Audit Report on Consolidated Financial Statements
issued by an Independent Auditor

INSTITUT CATALÀ DE FINANCES AND SUBSIDIARIES
Consolidated Financial Statements and
Consolidated Management Report
for the year ended December 31, 2022

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AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

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

To the Governing Board of Institut Català de Finances:

Opinion

We have audited the consolidated financial statements of Institut Català de Finances (the Institute) and subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2022, the consolidated income statement, the consolidated statement of recognised income and expenses, the consolidated statement of changes in equity, the consolidated cash flow statement, and the consolidated notes thereto for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group as at December 31, 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 1.b to the accompanying consolidated financial statements) and, specifically, the accounting principles and criteria contained therein.

Basis for opinion

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

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

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

Most relevant audit issues

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

Domicilio Social: C/Raimundo Fernández Villaverde, 65. 28003 Madrid - Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª. Madrid 9 de Marzo de 1.989. A member firm of Ernst & Young Global Limited. C.I.F. B-78970506

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

Description

The Group's portfolio of loans and advances to customers at 31 December 2022 amounts to EUR 1.878.878 thousand, with an associated impairment provision of EUR 230.336 thousand (see note 8 to the accompanying consolidated financial statements). The impairment of loans and advances at amortised cost is a significant and complex estimate.

The relevant accounting principles and criteria applied by the Group to estimate the impairment losses, either individually or collectively, are detailed in note 2.g to the accompanying consolidated financial statements.

The methods used to estimate impairment losses involve the exercise of a high degree of judgement in elements such as the classification of transactions according to their risk, the identification and classification of impaired exposures or those with a significant increase in risk, the sale value of the pledged collateral and, in the case of estimates made on an individual basis, the assessment of the borrowers' likeliness to pay based on the future evolution of their business. For the collective analysis, the Group uses the model for estimating credit risk impairment losses established in Circular 4/2017 by Bank of Spain and subsequent amendments, and a specific calculation methodology for estimating losses for individual exposures.

In addition, the Group is exposed to risks arising from the macroeconomic and geopolitical environment characterized by increased volatility, inflationary pressures, supply chain problems and tighter monetary policies, situations that have been added to the conflict between Russia and Ukraine and that generate uncertainties on some of the variables that the Group uses to estimate its impairment losses. For this reason, the Group has supplemented the impairment losses for credit risk established in the Circular 4/2017 of the Bank of Spain and subsequent amendments, with certain additional adjustments of a temporary nature that have been considered necessary to collect the particular characteristics of borrowers or portfolios that may not be identified in the general process of collective estimation of impairment losses.

Therefore, the estimation of credit risk impairment losses for loans and advances at amortised cost has been considered a most relevant audit issue.

Our response

Among the audit procedures that we have performed in this area, we have evaluated the internal control environment around the estimation of credit-risk impairment losses and performed substantive testing on losses estimated both individually and collectively.

With regards to the evaluation of the internal control environment, our tests have focused, among others, on:

- Assessing of the adequacy of the policies and procedures established by the Group in accordance with the applicable regulatory requirements, as well as their effective application.
- Reviewing the procedures established by the Group in the process of granting loans to assess their collectability based on the debtor's likeliness to pay and its financial information.

- Verification of the criteria for classifying exposures ("staging") according to their credit risk, taking into account the seniority of the defaults, the conditions of the operation, including refinancing or restructuring, and the controls or monitoring alerts established by the Group.
- Reviewing of the procedures for the periodic monitoring of loans, mainly those related to updating the debtor's financial information and the periodic review of the loan file, as well as and monitoring the alerts established by the Group for the identification of assets under special surveillance or impaired.
- Assessing the design of the relevant controls in place for managing and measuring collaterals pledged in credit operations.

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

- In relation of impairment losses determined on an individual basis, we reviewed a sample of loans to assess their appropriate classification and the assumptions used by the Institute's management to identify and estimate impairment losses, including the debtor's financial position, forecasts of future cash flows and, when considered, the valuation of the pledged collaterals.
- In relation of impairment losses determined collectively, we have reviewed a sample of transactions to assess their segmentation and classification, by testing, against supporting evidence, certain attributes included in the Institute databases, such as the days past due, the existence of refinancing or restructuring transactions or the values of collaterals pledged, considering, in any case, the effects that may have arisen from the deterioration of the economy, as well as the changes introduced by the Group in its policies and procedures.
- We have recalculated the estimate of credit-risk impairment losses determined collectively, reproducing the impairment model that considers the loss percentages in accordance with the segmentation and classification of transactions established in Bank of Spain in Circular 4/2017 and subsequent amendments, as well as the additional provisions recognised by the Group in 2022.
- We have assessed whether the accompanying consolidated financial statements contain the information required by the regulatory framework for financial information applicable to the Group.

Valuation of venture capital investments

Description	In accordance with note 7 to the accompanying consolidated financial statements, the Group holds investments in venture capital entities amounting to EUR 182.355 thousand at 31 December 2022, which are measured, in accordance with the accounting policies detailed in note 2.b to the consolidated annual accounts, at fair value, the cumulative changes in which are classified in the Group's equity. The determination of the fair value of venture capital investments is an estimate based on accounting information on the equity value of investee companies. Therefore, we consider the valuation of private equity investments a most relevant audit issue.

Our response	Our audit approach included analysing and evaluating the internal control environment over the monitoring processes of investments in venture capital entities, including the analysis and processing of information obtained by the Institute's management on these investments to estimate their valuation. Additionally, we have performed, mainly, the following substantive audit procedures: ► Tests of details to assess the quality and completeness of the technical and management accounting information on the projects developed by the venture capital entities in which the Group invests, and on the treatment given to it by the Institute's management. ► Analytical procedures to test the consistency of the valuation of these investments with the profitability of the entities and the general trends of the markets in which they operate. Finally, we have evaluated whether the accompanying consolidated financial statements include the information required by the regulatory framework for financial information applicable to the Group.

Valuation of venture capital investments

Description	The continuity of the Group's business processes is highly dependent on its technological infrastructure, which is outsourced to a service provider. Access rights to the different systems are granted to the Group's employees to allow them to develop and fulfil their responsibilities. These access rights are important because they are designed to ensure that changes to applications are authorized, monitored and implemented appropriately, and are key controls to mitigate the potential risk of fraud or error as a result of application changes.
Our response	Within the context of our audit, with the collaboration of our IT specialists, we have evaluated the general controls of the information systems relevant to the preparation of financial information. Thus, our work has consisted, fundamentally, in testing general controls of access to the systems, management of changes and development of the applications, and their security, as well as the application controls established in the key processes for the financial information. Among other procedures, we have reviewed the independent expert's report on the description of controls, design and operational effectiveness in technological environment (ISAE-3402) corresponding to the fiscal year 2022, issued by an independent expert, from whom we have obtained confirmation of his training, technical capacity and objectivity.

Other information: consolidated management report

Other information refers exclusively to the 2022 consolidated management report, the preparation of which is the responsibility of the Institute’s directors and is not an integral part of the consolidated financial statements.

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

Based on the work performed, as described in the above paragraph, the information contained in the consolidated management report is consistent with that provided in the 2022 consolidated financial statements and their content and presentation are in conformity with applicable regulations.

Directors' responsibilities for the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ERNST & YOUNG, S.L.

(Signature in the original report in Catalan)

Roberto Diez Cerrato

April 14, 2023

CONSOLIDATED FINANCIAL STATEMENTS ICF GROUP

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

INSTITUT CATALÀ DE FINANCES GROUP

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2022 AND 2021 (in thousands of Euros)

ASSETS	Note	31/12/2022	31/12/2021*
Cash, deposits in central banks and other on-demand deposits	**5**	**79,479**	**64,445**
Financial assets at fair value through other comprehensive income	**7**	**404,261**	**444,589**
Equity instruments		182,907	172,058
Debt securities		221,354	272,531
Financial assets at amortised cost	**8**	**1,894,346**	**1,950,871**
Loans and advances		1,894,346	1,950,871
Central banks		-	3,600
Credit institutions		15,468	20,217
Customers		1,878,878	1,927,054
Derivatives – hedge accounting	**9**	**20,899**	**7,338**
Changes in the fair value of the hedged items in a portfolio covered against interest rate risk		**(20,155)**	**47**
Investments in joint ventures and associates	**11**	**7,621**	**7,814**
Associated entities		7,621	7,814
Tangible assets	**12**	**69,029**	**69,463**
Property, plant and equipment		10,330	11,480
Investment property		58,699	57,982
Intangible assets	**13**	**2,449**	**3,772**
Other intangible assets		2,449	3,772
Tax assets	**21**	**74,717**	**60,417**
Current tax assets		5,325	5,159
Deferred tax assets		69,392	55,258
Other assets	**14**	**53,937**	**41,753**
Rest of other assets		53,937	41,753
Non-current assets and disposal groups held for sale	**10**	**11,239**	**15,236**
TOTAL ASSETS		**2,597,822**	**2,665,745**
MEMORANDUM ACCOUNTS: OFF-BALANCE SHEET ITEMS			
Financial guarantees granted	**22**	114,149	112,530
Loan commitments granted	**22**	320,733	259,760

