risk Department analyses the methodology used to calculate the IRC and describes any changes made since the last review. In addition, the IRC of the portfolio at a reference date is checked with the use of an internal tool developed independently of the one used to calculate capital requirements. Lastly, an assessment is made of the IRC's sensitivity to changes in the matrix of correlations, recovery rates and the probabilities of default.

### Stress test

Stress testing techniques are used on the value of the trading positions to calculate the possible losses on the portfolio in situations of extreme stress:

- **Systematic stress:** this technique calculates the change in value of the portfolio in the event of a specific series of extreme changes in all relevant factors. It considers parallel shifts in interest rate curves; changes at various points of the slope of the interest rate curve; variation of the spread between interest rate instruments and public debt securities (bond-swap spread); parallel shifts in the EUR/USD curves; movements in credit *spreads*; impact of *rating* changes; higher and lower volatility of interest rates; variation of the main exchange rates; variation in exchange rate volatility, share prices, variations in the volatility of shares and commodities.

- **Historical scenarios:** this technique addresses the potential impact of actual past situations on the value of the positions held, such as: the collapse of the Nikkei in 1990; the US debt crisis and the Mexican peso crisis in 1994; the 1997 Asian crisis; the 1998 Russian debt crisis; the emergence of the technology bubble in 1999 and its collapse in 2000; the terrorist attacks that have caused the most severe effects on the financial markets in recent years; the credit crunch of the summer of 2007; the liquidity and confidence crisis caused by the collapse of Lehman Brothers in September 2008; the increase in credit spreads in peripheral countries of the eurozone due to the contagion effect of the crises in Greece and Ireland in 2010; and the Spanish debt crisis in 2011 and 2012.

- **Reverse stress test:** a technique that assumes a high-vulnerability scenario given the portfolio's composition and determines what variations in the risk factors lead to this situation.

The analysis of historical scenarios and systematic stress is based on all business units, except for credit spread stress, which is only performed on the private fixed-income portfolio.

In IRC, stress testing is carried out in different types of scenarios, such as scenarios of default of relevant exposures, downgrading of a notch of different exposures. Depending on the characteristics of the portfolio, alternative scenarios are defined. These may include a rating downgrade for long positions and an upgrade for short positions if there are significant offsetting positions. Lastly, an assessment is made of the IRC's sensitivity to changes in the matrix of correlations, recovery rates and the probabilities of default.

## Monitoring and control

As part of the monitoring and control of the market risks assumed, there is a structure of overall VaR limits complemented by the definition sub-limits, stressed VaR and incremental default and migration risk, stress test and stop loss results and sensitivities for the various management units that could assume market risk.

The risk factors are managed using economic hedges on the basis of the risk-return ratio determined by market conditions and expectations, always within the assigned limits.

Beyond the trading book, fair-value hedge accounting is used, which eliminate potential accounting mismatches between the balance sheet and the profit and loss statement caused by the different treatment of hedged instruments and their hedges at market values. In the area of market risk, levels for each hedge are established and monitored, expressed as ratios between total risk and the risk of the hedged items.

The Market and Structural Risk Department, under the Corporate Risk Management Function & Planning Division, is responsible for monitoring these risks. To perform its functions, it monitors the contracts traded, calculates how changes in the market will affect the positions held (daily marked-to-market results), quantifies the market risk assumed, monitors compliance with global limits and analyses the ratio of actual return to the risk assumed. With the results obtained from these activities, it produces a daily report on positions, risk quantification and the utilisation of risk thresholds, which is distributed to Senior Management, the officers in charge of managing these risks, the Model Validation and Risk Department and the Internal Audit Department.

Therefore, it is responsible for reporting any breaches to Senior Management and the appropriate risk-taking unit, calling for the restructuring or closure of the positions leading to this situation or seeking explicit authorisation to maintain them from the appropriate body. The risk report is distributed daily and provides an explicit comparison between actual consumption and the authorised limits. Estimates of sensitivity and VaR are also reported daily, both at the aggregate level and segmented by risk factor and business unit, as well as the following market risk monitoring reports:

- All the activity of the Markets division.
- The position constituted by the internal market risk model for the calculation of capital requirements, including equity derivatives on investees.
- The foreign currency position in the banking book.

The monitoring process generally consists of three different sections: daily risk measurement, backtesting and stress testing.

Finally, CaixaBank's treasury and market activities and the risk measurement and control mechanisms used for these activities are subject to ongoing internal audit.

Based on the set of measures described above, the management of market risk on trading positions in markets is in accordance with current methodological and monitoring guidelines.

The management of market risk on trading positions in markets **is in accordance with current methodological and monitoring guidelines.**

# 8. Operational risk

# 8. Operational **risk**

RWA operational risk
**€18,371 M**

RWA under standardised approach
**100 %**

Distribution of operational losses
**90 %**
Commercial practices (73 %), process management (18 %), rest (9 %)

In the regulatory context, operational risk is defined as the possibility of incurring financial losses due to inadequate or failed internal processes, people and systems or from external events.

Given the varying nature of the operational events, CaixaBank includes the following operational risks in the Corporate Risk Catalogue: Legal/ Regulatory, Conduct, IT, Information Reliability, Model and Other Operational Risks.

For each of these risks in the Catalogue, the Group maintains specific management frameworks, without prejudice to the existence of an additional global operational risk management framework.

CaixaBank integrates operational risk into its management processes in order to deal with the financial sector's complex regulatory and legal environment. The objective of managing this risk is to improve the quality of business management, supplying the appropriate information to allow decisions to be made that ensure the organisation's long-term continuity, improvements to its processes and the quality of both internal and external customer service.

Although the standardised method is used to calculate regulatory capital, the Group's operational risk measurement and management is based on policies, processes, tools and methodologies that are risk-sensitive, in line with market best practices.

## Annual evolution

During 2021, Bankia's operational risk management was successfully integrated into CaixaBank, both for information systems purposes (corporate tools, databases, technical management, etc.) as well as management (internal and external reporting, dialogue structure, mitigation initiatives, etc.).

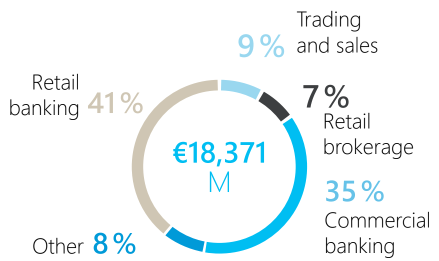
Reaching this milestone took place alongside the integration of operational risk management in CaixaBank Group, where the clearest focus was on preventing and mitigating future losses, as regards the monitoring performed by the Operational Risk Committee, continuing development of the specialised second line of defence functions, and deploying the control framework for non-financial risks.

In line with this reorientation, the RAF metrics related to operational risk have been revised and updated to enhance the focus on loss control and reduction actions.

The increase in economic and judicial activity in the context of the gradual return to normality, even as the pandemic remains ongoing, and the alignment of provisioning criteria for various Bankia matters have led to higher losses in 2021 than in 2020.

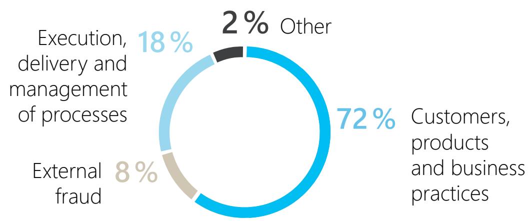
### Operational risk RWA

*Distribution by business line, %*




### Operational losses

*Distribution by operational risk category, %*



# 8.1. Operational risk management

## Definition

Operational risk is defined as the possibility of incurring losses due to the failure or unsuitability of processes, people, internal systems and external events. Given the varying nature of the operational events, CaixaBank does not list operational risk as a single item in the Corporate Risk Taxonomy. Instead, it has included the following operational risks: legal/regulatory, conduct and compliance, IT, information reliability, model and other operational risks. For each of these risks in the Taxonomy, the Group maintains specific management frameworks, without prejudice to the existence of an additional operational risk management framework corporate policy.

## General policy

The Group seeks to manage operational risk consistently across all companies within its scope as a financial conglomerate. It achieves this by promoting consistency in the tools, measurements and reporting used for all of them, ensuring the existence of full and comparable information for operational risk decisions. It also promotes the use of advanced measurement and management models for each business sector; these are implemented consistently with the degree of development and maturity in each sector.

The Group manages operational risk by having the necessary tools, policies and structures in place in accordance with the best market practices.

## Structure and organisation of the management of operational risk

### Governance framework

The pillars on which the Group's operational risk governance framework is based are:

- Compliance with the principles set out in corporate policy by Group companies within their scope.
- Corporate supervision of the parent company.
- Alignment of strategies between Group companies, and alignment with best practices, supervisory expectations and current regulations.
- Maximum involvement of the governing bodies and management of Group companies.
- Internal control framework based on the three lines of defence model that guarantees the strict segregation of functions and the existence of several layers of independent control.

### Control framework

In accordance with the Three Lines of Defence model, the Group's internal control framework for operational risk comprises the following layers of independent control:

- The **first line of defence** integrated into the procedures and processes of the operational units that effectively manage operational risk. It is responsible for applying internal policies and procedures in the field of operational risk; proactively implementing measures to identify, manage and mitigate operational risk; and establishing and implementing adequate controls
- The Compliance and Control Division is responsible for the direct exercise of the **second line of defence** functions for non-financial risks, which include operational risks (conduct, legal/regulatory, IT, information reliability and other operational risks). In particular:
  - The Compliance and Control Division is responsible for ensuring that the Group operates with integrity and in compliance with the applicable regulations, internal standards and standards of conduct. It also manages, monitors and controls compliance risk, which encompasses conduct risk and legal and regulatory risk.
  - The second line of defence has also developed control frameworks for the most relevant operational risks.
- The internal audit functions, as the third line of defence, are included in section 3.1.2. Internal Control Framework - **third line of defence.**

## Operational Risk Categories

Operational risks are structured into four categories or hierarchical levels, from the most generic to the most specific and detailed.

The main risk categorisation in the Group is based on Levels 1 and 2, as defined under the regulations (the most generic or aggregated). These are extended and developed for risk circumstances up to Levels 3 and 4, which are specific to the Group. These are obtained from a detailed analysis of operational risk at the divisional/Group company level, based on the regulatory Levels (1 and 2).

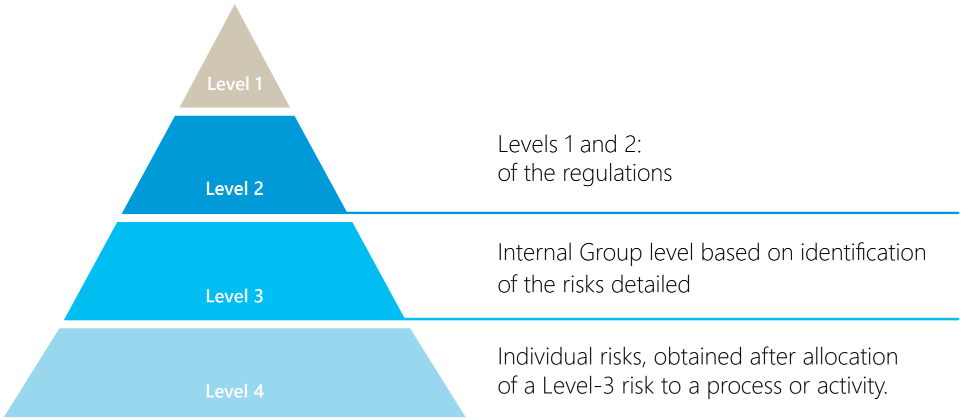
Level 1 comprises 7 sub-categories (Internal Fraud; External fraud; Employment and safety practices in the workplace; Customers, products and business practices; Damage to physical assets; Business interruptions and system failures; and execution, delivery and management of processes), and Level 2 comprises 20 sub-categories.

The Group has defined its own main risk categorisation based on an analysis of operational risk in the various divisions and companies of the Group. The categories are the same for the entire Group and are shared by the qualitative approaches to identifying risks and the quantitative measurement approaches based on an operational loss database.

Level 3 risk (internal to the Group) represents the combined individual risk of all the business areas and Group companies.

Level 4 represents the materialisation of particular Level 3 risks in a specific process, activity or area.

The following diagram illustrates the classification of operational risk types (Levels 1-4) in the Group.




## Risk management. Measurement and information systems

The Group's overall objective with regard to the management of operational risk comprises a number of specific objectives that form the basis for the organisation and working methodology for managing operational risk. These objectives are:

- To identify and anticipate existing and/or emerging operational risks.
- To adopt measures to mitigate and sustainably reduce operational losses.
- To promote the establishment of systems for continuous improvement of the operating process and of the control structure.
- To exploit operational risk management synergies.
- To promote an operational risk management culture.
- To comply with the current regulatory framework and requirements for the applicability of the management and calculation models chosen.

**The main milestones in 2021 were:**

- Definition of the Non-Financial Risk Control Framework and continued deployment of Second Line of Defence functions specialised in the risks of the Corporate Risk Catalogue.
- Risk Appetite Framework (RAF): redesign of operational risk metrics.
- Annual updating of operational risk self-assessments and related controls, and extreme operational loss scenarios.
- Specific projects to reduce the main recurrent operational losses.
- Monthly budgetary monitoring of operational losses.
- Optimisation of the pool of operational risk indicators, KRIs.
- Calculation and regular monitoring of fraud rates for PSD2.

## 8.2. Minimum capital requirements

The following table shows the Group's RWA and own funds requirements for operational risk at 31 December 2021.

### Table 8.1. EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

| | | Relevant indicator | | | | |
|---|---|---|---|---|---|---|
| | *Amounts in millions of euros* | 31.12.2021 | 31.12.2020 | 31.12.2019 | Own funds requirements | Risk weighted exposure |
| 1 | Banking activities subject to basic indicator approach (BIA) | - | - | - | - | - |
| 2 | Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches | 10,682 | 10,882 | 11,114 | 1,470 | 18,371 |
| 3 | Subject to TSA: | 10,682 | 10,882 | 11,114 | - | - |
| 4 | Subject to ASA: | - | - | - | - | - |
| 5 | Banking activities subject to advanced measurement approaches AMA | - | - | - | - | - |

## Calculation of eligible own fund requirements

The Group applies the standardised approach for calculating regulatory capital requirements for operational risk, which consists of multiplying a Relevant Indicator of operational risk exposure by a coefficient.

The indicator, which is approximately equivalent to the three-year average of the gross margin of the income statement, must be broken down into eight regulatory business lines, which are assigned a specific multiplier coefficient, as shown in the following table:

### Table 8.2. RWA by Business Line

| *Amounts in millions of euros* | Gross Income Average | RWA | RWA Density | Capital Requirements |
|---|---|---|---|---|
| Retail Banking | 5,016 | 7,524 | 150% | 602 |
| Retail Brokerage | 833 | 1,249 | 150% | 100 |
| Asset Management | 605 | 907 | 150% | 73 |
| Commercial Banking | 3,406 | 6,386 | 187% | 511 |
| Agency Services | 53 | 99 | 187% | 8 |
| Trading and Sales | 729 | 1,640 | 225% | 131 |
| Corporate Finance | 178 | 400 | 225% | 32 |
| Payment and Settlements | 74 | 167 | 225% | 13 |
| **Total** | **10,893** | **18,371** | **169%** | **1,470** |

This assumes that financial institutions are able to map the corresponding part of the Relevant Indicator to each of these regulatory business lines.

The regulatory framework establishes that financial institutions using the standardised approach must comply with certain requirements for operational risk management and measurement, as outlined below:

**a.** financial institutions shall have a well-documented operational risk assessment and management system with clearly assigned responsibilities. This system shall be subject to regular independent review by an internal or external service with the necessary expertise for this purpose;

**b.** the financial institution's operational risk assessment system shall be fully integrated into its risk management processes. The results of this system must be actively used in the process of monitoring and controlling the institution's operational risk profile;

**c.** financial institutions shall implement a senior management information system that reports on operational risk to managers responsible for the relevant functions within the institution. Financial institutions shall have procedures in place to take appropriate action based on the information contained in such reports.

## 8.3. Operational risk management mechanisms

The management model is structured as follows:

**OBJECTIVE:** EXCELLENCE IN **MANAGEMENT**

Risk Appetite

**IDENTIFY** — Key elements for Operational Risk Management

**MEASURE**

- Internal database
- Self-assessments
- Operational risk scenarios
- Risk Indicators (KRIs)
- External database (ORX)

**MONITOR** — Measurement, monitoring and mitigation

**MITIGATE**

- Reporting Big Data
- Methodology and Advanced Capital Measurement
- Mitigation and correction plans for identified weaknesses

**STRATEGY AND CULTURE**

- Internal Policies and Procedures
- Operational Risk Management culture

GOVERNANCE AND MANAGEMENT STRUCTURE

The different methodologies implemented through operational risk management mechanisms and the measurement, monitoring and mitigation tools and procedures form part of the set of basic operational risk identification, measurement and evaluation tools, representing best practice in the sector.

The technological environment of the operational risk system provides all the functionality required and is fully integrated into the bank's transactional and information systems.

The main system is supported by an integrated tool, which has been customised to the Bank's needs. This component provides most of the functionality required for day-to-day operational risk management.

The tool is fed by multiple data sources from the transactional systems (of the bank itself and some Group companies) on a daily basis to capture key events, losses and key risk indicators (KRIs) for operational risk. It also offers interfaces for updating the organisational structure and other sources included in the data model.

All risk self-assessment processes, loss enrichments, KRI management, identification of weaknesses, action plans, etc. are carried out through workflows managed and controlled by the tool, keeping the persons responsible for pending tasks up-to-date with what is happening.

The system also supports loss reporting to the international Operational Riskdata eXchange Association (ORX).

Finally, it is also important to note the integration with the Bank's information system: multiple interfaces have been designed for downloading all information from the system and uploading it into the Big Data environment to provide an analytical environment.

Operational risk is measured with the following aspects:

## Quantitative measurement

**Internal database**

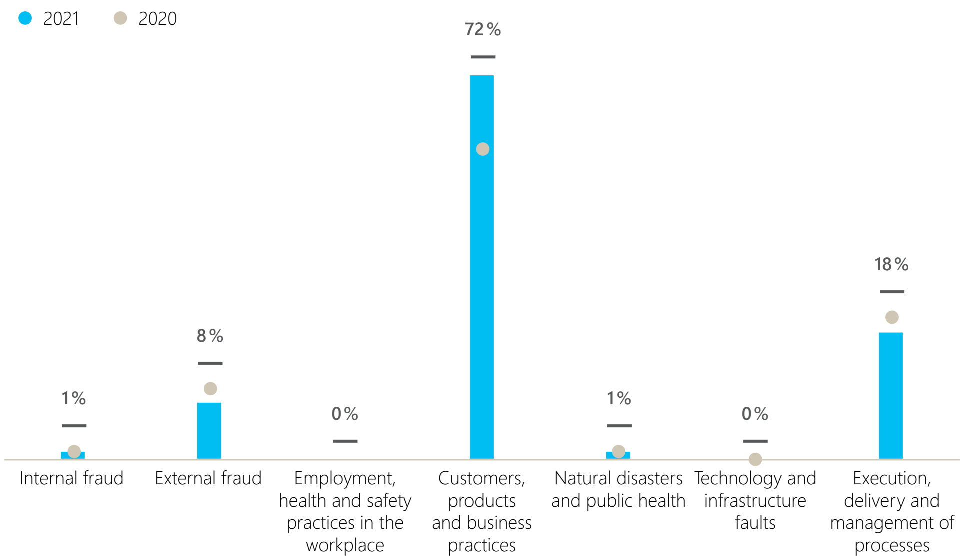
The internal operational loss database is one of the foundations for managing operational risk.

An **operational event** is the implementation of an identified operational risk, an event that causes an operational loss. It is the central concept in the Internal Database model. Loss events are defined as each individual economic impact related to an operational loss or recovery.

Therefore, an operational event may result in one, several or no operational effects, which may in turn be identified in one or several areas.

**The distribution of gross operating losses by regulatory category (Level 1) of risk is shown below:**

### Distribution of gross losses by operational risk category



### External database

CaixaBank supplements its internal loss data with the anonymous quarterly exchange of external losses incurred at other institutions in the sector, through an association set up for this purpose (ORX).

This information allows us to increase the volume of information on events, which is used as an initial element in the qualitative scenario methodology, identify new operational risks and improve analytical capabilities for measuring operational risk.

## Qualitative measurement

### Self-assessment

Operational risks are subjected to self-assessments on an annual basis, which make it possible to: **(i)** obtain knowledge about the operational risk profile and new critical risks; and **(ii)** maintain a standardised update process for the taxonomy of operational risks, which is the foundation upon which this risk's management is defined.

The self-assessments process involves the following phases:

- The centres update and confirm the operational risk map (risks assigned to different centres).
- Risk assessment by the centre to provide estimates related to: the potential frequency and impact of possible loss events, the allocation of the risk to the appropriate Business Line, and assessment of the associated control.
- Validation of the assessment by the centre manager.
- Final validation by the Operational Risk Division.

In 2021, the annual update of the self-assessment of operational risks has been completed (having identified approximately 670), which will be used as a starting point for the 2022 budgeting.

### Operational Risk Scenarios

A series of expert workshops and meetings are also held annually to generate hypothetical extreme operational loss scenarios. The objective is to use these scenarios to detect areas of improvement in the management and to supplement the available external and internal historical data on operational losses.

### Operational Risk Indicators

Key Risk Indicators (KRIs) relating to operational risk are a tool used to measure quantitative or qualitative aspects that make it possible to: **(i)** anticipate changes in operational risks, enabling a forward-looking approach to their management; and **(ii)** provide information on changes to the operational risk profile and the reasons for such changes. A KRI is a metric that detects and anticipates changes in such risk; its monitoring and management is integrated in the operational risk corporate management tool. KRIs are not by nature a direct result of risk exposure. They are metrics that can be used to identify and actively manage operational risk.

The main concepts in the definition and structure of KRIs for operational risk are: the definition of each KRI (including any sub-KRIs), thresholds, alerts (and related actions), frequency, the updating method and criticality.

A comprehensive analysis and optimisation project has continued during 2021 with regard to KRIs. The objectives have been to maximise the coverage of risks or centres, as well as to review the suitability of the set of pre-existing indicators.

### Action and mitigation plans

With the aim of mitigating the operational risk, action plans that entail appointing a centre to be in charge, setting out the actions to be undertaken to mitigate the risk, the percentage or degree of progress, which is updated regularly, and the plan's final commitment date have been defined. This allows mitigation via **(i)** decreasing the frequency at which the events occur, as well as their impact; **(ii)** having a solid control structure in place, based on policies, methodologies and systems; **(iii)** integrating information generated by the operational risk management mechanisms into the Group's day-to-day management processes.

The process for defining and following up on action and mitigation plans is developed across three stages, as shown below:


### Operational loss budget

An annual operational loss budgeting exercise is carried out that covers the entire scope of management and enables monthly monitoring to analyse and, where applicable, correct any deviations.

### Risk transfer (insurance)

> The corporate insurance programme for mitigating operational risk is designed to cover certain risks, and it is updated annually.

The corporate insurance programme for mitigating operational risk is designed to cover certain risks, and it is updated annually. Risk transfer depends on risk exposure, tolerance and risk appetite at any given time.

Each year, an action plan is drawn up for the risk and insurance management system. The plan is predicated on the identification and assessment of operational and calamity risks, the analysis of risk tolerance, and the reduction of the total cost of risk (retention + transfer). This enables risk management and coverage to be integrated and streamlined as efficiently as possible, at the lowest cost possible, and with optimal security in accordance with the defined standards.

### Reporting framework

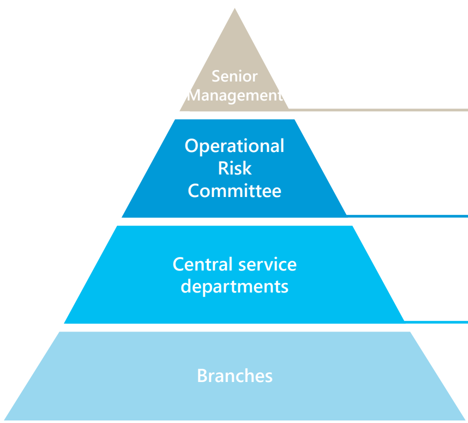
Establishing an adequate reporting framework is essential for managing operational risk. The main goals are:

- To provide Senior Management and the Governing Bodies with timely, accurate, clear and sufficient information to facilitate decision-making and verify that transactions are being conducted within the set risk tolerance.
- To meet the reporting requirements of the supervisory bodies.
- To keep the Group's shareholders and stakeholders informed.
- To provide the managers of the different departments, particularly the management and control departments, with the necessary information to perform their operational risk-related duties.

This information is presented directly to the Operational Risk Committee by the responsible areas or designated persons of other committees or delegated task forces.

The Operational Risk Committee also reports periodically to the Global Risk Committee regarding the matters approved and information discussed during its meetings, as well as aspects that may materially affect the fulfilment of the risk appetite or the level of capital requirements.

Accordingly, the Risk Management Function provides Senior Management and Governing Bodies with regular information on operational risk management, which includes at least an annual summary of the activities carried out by the second line of defence related to the management of this risk (activity report).




**For the Global Risk Committee and the Board of Directors:** ad-hoc periodic reporting for decision-making and the approval of key elements. The Board of Directors and Governing Bodies remain above.

The members of the Operational Risk Committee will be informed through the specific monthly **dashboard**.

**Through the SAP tool**, each department can access the reports automatically for the continuous management of Operational Risk.

Operational losses incurred during each month are reported in the profit and loss account of each branch, which can be consulted through the CMR tool.

**Operational risk training and culture initiatives**

One of the fundamental objectives of the operational risk management model is to ensure it is applied correctly on a day-to-day basis. For this purpose, the model is promoted through training sessions and the fostering of an operational risk culture throughout the Group.

The purpose of this operational risk culture training and promotion is:

- to raise awareness of operational risk, specifically in those areas and companies where it could materialise and which could foresee or detect it; and

- to internalise operational risk as inherent to all the organisation's processes, ensuring that it is considered by all Group areas and companies when defining and developing processes, activities and methodologies.

Operational risk training processes are conducted on three levels (virtual classroom, supplementary documentation and specific initiatives), which cover with differing scope and depth of training requirements both at the general management tool level and at the specialised level of the various types of risks included in the set of operational risk.

## 8.4. Connection with the Corporate Risk Catalogue

> The following risk categories in the **Corporate Risk Catalogue** are identified as operational risks: conduct and compliance, legal/regulatory, IT, information reliability, model and other operational risks.

### 8.4.1 Conduct and compliance risk

Within the framework of operational risk according to the regulatory definition, conduct and compliance risk is defined as the risk of the Group applying criteria for action contrary to the interests of its customers and stakeholders, or actions or omissions by the Group that are not aligned with the legal or regulatory framework, or with internal policies, regulations or procedures, or with the codes of conduct and compliance, ethical standards and good practice. The Group's objective is to: (i) to minimise the probability of this risk occurring and (ii) if it does, to detect, report and address the weaknesses promptly.

The management of compliance and conduct risk is not limited to any specific area, but rather the entire Group. All employees must ensure compliance with prevailing regulations, applying procedures that capture regulations in their activity.

In order to manage compliance and conduct risk, the dissemination and promotion of the values and principles set out in the Code of Business Conduct and Ethics are encouraged, and all employees of CaixaBank Group and members of the governing bodies must ensure that they are compliant as a core criterion guiding their day-to-day activities. Therefore, as the first line of defence, the areas whose business is subject to compliance and conduct risk implement and manage the first level of indicators and controls to detect potential sources of risk and act effectively to mitigate them.

CaixaBank is firmly committed to preventing money laundering and the financing of terrorism. It is considered fundamental to establish the necessary measures and to revise them regularly in order to ensure that CaixaBank products and services are not used for any illegal activity. In this regard, CaixaBank collaborates with regulators and security forces and reports all suspicious activities detected.

In accordance with Law 10/2010, CaixaBank implements a risk-based model through which it establishes, applies and maintains procedures to prevent and detect money laundering and the financing of terrorism, as well as mechanisms for the correct application of the international financial sanctions and countermeasures applied in the performance of its activities, business and relations, both nationally and internationally, adopting measures to prevent and minimise the risks to which it is exposed.

The main money laundering and terrorist financing prevention measures are as follows:

- CaixaBank's AML/CFT governance structure.
- Internal policies, procedures and regulations for the prevention of money laundering.
- Risk-based approach. Robust risk control and early identification and mitigation processes are implemented.
- Recurrent training to facilitate understanding of AML/CFT risk throughout the organisation
- Communication and awareness-raising for employees in the commercial network (compliance culture)
- Traceability and data quality *(*Analytics as the basis of transformation)
- Design and digitalisation of processes through the use of technology (preventive measures)
- Adequate resources (technology, organisational structure and equipment)
- Reporting to senior management and governing bodies
- Permanent contact with regulators and supervisors and full collaboration with the Government Security Forces and Agencies

Spanish law requires an annual review by an independent external expert of the organisation's anti-money laundering measures. No significant deficiencies were identified in the review carried out in 2020.

## 8.4.2 Legal and regulatory risk

Legal and regulatory risk is understood as the potential loss or decrease in the profitability of CaixaBank Group as a result of changes in the legislation, the improper implementation or interpretation of such legislation in CaixaBank Group's processes and its various operations, improper management of legal and administrative requirements or claims or complaints received.

This risk is managed by following certain activity principles in order to ensure that the risk appetite and tolerance limits defined in the Group's Risk Appetite Framework are respected.

Accordingly, the Group undertakes constant monitoring and control of regulatory changes with a view to ensuring greater legal protections and in defence of its legitimate interests (mainly those described in Note 3.1 related to the regulatory environment). With regard to the latter, these actions are coordinated through the Regulation Committee, the body responsible for establishing the strategic positioning of the Group in matters concerning financial regulation, promoting the representation of the Bank's interests and coordinating the regular assessment and the regulatory initiatives and proposals that may affect the Group.

Furthermore, a group of committees (Transparency Committee, Privacy Committee) is coordinated to monitor, with regard to all the bank's activities, compliance with consumer protection and privacy regulations.

To ensure the correct interpretation of the rules, as well as a study of precedent and the rulings from the competence authorities, the competent administrative authorities are also consulted when necessary, in order to adjust its actions to these criteria.

Regarding claims filed with the Customer Service Department, as well as the sustained flow of existing litigation, the Group implements policies, criteria and procedures to analyse and monitor these claims and judicial processes. These elements provide a better understanding of the activities carried out by the Group with a view to identifying and establishing constant improvements in contracts and processes, implementing regulatory disclosure measures and promptly restoring customers' rights in the event of possible incidents through agreements and the establishment of the appropriate accounting hedges, in the form of provisions, to cover hypothetical financial losses whenever they are considered likely to occur.

## 8.4.3 IT risk

Also with regard to regulatory operational risk, the Corporate Risk Taxonomy defines information technology risk as the risk of losses due to hardware or software inadequacies or failures in technical infrastructure, due to cyberattacks or other circumstances, that could compromise the availability, integrity, accessibility and security of the infrastructures and data. The risk is broken down into 5 categories that affect ICT (Information and Communications Technology): **i)** availability; **ii)** information security; **iii)** change management and operation; **iv)** data integrity; and **v)** governance and strategy.

The current measurement of this risk is included in a regularly monitored RAF indicator, calculated using individual indicators and controls linked to the different fields comprising IT risk. Regular spot checks are carried out to verify the quality of the information and methodology used to create the reviewed indicators.

The internal frameworks of governance associated with the various areas IT risk have been designed according to leading international standards, and they are aligned with the Guidelines published by the different supervisors:

- IT governance, designed and developed under the ISO 38500 standard.
- Information Security, designed and developed in accordance with ISO 27002 and the certification of the Information Security Management System based on ISO 27001.
- Technological contingency, designed and developed under the ISO 27031 standard.
- Governance of information and data quality, designed and developed in accordance with the standard BCBS 239.

CaixaBank's governance frameworks and management systems aim to guarantee:

- Compliance with the recommendations of regulators: Bank of Spain, European Central Bank, etc.
- Maximum security in operations, both in habitual processes and in extraordinary situations.

And it also demonstrates to its customers, investors and other stakeholders:

- Its commitment to the governance of information technology, security and business continuity.
- The implementation of management systems in accordance with the most recognised international standards.
- The existence of different cyclical processes based on ongoing improvement.

Similarly, CaixaBank has been designated a critical infrastructure operator by virtue of the provisions of Act 8/2011 and is under the supervision of the National Centre for the Protection of Critical Infrastructures dependent on the State Secretariat of the Ministry of the Interior.

Furthermore, CaixaBank has a general emergency plan and various internal regulations on security measures, which include priority aspects such as: **i)** cybersecurity strategy; **ii)** the fight against customer fraud and internal fraud; **iii)** data protection; **iv)** security governance and disclosure; and **v)** supplier security.

CaixaBank's second line of defence has developed a control framework for this risk, based on international standards, which assesses the effectiveness of the control environment and measures the residual risk level, establishing mitigation plans where necessary.

## 8.4.4 Information reliability risk

Information reliability risk is defined in the Corporate Risk Catalogue as deficiencies in the accuracy or integrity of and the criteria used to prepare the data and information necessary to evaluate the financial and equity situation of CaixaBank Group or the information provided to stakeholders and that published to allow the market a holistic vision of the sustainability of the business in terms of its environment and in relation to environmental, social and governance (ESG) principles.

The Group has Corporate Policies approved by CaixaBank's Board of Directors that establish the risk control and management framework, including:

- The purpose of the corporate management policy of financial information reliability risk is to establish and outline the following:
  - Regarding financial information reliability risk:
    - a reference framework that allows it to manage financial information reliability risk related to the individual and consolidated information generated at CaixaBank to be disseminated, homogenising criteria on control and verification activities;
    - the scope of the financial information to be covered;
    - the governance framework to be followed both for the information to be disclosed and for the verification of such documentation;
    - the criteria related to the control and verification of the information to be disclosed in order to guarantee the existence, design, implementation and correct functioning of an Internal Control over Financial Reporting (ICFR) system to mitigate this risk.
  - Regarding risk associated with the reliability of financial reporting:
    - the governance and review process covering the non-financial information statement included in the Management Report,
- Corporate policy on information and data quality governance, which regulates the governance of data and the presentation of reports.

This risk is managed, in the main, by assessing whether the information of the Group complies with the following principles:

- **Existence and occurrence:** transactions, occurrences and other events included in the financial information genuinely exist and were documented at the right time.
- **Integrity:** the information includes all transactions, facts and other events in which the Group is the affected party.
- **Assessment:** transactions, occurrences and other events are recorded and assessed in accordance with regulations in force.
- **Presentation, disclosure and comparability:** the transactions, occurrences and other events are classified, presented and disclosed in the financial and non-financial information in accordance with applicable standards.
- **Rights and obligations:** on the corresponding date, the financial information reflects rights and obligations through the corresponding assets and liabilities, in accordance with applicable regulations.

### 8.4.5 Model risk

The Corporate Risk Catalogue defines model risk as the potential adverse consequences for the Group arising from decisions based mainly on the results of internal models with errors in their construction, application or use.

Specifically, the sub-risks identified under model risk that are subject to management and control are as follows:

- Quality risk: potential negative impact due to unpredictive models, either due to construction defects or due to the lack of updates over time.
- Governance risk: potential negative impact due to inadequate governance of model risk (e.g., models not formalised in committees, relevant models without second-line defence opinion or models that have not been correctly inventoried).
- Control environment risk: potential negative impact due to shortcomings in the model control environment (e.g., models with overdue recommendations or unfulfilled mitigation plans).

The model risk general stategy is based on the following pillars:

- Identification of model risk, using the Corporate Inventory of Models as a key element to lay down the boundaries of the models within the scope. Managing model risk relies on identifying the existing models and assessing their quality and application in the Group. It is essential to have a single register of models to standardise the concept of models and define a common taxonomy that includes, among other attributes, their relevance and assessment.

- Model governance, which addresses key aspects such as:
  - Identification of the most relevant phases within the life cycle of a model, defining roles and minimum standards for the execution of these activities.
  - Tier-based management, i.e. the way in which the control framework of models can be adjusted according to the overall relevance of the model. This element will shape the control environment of the model, such as the type and frequency of validation, the type and frequency of monitoring, the body that has to approve its use, as well as the level of internal oversight or involvement of senior management.
  - Governance and management of changes in models from a cross-cutting perspective, offering different model owners the necessary flexibility and agility to change the affected models, following the most appropriate governance in each case.
  - Definition of internal validation standards that guarantee the correct application of controls for an independent unit to assess models.
- Monitoring, based on a control framework with a forward-looking approach to model risk that enables risk to be kept within the parameters defined in the Group's RAF, through the periodic calculation of appetite metrics and other specific model risk indicators.

As main milestones, in 2021, the framework for managing and controlling model risk was developed alongside stakeholders in related areas (developers and validation units). The Group also implemented the reporting framework, which allows the most relevant models to be disclosed, as well as significant aspects of risk management. Finally, the progressive roll-out of the function in significant subsidiaries has continued.

Further consolidation of the development of the function is planned for 2022 with a focus on the effective implementation of the governance framework for non-regulatory models, the evolution of the model risk monitoring framework, the development of architectures for efficient risk management and the advancement of the corporate roll-out of the function.