LIABILITIES AND EQUITY	Note	31/12/2022	31/12/2021*
LIABILITIES			
Financial liabilities held for trading	**6**	**-**	**1,598**
Derivatives		-	1,598
Financial liabilities at fair value through other comprehensive income	**15**	**1,484,428**	**1,573,586**
Deposits		1,373,148	1,236,395
Credit institutions		1,092,218	987,851
Customer funds		280,930	248,544
Debt securities issued		105,697	332,831
Other financial liabilities		5,583	4,360
Derivatives – hedge accounting	**9**	**-**	**2,615**
Changes in the fair value of the hedged items in a portfolio covered against interest rate risk		**-**	**1,705**
Provisions	**16**	**3,657**	**3,498**
Changes in the fair value of the hedged		2,775	2,616
Other provisions		882	882
Tax liabilities	**21**	**1,200**	**1,250**
Current tax liabilities		332	422
Deferred tax liabilities		869	828
Other liabilities	**17**	**119,392**	**108,139**
TOTAL LIABILITIES		**1,608,677**	**1,692,392**
EQUITY			
Own funds	**20**	**948,360**	**921,248**
Capital		693,149	693,149
Paid-up capital		693,149	693,149
Cumulative earnings		225,054	188,890
Other reserves		2,758	2,790
Reserves from joint ventures and associates		2,758	2,790
Profit/(loss) attributable to equity holders of the parent		27,399	36,419
Accumulated other comprehensive income	**19**	**40,784**	**52,105**
Items that are not reclassified to profit or loss		50,725	53,638
Changes in fair value of equity instruments through profits/(loss)		50,725	53,638
Items that can be reclassified to profit or loss		(9,941)	(1,533)
Derivative hedging instruments Cash flow hedging		-	(1,689)
Changes in fair value of debt instruments		(9,941)	156
TOTAL EQUITY		**989,145**	**973,353**
TOTAL LIABILITIES AND EQUITY		**2,597,822**	**2,665,745**

* Presented solely and exclusively for comparative purposes.

Notes 1 to 36 to these financial statements and the appendixes I, II and III form an integral part of the consolidated balance sheet on 31 December 2022.

INSTITUT CATALÀ DE FINANCES GROUP

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED
31 DECEMBER 2022 AND 2021 (in thousands of Euros)

	Note	Year 2022	Year 2021
Interest income	**23**	53,862	47,095
Financial assets at fair value through other comprehensive income		1,825	1,234
Financial assets at amortised cost		52,037	45,861
(Interest expenses)	**24**	(12,697)	(11,915)
A) INTEREST MARGIN		**41,165**	**35,180**
Dividend income	**7**	7,372	2,377
Commission income	**25**	3,191	4,589
(Commission expenses)	**26**	(2,964)	(3,321)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**27**	76	(537)
Gains or (-) losses from assets and liabilities held for trading, net	**9.2**	1,598	2,416
Gains or (-) losses from hedge accounting, net	**9**	129	1,931
Exchange rate differences [gains or (-) losses], net		29	31
Other operating income	**28**	17,751	15,244
Other operating expenses	**29**	(2,311)	(1,856)
B) OPERATING PROFIT, NET		**66,037**	**56,054**
(Administrative expenses)		(12,168)	(11,202)
(Personnel expenses)	**30**	(7,578)	(7,004)
(Other administrative expenses)	**31**	(4,590)	(4,198)
(Depreciation and amortisation)	**32**	(2,816)	(2,217)
(Provisions or (-) reversal of provisions)	**16**	249	(899)
(Impairments or (-) or reversals of impairments to financial assets not recognised at fair value through profit or loss)		(24,697)	(9,883)
(Financial assets at fair value through other comprehensive income)	**33**	-	(483)
(Financial assets at amortised cost)	**33**	(24,697)	(9,400)
C) OPERATING MARGIN		**26,606**	**31,852**
Gains or (-) losses on non-current assets and disposal groups classified as held for sale not eligible as discontinued operations	**34**	5,272	4,914
D) GAINS OR (-) LOSSES BEFORE TAX FROM CONTINUING OPERATIONS		**31,878**	**36,766**
Gains or (-) losses on income tax from continuing operations	**21**	(4,480)	(347)
E) GAINS OR (-) LOSSES AFTER TAX FROM CONTINUING OPERATIONS		**27,399**	**36,419**
F) PROFIT OR (-) LOSS FOR THE YEAR		**27,399**	**36,419**

* Presented solely and exclusively for comparative purposes.

Notes 1 to 36 in these financial statements and the appendixes I, II and III form an integral part of the consolidated income statement for 2022.

INSTITUT CATALÀ DE FINANCES GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021 (in thousands of Euros)

A) Consolidated statements of recognised income and expense for the years ended 31 December 2022 and 2021:

	Year 2022	Year 2021
Profit or (-) loss for the year	**27,399**	**36,419**
Other comprehensive income	**(11,321)**	**27,429**
Items that will not be reclassified to profit or loss	**(2,912)**	**26,182**
Actuarial gains or (-) losses on defined benefit plans	-	-
Non-current assets and disposal groups held for sale	-	-
Share in other recognised income and expenses of investments in joint ventures and associates	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	(2,912)	26,182
Fair value changes of financial liabilities at fair value through profit or loss that is attributable to changes in the credit risk	-	-
Income tax related to items that will not be reclassified	-	-
Items that can be reclassified to profit or loss	**(8,408)**	**1,247**
Hedge of net investments in foreign operations [effective portion]	-	
Revaluation gains/(losses) recognised in equity	-	-
Amount transferred to profit or loss	-	-
Other reclassifications	-	-
Foreign currency translation	-	-
Gains or (-) losses on foreign currency translation recognised in equity	-	-
Amount transferred to profit or loss	-	-
Other reclassifications	-	-
Cash flow hedges [effective portion]	1,689	1,647
Revaluation gains/(losses) recognised in equity	-	3,621
Amount transferred to profit or loss	1,689	(1,974)
Amounts transferred to the initial carrying amount of hedged items	-	
Other reclassifications	-	-
Hedging instruments	-	-
Revaluation gains/(losses) recognised in equity	-	-
Amount transferred to profit or loss	-	-
Other reclassifications	-	-
Debt instruments at fair value through other comprehensive income	(13,118)	(483)
Revaluation gains/(losses) recognised in equity	(13,091)	(381)
Amount transferred to profit or loss	(27)	(102)
Other reclassifications	-	
Non-current assets and disposal groups held for sale	-	-
Revaluation gains/(losses) recognised in equity	-	-
Amount transferred to profit or loss	-	-
Other reclassifications	-	-
Income tax related to items that can be reclassified to profit or loss	3,021	82
Total comprehensive income for the year	**16,079**	**63,848**

* Presented solely and exclusively for comparative purposes.

Notes 1 to 36 in these financial statements and the appendixes I, II and III form an integral part of the consolidated statement of recognised income and expense for 2022.

B) Consolidated statements of total changes in equity for the years ended 31 December 2022 and 2021:

Statement for the year ended 31 December 2022	Capital	Cumulative earnings		Joint business reserves	(-) Treasury shares	Profit/(loss) attributable to equity holders of the parent	(-) Interim dividend	Other accumulated comprehensive income	Total
		Voluntary reserves	Capitalisation reserves						
Sources of changes in equity									
Opening balance [31 December 2021]	**693,149**	**177,051**	**11,839**	**2,790**	**-**	**36,419**	**-**	**52,105**	**973,353**
Effects of correction of errors	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-
Adjusted opening balance [31 December 2021]	**693,149**	**177,051**	**11,839**	**2,790**	**-**	**36,419**	**-**	**52,105**	**973,353**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**27,399**	**-**	**(11,321)**	**16,079**
Other changes in equity	**-**	**36,164**	**-**	**(32)**	**-**	**(36,419)**	**-**	**-**	**(287)**
Issue of ordinary shares	-	-	-	-	-	-	-	-	-
Issue of preferred shares	-	-	-	-	-	-	-	-	-
Issue of other equity instruments	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	-	-	-	-	-	-	-	-	-
Capital decrease	-	-	-	-	-	-	-	-	-
Dividends (or remuneration of shareholders)	-	-	-	-	-	-	-	-	-
Acquisition of treasury shares	-	-	-	-	-	-	-	-	-
Sale or cancellation of treasury	-	-	-	-	-	-	-	-	-
shares	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-
Transfers between equity items	-	36,419	-	-	-	(36,419)	-	-	-
Derecognition of financial assets at fair value through other comprehensive income (Note 7)	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-
Other increases or (-) decreases in equity	-	(255)	-	(32)	-	-	-	-	(287)
Closing balance [31 December 2022]	**693,149**	**213,215**	**11,839**	**2,758**	-	**27,399**	-	**40,784**	**989,145**

Statement for the year ended 31 December 2021	Capital	Acumulative earnings		Joint business reserves	(-) Treasury shares	Profit/(loss) attributable to equity holders of the parent	(-) Interim dividend	Other accumulated comprehensive income	Total
		Voluntary reserves	Capitalisation reserves						
Sources of changes in equity									
Opening balance [31 December 2020]	**693,149**	**172,597**	**9,566**	**2,904**	**-**	**5,409**	**-**	**24,676**	**908,301**
Effects of correction of errors	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-
Adjusted opening balance [31 December 2020]	**693,149**	**172,597**	**9,566**	**2,904**	**-**	**5,409**	**-**	**24,676**	**908,301**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**36,419**	-	**27,429**	**63,848**
Other changes in equity	**-**	**4,454**	**2,273**	**(114)**	**-**	**(5,409)**	-	**-**	**1,204**
Issue of ordinary shares	-	-	-	-	-	-	-	-	-
Issue of preferred shares	-	-	-	-	-	-	-	-	-
Issue of other equity instruments	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	-	-	-	-	-	-	-	-	-
Capital decrease	-	-	-	-	-	-	-	-	-
Dividends (or remuneration of shareholders)	-	-	-	-	-	-	-	-	-
Acquisition of treasury shares	-	-	-	-	-	-	-	-	-
Sale or cancellation of treasury	-	-	-	-	-	-	-	-	-
shares	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-
Transfers between equity items	-	3,136	2,273	-	-	(5,409)	-	-	-
Derecognition of financial assets at fair value through other comprehensive income (Note 7)	-	1,318	-	-	-	-	-	-	1,318
Share-based payments	-	-	-	-	-	-	-	-	-
Other increases or (-) decreases in equity	-	-	-	(114)	-	-	-	-	(114)
Closing balance [31 December 2021]	**693,149**	**177,051**	**11,839**	**2,790**	-	**36,419**	-	**52,105**	**973,353**

* Presented solely and exclusively for comparative purposes.

Notes 1 to 36 in these financial statements and the appendixes I, II and III form an integral part of the consolidated statement of total changes in equity on 31 December 2022.

INSTITUT CATALÀ DE FINANCES GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED AT
31 DECEMBER 2022 and 2021

	Year 2022	Year 2021*
A) CASH FLOWS USED IN OPERATING ACTIVITIES	**13,708**	**39,504**
Profit (loss) for the year	**27,399**	36,419
Adjustments to obtain cash flows from operating activities	14,809	10,309
Amortisation	(1,900)	2,217
Other adjustments	16,709	8,092
Net increase/decrease in operating assets	81,880	30,652
Financial assets held for trading	-	-
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	40,963	(57,766)
Financial assets at amortised cost	39,234	6,088
Other operating assets	1,683	82,330
Net increase/decrease in operating liabilities	(94,609)	(32,856)
Financial liabilities held for trading	(1,598)	(2,417)
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at amortised cost	(89,158)	(24,824)
Other operating liabilities	(3,853)	(5,615)
Income tax receivable/payable	(15,771)	(5,020)
B) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	**1,354**	**155**
Payments	(1,127)	(2,268)
Tangible assets	(666)	(1,160)
Intangible assets	(461)	(1,108)
Investments in subsidiaries, joint ventures and associates	-	-
Other business units	-	-
Non-current assets and associated liabilities held for sale	-	-
Held-to-maturity investments	-	-
Other payments related to investment activities	-	-
Amounts received	2,481	2,423
Tangible assets	-	-
Intangible assets	-	-
Investments in subsidiaries, joint ventures and associates	-	-
Other business units	-	-
Non-current assets and associated liabilities held for sale	2,481	2,423
Held-to-maturity investments	-	-
Other payments related to investment activities	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES	**-**	**-**
Payments	-	-
Dividends	-	-
Subordinated liabilities	-	-
Repayment of own equity instruments	-	-
Acquisition of own equity instruments	-	-
Other payments related to financing activities	-	-
Amounts received	-	-
Subordinated liabilities	-	-
Issue of own equity instruments	-	-
Sale of own equity instruments	-	-
Other amounts received related to financing activities	-	-
D) EFFECT OF EXCHANGE RATE CHANGES	**(29)**	**(31)**
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**15,034**	**39,628**
F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**64,445**	**24,817**
G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**79,479**	**64,445**
CASH AND CASH EQUIVALENTS ITEMS AT THE END OF THE PERIOD		
Cash	-	-
Cash equivalents in central banks	-	-
Other financial assets	79,479	64,445
Less: bank overdrafts repayable on demand		

* Presented solely and exclusively for comparative purposes.

Notes 1 to 36 in these financial statements and the appendixes I, II and III form an integral part of the consolidated statement of cash flows on 31 December 2022.

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

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

a) Nature of the Entity and the group

The Institut Català de Finances (hereinafter the Institute, the Entity or the ICF) is a financial institution under public law with its own legal personality subject to private law which is wholly owned by the Generalitat de Catalunya. The regulation governing the ICF is Legislative Decree 1/2002 of 26 July enacting the recast text of the Law on the Institut Català de Finances.

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

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

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

The Institut Català de Finances heads the Institut Català de Finances Group (henceforth the Group, or the ICF Group). At 31 December 2022 and 2021 the following subsidiaries form part of the ICF Group and are directly or indirectly 100% owned by it:

-Instruments Financers per a Empreses Innovadores, S.L. Societat Unipersonal (henceforth IFEM) was incorporated by public notarial instrument on 12 December 2008. The corporate purpose of the company is the holding and management of financial assets, in any type of fund, in companies and guarantee funds, venture capital companies and funds and investments in other public or private companies. The company manages the funds provided by the Generalitat to conduct the JEREMIE programme in Catalonia. It is a single-member company and its sole member is the Institut Català de Finances.

- Institut Català de Finances Capital S.G.E.I.C., S.A. Societat Unipersonal (henceforth ICF Capital), was incorporated for an indefinite term on 26 February 2011 and is subject to Circular 1/2021, of 25 March, of the Spanish National Securities Market Commission (CNMV), which supervises venture capital management companies, and to current legislation regarding this type of company, including Law 22/2015, of 12 November and, where this is not applicable, Royal Decree Law 1/2011 of 2 July, approving the recast text of the Capital Companies Law. Its corporate purpose and main activity is the administration and management of Venture Capital Funds and the assets of venture capital companies. It is a single-shareholder company, its sole shareholder being the Institut Català de Finances.

-Capital MAB, F.C.R. (henceforth Capital MAB) is a venture capital fund established on 27 February 2012 after authorisation by the Spanish National Securities Market Commission (CNMV) was granted on 17 February 2012. On 2 March 2012 the CNMV listed the fund in its Venture Capital Fund register under number 134. The Fund's initial duration was 10 years, extendable to a maximum of 12 years. It was extended for 12 years on 27 September 2021. The investment period ended on 31 December 2018.

-Capital Expansió, F.C.R. (hereinafter Capital Expansió) is a venture capital fund established on 20 July 2012 after the authorisation by the Spanish National Securities Market Commission (CNMV) was granted on 6 July 2012. On 26 July 2012 the CNMV listed the fund in its Venture Capital Fund register under number 136. The Fund's initial duration was 10 years, extendable to a maximum of 12 years. It was extended for 12 years on 27 September 2021. The investment period ended on 31 December 2018.

- ICF Venture Tech II, F.C.R.E. (hereinafter ICF Venture Tech II) is a venture capital fund registered on 28 June 2019 in the administrative registers for European venture capital funds of the Spanish National Securities Market Commission (CNMV) under number 11, which has been established after authorisation granted on 21 June 2019 by the same body. The Fund will operate for 10 years, which may be extended to a maximum of 12 years.

-ICF Capital Expansió II, F.C.R.E. (hereinafter ICF Capital Expansió II) is a venture capital fund registered on 28 June 2019 in the administrative registers for European venture capital funds of the Spanish National Securities Market Commission (CNMV) under number 11, which has been established after authorisation granted on 21 June 2019 by the same body. The Fund will operate for 10 years, which may be extended to a maximum of 12 years.

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

These consolidated financial statements of the ICF Group for the year ended 31 December 2022 were prepared by the Supervisory Board on 29 March 2023 and are pending approval by the Government; however, the Supervisory Board understands that they will be approved without changes. The consolidated financial statements of the ICF Group for the year ended 31 December 2021 were approved by the Government on 31 May 2022.

b) Basis of presentation for the consolidated financial statements

In accordance with applicable regulations, the ICF consolidated Group presents the consolidated financial statements for the year ended 31 December 2022 primarily in accordance with the measurement and recognition criteria established in Bank of Spain Circular 4/2017 of 27 November to credit institutions on public and private financial reporting standards and financial statement formats (“Circular 4/2017”) and subsequent amendments thereto, which constitute the development and adaptation to the Spanish credit institution sector of the International Reporting Standards adopted by the European Union (EU-IFRS) in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of European Parliament of 19 July 2002 on the application of international accounting standards.