## 8.4.6 Other operational risks

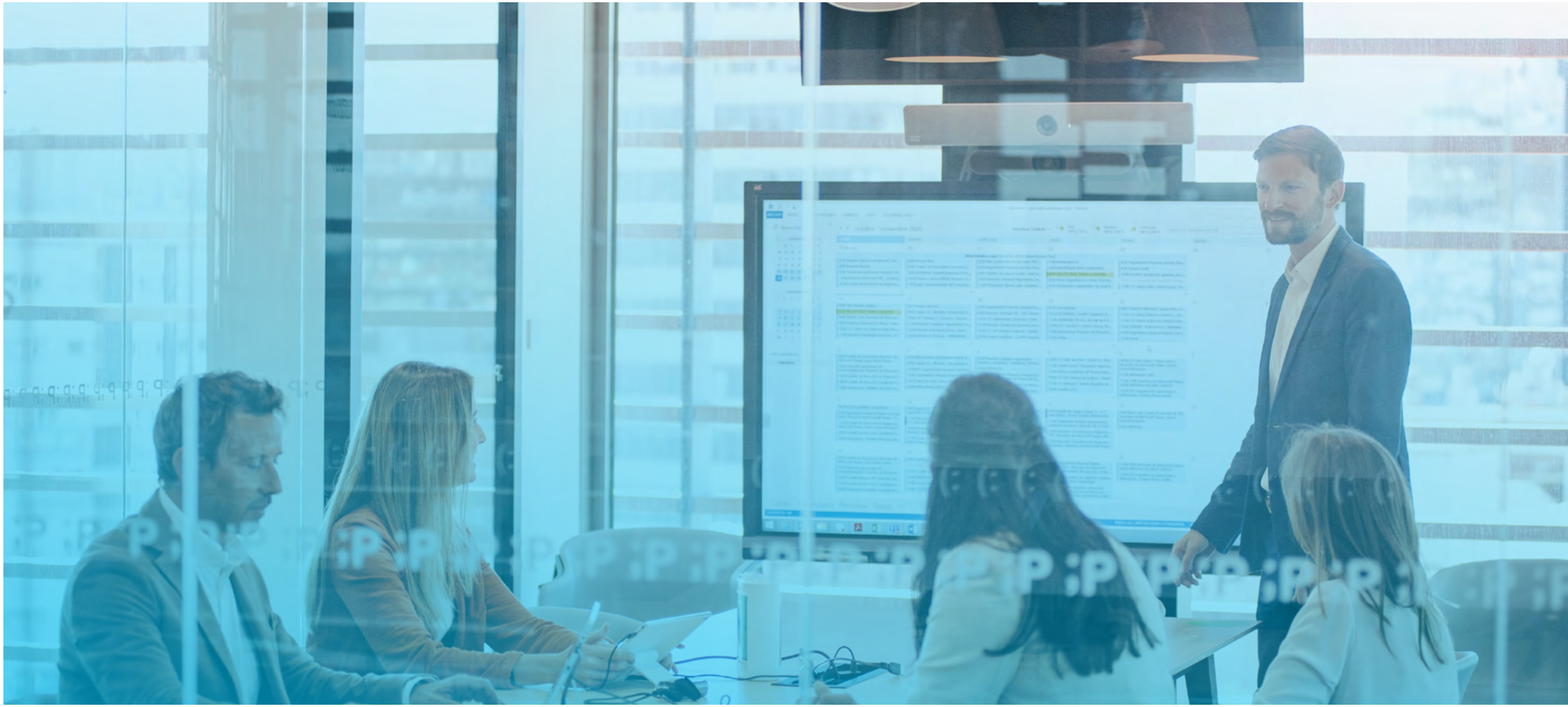
### Definition and general policy

In the Corporate Risk Catalogue, this is defined as the losses or damage caused by errors or shortcomings in processes, due to external events or the accidental or intentional actions of third parties outside the Group. This includes risk factors related to outsourcing, business continuity and external fraud.

All of the Group's divisions and companies are responsible for the operational risks within their respective remits. This means identifying, assessing, managing, controlling and reporting on the operational risks of their activity and helping CaixaBank's Non-Financial Risk Control Division (Compliance and Control Division) to implement the management model throughout the Group.

CaixaBank's second line of defence has developed control frameworks for outsourcing and external fraud risks (similar to those used for IT risk) to assess the effectiveness of the control environment and measure the level of residual risk, establishing mitigation plans where necessary. These reports are presented to management and governing bodies.

# 9. Business return **risk**



# 9. Business return **risk**

Business profitability risk refers to obtaining results lower than market expectations or the Group's targets which prevent the Group from reaching a profitability level that is higher than the cost of capital.

The Group's return targets, backed by a process of financial planning and monitoring, are defined in the Group's 3-year Strategic Plan, and they are set each year in the Group's Budget and in the Commercial Network Challenges.

The Group has a Corporate Policy for Business Return Risk management. The management of this risk is based on four management visions:

- Group Vision: the overall aggregated return at CaixaBank Group level.
- Business/Territory Vision: the return of businesses/territories.
  - Financial and Accounting Vision: the return of the different corporate businesses.
  - Commercial and Management Vision: the return of the management of CaixaBank's commercial network.
- Pricing vision: the return based on the pricing of CaixaBank products and services.
- Project Vision: the return of the Group's significant projects.

The business profitability risk management strategy is closely integrated with the Group's solvency and liquidity management strategy and is based on strategic risk processes (Corporate Risk Catalogue, Risk Assessment and RAF).

# 10. Liquidity and funding **risk**

# 10. Liquidity and funding risk

Total liquid assets - HQLAs + collateral available in facility
**€168,349 M**

LCR at 31 December
**336 %**

Retail funding over total funding
**91 %**

This risk analysis evaluates the Group's ability to access market financing, meet its payment obligations and finance its investment activity.

Liquidity and funding risk in CaixaBank Group is managed to ensure that the Group can comfortably meet all of its payment obligations and to prevent its investment activities from being affected by a lack of lendable funds, whilst remaining compliant with the appetite thresholds established in the RAF (Risk Appetite Framework) at all times.

This goal allows a stable and balanced funding structure to be maintained, with a predominant contribution from customer deposits and limited use of wholesale markets, in line with the Group's funding strategy.

## Annual evolution

Its liquidity metrics remained at comfortable levels throughout 2021. At 31 December 2021, total liquid assets stood at EUR 168,349 million, up EUR 53,898 million in the year, an increase of 47.1 % year-on-year, mainly due to the integration of Bankia and the evolution of the commercial *gap*.

At 31 December 2021, the Liquidity Coverage Ratio (LCR) stood at 336 %[1], above the minimum regulatory requirement of 100 %, and the Net Stable Funding Ratio (NSFR) stood at 154 %, above the minimum regulatory requirement of 100 % as of June 2021.

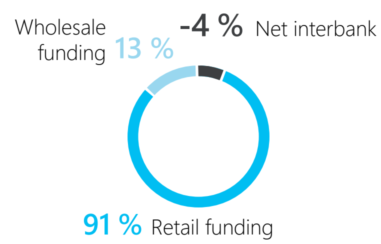
The balance drawn under the ECB facility at 31 December 2021 amounted to €80,752 million, corresponding to TLTRO III. The total balance drawn increased by €31,027 million in the year (+62.4 %), mainly due to the incorporation of Bankia drawdowns and the additional use of TLTRO III.

The funding strategy is built on two key aspects: (i) a funding structure based mainly on customer deposits, as reflected in a Loan-to-Deposits LTD ratio of 89 % at 31 December 2021; (ii) supplemented with wholesale funding.

The structure of wholesale issuances is diversified and the maturity profile is comfortable, with relatively low amounts maturing over the coming financial years.

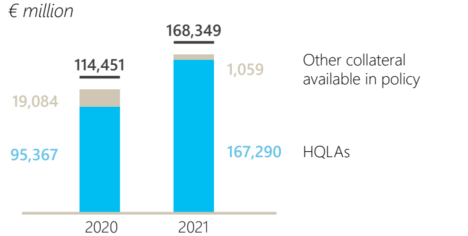
**Financing structure**

*Distribution by source of funding, %*



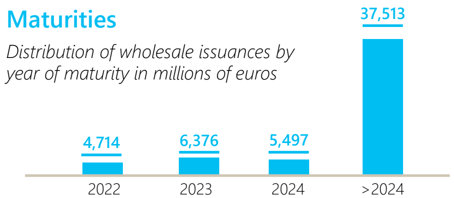

**Total liquid assets**

*€ million*




**Maturities**

*Distribution of wholesale issuances by year of maturity in millions of euros*




[1] *12-month average LCR 320 % (includes Bankia's contribution as of March 2021).*

# 10.1. Liquidity and funding risk management

## Definition and general policy

Liquidity and funding risk is the risk of insufficient liquid assets or limited access to market financing to meet contractual maturities of liabilities, regulatory requirements, or the investment needs of the Group.

With the aim of ensuring correct risk management, the Group has a corporate liquidity risk management policy which lays down the corporate principles, governance framework, control framework and information reporting framework, which is applicable to all Group companies with exposure to such risk.

The Group manages this risk in order to maintain liquidity at levels to ensure payment obligations can be met comfortably on time, without harming investment activity owing to a lack of lendable funds, whilst remaining complaint with the Risk Appetite Framework (RAF) at all times.

As stated by the members of the Board of Directors in the Concise Statement of this document:

- The risk management framework implemented by the Group is deemed appropriate in relation to the approved Risk Appetite.
- The Group maintains a medium-low risk profile with liquidity levels in line with the business model and Risk Appetite defined by the Board of Directors.
- The liquidity metrics are comfortable vis-à-vis payment commitments, with a stable funding structure and comfortable maturity profile over the coming years.
- The Group has coherent liquidity metrics that are consistent with its management policies and which are considered to be aligned with the Risk Appetite Framework established by the Board of Directors.

Liquidity risk management is decentralised across three units (CaixaBank sub-group, BPI sub-group and CaixaBank Wealth Management Luxembourg, S.A.).

### Liquidity risk management strategies and processes

**a.** Identifying material liquidity risks for the Group and its liquidity management units.

**b.** Formulating the strategic principles the Group must observe in managing each of these risks.

**c.** Establishing the relevant metrics for each of these risks.

**d.** Establishing appetite, tolerance and, where applicable, *recovery* thresholds within the RAF.

**e.** Setting up management and control procedures for each of the risks, including mechanisms for internal and external systematic monitoring.

**f.** Defining a *Stress-Testing* Framework and a Liquidity Contingency Plan to ensure that liquidity risk is managed accordingly in situations of moderate and serious crisis.

**g.** And a recovery planning framework, in which scenarios and measures are devised for stress conditions.

The liquidity strategy can be summarised as the maintenance of liquidity levels within the RAF in order to comfortably meet all payment obligations on time and prevent investment activities from being affected by a lack of lendable funds.

In particular, the Group holds specific strategies with regard to: **(i)** management of intraday liquidity risk; **(ii)** management of the short-term liquidity; **(iii)** management of sources of financing/concentrations; **(iv)** management of liquid assets; and **(v)** management of encumbered assets.

Similarly, the Group has procedures to minimise liquidity risks in stress conditions through **(i)** the early detection of the circumstances through which it can be generated; **(ii)** minimise negative impacts and **(iii)** sound management to overcome a potential crisis situation.

CaixaBank has established risk appetite indicators at the Group and management unit levels. These include the following main indicators:

- **Level 1**[2] where five indicators are established in the areas of:**(i** and **ii)** short-term liquidity (position and Liquidity Coverage Ratio [LCR]), **(iii** and **iv)** long-term funding structure (NSFR and retail), and **(v)** cost of wholesale funding.

- **Level 2**[3] where nine secondary indicators are established in the areas of: (i) short-term liquidity (position), **(ii)** balance sheet structure (wholesale), **(iii)** concentration of wholesale funding maturities, **(iv)** concentration of funding from large counterparties, **(v)** and **(vi)** concentration of ECB funding, **(vii)** intraday liquidity, **(viii)** asset encumbrance and **(ix)** stress metric.

In addition, a stress metric is in place to ensure the integration of stress exercises into risk appetite and risk management processes. This metric is based on an internal stress model that was developed to comply with best practices (EBA "Guidelines on institutions' stress testing EBA/GL/2018/04") and the EBA ILAAP guidelines called "Guidelines on ICAAP and ILAAP: information collected for SREP purposes").

CaixaBank Group uses liquidity stress tests (internal model, LCR-based survival period, liquidity stress for ICAAP and liquidity stress for recovery plan) as a key element for decision-making in the field of liquidity risk. Among other things, these tests can verify RAF liquidity targets and project metrics to anticipate breaches of liquidity targets and limits set in the Risk Appetite Framework (RAF). The internal liquidity model and the recovery plan use as an assumption all risk sources identified in the process of liquidity risk identification. CaixaBank Group uses tests at a consolidated level (in accordance with the EBA guidelines on stress) but also for each of its liquidity risk management units. The main characteristics of these exercises are as follows:

The internal stress model is a reverse stress test in which RAF 1 funding/liquidity financial metrics are calculated under three scenarios (systemic, idiosyncratic and combined) before and after the implementation of measures. This exercise quantifies severe but feasible stress impacts that involve a breach of one or more of the threshold levels of the RAF 1 liquidity/funding financial metrics. It considers deposit outflows, additional drawdowns on credit lines, non-renewal of wholesale funding maturities, rating downgrade triggers/securitisations, valuation stress, credit rating stress, collateral maturities and others. In addition, feasible measures are quantified for each scenario (ECB funding with available collateral, collateral generation and ECB discounting, equity-collateralised funding and commercial measures). RAF level 1 financial metrics (potential liquidity on the balance sheet, LCR, NSFR and LTD) and other magnitudes (such as funding taken from ECB), and RAF level 2 metrics, such as Asset Encumbrance, Wholesale Funding or actual liquidity on net LCR outflows are projected.

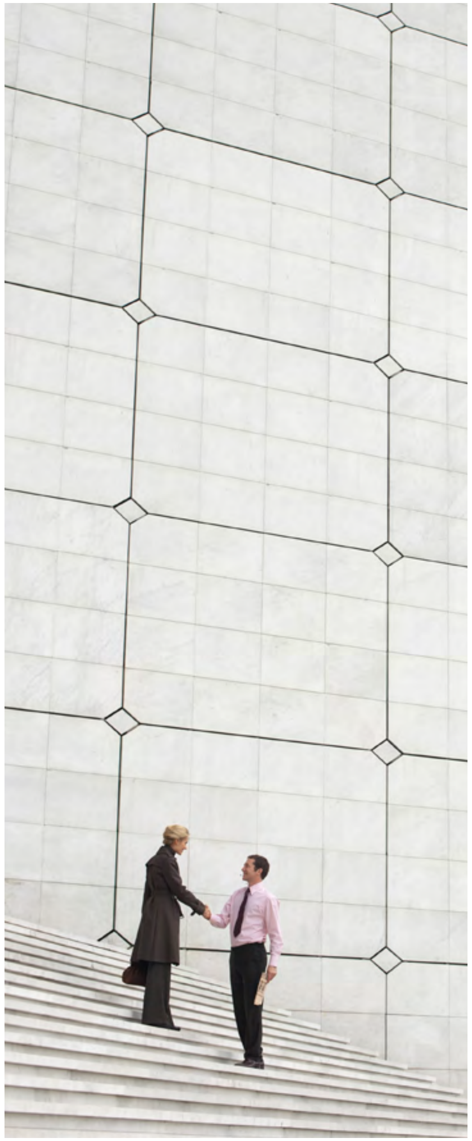
In the survival period based on LCR assumptions with an extended time period, the LCR exercise is taken as the only scenario. It uses the stress criteria established to calculate the LCR ratios projected on a month-to-month basis for up to twelve months. It is a static exercise since no extraordinary measures are expected to be taken that could extend the survival period. The only projected metric is the LCR.

Regarding the ICAAP exercise, in addition to a central scenario (based on the Operating Plan and Strategic Plan), two scenarios of weakness of varying severity are broadly constructed, taking into account the adverse macroeconomic scenarios expected in each one and projecting various flows in the long term (over three years) that have an impact on liquidity (although there was only one scenario of weakness in the last year). These scenarios also establish specific liquidity impacts such as limitations on wholesale funding, deposit outflows or reductions in the value of liquid assets due to rating and valuation impacts. RAF level 1 financial metrics (potential liquidity on balance sheet, LCR, NSFR and LTD) and other magnitudes (such as the actual liquidity position), or RAF level 2 metrics, such as Asset Encumbrance and Wholesale Funding, are projected.

The stress exercise for the Recovery Plan is a reverse stress test in which at least the RAF 1 metrics are calculated before and after the implementation of measures in the different recovery scenarios. Although three scenarios with an impact on liquidity are typically projected (systemic, idiosyncratic liquidity and combined), in the last exercise, as agreed with the ECB, only a combined capital and liquidity scenario and an idiosyncratic liquidity scenario have been analysed. In general, at least the following impacts are considered: Deposit outflows, additional drawdowns on credit lines, non-renewal of wholesale funding maturities, rating downgrade triggers/securitisations, valuation stress, credit rating stress, collateral maturities and others. The measures considered (applicable in all or some of the scenarios) are ECB funding with available collateral, collateral generation and ECB discounting, equity-collateralised funding, commercial measures and sale of non-eligible assets at the ECB. Following the application of measures, the main recovery indicators (potential liquidity on the balance sheet, LCR, NSFR, LTD and cost of wholesale funding) and auxiliary liquidity indicators (wholesale funding ratio on the balance sheet, actual liquidity on net outflows, LCR and asset encumbrance) are projected.

*[2] Established by the Board of Directors and reported to it regularly.*

*[3] Limits delegated by the Board of Directors to Management for monitoring, management and control.*



**The main tools used to achieve the liquidity management goal are the following:**

- Decentralised liquidity management system in three autonomous units (sub-group of CaixaBank, sub-group of BPI and CaixaBank Wealth Management Luxembourg, S.A.), in which a segregation of functions exists to ensure optimal management, control and monitoring of risks.
- Maintenance of an efficient level of liquid funds to meet obligations assumed, fund business plans and comply with regulatory requirements.
- Active liquidity management through continuous monitoring of liquid assets and balance sheet structure.
- Sustainability and stability as core principles of its funding sources strategy, based on:
  - A funding structure mainly consisting of customer deposits.
  - Capital market financing that complements the financing structure.

## Structure and organisation of the risk management function (regime, considerations and other arrangements)

The Board of Directors has assigned functions related to the ongoing monitoring of risk management to the Risk Committee and to the Global Risk Committee. The ALCO is responsible for managing, monitoring and controlling liquidity risk. To do so, it monitors, on a monthly basis, compliance with the Risk Appetite Framework (RAF), the Bank's long-term funding plan, trends in liquidity, expected gaps in the balance sheet structure, indicators and alerts to anticipate a liquidity crisis so that it can take corrective measures in accordance with the Liquidity Contingency Plan. It also analyses the potential liquidity levels under each of the hypothetical crisis scenarios.

### First line of defence

The ALM (Asset and Liability Management) Treasury and Funding Division, which reports to CaixaBank's Finance Division, is responsible for analysing and managing liquidity risk, ensuring that liquid assets are permanently available in the balance sheet, i.e. minimising the liquidity risk in the banking book in accordance with the guidelines established by the ALCO. The Balance Sheet Analysis and Monitoring Division, which also reports to the Finance Division of CaixaBank, oversees the analysis and monitoring of liquidity risk. The analysis is performed under both normal and business-as-usual market situations and under stress situations.

### Second line of defence

Independently of the divisions that form the first line of defence, the Risk Structures and Market Risk Division, which reports to the Directorate of Corporate Risk Management Function & Planning, as a second line of defence, is responsible for risk control, monitoring and assessment of the risk control environment and for the identification of potential areas of improvement.

### Third line of defence

See section 3.1.2. Internal Control Framework - Third line of defence.

## Scope and nature of information transmission and liquidity risk measurement systems

Liquidity risk is measured, monitored and controlled through static measurement of the liquidity position, dynamic measurement of liquidity projections and stress test exercises for liquidity under different scenarios. In addition, static and dynamic comparisons of the funding structure are performed and regulatory ratios are calculated (LCR, NSFR and Asset Encumbrance).

Static measurements of liquidity are calculated on a daily basis, including certain Risk Appetite Framework (RAF) metrics. Monthly liquidity projections are performed, including the most relevant RAF metrics, together with two stress test exercises (quarterly internal model and survival period based on monthly LCR assumption). Annual liquidity stress tests are carried out for the Recovery Plan and the Internal Capital Adequacy Assessment Process (ICAAP).

An Internal Liquidity Adequacy Assessment Process (ILAAP) is carried out every year. This includes a review of the Management Framework for Liquidity and Funding Risk, in accordance with the requirement received from the supervisor. In addition, the CaixaBank Board of Directors makes a declaration about the adequacy of liquidity buffers for existing funding and liquidity risks.

**With regard to the declaration on the adequacy of the liquidity buffers for existing funding and liquidity risk in the 2020 ILAAP[4]:**

It is declared that liquidity risk management and levels at the consolidated group of credit institutions headed by CaixaBank are adequate.

**The content of this declaration is as follows:**

- **Scope of application:** The scope of application of the ILAAP corresponds to the Consolidated CaixaBank Group, formed of CaixaBank S.A. as the parent company, and its subsidiary companies integrated into the regulatory consolidation. Liquidity risk management is decentralised across three units (CaixaBank sub-group, BPI sub-group and CaixaBank Wealth Management Luxembourg, S.A.).

- **Identification of liquidity risks and formulation of liquidity risk strategies:** CaixaBank Group regularly carries out a comprehensive identification process for all material liquidity risks, which enables dynamic management and anticipation of these risks. All material risks have a corresponding liquidity risk strategy. The goal of the general liquidity risk strategy is to maintain liquidity levels at all times within the Risk Appetite Framework (RAF) thresholds to ensure payment obligations can be met comfortably on time, without harming investment activity owing to a lack of lendable funds.

  With a view to meeting regulatory expectations, thresholds have been established for non-material risks. Thresholds are not set for material risks because they have a corresponding specific strategy, and they are linked to RAF indicators that allow them to be monitored and controlled.

- **Liquidity risk governance:** CaixaBank Group has sound liquidity and funding governance processes that comply with best practices in the field of governance. This enables the Group to exchange information among its different companies, manage the risks in its various subsidiaries or entities, as well as in the Group as a whole, thereby ensuring effective supervision of the Group.

- **Funding strategy and plan:** CaixaBank Group has an appropriate funding structure, which adheres to the funding risk management strategy in place and is in line with the established Risk Appetite Framework. Funding through deposits opened through the branch network plays a predominant role, underpinned by wholesale funding that is diversified through the use of a variety of instruments, investors and maturities.

- **Management of liquidity buffers:** CaixaBank Group also has robust procedures in place to identify, manage, monitor and control its liquid asset base. The Group has a satisfactory level of liquid assets, considering the regulatory restrictions, defined risk appetite, and liquidity and funding risks identified.

[4] *Approved by the Management Committee*

- **Management of collateralised assets (asset encumbrance):** CaixaBank Group has classified asset encumbrance risk as a material risk and has therefore drawn up a specific strategy to manage this risk and a metric for measuring it and setting a threshold in the RAF. CaixaBank Group has solid monitoring procedures for asset encumbrance, maintaining a reasonable level and within the levels established in RAF.

- **Transfer pricing system:** CaixaBank Group has a transfer pricing system that is fully integrated into its management processes, through which funding transactions are remunerated, while funding costs are passed on to lending transactions. The system is an essential part of segment accounting.

- **Intraday liquidity:** CaixaBank Group has sufficient procedures in place in each management and control unit for intraday liquidity risk, maintaining very comfortable levels with respect to the Risk Appetite level.

- **Liquidity stress tests:** CaixaBank Group carries out various liquidity stress tests: two specific internal liquidity tests (internal stress model and LCR-based survival period), and two other tests carried out annually, corresponding to the Recovery Plan and the ICAAP. In all cases, the results are satisfactory. Even in the more severe scenarios, the liquidity targets established in the Risk Appetite Framework (RAF) are met.

- **Liquidity Contingency Plan:** The Group's liquidity management units have a robust Liquidity Contingency Plan that includes: **(i)** an early-detection framework; **(ii)** a governance and activation model; **(iii)** a broad range of measures intended to generate liquidity, which is quantified regularly; and **(iv)** an internal and external Communications Plan.

- **ILAAP self-assessment:** CaixaBank Group has carried out an ILAAP self-assessment.

## Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants

**The measures in place for liquidity risk management and anticipatory measures feature:**

**a.** Authority from the General Meeting of Shareholders or, as the case may be, from the Board of Directors to issue, depending on the nature of the type of instrument.

**b.** Availability of several facilities open with **(i)** the ICO, under credit facilities – mediation, **(ii)** the European Investment Bank (EIB) and **(iii)** the Council of Europe Development Bank (CEB). In addition, there are financing instruments with the ECB for which a number of guarantees have been posted to ensure that liquidity can be obtained immediately.

**c.** Maintaining issuance programmes aimed at expediting formalisation of securities issuances in the market.

**d.** To facilitate access to short-term markets, CaixaBank currently maintains the following:

1. Interbank facilities with a significant number of financial institutions (national and international), as well as with central banks.
2. Repo facilities with a number of domestic and foreign counterparties.
3. Access to central counterparty clearing houses for repo business (LCH SA – Paris, Meffclear and EUREX – Frankfurt).

**e.** The Contingency Plan and Recovery Plan contain a wide range of measures to generate liquidity in a wide range of crisis situations. These include potential issuances of secured and unsecured debt, use of the repo market, and so on. For all these, viability is assessed under different crisis scenarios and descriptions are provided of the steps necessary for their execution, as well as the expected period of execution.

### Strategy for the management of funding sources/ concentrations

CaixaBank Group has developed a decentralised funding model based on autonomous entities that are responsible for meeting their own liquidity needs and based on the following principles:

**a.** Maintaining a stable funding base of customer deposits, pursuing maximum customer loyalty, leading to greater stability in their balances. Knowledge of the different stability levels of retail deposits according to customers' loyalty and operating level.

**b.** Active management of wholesale funding with continuous monitoring of wholesale funding markets, availability of a broad range of instrument types for the execution of transactions, ratings by different agencies (credit rating of the institution and instruments issued), close relationship with investors in order to optimise funding costs and market access. The execution of these transactions seeks to diversify instruments, investors and maturities.

Several metrics are used to monitor and control the funding structure (loan-to-deposit ratio, NSFR, wholesale funding ratio) and concentration metrics (concentration of counterparties, wholesale funding maturities and ECB funding).

## 10.2. Quantitative aspects

**The breakdown of CaixaBank Group's high-quality liquid assets (HQLAs) is as follows:**

### Table 10.1. Liquid Assets (HQLAs)

| | 2020 | | 2021 | |
|---|---|---|---|---|
| *Amounts in millions of euros* | Market value | Applicable weighted amount | Market value | Applicable weighted amount |
| Level 1 Assets | 94,315 | 94,280 | 166,473 | 166,466 |
| Level 2A Assets | 344 | 292 | 182 | 155 |
| Level 2B Assets | 1,590 | 795 | 1,338 | 669 |
| **Total*** | **96,249** | **95,367** | **167,993** | **167,290** |

** Criteria established to determine the LCR (liquidity coverage ratio).*

Banking liquidity, measured by the high-quality liquid assets (HQLAs) used to calculate the LCR, in addition to the balance that can be drawn on the credit facility with the European Central Bank that does not comprise the aforementioned assets, amounted to EUR 168,349 million and EUR 114,451 million at December 2021 and December 2020, respectively.

Compliance with the Liquidity Coverage Ratio became came mandatory on 1 October 2015. This entails maintaining an adequate level of high-quality liquid assets (HQLAs) available to meet liquidity needs for a 30-calendar-day stress scenario which considers a combined financial sector-wide and idiosyncratic crisis. The regulatory limit established is 100 %. CaixaBank has included thresholds for this metric within the Risk Appetite Framework (RAF).

The table below presents the LCR ratio at 31 December 2021:

## Table 10.2. LCR (Liquidity Coverage Ratio)

| *Amounts in millions of euros* | 2020 | 2021 |
|---|---|---|
| High quality liquid assets (numerator) | 95,367 | 167,290 |
| Total net cash outflows (denominator) (a-b) | 34,576 | 49,743 |
| Cash outflows (a) | 42,496 | 62,248 |
| Cash outflows (b) | 7,920 | 12,505 |
| **Liquidity Coverage Ratio (LCR)*** | **276 %** | **336 %** |

**The table below presents the average monthly LCR figures for the last four quarters.**

** According to Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 (as amended by Delegated Regulation (EU) 2018/1620 of July 2018) supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council as regards liquidity coverage requirements for credit institutions.*

## Table 10.3. EU LIQ1 - Quantitative information on LCR

*Amounts in millions of euros*

| Consolidated CaixaBank | | Total unweighted value (average) | | | | Total weighted value (average) | | | |
|---|---|---|---|---|---|---|---|---|---|
| EUR million | | 31.12.21 | 30.09.21 | 30.06.21 | 31.03.21 | 31.12.21 | 30.09.21 | 30.06.21 | 31.03.21 |
| Quarter ending on | | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| HIGH-QUALITY LIQUID ASSETS | | | | | | | | | |
| 1 | Total high-quality liquid assets (HQLA) | | | | | 150,334 | 131,399 | 112,294 | 92,964 |
| CASH OUTFLOWS | | | | | | | | | |
| 2 | Retail deposits and deposits from small business customers, of which: | 274,715 | 244,054 | 211,806 | 178,749 | 17,765 | 15,584 | 13,281 | 10,945 |
| 3 | Stable deposits | 217,196 | 193,314 | 168,067 | 141,928 | 10,860 | 9,666 | 8,403 | 7,096 |
| 4 | Less stable deposits | 57,277 | 50,617 | 43,695 | 36,822 | 6,855 | 5,879 | 4,857 | 3,849 |
| 5 | Unsecured wholesale funding | 75,402 | 70,741 | 65,972 | 62,165 | 30,423 | 28,255 | 25,594 | 23,892 |
| 6 | Operational deposits (all counterparties) and deposits in networks of cooperative banks | 28,944 | 27,350 | 25,154 | 22,468 | 7,079 | 6,686 | 6,155 | 5,506 |
| 7 | Non-operational deposits (all counterparties) | 45,861 | 42,773 | 40,209 | 39,058 | 22,746 | 20,951 | 18,831 | 17,747 |
| 8 | Unsecured debt | 598 | 618 | 609 | 639 | 598 | 618 | 609 | 639 |
| 9 | Secured wholesale funding | | | | | 622 | 623 | 661 | 544 |
| 10 | Additional requirements | 89,815 | 81,546 | 74,249 | 66,166 | 8,015 | 7,613 | 7,136 | 6,556 |
| 11 | Outflows related to derivative exposures and other collateral requirements | 912 | 942 | 1,011 | 1,051 | 912 | 942 | 1,011 | 1,051 |
| 12 | Outflows related to loss of funding on debt products | 274 | 441 | 437 | 443 | 274 | 441 | 437 | 443 |
| 13 | Credit and liquidity facilities | 88,629 | 80,163 | 72,800 | 64,672 | 6,830 | 6,229 | 5,688 | 5,062 |
| 14 | Other contractual funding obligations | 864 | 732 | 624 | 593 | 217 | 140 | 58 | 16 |
| 15 | Other contingent funding obligations | 39,317 | 38,813 | 35,898 | 32,830 | 243 | 208 | 165 | 94 |
| 16 | TOTAL CASH OUTFLOWS | | | | | 57,286 | 52,422 | 46,896 | 42,048 |
| CASH INFLOWS | | | | | | | | | |
| 17 | Secured lending (eg reverse repos) | 4,175 | 2,876 | 2,701 | 2,409 | 209 | 161 | 104 | 17 |
| 18 | Inflows from fully performing exposures | 13,086 | 11,949 | 11,021 | 10,208 | 9,490 | 8,654 | 7,968 | 7,356 |
| 19 | Other cash inflows | 858 | 871 | 851 | 793 | 858 | 871 | 851 | 793 |
| EU-19a | (Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies) | | | | | - | - | - | - |
| EU-19b | (Excess inflows from a related specialised credit institution) | | | | | - | - | - | - |
| 20 | TOTAL CASH INFLOWS | 18,118 | 15,696 | 14,573 | 13,410 | 10,556 | 9,686 | 8,922 | 8,166 |
| EU-20a | Fully exempt inflows | - | - | - | - | - | - | - | - |
| EU-20b | Inflows Subject to 90% Cap | - | - | - | - | - | - | - | - |
| EU-20c | Inflows Subject to 75% Cap | 16,598 | 14,500 | 13,306 | 12,348 | 10,556 | 9,686 | 8,922 | 8,166 |
| TOTAL ADJUSTED VALUE | | | | | | | | | |
| 21 | LIQUIDITY BUFFER | | | | | 150,334 | 131,399 | 112,294 | 92,964 |
| 22 | TOTAL NET CASH OUTFLOWS | | | | | 46,729 | 42,735 | 37,975 | 33,886 |
| 23 | LIQUIDITY COVERAGE RATIO (%) | | | | | 320% | 304% | 292% | 273% |

**Qualitative information related to the LCR:**

## Table 10.4. EU LIQB - Qualitative information on LCR

| | | |
|---|---|---|
| a. | Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time | The main drivers of LCR results are the HLQAs and the net outflows components. The integration of Bankia at the end of march is leading to a general increase in LCR components. The reported growth in HQLAs is mainly driven by the integration of Bankia and the increase in TLTRO III funding, new issuances and commercial gap balance. With regard to outflows, the main components as of a 31/12/2021 (12-month average data) are "Unsecured wholesale funding" representing 53.1% of total outflows, "Retail deposits and deposits from small business customers" representing 31,0% of total outflows and "Additional requirements" representing 14.0% of total outflows. On the other hand, inflows are mainly made of "Inflows from fully performing exposures", representing 89.9%. With regard to the evolution of the main components, there has been an increase in the weight of outflows from "Retail deposits and deposits from small business customers", showing a 5.0 percentage point increase over total outflows in the period from 31/12/2021 to 31/03/2021 (average monthly data). On the other hand there has been a decrease in the weight of outflows from "Unsecured wholesale funding" showing a 3.7 percentage point decrease over total outflows in the period from 31/12/2021 to 31/03/2021 (average monthly data), as well as decrease in the weight of "Secured wholesale funding" and "Additional requirements". |
| b. | Explanations on the changes in the LCR over time | The 12-month average LCR stood at 320% and 273% as of 31/12/2021 and 31/03/2021, respectively. The 47 percentage point increase is mainly driven by the growth in HQLAs due to the integration of Bankia, as well as the increase in TLTRO III funding, new issuances and commercial gap balance.. |
| c. | Explanations on the actual concentration of funding sources | The Group seeks to diversify its wholesale funding sources in terms of instruments, investors, markets and maturities. The main source of funding, given its commercial nature, is funding from retail customer deposits, which are inherently more stable than wholesale funding sources.<br>The aforementioned is evidenced in the LCR (EU LIQ1) table, where it can be observed that the total unweighted value of "Retail deposits" and deposits from small business customers" is much higher than the total unweighted value of "Unsecured wholesale funding ". Additionally, the majority of retail deposits are considered "stable deposits", resulting in highly diversified funding sources. |
| d. | High-level description of the composition of the institution`s liquidity buffer. | At the end of December 2021, Level 1 assets account for 99.5% of the liquidity buffer, mainly consisting of available reserves held with central banks and regional governments and other public sector entities bonds. Level 2B assets account for 0.4% and Level 2A assets account for 0.1% of total stock of HQLA. |
| e. | Derivative exposures and potential collateral calls | Most derivatives transactions are subject to collateral contracts covering the market value of the transactions. Liquidity risk relates to the impact of adverse market scenarios leading to changes in the market values of derivatives, which generate additional liquidity needs due to the increase in collateral posted. Such risk is included in the LCR ratio, in which the most significant net change in 30 days over the preceding 24 months is calculated and then added as additional liquidity needs. |
| f. | Currency mismatch in the LCR | CaixaBank has no significant currencies (foreign currency balance > 5% liabilities excluding equity) other than the base currency (euro). |
| g. | Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile | Not Applicable. |

## NSFR (Net Stable Funding Ratio)

The NSFR ratio came into force in June 2021 with a required regulatory limit of 100%. The ratio has a large weighting in (more stable) customer deposits in the Group's funding structure and limited use of wholesale markets for short-term funding. This provides a balanced funding structure, which would result in an NSFR of 154% at the end of 2021.

The NSFR for the last three quarters is shown below:

## Table 10.5. EU LIQ2 - Net Stable Funding Ratio (NSFR)

*Amounts in millions of euros*

| CaixaBank consolidated | | 31.12.2021 | | | | | 30.09.2021 | | | | | 30.06.2021 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Unweighted value by residual maturity | | | | | Unweighted value by residual maturity | | | | | Unweighted value by residual maturity | | | | |
| (In currency amount) | | No maturity | < 6 months | 6 months < 1 year | One year or more | Weighted amount | No maturity | < 6 months | 6 months < 1 year | One year or more | Weighted amount | No maturity | < 6 months | 6 months < 1 year | One year or more | Weighted amount |
| **AVAILABLE STABLE FUNDING (ASF) ITEMS** | | | | | | | | | | | | | | | | |
| 1 | Capital items and instruments | 39,101 | 500 | 750 | 4,605 | 43,706 | 39,061 | 1,010 | 750 | 4,711 | 43,772 | 38,765 | 175 | 1,010 | 4,678 | 43,443 |
| 2 | Own funds | 39,101 | 500 | 750 | 4,605 | 43,706 | 39,061 | 1,010 | 750 | 4,711 | 43,772 | 38,765 | 175 | 1,010 | 4,678 | 43,443 |
| 3 | Other capital instruments | | - | - | - | - | | - | - | - | - | - | - | - | - | - |
| 4 | Retail deposits | | 302,118 | 1,220 | 794 | 285,709 | | 296,480 | 1,208 | 1,067 | 280,730 | - | 295,794 | 1,252 | 1,630 | 280,772 |
| 5 | Stable deposits | | 237,308 | 899 | 614 | 226,910 | | 233,951 | 932 | 841 | 223,980 | - | 235,024 | 980 | 1,318 | 225,522 |
| 6 | Less stable deposits | | 64,810 | 321 | 180 | 58,799 | | 62,529 | 276 | 225 | 56,750 | - | 60,770 | 272 | 311 | 55,250 |
| 7 | Wholesale funding: | | 78,973 | 17,402 | 116,908 | 160,619 | | 78,941 | 5,414 | 131,501 | 167,495 | - | 67,897 | 5,188 | 134,464 | 169,185 |
| 8 | Operational deposits | | 30,702 | 10 | 9 | 2,001 | | 31,340 | 10 | 7 | 1,649 | - | 29,450 | 1 | 14 | 2,787 |
| 9 | Other wholesale funding | | 48,272 | 17,392 | 116,899 | 158,618 | | 47,602 | 5,405 | 131,494 | 165,845 | - | 38,447 | 5,187 | 134,450 | 166,398 |
| 10 | Interdependent liabilities | | - | - | - | - | | - | - | - | - | - | - | - | - | - |
| 11 | Other liabilities: | 442 | 4,545 | 2,004 | 10,400 | 11,402 | 435 | 9,996 | 468 | 10,395 | 10,629 | 387 | 9,502 | 453 | 10,740 | 10,967 |
| 12 | NSFR derivative liabilities | 442 | | | | | 435 | | | | | 387 | - | - | - | - |
| 13 | All other liabilities and capital instruments not included in the above categories | | 4,545 | 2,004 | 10,400 | 11,402 | | 9,996 | 468 | 10,395 | 10,629 | - | 9,502 | 453 | 10,740 | 10,967 |
| **14** | **Total available stable funding (ASF)** | | | | | **503,438** | | | | | **504,275** | | | | | **507,154** |

*Amounts in millions of euros*

| CaixaBank consolidated | | 31.12.2021 Unweighted value by residual maturity | | | | | 30.09.2021 Unweighted value by residual maturity | | | | | 30.06.2021 Unweighted value by residual maturity | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (In currency amount) | | No maturity | < 6 months | 6 months < 1 year | One year or more | Weighted amount | No maturity | < 6 months | 6 months < 1 year | One year or more | Weighted amount | No maturity | < 6 months | 6 months < 1 year | One year or more | Weighted amount |
| **REQUIRED STABLE FUNDING (RSF) ITEMS** | | | | | | | | | | | | | | | | |
| 15 | Total high-quality liquid assets (HQLA) | | | | | 15,354 | | | | | 7,388 | | | | | 6,980 |
| EU-15a | Assets encumbered for more than 12m in cover pool | | 3,545 | 3,234 | 74,329 | 68,941 | | 4,513 | 4,815 | 82,477 | 78,034 | | 4,716 | 4,494 | 83,020 | 78,395 |
| 16 | Deposits held at other financial institutions for operational purposes | | - | - | - | - | | - | - | - | - | | - | - | - | - |
| 17 | Performing loans and securities: | | 64,761 | 18,391 | 201,810 | 185,879 | | 51,437 | 17,400 | 197,100 | 190,996 | | 53,298 | 18,785 | 203,527 | 200,610 |
| 18 | Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut | | 18,076 | 171 | - | 609 | | 7,430 | 476 | 4 | 1,174 | | 6,945 | 537 | 4 | 1,466 |
| 19 | Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions | | 3,974 | 1,102 | 2,773 | 5,182 | | 3,959 | 750 | 2,834 | 5,116 | | 4,237 | 1,118 | 2,899 | 5,769 |
| 20 | Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which: | | 23,272 | 11,755 | 109,366 | 167,804 | | 22,922 | 10,733 | 107,789 | 171,837 | | 25,782 | 11,299 | 110,353 | 178,000 |
| 21 | With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk | | 10,665 | 3,804 | 35,199 | 85,240 | | 9,222 | 2,975 | 34,838 | 79,541 | | 11,458 | 3,384 | 33,086 | 80,859 |
| 22 | Performing residential mortgages, of which: | | 4,738 | 4,736 | 78,634 | - | | 4,999 | 4,947 | 74,265 | - | | 5,058 | 4,974 | 75,757 | - |
| 23 | With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk | | 4,341 | 4,294 | 69,645 | - | | 4,254 | 4,208 | 54,205 | - | | 4,260 | 4,216 | 54,891 | - |
| 24 | Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products | | 14,702 | 627 | 11,038 | 12,284 | | 12,127 | 494 | 12,208 | 12,868 | | 11,276 | 857 | 14,514 | 15,375 |

*Amounts in millions of euros*

| | CaixaBank consolidated | 31.12.2021 | | | | | 30.09.2021 | | | | | 30.06.2021 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Unweighted value by residual maturity | | | | | Unweighted value by residual maturity | | | | | Unweighted value by residual maturity | | | | |
| | (In currency amount) | No maturity | < 6 months | 6 months < 1 year | One year or more | Weighted amount | No maturity | < 6 months | 6 months < 1 year | One year or more | Weighted amount | No maturity | < 6 months | 6 months < 1 year | One year or more | Weighted amount |
| 25 | Interdependent assets | | - | - | - | - | | - | - | - | - | | - | - | - | - |
| 26 | Other assets: | - | 14,648 | 1,685 | 47,254 | 51,008 | - | 14,200 | 578 | 49,392 | 52,680 | - | 12,311 | 579 | 48,303 | 51,123 |
| 27 | Physical traded commodities | | | | 0 | 0 | | | | - | - | | | | - | - |
| 28 | Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs | | 22 | - | 111 | 113 | | 21 | - | 112 | 113 | | | 228 | | 228 |
| 29 | NSFR derivative assets | | 578 | | | 578 | | 73 | | | 73 | | | 349 | | 349 |
| 30 | NSFR derivative liabilities before deduction of variation margin posted | | 7,346 | | | 367 | | 7,115 | | | 356 | | | 6,374 | | 319 |
| 31 | All other assets not included in the above categories | | 6,703 | 1,685 | 47,142 | 49,950 | | 6,991 | 578 | 49,279 | 52,138 | | 5,564 | 579 | 48,058 | 50,227 |
| 32 | Off-balance sheet items | | 15,038 | 8,691 | 80,373 | 6,114 | | 15,960 | 7,359 | 73,344 | 5,743 | | 24,879 | 5,692 | 65,887 | 6,016 |
| 33 | Total RSF | | | | | 327,297 | | | | | 334,841 | | | | | 343,123 |
| **34** | **Net Stable Funding Ratio (%)** | | | | | **154 %** | | | | | **151 %** | | | | | **148 %** |

** Values of previous quarters have been updated due to regulatory requirements update*

## Asset encumbrance

The table below shows encumbered and unencumbered assets based on median values of quarterly data for 2021:

## Table 10.6. EU AE1 - Encumbered and unencumbered assets

| *Amounts in millions of euros* | Carrying amount of encumbered assets | | Fair value of encumbered assets | | Carrying amount of unencumbered assets | | Fair value of unencumbered assets | |
|---|---|---|---|---|---|---|---|---|
| | | Of which notionally eligible EHQLA and HQLA | | Of which notionally eligible EHQLA and HQLA | | Of which EHQLA and HQLA | | Of which EHQLA and HQLA |
| **ASSETS OF THE REPORTING INSTITUTION** | **165,491** | **37,235** | | | **444,150** | **138,823** | | |
| Equity instruments | - | - | - | - | 2,028 | 1,187 | 1,314 | 1,191 |
| Debt securities | 37,531 | 37,235 | 37,623 | 37,327 | 46,149 | 42,676 | 46,323 | 42,838 |
| of which: covered bonds | 7 | - | 7 | - | 2 | - | 2 | - |
| of which: securitisations | 56 | - | 56 | - | 74 | - | 73 | - |
| of which: issued by general governments | 35,974 | 35,974 | 36,072 | 36,072 | 41,957 | 41,955 | 42,204 | 42,204 |
| of which: issued by financial corporations | 314 | 211 | 315 | 212 | 1,348 | 363 | 1,268 | 278 |
| of which: issued by non-financial corporation | 401 | 216 | 401 | 216 | 2,665 | 256 | 2,679 | 256 |
| Other assets* | 129,188 | - | | | 395,171 | 93,956 | | |

** In relation to unencumbered assets as of 31.12.2021 "Other assets" is the main component, representing 89% of the total book value of unencumbered assets. The loan investment represents 74% of the total carrying amount of the unencumbered assets. On the other hand, unencumbered assets not considered available for encumbrance in the normal course of business represent 15% of the total carrying amount of unencumbered assets and include assets other than the loan portfolio.*

These assets relate mainly to loans securing issuances of mortgage-covered bonds (covered bonds and mortgage bonds) and asset-backed securities, debt securities that are delivered under repurchase agreements, asset-backed securities pledged as collateral for securities lending transactions and assets pledged as collateral (loans or debt instruments) for access to ECB refinancing operations. They also include the balance of cash delivered to secure derivatives transactions. All the encumbered assets are held by CaixaBank, S.A. and Banco BPI.

Complementing the previous table on our own assets, the following table includes information on assets received. The collateral received is primarily due to reverse repos, securities lending, cash and debt securities received to secure trading in derivatives and own senior debt securities issued, as well as covered bonds and securities issued and not pledged. The table below shows average values for assets securing financing transactions and unencumbered assets in 2021, calculated using quarterly data:

## Table 10.7. EU AE2 - Collateral received and own debt securities issued

| | Fair value of encumbered collateral received or own debt securities issued | | Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance | |
|---|---|---|---|---|
| *Amounts in millions of euros* | | of which notionally eligible EHQLA and HQLA | | of which EHQLA and HQLA |
| Collateral received by the reporting institution | 6,325 | 4,987 | 15,389 | 12,053 |
| Loans on demand | 3 | - | - | - |
| Equity instruments | - | - | - | - |
| Debt securities | 6,322 | 4,987 | 12,451 | 12,053 |
| of which: covered bonds | 531 | 531 | 147 | 147 |
| of which: securitisations | 1,174 | - | 394 | - |
| of which: issued by general governments | 4,515 | 4,515 | 11,949 | 11,949 |
| of which: issued by financial corporations | 1,572 | 533 | 629 | 147 |
| of which: issued by non-financial corporations | 26 | 21 | - | - |
| Loans and advances other than loans on demand | - | - | - | - |
| Other collateral received | - | - | 2,767 | - |
| **Own debt securities issued other than own covered bonds or securitisations** | **-** | **-** | **301** | **-** |
| **Own covered bonds and asset-backed securities issued and not yet pledged** | | | **22,629** | **-** |
| **TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED** | **172,240** | **42,968** | | |

The following table shows the amount of the covered bonds and asset-backed securities retained:

## Table 10.8. Carrying amount of retained covered bonds and securitisations issued

| | Carrying amount of the underlying asset | Fair value of liabilities issued retained |
|---|---|---|
| *Amounts in millions of euros* | Unencumbered | Unencumbered |
| **Covered bonds and securitisation bonds of own assets issued and not yet pledged** | **17,842** | **18,075** |
| Retained covered bonds issued | 7,222 | 6,021 |
| of which: CaixaBank | 5,733 | 4,531 |
| of which: BPI | 1,489 | 1,489 |
| Retained asset-backed securities issued | 10,620 | 12,055 |
| of which: CaixaBank | 10,620 | 12,055 |

* *Data as at 31/12/2021*

The following table shows the asset encumbrance ratio based on median values of quarterly data for 2021.

## Table 10.9. Asset encumbrance ratio median values

| *Amounts in millions of euros* | Median* |
|---|---|
| **Encumbered assets and collateral received** | **172,240** |
| Equity instruments | - |
| Debt securities | 44,280 |
| Credit portfolio | 129,191 |
| Other assets | - |
| **Total assets + total assets received** | **634,006** |
| Equity instruments | 2,028 |
| Debt securities | 100,332 |
| Credit portfolio | 454,289 |
| Other assets | 71,640 |
| **Asset encumbrance ratio** | **27.16%** |

** Median calculated on quarterly data*

The asset encumbrance ratio at 31 December 2021 and 2020 is as follows:

## Table 10.10. Asset encumbrance ratio

| *Amounts in millions of euros* | 2020 | 2021 |
|---|---|---|
| **Encumbered assets and collateral received** | **101,010** | **172,257** |
| Debt securities | 10,667 | 46,459 |
| Credit portfolio | 84,846 | 125,793 |
| Other assets | 5,498 | 4 |
| **Total assets + total assets received** | **400,891** | **638,656** |
| Equity instruments | 1,849 | 1,998 |
| Debt securities | 58,285 | 112,193 |
| Credit portfolio | 292,814 | 453,220 |
| Other assets | 47,944 | 71,246 |
| **Asset encumbrance ratio** | **25.20%** | **26.97%** |

The ratio has increased by 1.77 percentage points, from 25.20% at 31/12/2020 to 26.97% at 31/12/2021. This increase was mainly due to a growth in weight in the repo encumbrance.

**The following table shows the relationship between the liabilities guaranteed and the assets by which they are guaranteed, using average 2021 values, based on quarterly figures:**

## Table 10.11. AE3 Sources of encumbrance

| *Amounts in millions of euros* | Matching liabilities, contingent liabilities or securities lent | Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered |
|---|---|---|
| Carrying amount of selected financial liabilities | 145,631 | 167,428 |

The previous table shows the liabilities guaranteed and the assets by which they are guaranteed. These tables show the charges resulting from activities with derivatives, deposits (including asset transfer transactions, central bank funding and securities loans with VidaCaixa), issuances (covered bonds and securitisation bonds) and others.

**As can be seen from the previous table, the value of the encumbered assets exceeds the liabilities they cover. These excess guarantees are mainly due to:**

- Funding with mortgage-covered bonds: where a balance of 125 % of the assets covered must be held for each mortgage-covered bond issued.
- ECB funding, guaranteed mainly using mortgage-covered bonds, public-sector covered bonds, SAREB, retained securitisations and loans. There are two reasons for these excess guarantees: firstly, the valuation adjustments applied by the central bank and the excess guarantees established for the various issuances: 125 % for mortgage-covered bonds; and 142 % for public sector-covered bonds.

**The data of the asset encumbrance ratio in relation to the business model and the differences between the reporting scope of the ratio and other information are explained below:**

- CaixaBank Group is a predominantly retail bank that carries out a strategy and maintains a funding structure that is mainly based on maintaining a stable base of customer deposits, supplemented by active and conservative management of wholesale funding. Customer deposits make up 91 % of the funding structure.
- This business model facilitates a collateral management strategy oriented towards maintaining a prudent level of encumbered assets that can mitigate the uncertainty of unsecured credits. This facilitates access to funding sources (secured and unsecured), and also contributes to the availability of a sufficient collateral reserve, which is of particular importance in stress situations. This is illustrated by the fact that CaixaBank Group had an asset encumbrance ratio of 26.97 % at 31 December 2021.
- With regard to the segmentation and use of collateral, the main source of collateral is the loan portfolio used for covered bond issues and securitisations (market and own portfolio), as well as the pledging of the facility in the European Central Bank. This is followed by the securities portfolio and the securities received from short-term transactions (repos) and the assets received from derivatives.

Data within the consolidation scope is used for disclosure of the LCR, NSFR and asset encumbrance data for regulatory or prudential purposes in the Information of Prudential Relevance. This scope differs from the scope used for disclosure of public information owing to the non-consolidation of the insurance company.

# 11. Structural Risk

# 11. Structural **risk**

Sensitivity of the 1-year net interest income of sensitive balance sheet items in an interest rate scenario of +/- 100 bp.

**13.73 %/-4.59 %**

Sensitivity of the economic value of the balance sheet in an interest rate scenario of +/- 100 bps, divided by the Tier 1 figure.

**4.44 % / -10.58 %**

Interest rate risk is inherent to the banking business and impacts the financial margin or the economic value of the balance sheet due to changes in market interest rates.

CaixaBank Group's management of this risk seeks to:

- optimise the financial margin and
- preserve the economic value of the balance sheet.

To carry out these management procedures, measurements are taken on net interest income and on the economic value in an interest rate baseline scenario (implicit market rates) and in other stressed scenarios. The results of the stressed scenarios are compared with those of the baseline scenario to obtain risk measurements, which are then compared with the appetite thresholds set out in the RAF.

These measurements are updated monthly and assumptions are periodically reviewed to ensure that they reflect the current market situations and the characteristics of the balance sheet.

The Group is comfortably within the risk limits defined at the regulatory and management levels within the RAF.

At 31 December 2021, the Group uses fair value macro-hedges as a strategy to mitigate its exposure to interest-rate risk and to preserve the economic value of its balance sheet.

## Annual evolution

In 2021, CaixaBank's balance sheet was positioned to benefit from increases in interest rates. The reasons for this balance sheet positioning are structural and management-related. In particular, from a structural point of view and due to the exceptionally low interest rate environment, demand deposits have continued to grow significantly.

**From a management point of view, the balance sheet structure has continued to be adapted to the expected environment.**

## 11.1. Management of interest rate risk in the banking book

### Definition and general policy

Risk considered to be the negative impact on the economic value of the balance sheet's items or on the net interest income due to changes in the temporary structure of interest rates and its impact on asset and liability instruments and those off the Group's balance sheet not recorded in the trading book.

As balance sheet assets and liabilities are linked to different benchmark indices and have differing maturities, they may be contracted (in the case of new production) or renewed at interest rates different to those currently prevailing. This can affect their fair value and the margin they generate.

With the aim of ensuring correct risk management, the Group has a Corporate Policy for managing interest rate risk, which lays down the corporate principles, governance framework, control framework and information reporting framework, which is applicable to all Group companies with exposure to such risk.

The management of this risk by the Group seeks to **(i)** optimise the net interest margin and **(ii)** maintain the economic value of the balance sheet, while at all times taking into account the metrics and thresholds of the risk appetite framework in terms of volatility of the financial margin and value sensitivity.

Measurements are made of net interest income and of the economic value in an interest rate baseline scenario (implicit market rates) and in other stressed scenarios. The results of the stressed scenarios are compared with those of the baseline scenario to obtain risk measurements, which are then compared with the risk thresholds set out in the RAF.

**Different stress scenarios are considered:**

- Scenarios for parallel increases and decreases in interest rates and of different magnitudes (+/-100 bp, +/-200 bp)

- In addition to the parallel rate shift scenarios, six shock scenarios are used with non-parallel movements of the interest rate curve.

- In the case of the scenarios applied to interest rate metrics, the spread of the stresses is applied both instantaneously and gradually.

Given the normalised negative interest rate situation, it is important to consider how to limit the shock impacts applied so that these scenarios are realistic. To this end, the Group uses two complementary approaches:

- Management floor: A dynamic limit on the magnitude of the shock applied in each scenario has been set. Its value changes depending on the type of scenario and the current level of interest rates, fluctuating between -1% and the shock being considered in each scenario (-200 bps in the case of parallel scenarios, and -250 bps and -100 bps in the case of the scenarios with a change at the short and long end of the curve, as well as a change in the slope). The size of the shock is applied at any given time and calculated according to the differential between the minimum historical rate observed for the Euribor reference rate and the current rate.

- Regulatory floor: The limit defined in the regulatory guidelines and used in the definition of the supervisory outlier test (SOT) is applied. This limit establishes that negative rates cannot be lower than -1% and that this limit is to increase to a level of 0% within 20 years. Therefore, the floor is set at the level of rates and not the applied shock, unlike the management floor.

The stress scenarios and the two criteria in applying a floor to negative rates are combined to set up a complete framework of scenarios in the RAF that takes into account management and regulatory criteria, as follows:

**For economic value, the following scenarios, which include the supervisory outlier test (SOT), are applied:**

- UP +200 bps: Immediate and parallel increase of 200 bps.

- Down -200 bps with a floor of -1%: Immediate and parallel drop of 200 bps for all currencies and with a floor of -1%.

- Parallel UP: Immediate and parallel rise in interest rates of 200 bps for the EUR currency and of different amounts for other currencies:

- Parallel Down: Immediate and parallel drop in interest rates of 200 bps for the EUR currency and of different amounts for other currencies. In this scenario, the Group applies a floor, or minimum rate, which can be below 0% as set out in previous sections.

- Parallel Down SOT: Impact of -200 bps for the EUR currency but applying the floor defined by the SOT (for other less significant currencies, the impact is slightly different).

- Steepening: General increase of the slope of the curve.

- Steepening SOT: General increase of the slope of the curve with the floor defined in the SOT.

- Flattening: General flattening of the slope of the curve.

- Flattening SOT: General flattening of the slope of the curve with the floor defined in the SOT.

- Short UP: Rate increase at the short end of the curve.

- Short Down: Rate reduction at the short end of the curve.

- Short Down SOT: Rate reduction at the short end of the curve with the floor defined in the SOT.

- Long Up: Rate increase at the long end of the curve.

- Long Down: Rate reduction at the long end of the curve.

**And for net interest income, the following scenarios are used:**

- UP +200 bps: Progressive increase of 200 bps.

- Down -200 bps with a floor of -1%: Progressive reduction of 200 bps with a floor of -1%.

- UP +100 bps: Instantaneous rise of 100 bps.

- Down -100 bps with a floor of -1%: Instantaneous reduction of 100 bps with a floor of -1%.

Projection models are updated monthly and assumptions are periodically reviewed to ensure that measurements are appropriate to the current market situation and characteristics of the Group's balance sheet.

### Structure and organisation of the risk management function

The Board of Directors has assigned functions related to the ongoing monitoring of risk management to the Risk Committee and to the Global Risk Committee. The ALCO is in charge of managing, monitoring and controlling interest rate risk in the banking book. To this end, it monitors compliance with the RAF on a monthly basis, focusing both on the net interest income and on economic value.

**First line of defence**

The ALM, which reports to CaixaBank's Finance Division, is responsible for the management of interest rate risk in the banking book, within the constraints imposed by management and regulatory thresholds.

The Balance Sheet Analysis and Monitoring Division, which reports to the Finance Division, oversees modelling, analysis and monitoring of interest rate risk, and maintenance of the databases and forecasting tools needed to carry out such measurements. It also proposes and implements the methodologies and improvements required for its functions.

As part of its functions, the Balance Sheet Analysis and Monitoring Division reports on changes arising in the risk, and the factors affected by such changes, not only to the ALCO but also to those responsible for internal monitoring and the second and third lines of defence:

**Second line of defence**

The Structural and Market Risk Division, under the Corporate Risk Management Function & Planning Division, is responsible for risks in the banking book.

**Third line of defence**

See section 3.1.2. Internal Control Framework - Third line of defence.

### Risk management. Measurement and information systems

This risk is analysed considering a broad set of market-type scenarios, including the potential impact of all possible sources of interest rate risk in the banking book, i.e. gap risk (with its repricing risk and yield curve risk components), basis risk and optionality risk. Optionality risk considers automatic optionality related to the evolution of interest rates and the optionality of customer behaviour, which is not only dependent on interest rates.

The Group applies best practices in the market and the recommendations of regulators in measuring interest rate risk. It sets risk thresholds based on these metrics related to net interest income and the economic value of its balance sheet, considering the complexity of the balance sheet.

It uses both static and dynamic measurements:

**Static measurement:** Static measurements are those that are not designed based on assumptions of new business and refer to a specific point in time.

- **Static gap:** it shows the contractual distribution of maturities and interest rate reviews for applicable balance sheet or off-balance aggregates at a particular date. GAP analysis is based on comparison of the values of the assets and liabilities reviewed or that mature in a particular period.

- **Balance sheet economic value:** it is calculated as the sum of **(i)** the fair value of net interest-rate-sensitive assets and liabilities on the balance sheet; **(ii)** the fair value of off-balance sheet products (derivatives); and **(iii)** the net carrying amounts of non-interest-rate sensitive asset and liability items.

- **Economic value sensitivity:** the economic value of sensitive balances on and off the balance sheet is reassessed under the various stress scenarios considered by the Group. The difference between this value and the economic value calculated at current market rates gives us a numeric representation of the sensitivity of economic value to the various scenarios employed. The Group then uses this sensitivity measurement to define operating risk thresholds for economic value in particular interest rate scenarios.

- **Balance sheet VaR:** the maximum amount that could be lost from the balance sheet in a particular period (one month) at a given confidence interval. The VaR figure should be interpreted as an estimate that, with a 99% probability, the one-month loss should not exceed the calculated VaR.

**Dynamic measurement:** these are based on the balance sheet position at a given date and also take into account the new business. Therefore, in addition to considering the current on- and off-balance-sheet positions, growth forecasts for the Group's budget are included.

- **Net interest income projections:**

  The Group projects future net interest income (1, 2 and 3 years ahead) under various interest rate scenarios. The objective is to project net interest income according to current market curves, the outlook for the business and wholesale issuances and portfolio purchases and sales, and to predict how it will vary under stressed interest rates scenarios.

  Net interest income projection depends on assumptions and events other than just the future interest rate curve; customer behaviour (early cancellation of loans and early redemption of fixed-term deposits), the maturity of on-demand accounts and the future performance of the Group's business are other factors also taken into account.

- **Net interest income volatility:**

  The difference between these net interest income figures (the differences resulting from an increase or decrease compared to the baseline scenario) compared to the baseline scenario gives us a measure of the sensitivity, or volatility, of net interest income.

  The Group then uses this sensitivity measurement to define operating risk thresholds for net interest income for particular interest rate scenarios.

  With regard to measurement tools and systems, information is obtained at the transaction level of the Group's sensitive balance sheet transactions from each computer application used to manage the various products. This information is used to produce databases with a certain amount of aggregation in order to speed up the calculations without impairing the quality or reliability of the information.

The assets and liabilities management application is parameterised in order to include the financial specifics of the products on the balance sheet, using customer behaviour models based on historical data (pre-payment models). Growth data budgeted in the financial planning (volumes, products and margins) and information on the various market scenarios (interest and exchange rate curves) is also fed into this tool, in order to perform a reasonable estimate of the risks involved. It measures the Group's static gaps, net interest income and economic value.

### Stress tests

In addition to all the calculations performed for RAF metrics, additional stress tests are performed as part of ICAAP, through which CaixaBank conducts tests to identify the potential adverse consequences of severe changes in market conditions and in the behaviour of its customer base. Furthermore, reverse stress tests are also included in the overall stress testing framework for IRRBB.

A wide range of stress exercises are conducted as part of these annual exercises focusing on:

- Larger interest rate movements than those applied in the RAF metrics.
- Changes in spreads (Basis Risk) between different maturities of the interest rate curve.
- Changes in the behavioural patterns of unmatured balance sheet items.
- Changes in the probabilities of cure in doubtful exposures.
- Changes in the correlation of interest rates and house prices in prepayment models.
- Migration of non-maturity demand account positions to term deposit positions.
- Elimination of scenario floors in scenarios of falling interest rates.

### Hedging policies and mitigation techniques

To mitigate the interest rate risk in the banking book, the Group actively manages risk by arranging additional hedging transactions on financial markets to supplement the natural hedges generated on its own balance sheet as a result of the complementarity between the sensitivity to fluctuations in interest rates on deposits and on lending transactions arranged with customers or other counterparties. At 31 December 2021, CaixaBank uses fair value macro-hedges as a strategy to mitigate its exposure to interest-rate risk and preserve the economic value of its balance sheet. The most significant hedges on the Bank's balance sheet are loan hedges, issuance hedges and, at BPI (CaixaBank Group company), term deposit hedges. The most significant are issuance hedges which are structured as macro fair value hedges.

## 11.1.1. Quantitative aspects

Interest rate risk in the banking book is subject to specific control and includes various risk measures, such as analysis of the sensitivity of net interest income and the present value of future cash flows to different interest rate scenarios, including scenarios of negative interest rates.

The sensitivity of net interest income shows the impact on the review of balance sheet transactions caused by changes in the interest rate curve. This sensitivity is determined by comparing a net interest income simulation, at one or two years, on the basis of various interest rate scenarios (immediate parallel and progressive shifts of varying intensities, as well as 6 scenarios of changes in slope).

The most likely scenario, which is obtained using the implicit market rates, is compared with other scenarios of rising or falling interest rates and parallel and non-parallel shifts in the slope of the curve. The one-year sensitivity of net interest income to sensitive balance sheet assets and liabilities, taking into account scenarios of immediate rising and falling interest rates of 100 bps in each case, is approximately 13.73% in the rising scenario and -4.59% in the falling scenario.

The sensitivity of equity to interest rates measures the effect of interest rate fluctuations on economic value. The sensitivity of equity to sensitive balance sheet assets and liabilities, taking into account scenarios of immediate rising and falling interest rates of 100 bps in each case, is approximately 4.44% in the rising scenario and -10.58% in the falling scenario, compared to the *Tier* 1 figure.

The following table shows measurements of this risk for the current year and the previous year in the different scenarios used for management of the Group's balance sheet for both economic value and net interest income. The table follows the document structure of the Basel (BIS) standard and gives effect to principle 8 in the document on entities' obligation to publish relevant measurements on their IRB risk.

The sensitivities of net interest income and equity are measurements that complement each other and provide an overview of risk in the banking book, which focuses more on the short and medium term, in the case of net interest income, and on the medium and long term in the case of equity.

## Table 11.1. EU IRRBB1 - Interest rate risks of non-trading book activities

*Amounts in millions of euros*

| | ΔEVE | | ΔNII | |
|---|---|---|---|---|
| | Sensitivity Economic Value | | Sensitivity Interest Margin 12 month | |
| **Period** | 31.12.2021 | 31.12.2020 | 31.12.2021 | 31.12.2020 |
| Parallel Up | 4.18% | 10.36% | 28.37% | 15.90% |
| Parallel down (SOT) | -9.11% | -2.42% | -3.66% | 0.38% |
| Steepener (SOT) | 7.48% | 12.57% | | |
| Flattener (SOT) | -6.42 % | -6.41% | | |
| Short rate up | 0.46% | -1.08% | | |
| Short rate down (SOT) | -0.29% | -0.04% | | |
| Maximum[1] | -9.11% | -6.41% | -3.66% | 0.00% |

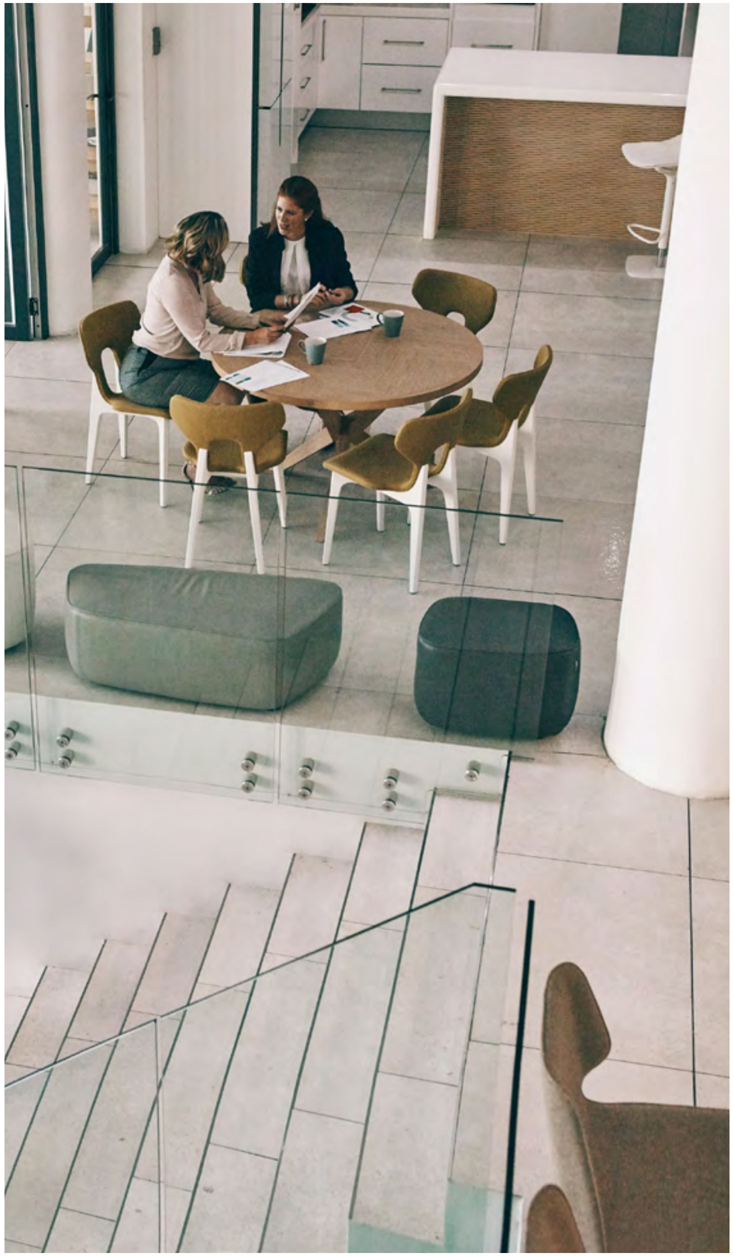
| **Period** | **31.12.2021** | **31.12.2020** |
|---|---|---|
| **Capital Tier 1** | **33,322** | **22,637** |

The main changes in risk levels are due to the increase in demand account balances in 2021.

The interest rate risk in the banking book assumed by CaixaBank Group is below levels considered significant (outliers) under current regulations.

CaixaBank continues to carry out a series of actions designed to strengthen the monitoring and management of balance sheet interest rate risk.

[1] *The concept "Maximum" expresses maximum loss.*



## 11.1.2. Modelling

There are a number of key assumptions related to measurement and monitoring of interest rate risk in the banking book. Both the models used and the updates and changes made to them are included within the scope of control of the three lines of defence model.

### Early cancellation

CaixaBank is currently using multi-variant regression models to model the risk of early contract termination of both loans and fixed-term deposits.

The dependent variable in these models is the monthly rate of early cancellation.

The assumptions of early termination of asset and liability products are obtained using internal models based on past experience, employing the behavioural variables of customers, variables concerning the products themselves, macro variables and seasonality variables.

As regards modelling early loan cancellations, which is the only modelling currently relevant, it is conducted on different groups of contracts that have a homogeneous behaviour profile. These homogeneous groups are constructed on the basis of certain relevant characteristics of the loans that determine their prepayment behaviour:

- Individual or legal entity
- loan guarantee type
- loan reference interest rate
- contract term

The selected explanatory variables considered are as follows:

- revaluation of the house price
- difference between the interest rate on CaixaBank mortgages compared to the interest rate of the competition
- applicable tax
- available income of families
- seasonality
- age of the loan
- value of the 12-month Euribor
- corporate debt
- family debt
- GDP

### On-demand accounts

The treatment of on-demand accounts is based on CaixaBank's customer assessments and its past experience, and it aims to adapt the indefinite maturity of the balances to a specific maturity. Two criteria are used to this end (modification of the interest rate and the level of permanence of the balances), and the performance is segmented according to the type of customer and the product characteristics, with constant consideration of the principle of prudence for the purposes of modelling.

The average duration resulting from the modelling of CaixaBank on-demand accounts depends on the interest rate scenario used for its projection. Considering the baseline scenarios for the last quarter of 2021, the average duration of on-demand accounts is around 3.64 years. If, from these baselines scenarios, an immediate stress of +2% is applied to the rate curve, the average duration could drop to 2.53 years. The average duration estimated by the model provides a maximum maturity of up to 15 years for the most stable items.

Therefore, the modelling reflects the fact that, when rates rise, the balances of the on-demand accounts move towards deposits with higher remuneration.

### Non-Performing Exposures (NPEs)

The entry into force of the EBA[1] guidelines1 from June 2019 establishes the general criterion that, for the purposes of IRRBB, financial institutions should consider non-performing exposures (net of provisions) as interest rate sensitive instruments, and expected cash flows and their timings must be reflected in the projection model.

Based on the parameters of the credit risk models (probability of default and loss given default) for each operation, the interest rate and amortization flows of this portfolio are projected individually on the basis of two probable states: correction and no correction.

### Trade margins in metrics of economic value

The calculation of economic value includes trade margins, and cash flows are discounted with the risk-free curve.

### Positions in non-euro currencies

Positions in non-euro currencies have little materiality and matches between currencies are not taken into account for modelling purposes.

## 11.2. Management of interest rate risk in the risk

Exchange rate risk in the banking book relates to the potential risk to the value of balance sheet items due to fluctuations in the exchange rate.

The Group has foreign currency assets and liabilities in its balance sheet as a result of its commercial activity and its positions in foreign currencies, in addition to the foreign currency assets and liabilities deriving from the Group's measures to mitigate exchange rate risk.