The ICF Group's financial statements for the year ended 31 December 2022 have been prepared taking into account all applicable accounting principles and standards and mandatory accounting policies and measurement bases so as to present fairly, in all material respects, the ICF Group's equity and financial position at 31 December 2022 and the results of its operations and cash flows, all consolidated, for the year then ended, in accordance with the aforementioned applicable financial reporting framework and, in particular, with the accounting principles and criteria contained therein.

Note 2 summarises the most significant accounting principles and policies as well as the measurement bases applied in preparing the ICF Group's consolidated financial statements for the year ended 31 December 2022.

The consolidated financial statements have been prepared on the basis of the accounting records kept by the Institut Català de Finances and the other Group companies. Nonetheless, and since the accounting principles and measurement criteria applied in the preparation of the Group's 2022 consolidated financial statements may differ from those used by some of the entities comprising the Group, certain adjustments and reclassifications have been made in the consolidation process in order to standardise these principles and criteria and bring them into line with the accounting standards adopted by the Group.

c) Responsibility for information and estimates

Estimates have been used from time to time in the ICF Group's consolidated financial statements for the year 2022 to quantify certain assets, liabilities, income, expenses and commitments disclosed in them. These estimates basically refer to:

- Impairment losses of certain assets (see Notes 7, 8, 9 and 10).
- The useful life of tangible and intangible assets (see Notes 12 and 13).

- The fair value of certain unquoted financial assets (see Note 18).
- The recovery of deferred tax assets (see Note 21).

While these estimates are made based on the best information on the facts disclosed available at 31 December 2022, future events may take place requiring these estimates to be modified (increased or decreased) in subsequent years. The effects on the balance sheet and income statement of changes in accounting estimates are recognised prospectively in accordance with standard 19 of Circular 4/2017.

d) Information comparison

The figures for the financial year 2021 included in the accompanying consolidated financial statements for 2022 are presented solely and exclusively for comparative purposes.

e) Environmental impact

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

2. Accounting principles and measurement criteria

In the elaboration of the consolidated financial statements for 2022, the following accounting principles and policies and measurement criteria have been applied:

a) Consolidation principles

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

Subsidiary entities

Subsidiary entities (also called subsidiaries) are entities over which the Group has the capacity to exercise control. This capacity exists when:

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

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

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

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

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

Associated entities

Associated entities (also called associates) are entities over which the ICF directly or indirectly exercises significant influence and which are not subsidiaries or joint venture entities. The significant influence can be shown, among others, in the following situations:

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

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

Companies which form part of the venture capital activity are not considered associates since, in accordance with the Regulations on Management of Venture Capital Funds and Companies, it does not have significant influence over its management. These investments are recognised under as “Financial assets at fair value through other comprehensive income”.

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

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

b) Financial instruments

Initial recognition

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

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

Derecognition of financial instruments

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

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

Fair value and amortised cost

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

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

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

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

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

Amortised cost is the acquisition cost of the financial asset or financial liability, plus or minus principal repayments and the part systematically taken to profit and loss using the effective interest method, of any difference between that initial amount and the maturity amount. In the case of financial assets, amortised cost also includes any reduction for impairment, and also the value adjustments due to the impairment experienced.

The effective interest rate is the rate that exactly matches the initial amount of a financial instrument to all its estimated cash flows of all kinds over its remaining life. For fixed-rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition date, adjusted, where applicable, for initial premiums, discounts and commissions that are similar in nature to interest charges or transaction costs. For variable rate financial instruments, the effective interest rate is the same as that used for all other instruments until the next review of the benchmark interest rate takes place.

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

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

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

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

Classification and measurement of financial assets and financial liabilities

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

- **Financial assets at amortised cost:** Financial assets must be classified in this category when they are managed with a business model whose purpose is to maintain financial assets to receive contractual cash flows, and their contractual conditions give rise to cash flows at specified dates which are solely payments of principal and interest on principal outstanding amount. This category includes "Loans and advances" and "Debt securities":
    - **Loans and receivables:** This heading includes financing extended to third parties in connection with the ordinary lending activities carried out by the Group, and receivables from goods and services. It also includes unquoted debt securities or debt securities which are traded on markets which are barely active. Financial assets included in this category are initially measured at fair value adjusted by the amount of the commissions and transaction costs that are directly attributable to the acquisition of the financial asset and which are recognised in the income statement using the effective interest method over the life of the asset. They are subsequently measured at amortised cost, as previously described in this Note.

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

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

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

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

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

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

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

  In the particular case of the equity stake in Entities and Capital Funds without an official quote, they are valued at their fair value, registering in equity the result of the variations of such fair value, except where this entails a decrease of the value of less than 10% and linked to the management costs of the first years of operation of the vehicles. Once the results are realised, the value adjustments are reclassified against the item "Retained earnings" within the Group's Own Funds.

  The returns received from the Venture Capital Companies and Funds corresponding to the accrued dividends are recorded in the "Dividend income" heading in the income statement.

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

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

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

In addition, Circular 4/2017 stipulates the following category for financial instruments: “Assets and liabilities held for trading”. In 2022, the Group has not held any assets or liabilities classified in this category corresponding exclusively to derivative instruments which do not comply with the requirements to be considered as accounting hedges. In 2021, it held liabilities classified in this category corresponding exclusively to derivative instruments which do not comply with the requirements to be considered as accounting hedges. Changes in this fair value were registered under "Gains or (-) losses of assets and liabilities held for trading, net" in the income statement.

Reclassification between portfolios

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

c) Derivative instruments and hedging

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

When the ICF Group designates a transaction as a hedge, it provides adequate documentation of the hedging transaction in accordance with current regulatory requirements. The hedge accounting documentation includes adequate identification of the hedged position(s) and the hedging instrument(s), the nature of the risk to be hedged, and the criteria or methods used by the ICF Group to assess the effectiveness of the hedge over its entire life, taking into account the risk to be hedged.

The ICF Group only applies hedge accounting for hedges that are considered highly effective. A hedge is regarded as highly effective if, during its expected life, the changes in the fair value or cash flows of the hedged item that are attributable to the risk being hedged in the operation are almost fully offset by changes in the fair value or cash flows, as appropriate, of the hedging instrument(s).

To measure the effectiveness of hedges defined as such, the ICF analyses whether, from the inception to the end of the term defined for the hedge, it can expect, prospectively, that the changes in fair value or cash flows of the hedged item that are attributable to the hedged risk will be almost completely offset by changes in the fair value or cash flows, as the case may be, of the hedging instrument or instruments and that, retrospectively, the hedging meets the conditions established in Rule 31 of Circular 4/2017 that complies with IFRS 9, paragraph 6.4.1, not requiring the results to fluctuate within a range of variation of eighty to one hundred and twenty-five percent with respect to the hedged item.

The hedging transactions performed by the ICF Group are classified as follows:

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

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

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

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

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

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

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

d) Foreign currency transactions

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

e) Recognition of income and expenses

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

a) Interest, dividends and similar concepts, income and expenses

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

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

b) Commission

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

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

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

c) Non-financial income and expenses

These are recognised for accounting purposes on an accrual basis.

d) Deferred collections and payments

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

f) Transfers of financial assets

The accounting treatment of transfers of financial assets depends on the extent to which the risks and rewards associated with the transferred assets are transferred to third parties:

- If the risks and rewards of the transferred assets are transferred to third parties (unconditional sale of financial assets, sale of financial assets under an agreement to repurchase them at their fair value at the date of repurchase, sale of financial assets with a purchased call option or written put option that is deeply out of the money, securitisation of assets in which the transferor does not retain a subordinated debt or grant any credit enhancement to new holders, and other similar cases), the transferred financial asset is derecognised and any right or obligation retained or created in the transfer is recognised simultaneously.

- If the risks and rewards associated with the transferred financial asset are substantially retained (sale of financial assets under an agreement to repurchase them at a fixed price or the sale price plus interest, a securities lending agreement in which the borrower undertakes to return the same or similar assets, securitisation of financial assets in which a subordinated debt or another type of loan enhancement is retained that absorbs substantially all the expected credit losses on the securitised assets, and other similar cases), the transferred financial asset is not derecognised and continues to be measured using the same criteria as those applied before the transfer. However, the following items are recognised, without offsetting:

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

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

- If all the risks and rewards associated with the transferred financial assets are neither substantially transferred nor retained (sale of financial assets with a purchased call option or written put option that is not deeply in or out of the money, securitisation of financial assets in which the transferor retains a subordinated debt or other type of credit enhancement for a portion of the transferred asset, and other similar cases) a distinction is made between:

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

    - If the Group retains control of the transferred financial asset, it continues to recognise the asset in the balance sheet for an amount equal to its exposure to changes in value and recognises a financial liability associated with the transferred financial asset. The net amount of the transferred asset and the associated liability is the amortised cost of the rights and obligations retained, if the transferred asset is measured at amortised cost; or the fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

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

g) Impairment of financial assets

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

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

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

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

Classification of operations based on credit risk due to insolvency

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

- Stage 1 – Standard risk: the risk of a default event has not had a material increase from the initial recognition of the transaction. The impairment value correction for this type of instrument is equivalent to the 12-month expected credit losses.

- Stage 2 – Standard risk requiring special surveillance: the risk of a default event has had a material increase from the initial recognition of the transaction. The impairment value correction for this type of instrument is calculated as the expected credit losses throughout the life of the transaction.

- Stage 3 – Non-performing: the transaction has been subject to a default event. The impairment value correction for this type of instrument is calculated as the expected credit losses throughout the life of the transaction.

- Write-off risk – Transactions for which the Group has no reasonable recovery expectations. The impairment value adjustment for this type of instrument is equivalent to its carrying amount and involves the total derecognition of the asset.

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

Significant increase in credit risk

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

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

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

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

Refinancing or restructuring that does not show evidence of impairment. Note 3.4.6 describes the classification criteria for restructured or refinanced operations.

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

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

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

Impaired exposures and objective evidence of deterioration

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

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

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

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

- Significant financial difficulties of the issuer or the borrower.

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

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

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

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

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

Methods for estimating expected credit losses through insolvency

Impairment losses on these instruments equate to the negative difference between the current values of their expected future cash flows discounted at the effective interest rate and their respective carrying amounts.

When estimating the future cash flows of the debt instruments the following are taken into account:

  - The total amount expected to be obtained during the remaining life of the instrument, including, if applicable, amounts that may be payable under the guarantees covering it (after deducting the costs necessary for their adjudication and subsequent sale). The impairment loss takes into account the probability of collecting interest which is accrued, expired or not collected.

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

  - The circumstances in which payment could foreseeably occur.

The assessment of possible impairment losses on these assets depends on whether customers are considered individually material or non-material, following a review of the portfolio and the monitoring policy applied by the entity.

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

  - Individualised analysis: for individually significant assets, an analysis is carried out to identify customers with objective evidence of impairment (OEI), dividing them into two groups:

    • Customers with OEI: the loss incurred is calculated as the difference between the present value of the expected future flows (repayment of the principal plus interest) for each customer operation (discounted using the original effective interest rate) and its carrying amount. Accordingly, both the going concern and the gone concern hypotheses are considered.

    • Clients with no OEI: there is no objective evidence of impairment and no type of provision is required, given their acceptable credit situation. These exposures are classified under homogeneous risk groups and are tested collectively for impairment.

- Collective testing: for non-significant exposure with OEI and other cases of exposure, a collective calculation is made for homogeneous risk groups, to obtain both the generic coverage associated with a group of operations and coverage for specific operations which have similar risk characteristics, allowing them to be classified in homogeneous groups. For these purposes, the ICF uses the risk parameters of Bank of Spain Circular 4/2017 as a reference with the minimum percentages specified, which are based on historical experience of the Spanish market, increased if considered necessary for any group in particular as identified by the Group.

Equity instruments valued at cost of acquisition

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

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

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

h) Financial guarantees and provisions for financial guarantees

Financial guarantees are defined as contracts whereby an entity undertakes to make specific payments on behalf of a third party if the latter fails to do so, irrespective of the various legal forms they may have, such as guarantees, irrevocable documentary credits issued or confirmed by the Group. These operations are disclosed in a memorandum account to the balance sheet under “Contingent liabilities”.

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

Financial guarantees, regardless of the guarantor, instrumentation or other circumstances, are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required. The credit risk is determined by application of criteria similar to those established for quantifying impairment losses on debt instruments measured at amortised cost as described in Note 2.h above.

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

i) Leases

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

The Group as a lessee

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

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

Recognition and measurement of lease liabilities

At the commencement date of the lease, the Group recognises a liability for the lease of the asset for the present value of the lease payments to be made during the term of the lease and that have not been paid by that date, discounted using the interest rate implicit in the lease, if this can be easily determined. Otherwise, the Group's incremental borrowing rate will be used.

Lease payments include fixed and variable lease payments that depend on an index or a tariff, and the expected amounts to be paid resulting from the existence of guarantees. Lease payments also include the price for the (reasonably expected) exercise of an option to purchase by the Group and penalty payments for the termination of the lease, if the contract reflects the possibility of exercising the cancellation option. Variable lease payments that are not dependent on an index or fee are recognised as an expense in the period in which the event or condition that triggers the payment takes place, under the heading "Administrative expenses - other administrative expenses" of the consolidated profit and loss account attached.

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

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

Recognition and valuation of assets by right of use

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

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

- Accumulated amortisation. Assets with a right to use are depreciated over the shorter of the useful life of the underlying asset and the term of the lease. The provisions for depreciation are recognised in an offsetting account entry under "Depreciation and amortisation" account in the accompanying consolidated income statement.
- Impairment losses, if any, are recognised under "Impairment losses or (-) reversal of impairment losses on non-financial assets" in the attaching consolidated income statement. In assessing impairment, the directors apply the same criteria as those used for the tangible assets described in Note I.
- Reflect changes in the value of lease liabilities.

The group as a lessor

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

j) Personnel expenses

Dismiss benefits

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

k) Income tax

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

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

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

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

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

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

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

The consolidated fiscal group at 31 December 2022 is made up of the ICF and its subsidiaries, Instruments Financers per Empreses Innovadores, S.L. and Institut Català de Finances Capital, S.G.E.I.C. S.A.U. (Note 21.1).

On 10 July 2021, Law 11/2021 of July 9 on measures to prevent and combat tax fraud was published in the Official State Gazette. Its additional provision three amends the tax framework of the Institut Català de Finances, equating it to that of the Official Credit Institute (ICO). This modification, among other aspects, entails a change in the tax rate of the Group's parent company and the other entities that form part of the perimeter of the consolidated tax group as well as a change in the estimation of the deductibility relative to credit risk hedges in accordance with articles 8 and 9 of the Corporate Income Tax Regulation. In accordance with the criterion established by the Directorate General of Taxes in response to a binding consultation made by the Group's parent company, the first year of application of the regulatory change for the purposes of income tax is 2022 (Note 21).

l) Tangible assets

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

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

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

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

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

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

At the reporting date the Group assesses whether there is indication that the net value of its tangible assets exceeds its recoverable amount. If this is the case, the carrying amount of the asset is reduced to its recoverable amount and future depreciation charges are adjusted in proportion to the revised carrying amount and to the new remaining useful life, if this needs to be re-estimated. The reduction in the carrying amount of tangible assets is charged to "Impairment losses or (-) reversal of impairment losses on non-financial assets" in the income statement.

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

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

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

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

m) Intangible assets

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

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

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

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

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

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

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

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

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

o) Provisions and contingencies

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

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

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

Allowances to provisions are recognised in the income statement under "Provisions or (-) reversal of provisions".

At the end of the fiscal year 2022, various legal proceedings and claims were under way by the Institute arising from the normal course of its business. The Institute's legal advisers and directors consider that the outcome of these proceedings and claims will not have a material effect on the financial statements for the years in which they are settled.

p) Deferred ERDF income

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

q) Consolidated statement of changes in equity

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

Statement of recognised income and expense

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

Accordingly, the statement presents:

a) Profit (loss) for the year.

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

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

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

e) The total income and expenses recognised, being the sum of the above points.

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

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

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

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

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

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

Statement of total changes in equity

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

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

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

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

r) Statement of cash flows

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

- Cash flows: Inflows and outflows of cash or cash equivalents, which are short-term, highly liquid investments subject to a low risk of changes in value.
- Operating activities: the typical activities of credit institutions and other activities that cannot be classified as investing or financing activities.
- Investing activities: the acquisition, sale or other disposal of long-term assets and other investments not included in cash or cash equivalents.
- Financing activities: activities that result in changes in liabilities that do not form part of operating activities. Issues made by the Group and placed on established markets are considered to be financing activities.

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

- Cash held by the Group is recognised under "Cash, cash balances with central banks and other demand deposits" on the balance sheet.
- The Group's short-term deposits, registered under the "Deposits in Credit Institutions – Other Accounts" heading.

s) Going concern principle

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

t) Accrual basis

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

u) Transactions with related parties

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

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

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

3. Risk management and capital management

3.1 Market risk

At the close of 2022, the Group does not hold any positions in the trading portfolio. At the close of 2021, the Group had a notional interest rate swap of 55,000 thousand euros in the trading portfolio.