The Finance Division is responsible for managing the exchange risk arising from balance sheet positions denominated in foreign currency, a task performed through the market risk hedging activity undertaken by the ALM Management Division.

The Group hedges its foreign exchange risk by arranging cash transactions or using financial derivatives to mitigate asset and liability positions on the balance sheet. However, the nominal amount of these instruments is not reflected directly in the balance sheet but rather as memorandum items for financial derivatives. This risk is managed by seeking to minimise the level of foreign exchange risk assumed in commercial operations, which explains why the Group's exposure to the risk is low.

As a result of the active management of currency risk by the Markets Area, the remaining minor foreign currency positions of the commercial balance sheet and of the treasury activity are primarily held with credit institutions in major currencies (such as the US dollar, pound sterling or Swiss franc). The methods for quantifying these positions are the same and are applied alongside the risk measurements used for the treasury activity as a whole.

Market risk capital requirements for exchange rate risk in the banking book are calculated using the standard method and detailed for the purposes of RWA within market risk. As of 31 December 2021, the Group's foreign currency positions are mostly concentrated in the equity shareholdings of BPI, specifically in Banco de Fomento de Angola, denominated in kwanza, and Banco Comercial de Investimento, denominated in metical.

[1] *EBA/GL/2018/02: Guidelines on the management of interest rate risk arising from non-trading book activities.*

# 12. Reputational risk

# 12. Reputational **risk**

## Definition and general policy

Reputational risk refers to the possibility that CaixaBank Group's competitive edge could be blunted by loss of trust by some of its stakeholders, based on their assessment of actions or omissions, whether real or purported, by the Bank, its Senior Management or Governing Bodies, or because of related unconsolidated financial institutions going bankrupt (step-in risk).

Since this year, CaixaBank Group has had a specific policy for Reputational Risk Management based on the Bank's three-line defence model, which defines and expands the principles governing the management and control of this risk within the Group. This includes the regulatory framework, the general principles and strategy governing reputational risk management, the governance framework, the control framework and its functions, as well as the reporting framework and information on this risk. All CaixaBank Group companies are covered within its scope.

### Structure and organisation of the risk management function

As established in the new Reputational Risk Management policy, CaixaBank's **Communications and Institutional Relations Division** performs the main functions in the areas of strategy and governance of reputational risk, management and control thereof, as well as analysis and reporting to the different Governing Bodies of the bank and the supervisory entities when they require it. These functions include defining and managing crisis communication plans, advising on reputational risk issues, assessing situations, relationships with stakeholders, and business operations with potential reputational risk or that may violate policies on reputational risk (e.g. money laundering, among others).

This body also leads the Reputational Risk Committee (RRC), which reports to the Management Committee. The RRC's functions include analysing the state of CaixaBank's reputation and periodically monitoring identified risks that could affect the Group's reputation, as well as proposing actions and contingency plans to minimise the detected risks. The Reputational Risk Committee also reports on the status of reputational risks to the company's Global Risk Committee, which then reports to the Risk Committee. The latter, in turn, then reports to the CaixaBank Board of Directors.

The **Deputy Management of the General Business Division** also has responsibilities as the first line of defence in managing reputational risk related to Mortgage loans and housing through the Reputational Risk Managers, as well as through Business Oversight for prevention and mitigation of reputational risk in the commercial network.

Additionally, in accordance with the Control Model of three lines of defence implemented in the Group, there is a second line of defence for reputational risk, formed by the **Non-Financial Risk Control Division (Compliance and Control Division)**, whose responsibility it is to ensure quality throughout the entire management process; ensure that policies and procedures are in place and consistent with internal policy and public guidelines; evaluate the oversight environment and provide guidance on process design and review. Lastly, Internal Auditing supervises the actions of the first and second lines of defence, providing support to Senior Management and the Governing Bodies. See section 3.4.3. for more details.

The policy also establishes that **all CaixaBank's divisions and subsidiaries** have joint responsibility for the reputation of CaixaBank Group. They are involved in identifying and managing the reputational risks to which they are exposed and in establishing mitigation plans and measures.

## Hedging policies and mitigation techniques

The specific Reputational Risk Management policy completes and expands the risk-mitigating functions that already existed in other CaixaBank policies, such as the Code of Ethics and Principles of Action; the Corporate Governance Policy, which establishes the criteria and guidelines governing the company and the functioning of CaixaBank's governing bodies; other policies that implement principles and standards of action with stakeholders or social or environmental matters, whose compliance entails the mitigation of reputational risk (Corporate Sustainability/ CSR Policy, Corporate Human Rights Policy, Corporate Anti-corruption Policy, Corporate Policy relating to the Defence sector, Corporate Policy for the control and management of Tax Risk, Corporate Policy for Criminal Compliance, Environmental Risk Management Policy or occupational risk prevention policies); and policies that regulate the management and disclosure of information to stakeholders (Corporate Policy on Financial Information Reliability Risk Management; the Policy on Information, Communication and Contact with Shareholders, Institutional Investors and Voting Advisers and the Corporate Communication Policy.

## Reputational risk management and oversight strategy

The reputational risk management strategy is in line with the legal framework in force at all times and with CaixaBank's general principles of action: creating value for stakeholders, operational excellence and responsibility, early risk management, corporate coherence, transparency and continuous improvement. In addition, the specific Reputational Risk Management policy establishes the following areas to control and mitigate risk:

- **Identification and periodic assessment:** For this purpose, there is a specific taxonomy (risk catalogue) and regular processes for assessing and analysing reputational risks (six-monthly risk assessment, periodic analysis of perceptions, identification of crisis milestones, studies and market benchmarks).

- **Management and prevention policies and procedures**, including, in addition to the creation of the aforementioned policy, the development of a culture of reputational risk in all Group companies and internal procedures for managing reputational crises with detection protocols, severity scales and actions to mitigate or eliminate potential negative effects.

- **Risk prevention and reputation promotion** through management of communication channels and dialogue with stakeholders, analysis of business operations from this perspective and development of communication initiatives that boost visibility and recognition of corporate values among stakeholders.

- **Risk monitoring and control** through internal and external indicators, as well as the Risk Appetite Framework (RAF) reputation metrics, the review of the control framework, compliance with standards, and the development of periodic reputation control and measurement systems.

- **Periodic reporting to the Governing Bodies**, senior management of the bank, and supervisors for the decision-making process in this field.

# 13. Remuneration

# 13. Remuneration

Article 85 of Act 10/2014 of 26 June, on the arrangement, supervision and solvency of credit institutions (hereinafter, the Credit Institution Act), and article 93 of Royal Decree 84/2015 of 13 February, which expanded on it, laid down the contents of the reporting required on remuneration policies and practices in the Pillar 3 Disclosures pursuant to Article 450 of EU Regulation 575/2013, of the European Parliament and of the Council, for those categories of staff whose professional activities have a significant impact on the risk profile (Identified Staff).

This information is set out in this chapter of the "Pillar 3 Disclosures".

## 13.1. Governance and organisation

### Introduction

The following information relates to employees of CaixaBank and the entities that form part of its consolidation group for prudential purposes (hereinafter, CaixaBank Group) who are classified as being members of Identified Staff pursuant to applicable regulations relating to 2021.

Banco BPI, MicroBank, CaixaBank Payments & Consumer and CaixaBank Wealth Management Luxembourg have their own Remuneration Policies aligned with those of CaixaBank Group, which define their own Identified Staff following the same process used by CaixaBank.

The quantitative information includes details of the remuneration of the professionals who form the Identified Staff of the entire CaixaBank Group which, in turn, includes the professionals within the Identified Staff of BPI, MicroBank, CaixaBank Payments & Consumer and CaixaBank Wealth Management Luxembourg.

### Duties of CaixaBank's Remuneration Committee

The Spanish Corporations Act (Corporations Act) states that the duties of a listed company's Remuneration Committee (RC) include putting forward a proposal to the Board of Directors regarding the remuneration policy for the Directors and Managing Directors or the persons performing its senior management functions and answering directly to the Board of Directors, Executive Committees or CEOs. Moreover, according to the Credit Institution Act, the RC is responsible for the direct oversight of remuneration of senior executives in charge of risk management and compliance functions.

CaixaBank's Articles of Association and the Regulations of the Board of Directors are consistent with these precepts.

Finally, pursuant to EBA guidance on appropriate remuneration policies, the RC shall: **(i)** be responsible for the preparation of recommendations to the Board of Directors, on the definition of the entity's remuneration policy; **(ii)** provide its support and advice to the Board of Directors on the design of the bank's overall remuneration policy and ensure that the remuneration policy is gender-neutral and supports equal treatment of gender-diverse personnel; **(iii)** support the Board of Directors in overseeing the remuneration system's design and operation on behalf of the supervisory function; **(iv)** ensure that the current remuneration policy is up-to-date and propose any changes required; **(v)** devote specific attention to assessment of the mechanisms adopted, to ensure that the remuneration system properly takes into account all types of risks, liquidity and capital levels, ensuring that the overall remuneration policy is consistent with the long-term, sound and prudent management of the institution.

The proposals of the RC are passed on to the Board of Directors for its consideration and, where applicable, approval. Should these decisions fall within the remit of the CaixaBank General Shareholders' Meeting, the Board of Directors shall include these on the agenda as proposed resolutions along with the corresponding reports.

## Composition of CaixaBank's Remuneration Committee

Under the provisions of the LSC and the Credit Institution Act, at 31 December 2021, the Remuneration Committee comprised the following directors:

- **María Amparo Moraleda Martínez (independent director), Chairwoman.**
- **Mr Joaquín Ayuso García (independent director), Member.**
- **Ms Cristina Garmendia Mendizábal (independent director), Member.**
- **Mr José Serna Masiá (proprietary director), Member.**

In 2021, CaixaBank's Remuneration Committee met 10 times, and its members received remuneration of 118,419 euros.

## Functions of CaixaBank's Control Areas and Management Committee

EBA and ESMA guidelines establish that the control functions (Internal Audit, Risk Control and Management, and Regulatory Compliance), other competent corporate bodies (Human Resources, Legal, Strategic Planning, Budget, etc.) and the business units shall provide the necessary information for the definition, implementation and supervision of the institution's remuneration policies. The EBA's guidelines also place specific responsibilities on the human resources, risk management and internal audit functions, which are undertaken by the corresponding CaixaBank departments.

CaixaBank's Management Committee comprises representatives from the Risk, Finance, Internal Audit, Internal Control and Compliance, Human Resources and General Secretariat (Legal Services) areas, among others. The Management Committee is responsible for ensuring that the necessary information is obtained and prepared for the RC to perform its responsibilities efficiently.

CaixaBank's Human Resources Department (hereinafter, HR) is in charge of promoting these actions within the Management Committee.

To prevent conflicts of interest, the Remuneration Committee is directly responsible for obtaining, preparing and reviewing information on: (i) the members of the CaixaBank Board of Directors, whether for their oversight or executive duties; and (ii) the members of the Management Committee.

With respect to external advice, the Remuneration Committee has mainly been advised by Ernst & Young Abogados S.L.P. ("EY") when preparing the Remuneration Policies and, in particular, designing a new variable remuneration scheme linked to the achievement of annual and multi-year objectives, among others, which will be applicable in 2022.

## Approval of the Remuneration Policy applicable to the Identified Staff in force in 2021

On 26 February 2015, the Remuneration Committee submitted its proposed Remuneration Policy for CaixaBank Group's Identified Staff to the Board of Directors for approval, pursuant to the requirements of Article 29.1d) of Act 10/2014, of 26 June, on the arrangement, supervision and solvency of credit institutions.

As a result of constant review, and with the aim of ensuring correct adaptation to regulations relating to remuneration, since 2016 the Board of Directors of CaixaBank has approved a series of changes to the Remuneration Policy applicable to the Identified Staff.

On 17 June 2021, due to the entry into force of the new regulatory framework applicable to credit institutions and the organizational change resulting from the merger with Bankia, the Board of Directors approved the following modifications to CaixaBank Group's Identified Staff Remuneration Policy:

- Update of the determination process and minimum deferral of 4 years;
- Inclusion of the principles of gender equality;
- Admission of the possibility of making payment in share-linked instruments. The Policy only contains to option to introduce them, and their use is not implemented;
- Inclusion of clarifications regarding the functioning of the RAF;
- Modification of the clawback application periods for the entire deferral and withholding period.

On 15 December 2021, the Board of Directors approved the latest amendment to CaixaBank Group's Identified Staff Remuneration Policy in order to reflect the latest regulatory developments approved since June and the implementation of the New Variable Remuneration Model 2022.

On 30 March 2021, CaixaBank's Board of Directors approved the motion for its new Remuneration Policy for the years 2020-2022. The Policy was also approved at the General Shareholders' Meeting held on 14 May 2021, with 75.76% of the votes in favour over the quorum. This result was conditioned by a significant shareholder with a 16.1% stake, who voted against amending the Policy. Excluding this sole shareholder from the votes, the change to the Remuneration Policy would have obtained a 96.3% approval.

The principles and characteristics of the Remuneration Policy are the same as those that were applicable to the previous publication, but with the following changes included:

- Cessation of Mr. Jordi Gual Solé as non-executive Chairman;
- Appointment of Mr José Ignacio Goirigolzarri Tellaeche as director and Executive Chairman, together with the agreed remuneration conditions and the terms of his contract;
- Modification of the maximum annual amount of the remuneration of directors in their capacity as such;
- Definition of the maximum number of shares that executive directors may receive in the event that all the objectives corresponding to the third cycle of the conditional Annual Incentive Plan linked to the 2019-2021 Strategic Plan are met;
- Introduction of a new section on "the purpose and scope of the Policy";
- Modification of the section relating to "Long-term instrument-based incentives" to give maximum flexibility to the Remuneration Policy, allowing long-term incentives to be established based both on instruments and in cash, linked to the conditions set forth at any given time and which generate added value for shareholders, and in any case complying with the variable remuneration requirements in force;
- Introduction of a new subsection with the procedure and particularities to be followed for the approval of the contract of an executive director;
- Adaptation to best practices in remuneration in credit institutions.

The aforementioned amendments are published on the CaixaBank website, in the section Shareholder Documentation 2021. (https://www.caixabank.com/aplnr/informacioncaixabank/index_en.html?t=1)

The text of the Remuneration Policy for CaixaBank Directors is available on the Company's website. (https://www.caixabank.com/en/shareholders-investors/corporate-governance/annual-general-meeting.html).

## 13.2. Description of the Identified Staff Group

During the 2021 financial year, CaixaBank Group determines which professionals, at an individual or consolidated level, must form part of the Identified Staff in accordance with the provisions of article 32.1 of the Credit Institution Act and RD 2021/923.

CRD V and RD 2021/923 establish the specific criteria for identifying persons whose professional activities have a significant impact on the risk profile of credit institutions.

In accordance with said regulations, members of Identified Staff should be identified using a combination of the qualitative and quantitative criteria set out therein.

Following this evaluation, which is documented in accordance with RD 2021/923 and other applicable regulations, CaixaBank's governing bodies approved the list of positions classified as Identified Staff. At year-end 2021, this list consisted of a total of 303 professionals, including CaixaBank Group's executive directors, non-executive directors, members of the Management Committee, senior executives and key employees.

# 13.3. Qualitative information concerning remuneration of the Identified Staff

## General aspects

The remuneration policy for Identified Staff is structured taking into account both the prevailing circumstances and the Entity's results, and comprises:

1. Fixed remuneration based on the level of responsibility and the career path of each employee, which constitutes a relevant part of total compensation.

2. Variable remuneration tied to the achievement of previously-established targets and prudent risk management.

3. Social prevision and social benefits.

Fixed remuneration is of a sufficient amount, while variable remuneration generally accounts for a relatively small percentage of fixed annual compensation. It cannot in any case exceed 100% of the total fixed remuneration unless the CaixaBank General Shareholders' Meeting approves a higher amount, which shall be no more than 200% of the fixed components.

The Credit Institution Act and the EBA guidelines set out that the fixed and variable components of total remuneration must be duly balanced, and that the fixed component must constitute a sufficiently large proportion of total remuneration, and that the policy applied to variable components can be fully flexible up to the limits for paying such components.

In this regard, the EBA Guidelines establish that staff should not be dependent on the awarding of variable remuneration, as this would incentivise the taking of excessive short-term risk when the results of the entity or persons involved would not permit the awarding of the variable remuneration without the taking of such risks.

In line with this, CaixaBank considers that the higher the possible variable remuneration compared to the fixed remuneration, the stronger the incentive will be to deliver the performance needed, and the bigger the associated risks may become. In contrast, if the fixed component is too low compared to the variable component, an institution may find it difficult to reduce or eliminate variable remuneration in a poor financial year.

Thus, implicitly, variable remuneration may become a potential incentive to assume risk, and therefore, a low level of variable remuneration is a simple protection method against such incentives.

Furthermore, the risk appetite must take into account the category of employees included in Identified Staff, applying the principle of internal proportionality. As a result, the appropriate balance between the fixed and variable remuneration components may vary across the staff, depending on market conditions and the specific context in which the undertaking operates.

Therefore, and attending to the objective of a reasonable and prudential balance between fixed and variable components, in CaixaBank Group the amount of fixed components are sufficient, and the percentage representing the variable remuneration over the fixed annual remuneration is, generally, relatively reduced.

Specifically, group companies have pre-established amounts for variable remuneration applicable to the salary bands of each function.

Lastly, the ABE Guidelines establish that the remuneration of professionals who are responsible for independent control functions must be predominantly fixed and that, when these professionals receive variable remuneration, it should be determined independent of the business units they control and should include the results derived from the business decisions in which they participate (e.g. the approval of new products).

In addition, the Guide on the criteria for the organization and operation of the customer service departments of banks supervised by the Bank of Spain, dated 20 July 2021, establishes that when employees responsible for the control units of central services receive variable remuneration, it must be determined separately from the business units they control, including the results derived from the business decisions in which said employees participate, and shall have objectives that are independent of the business areas they supervise.

Similarly, the methods used to determine the variable remuneration of Customer Service staff must not compromise the objectivity of said staff or their independence. In this way, the parameters considered will not depend on the objectives and performance of the business units they supervise, nor on other circumstances that may generate conflicts of interest.

The EBA's final Guidelines on loan origination and monitoring, of 29 May 2020, establish that variable remuneration for staff involved awarding loans will include appropriate credit quality indicators in accordance with the Bank's risk appetite framework.

## Relationship between fixed components and variable components for remuneration of the Identified Staff

As indicated in the previous section, the fixed remuneration amounts are sufficient and the percentage of variable components are duly balanced. This allows for application of a fully flexible policy with regard to the variable components of remuneration, until it is no longer possible to pay these components.

Based on the wage bands established for each function, the variable remuneration "target" amount corresponding to each member of the Identified Staff is determined taking into account the functions performed, the level of responsibility, and the impact on the risk profile.

Notwithstanding the foregoing, as set forth in the applicable legislation, the variable component of the members of the Identified Staff may not exceed 100 percent of the fixed components of the total remuneration of each one, unless the General Shareholders' Meeting approves a higher level, which must not exceed 200 percent of the fixed components.

There are no differences in the ratios of the variable component over the fixed components of the remuneration by geographic area, nor is there any theoretical discount applicable to the variable remuneration in the calculation of these ratios.

For 2021, the relationship between fixed components and variable components for remuneration of the Identified Staff was 43 %, respecting in all cases the limit of 100 % or 200 % for cases authorised by the General Meeting of Shareholders"

To this end, the General Shareholders' Meeting held on 14 May 2021 approved the increase in the maximum level of variable remuneration for employees whose professional activities have a significant impact on the Company's risk profile, all in accordance with the detailed recommendation of the Board of Directors, available in the shareholder documentation Recomendacion_pormenorizada_CAST.pdf (caixabank.com). https://www.caixabank.com/deployedfiles/caixabank_com/Estaticos/PDFs/Accionistasinversores/Gobierno_Corporativo/JGA/2021/Acuerdos_aprobados_EN.pdf. Sixteenth Agreement:

***"Approval of the maximum level of variable remuneration for employees whose professional activities have a significant impact on the Company's risk profile.***

*Approve that the level of variable remuneration of the two hundred and fifteen (215) positions of the group of employees whose professional activities have a significant impact on the risk profile of the Company (Identified Staff) referred to in the "Detailed recommendation of the Board of Directors on the proposed resolution to approve the maximum level of variable remuneration for professionals belonging to the Identified Staff", may reach up to two hundred percent (200%) of the fixed component of their total remuneration, all under and subject to the provisions of Article 34 of Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions.*

*Approval of this agreement has the following purposes: (i) to meet market conditions in the case of the thirty-three (33) positions included in Section I of the Annex to the aforementioned Detailed Recommendation, or (ii) for all positions included in Sections I and II of the aforementioned Annex, to increase the Company's capacity to meet the individual and collective commitments taken on in terms of termination payments under equal conditions for all members of its Identified Staff and the rest of its staff who have recognised variable compensation components, without implying a general alteration of the compensation practices and policies in force in the Company.*

*Similarly, approve that the Company may exercise its voting rights in subsidiaries subject to a maximum variable remuneration ratio by agreeing to the maximum permitted limit, following the same principles applicable to the Company."*

This agreement was approved by the General Shareholders' Meeting with a favourable vote of 77.07% of the 75.43% of the capital present or represented.The detailed recommendation of the Board sets out the reasons and scope of the proposed decision and includes the number of persons affected, their positions, as well as the expected effect on the maintenance of a solid capital base, taking into account the provisions of the competent authority with regard to dividend distribution policies.

## Fixed remuneration

As a general rule, Identified Staff are subject to the professional classification system and salary tables set out in applicable collective bargaining agreements and the specific employment agreements reached with workers' representatives.

Each employee's fixed remuneration is based on the position held, applying the salary table set out in the aforementioned collective bargaining agreement, and taking into account the professional level of the employee and the employment agreements currently in force, mainly reflecting the employee's professional experience and responsibility in the organisation through their role.

Posts in Central and Regional Services and other non-regulated positions fall into a classification based on contribution levels, with salary bands established to foster internal fairness. Moreover, to ensure that the Bank remains competitive with its peers, these salary bands are quantified on the basis of the Bank's competitive position. This requires it to monitor market trends in salaries and take part in several annual salary surveys.

Fixed remuneration and the supplements applied to the positions of members of CaixaBank's Management Committee are mainly based on market criteria, through salary surveys and specific ad hoc research. The salary surveys and specific ad hoc research used by CaixaBank are performed by specialist companies, based on comparable samples of the financial sector in the market where CaixaBank operates, and, for posts not specific to the financial sector, leading companies in the IBEX and other companies with comparable business volumes.

## Variable remuneration

The following section describes the variable remuneration system in force in 2021.

### Variable remuneration in the form of an annual bonus

Risk-adjusted variable remuneration for Identified Staff is based on the remuneration mix (a proportional balance between fixed and variable remuneration, as mentioned above) and on performance measurements.

Ex-ante and ex-post remuneration adjustments are applied in view of the performance measurements, as a risk alignment mechanism.

Both quantitative (financial) and qualitative (non-financial) criteria are taken into account when assessing performance and evaluating individual results. The appropriate mix of quantitative and qualitative criteria also depends on the tasks and responsibilities of each staff member. In all cases, the quantitative and qualitative criteria and the balance between them, for each level and category, must be specified and clearly documented.

For the purposes of the ex-ante adjustment of variable remuneration, all Identified Staff are assigned to one of the categories described below, with the exception of members of the Board of Directors in their supervisory role and any other positions determined based on their characteristics that have no variable remuneration. This assignment is carried out based on each person's functions and the staff in question are notified individually.

**a.** Executive directors and members of CaixaBank's Management Committee

The variable remuneration applicable to the executive directors and to the members of the Management Committee will be determined on the basis of an objective bonus that is established for each individual by the Board of Directors, at the proposal of the RC, and a maximum attainment of 120 %; the level of attainment is established in accordance with the following parameters, which are measured:

- 50 % based on individual targets.
- 50 % based on corporate targets.

The 50 % corresponding to corporate targets is set each year by CaixaBank's Board of Directors, at the proposal of the RC. This is weighted across various concepts for which targets can be set, based on the Bank's main objectives. For the CEO, in 2021, these items were:

- ROTE, with a weight of 10 %.
- Core Efficiency Ratio, with a weight of 10 %.
- Variation in Problematic Assets, with a weight of 10 %.
- Risk Appetite Framework, with a weight of 10 %.
- Conduct and compliance, with a weight of 5 %.
- Quality, with a weight of 5 %.

The proposed composition and weighting of these corporate targets is established in accordance with the Credit Institution Act and its implementing regulations, and may vary between Executive Directors and members of the Management Committee.

The corporate targets of the members of the Management Committee are calculated in line with the CEO.

The part of variable remuneration based on individual targets (50 %) has a minimum attainment level for collection of 60 % and a maximum of 120 %. It is distributed across various targets related to CaixaBank's strategy. The final valuation carried out by the Remuneration Committee may vary by +/-25 % in relation to the objective assessment of the individual targets, providing that it remains below the limit of 120 %. This flexibility allows for the qualitative assessment of the performance of the Executive Director or Management Committee member, and consideration of any exceptional targets that may have arisen during the year that were not considered at the outset.

In 2021, the Chairman's individual challenges focused mainly on aspects related to the integration of CaixaBank and Bankia, and on strengthening corporate governance in his role as Chairman of the Board of Directors, ensuring excellent coordination between the Board itself, its committees and the Board Secretariat. The measurement of these challenges has been assessed by the Board through a process of evaluation by all Board members. Also included among the Chairman's individual challenges is a target ensuring the proper functioning of the Internal Audit function, achieving a rapid and adequate adaptation of the function after the integration process, and improving the valuation and contribution of value to the main stakeholders.

For the CEO, the individual challenges for 2021 have focused on the organisational, operational and technological integration of Bankia into Caixabank, the negotiation and realisation of staff restructuring and the new labour agreement, the reduction of costs and the achievement of synergies derived from the merger, the renegotiation of the different strategic distribution agreements, as well as the promotion of sustainability, developing the role within the Management Committee, and promoting the implementation of a sustainability master plan for the entire CaixaBank Group.

**b.** Other categories

For professionals in other categories of Identified Staff, the variable remuneration system depends on their role, with a risk adjustment reflecting the area to which they belong or position they hold.

Therefore, all members of the Identified Staff are assigned a variable remuneration programme or specific bonuses.

Each of the Entity's business areas has a specific bonus programme with its own structure and measurement criteria, based on the targets and terms and conditions that determine the variable remuneration assigned to Identified Staff in that area. The main areas in which these programmes are applied are: Commercial Banking, Private Banking, Business Banking, Transactional Banking, Finance, Corporate & Institutional Banking and International Banking.

The remuneration model applied in Central and Regional Services is known as the "Targets Programme" and encompasses all members of the Identified Staff who work in business control and support areas. The targets in these areas are set through an agreement between each employee and the employee's supervisor, and are consistent with the targets set for the area.

The maximum percentage of attainment varies between 100% and 150%, depending on the bonus scheme applicable to each professional. The payment level is determined based on the achievement of individual and corporate targets, in the proportions set out in the corresponding bonus schemes approved by the Management Committee, after review by the Regulatory Compliance function to ensure its alignment with the remuneration policy and to avoid potential conflicts of interest.

The weighting for corporate targets is set for each year, and distributed across measurable concepts, based on the main targets for the area. These concepts may, by way of example, include some or all of the following:

- ROTE
- Efficiency ratio
- Recurring operating expenses
- Ordinary margin of the DT
- Accounting Impairment of the DT
- Quality
- Conduct and compliance

The proposed composition and weighting of the corporate targets is established in accordance with the Credit Institution Act and its implementing regulations.

Pursuant to the 2014 Credit Institution Act and the ABE Guidelines, the targets set for employees who perform control functions, on which their bonus-related performance is predicated, are established in accordance with the performance indicators set jointly by the employee and the employee's manager and are unrelated to the results achieved by the business areas they supervise or control.

## Risk adjustment indicator

For professionals in the rest of the categories of the Identified Staff, the indicators used to adjust for ex-ante risk in the calculation of variable remuneration may vary according to the different categories of Identified Staff, pursuant to the following model.

The risk adjustment is based on the individual metrics or groupings of metrics of the CaixaBank Risk Appetite Framework (hereinafter, RAF). Depending on their area of responsibility or position, each member of the Identified Staff is assigned the individual groupings or metrics over which they have management capacity, in addition to the groupings or metrics that are considered transversal in nature. Full performance of these groupings or metrics determines the value of the Risk Adjustment Indicator (hereinafter, RAI).

The RAF comprises a set of quantitative and qualitative metrics that evaluate all of CaixaBank's risks. Due to their high correlation, some metrics have been grouped for the purposes of the RAI. The metrics or groupings of metrics are as follows:

- Grouping of solvency metrics (transversal grouping).
- Grouping of profitability metrics.
- Grouping of default metrics.
- Market risk metric.
- Grouping of interest rate risk metrics.
- Grouping of liquidity risk metrics.
- Concentration metric per borrower.
- Concentration metric by sector.
- Grouping of public sector metrics.
- Longevity risk metric.
- Non-strategic asset metric.
- Operational loss metric (transversal metric).
- Regulatory compliance metric (transversal metric).
- Reputational risk metric (transversal metric).

The specific groupings or metrics that make up the RAI of each professional must be communicated individually to the interested party together with the Remuneration Policy.

Although the evaluation of the quantitative indicators comprising the RAF may return a numeric result, the RAF summarises the status of the metrics using a color: green, amber or red. For the purposes of the RAI, the colour of RAF metrics will be taken into account. In the case of groupings of metrics, the worst metrics that make up a grouping will be taken as the colour.

The resulting RAI for the set of metrics for each professional must have a value of between 0 and 1, based on:

- The impacts indicated in the attached table for each of the variations by RAF groupings and metrics applicable at the close of the year in question and the budget approved for that year will be added. The value of the indicator will fluctuate within the interval of 0.85-1, according to the following compliance scale:

| Budget | Close | % Adjustment |
|---|---|---|
| 🟢 | 🟢 | 0.0 % |
| 🟢 | 🟠 | -1.5 % |
| 🟢 | 🔴 | -4.5 % |
| 🟠 | 🟢 | 1.5 % |
| 🟠 | 🟠 | 0.0 % |
| 🟠 | 🔴 | -3.0 % |
| 🔴 | 🟢 | 4.5 % |
| 🔴 | 🟠 | 3.0 % |
| 🔴 | 🔴 | 0.0 % |

In the event that at year-end one of the metrics included in the risk adjustment for each group enters Recovery (black in RAF), the value of the RAI indicator will be 0.

The amount payable to members of this category is calculated using the following formula:

**Risk-adjusted bonus = RAI x Bonus target x (% achievement of individual "targets" + % achievement of corporate "targets") x bank correction factor**

The amount of the bonus received by each employee in each specific programme is based on performance and the results of the business and the Bank. The initial amount is adjusted according to a "bonus-adjustment factor" determined each year by the Entity's management, pursuant to applicable regulations. The correction factor basically includes the Entity's overall results, and other aspects of a more qualitative type.

As a general rule, this correction factor is applied equally to all the employees, and may be between 0.85 and 1.15.

### Special incentives

Members of the Identified Staff can occasionally be given incentives to achieve certain objectives, usually linked to the marketing and sale of third-party products or other products, taking into account the regulations applicable to retail banking in all cases; The amount of the incentives they are given in a particular financial year, plus any variable remuneration they accrue in the same year in the form of a bonus, shall be together considered part of the non-deferred cash portion of their remuneration for the purposes of deferment to be settled starting in the following financial year. The amount of the incentive will be set based on the conditions and parameters established in each particular case.

### Variable remuneration payment cycle

#### Professionals subject to deferred payment

In accordance with article 34.2 of the Credit Institution Act, this deferral applies only when the total amount of the variable remuneration accrued by Identified Staff professionals exceeds EUR 50,000 and does not represent more than one third of their total annual compensation.

For the categories of Executive Directors, members of the Management Committee and Persons Responsible for Independent Business Control Functions, the deferral is applied regardless of the total amount of variable compensation accrued.

#### Deferment process

On the payment date scheduled in the Bonus Programme for each employee, the percentage of variable remuneration accrued for the professional category in question is paid outright (hereinafter, Initial Payment Date).

The percentage of variable remuneration retained is as follows:

- Executive Directors: **60 %**
- Management Committee and Persons Responsible for Independent Business Control Functions: **50 %**
- Other Identified Staff: **40 %**

A 60% deferral will be applied to all variable remuneration granted that, in total, exceeds 50% of the minimum total remuneration that the EBA considers to qualify as a high earner for any particular financial year. For the purposes of calculating this figure, the portion of the early termination payments that has to be considered variable remuneration will be divided by the number of years the professional in question was with the company.

50% of the amount of the initial payment is paid in cash, and the remaining 50% in CaixaBank shares.

Provided that none of the situations giving rise to reduction occur, the retained portion of risk-adjusted variable remuneration for Executive Directors and members of the Management Committee and Persons Responsible for Independent Business Control of CaixaBank included in the identified staff is to be paid in five instalments, in the amounts and on the dates as follows:

- 1/5: 12 months after the Initial Payment Date.
- 1/5: 24 months after the Initial Payment Date.
- 1/5: 36 months after the Initial Payment Date.
- 1/5: 48 months after the Initial Payment Date.
- 1/5: 60 months after the Initial Payment Date.

Provided that none of the situations giving rise to reduction occur, the retained portion of risk-adjusted variable remuneration for other Identified Staff is to be paid in four instalments, in the amounts and on the dates as follows:

- 1/4: 12 months after the Initial Payment Date.
- 1/4: 24 months after the Initial Payment Date.
- 1/4: 36 months after the Initial Payment Date.
- 1/4: 48 months after the Initial Payment Date.

Of the amount payable at each of these three dates, 50% is paid in cash. The remaining 50% is paid in CaixaBank shares, after the corresponding taxes (withholdings and payments on account) have been settled.

All shares delivered are subject to a withholding period of one year from delivery.

During the period of deferral, the entity obliged to pay the remuneration shall own both the instruments and cash whose delivery is deferred.

Pursuant to the principles of labour and contractual law applicable in Spain, and particularly the bilateral nature of contracts and equity in the accrual of reciprocal considerations, the deferred cash accrues interest in favour of the recipient, calculated by applying the corresponding interest rate to the first tranche of the account payable to the employee. Interest will only be paid at the end of each payment date and will apply to the cash amount of the effectively receivable variable remuneration, net of any due reduction.

In compliance with EBA guidelines with regard to instruments' returns, the Bank will pay no interest or dividends on deferred instruments either during or after the deferral period from 1 January 2017.

### Annual Conditioned Incentives Plan linked to the 2019-2021 Strategic Plan

The implementation of an Annual Conditioned Incentives Plan related to the 2019-2021 Strategic Plan was approved In the General Shareholders' Meeting of 5 April 2019. This plan, after a certain time period has elapsed, will allow for a certain number of ordinary CaixaBank shares to be received, provided that the Company's strategic objectives are met, along with the requirements described herein.

As a measure of responsibility on the part of CaixaBank's Management in view of the exceptional economic and social situation caused by COVID-19, at its meeting on 16 April 2020, the Board of Directors approved the proposal of the Management Committee that there be no allocation of shares corresponding the second cycle of the Annual Conditioned Incentives Plan linked to the 2019-2021 Strategic Plan for the CEO, members of the Management Committee and key employees of CaixaBank and its group companies.

The Plan comprises the free assignment, in 2019, 2020 and 2021, of a number of units to each beneficiary (the 'Units', which are used as a base to establish the number of CaixaBank shares to deliver, where relevant, to each beneficiary of the Plan.

The assignment of Units in itself does not attribute the condition of shareholders in the Company to beneficiaries, given that the Units do not entail the attribution of economic or political rights, or any other kind of right related to the condition of shareholder. By virtue of this Plan, the condition of shareholder will be acquired, where relevant, upon the delivery of shares in the Company.

The rights conferred by the assignment of Units are not transferable, with the exception of any special circumstances established in the Regulations of the Plan.

**Duration, objective measurement periods and liquidation dates of the Plan:**

The Plan has three cycles, each of three years, with three Unit assignments, each of which will take place in 2019, 2020 and 2021.

The first cycle dates from 1 January 2019 to 31 December 2021; the second cycle spans the period from 1 January 2020 to 31 December 2022; and the third cycle dates from 1 January 2021 to 31 December 2023.

Each cycle will have two periods for measuring objectives. The "First Measurement Period" corresponds to the first year of each cycle of the Plan, in which certain objectives linked to metrics described herein must be met. The "Second Measurement Period" corresponds to the 3-year duration of each cycle of the Plan, in which certain objectives linked to the metrics described herein must also be met.

According to the degree to which the objectives of the First Measurement Period are attained, and on the basis of the Units assigned at the start of each cycle, in the second year of each cycle ("Grant Date") the Beneficiaries will be granted a "Provisional Incentive" equivalent to a certain number of shares in the Company ("Granting of the Provisional Incentive"). The Granting of the Provisional Incentive does not entail CaixaBank shares being delivered at that time.

The final number of shares to be delivered (the 'Final Incentive') is determined after each of the Plan's cycles ends and is subject to and dependent on the objectives corresponding to the Second Measurement Period of each of the Plan's cycles being met ("Determination of the Final Incentive"). Under no circumstances can the number of shares to be delivered corresponding with the Final Incentive exceed the number of shares in the Provisional Incentive on the Grant Date.