3.2 Liquidity risk

3.2.1 Liquidity risk purposes, policies and management

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

Liquidity risk policies and procedures are approved at the Supervisory Board, and the ICF’s Assets and Liabilities Committee (ALC) is responsible for supervising it and define the procedures for mitigating and controlling it.

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

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

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

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

Its ordinary financing policy is based on stable funding, characterised by long-term borrowing from public and private counterparties.

3.2.2 Maturity dates of financial assets and liabilities

As explained in section 3.2.1 above, a key part of the ICF Group's strategy to manage liquidity is to analyse the maturity dates of its financial assets and financial liabilities. The tables below show financial assets and financial liabilities at 31 December 2022 and 2021 classified in accordance with the time remaining to maturity at these dates, according to the conditions stipulated in the associated contractual conditions:

At 31 December 2022

	Thousands of euros						
	Demand deposits	**< 1 month**	**1- 3 months**	**3- 12 months**	**1- 5 years**	**> 5 years**	**Total**
Assets							
Cash, deposits in central banks and other on-demand deposits	79,479	-	-	-	-	-	79,479
Loans and advances	10,173	35,490	57,915	297,143	953,396	540,230	1,894,346
Deposits with credit institutions	10,173	228	311	856	1,320	2,580	15,468
Central banks	-	-	-	-	-	-	-
Customer loans	-	35,262	57,603	296,287	952,076	537,650	1,878,878
Debt securities	-	127	16,104	39,076	163,476	2,570	221,354
Total assets	**89,652**	**35,617**	**74,019**	**336,219**	**1,116,872**	**542,800**	**2,195,179**
Liabilities							
Financial liabilities at amortised cost	-	8,359	22,900	137,859	636,591	567,439	1,373,148
Deposits with credit institutions	-	3,641	15,194	92,029	486,813	494,541	1,092,218
Customer funds	-	4,718	7,705	45,831	149,778	72,898	280,930
Debt securities issued	-	16,048	988	53,578	15,461	19,622	105,697
Other financial liabilities	5,583	-	-	-	-	-	5,583
Total liabilities	**5,583**	**24,406**	**23,888**	**191,437**	**652,052**	**587,061**	**1,484,428**
Maturity gap	**84,069**	**11,211**	**50,131**	**144,782**	**464,820**	**(44,261)**	**710,751**
% of total assets	**3%**	**0%**	**2%**	**6%**	**18%**	**(2%)**	**27%**

At 31 December 2021

	Thousands of euros						
	Demand deposits	< 1 month	1- 3 months	3- 12 months	1- 5 years	> 5 years	Total
Assets							
Cash, deposits in central banks and other on-demand deposits	64,445	-	-	-	-	-	64,445
Loans and advances	15,859	32,532	53,443	292,976	1,020,177	535,883	1,950,871
Deposits with credit institutions	12,259	323	595	1,736	2,648	2,656	20,217
Central banks	3,600	-	-	-	-	-	3,600
Customer loans	-	32,210	52,848	291,240	1,017,530	533,227	1,927,054
Debt securities	-	4,013	25,348	28,296	207,994	6,880	272,531
Total assets	**80,304**	**36,544**	**78,791**	**321,272**	**1,228,171**	**542,763**	**2,287,847**
Liabilities							
Financial liabilities at amortised cost	4,360	15,158	6,283	395,700	647,103	504,982	1,573,586
Deposits with credit institutions	-	2,082	(191)	88,495	479,188	418,277	987,851
Customer funds	-	*3,945*	*6,474*	*35,677*	*136,045*	*66,403*	*248,544*
Debt securities	-	9,131	-	271,528	31,870	20,302	332,831
Other financial liabilities	4,360	-	-	-	-	-	4,360
Total liabilities	**4,360**	**15,158**	**6,283**	**395,700**	**647,103**	**504,982**	**1,573,586**
Maturity gap	75,944	21,386	72,509	(74,428)	581,068	37,781	714,260
% of total assets	3%	2%	3%	(3%)	22%	1%	27%

3.3 Structural interest rate risk

3.3.1 Interest rate risk purposes, policies and management

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

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

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

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

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

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

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

3.3.2 Interest rate risk sensitivity analysis

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

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

The indicated analysis has been carried out considering the evolution of the rate curve for the reference tranches used by the ICF and keeping constant the rest of the variables affecting the Group's results and equity. The effect shown below has been calculated considering the existing financial instruments as of 31 December 2022 and 2021, respectively, without taking into account the existence of new investments or financing that may be made as of this moment.

The following tables show, through a static gap, the distribution of maturities and revisions of variable interest rates, at 31 December 2022 and 31 December 2021, of the balance sheet aggregates, regardless of valuation adjustments. For those aggregates without contractual maturity, their sensitivity to interest rates has been analysed along with their expected maturity term.

At 31 December 2022:

Thousands of euros	**IR-sensitive balance**		**% of total assets**		**STATIC GAP**		
RENEWAL	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Simple**	**Cumulative**	**Cum. gap (% TA)**
Up to 1 month	177,840	179,072	6.8%	6.8%	(1,232)	(1,232)	0.0%
1 to 3 months	257,737	414,391	9.8%	15.8%	(156,654)	(157,886)	-6.0%
3 to 6 months	472,584	199,605	18.0%	7.6%	272,979	115,093	4.4%
6 to 12 months	812,486	139,163	31.0%	5.3%	673,323	788,416	30.0%
CUMULATIVE 12 months	**1,720,647**	**932,231**	**65.6%**	**35.5%**		**788,416**	**30.0%**
1 to 2 years	200,345	81,228	7.6%	3.1%	119,117	907,533	34.6%
2 to 3 years	86,737	35,407	3.3%	1.3%	51,330	958,863	36.5%
3 to 4 years	65,888	51,097	2.5%	1.9%	14,791	973,654	37.1%
4 to 5 years	29,698	37,630	1.1%	1.4%	(7,932)	965,722	36.8%
5 to 7 years	60,467	74,702	2.3%	2.8%	(14,235)	951,487	36.3%
7 to 10 years	50,609	104,675	1.9%	4.0%	(54,066)	897,421	34.2%
10 to 15 years	40,915	19,706	1.6%	0.8%	21,209	918,630	35.0%
15 to 20 years	25,382	11,653	1.0%	0.4%	13,730	932,360	35.5%
20 to 25 years	12,553	5,404	0.5%	0.2%	7,149	939,509	35.8%
25 to 30 years	3,215	150	0.1%	0.0%	3,065	942,574	35.9%
TOTAL	**2,296,458**	**1,353,883**	**87.5%**	**51.6%**		**942,574**	**35.9%**

At 31 December 2021:

Thousands of euros	IR-sensitive balance		% of total assets		STATIC GAP		
RENEWAL	Assets	Liabilities	Assets	Liabilities	Simple	Cumulative	Cum. gap (% TA)
Up to 1 month	242,747	400,674	9.2%	15.2%	(157,927)	(157,927)	-6.0%
1 to 3 months	272,108	406,848	10.3%	15.5%	(134,740)	(292,667)	-11.1%
3 to 6 months	472,957	129,739	18.0%	4.9%	343,219	50,551	1.9%
6 to 12 months	793,383	29,961	30.2%	1.1%	763,422	813,973	30.9%
CUMULATIVE 12 months	**1,781,195**	**967,221**	**67.7%**	**36.8%**		**813,973**	**30.9%**
1 to 2 years	66,226	48,825	2.5%	1.9%	17,401	831,375	31.6%
2 to 3 years	155,186	67,563	5.9%	2.6%	87,624	918,998	34.9%
3 to 4 years	56,140	35,503	2.1%	1.3%	20,638	939,636	35.7%
4 to 5 years	45,795	44,476	1.7%	1.7%	1,320	940,956	35.8%
5 to 7 years	28,018	49,510	1.1%	1.9%	(21,492)	919,464	35.0%
7 to 10 years	26,437	71,675	1.0%	2.7%	(45,238)	874,226	33.2%
10 to 15 years	28,595	39,657	1.1%	1.5%	(11,062)	863,164	32.8%
15 to 20 years	14,869	-	0.6%	0.0%	14,869	878,032	33.4%
20 to 25 years	12,316	-	0.5%	0.0%	12,316	890,348	33.8%
25 to 30 years	462	-	0.0%	0.0%	462	890,810	33.9%
TOTAL	**2,215,239**	**1,324,429**	**84.2%**	**50.3%**		**890,810**	**33.9%**

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

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

31/12/2022 (Thousands of euros)	**Interest margin (1)**	**Impact on equity (2)**
200 basis points decrease	(3,406)	28,750

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

(1) Sensitivity at 1 year of interest margin of balance sheet aggregates.
(2) Sensitivity of the base economic value of balance sheet aggregates.