The shares corresponding to the Final Incentive of each cycle will be delivered by third parties on the third, fourth and fifth anniversary of the Grant Date for members of the Board of Directors who have executive functions and for members of the Management Committee

(the "Settlement dates", each one individually the "Settlement date"). For all other Beneficiaries belonging to the Identified Staff, shares will be delivered in full on a single Settlement Date, on the third anniversary of the Grant Date.

Notwithstanding the above, the Plan was formally launched on 5 April 2019 (the "Commencement Date"), except for those Beneficiaries subsequently incorporated into the Plan, for whom a different Commencement Date may be set in the Invitation Letter.

The Plan ends on the last Settlement Date of shares corresponding to the third cycle of the Plan, i.e. in 2027 for members of the Board of Directors with executive functions and members of the Management Committee, and in 2025 for all other Beneficiaries belonging to the Identified Staff (the "End Date").

**Reference share value:**

The share value used as a reference for assigning the Units in each of the cycles of the Plan, and which in turn is used to determine the number of shares to be delivered, corresponds to the arithmetic average price of the closing CaixaBank share price, rounded to three decimal places, during the trading sessions in January of each year in which a Plan cycle begins (i.e. January 2019, January 2020 and January 2021).

The value of shares corresponding to the Final Incentive that, where relevant, are finally delivered under the scope of the Plan, will correspond with the listed closing CaixaBank share price on the Settlement Dates of each of the Plan's cycles.

**Determination of the number of Units to assign:**

The number of Units to be assigned to each Beneficiary in each of the Plan's cycles is determined by the Board of Directors, at the suggestion of the Remuneration Committee according to the following formula:

**NU = TA / AAP**

**Where:**

**NU =** The Number of Units to be assigned to each Beneficiary, rounded up to the nearest whole number.

**T.A. =** Reference target amount of the Beneficiary depending on their position.

**AAP** = Arithmetic average price, rounded to three decimal places, of CaixaBank share closing prices in stock market trading sessions in January of each year in which a Plan cycle begins (i.e., January 2019, January 2020 and January 2021).

**Determination of the number of shares corresponding to the Provisional Incentive award and of the number of shares corresponding to the Final Incentive.**

The total number of shares corresponding to the Granting of the Provisional Incentive on the Grant Dates is determined according to the following formula:

**NCS = NU x DIA**

**Where:**

**N.C.S. =** Number of Company Shares corresponding to the Granting of the Provisional Incentive of each Beneficiary, rounded up to the nearest whole number.

**NU =** Number of Units assigned to the Beneficiary at the start of each cycle of the Plan.

**DIA** = Degree of Provisional Incentive Attainment, according to the degree to which the objectives linked to the metrics linked to the Plan during the first year of each cycle are achieved.

The total number of shares corresponding to the Final Incentive to be delivered to each Beneficiary on the Settlement Dates will be determined according to the following formula:

**NS = NCS x Ex-post adj.**

**Where:**

**N.S. =** Number of Shares in the Company corresponding to the Final Incentive to be delivered to each Beneficiary, rounded up to the nearest full number.

**Ex-post Ex-Post =** *Ex-post* adjustment on the Provisional Incentive of each cycle, according to the fulfilment of objectives corresponding to each cycle of the Plan.

**Plan Metrics:**

The Degree of Attainment of the Provisional Incentive and, therefore, the specific number of CaixaBank shares corresponding to the Granting of the Provisional Incentive for each Beneficiary, on each of the Grant Dates in each cycle of the Plan, depends on the degree of fulfilment of a series of objectives during the First Measurement Period of each of the Plan's cycles, related to the following Company metrics: **(i)** the evolution of the Core Efficiency Ratio ("CER"), **(ii)** the evolution of the Return on Tangible Equity ("ROTE"), and **(iii)** the evolution of the Customer Experience Index (CEI).

The Degree of Attainment of the Provisional Incentive is determined according to the following formula, with the weightings included therein:

**DIA = CCER x 40 % + CROTE x 40 % + CCEI x 20 %**

**Where:**

**DIA =** Degree of Attainment of the Provisional Incentive expressed as a percentage rounded to one decimal place.

**CREC =** Coefficient achieved in relation to the CER objective, according to the scale established for the CER objective in this section.

**CROTE =** Coefficient achieved in relation to the ROTE objective, according to the scale established for the ROTE objective under this Section.

**CCEI =** Coefficient achieved in relation to the CEI objective, according to the scale established for the CEI objective under this section.

For the three metrics, CER, ROTE and CEI, a coefficient of between 0% and 120% is established according to the scale of fulfilment of the objectives related to each of said measures. The objectives reached in relation to the three metrics will be determined by the Company itself.

A condition of the Granting of the Provisional Incentive will be that, in each of the Plan's cycles, on the end of the First Measurement Period of each, the ROTE metric exceeds a specific minimum value, which the Board of Directors will establish for each of the Plan's cycles.

The metrics for calculating the Ex-post Adjustment will be: **(i)** the CaixaBank Risk Appetite Framework ("RAF"), **(ii)** the Total Shareholder Return ("TSR") of the Company's shares, and **(iii)** the Global Reputation Index of CaixaBank Group ('GRI').

The Ex-post Adjustment is calculated according to the objectives reached in relation to each of said metrics upon the end of each cycle of the Plan, in accordance with the formula indicated below, with the weightings included therein:

**Ex-post Ex-Post = CRAF x 60 % + CTSR x 30 % + CGRI x 10 %**

**Where:**

**Ex-post *Ex-Post* =** Ex-Post Adjustment to apply to the Provisional Incentive awarded during each of the Plan's cycles, expressed as a percentage, with a maximum potential of 100 %.

**CRAF =** Coefficient achieved in relation to the RAF objective, according to the scale established for the RAF objective in this section.

**CTSR =** Coefficient of the TSR target, according to the scale established for the TSR target in this chapter.

**CGRI =** Coefficient achieved in relation to the GRI objective, according to the scale established for the GRI objective in this section.

To calculate the fulfilment of the objective related to the RAF metric, an aggregate level of the scorecard of the Company's Risk Appetite Framework is used. This scorecard is formed of quantitative metrics that measure the different types of risk, and the Board of Directors establishes areas of appetite (green), tolerance (amber) or non-compliance (red), and determines the scale of attainment that establishes penalisation or bonus percentages according to the variation on each metric, between the situation of the RAF item at the start and end of the period.

In relation to the Company's TSR evolution in each of the Plan's cycles, this will be calculated by comparing the same indicator for another eighteen calculable reference banks (nineteen banks in total including CaixaBank). A coefficient between 0 and 1 will be established according to CaixaBank's ranking among the nineteen comparable banks. For anything beneath the median of the comparison group, the coefficient will be 0.

To determine the TSR, and with a view to avoid atypical movements in the indicator, the reference values will take into consideration the average mean price rounded to three decimal places of the shares' closing prices over 31 calendar days, both on the start and end date of the Second Measurement Period on each cycle. As well as 31 December, these 31 days will include the 15 days preceding and following the date in question.

**The TSR metric will be calculated at the end of each of the Plan's cycles by a renowned independent expert, at the request of the Company.**

The fulfilment of the GRI as an *Ex-post* Adjustment will be calculated on the basis of the variation of this metric in each of the Plan's cycles. For the first cycle of the Plan, the evolution between the value calculated at the end of 31 December 2018 and that of 31 December 2021 will be measured; for the second cycle, the evolution between 31 December 2019 and 31 December 2022 will be calculated; and for the third cycle, the evolution between 31 December 2020 and 31 December 2023 will be measured. If the variation is negative, i.e. if the reputation indicator goes down, the degree of attainment will be 0%. Otherwise, it will be 100%. The GRI indicator includes indicators related to CaixaBank's reputation risk, which, among other things, measures social, environmental and climate-change-related aspects, whereby any negative impact related to any of these issues would entail an adjustment to the total number of shares of the Final Incentive.

The Ex-post Adjustment could make the number of final shares to deliver lower, but never higher, than the number of shares corresponding to the Provisional Incentive on each of the Grant Dates.

As well as the foregoing, if, on the end date of each of the Plan's cycles, the CaixaBank TSR ranks between sixteen (16) and eighteen (18) (both inclusive) out of the eighteen (18) banks comparable to the Company, the Final Incentive that may have resulted from the application of Ex-post Adjustments referred to in this section would be reduced by 50%.

Exceptionally, and only to determine the shares corresponding to the Granting of the Provisional Incentive on the Grant Date of the third cycle of the Plan, an additional multiplying coefficient will be included, which can be up to 1.6, and which will be applied to the DIA, and which will depend on the evolution of the CaixaBank TSR indicator in comparison to the same indicator for the seventeen comparable banks during the first cycle of the Plan. Nevertheless, if CaixaBank ranks below the median among the aforementioned seventeen banks at the end of the first cycle of the Plan, no additional multiplying factor on the DIA will be applied.

**Requirements for obtaining shares:**

The requirements for the beneficiary to receive shares derived from each of the Plan's cycles are:

- They must comply with the objectives set for them under the Plan, subject to the terms and conditions set out in this agreement and in the Plan regulations.
- The beneficiary must remain part of the Company until the Settlement Dates corresponding to each of the Plan's cycles, except in special circumstances, such as death, permanent disability, retirement, and others as set out in the Plan regulations. In the event of voluntary resignation or lawful dismissal, the Beneficiary will forfeit their entitlement to shares under the Plan, notwithstanding the provisions of the Plan regulations. The shares will be delivered in all cases on the dates established for Beneficiaries of the Plan, in accordance with the requirements and procedures laid out in the Plan.

The Plan will only be settled and the shares delivered if this is sustainable and justified given CaixaBank's situation and results. The shares under this Plan established for each of the Settlement Dates will not be delivered to the beneficiaries - who will lose any right to receive them - in the event that CaixaBank makes a loss, does not distribute dividends or does not pass the stress tests required by the European Banking Authority at the end of the 2019-2021 Strategic Plan, i.e. at the end of the 2021 fiscal year.

### Determination of the Provisional and Final Incentive of the First and Third Cycle of the 2019-2021 Annual Conditioned Incentives Plan

The degree of attainment of the provisional incentive for the first cycle is related to the performance of these indicators in 2019:

| Item | % | Objective | Result | DIA |
|---|---|---|---|---|
| Core Efficiency Ratio (CER) | 40% | 57.7% | 57.4% | 105.1% |
| *Return on Tangible Equity* (ROTE) | 40% | 7.3% | 7.7% | 107.3% |
| Customer Experience Index (CEI)[1] | 20% | 86.3% | 86.3% | 100% |
| **Total** | | | | **105%** |

*[1] The CEI challenge was re-scaled during 2019, in accordance with the provisions at the time of its approval. This re-scaling was not applied to Senior Management, meaning, in this case, the Provisional Incentive's Degree of Attainment is 85%.*

The result of the *ex-post* adjustment and the calculation of the Final incentive is determined by the result of the following indicators for the period 2019-2021:

| Item | % | Objective | Result | DIA |
|---|---|---|---|---|
| RAF | 60% | 7 amber | 5 amber | 0% |
| TSR (Total Share Return) | 30% | 10th | 14th | 100% |
| GRI (Global Reputation Index) | 10% | 711 | 740 | 0% |
| **Adjustment to be applied** | | | | **70%** |

The degree of attainment of the provisional incentive for the third cycle is related to the performance of these indicators during the 2021 fiscal year:

| Item | % | Objective | Result | DIA |
|---|---|---|---|---|
| Core Efficiency Ratio (CER) | 40% | 56.6% | 56% | 110.5% |
| *Return on Tangible Equity* (ROTE) | 40% | 6.2% | 7.6% | 120% |
| Customer Experience Index (CEI)[1] | 20% | 84.3% | 86.3% | 120% |
| **Total** | | | | **116.2%** |

### Multiplier coefficient

For the Granting of the Provisional Incentive on the Third Cycle Grant Date, a multiplier of up to 1.6 was included, to be applied to the GCI, depending on the performance of CaixaBank's TSR indicator compared to the 17 comparable banks over the period 2019-2021.

The scale of attainment for the additional multiplying factor approved by the Board, at the proposal of the Remuneration Committee, was as follows:

| Position in the comparison group | Multiplier coefficient |
|---|---|
| 1st to 3rd | 1.6 |
| 4th to 6th | 1.4 |
| 7th to 9th | 1.2 |
| 10th to 18th | 1 |

In this respect, it has been verified that CaixaBank has finished in 14th position, so a multiplier coefficient of 1 will be applied.

With respect to the first cycle of the CAIP, the measurement period of the ex-post adjustment, as detailed previously in this report, has not yet been completed. Therefore, the final incentive has not yet been calculated and no shares have been delivered.

**Cases resulting in a reduction or recovery of the variable remuneration (*ex-post* adjustment of the annual bonus and long-term incentive)**

**Cases of reduction:**

Pursuant to the Credit Institution Act, the right of persons classified as Identified Staff to receive variable remuneration, including that pending payment, whether in cash or shares, shall be reduced, in part or in full, in the following situations:

- Significant failures in risk management by CaixaBank, or one of its business units, or in risk control, including the existence of qualifications in the external auditor's report or other circumstances that undermine the financial parameters used in the calculation of variable remuneration.
- An increase in capital requirements for CaixaBank or one of its business units that was not envisaged at the time the exposure was generated.
- Regulatory sanctions or legal rulings relating to issues that may be attributed to the unit or the professional responsible for them.
- Failure to comply with the Bank's internal regulations or codes of conduct, including, in particular:
  - Any serious or very serious regulatory breaches attributable to them.
  - Any serious or very serious breaches of internal regulations.
  - Failure to comply with applicable suitability and behavioural requirements.
  - Regulatory breaches for which they are responsible, irrespective of whether they cause losses that jeopardise the solvency of a business line, and, in general, any involvement in, or responsibility for, behaviour that causes significant losses.
- Any irregular behaviour, whether individual or collective, particularly negative effects resulting from the misselling of products and the responsibilities of the persons or bodies that make such decisions.
- Justified disciplinary dismissal or, in the case of commercial contracts, due to just cause at the instigation of the Entity (in which case the reduction will be total).
- Where payment or consolidation of these amounts is not sustainable in light of CaixaBank's overall situation, or where payment is not justified in view of the results of CaixaBank as a whole, the business unit, or the employee in question.
- Any others that might be provided for in the corresponding contracts.
- Any others laid down in applicable legislation or by regulatory authorities in exercise of their powers to issue or interpret regulations, or their executive powers.
- Whenever a requirement or recommendation from the competent authority is in force that restricts CaixaBank's dividend distribution policy, or if it were required by the competent authority in use of the powers attributed to it by the regulations, all by virtue of the provisions of RD 84/2015 and Circular 2/2016.

**Cases of recover:**

In the event that causes leading to the above-mentioned situations occur before payment of a variable remuneration amount, such that the payment would not have been made, either in part or in full, if the situation had been known about, the person involved must return the part of variable remuneration unduly paid, to the corresponding CaixaBank Group entity. This reimbursement must be made in cash or shares, as applicable.

Scenarios in which the professional concerned has made a major contribution to poor or negative financial results shall be considered particularly serious breaches, as shall cases of fraud or other instances of fraudulent behaviour or gross negligence leading to significant losses.

## Employee benefits

### Mandatory contributions on a variable basis

In compliance with the provisions of Circular 2/2016, 15 % of agreed contributions to complementary social welfare plans for members of CaixaBank's Management Committee are considered the target amount (the remaining 85 % being considered a fixed remuneration component).

This amount is determined following the same principles and procedures established for variable remuneration through bonus payments, based only on individual parameters, and shall involve contributions to a discretionary pension benefit scheme.

The contribution shall be considered deferred variable remuneration for the purposes of Circular 2/2016. Therefore, the discretionary pension benefit scheme shall contain the necessary clauses for it to be explicitly subject to the causes of reductions set down for variable remuneration in the form of bonuses. It shall also be included in the sum of variable remuneration for the purposes of limits and other factors that might be established.

If a professional leaves the entity as a result of retirement or before planned for any other reasons, the discretionary pension benefits shall be subject to a five-year withholding period, from the date on which the professional ceases to provide their services to the Entity for whatever reason.

During this withholding period, CaixaBank shall apply the same requirements as set forth in the reduction and recovery clauses for variable remuneration already paid.

## Payments for early termination

### Amount and limits of compensation for redundancy

In general, the obligations regarding compensation for labour separations assumed by CaixaBank Group companies are governed by the applicable regulations; Thus, in the case of common labour contracts, the Workers' Statute establishes the payment of specific compensation in the cases and in the amounts established therein, as a minimum, mandatory and unavailable.

As a general rule, and unless prevailing legislation imposes a higher amount, the amount of compensation for redundancy or separation of professionals with Senior Management roles in Identified Staff shall not exceed the annual value of their fixed remuneration components, without prejudice to any compensation for post-contractual non-competition that might be established.

Compensation for redundancy or separation of the Identified Staff will be considered variable remuneration for the purposes of this Policy, without prejudice to potenital non-application of certain requirements of the variable remuneration payment cycle, in accordance with the EBA Guidelines.

### Post-contractual non-competition covenants

Exceptionally, post-contractual non-competition agreements may be included in contracts for Identified Staff in CaixaBank Group. Such agreements shall consist of an amount that in general shall not exceed the sum of the fixed components of remuneration that the professional would have received had they remained with the Entity.

The amount of the compensation shall be divided into equal instalments, payable at regular intervals over the non-competition period.

Any breach of the post-contractual non-competition agreement shall give the Entity the right to seek compensation from the professional proportionate to the compensation paid.

#### Deferral and payment

Payment of amounts for early termination considered to be variable remuneration shall be subject to deferral and payment in the manner set down for variable remuneration in the form of bonuses.

#### Reduction and recovery assumptions

Payments for early termination must be based on the results secured over time, and must not compensate poor results or undue conduct. The amount of payments for termination considered to represent variable remuneration under prevailing regulations shall be subject to the cases of reduction and recovery set down for variable remuneration.

#### Payments for termination under a collective plan

Members of the Identified Staff with an employment relationship may join any of the disassociation plans covered in a collective plan, regardless of the legal nature of the contract termination and provided they are generally applicable to all CaixaBank employees who meet the requirements established therein. Joining such plans will be subjected to the following rules:

- In the case of members of the Identified Staff who are members of the Company's Management Committee or directly report to the Board of Directors or to one of its members, the specific disassociation conditions must be ratified by the Board of Directors, on the basis of a report drawn up beforehand by the RC. Furthermore, the RC may establish the actions necessary to ensure a smooth transition in their functions.

- The benefits applicable under the disassociation plan shall be considered a form of variable remuneration and shall be generally subject to the requirements regarding variable remuneration in the form of a bonus, as set out in the Remuneration Policy. However, these benefits will not count for the purpose of the calculation of the maximum ratio between fixed and variable remuneration, nor may they be deferred or paid in instruments insofar as the current value of the benefits to be received under the disassociation plan does not exceed the sum of:

  - The minimum legal and obligatory redundancy payment, as established under the labour laws, that the employee would have received if they had been dismissed for improper conduct on the disassociation date; plus,

  - The amount of any remuneration for non-competition commitments that the employee had received after the termination fo the contract, in the conditions laid down in section 154.b) of the EBA Guidelines.

- The amount of the collective plan benefits that exceeds the sum referred to above shall be subject to deferral and payment in instruments, in a manner compatible with the characteristics of the benefits of the deferral scheme and the rules established in the Remuneration Policy.

- With regard to the provisions of the EBA Guidelines, the parameters for calculating the profits applicable to the corresponding disassociation plans will be based on a generic formula, to be defined in advance in CaixaBank's remuneration policy.

- In any case, the implementation of the above rules is subject to the competent authorities' interpretation of the applicable standards and guidelines. Therefore, they may require adapting in order to comply with such interpretations.

## 13.4. Quantitative information concerning remuneration of the Identified Staff

In 2021, remuneration paid to the Identified Staff, in adherence to the applicable regulatory provisions concerning remuneration, and according to the Bank's different areas of activity, is detailed below.

For 2021, the information on the fixed remuneration for 2021 set out in this report includes all the fixed remuneration components received by each member of the Identified Staff.

Therefore, this concept includes both fixed monetary remuneration and remuneration in-kind (contributions to pension plans, health insurance, etc.).

The following tables show the cumulative compensation data for CaixaBank Group, which in turn includes the professionals of the Identified Staff of CaixaBank, BPI, MicroBank, CaixaBank Payments & Consumer and CaixaBank Wealth Management Luxembourg.

## Table 13.1. EU REM1 Remuneration awarded for the financial year

*Amounts in millions of euros*

| Remuneration amount | | MB Supervisory function | MB Management function | Other senior management | Other identified staff |
|---|---|---|---|---|---|
| Fixed remuneration | Number of identified staff | 13 | 2 | 13 | 275 |
| | Total fixed remuneration | 2,216 | 4,079 | 11,003 | 55,105 |
| | Of which: cash-based | 2,216 | 4,079 | 11,003 | 55,105 |
| | Of which: shares or equivalent ownership interests | - | - | - | - |
| | Of which: share-linked instruments or equivalent non-cash instruments | - | - | - | - |
| | Of which: other instruments | - | - | - | - |
| | Of which: other forms | - | - | - | - |
| Variable remuneration | Number of identified staff | 13 | 2 | 13 | 275 |
| | Total variable remuneration | - | 1,510 | 4,109 | 24,876 |
| | Of which: cash-based | - | 529 | 1,438 | 12,953 |
| | Of which: deferred | - | 317 | 735 | 3,955 |
| | Of which: shares or equivalent ownership interests | - | 901 | 2,411 | 11,922 |
| | Of which: deferred | - | 689 | 1,830 | 6,047 |
| | Of which: share-linked instruments or equivalent non-cash instruments | - | - | - | - |
| | Of which: deferred | - | - | - | - |
| | Of which: other instruments | - | 80 | 259 | - |
| | Of which: deferred | - | - | - | - |
| | Of which: other forms | - | - | - | - |
| | Of which: deferred | - | - | - | - |
| **Total remuneration** | | **2,216** | **5,589** | **15,112** | **79,981** |

## Table 13.2. EU REM2 Special payments

*Amounts in thouosands of euros*

| Special payments | MB Supervisory function | MB Management function | Other senior management | Other identified staff |
|---|---|---|---|---|
| **Guaranteed variable remuneration awards** | | | | |
| Guaranteed variable remuneration awards - Number of identified staff | - | - | - | 1 |
| Guaranteed variable remuneration awards -Total amount | - | - | - | 66 |
| Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap | - | - | - | 66 |
| **Severance payments awarded in previous periods, that have been paid out during the financial year** | | | | |
| Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff | - | - | - | 9 |
| Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount | - | - | - | 1,502 |
| **Severance payments awarded during the financial year** | | | | |
| Severance payments awarded during the financial year - Number of identified staff | - | - | - | 5 |
| Severance payments awarded during the financial year - Total amount | - | - | - | 5,099 |
| Of which paid during the financial year | - | - | - | 4,926 |
| Of which deferred | - | - | - | 173 |
| Of which severance payments paid during the financial year, that are not taken into account in the bonus cap | - | - | - | - |
| Of which highest payment that has been awarded to a single person | - | - | - | 2,122 |

## Table 13.3. EU REM3 Deferred remuneration

*Amounts in thousands of euros*

| Deferred and retained remuneration | Total amount of deferred remuneration awarded for previous performance periods | Of which vested in the financial year | Of which vesting in subsequent financial years | Amount of performance adjustment to deferred remuneration that was due to vest in the financial year | Amount of performance adjustment to deferred remuneration that was due to vest in future performance years | Total amount of amendment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)) | Total amount of deferred remuneration actually paid out in the financial year | Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods |
|---|---|---|---|---|---|---|---|---|
| **MB Supervisory function** | - | - | - | - | - | - | - | - |
| Cash-based | - | - | - | - | - | - | - | - |
| Shares or equivalent ownership interests | - | - | - | - | - | - | - | - |
| Share-linked instruments or equivalent non-cash instruments | - | - | - | - | - | - | - | - |
| Other instruments | - | - | - | - | - | - | - | - |
| Other forms | - | - | - | - | - | - | - | - |
| **MB Management function** | **1,797** | **542** | **1,255** | **(25)** | **(26)** | **(92)** | **541** | **298** |
| Cash-based | 791 | 244 | 547 | - | - | - | 244 | - |
| Shares or equivalent ownership interests | 1,006 | 298 | 708 | (25) | (26) | (92) | 298 | 298 |
| Share-linked instruments or equivalent non-cash instruments | - | - | - | - | - | - | - | - |
| Other instruments | - | - | - | - | - | - | - | - |
| Other forms | - | - | - | - | - | - | - | - |
| **Other senior management** | **2,904** | **781** | **2,123** | **(105)** | **(105)** | **(142)** | **781** | **459** |
| Cash-based | 1,038 | 322 | 715 | - | - | - | 322 | - |
| Shares or equivalent ownership interests | 1,866 | 459 | 1,408 | (105) | (105) | (142) | 459 | 459 |
| Share-linked instruments or equivalent non-cash instruments | - | - | - | - | - | - | - | - |
| Other instruments | - | - | - | - | - | - | - | - |
| Other forms | - | - | - | - | - | - | - | - |
| **Other identified staff** | **17,956** | **7,393** | **10,564** | **(394)** | **-** | **(577)** | **7,962** | **4,090** |
| Cash-based | 8,740 | 3,586 | 5,154 | - | - | - | 3,872 | - |
| Shares or equivalent ownership interests | 9,216 | 3,807 | 5,410 | (394) | - | (577) | 4,090 | 4,090 |
| Share-linked instruments or equivalent non-cash instruments | - | - | - | - | - | - | - | - |
| Other instruments | - | - | - | - | - | - | - | - |
| Other forms | - | - | - | - | - | - | - | - |
| **Total amount** | **22,657** | **8,716** | **13,942** | **(524)** | **(131)** | **(811)** | **9,284** | **4,846** |

## Table 13.4. EU REM4 Remuneration of 1 million EUR or more per year

| Identified staff that are high earners as set out in Article 450* | Number of beneficiaries |
|---|---|
| 1 000 000 to below 1 500 000 | 10 |
| 1 500 000 to below 2 000 000 | 1 |
| 2 000 000 to below 2 500 000 | 1 |
| 2 500 000 to below 3 000 000 | 0 |
| 3 000 000 to below 3 500 000 | 1 |
| 3 500 000 to below 4 000 000 | 1 |

[1] *Does not include severance payments.*

## Table 13.5. EU REM5 Template based on reporting Remuneration Benchmarking and covering Article 450(1)(g) for disclosure of remuneration

| | Management body remuneration | | | Business Areas | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *Amounts in thousands of euros* | MB Supervisory function | MB Management function | Total MB | Investment banking | Retail banking | Asset management | Corporate functions | Independent internal control functions | All other | Total |
| **Total number of staff:** | | | | | | | | | | **303** |
| Of which: members of the MB | 13 | 2 | 15 | | | | | | | |
| Of which: other senior management | - | - | - | 2 | 1 | - | 7 | 3 | 36 | |
| Of which: other identified staff | - | - | - | 35 | 88 | - | 22 | 67 | 27 | |
| **Total remuneration** | **2,216** | **5,589** | **7,805** | **17,270** | **36,634** | **-** | **14,569** | **15,840** | **10,780** | |
| Of which: variable remuneration | - | 1,510 | 1,510 | 8,243 | 11,937 | - | 3,702 | 3,855 | 1,248 | |
| Of which: fixed remuneration | 2,216 | 4,079 | 6,295 | 9,027 | 24,697 | - | 10,867 | 11,985 | 9,532 | |

**In 2021:** There are no employees who receive remuneration above €4 million.

# A. Appendix

## Appendix I. EU CC1 - Composition of regulatory own funds

*Amounts in millions of euros*

| (A) Amount to information date; (B) CRR reference to article; (C) Amounts subject to treatment prior to RRC or residual amount prescribed by RRC | | (A) | (B) |
|---|---|---|---|
| **Common Equity Tier 1 capital: instruments and reserves** | | | |
| 1 | Capital instruments and the related share premium accounts | 23,329 | 26 (1), 27, 28, 29 |
| 2 | Retained earnings | 9,294 | 26 (1) (c) |
| 3 | Accumulated other comprehensive income (and other reserves) | (2,473) | 26 (1) |
| 5a | Independently reviewed interim profits net of any foreseeable charge or dividend | 4,046 | 26 (2) |
| **6** | **Common Equity Tier 1 (CET1) capital before regulatory adjustments** | **34,195** | **0** |
| **Common Equity Tier 1 capital: regulatory adjustments** | | | |
| 7 | Additional value adjustments (negative amount) | (86) | 34, 105 |
| 8 | Intangible assets (net of related tax liability) (negative amount) | (3,856) | 36 (1) (b), 37 |
| 9 | Transitory IFRS9 adjustments | 636 | 0 |
| 10 | Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount) | (2,074) | 36 (1) (c), 38 |
| 11 | Fair value reserves related to gains or losses on cash flow hedges | 94 | 33 (1) (a) |
| 13 | Any increase in equity that results from securitised assets (negative amount) | () | 32 (1) |
| 14 | Gains or losses on liabilities valued at fair valur resulting from changes in own credit standing | (26) | 33 (1) (b) |
| 15 | Defined benefit pension fund assets (negative amount) | (302) | 0 |
| 16 | Direct and indirect holdings by an institution of own CET1 instruments (negative amount) | (68) | 36 (1) (f), 42 |
| 27a | Other regulatory adjustments | (175) | 0 |
| **28** | **Total regulatory adjustments to Common Equity Tier 1 (CET1)** | **(5,858)** | **0** |
| **29** | **Common Equity Tier 1 (CET1) capital** | **28,337** | **0** |
| **Additional Tier 1 (AT1) capital: instruments** | | | |
| 30 | Equity instruments and the corresponding share premium accounts | 5,259 | 51, 52 |
| 32 | Of which: classified as liabilities under applicable accounting standards | 5,259 | 0 |
| **36** | **Additional Tier 1 capital before regulatory adjustments** | **5,259** | **0** |

*(*) Rows with no data are not disclosed*

*(1) Capital + share premium, net of treasury shares*

*(2) Reserves*

*(3) Includes unrealised gains and losses*

*(5a) Profit attributable to the Group (audited), net of dividends (interim and final)*

*(8) Goodwill and intangible assets*

*Amounts in millions of euros*

| (A) Amount to information date; (B) CRR reference to article; (C) Amounts subject to treatment prior to RRC or residual amount prescribed by RRC | | (A) | (B) |
|---|---|---|---|
| **Additional Tier 1 (AT1) capital: regulatory adjustments** | | | |
| 37 | Direct and indirect holdings of own additional Tier 1 capital instruments by an entity (negative amount) | (275) | 52 (1) (b), 56 (a), 57 |
| **43** | **Total regulatory adjustments to Additional Tier 1 capital** | **(275)** | **0** |
| **44** | **Additional Tier 1 capital (AT1)** | **4,984** | **0** |
| **45** | **Tier 1 capital (Tier 1 = CET1+AT1)** | **33,322** | **0** |
| **Tier 2 (T2) capital: instruments and provisions** | | | |
| 46 | Equity instruments and the corresponding share premium accounts | 4,658 | 62, 63 |
| 50 | Credit Risk Adjustments | 535 | 62 (c) and (d) |
| **51** | **Tier 2 capital before regulatory adjustments** | **5,193** | **0** |
| **Tier 2 (T2) capital: regulatory adjustments** | | | |
| **58** | **Tier 2 (T2) capital** | **5,193** | **0** |
| **59** | **Total capital (TC=T1+T2)** | **38,514** | **0** |
| **60** | **Total risk weighted assets** | **215,500** | **0** |
| **Capital ratios and buffers** | | | |
| **61** | **Common Equity Tier 1 (as a percentage of total risk exposure amount)** | **13.1%** | **92 (2) (a)** |
| **62** | **Tier 1 (as a percentage of risk exposure amount)** | **15.5%** | **92 (2) (b)** |
| **63** | **Total capital (as a percentage of risk exposure amount)** | **17.9%** | **92 (2) (c)** |
| **64** | **Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)** | **8.2%** | **Articles 128, 129, 130, 131, 133** |
| **65** | **of which: capital conservation buffer requirement** | **2.50%** | **0** |
| **66** | **of which: countercyclical buffer requirement** | **0.01%** | **0** |
| **67a** | **of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer** | **0.25%** | **0** |
| **68** | **Common Equity Tier 1 (as a percentage of the amount of risk exposure) available after meeting minimum capital requirements** | **7.72%** | **0** |

*(*) Rows with no data are not disclosed*

*(52) Treasury stock and pledged amounts*

*Amounts in millions of euros*

| | (A) Amount to information date; (B) CRR reference to article; (C) Amounts subject to treatment prior to RRC or residual amount prescribed by RRC | (A) | (B) |
|---|---|---|---|
| | **Amounts below deduction thresholds (before risk weighing)** | | |
| 72 | Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions) | 128 | 36 (1) (h), 45, 46, 56 (c), 59, 60, 66 (c), 69, 70 |
| 73 | Direct and indirect holdings of Common Equity Tier 1 instruments of financial sector entities when the entity maintains a significant investment in those entities (amount below the 17.65% threshold and net of admissible short positions) | 1,395 | 36 (1) (i), 45, 48 |
| 75 | Deferred tax assets arising from temporary differences (amount below the 10% threshold, net of related tax liabilities, provided that the conditions established in article 38, paragraph 3 are met) | 2,378 | 36 (1) (c), 38, 48 |
| | **Applicable limits in relation to the inclusion of provisions in Tier 2 capital** | | |
| 78 | Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap) | 1,023 | 0 |
| 79 | Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach | 535 | 0 |

*(*) Rows with no data are not disclosed*

## Appendix II. EU KM1 - Key metrics

| | *Amounts in millions of euros* | 31/12/21 | 30/09/21 | 30/06/21 | 31/03/21 |
|---|---|---|---|---|---|
| **Available capital (amounts)** | | | | | |
| 1 | Common Equity Tier 1 (CET1) capital | 28,337 | 28,702 | 28,393 | 29,470 |
| 2 | Tier 1 capital | 33,322 | 33,685 | 32,630 | 33,705 |
| 3 | Total capital | 38,514 | 39,405 | 38,518 | 39,542 |
| **Risk-weighted exposure amounts** | | | | | |
| 4 | Total risk-weighted assets (RWA) | 215,500 | 220,201 | 220,881 | 208,585 |
| **Capital ratios (as a percentage of risk-weighted exposure amount)** | | | | | |
| 5 | Common Equity Tier 1 ratio (%) | 13.1% | 13.0% | 12.9% | 14.1% |
| 6 | Tier 1 ratio (%) | 15.5% | 15.3% | 14.8% | 16.2% |
| 7 | Total capital ratio (%) | 17.9% | 17.9% | 17.4% | 19.0% |
| **Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)** | | | | | |
| EU 7a | Additional CET1 SREP requirements (%) | 0.93% | 0.93% | 0.93% | 0.84% |
| EU 7b | Additional AT1 SREP requirements (%) | 0.31% | 0.31% | 0.31% | 0.28% |
| EU 7c | Additional T2 SREP requirements (%) | 0.41% | 0.41% | 0.41% | 0.38% |
| EU 7d | Total SREP own funds requirements (%) | 9.65% | 9.65% | 9.65% | 9.50% |
| **Combined buffer requirement (as a percentage of risk-weighted exposure amount)** | | | | | |
| 8 | Capital conservation buffer (%) | 2.50% | 2.50% | 2.50% | 2.50% |
| EU 8a | Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%) | | | | |
| 9 | Institution specific countercyclical capital buffer (%) | 0.01% | 0.01% | 0.01% | 0.01% |
| EU 9a | Systemic risk buffer (%) | | | | |
| 10 | Global Systemically Important Institution buffer (%) | | | | |
| EU 10a | Other Systemically Important Institution buffer | 0.25% | 0.25% | 0.25% | 0.25% |
| 11 | Combined buffer requirement (%) | 2.76% | 2.76% | 2.76% | 2.76% |
| EU 11a | Overall capital requirements (%) | 12.41% | 12.41% | 12.41% | 12.26% |
| 12 | CET1 available after meeting the total SREP own funds requirements (%) | 7.72% | 7.61% | 7.43% | 8.78% |
| **Leverage ratio** | | | | | |
| 13 | Total Basel III leverage ratio exposure measure | 631,351 | 647,948 | 635,892 | 621,602 |
| 14 | Basel III leverage ratio (%) (row 2 / row 13) | 5.3% | 5.2% | 5.1% | 5.4% |