3.4 Credit risk

3.4.1 Credit risk management objectives, policies and processes

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

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

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

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

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

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

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

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

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

3.4.2 Level of credit risk exposure

The following table shows the level of credit risk to which the Group is exposed at 31 December 2022 and 2021 for each class of financial instrument, without deducting any real guarantee or other loan enhancements received to ensure debtors honour their payment obligations:

<u>At 31 December 2022</u>

Types of instruments	Thousands of euros				
	Asset balances(*)				
	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost – Loans and receivables	Derivatives	Memorandum: Off-balance sheet items	Total
Debt instruments	-	-	-	-	-
Deposits with credit institutions	-	15,448	-	-	15,448
Customer loans	-	2,106,352	-	-	2,106,352
Debt securities	232,075	-	-	-	232,075
Total debt instruments	**232,075**	**2,121,800**	**-**	**-**	**2,353,875**
Guarantees granted	-	-	-	-	-
Financial guarantees	-	-	-	114,149	114,149
Other financial guarantees granted	-	-	-	-	-
Total guarantees granted	-	-	-	**114,149**	**114,149**
Other exposures	-	-	-	-	-
Derivatives	-	-	20,899	-	20,899
Contingent commitments granted	-	-	-	320,733	320,733
Total other exposures	-	-	**20,899**	**320,733**	**341,632**
MAXIMUM LEVEL OF CREDIT RISK EXPOSURE	**232,075**	**2,121,800**	**20,899**	**434,882**	**2,809,657**

At 31 December 2021

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

* Amounts not including value adjustments.

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

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

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

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

3.4.3 Real guarantees received and other loan enhancements

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

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

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

The breakdown, in thousands of euros, of the amount of credit risk covered by each type of real guarantee, other loan enhancements available and class of financial instrument to the Group at 31 December 2022 and 2021, excluding Public Administrations, is as follows:

At 31 December 2022:

(Thousands of euros)	Real estate guarantee	Other real guarantees	Guarantees from financial institutions	Guarantees from the public sector	Total
Debt instruments					
Customer loans	304,287	53,557	105,525	12,512	475,881
Total debt instruments	**304,287**	**53,557**	**105,525**	**12,512**	**475,881**
Guarantees granted					
Financial guarantees	4,915	26,923	1,662	50,178	83,678
Total guarantees granted	**4,915**	**26,923**	**1,662**	**50,178**	**83,678**
Total hedged amount	**309,202**	**80,480**	**107,187**	**62,690**	**559,559**

At 31 December 2021:

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

Notwithstanding the above table which shows the main guarantees, there is a total of 389,047 thousand euros (431,977 thousand euros in 2021) of risk hedged by public guarantee programmes, mainly tied to the Covid-19 facilities granted in 2022 and 2021 (see Note 3.4.4).

3.4.4 Covid-19 facilities

The financing granted with a government guarantee does not affect the assessment of the significant increase in risk as this is assessed through the credit quality of the instrument and not of the guarantor. However, in the estimates of expected loss, the existence of the guarantor entails a potential reduction in the level of provisions required since, for the part hedged, the loss that would be incurred in the enforcement of a guarantee is taken into account.

3.4.5 Credit quality of non-mature and unimpaired financial assets

3.4.5.1 Classification of exposure to credit risk by counterparty

The level of exposure to credit risk classified by counterparty at 31 December 2022 and 2021 for credit risk exposures that are not matured or impaired at these dates is as follows:

At 31 December 2022:

Thousands of euros	Public administrations and rest of public sector	Financial institutions	Other resident sectors	Total
Debt instruments				
Financial assets at amortised cost – Debt securities	7,371	92,472	119,508	219,351
Deposits with credit institutions	-	15,448	-	15,448
Customer loans	322,820	-	1,617,693	1,940,513
Total debt instruments	**330,191**	**107,920**	**1,737,201**	**2,175,312**
Guarantees granted				
Financial guarantees	4,490	-	103,478	107,968
Other guarantees granted	-	-	-	-
Total guarantees granted	**4,490**	**-**	**103478**	**107,968**
Total	**334,681**	**107,920**	**1,840,679**	**2,283,280**

At 31 December 2021:

Thousands of euros	Public administrations and rest of public sector	Financial institutions	Other resident sectors	Total
Debt instruments				
Financial assets at amortised cost – Debt securities	6,464	118,048	145,551	270,063
Deposits with credit institutions	-	20,204	-	20,204
Customer loans	377,658	-	1,576,534	1,954,192
Total debt instruments	**384,122**	**138,252**	**1,722,085**	**2,244,459**
Guarantees granted				
Financial guarantees	14,053	-	97,731	111,784
Other guarantees granted	-	-	-	-
Total guarantees granted	**14,053**	**-**	**97,731**	**111,784**
Total	**398,176**	**138,252**	**1,819,816**	**2,356,243**

3.4.6 Renegotiated financial assets

In accordance with Circular 4/2017 and subsequent amendments, a brief summary of the policy for modifying transactions is set out below.

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

- Detailed analysis of the economic and financial situation of the borrower, including the circumstances that have given rise to the need to modify the envisaged repayment schedule.
- In accordance with the business plan, reviewed by the Group, the customer must be able to pay the sums included in the new repayment schedule.
- A minimum of 6 months experience with the customer in order to modify the transaction.

- All accrued and unpaid interest payments, both current and in arrears, for the transaction must be up to date.
- Extending time periods will be avoided and instead subsequent payments will be adjusted to allow for accrued repayment of the debt.

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

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

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

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

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

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

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

During the previous trial period, a new refinancing or restructuring of refinancing, refinanced or restructuring transactions, or the existence of past due amounts on these transactions older than 30 days, involves the reclassification of these operations to the category of non-performing risk for reasons other than late payment, provided that they were classified as non-performing before the start of the trial period.

Refinanced or restructured transactions and the new transactions carried out for refinancing continue to be identified as a non-performing risk until the general criteria for debt instruments are verified and in particular the following requirements:

- A period of one year has elapsed since the date of refinancing or restructuring.
- the borrower has met the accrued payments of principal and interest and reduced the principal renegotiated, from the date on which the restructuring or refinancing transaction has been concluded or, if it is later, from the reclassification date of the one in the non-performing category.
- An amount equivalent to all amounts, principal and interest, which are due at the date of the restructuring or refinancing transaction or which have been written off as a result of the restructuring or refinancing or, where more appropriate in view of the characteristics of the transactions, other objective criteria demonstrating the borrower's ability to pay have been verified.
- The borrower does not have another transaction with amounts overdue by more than 90 days at the date of reclassification to the standard risk category under special surveillance of the refinancing, refinanced or restructured transaction.

Below is the carrying amount, classified by financial instrument class, of financial assets as of 31 December 2022 and 31 December 2021, considered refinanced or restructured according to the definitions of Bank of Spain Circular 4/2017 and subsequent amendments:

31/12/2022	TOTAL					Of which: NON-PERFORMING				
	Without real guarantee		With real guarantee		Cum. impairment losses due to credit risk	Without real guarantee		With real guarantee		Cum. impairment losses due to credit risk
	No. of transactions	Gross carrying amount	No. of transactions	Gross carrying amount		No. of transactions	Gross carrying amount	No. of transactions	Gross carrying amount	
Public administrations	2	714	-	-	-	-	-	-	-	-
Non-financial companies and individual entrepreneurs (non-financial business activity)	120	145,680	58	36,112	(77,294)	59	84,444	32	11,353	(66,006)
Of which: funding to property construction and development (including land)	3	1,017	3	1,042	(1,213)	3	1,017	2	194	(959)
Total	**122**	**146,394**	**58**	**36,112**	**(77,294)**	**59**	**84,444**	**32**	**11,353**	**(66,006)**

31/12/2021	TOTAL					Of which: NON-PERFORMING				
	Without real guarantee		With real guarantee		Cum. impairment losses due to credit risk	Without real guarantee		With real guarantee		Cum. impairment losses due to credit risk
	No. of transactions	Gross carrying amount	No. of transactions	Gross carrying amount		No. of transactions	Gross carrying amount	No. of transactions	Gross carrying amount	
Public administrations	3	1,152	-	-	-	-	-	-	-	-
Non-financial companies and individual entrepreneurs (non-financial business activity)	131	180,930	34	24,426	(112,628)	84	108,196	18	11,851	(103,153)
Of which: funding to property construction and development (including land)	6	1,461	3	609	(1,267)	6	1,461	-	-	(1,267)
Total	**134**	**182,082**	**34**	**24,426**	**(112,628)**	**84**	**108,196**	**18**	**11,851**	**(103,153)**

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

The breakdown of financial assets estimated on an individual basis to be impaired at 31 December 2022 and 2021, based on the age of the oldest outstanding amount of each transaction, is as follows:

At 31 December 2022:

	Thousands of euros					
	Up to 6 months	**From 6 to 12 months**	**From 12 to 18 months**	**From 18 to 24 months**	**More than 24 months**	**Total**
Debt instruments						
Customer loans	100,675	21,042	4,167	27,303	12,652	165,839
Total debt instruments	100,675	21,042	4,167	27,303	12,652	165,839
Total	**100,675**	**21,042**	**4,167**	**27,303**	**12,652**	**165,839**

At 31 December 2021:

	Thousands of euros					
	Up to 6 months	**From 6 to 12 months**	**From 12 to 18 months**	**From 18 to 24 months**	**More than 24 months**	**Total**
Debt instruments						
Customer loans	120,697	53,269	2,379	3,277	7,465	187,087
Total debt instruments	120,697	53,269	2,379	3,277	7,465	187,087
Total	**120,697**	**53,269**	**2,379**	**3,277**	**7,465**	**187,087**

3.4.8 Financial assets considered as impaired

Below is the breakdown at 31 December 2022 and 2021, classified by type of financial assets, of assets that have been considered as impaired and the impairment losses assigned.