*(1) 12-month average LCR*

*(2) Values of previous quarters have been updated due to regulatory requirements update*

| Amounts in millions of euros | | 31/12/21 | 30/09/21 | 30/06/21 | 31/03/21 |
|---|---|---|---|---|---|
| **Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)** | | | | | |
| EU 14a | Additional CET1 leverage ratio requirements (%) | | | | |
| EU 14b | Additional AT1 leverage ratio requirements (%) | | | | |
| EU 14c | Additional T2 leverage ratio requirements (%) | | | | |
| EU 14d | Total SREP leverage ratio requirements (%) | 3.0% | 3.0% | 3.0% | |
| EU 14e | Applicable leverage buffer | | | | |
| EU 14f | Overall leverage ratio requirements (%) | 3.0% | 3.0% | 3.0% | |
| **Liquidity Coverage Ratio[1]** | | | | | |
| 15 | Total high-quality liquid assets (HQLA) (Weighted value -average) | 150,334 | 131,399 | 112,294 | 92,964 |
| EU 16a | Cash outflows - Total weighted value | 57,286 | 52,422 | 46,896 | 42,048 |
| EU 16b | Cash inflows - Total weighted value | 10,556 | 9,686 | 8,922 | 8,166 |
| 16 | Total net cash outflows (adjusted value) | 46,729 | 42,735 | 37,975 | 33,886 |
| 17 | Liquidity coverage ratio (%) | 320% | 304% | 292% | 273% |
| **Net Stable Funding Ratio[2]** | | | | | |
| 18 | Total available stable funding | 503,438 | 504,275 | 507,154 | 501,597 |
| 19 | Total required stable funding | 327,297 | 334,841 | 343,123 | 342,525 |
| 20 | NSFR ratio (%) | 154% | 151% | 148% | 146% |

*(1) 12-month average LCR*

*(2) Values of previous quarters have been updated due to regulatory requirements update*

## Appendix III. Template IFRS 9-FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs

| | *Amounts in millions of euros* | 31/12/21 | 30/09/21 | 30/06/21 | 31/03/21 | 31/12/20 |
|---|---|---|---|---|---|---|
| **Available capital (amounts)** | | | | | | |
| 1 | Common Equity Tier 1 (CET1) capital | 28,337 | 28,702 | 28,393 | 29,470 | 19,654 |
| 2 | Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 27,701 | 27,996 | 27,634 | 28,456 | 18,938 |
| 3 | Tier 1 capital | 33,322 | 33,685 | 32,630 | 33,705 | 22,637 |
| 4 | Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 32,686 | 32,980 | 31,871 | 32,691 | 21,922 |
| 5 | Total capital | 38,514 | 39,405 | 38,518 | 39,542 | 26,045 |
| 6 | Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 37,878 | 38,699 | 37,759 | 38,528 | 25,362 |
| **Risk-weighted assets (amounts)** | | | | | | |
| 7 | Total risk-weighted assets | 215,500 | 220,201 | 220,881 | 208,585 | 144,073 |
| 8 | Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 215,998 | 220,680 | 221,441 | 209,422 | 144,649 |
| **Capital ratios** | | | | | | |
| 9 | Common Equity Tier 1 (as a percentage of risk exposure amount) | 13.1% | 13.0% | 12.9% | 14.1% | 13.6% |
| 10 | Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 12.8% | 12.7% | 12.5% | 13.6% | 13.1% |
| 11 | Tier 1 (as a percentage of risk exposure amount) | 15.5% | 15.3% | 14.8% | 16.2% | 15.7% |
| 12 | Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 15.1% | 14.9% | 14.4% | 15.6% | 15.2% |
| 13 | Total capital (as a percentage of risk exposure amount) | 17.9% | 17.9% | 17.4% | 19.0% | 18.1% |
| 14 | Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 17.5% | 17.5% | 17.1% | 18.4% | 17.5% |
| **Leverage ratio** | | | | | | |
| 15 | Leverage ratio total exposure measure | 631,351 | 647,948 | 635,892 | 621,602 | 403,659 |
| 16 | Leverage ratio | 5.3% | 5.2% | 5.1% | 5.4% | 5.6% |
| 17 | Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 5.2% | 5.1% | 5.0% | 5.3% | 5.4% |

*In March 2020, following the ECB's recommendations, CaixaBank decided to reverse its initial decision not to phase out the application of IFRS9. The table shows the impact of IFRS9 phasing on key ratios. The dynamic component calculation starts from January 1, 2020.*

*CaixaBank has not taken on the temporary treatment of unrealized gains and losses measured at fair value with changes in other comprehensive income in view of the COVID-19 pandemic, in accordance with article 468 of the CRR.*

## Appendix IV. EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments

| | *Amounts in millions of euros* | ES0140609019 | ES0840609004 | ES0840609012 | ES0840609020 | ES0840609038 | XS1645651909 | XS1880365975 | XS1808351214 | ES0240609133 | XS1645495349 | XS2310118976 | AYTS491201 | AYTS490629 | XS1951220596 | ES0213307046 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Issuer | CaixaBank, S.A. | CaixaBank, S.A. | CaixaBank, S.A. | CaixaBank, S.A. | CaixaBank, S.A. | Bankia, S.A. (currently CaixaBank, S.A.) | Bankia, S.A. (currently CaixaBank, S.A.) | CaixaBank, S.A. | CaixaBank, S.A. | CaixaBank, S.A. | CaixaBank, S.A. | Cajasol (cu-rrently Caixa-Bank, S.A.) | Cajasol (cu-rrently Caixa-Bank, S.A.) | Bankia, S.A. (currently CaixaBank, S.A.) | Bankia, S.A. (currently CaixaBank, S.A.) |
| 2 | Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement) | ES0140609019 | ES0840609004 | ES0840609012 | ES0840609020 | ES0840609038 | XS1645651909 | XS1880365975 | XS1808351214 | ES0240609133 | XS1645495349 | XS2310118976 | AYTS491201 | AYTS490629 | XS1951220596 | ES0213307046 |
| 2a | Public or private placement | Public | Public | Public | Public | Public | Public | Public | Public | Private | Public | Public | Private | Private | Public | Public |
| 3 | Governing law(s) of the instrument | Spanish Law | Spanish Law | Spanish Law | Spanish Law | Spanish Law | Spanish Law | Spanish Law | English Law except the provisions relating to the status of the Notes, the capacity of the Issuer and the relevant corporate resolutions which are governed by Spanish law | Spanish Law | English Law except the provisions relating to the status of the Notes, the capacity of the Issuer and the relevant corporate resolutions which are governed by Spanish law | Spanish Law | Spanish Law | Spanish Law | English Law except the provisions relating to the status of the Notes, the capacity of the Issuer and the relevant corporate resolutions which are governed by Spanish law | Spanish Law |
| 3a | Contractual recognition of write down and conversion powers of resolution authorities | n/a | Yes | Yes | Yes | Yes | Yes | Yes | Yes | No | Yes | Yes | No | No | Yes | No |
| **Regulatory treatment** | | | | | | | | | | | | | | | | |
| 4 | Current treatment taking into account, where applicable, transitional CRR rules | Common Equity Tier 1 | Additional Tier 1 | Additional Tier 1 | Additional Tier 1 | Additional Tier 1 | Additional Tier 1 | Additional Tier 1 | Tier 2 capital | Tier 2 capital | Tier 2 capital | Tier 2 capital | Tier 2 capital | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 5 | Post-transitional CRR rules | Common Equity Tier 1 | Additional Tier 1 | Additional Tier 1 | Additional Tier 1 | Additional Tier 1 | Additional Tier 1 | Additional Tier 1 | Tier 2 capital | Tier 2 capital | Tier 2 capital | Tier 2 capital | Tier 2 capital | Tier 2 capital | Tier 2 capital | Tier 2 capital |
| 6 | Eligible at solo/(sub-) consolidated/ solo&(sub-) consolidated | Solo and Consolidated | Solo and Consolidated | Solo and Consolidated | Solo and Consolidated | Solo and Consolidated | Solo and Consolidated | Solo and Consolidated | Solo and Consolidated | Solo and Consolidated | Solo and Consolidated | Solo and Consolidated | Solo and Consolidated | Solo and Consolidated | Solo and Consolidated | Solo and Consolidated |
| 7 | Instrument type (types to be specified by each jurisdiction) | Ordinary shares | Contingent Convertible Preferred Securities | Contingent Convertible Preferred Securities | Contingent Convertible Preferred Securities | Contingent Convertible Preferred Securities | Convertible contingent instruments | Convertible contingent instruments | Subordinated debt | Subordinated debt | Subordinated debt | Subordinated debt | Subordinated debt | Subordinated debt | Subordinated debt | Subordinated debt |
| 8 | Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date) | 7,991 | 997 | 1,245 | 746 | 746 | 750 | 500 | 996 | 150 | 999 | 994 | 18 | 1 | 1,000 | 500 |

CaixaBank

| | *Amounts in millions of euros* | ES0140609019 | ES0840609004 | ES0840609012 | ES0840609020 | ES0840609038 | XS1645651909 | XS1880365975 | XS1808351214 | ES0240609133 | XS1645495349 | XS2310118976 | AYTS491201 | AYTS490629 | XS1951220596 | ES0213307046 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 9 | Nominal amount of instrument | 8,061 | 1,000 | 1,250 | 750 | 750 | 750 | 500 | 1,000 | 150 | 1,000 | 1,000 | 18 | 15 | 1,000 | 500 |
| EU-9a | Issue price | n/a | 100.00 % | 100.00 % | 100.00 % | 100.00 % | 100.00 % | 100.00 % | 99.53 % | 100.00 % | 99.97 % | 99.57 % | 100.00 % | 100.00 % | 100.00 % | 99.45 % |
| EU-9b | Redemption price | n/a | 100.00 % | 100.00 % | 100.00 % | 100.00 % | 100.00 % | 100.00 % | 100.00 % | 100.00 % | 100.00 % | 100.00 % | n/a | n/a | 100.00 % | 100.00 % |
| 10 | Accounting classification | Equity | Compound financial instrument | Compound financial instrument | Compound financial instrument | Compound financial instrument | Liability- amortised cost | Liability- amortised cost | Liability- amortised cost | Liability- amortised cost | Liability- amortised cost | Liability- amortised cost | Liability- amortised cost | Liability- amortised cost | Liability- amortised cost | Liability- amortised cost |
| 11 | Original date of issuance | n/a | 13/06/2017 | 23/03/2018 | 09/10/2020 | 14/09/2021 | 18/07/2017 | 19/09/2018 | 17/04/2018 | 07/07/2017 | 14/07/2017 | 18/03/2021 | 21/12/1990 | 29/06/1994 | 15/02/2019 | 15/03/2017 |
| 12 | Perpetual or dated | Perpetual | Perpetual | Perpetual | Perpetual | Perpetual | Perpetual | Perpetual | Dated | Dated | Dated | Dated | Perpetual | Dated | Dated | Dated |
| 13 | Original maturity date | n/a | Undated | Undated | Undated | Undated | Undated | Undated | 17/04/2030 | 07/07/2042 | 14/07/2028 | 18/06/2031 | Undated | 24/06/2093 | 15/02/2029 | 15/03/2027 |
| 14 | Issuer call subject to prior supervisory approval | No | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | No | n/a | Yes | Yes |
| 15 | Optional call date, contingent call dates and redemption amount | n/a | 13/6/2024 and quarterly afterwards at the Issuer's option; in addition, for taxation reasons or a Capital Event (conditions 7.3 and 7.4). In each case for the full amount subject to the supervisor's approval | 23/3/2026 and quarterly afterwards at the Issuer's option; in addition, for taxation reasons or a Capital Event (conditions 7.3 and 7.4). In each case for the full amount subject to the supervisor's approval | From 09/10/2027 to 9/4/2028 and quarterly afterwards at the Issuer's option; in addition, for taxation reasons or a Capital Event (conditions 7.3 and 7.4). In each case for the full amount subject to the supervisor's approval | From 14/9/2028 to 14/3/2029 and quarterly afterwards at the Issuer's option; in addition, for taxation reasons or a Capital Event (conditions 7.3 and 7.4). In each case for the full amount subject to the supervisor's approval | 18/7/2022 and quarterly afterwards at the Issuer's option; in addition, for taxation reasons or a Capital Event (conditions 6.c and 6.d). In each case for the full amount subject to the supervisor's approval | 19/9/2023 and quarterly afterwards at the Issuer's option; in addition, for taxation reasons or a Capital Event (conditions 7.c and 7.d). In each case for the full amount subject to the supervisor's approval | 17/4/2025 (one-time call) at the Issuer's option; in addition, for taxation reasons or a Capital Event (conditions 6.2 and 6.4). In each case for the full amount subject to the supervisor's approval | 7/7/2037 and yearly afterwards at the Issuer's option; in addition, for taxation reasons or due to a Capital Event. In each case for the full amount subject to the supervisor's approval | 14/7/2023 (one-time call) at the Issuer's option; in addition, for taxation reasons or due to a Capital Event (conditions 6.2 and 6.4). In each case for the full amount subject to the supervisor's approval | Commencing on (and including) 18 March 2026 and ending on (and including) 18 June 2026; in addition, for taxation reasons or due to a Capital Event (conditions 6.2 and 6.4). In each case for the full amount subject to the supervisor's approval | n/a | n/a | 15/2/2024 (one-time call) at the Issuer's option; in addition, for taxation reasons or due to a Capital Event (conditions 6.2 and 6.4). In each case for the full amount subject to the supervisor's approval | 15/3/2022 (one-time call) at the Issuer's option; in addition, for taxation reasons or due to a Capital Event. In each case for the full amount subject to the supervisor's approval |
| 16 | Subsequent call dates, if applicable | n/a | Quarterly | Quarterly | Quarterly | Quarterly | Quarterly | Quarterly | n/a | Yearly | n/a | Yearly | n/a | n/a | n/a | n/a |
| | **Coupons/dividends** | | | | | | | | | | | | | | | |
| 17 | Fixed or floating dividend/coupon | Dividend | Fixed resettable | Fixed resettable | Fixed resettable | Fixed resettable | Fixed resettable | Fixed resettable | Fixed resettable | Fixed resettable | Fixed resettable | Fixed resettable | Fixed resettable | n/a | Fixed resettable | Fixed resettable |
| 18 | Coupon rate and any related index | n/a | 6.75 % until 14/11/2024; if not called, resets at the prevailing mid-swap 5 years rate + 649.8 bps and 5 years afterwards from that date | 5.25 % until 23/3/2026; if not called, resets at the prevailing mid-swap 5 years rate + 450.4 bps and 5 years afterwards from that date | 5.875 % until 09/4/2028; if not called, resets at the prevailing mid-swap 5 years rate + 634,6 bps and 5 years afterwards from that date | 3,625 % until 14/03/2029; if not called, resets at the prevailing mid-swap 5 years rate + 385.7 bps and 5 years afterwards from that date | Quarterly coupon. 6 % through to 07/18/2022; then 5-year mid-swap + 5.819 % | Quarterly cou-pon. 6.375 % through to 09/19/2023; then 5-year mid-swap+ 6.224 % | 2.250321% until 23/3/2025; if not called, resets at the then prevailing mid-swap 5 years rate + 168 pbs | 4.000 % until 7/7/2037; if not called, resets at the then prevai-ling mid-swap 5 years rate + 272 bps | 2.755 % until 14/7/2023; if not called, resets at the then prevailing mid-swap 5 years rate + 235 bps | 1,25 % until 18/06/2026; if not called, resets at the then prevailing mid-swap 5 years rate + 163 bps | 0 | 0 | Annual coupon. 3,75 % through to 02/15/2024; then 5-year mid-swap + 3.624 % | Annual coupon. 3.375 % through to 03/15/2022; then 5-year mid-swap + 3.35 % |
| 19 | Existence of a dividend stopper | n/a | No | No | No | No | No | No | No | No | No | No | No | n/a | No | No |

| | *Amounts in millions of euros* | ES0140609019 | ES0840609004 | ES0840609012 | ES0840609020 | ES0840609038 | XS1645651909 | XS1880365975 | XS1808351214 | ES0240609133 | XS1645495349 | XS2310118976 | AYTS491201 | AYTS490629 | XS1951220596 | ES0213307046 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| EU 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Fully discretionary | Fully discretionary | Fully discretionary | Fully discretionary | Fully discretionary | Fully discretionary | Fully discretionary | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory | n/a | Mandatory | Mandatory |
| EU 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Fully discretionary | Fully discretionary | Fully discretionary | Fully discretionary | Fully discretionary | Fully discretionary | Fully discretionary | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory | n/a | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | n/a | No | No | No | No | No | No | No | No | No | No | No | n/a | No | No |
| 22 | Noncumulative or cumulative | Non-cumulative | Non-cumulative | Non-cumulative | Non-cumulative | Non-cumulative | Non-cumulative | Non-cumulative | Cumulative | Cumulative | Cumulative | Cumulative | Non-cumulative | n/a | n/a | n/a |
| 23 | Convertible or non-convertible | n/a | Convertible | Convertible | Convertible | Convertible | Convertible | Convertible | Non Convertible | Non Convertible | Non Convertible | Non Convertible | Convertible | n/a | Non Convertible | Non Convertible |
| 24 | If convertible, conversion trigger(s) | n/a | This Contingent Convertibles convert into ordinary shares when the CET1 falls down below 5.125 % at the Bank or Group level Consolidated | This Contingent Convertibles convert into ordinary shares when the CET1 falls down below 5.125 % at the Bank or Group level Consolidated | This Contingent Convertibles convert into ordinary shares when the CET1 falls down below 5.125 % at the Bank or Group level Consolidated | This Contingent Convertibles convert into ordinary shares when the CET1 falls down below 5.125 % at the Bank or Group level Consolidated | This Contingent Convertibles convert into ordinary shares when the CET1 falls down below 5.125 % at the Bank or Group level Consolidated | This Contingent Convertibles convert into ordinary shares when the CET1 falls down below 5.125 % at the Bank or Group level Consolidated | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| 25 | If convertible, fully or partially | n/a | Always fully | Always fully | Always fully | Always fully | Always fully | Always fully | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| 26 | If convertible, conversion rate | n/a | Greater of: i) market price of the shares at the time of conversion (with a floor of its nominal value); ii) a Floor Price of €2.803 | Greater of: i) market price of the shares at the time of conversion (with a floor of its nominal value); ii) a Floor Price of €2.583 | Greater of: i) market price of the shares at the time of conversion (with a floor of its nominal value); ii) a Floor Price of €1.209 | Greater of: i) market price of the shares at the time of conversion (with a floor of its nominal value); ii) a Floor Price of €1.795 | Greater of: i) market price of the shares at the time of conversion (with a floor of its nominal value); ii) a Floor Price of €4.35 | Greater of: i) market price of the shares at the time of conversion (with a floor of its nominal value); ii) a Floor Price of €3.21 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| 27 | If convertible, mandatory or optional conversion | n/a | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| 28 | If convertible, specify instrument type convertible into | n/a | Common Equity Tier 1 | Common Equity Tier 1 | Common Equity Tier 1 | Common Equity Tier 1 | Common Equity Tier 1 | Common Equity Tier 1 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| 29 | If convertible, specify issuer of instrument it converts into | n/a | CaixaBank, S.A. | CaixaBank, S.A. | CaixaBank, S.A. | CaixaBank, S.A. | Bankia, S.A. (currently CaixaBank, S.A.) | Bankia, S.A. (currently CaixaBank, S.A.) | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| 30 | Write-down features | n/a | No | No | No | No | No | No | No | No | No | No | No | n/a | No | No |

| | Amounts in millions of euros | ES0140609019 | ES0840609004 | ES0840609012 | ES0840609020 | ES0840609038 | XS1645651909 | XS1880365975 | XS1808351214 | ES0240609133 | XS1645495349 | XS2310118976 | AYTS491201 | AYTS490629 | XS1951220596 | ES0213307046 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 31 | If write-down, write-down trigger(s) | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| 32 | If write-down, full or partial | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| 33 | If write-down, permanent or temporary | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| 34 | If temporary write-down, description of write-up mechanism | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| EU-34a | Type of subordination (only for eligible liabilities) | n/a | Contractual | Contractual | Contractual | Contractual | Contractual | Contractual | Contractual | Contractual | Contractual | Contractual | n/a | n/a | Contractual | Contractual |
| EU-34b | Ranking of the instrument in normal insolvency proceedings | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Pari passu with reserves. There are not subordinated instruments to common shares | Senior to common shares and reserves and pari passu with other AT1 instruments. Immediately subordinate to Tier 2 | Senior to common shares and reserves and pari passu with other AT1 instruments. Immediately subordinate to Tier 2 | Senior to common shares and reserves and pari passu with other AT1 instruments. Immediately subordinate to Tier 2 | Senior to common shares and reserves and pari passu with other AT1 instruments. Immediately subordinate to Tier 2 | Senior to common shares and reserves and pari passu with other AT1 instruments. Immediately subordinate to Tier 2 | Senior to common shares and reserves and pari passu with other AT1 instruments. Immediately subordinate to Tier 2 | Senior to common shares, reserves and instruments AT1. Pari passu to other subordinated obligations. Junior to senior bonds, both preferred and non-preferred, and to any unsubordinated obligations (ordinary credits) | Senior to common shares, reserves and instruments AT1. Pari passu to other subordinated obligations. Junior to senior bonds, both preferred and non-preferred, and to any unsubordinated obligations (ordinary credits) | Senior to common shares, reserves and instruments AT1. Pari passu to other subordinated obligations. Junior to senior bonds, both preferred and non-preferred, and to any unsubordinated obligations (ordinary credits) | Senior to common shares, reserves and instruments AT1. Pari passu to other subordinated obligations. Junior to senior bonds, both preferred and non-preferred, and to any unsubordinated obligations (ordinary credits) | Senior to common shares, reserves and instruments AT1. Pari passu to other subordinated obligations. Junior to senior bonds, both preferred and non-preferred, and to any unsubordinated obligations (ordinary credits) | n/a | Senior to common shares, reserves and instruments AT1. Pari passu to other subordinated obligations. Junior to senior bonds, both preferred and non-preferred, and to any unsubordinated obligations (ordinary credits) | Senior to common shares, reserves and instruments AT1. Pari passu to other subordinated obligations. Junior to senior bonds, both preferred and non-preferred, and to any unsubordinated obligations (ordinary credits) |
| 36 | Non-compliant transitioned features | No | No | No | No | No | No | No | No | No | No | No | n/a | n/a | No | No |
| 37 | If yes, specify non-compliant features | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| EU-37a | Link to the full term and conditions of the intrument (signposting) | n/p | http://cnmv.es/Portal/Consultas/FolletosAdmision.aspx?isin=ES0840609004 | https://www.cnmv.es/Portal/Consultas/Folletos/FolletosAdmision.aspx?isin=ES0840609012 | https://www.cnmv.es/Portal/Consultas/Folletos/FolletosAdmision.aspx?isin=ES0840609020 | https://www.cnmv.es/Portal/Consultas/FolletosAdmision.aspx?isin=ES0840609038 | https://www.caixabank.com/deployedfiles/caixabank_com/Estaticos/PDFs/Accionistasinversores/Emisiones_CaixaBank/XS1645651909_EN.pdf | https://www.caixabank.com/deployedfiles/caixabank_com/Estaticos/PDFs/Accionistasinversores/Emisiones_CaixaBank/XS1880365975_EN.pdf | http://www.ise.ie/Market-Data-Announcements/Debt/Individual-Debt-Instrument-Data/ShowSecTranche/?trancheID=139566&refNo=4922 | http://www.cnmv.es/Portal/Consultas/Folletos/FolletosAdmision.aspx?isin=ES0240609133 | http://www.ise.ie/debt_documents/Final%20Terms_e17de6d1-419c-4367-ba57-302c9de7d9df.PDF | https://www.caixabank.com/deployedfiles/caixabank_com/Estaticos/PDFs/Accionistasinversores/XS2310118976_ENG.pdf | n/a | n/a | https://www.caixabank.com/deployedfiles/caixabank_com/Estaticos/PDFs/Accionistasinversores/Emisiones_CaixaBank/XS1951220596_EN.pdf | https://www.cnmv.es/Portal/Consultas/Folletos/FolletosAdmision.aspx?isin=ES0213307046 |

## Appendix V. EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

| *Amounts in millions of euros* | | 31.12.2021 |
|---|---|---|
| **Summary of the reconciliation of accounting assets and exposures corresponding to the leverage ratio** | | |
| 1 | Total assets as per published financial statements | 680,036 |
| 2 | Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation | (72,776) |
| 3 | (Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference) | - |
| 4 | (Adjustment for temporary exemption of exposures to central bank (if applicable)) | - |
| 5 | (Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with point (i) of Article 429a(1) CRR) | - |
| 6 | Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting | - |
| 7 | Adjustment for eligible cash pooling transactions | 0 |
| 8 | Adjustments for derivative financial instruments | (3,231) |
| 9 | Adjustment for securities financing transactions (SFTs) | 964 |
| 10 | Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures) | 37,562 |
| 11 | (Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital) | (86) |
| EU-11a | (Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR) | - |
| EU-11b | (Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (j) of Article 429a(1) CRR) | - |
| 12 | Other adjustments | (11,119) |
| **13** | **Leverage ratio total exposure measure** | **631,351** |

## Appendix VI. EU LR2 - LRCom: Leverage ratio common disclosure

*Amounts in millions of euros*

| | | CRR leverage ratio exposures 31/12/2021 |
|---|---|---|
| **Leverage ratio common disclosure** | | |
| 1 | On-balance sheet items (excluding derivatives, SFTs, but including collateral) | 587,970 |
| 2 | Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework | 1,799 |
| 3 | (Deductions of receivables assets for cash variation margin provided in derivatives transactions) | (6,940) |
| 4 | (Adjustment for securities received under securities financing transactions that are recognised as an asset) | 0 |
| 5 | (General credit risk adjustments to on-balance sheet items) | 0 |
| 6 | (Asset amounts deducted in determining Tier 1 capital) | (6,487) |
| **7** | **Total on-balance sheet exposures (excluding derivatives and SFTs)** | **576,342** |
| **Derivative exposures** | | |
| 8 | Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin) | 12,568 |
| EU-8a | Derogation for derivatives: replacement costs contribution under the simplified standardised approach | 0 |
| 9 | Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions | 2,658 |
| EU-9a | Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach | 0 |
| EU-9b | Exposure determined under Original Exposure Method | 0 |
| 10 | (Exempted CCP leg of client-cleared trade exposures) (SA-CCR) | (3) |
| EU-10a | (Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach) | 0 |
| EU-10b | (Exempted CCP leg of client-cleared trade exposures) (original exposure method) | 0 |
| 11 | Adjusted effective notional amount of written credit derivatives | 0 |
| 12 | (Adjusted effective notional offsets and add-on deductions for written credit derivatives) | 0 |
| **13** | **Total derivatives exposures** | **15,222** |
| **Securities financing transaction (SFT) exposures** | | |
| 14 | Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions | 15,695 |
| 15 | (Netted amounts of cash payables and cash receivables of gross SFT assets) | (14,434) |
| 16 | Counterparty credit risk exposure for SFT assets | 964 |
| EU-16a | Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR | 0 |
| 17 | Agent transaction exposures | 0 |
| EU-17a | (Exempted CCP leg of client-cleared SFT exposure) | 0 |
| **18** | **Total securities financing transaction exposures** | **2,224** |

*(*) Rows with no data are not disclosed*

| *Amounts in millions of euros* | | CRR leverage ratio exposures 31/12/2021 |
|---|---|---|
| **Leverage ratio common disclosure** | | |
| 19 | Off-balance sheet exposures at gross notional amount | 144,483 |
| 20 | (Adjustments for conversion to credit equivalent amounts) | 106,921 |
| 21 | (General provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital) | 0 |
| **22** | **Off-balance sheet exposures** | **37,562** |
| **Excluded exposures** | | |
| EU-22a | (Exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR) | 0 |
| EU-22b | (Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet)) | 0 |
| EU-22c | (-) Excluded exposures of public development banks - Public sector investments | 0 |
| EU-22d | (Excluded promotional loans of public development banks:<br>- Promotional loans granted by a public development credit institution<br>- Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State<br>- Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)" | 0 |
| EU-22e | (Excluded passing-through promotional loan exposures by non-public development banks (or units):<br>- Promotional loans granted by a public development credit institution<br>- Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State<br>- Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)" | 0 |
| EU-22f | (Excluded guaranteed parts of exposures arising from export credits) | 0 |
| EU-22g | (Excluded excess collateral deposited at triparty agents) | 0 |
| EU-22h | (Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR) | 0 |
| EU-22i | (Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR) | 0 |
| EU-22j | (Reduction of the exposure value of pre-financing or intermediate loans) | 0 |
| **EU-22k** | **(Total exempted exposures)** | **0** |
| **Capital and total exposure measure** | | |
| 20 | Tier 1 capital | 33,322 |
| **21** | **Total leverage ratio exposures** | **631,351** |

*(*) Rows with no data are not disclosed*

*Amounts in millions of euros*

| | | CRR leverage ratio exposures 31/12/2021 |
|---|---|---|
| **Leverage ratio common disclosure** | | |
| 25 | Leverage ratio | 5.28% |
| EU-25 | Leverage ratio (without the adjustment due to excluded exposures of public development banks - Public sector investments) (%) | 5.30% |
| 25a | Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) | 5.30% |
| 26 | Regulatory minimum leverage ratio requirement (%) | 3.00% |
| EU-26a | Additional leverage ratio requirements (%) | 0.00% |
| EU-26b | Of which: CET1 | 0.00% |
| 27 | Required leverage buffer (%) | 0.00% |
| EU-27a | Overall leverage ratio requirements (%) | 3.00% |
| **Choice on transitional arrangements and amount of derecognised fiduciary items** | | |
| EU-27b | Choice on transitional arrangements for the definition of the capital measure | Transitional |
| **Disclosure of mean values** | | |
| 28 | Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable | 2,351 |
| 29 | Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables | 1,260 |
| 30 | Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables) | 632,441 |
| 30a | Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables) | 632,441 |
| 31 | Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables) | 5.27% |
| 31a | Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables) | 5.27% |

*(*) Rows with no data are not disclosed*

## Appendix VII. EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

*Amounts in millions of euros*

| | | |
|---|---|---|
| **EU-1** | **Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:** | **582,829** |
| EU-2 | Trading book exposures | 606 |
| EU-3 | Banking book exposures, of which: | 582,223 |
| EU-4 | Covered bonds | 0 |
| EU-5 | Exposures treated as sovereigns | 211,909 |
| EU-6 | Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns | 5,432 |
| EU-7 | Institutions | 9,500 |
| EU-8 | Secured by mortgages of immovable properties | 149,074 |
| EU-9 | Retail exposures | 52,730 |
| EU-10 | Corporate | 114,838 |
| EU-11 | Exposures in default | 13,370 |
| EU-12 | Other exposures (eg equity, securitisations, and other non-credit obligation assets) | 25,370 |

## Appendix VIII. EU LI3 - Companies with differing prudential and accounting consolidation treatment

| Name of the entity | Method of accounting consolidation | Method of regulatory consolidation: Full consolidation | Proportional consolidation | Equity method | Neither consolidated nor deducted | Deducted | Description of the entity |
|---|---|---|---|---|---|---|---|
| Bankia Commerce, S.L.U. | Full consolidable entities | | | X | | | Product commercialization |
| Bankia Mediación, Operador de Banca de Seguros Vinculado, S.A.U. | Full consolidable entities | | | X | | | Insurance Agency |
| Bankia Vida, S.A. de Seguros y Reaseguros | Full consolidable entities | | | X | | | Life insurances |
| CaixaBank Brasil Escritório de Representaçao Ltda.[1] | Full consolidable entities | | | X | | | Representation office |
| Estugest, S.A. | Full consolidable entities | | | X | | | Management activities and services |
| Gestión y Fundraza Local, S.L. | Full consolidable entities | | | X | | | Management of collection in Town Halls |
| Grupo Aluminios de Precisión, S.L.U. (*) | Full consolidable entities | | | X | | | Smelting |
| Inversiones Corporativas Digitales, S.L. | Full consolidable entities | | | X | | | Holding of shares |
| Inversiones Inmobiliarias Teguise Resort, S.L. | Full consolidable entities | | | X | | | Hotels and similars |
| Líderes Empresariales Siglo XXI, S.L. | Full consolidable entities | | | X | | | Private security of goods and people |
| Puerto Triana, S.A.U. | Full consolidable entities | | | X | | | Real state of shopping centers |
| Segurbankia, S.A.U., Correduría de Seguros del Grupo Bankia | Full consolidable entities | | | X | | | Insurance Agency |
| Sercapgu, S.L. | Full consolidable entities | | | X | | | Holding of shares |
| Sociedad de gestión hotelera de Barcelona, S.L. | Full consolidable entities | | | X | | | Transactions with real estate |
| VidaCaixa, S.A. de Seguros y Reaseguros Sociedad Unipersonal | Full consolidable entities | | | X | | | Insurance and reinsurance |
| Wivai SelectPlace, S.A.U. | Full consolidable entities | | | X | | | Product commercialization |

*[1] For the rest of the entities, the consolidation method for prudential purposes coincides with that applicable in the annual accounts. See financial report for the complete list of companies of the Group.*

## Appendix IX. EU PV1 - Prudent valuation adjustments (PVA)

*Amounts in millions of euros*

| | | a | b | c | d | e | EU e1 | EU e2 | f | g | h |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Risk category | | | | | Category level AVA - Valuation uncertainty | | | | |
| Category level AVA | | Equity | Interest Rates | Foreign exchange | Credit | Commodities | Unearned credit spreads AVA | Investment and funding costs AVA | Total category level post-diversification | Of which: Total core approach in the trading book | Of which: Total core approach in the banking book |
| 1 | Market price uncertainty | 22 | 33 | 0 | 5 | - | 5 | - | 32 | 14 | 19 |
| 2 | Set not applicable in the EU | | | | | | | | | | |
| 3 | Close-out cost | 0 | - | - | - | - | 4 | 20 | 12 | 12 | - |
| 4 | Concentrated positions | 34 | - | - | - | - | | | 34 | - | 34 |
| 5 | Early termination | - | - | - | - | - | | | - | - | - |
| 6 | Model risk | 0 | 1 | 0 | - | - | 5 | - | 3 | 3 | 0 |
| 7 | Operational risk | 1 | 3 | 0 | 0 | - | | | 4 | 3 | 2 |
| 8 | Set not applicable in the EU | | | | | | | | | | |
| 9 | Set not applicable in the EU | | | | | | | | | | |
| 10 | Future administrative costs | - | - | - | - | - | | | - | - | - |
| 11 | Set not applicable in the EU | | | | | | | | | | |
| **12** | **Total Additional Valuation Adjustments (AVAs)** | | | | | | | | **86** | **31** | **55** |

CaixaBank

## Appendix X. End-2021 G-SIB Assessment Exercise

*Amount in thousand euros*

### SIZE INDICATOR

| Section 2 - Total Exposures | GSIB | Amount in thousand EUR | |
|---|---|---|---|
| a. Derivatives | | | |
| (1) Counterparty exposure of derivatives contracts | 1012 | 12,567,780 | 2.a.(1) |
| (2) Capped notional amount of credit derivatives | 1201 | 0 | 2.a.(2) |
| (3) Potential future exposure of derivative contracts | 1018 | 2,654,456 | 2.a.(3) |
| b. Securities financing transactions (SFTs) | | | |
| (1) Adjusted gross value of SFTs | 1013 | 1,260,457 | 2.b.(1) |
| (2) Counterparty exposure of SFTs | 1014 | 963,734 | 2.b.(2) |
| c. Other assets | 1015 | 582,829,353 | 2.c. |
| d. Gross notional amount of off-balance sheet items | | | |
| (1) Items subject to a 0% credit conversion factor (CCF) | 1019 | 62,014,236 | 2.d.(1) |
| (2) Items subject to a 20% CCF | 1022 | 34,886,177 | 2.d.(2) |
| (3) Items subject to a 50% CCF | 1023 | 45,551,488 | 2.d.(3) |
| (4) Items subject to a 100% CCF | 1024 | 1,607,765 | 2.d.(4) |
| e. Regulatory adjustments | 1031 | 6,486,596 | 2.e. |
| f. Total exposures prior to regulatory adjustments (sum of items 2.a.(1) through 2.c, 0.1 times 2.d.(1), 0.2 times 2.d.(2), 0.5 times 2.d.(3), and 2.d.(4)) | 1103 | 637,837,949 | 2.f. |
| g. Exposures of insurance subsidiaries not included in 2.f net of intragroup: | | | |
| (1) On-balance sheet and off-balance sheet insurance assets | 1701 | 87,744,098 | 2.g.(1) |
| (2) Potential future exposure of derivatives contracts for insurance subsidiaries | 1205 | 0 | 2.g.(2) |
| (3) Investment value in consolidated entities | 1208 | 4,643,411 | 2.g.(3) |
| h. Intragroup exposures with insurance subsidiaries reported in 2.g that are included in 2.f | 2101 | 7,585,847 | 2.h. |
| **i. Total exposures indicator, including insurance subsidiaries (sum of items 2.f, 2.g.(1) through 2.g.(2) minus 2.g.(3) through 2.h)** | **1117** | **713,352,789** | **2.i.** |

## INTERCONNECTEDNESS INDICATORS

| Section 3 - Intra-Financial System Assets | GSIB | Amount in thousand EUR | |
|---|---|---|---|
| a. Funds deposited with or lent to other financial institutions | 1216 | 6,156,754 | 3.a. |
| (1) Certificates of deposit | 2102 | 0 | 3.a.(1) |
| b. Unused portion of committed lines extended to other financial institutions | 1217 | 1,468,523 | 3.b. |
| c. Holdings of securities issued by other financial institutions | | | |
| (1) Secured debt securities | 2103 | 3,457,679 | 3.c.(1) |
| (2) Senior unsecured debt securities | 2104 | 3,412,444 | 3.c.(2) |
| (3) Subordinated debt securities | 2105 | 792,971 | 3.c.(3) |
| (4) Commercial paper | 2106 | 0 | 3.c.(4) |
| (5) Equity securities | 2107 | 1,300,529 | 3.c.(5) |
| (6) Offsetting short positions in relation to the specific equity securities included in item 3.c.(5) | 2108 | 0 | 3.c.(6) |
| d. Net positive current exposure of SFTs with other financial institutions | 1219 | 934,634 | 3.d. |
| e. OTC derivatives with other financial institutions that have a net positive fair value | | | |
| (1) Net positive fair value | 2109 | 85,954 | 3.e.(1) |
| (2) Potential future exposure | 2110 | 489,344 | 3.e.(2) |
| **f. Intra-financial system assets indicator, including insurance subsidiaries (sum of items 3.a, 3.b through 3.c.(5), 3.d, 3.e.(1), and 3.e.(2), minus 3.c.(6))** | **1215** | **18,098,832** | **3.f.** |

| Section 4 - Intra-Financial System Liabilities | GSIB | Amount in thousand EUR | |
|---|---|---|---|
| a. Funds deposited by or borrowed from other financial institutions | | | |
| (1) Deposits due to depository institutions | 2111 | 1,301,714 | 4.a.(1) |
| (2) Deposits due to non-depository financial institutions | 2112 | 8,097,756 | 4.a.(2) |
| (3) Loans obtained from other financial institutions | 2113 | 0 | 4.a.(3) |
| b. Unused portion of committed lines obtained from other financial institutions | 1223 | 0 | 4.b. |
| c. Net negative current exposure of SFTs with other financial institutions | 1224 | 224,191 | 4.c. |
| d. OTC derivatives with other financial institutions that have a net negative fair value | | | |
| (1) Net negative fair value | 2114 | 182,936 | 4.d.(1) |
| (2) Potential future exposure | 2115 | 791,248 | 4.d.(2) |
| **e. Intra-financial system liabilities indicator, including insurance subsidiaries (sum of items 4.a.(1) through 4.d.(2))** | **1221** | **10,597,845** | **4.e.** |

## INTERCONNECTEDNESS INDICATORS

| Section 5 - Securities Outstanding | GSIB | Amount in thousand EUR | |
|---|---|---|---|
| a. Secured debt securities | 2116 | 28,796,551 | 5.a. |
| b. Senior unsecured debt securities | 2117 | 18,592,389 | 5.b. |
| c. Subordinated debt securities | 2118 | 10,383,125 | 5.c. |
| d. Commercial paper | 2119 | 591,076 | 5.d. |
| e. Certificates of deposit | 2120 | 0 | 5.e. |
| f. Common equity | 2121 | 19,458,402 | 5.f. |
| g. Preferred shares and any other forms of subordinated funding not captured in item 5.c. | 2122 | 0 | 5.g. |
| **h. Securities outstanding indicator, including the securities issued by insurance subsidiaries (sum of items 5.a through 5.g)** | **1226** | **77,821,543** | **5.h.** |

## SUBSTITUTABILITY/FINANCIAL INSTITUTION INFRASTRUCTURE INDICATORS

| Section 6 - Payments made in the reporting year (excluding intragroup payments) | GSIB | Amount in thousand EUR | |
|---|---|---|---|
| a. Australian dollars (AUD) | 1061 | 8,717,161 | 6.a. |
| b. Canadian dollars (CAD) | 1063 | 27,476,656 | 6.b. |
| c. Swiss francs (CHF) | 1064 | 17,097,651 | 6.c. |
| d. Chinese yuan (CNY) | 1065 | 6,688,147 | 6.d. |
| e. Euros (EUR) | 1066 | 1,206,431,467 | 6.e. |
| f. British pounds (GBP) | 1067 | 176,958,805 | 6.f. |
| g. Hong Kong dollars (HKD) | 1068 | 1,345,106 | 6.g. |
| h. Indian rupee (INR) | 1069 | 18,854 | 6.h. |
| i. Japanese yen (JPY) | 1070 | 22,345,629 | 6.i. |
| j. New Zealand dollars (NZD) | 1109 | 660,543 | 6.j. |
| k. Swedish krona (SEK) | 1071 | 1,714,924 | 6.k. |
| l. United States dollars (USD) | 1072 | 798,408,700 | 6.l. |
| **m. Payments activity indicator (sum of items 6.a through 6.l)** | **1073** | **2,267,863,642** | **6.m.** |
| **Section 7 - Assets Under Custody** | **GSIB** | **Amount in thousand EUR** | |
| **a. Assets under custody indicator** | **1074** | **203,834,256** | **7.a.** |
| **Section 8 - Underwritten Transactions in Debt and Equity Markets** | **GSIB** | **Amount in thousand EUR** | |
| a. Equity underwriting activity | 1075 | 204,992 | 8.a. |
| b. Debt underwriting activity | 1076 | 0 | 8.b. |
| **c. Underwriting activity indicator (sum of items 8.a and 8.b)** | **1077** | **204,992** | **8.c.** |

## SUBSTITUTABILITY/FINANCIAL INSTITUTION INFRASTRUCTURE INDICATORS

| Section 9 - Trading Volume | GSIB | Amount in thousand EUR | |
|---|---|---|---|
| a. Trading volume of securities issued by other public sector entities, excluding intragroup transactions | 2123 | 41,765,432 | 9.a. |
| b. Trading volume of other fixed income securities, excluding intragroup transactions | 2124 | 31,087,482 | 9.b. |
| **c. Trading volume fixed income sub-indicator (sum of items 9.a and 9.b)** | **2125** | **72,852,915** | **9.c.** |
| d. Trading volume of listed equities, excluding intragroup transactions | 2126 | 15,742,131 | 9.d. |
| e. Trading volume of all other securities, excluding intragroup transactions | 2127 | 5,367,798 | 9.e. |
| **f. Trading volume equities and other securities sub-indicator (sum of items 9.d and 9.e)** | **2128** | **21,109,929** | **9.f.** |

## COMPLEXITY INDICATORS

| Section 10 - Notional Amount of Over-the-Counter (OTC) Derivatives | GSIB | Amount in thousand EUR | |
|---|---|---|---|
| a. OTC derivatives cleared through a central counterparty | 2129 | 392,147,192 | 10.a. |
| b. OTC derivatives settled bilaterally | 1905 | 255,140,514 | 10.b. |
| **c. Notional amount of over-the-counter (OTC) derivatives indicator, including insurance subsidiaries (sum of items 10.a and 10.b)** | **1227** | **647,287,706** | **10.c.** |
| **Section 11 - Trading and Available-for-Sale Securities** | **GSIB** | **Amount in thousand EUR** | |
| a. Held-for-trading securities (HFT) | 1081 | 776,316 | 11.a. |
| b. Available-for-sale securities (AFS) | 1082 | 16,402,571 | 11.b. |
| c. Trading and AFS securities that meet the definition of Level 1 assets | 1083 | 13,289,426 | 11.c. |
| d. Trading and AFS securities that meet the definition of Level 2 assets, with haircuts | 1084 | 806,587 | 11.d. |
| **e. Trading and AFS securities indicator (sum of items 11.a and 11.b, minus the sum of 11.c and 11.d)** | **1085** | **3,082,874** | **11.e.** |
| **Section 12 - Level 3 Assets** | **GSIB** | **Amount in thousand EUR** | |
| **a. Level 3 assets indicator, including insurance subsidiaries** | **1229** | **1,229,296** | **12.a** |

## CROSS-JURISDICTIONAL ACTIVITY INDICATORS

| Section 13 - Cross-Jurisdictional Claims | GSIB | Amount in thousand EUR | |
|---|---|---|---|
| a. Total foreign claims on an ultimate risk basis | 1087 | 87,330,317 | 13.a. |
| b. Foreign derivative claims on an ultimate risk basis | 1146 | 6,442,930 | 13.b. |
| **c. Cross-jurisdictional claims indicator (sum of items 13.a and 13.b)** | **2130** | **93,773,247** | **13.c.** |
| **Section 14 - Cross-Jurisdictional Liabilities** | **GSIB** | **Amount in thousand EUR** | |
| a. Foreign liabilities on an immediate risk basis, excluding derivatives and including local liabilities in local currency | **2131** | **49,391,181** | 14.a. |
| b. Foreign derivative liabilities on an immediate risk basis | **1149** | **8,635,660** | 14.b. |
| **c. Cross-jurisdictional liabilities indicator (sum of items 14.a and 14.b)** | **1148** | **58,026,841** | **14.c.** |

## Appendix XI. - Index of regulatory requirements tables

GUIDELINES ON DISCLOSURE REQUIREMENTS UNDER PART EIGHT OF REGULATION (EU) No 575/2013

| Table ID | Table Name | P3D 2021 section | Table Number |
|---|---|---|---|
| **ANNEX I** | **DISCLOSURE OF KEY INDICATORS AND OVERVIEW OF RISK-WEIGHTED EXPOSURE AMOUNTS** | | |
| **ANNEX II** | **DISCLOSURE OF KEY INDICATORS AND OVERVIEW OF RISK-WEIGHTED EXPOSURE AMOUNTS (INSTRUCTIONS)** | | |
| OV1 | EU OV1 - General vision of RWA | 4.3.2 | 4.9 |
| KM1 | EU KM1 – Key indicators | Appendices | II |
| INS1 | EU INS1 - Shareholdings in insurance companies not deducted | 4.3.2 | 4.7 |
| OVC | EU OVC - Internal capital adequacy assessment process information | 4.4 | |
| **ANNEX III** | **DISCLOSURE OF RISK MANAGEMENT OBJECTIVES AND POLICIES** | | |
| **ANNEX IV** | **DISCLOSURE OF RISK MANAGEMENT OBJECTIVES AND POLICIES (INSTRUCTIONS)** | | |
| OVA | EU OVA - Institutional risk management method | 3 | |
| OVB | EU OVB - Information on governance mechanisms | 3 | |
| **ANNEX V** | **INFORMATION ON THE SCOPE OF APPLICATION** | | |
| **ANNEX VI** | **INFORMATION ON THE SCOPE OF APPLICATION (INSTRUCTIONS)** | | |
| LI1 | EU LI1 - Differences between the areas of accounting and prudential consolidation and the correspondence of the categories of financial statements with the risk categories in the prudential regulation | 2.5 | 2.2 |
| LI2 | EU LI2 - Main sources of discrepancies between the amounts of exposures for regulatory purposes and the accounting values in the financial statements | 2.5 | 2.3 |
| LI3 | EU LI3 - Companies with differing prudential and accounting consolidation treatment | Appendices | VIII |
| LIA | Explanations for discrepancies between accounting and regulatory exposure amounts | 2.5 | |
| LIB | EU LIB - Other qualitative information on the scope of application | 2 | |
| PV1 | EU PV1 - Prudent valuation adjustments (PVA) | Appendices | IX |
| **ANNEX VII** | **INFORMATION ON OWN RESOURCES DISCLOSURES** | | |
| **ANNEX VIII** | **INFORMATION ON OWN RESOURCES DISCLOSURES (INSTRUCTIONS)** | | |
| CC1 | EU CC1 – Composition of regulatory own funds | Appendices | I |
| CC2 | EU CC2 - Reconciliation of regulatory own funds with the balance in the audited financial statements | 2.5 | 2.1 |
| CCA | EU CCA - Main features of the regulatory instruments of own funds and the eligible liabilities instruments | Appendices | IV |
| **ANNEX VII** | **INFORMATION ON OWN RESOURCES DISCLOSURES** | | |
| **ANNEX VIII** | **INFORMATION ON OWN RESOURCES DISCLOSURES (INSTRUCTIONS)** | | |
| CCyB1 | EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer | 4.2.3 | 4.3 |
| CCyB2 | EU CCyB2 - Specific countercyclical capital buffer ratio of each institution | 4.2.3 | 4.4 |
| **ANNEX XI** | **INFORMATION ON LEVERAGE RATIO** | | |

## GUIDELINES ON DISCLOSURE REQUIREMENTS UNDER PART EIGHT OF REGULATION (EU) No 575/2013

| Table ID | Table Name | P3D 2021 section | Table Number |
|---|---|---|---|
| **ANNEX XII** | **INFORMATION ON THE LEVERAGE RATIO (INSTRUCTIONS)** | | |
| LR1 | EU LR1 - Summary of reconciliation of accounting assets and exposures corresponding to the leverage ratio | Appendices | S |
| LR2 | EU LR2 - Common disclosure table of leverage ratio | Appendices | VI |
| LR3 | EU LR3 - Breakdown of on-balance sheet exposures (excluding derivatives, securities financing transactions and off-balance sheet exposures) | Appendices | VII |
| LRA | EU LRA - Disclosure of qualitative information on leverage ratio | 4.3.4 | |
| **ANNEX XIII** | **INFORMATION ON LIQUIDITY REQUIREMENTS** | | |
| **ANNEX XIV** | **INFORMATION ON LIQUIDITY REQUIREMENTS (INSTRUCTIONS)** | | |
| LIQA | Liquidity risk management | 10.1 | |
| LIQ1 | EU LIQ1 - Liquidity Coverage Ratio (LCR) | 10.2 | 10.3 |
| LIQB | EU LIQB - Qualitative information on LCR | 10.2 | 10.4 |
| LIQ2 | EU LIQ2 - Net Stable Funding Ratio (NSFR) | 10.2 | 10.5 |
| **ANNEX XV.** | **INFORMATION RELATED TO CREDIT RISK QUALITY** | | |
| **ANNEX XVI.** | **INFORMATION RELATED TO CREDIT RISK QUALITY (INSTRUMENTS)** | | |
| CRA | General qualitative information on credit risk | 5.1.1 | |
| CRB | Additional disclosure regarding the credit quality of assets | 5.1.1 | |
| CR1 | EU CR1 - Performing and non-performing exposures and related provisions | 5.1.1 | 5.8 |
| CR1-A | EU CR1-A - Maturity of exposures | 5.1.1 | 5.6 |
| CR2 | EU CR2 - Changes in the stock of non-performing loans and advances | 5.1.1 | 5.7 |
| CR2-A | EU CR2-A - Changes in the volume of non-performing loans and advances and related net cumulative recoveries | N/A NPL ratio < 5% | |
| CQ1 | EU CQ1 - Credit quality of forborne exposures | 5.1.1 | 5.12 |
| CQ2 | EU CQ2 - Quality of restructuring or financing | N/A NPL ratio < 5% | |
| CQ3 | EU CQ3 - Credit quality of performing and non-performing exposures by past due days | 5.1.1 | 5.9 |
| CQ4 | EU CQ4 - Quality of non-performing exposures by geography | 5.1.1 | 5.10 |
| CQ5 | EU CQ5 - Credit quality of loans and advances to non-financial corporations by industry | 5.1.1 | 5.11 |
| CQ6 | EU CQ6 - Assessment of guarantees - loans and advances | N/A NPL ratio < 5% | |
| CQ7 | EU CQ7 - Collateral obtained by taking possession and execution processes | 5.1.1 | 5.14 |
| CQ8 | Collateral obtained by taking possession and execution processes - breakdown by age | N/A NPL ratio < 5% | |
| **ANNEX XVII** | **DISCLOSURES ON THE USE OF CREDIT RISK MITIGATION TECHNIQUES** | | |
| **ANNEX XVII** | **DISCLOSURES ON THE USE OF CREDIT RISK MITIGATION TECHNIQUES (INSTRUCTIONS)** | | |
| CRC | EU CRC - Disclosure requirements for qualitative information related to credit risk mitigation techniques | | |
| CR3 | EU CR3 - CRM techniques overview: Disclosure of the use of credit risk mitigation techniques | 5.1.1 | 5.5 |

GUIDELINES ON DISCLOSURE REQUIREMENTS UNDER PART EIGHT OF REGULATION (EU) No 575/2013

| Table ID | Table Name | P3D 2021 section | Table Number |
|---|---|---|---|
| **ANNEX XIX** | **INFORMATION ON THE USE OF THE STANDARDISED APPROACH** | | |
| **ANNEX XX** | **INFORMATION ON THE USE OF THE STANDARDISED APPROACH (INSTRUCTIONS)** | | |
| CRD | EU CRC - Qualitative disclosure requirements related to the standardised approach | 5.1.2 | |
| CR4 | EU CR4 - Standardised approach - Credit risk exposure and CRM effect | 5.1.2 | 5.20 |
| CR5 | EU CR5 - Standardised approach (RWA) | 5.1.2 | 5.22 |
| **ANNEX XXI** | **INFORMATION ON THE USE OF THE IRB APPROACH TO CREDIT RISK** | | |
| **ANNEX XXII** | **INFORMATION ON THE USE OF THE IRB APPROACH TO CREDIT RISK (INSTRUCTIONS)** | | |
| CRE | EU CRC - Qualitative disclosure requirements related to the standardised approach | 5.1.2 | |
| CR6 | EU CR6 - IRB approach – Credit risk exposures by portfolio and PD range | 5.1.2 | 2.25 |
| CR6-A | EU CR6-A - Scope of the use of IRB and SA approaches | 5.1.2 | 5.26 |
| CR7 | EU CR7 - IRB Approach - Effect of credit derivatives used as credit risk mitigation techniques on RWA | N/A without operations | |
| CR7-A | EU CR7-A - IRB approach – Disclosure of the extent of the use of CRM techniques | N/A without operations | |
| CR8 | EU CR8 - RWEA flow statements of credit risk exposures under the IRB approach | 5.1.2 | 5.27 |
| CR9 | EU CR9 - IRB Approach - PD back-testing by category of exposure | 5.1.3 | 5.35 |
| CR9.1 | EU CR9.1 - IRB approach - Back-testing of PD per exposure category | 5.1.3 | 5.42 |
| **ANNEX XXIII** | **INFORMATION ON SPECIALISED FINANCING** | | |
| **ANNEX XXIV** | **INFORMATION ON SPECIALISED FINANCING (INSTRUCTIONS)** | | |
| CR10 (1-5) | EU CR10 - Specialised lending and equity exposures under the simple risk-weighted approach | 5.4.3 | 5.70 (a-e) |
| **ANNEX XXV** | **DISCLOSURE OF QUALITATIVE INFORMATION ON COUNTERPARTY RISK** | | |
| **ANNEX XXVI** | **DISCLOSURE OF QUALITATIVE INFORMATION ON COUNTERPARTY RISK (INSTRUCTIONS)** | | |
| CCRA | EU CCRA - Disclosure of qualitative information on counterparty risk | 5.2.1 | |
| CCR1 | EU CCR1 - Analysis of counterparty risk exposure by approach | 5.2.1 | 5.50 |
| CCR2 | EU CCR2 - Transactions subject to own funds requirements for CVA risk | 5.2.3 | 5.57 |
| CCR3 | EU CCR3 - Standardised Approach - Counterparty risk exposures by regulatory portfolio and risk | 5.2.3 | 5.52 |
| CCR4 | EU CCR4 - IRB approach - CCR exposures by exposure category and PD scale | 5.2.3 | 5.54 |
| CCR5 | EU CCR5 - Composition of collateral for CCR exposures | 5.2.3 | 5.55 |
| CCR6 | EU CCR6 - Credit derivatives exposures | 5.2.3 | 5.58 |
| CCR7 | EU CCR7 - Flow statement of risk-weighted exposure amounts of counterparty risk exposures subject to the IMM | N/A without operations | |
| CCR8 | EU CCR8 - Exposures to central counterparties | 5.2.3 | 5.56 |
| **ANNEX XXVII** | **DISCLOSURE OF INFORMATION RELATED TO SECURITISATION EXPOSURES** | | |

GUIDELINES ON DISCLOSURE REQUIREMENTS UNDER PART EIGHT OF REGULATION (EU) No 575/2013

| Table ID | Table Name | P3D 2021 section | Table Number |
|---|---|---|---|
| **ANNEX XXVIII** | **DISCLOSURE OF INFORMATION RELATED TO SECURITISATION EXPOSURES (INSTRUCTIONS)** | | |
| SECA | | 5.31 | |
| SEC1 | EU SEC1 - Securitisation exposures in the non-trading book | 5.3.3 | 5.63 |
| SEC2 | EU SEC2 - Securitisation exposures in the trading book | N/A without operations | |
| SEC3 | EU-SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor | 5.3.2 | 5.60 |
| SEC4 | EU-SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor | 5.3.2 | 5.61 |
| SEC5 | EU-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments | 5.3.3 | 5.64 |
| **ANNEX XXIX** | **DISCLOSURE OF INFORMATION ON THE STANDARDISED APPROACH AND INTERNAL MARKET RISK APPROACH** | | |
| **ANNEX XXX** | **DISCLOSURE OF INFORMATION ON THE STANDARDISED APPROACH AND INTERNAL MARKET RISK APPROACH (INSTRUCTIONS)** | | |
| MRA | EU MRA - Qualitative disclosure requirements relating to market risk | 7.1 | |
| MR1 | EU MR1 - Market risk under the standardised approach | 7.1 | 7.1 |
| MRB | EU MRB - Qualitative disclosure requirements for institutions that use internal models for market risk | 7.3 | |
| MR2-A | EU MR2-A - Market risk under the internal model approach (IMA) | 7.3 | 7.3 |
| MR2-B | EU MR2-B - Statement of RWA flows of market risk exposures under the IMA approach | 7.3 | 7.4 |
| MR3 | EU MR3 - Values under the IMA assessment methodology for held-for-trading books | 7.3 | 7.2 |
| MR4 | EU MR4 - Comparison of VaR estimates with profit and loss | 7.3 | 7.5 |
| **ANNEX XXXI** | **INFORMATION ON OPERATIONAL RISK** | | |
| **ANNEX XXXII** | **INFORMATION ON OPERATIONAL RISK (INSTRUCTIONS)** | | |
| **ORA** | EU ORA - Qualitative information on operational risk | 8.1 and 8.4 | |
| **OR1** | EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts. | 8.2 | 8.1 |
| **ANNEX XXXI** | **INFORMATION ON OPERATIONAL RISK** | | |
| **ANNEX XXXII** | **INFORMATION ON OPERATIONAL RISK (INSTRUCTIONS)** | | |
| REMA | EU REMA - Remuneration policy | 13.1 | |
| REM1 | EU REM1 - Remuneration awarded in respect of the financial year | 13.4 | 13.1 |
| REM2 | EU REM2 - Special payment to staff whose professional activities have a significant impact on the institution's risk profile (identified staff) | 13.4 | 13.2 |
| REM3 | EU REM3 - Deferred remuneration | 13.4 | 13.3 |
| REM4 | EU REM4 - Remuneration of EUR 1 million or more per year | 13.4 | 13.4 |
| REM5 | EU REM5 - Special payment to staff whose professional activities have a significant impact on the institution's risk profile (identified staff) | 13.4 | 13.5 |
| **ANNEX XXXV** | **INFORMATION ON UNENCUMBERED AND ENCUMBERED ASSETS** | | |

## GUIDELINES ON DISCLOSURE REQUIREMENTS UNDER PART EIGHT OF REGULATION (EU) No 575/2013

| Table ID | Table Name | P3D 2021 section | Table Number |
|---|---|---|---|
| **ANNEX XXXVI** | **INFORMATION ON UNENCUMBERED AND ENCUMBERED ASSETS (INSTRUCTIONS)** | | |
| AE1 | EU AE1 - Encumbered and unencumbered assets | 10.2 | 10.6 |
| AE2 | EU AE2 - Collateral received and own debt securities issued | 10.2 | 10.7 |
| AE3 | EU AE3 - Sources of encumbrance | 10.2 | 10.11 |
| AE4 | Attached descriptive information | 10.2 | |

## IMPLEMENTING TECHNICAL STANDARDS FOR THE REPORTING OF INTEREST RATE RISK EXPOSURES OF POSITIONS NOT RECORDED IN THE TRADING BOOK

| Table ID | Table Name | P3D 2021 section | Table Number |
|---|---|---|---|
| IRRBB1 | EU IRRBB1 - Interest rate risk of non-trading book activities. | 11.1 | 11.1 |
| IRRBBA | Qualitative information on IRRBB | 11.1 | |

## GUIDANCE ON DISCLOSURE OF ARTICLE 473A OF REGULATION (EU) 575/2013 ON THE APPLICABLE TRANSITIONAL PERIOD TO MITIGATE THE IMPACT OF IFRS 9 ON OWN FUNDS - EBA/GL/2018/01

| Table ID | Table Name | P3D 2021 section | Table Number |
|---|---|---|---|
| IFRS 9-FL template | IFRS 9-FL template: Comparison of equity and capital and leverage ratios of institutions with and without applying the transitional provisions of IFRS 9 or similar ECL. | Appendices | III |

## GUIDELINES ON INFORMATION AND DISSEMINATION OF COVID-19 MEASURES - EBA/GL/2018/10

| Table ID | Table Name | P3D 2021 section | Table Number |
|---|---|---|---|
| Template 1 | Template 1: Information on loans and advances subject to legislative and non-legislative moratoria | 5.1.1 | 5.15 |
| Template 2 | Template 2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria | 5.1.1 | 5.16 |
| Template 3 | Template 3: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis | 5.1.1 | 5.17 |

# Appendix XII. Main changes in P3D 2021 vs P3D 2020 due to the application of the requirements of the EBA/ITS/2020/04 guide

Due to the application of the requirements of the EBA/ITS/2020/04 guide, in force since June 2021, in both the tables of the 2021 annual P3D and in the quantitative information disclosed in 2021, the following changes were included:

New Tables

| | Tables | Frequency | Comments |
|---|---|---|---|
| **2.** CAIXABANK GROUP | EU CC2 - Reconciliation of regulatory own funds with the balance in the audited financial statements | Yearly | Replaces Table 2.1 Reconciliation of public and reserved balance sheet |
| | EU PV1 - Prudent valuation adjustments (PVA) | Yearly | |
| **4.** CAPITAL | EU INS2 - Financial conglomerates - Information on own funds and capital adequacy ratio | Yearly | |
| **5.1.1** CREDIT RISK | EU CR6-A - Scope of the use of IRB and SA approaches | Yearly | |
| | EU CR2 - Changes in the stock of non-performing loans and advances | Half-yearly | Replaces CR2B 2020 |
| | EU CR1 - Performing and non-performing exposures and related provisions | Half-yearly | Replaces CR1A 2020 |
| | EU CQ1 - Credit quality of forborne exposures | Half-yearly | Replaces Template 1 of 2020 |
| | EU CQ3 - Credit quality of performing and non-performing exposures by past due days | Half-yearly | Replaces CR1D 2020 |
| | EU CQ4 - Quality of non-performing exposures by geography | Half-yearly | Replaces EU CR1-C of 2020 |
| | EU CQ5 - Credit quality of loans and advances to non-financial corporations by industry | Half-yearly | Replaces EU CR1-B of 2020 |
| | EU CQ7 - Collateral obtained by taking possession and execution processes | Half-yearly | Replaces Table 5.29. Template 9 of 2020 |
| | EU CR6 - IRB approach - Credit risk exposures by portfolio and PD range | Half-yearly | |
| | EU CR9.1 - AIRB approach - Back-testing of PD per exposure category | Yearly | |
| **5.1.3** SECURITISATION | EU-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments | Half-yearly | Replaces Table 5.68. Distribution by type of exposure of securitised assets |
| **5.1.** SHAREHOLDING PORTFOLIO | EU CR10 - Specialised lending and equity exposures under the simple risk-weighted approach | Half-yearly | New breakdown |
| **8.** OPERATIONAL RISK | EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts. | Yearly | |
| **10.** LIQUIDITY RISK | EU LIQB - Qualitative information on LCR | Half-yearly | |
| | EU LIQ2 - Net Stable Funding Ratio (NSFR) | Half-yearly | |
| | EU AE1 - Encumbered and unencumbered assets | Yearly | Substitutes "Assets securing financing operations and unencumbered assets" |
| | EU AE2 - Collateral received and own debt securities issued | Yearly | Substitutes "Assets received to secure financing operations and unencumbered assets" |
| | EU AE3 - Sources of encumbrance | Yearly | Substitutes "Guaranteed liabilities - median quarterly values" |
| **A.** ANNEXES | EU KM1 – Key indicators | Yearly | |
| | EU CCA - Main features of the regulatory instruments of own funds and the eligible liabilities instruments | Yearly | In 2020 it was Annex III. Main features of equity instruments |
| | EU LR1 - Summary of reconciliation of accounting assets and exposures corresponding to the leverage ratio | Yearly | It was part of Annex IV of 2020. Information on leverage ratio |
| | EU LR2 - Common disclosure table of leverage ratio | Yearly | It was part of Annex IV of 2020. Information on leverage ratio |
| | EU LR3 - Breakdown of on-balance sheet exposures (excluding derivatives, securities financing transactions and off-balance sheet exposures) | Yearly | It was part of Annex IV of 2020. Information on leverage ratio |

**Deleted Tables**

| | Tables | Frequency | Comments |
|---|---|---|---|
| **5.1.1** CREDIT RISK | EU CRB - B Average exposures by category | Yearly | |
| | EU CR2 - Changes in provisions balances | Half-yearly | |
| **5.1.2** COUNTERPARTY RISK AND CVA | EU CCR5 - For the purpose of compensation and collateral held on the exposure values | Half-yearly | |
| | CCR3 (RWA) Standardised approach - CCR exposures by regulatory exposure category and risk weights (RWA) | Half-yearly | It has been removed because it does not have a direct mapping with COREP. Moreover, it is not a normative table |

**Modified Tables**

| | Tables | Frequency | Comments |
|---|---|---|---|
| **2.** CAIXABANK GROUP | EU LI2 - Main sources of discrepancies between the amounts of exposures for regulatory purposes and the accounting values in the financial statements | Yearly | Changes names of headings |
| **4.** CAPITAL | EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer | Half-yearly | Small header changes and a country change |
| | EU INS1 - Shareholdings in insurance companies not deducted | Yearly | Change of table structure |
| | EU OV1 - General vision of RWA | Quarterly | Change of concepts in the table |
| 5.1.1 CREDIT INVESTMENT FIXED INCOME AND NON-DEBT ASSETS | IRB approach: exposure by application of mitigation techniques | Yearly | Changes format and the breakdown of the specialised financing method is included |
| | EU CR5 - Standardised approach | Quarterly | A column is removed |
| | IRB: Credit risk exposures by portfolio | Quarterly | Items and the order of columns changed according to the table EU CR6 |
| | EU CR6 - IRB approach – Credit risk exposures by portfolio and PD range | Yearly | Greater breakdown of PD |
| | EU CR8 - RWEA flow statements of credit risk exposures under the IRB approach | Quarterly | A column is removed |
| | EU CR1-A - Maturity of exposures | Half-yearly | Change of table structure |
| | EU CR3 - CRM techniques overview: Disclosure of the use of credit risk mitigation techniques | Half-yearly | Change of columns format and headings are added |
| | Institutions by PD range according to advanced internal ratings-based approach (AIRB) | Half-yearly | Changes the RWA segmentation criteria |
| | EU CR6 - AIRB approach - Credit risk exposures by exposure category and PD range | Half-yearly | Changes the RWA segmentation criterion |
| | EU CR9 - AIRB approach - Back-testing of PD by exposure category | Yearly | PD scale widens and external rating is removed |
| 5.1.2 COUNTERPARTY RISK AND CVA | EU CCR1 - Analysis of counterparty risk exposure by approach | Half-yearly | Change in headings |
| | EU CCR3 - Standardised Approach - Counterparty risk exposures by regulatory portfolio and risk | Quarterly | A column is removed |
| | IRB: counterparty risk exposures by portfolio | Quarterly | Change in categorisation |
| | EU CCR4 - IRB approach - CCR exposures by exposure category and PD scale | Half-yearly | Changes categorisation and includes methods |
| | EU CCR5 - Composition of collateral for CCR exposures | Half-yearly | Change in headings |
| | EU CCR8 - Exposures to central counterparties | Half-yearly | Small non-substantial changes in literals |
| **5.1.3** SECURITISATION | EU SEC 3 - Exposure and RWA on securitisation transactions of the non-trading book in which CaixaBank Group acts as originator | Half-yearly | Columns and headings are removed |
| | EU SEC4 - Securitisation exposures in the banking book and associated regulatory capital requirements (bank acting as investor) | Half-yearly | Columns and headings are removed |
| | EU SEC1 - Securitisation exposures in the non-trading book | Half-yearly | Change of table structure |
| **A.** ANNEXES | EU CC1 – Composition of regulatory own funds | Half-yearly | Headings are |
| | EU LI3 - Companies with differing prudential and accounting consolidation treatment | Yearly | Small non-substantial changes in literals |

# Appendix XIII. Regulation (EU) No. 575/2013 Part Eight Map

| Article CRR | | P3D 2021 |
|---|---|---|
| **Article 431. Scope of application of disclosure requirements** | | |
| 431,1 | Requirements for publishing Pillar 3 disclosures | Pillar 3 Disclosures. Published in: https://www.caixabank.com/es/accionistas-inversores/informacion-economico-financiera/otra-informacion-financiera.html |
| 431,2 | The authorisation by competent authorities of the tools and methodologies referred to in Title III shall be subject to disclosure by the institutions in the manner set out therein. | Section 5.1.3 |
| 431,3 | Institutions will adopt a formal policy regarding the frequency of disclosure, its verification, scope and appropriateness | Concise Declaration, Section 1 |
| 431,4 | Institutions will also have a policy to assess whether the data disclosed by them convey to market participants a complete picture of their risk profile | |
| 431,5 | Institutions must explain their rating decisions to SMEs and other loan applicants, if requested, by providing a written explanation when requested. The administrative costs of the explanation must be provided to the loan amount | Section 5.1.3 |
| **Article 432. Non-significant, reserved or confidential information** | | |
| 432,1 | Institutions may omit information considered not material under certain conditions | Section 1 |
| 432,2 | Institutions may omit information considered sensitive or confidential under certain conditions | Section 1 |
| 432,3 | When section 2 of article 432 applies, the institution shall record it in its information breakdowns and must publish general information on the aspect to which the disclosure requirement relates | Section 1 |
| **Article 433. Frequency and scope of disclosure of information** | | |
| 433 | Institutions will publish the information required under Titles II and III, as set out in Articles 433a, 433b, 433c | Section 1 |
| **Article 433a Disclosure of information by large institutions** | | |
| 433a | Large institutions will disclose the information presented below with the frequency indicated | Section 1 |
| **Article 433 (3). Disclosure of information by small and non-complex institutions** | | |
| 433(3) | Small and non-complex institutions shall disclose the following information at the frequency indicated below | N/A |
| **Article 433c. Disclosure of information by other institutions** | | |
| 433c | Institutions that are not subject to Articles 433a or 433b shall disclose the information set out below as frequently as indicated below | N/A |
| **Article 434. Means of communication** | | |
| 434,1 | Institutions will disclose all the information required under Titles II and III in an electronic format and in a single medium or place | Section 1 |
| 434,2 | Disclosure of equivalent data by institutions under other requirements (e.g. accounting or public listing) may be considered as being made in compliance with this part | Section 1 |
| **Article 434a Uniform Disclosure Formats** | | |
| 434a | The EBA shall develop draft implementing technical standards to specify the uniform formats for the disclosure of information and the corresponding instructions according to which the information required under Titles II and III shall be made public. | N/A |

| Article CRR | | P3D 2021 |
|---|---|---|
| **Article 435. Risk policies and objectives** | | |
| 435,1 | Institutions will disclose information on each risk category: | |
| *435.1.a* | Strategies and processes for managing these risks | Sections 5.1.1, 5.2.1, 5.3.1 , 5.4.1, 6, 7.1, 8.1, 8.4, 10.1, 11.1, 12 |
| *435.1.b* | Structure and organisation of the relevant risk management function | Sections 3, 5.1.1, 5.2.1, 5.3.1 , 5.4.1, 6, 7.1, 8.1, 8.4, 10.1, 11.1, 12 |
| *435.1.c* | Information transmission and risk measurement systems | Sections 3, 5.1.1, 5.2.1, 5.3.1 , 5.4.1, 6, 7.1, 8.1, 8.4, 10.1, 11.1, 12 |
| *435.1.d* | Risk coverage and reduction - policies, strategies and processes | Sections 5.1.1, 5.2.1, 5.3.1 , 5.4.1, 6, 7.1, 8.1, 8.4, 10.1, 11.1, 12 |
| *435.1.e* | Statement approved by the management body on the adequacy of the institution's risk management mechanisms | Section 3 |
| *435.1.f* | Brief risk statement approved by the management body | Concise Declaration |
| 435,2 | Information on the system of corporate governance, including information about the composition of the board and its recruitment, and risk committees | |
| *435.2.a* | Members of the board who also hold a senior management position in the institution | Section 3.1.1 |
| *435.2.b* | The selection policy of the members of the management body and their knowledge, skills and experience | Section 3.1.1 |
| *435.2.c* | Diversity policy, its objectives and degree of implementation | Section 3.1.1 |
| *435.2.d* | If a risk committee has been set up specifically to deal with this issue and the number of times it has met | Section 3.1.1 |
| *435.2.e* | The description of the flow of risk information to the management body | Sections 3.1.1, 3.1.2, 3.1.3, 3.4.2 |
| **Article 436. Scope of requirements** | | |
| 436 | Institutions shall publish the following information regarding the scope of application of the requirements of this Regulation in accordance with Directive 36/2013/EU: | |
| *436.a* | The name of the institution to which the requirements of this Regulation apply | Section 2.2 |
| *436.b* | A summary of the differences in the consolidation base for accounting and prudential purposes, with a brief description of the institutions included, explaining whether they are: **i)** fully consolidated, **ii)** proportionally consolidated, **iii)** deducted from equity, **iv)** neither consolidated nor deducted | Annex V, VI |
| *436.c* | A breakdown of the assets and liabilities of the consolidated financial statements prepared in accordance with the regulatory consolidation requirements under Part One, Title II, Sections 2 and 3, by type of risk | Section 2,3 |
| *436.d* | A reconciliation in which the main sources of differences between the book value amounts of the financial statements are presented in accordance with the scope of regulatory consolidation defined in Part One, Title II, Sections 2 and 3, and the amount of the exposure used for regulatory purposes; This reconciliation may be complemented by qualitative information on these sources of differences | N/A; Section 2.3 |
| *436.e* | Breakdown of the amounts of the components of an institution's prudent valuation adjustment, by type of risk, and the total of the components corresponding to the positions of the trading and investment portfolios presented separately | N/A; Section 2.3 |
| *436.f* | Impediments to the rapid transfer of equity between the parent company and its subsidiaries | |
| *436.g* | The total amount for which real equity is lower than the amount required for all subsidiaries not included in the consolidation | |
| *436.h* | If applicable, the circumstances justifying the use of the provisions in: **a)** Prudential requirements; or **b)** Individual liquidity requirements | |

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| **Article 437. Shareholders' equity** | | |
| 437,1 | Institutions will publish the following information regarding their own funds: | |
| *437.1.a* | A complete reconciliation of the elements of Common Equity Tier 1 capital, additional Tier 1 capital elements, Tier 2 capital elements, and the filters and deductions applied in accordance with Articles 32 to 35. 36. 56. 66 and 79 with the institution's own funds and balance sheet in the entity's audited financial statements | Section 4.3.1, Annex I |
| *437.1.b* | A description of the main features of Common Equity Tier 1 and Additional Tier 1 capital instruments and Tier 2 capital instruments issued by the institution | Section, Anexo IV |
| *437.1.c* | All terms and conditions of all instruments of Common Equity Tier 1, Additional Tier 1 and Tier 2 Capital | Section 4.3.1, Annex IV |
| *437.1.d* | Indication, separately, of the nature and amount of: | |
| *437.1.d.i* | Each prudential filter applied in accordance with articles 32 to 35 | Annex I |
| *437.1.d.ii* | Each deduction made in accordance with articles 36, 56 and 66 | Annex I |
| *437.1.d.iii* | Items not deducted in accordance with articles 47, 51, 56, 66 and 79 | Annex I |
| *437.1.e* | A description of all the restrictions applied to the calculation of own funds, in accordance with this Regulation, and the prudential instruments, filters and deductions to which these restrictions apply | Section 4.3.1, Annex I |
| *437.1.f* | A full explanation of the basis of calculation of those capital ratios calculated on the basis of own funds items determined on a basis other than that laid down in this Regulation | Annex I |
| **Article 437a Disclosure of information on own funds and eligible liabilities** | | |
| 437a | Institutions subject to Article 92a or 92b shall disclose the following information on their own funds and eligible liabilities: **a)** the composition of both, their maturities and their main characteristics; **b)** the classification of the eligible liabilities in the creditor hierarchy; (c) the total amount of each issue of eligible liability instruments referred to in Article 72(3) and the amount of such issues included in the eligible liability items within the limits specified in Article 72(3), sections 3 and 4; (d) the total amount of excluded liabilities referred to in Article 72a(2) | |
| **Article 438. Capital requirements** | | |
| 438 | Institutions shall disclose the following information on their compliance with Article 92 of this Regulation and the requirements established in Article 73 and Article 104. section 1 a) of Directive 2013/36/EU: | |
| *438.a* | A summary of the method used to assess the adequacy of internal capital, to cover current and future activities | Sections 4.1, 4.2.1, 4.5 |
| *438.b* | At the request of the relevant competent authority, the outcome of the Internal Capital Adequacy Assessment Process (ICAAP) | Sections 4.2.1, 4.2.2 |
| *438.c* | At the request of the relevant competent authority, the result of the internal process of assessing the adequacy of the institution's capital | Section 5.1.2 |
| *438.d* | The total risk-weighted exposure amount and the corresponding total own funds requirement, determined in accordance with Article 92, broken down by the different risk categories set out in Part Three and, where applicable, an explanation of the effect on the calculation of own funds and risk-weighted exposure amounts resulting from applying minimum capital levels and not deducting own funds items | Sections 5.1.2, 5.2.2, 4.2.3 |
| *438.e* | On- and off-balance sheet exposures, risk-weighted exposure amounts and the associated expected loss amounts for each of the specialised lending categories referred to in Table 1 of Article 153, section 5, and the on- and off-balance sheet exposures and the risk-weighted exposure amounts for the equity exposure categories set out in Article 155, section 2 | Section 5.4 |
| *438.f* | The exposure value and the risk-weighted exposure amount of own funds instruments held in any insurance undertaking, reinsurance undertaking or insurance portfolio holding company which institutions do not deduct from their own funds in accordance with Article 49 when calculating their capital requirements on an individual, sub-consolidated and consolidated basis | Section 8.2 |

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| 438.g | The additional own funds requirements and the capital adequacy ratio of the financial conglomerate, calculated in accordance with Article 6 of Directive 2002/87/EC and Annex I to that Directive when methods 1 or 2 established in that Annex are applied | |
| 438.h | The changes in risk-weighted exposure amounts in the current disclosure period compared to the immediately preceding disclosure period, resulting from the use of internal models, and a summary of the main factors that explain those changes | Sections 5.1.2, 7.3 |
| **Article 439. Counterparty credit risk exposure** | | |
| 439 | Institutions shall publicly disclose the following information on the counterparty credit risk of the institution referred to in Part Three, Title II, Chapter 6 | |
| 439.a | Analysis of the methodology used to assign internal credit and capital limits to counterparty risk exposures | Section 5.2.1 |
| 439.b | Analysis of policies for securing collateral and establishing credit reserves | Section 5.2.1 |
| 439.c | Analysis of policies regarding exposure to wrong way risk | Section 5.2.1 |
| 439.d | Analysis of the effects of the amount of collateral the institution would have to provide in the event of a deterioration in its credit rating | Section 5.2.1 |
| 439.e | The amount of segregated and non-segregated collateral received and provided, by type of collateral, distinguishing also between collateral used for securities financing transactions and derivative transactions | Section 5.2.3 |
| 439.f | For derivative transactions, the exposure values before and after the effect of credit risk mitigation, determined in accordance with the methods set out in Part Three, Title II, Chapter 6, Sections 3 to 6, regardless of which method is applicable, and the associated exposure amounts, broken down by applicable method | Section 5.2.2 |
| 439.g | For securities financing transactions, the exposure values before and after the effect of credit risk mitigation, determined in accordance with the methods set out in Part Three, Title II, Chapters 4 and 6, irrespective of the method used, and the associated exposure risk amounts, broken down by applicable method | Section 5.2.3 |
| 439.h | The exposure values after the effects of credit risk mitigation and the associated risk exposures corresponding to the credit valuation adjustment risk capital charge, separately for each method as set out in Part Three, Title VI | Section 5.2.3 |
| 439.i | The value of the exposure to a central counterparty and the associated exposures that fall within the scope of Part Three, Title II, Chapter 6, Section 9, separately for eligible and non-eligible central counterparties and broken down by type of exposure | N/A |
| 439.j | The notional amounts and fair value of credit derivative transactions; transactions in credit derivatives shall be broken down by type of product; within each product type, transactions in credit derivatives shall also be broken down by credit protection bought and sold | |
| 439. K | The estimate of alpha where the institution has received permission from the competent authorities to use its own estimate of alpha in accordance with Article 284, section 9 | |
| 439.l | Separately, the information to be disclosed as referred to in Article 444(e) and Article 452(g) | |
| 439.m | For institutions using the methods set out in Sections 4 and 5 of Chapter 6 of Title II of Part Three, Title II, the volume of their on- and off-balance-sheet derivative transactions, calculated in accordance with Article 273a(1) or (2), as appropriate | |
| **Article 440. Capital buffers** | | |
| 0.440 | Institutions shall make public the following information in relation to their compliance with the requirement to hold a countercyclical capital buffer in accordance with Chapter 4 of Title VII of Directive 36/2013/EU | |
| 440.a | Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer | Section 4.3.2 |
| 440.b | The size of their specific countercyclical capital buffer | Section 4.3.2 |

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| **Article 441. Indicators of Global Systemic Importance** | | |
| 441 | Disclosure of indicators of systemic importance | Section 4.2.2 |
| **Article 442. Credit risk adjustments** | | |
| 442 | Institutions shall disclose the following information on the institution's exposure to credit risk and dilution risk: | |
| *442.a* | The scope and definitions of "past due" and "impaired" exposures they use for accounting purposes, as well as the differences, if any, between the definitions of "past due" and "defaulted" for accounting and regulatory purposes | Section 5.1.3 |
| *442.b* | A description of the approaches and methods adopted for determining general and specific credit risk adjustments | Section 5.1.3 |
| *442.c* | Information on the amount and quality of non-defaulted, defaulted and restructured or refinanced exposures for loans, debt securities and off-balance sheet exposures, including related accumulated impairment, provisions and negative fair value changes due to credit risk, and amounts of collateral and financial guarantees received | Section 5.1.3 |
| *442.d* | An analysis by age of the exposures in arrears in accounting | Section 5.1.3 |
| *442.e* | Gross carrying amounts of defaulted and non-defaulted exposures, the cumulative amount of adjustments for general and specific credit risk, the cumulative amount of write-offs made in relation to those exposures and the net carrying amounts and their distribution by geographical area and by type of sector and by credit, debt and off-balance sheet exposures | Section 5.1.3 |
| *442.f* | Any change in the gross amount of defaulted on- and off-balance sheet exposures, including, as a minimum, information on the opening and closing balances of such exposures, the gross amount of any such exposures that have been reversed or written off | Section 5.1.3 |
| *442.g* | Breakdown of loans and debt securities by residual maturity | Section 5.1.3 |
| **Article 443. Disclosure of information on encumbered and unencumbered assets** | | |
| 443 | Institutions shall disclose information in relation to their encumbered and unencumbered assets. For these purposes they shall use the carrying amount for each exposure category, broken down by asset quality and total carrying value with and without charges. Disclosures on encumbered and unencumbered assets shall not disclose central banks' emergency liquidity provision. | Section 10.2 |
| **Article 444. Disclosure of information on the use of the standard method** | | |
| 444 | For institutions calculating risk-weighted exposure amounts in accordance with Part Three, Title II, Chapter 2, the following information shall be disclosed for each of the exposure categories set out in Article 112 | |
| *444.a* | Names of designated ECAIs and export credit agencies and the reasons for any changes | Section 5.1.2 |
| *444.b* | The categories of exposure for which each ECAI or export credit agency is used | Section 5.1.2 |
| *444.c* | Description of the process used to transfer the credit assessments of issues and issuers to items outside the trading book | N/A |
| *444.d* | Association of the external credit rating of each ECAI or designated export credit agency with the credit quality steps prescribed in the Regulation | Section 5.1.2 |
| *444.e* | Pre- and post-credit risk mitigation exposure values associated with each credit quality step prescribed in the Regulation | Section 5.1.3 |
| **Article 445. Disclosure of information on market risk exposures** | | |
| 445 | Disclosure of position risk, large exposures in excess of specified limits, foreign exchange risk, settlement risk and commodity risk | Section 7.2 |

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| **Article 446. Disclosure of information on operational risk management** | | |
| 446 | Institutions shall disclose the following information regarding their operational risk management | Section 8.3 |
| *446.a* | The methods for assessing own funds requirements for operational risk used by the credit institution | |
| *446.b* | Description of the method referred to in Article 312, section 2, including a description of the relevant external and internal factors considered in the entity's advanced measurement approach | |
| *446.c* | In the case of partial use, the scope and coverage of the different methods used | |
| **Article 447. Equity exposures not in the trading book** | | |
| 447 | Institutions shall disclose, in tabular form, the following key indicators: | |
| *447.a* | The composition of its own funds and its own funds requirements calculated in accordance with Article 92 | Section 5.2.3 |
| *447.b* | The total amount of the risk exposure calculated in accordance with Article 92, section 3 | Section 5.2.3 |
| *447.c* | Where applicable, the amount and composition of the additional own funds that institutions are required to hold in accordance with Article 104, section 1 a) of Directive 2013/36/EU | Section 5.2.3 |
| *447.d* | The combined buffer requirements that institutions are required to maintain in accordance with Chapter 4 of Title VII of Directive 2013/36/EU | Section 5.2.3 |
| *447.e* | Its leverage ratio and the total leverage ratio exposure measure calculated in accordance with Article 429 | Section 5.2.3 |
| *447.f* | Information regarding its liquidity coverage ratio | |
| *447.g* | Information regarding its net stable funding requirement | |
| *447.h* | Its ratios of own funds and eligible liabilities and their components, numerator and denominator, calculated in accordance with Articles 92a and 92b, broken down for each resolution group where appropriate | |
| **Article 448. Disclosure of information on interest rate risk exposures in relation to positions not held in the trading book** | | |
| 448,1 | From 28 June 2021, institutions shall disclose the following quantitative and qualitative information about the risks arising from potential changes in interest rates that have an impact on both the economic value of equity and the net interest income from their non-trading book activities as referred to in Articles 84 and 98, section 5 of Directive 2013/36/EU | |
| *448.a* | "Changes in the economic value of equity calculated in accordance with the six supervisory disturbance scenarios referred to in Article 98, section 5 of Directive 2013/36/EU during the previous and current disclosure periods." | Section 11.1 |
| *448.b* | Changes in net interest income calculated in accordance with the two supervisory disturbance scenarios referred to in Article 98, section 5 of Directive 2013/36/EU during the previous and current disclosure periods | Section 11.1 |
| *448.c* | A description of the key modelling and parametric assumptions, other than those referred to in Article 98a(5)(b) and (c) of Directive 2013/36/EU, used to calculate the changes in the economic value of equity and net interest income as required in points (a) and (b) of this section | |
| *448.d* | An explanation of the materiality of the risk measures disclosed under points (a) and (b) of this section, and of any significant changes in those measures since the previous disclosure reference date | |
| *448.e* | A description of how institutions define, measure, mitigate and monitor the interest rate risks of their non-trading book activities for the purposes of the review mandated by the competent authorities in accordance with Article 84 of Directive 2013/36/EU, in particular | |
| *448.e.i* | A description of the specific risk measures used by institutions to assess changes in the economic value of their equity and net interest income | |
| *448.e.ii* | A description of the key modelling and parametric assumptions used in the entities' internal measurement systems that may differ from the common modelling and parametric assumptions | |

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| *448.e.iii* | A description of the interest rate shock assumptions that institutions use to estimate interest rate risk | |
| *448.e.iv* | The recognition of the effect of hedges against these interest rate risks, including internal hedges that meet the requirements of Article 106, section 3 | |
| *448.e.v* | A summary of the frequency of the interest rate risk assessment | |
| *448.f* | A description of the global management strategies and reduction of these risks | |
| *448.g* | The average and longest period of maturity for the review of interest assigned to deposits without maturity | |
| 448,2 | Notwithstanding section 1 of this Article, the requirements set out in points (c) and (e)(i) to (iv) of this Article shall not apply to institutions applying the standardised or simplified standardised approach referred to in Article 84, section 1 of Directive 2013/36/EU. | |
| **Article 449. Disclosure of information on exposures to securitisation positions** | | |
| 449 | Institutions calculating risk-weighted exposure amounts in accordance with Part Three, Title II, Chapter 5, or own funds requirements in accordance with Articles 337 or 338 shall disclose the following information, separately, if applicable, for the trading book and the non-trading book | |
| *449.a* | A description of securitisation and re-securitisation activities, including investment and risk management objectives within those activities, their role in securitisation and re-securitisation transactions, whether they use simple, transparent and standardised (STS) securitisation as defined in Article 242(10), and the extent to which they use securitisation transactions to transfer credit risk of the securitised exposures to third parties, together with, if applicable, a separate description of their risk transfer policy for synthetic securitisation | Section 5.1.3.1 |
| *449.b* | The type of risks to which they are exposed in their securitisation and re-securitisation activities by seniority level of the relevant securitisation positions, distinguishing between STS and non-STS positions, and: i) risk retained on transactions originated by the institution itself, ii) risk assumed in relation to transactions originated by third parties | Section 5.1.3.1 |
| *449.c* | The methods for the calculation of risk-weighted exposure amounts that institutions apply to their securitisation activities, specifying the types of securitisation positions to which each method is applied and distinguishing between STS and non-STS positions | Sections 5.1.3.1, 5.1.3.3 |
| *449.d* | A list of specialised securitisation vehicles belonging to any of the following categories, with a description of their types of exposures to such vehicles, including derivative contracts: i) specialised securitization vehicles that acquire exposures originated by institutions, (ii) specialised securitization vehicles sponsored by institutions, (iii) specialised securitisation vehicles and other legal entities to which the entities provide securitisation-related services, such as advisory, asset servicing or management services, (iv) specialised securitisation vehicles included in the scope of regulatory consolidation of the institutions | Section 5.1.3.1 |
| *449.e* | A list of all legal entities in relation to which the institutions have disclosed the provision of support in accordance with Part Three, Title II, Chapter 5 | Section 5.1.3.1 |
| *449.f* | A list of the legal entities associated with the institutions and investing in securitisations originated by them or in securitisation positions issued by specialised securitisation vehicles sponsored by them | Section 5.1.3.1 |
| *449.g* | A summary of its accounting policies with respect to securitisation activity, distinguishing, where applicable, between securitisation and re-securitisation positions | Section 5.1.3.1 |
| *449.h* | The names of the external credit rating agencies used for the securitisations and the types of exposures for which each agency is used | Section 5.1.3.1 |
| *449.i* | Where applicable, a description of the internal assessment approach, specifying the structure of the internal assessment process and the relationship between the internal assessment and the external ratings of the relevant agency identified in accordance with point (h), the oversight mechanisms of the internal assessment process, with reference to the independence, accountability and review of the internal assessment process, the types of exposures to which the internal assessment process applies and the stress factors used to determine credit enhancement levels | Section 5.1.3.1 |
| *449.j* | Separately for the trading book and the non-trading book, the carrying value of securitisation exposures, with information on whether institutions have transferred a significant portion of the credit risk | Section 5.1.3.1 |

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| *449.k* | For non-trading book activities, the following information: i) the aggregate amount of securitisation positions where institutions act as originator or sponsor and the corresponding risk-weighted assets and capital requirements by regulatory approach, ii) the aggregate amount of securitisation positions where institutions act as investor and the corresponding risk-weighted assets and capital requirements by regulatory approach | Sections 5.1.3.1, 5.1.3.2 |
| *449.l* | For exposures that the institution has securitised, the number of defaulted exposures and the number of specific credit risk adjustments made by the institution during the current period, in both cases broken down by exposure type | Section 5.1.3.2 |
| **Article 449 a. Disclosure of information on environmental, social and governance risks (ESG risks)** | | |
| *449 to* | From 28 June 2022, large institutions that have issued securities admitted to trading on a regulated market in a Member State shall disclose information on ESG risks, including physical and transitional risks. | |
| **Article 450. Disclosure of information on remuneration policy** | | |
| 450 | Disclosure of identified staff remuneration | |
| *450.1.a* | a) Information on the decision-making process followed to establish the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, where appropriate, information on the composition and mandate of a remuneration committee, the external consultant whose services were used to establish the remuneration policy, and the role played by the relevant stakeholders | Section 13.1 |
| *450.1.b* | Information on the connection between remuneration and results | Sections 13.3, 13.4 |
| *450.1.c* | The main features of the design of the remuneration scheme, specifying information on the criteria applied in the assessment of performance and their adjustment for risk, the deferral policy and the vesting criteria | Section 13.3 |
| *450.1.d* | Ratios between fixed and variable remuneration established in accordance with Article 94, section 1(g) of Directive 36/2013/EU | Section 13.3 |
| *450.1.e* | Information on the performance criteria on the basis of which entitlement to shares, options or variable components of remuneration is based | Section 13.3 |
| *450.1.f* | The main parameters and rationale for possible variable remuneration schemes and other non-monetary benefits | Section 13.3 |
| *450.1.g* | Aggregated quantitative information on remuneration, broken down by area of activity | Section 13.4 |
| *450.1.h* | Aggregated quantitative information on remuneration, broken down by senior management and employees whose activities have a material impact on the institution's risk profile, with an indication of: | Section 13.4 |
| *450.1.h.i* | The amounts of remuneration for the financial year, divided into fixed and variable remuneration, and the number of beneficiaries | Section 13.4 |
| *450.1.h.ii* | Amounts and form of variable remuneration, divided into cash benefits, shares, share-linked and other instruments | Section 13.4 |
| *450,1. h.iii* | The amounts of deferred remuneration outstanding, broken down by attributed and non-attributed shares | Section 13.4 |
| *450.1.h.iv* | Amounts of deferred remuneration granted during the financial year, paid out and reduced by profit and loss adjustments | Section 13.4 |
| *450.1.h.v* | New hire and severance payments made during the financial year, and the number of recipients of such payments | Section 13.4 |
| *450.1.h.vi* | The amounts of severance payments granted during the financial year, the number of beneficiaries and the maximum amount of such payments paid to any one person | Section 13.4 |
| *450,1. h.vii* | The amounts of severance payments granted during the period, broken down into prepaid and deferred, the number of recipients of such payments and the highest payment granted to an individual | |
| *450.1.i* | The number of persons receiving remuneration of EUR 1 million or more per financial year, broken down by steps of EUR 500 000 for remuneration between EUR 1 million and EUR 5 million, and broken down by steps of EUR 1 million for remuneration of EUR 5 million or more | Section 13.4 |
| *450.1.j* | At the request of the Member State or the competent authority, the total remuneration of each member of the management body or of senior management | N/A |
| *450,2* | For institutions which are significant in terms of their size, internal organisation and the nature, scope and complexity of their activities, the quantitative information referred to in this Article shall also be made publicly available in respect of the members of the institution's management body. Institutions shall comply with the requirements set out in this Article in a manner that is appropriate to their size and internal organisation and to the nature, scope and complexity of their activities and without prejudice to Directive 95/46/EC. | Section 13 |

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| **Article 451. Disclosure of information on leverage ratio** | | |
| 451,1 | Information on its leverage ratio, calculated in accordance with Article 429, and its management of the risk of excessive leverage | Section 4.3.4, Annex IV |
| *451.1.a* | the leverage ratio and the way in which the institution applies | Section 4.3.4, Annex IV |
| *451.1.b* | a breakdown of the measurement of total exposure, as well as a reconciliation between that measure and the relevant information disclosed in the published financial statements | Section 4.2.4, Annex IV |
| *451.1.c* | Where applicable, the amount of exposures and the adjusted leverage ratio | N/A |
| *451.1.d* | A description of the procedures applied to manage excessive leverage risk | Section 4.3.4, Annex IV |
| *451.1.e* | A description of the factors that have impacted the leverage ratio during the period covered by the reported leverage ratio | Section 4.3.4, Annex IV |
| 451,2 | Public development credit institutions as defined in Article 429a(2) shall disclose the leverage ratio without adjustment for the total exposure measure determined in accordance with Article 429a(1)(d). | |
| 451,3 | Large institutions shall disclose information on the leverage ratio and the breakdown of the total exposure measure referred to in Article 429(4) on the basis of averages to be calculated in accordance with the implementing act referred to in Article 430(7). | |
| **Article 451a Scope of application of disclosure requirements** | | |
| 451a(1) | Institutions subject to Part Six shall disclose information on their liquidity coverage ratio, net stable funding ratio and liquidity risk management in accordance with this Article. | |
| 451a 2 | Institutions shall disclose the following information in relation to their liquidity coverage ratio calculated in accordance with the delegated act referred to in Article 460(1) | |
| *451a 2.a* | The average or averages, as applicable, of its liquidity coverage ratio | |
| *451a 2.b* | The average or averages, as applicable, of total liquid assets, once the cuts have been applied | |
| *451a(2) c* | the averages of its liquidity outflows, liquidity inflows and net liquidity outflows | |
| 451a 3 | Institutions shall disclose information in relation to their net stable funding ratio. | |
| 451a 4 | Institutions shall disclose information on the arrangements, systems, procedures and strategies in place for the identification, measurement, management and monitoring of their liquidity risk in accordance with Article 86 of Directive 2013/36/EU. | |
| **Article 452. Disclosure of information on the application of the IRB approach to credit risk** | | |
| 452 | Institutions calculating risk-weighted exposure amounts under the IRB Approach shall disclose the following information: | |
| *452.a* | Authorisation of the competent authority of the approved method or transition | Section 5.1.3 |
| *452.b* | For each exposure category referred to in Article 147, the percentage of the total exposure value of each exposure category subject to the Standardised Approach set out in Chapter 2 of Title II of Part Three or the IRB Approach set out in Chapter 3 of Title II of Part Three and the part of each exposure category subject to an implementation plan; where they have received permission to use their own loss given default (LGD) estimates and conversion factors for the calculation of risk-weighted exposure amounts, institutions shall disclose separately the percentage of the total exposure value of each exposure category subject to that permission | |
| *452.c* | The control mechanisms applicable to the rating systems at the different stages of development, checks and modifications of the models, including information on | Section 5.1.3 |
| *452.c.i* | The relationship between the risk management function and the internal audit function | Section 5.1.3 |
| *452.c.ii* | The review of the rating system | Section 5.1.3 |
| *452. c.iii* | The procedure for ensuring the independence of staff responsible for the review of the templates from staff responsible for their development. | Section 5.1.3 |
| *452.c.iv* | The procedure to guarantee the accountability of staff responsible for drawing up and reviewing the models | Section 5.1.3 |

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| 452.d | The role of staff involved in the development, approval and subsequent changes of credit risk models | Section 5.1.3 |
| 452.e | The scope and main content of the reports related to credit risk models | Section 5.1.3 |
| 542.f. | A description of the internal rating process by exposure category, including the number of key models used for each portfolio and a brief explanation of the main differences between models within the same portfolio, covering: | Section 5.1.3 |
| 542.f.i | The definitions, methods and data used for the estimation and validation of the probability of default, including information on how the probability of default is estimated for low default portfolios, whether there are regulatory thresholds, and the factors causing observed differences between the probability of default and the actual default rates for at least the last three periods | |
| 542.f.ii | Where relevant, the definitions, methods and data used for the estimation and validation of LGD, such as the methods for the calculation of the expected LGD decline, how the estimate is made for low default portfolios, and the time elapsed between a default and the closure of the exposure | |
| 542. f.iii | Where appropriate, the definitions, methods and data used for the estimation and validation of the conversion factors, including the assumptions used in deriving these variables | |
| 452.g | As appropriate, the following information in relation to each exposure category referred to in Article 147 | Section 5.1.3 |
| 542.g.i | Gross exposure within the balance sheet | |
| 542.g.ii | The off-balance sheet exposure values before application of the relevant conversion factor | |
| 542.g.iii | Exposure after application of the relevant conversion factor and credit risk mitigation | |
| 542.g.iv | Any model, parameter or data relevant to the understanding of risk weights and amounts of risk exposures disclosed for a sufficient number of obligor grades (including default) to allow meaningful differentiation of credit risk | |
| 542.g.v | Separately for those exposure categories for which institutions have received permission to use their own LGD estimates and conversion factors for the calculation of risk-weighted exposure amounts, and for exposures for which institutions do not use such estimates, the values referred to in points (i) to (iv) subject to such permission | |
| 452.h | Institutions' estimates of the probability of default versus the actual default rate for each exposure category over a longer period, indicating separately the range of probability of default, the external rating equivalent, the weighted average and arithmetic mean of the probability of default, the number of obligors at the end of the previous and current reporting periods, the number of obligors in default, including those in the new period, and the annual average historical default rate | Section 5.1.3 |
| **Article 453. Disclosure of information on the use of credit risk mitigation techniques** | | |
| 453 | Institutions applying credit risk mitigation techniques shall disclose the following information: | |
| 453.a | Clearing of on-balance sheet and off-balance sheet items | Section 5.1.1 |
| 453.b | The policies and processes used in the valuation and management of collateral | Sections 5.1.1, 5.1.1.3 |
| 453.c | A description of the main types of collateral accepted by the institution | Section 5.1.1 |
| 453.d | The main types of credit derivative guarantors and counterparties and their creditworthiness | Sections 5.2.1, 5.2.3 |
| 453.e | Information on concentrations of market or credit risk within the applied credit reduction | Section 5.1.3 |
| 453.f | For institutions calculating risk-weighted exposure amounts under the Standardised Approach or the Internal Ratings Based (IRB) Approach, the total exposure value not covered by any eligible credit protection and the total exposure value covered by eligible credit protection after applying volatility adjustments; The information referred to in this point shall be disclosed separately for loans and debt securities and shall include a breakdown of defaulted exposures | Section 5.1.2 |
| 453.g | The relevant conversion factor and the credit risk mitigation associated with the exposure and the incidence of credit risk mitigation techniques with and without substitution effect | Sections 5.1.2, 5.1.3 |

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| *453.h* | For institutions calculating risk-weighted exposure amounts under the Standardised Approach, the on- and off-balance sheet exposure values by exposure category before and after the application of the conversion factors and any associated credit risk mitigation measures | |
| *453.i* | For institutions calculating risk-weighted exposure amounts under the Standardised Approach, the risk-weighted exposure amount and the ratio of that amount to the exposure value after applying the relevant conversion factor and the credit risk mitigation associated with the exposure; The information referred to in this point shall be disclosed separately for each exposure category | |
| *453.j* | For institutions calculating risk-weighted exposure amounts under the Internal Ratings Based Approach, the risk-weighted exposure amount before and after recognition of the credit risk mitigation impact of credit derivatives; where they have received permission to use their own LGD estimates and conversion factors for the calculation of risk-weighted exposure amounts, institutions shall disclose the information set out in this point separately for the exposure categories subject to that permission | |
| **Article 454. Disclosure of information on the application of advanced calculation methods to operational risk** | | |
| 454 | Description of the use of insurance and other risk transfer mechanisms to mitigate operational risk | N/A |
| **Article 455. Application of internal models to market risk** | | |
| 455 | Institutions calculating their own funds requirements in accordance with Article 363 shall make public the following information: | |
| *455.a* | For each of the sub-portfolios covered: | Section 7.1 |
| *455.a.i* | Characteristics of the models used | Section 7.1 |
| *455.a.ii* | Description of the processes followed to measure the increase in default and migration risk | Sections 7.1, 7.3 |
| *455.a.iii* | A description of the stress tests applied to the sub-portfolio | Section 7.1 |
| *455.a.iv* | Methods used to back-test and validate internal models | Section 7.3 |
| *455.b* | The scope of the competent authority's authorisation | Section 7.3 |
| *455.c* | Description of the policies and processes for determining the classification of the trading book, and compliance with prudential criteria. | Section 7.3 |
| *455.d* | Maximum, minimum and average Value at Risk (VaR), Stressed Value at Risk (SVaR), and risk figures applicable to incremental default risks | Section 7.3 |
| *455.d.i* | At the daily value at risk during the reporting period and at the end of this period | Section 7.3 |
| *455.d.ii* | At the stressed value at risk during the reporting period and at the end of this period | Section 7.3 |
| *455.d.iii* | To the risk figures applicable to the incremental default and migration risks and to the specific risk of the correlation trading portfolio during the reporting period and at the end of this period | Section 7.3 |
| *455.e* | Elements for calculating own funds requirements | Section 7.3 |
| *455.f* | The weighted average liquidity horizon for each sub-portfolio covered by internal models | Section 7.3 |
| *455.g* | Comparison of the daily risk value at the close of the day with the variations of one day of the portfolio value at the end of the next business day | Section 7.3 |

## Appendix XIV. Acronyms

| Acronym | Description |
|---|---|
| ALCO | Assets and Liabilities Committee |
| AMA | Advanced Measurement Approach for calculating operational risk capital |
| RWA | Risk-Weighted Assets |
| GRNTR | Additional Valuation Adjustments |
| AT1 | Additional Tier 1 capital |
| BCBS | Basel Committee on Banking Supervision |
| ECB | European Central Bank |
| BoS | Bank of Spain |
| BEICF | Business Environment and Internal Control Factors |
| BIS | Bank for International Settlements |
| BRRD | The Bank Recovery and Resolution Directive, EU Directive 2014/59, establishing the framework for the restructuring and resolution of credit institutions. |
| CBR | Combined Buffer Requirement |
| CCF | Credit Conversion Factor |
| CDS | Credit Default Swap |
| CEBS | Committee of European Banking Supervisors |
| CET1 | Common Equity Tier 1 |
| GRC | Global Risk Committee |
| CIRBE | The Bank of Spain Risk Information Centre |
| CNMV | Comisión Nacional del Mercado de Valores (Spanish securities market regulator) |
| COREP | The COmmon REPorting framework for prudential reporting by financial institutions in the European Economic Area |
| CPC | Permanent Lending Committee |
| CPRR | Recovery and Resolution Plan Committee |
| CRCR | Corporate Responsibility and Reputation Committee |
| ASG criterion | Environmental, Social and Corporate Governance Criteria |
| CRM | Credit Risk Mitigators |
| CRR | The Capital Requirements Regulation, Regulation 575/2013, of the Parliament and the Council, on prudential requirements for credit institutions and investment firms |
| CVA | Credit Valuation Adjustment |
| DG | General Management |
| CRD IV | The Capital Requirements Directive, EU Directive 2013/36 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms. *Acronym* |
| EAD | Exposure At Default, following deduction of CCFs and CRMs |
| EBA | European Banking Authority |
| CCP | Central Counterparty |
| ECL | Expected Credit Losses |
| EMIR | European Market Infrastructure Regulation, EU Regulation Nº 648/2012, on OTC derivatives, central counterparties and trade repositories |

| Acronym | Description |
|---|---|
| G-SIBs | Globally Systematically Important Banks |
| FL | Fully Loaded |
| FVA | Funding Value Adjustment |
| DGF | Deposit Guarantee Fund |
| FINREP | FINancial REPorting framework for financial institutions in the European Economic Area |
| FSB | Financial Stability Board |
| FROB | Fund for Orderly Bank Restructuring |
| SRF | Single Resolution Fund |
| HQLA | High-Quality Liquid Assets: as established in the European Commission Delegated Regulation of 10 October 2014 |
| ICAAP | Internal Capital Adequacy Assessment Process |
| IFRS | International Financial Reporting Standards. |
| CMI | Corporate Management Information |
| ILAAP | Internal Liquidity Adequacy Assessment Process |
| IRB | Internal Ratings-Based approach |
| IBA | Models based on internal rating |
| IRC | Incremental Default and Migration Risk |
| P3D | Pillar 3 Disclosures |
| IRRBB | Interest Rate Risk in the Banking Book |
| ISDA | International Swaps and Derivatives Association |
| KPI | Key Performance Indicator |
| KRI | Key Risk Indicator |
| LCR | Liquidity Coverage Ratio |
| DT LGD | Downturn Loss Given Default (LGD during a downturn) |
| LGL | Loss given loss |
| LTD | Loan-To-Deposits ratio |
| LT/FL | Transformation parameter model |

| Acronym | Description |
|---|---|
| LTV | Loan-To-Value ratio |
| EAM | Early Alerts Model |
| MDA | Maximum distributable amount |
| MREL | Minimum Requirement for own funds and Eligible Liabilities |
| MIFID | Markets in Financial Instruments Directive |
| SRM | Single Resolution Mechanism |
| SSM | Single Supervisory Mechanism |
| IAS | International Accounting Standard |
| IFRS | International Financial Reporting Standard |
| NPL | Non-performing loans |
| NSFR | Net Stable Funding Ratio |
| OCI | Other Comprehensive Income |
| ODF | Observed Default Frequency |
| O-SII | Other Systemically Important Institution |
| TO | Takeover Bid |
| ORMF | Operational Risk Management Framework |
| ORMS | Operational Risk Measurement System |
| ORX | Operational Riskdata eXchange |
| OTC | Over-The-Counter trades |
| PD | Probability of Default |
| EL | Expected loss |
| PFE | Potential Future Exposure |
| AML/CFT | Prevention of money laundering and the financing of terrorism. |
| BPS | Basis Points |
| PNR | Probability of No Remedy |
| PSD2 | Payment services regulations included in Royal Decree-Law 19/2018, of 23 November |
| RAF | Risk Appetite Framework |
| RAR | Risk-Adjusted Return |
| RBA | Ratings-Based Approach |
| RDA | Risk Data Aggregation |
| CIR | Cost-to-income ratio |
| ROE | Return On Equity |
| ROTE | Return On Tangible Equity |

| Acronym | Description |
|---|---|
| OF | Own Funds |
| ICFR | Internal Control over Financial Reporting |
| SFT | Securities financing operations |
| SICR | Transactions with Significant Increase in Credit Risk |
| SN | Single Names |
| SNP | Senior Non-Preferred Debt |
| SREP | Supervisory Review and Evaluation Process |
| SSPE | Securitisation Special Purpose Entity |
| Additional TIER 1 | Additional Tier 1 capital |
| *TIER2* (T2) | Tier 2 capital |
| TRIM | Targeted Review of Internal Models |
| TLTRO | Targeted Longer-Term Refinancing Operation |
| TSR | Total Shareholder Return |
| EU | European Union |
| AMLU | The Anti-Money Laundering and counter terrorist financing Unit |
| VaR | Value at Risk |