At 31 December 2022:

	Thousands of euros	
	Carrying amount (excluding impairment losses)	**Impairment losses**
Debt instruments		
Customer loans	165,839	(94,576)
Total debt instruments	**165,839**	**(94,576)**

At 31 December 2021:

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

3.4.9 Changes in impairment losses

The changes in credit risk exposures on loans and advances (recognised as financial assets at amortised cost) and in impairment losses recognised in 2022 and 2021 are as follows:

2022	Stages 1 and 2 Not impaired		Stage 3 Impaired		Total
	Individual	Collective	Individual	Collective	
Gross amount					
Balance at 1 January 2022	-	**1,954,202**	**96,048**	**91,029**	**2,141,279**
Balance at 31 December 2022	-	**1,940,513**	**60,387**	**105,452**	**2,106,352**
Impairment					
Balance at 1 January 2022	**-**	**(89,198)**	**(94,967)**	**(27,732)**	**(211,897)**
Charges/Recoveries	**-**	(45,296)	42,725	(34,989)	**(37,560)**
Transfers between stages	**-**	(1,266)	(3,312)	4,578	**-**
Transfer to write-offs	-	-	-	19,121	**19,121**
Balance at 31 December 2022	-	**(135,760)**	**(55,554)**	**(39,022)**	**(230,336)**

2021	Stages 1 and 2 Not impaired		Stage 3 Impaired		Total
	Individual	Collective	Individual	Collective	
Gross amount					
Balance at 1 January 2021	-	**2,004,894**	**81,755**	**57,423**	**2,144,072**
Balance at 31 December 2021	-	**1,954,202**	**96,048**	**91,029**	**2,141,279**
Impairment					
Balance at 1 January 2021	**-**	**(79,214)**	**(66,315)**	**(38,012)**	**(183,541)**
Charges/Recoveries	-	(9,438)	(15,920)	(6,840)	(32,198)
Transfers between stages	**-**	(546)	(12,732)	13,278	-
Transfer to write-offs	-	-	-	3,842	3,842
Balance at 31 December 2021	-	**(89,198)**	**(94,967)**	**(27,732)**	**(211,897)**

At 31 December 2022, the hedges of unimpaired operations included 88,592 thousand euros (36,437 thousand euros in 2021) for operations classified as standard and 47,168 thousand euros (52,762 thousand euros in 2021) per for operations classified as standard under special surveillance.

The calculation of provisions for credit risk impairment, calculated in accordance with the accounting policy described in Note 2, has been supplemented due to the macroeconomic and geopolitical environment characterised by increased volatility, inflationary pressures, supply chain problems and tighter monetary policies, situations which have worsened as a result of the conflict between Russia and Ukraine and which generate uncertainties about some of the variables used by the Group to estimate its impairment losses. In view of the foregoing, the Group has supplemented the provisions for credit risk impairment with the additional amounts considered necessary to reflect the particular characteristics of the borrowers.

The amounts corresponding to debt instruments are recorded under the heading "Impairment of value or (-) reversal of impairment of financial assets not measured at fair value through profit or loss in results - Loans and receivables". This heading includes other recoveries in 2022, mainly linked to the recovery of asset write-offs, amounting to 5,442 thousand euros (20,090 thousand euros in 2021).

3.4.10 Matured and unimpaired financial assets

The breakdown of financial assets that have matured but are not impaired at 21 December 2022 and 2021, classified by class of financial instrument and the period passed from maturity, is as follows:

At 31 December 2022:

Thousands of euros	Up to 3 months	More than 3 months	Total
Debt instruments			
Customer loans	2,265	-	2,265
Total debt instruments	**2,265**	**-**	**2,265**

At 31 December 2021:

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

3.4.11 Impaired financial assets and derecognised from assets

A summary of changes in 2022 and 2021 in items that have been derecognised in the accompanying balance sheet as their recovery is considered unlikely is provided below. These financial assets are recognised under "Asset write-offs" in the memorandum accounts complementary to the accompanying balance sheets:

Thousands of euros	2022	2021
Opening balance:	**266,731**	**317,519**
Additions	**85,901**	**4,550**
Charged to non-performing loans and other	85,623	4,481
Recognition of accrued interest	278	69
Recoveries:	**(5,442)**	**(36,590)**
Recovery of principal in cash and/or instruments expired and not received	(5,442)	(36,590)
Disposals	**(7,261)**	**(18,748)**
Remission and limitation	(7,261)	(18,748)
Closing balance	**339,929**	**266,731**

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

The distribution of the Group's credit portfolio at 31 December 2022 is as follows:

Thousands of euros	Total	Catalonia	Other
Credit institutions	**2,970**	**2,970**	**-**
Public administrations and rest of public sector	**322,820**	**322,820**	**-**
Other	322,820	322,820	-
Non-financial companies and individual entrepreneurs	**1,783,532**	**1,677,742**	**105,790**
Property construction and development	302,177	302,177	-
Other purposes	1,481,355	1,375,565	105,790
Large companies	496,583	440,565	56,018
SMEs and individual entrepreneurs	982,447	932,815	49,632
Other purposes	2,325	2,185	140
Less: Impairment adjustments of assets	**(230,336)**	**(230,336)**	**-**
TOTAL	**1,878,985**	**1,773,195**	**105,790**

And the distribution of the credit portfolio at 31 December 2021:

Thousands of euros	Total	Catalonia	Other
Credit institutions	**5,664**	**5,664**	**-**
Public administrations and rest of public sector	**377,658**	**377,658**	**-**
Other	377,658	377,658	-
Non-financial companies and individual entrepreneurs	**1,763,621**	**1,707,196**	**121,236**
Property construction and development	248,101	248,101	-
Other purposes	1,515,520	1,459,095	121,236
Large companies	603,457	560,704	69,081
SMEs and individual entrepreneurs	907,024	893,352	52,155
Other purposes	5,039	5,039	-
Less: Impairment adjustments of assets	**(211,897)**	**(211,897)**	**-**
TOTAL	**1,935,046**	**1,878,621**	**121,236**

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

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

At 31 December 2022:

31/12/2022 Thousands of euros	TOTAL	Of which: real estate guarantee	Of which: other real guarantees
Public administrations	**322,820**	**-**	**-**
Non-financial companies and individual entrepreneurs	**1,783,532**	**182,542**	**789,997**
Property construction and development (including land)	302,177	102,041	128,523
Other purposes	1,481,355	80,501	661,474
Large companies	496,583	8,890	203,539
SMEs and individual entrepreneurs	982,447	71,608	455,690
Other purposes	2,325	3	2,245
TOTAL	**2,106,352**	**182,542**	**789,997**

At 31 December 2021:

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

3.5 Counterparty risk

Counterparty credit risk is the possibility of incurring losses as a result of the other contracting party to a financial operation failing to comply with the contracted obligations in due time and in an appropriate manner.

The fair value macro-hedge on the customer lending portfolio was not extended in 2022. In 2021, the fair value macro-hedge on the portfolio of loans and advances to customers was extended with the arrangement of three interest rate swaps for a total amount of 28,817 thousand euros. The counterparties to the interest rate hedges at 31 December 2022 and 2021 are two credit institutions in 2022 and five institutions in 2021, with notional amounts of 130,727 thousand euros and 431,887 thousand euros, respectively.

The distribution of notional amounts by maturity is as follows:

Trading portfolio:

Derivative type	Maturity	Notional 2022 *(Thousands of euros)*	Notional 2021 *(Thousands of euros)*
IRS	Up to 3 years	-	55,000
		-	**55,000**

Fair value hedging derivatives:

Derivative type	Maturity	Notional 2022 *(Thousands of euros)*	Notional 2021 *(Thousands of euros)*
IRS	Up to 3 years	12,000	542
IRS	From 3 to 5 years	-	12,000
IRS	More than 5 years	118,727	124,345
		130,727	**136,887**

Cash flow hedging derivatives:

Derivative type	Maturity	Notional 2022 *(Thousands of euros)*	Notional 2021 *(Thousands of euros)*
IRS	Up to 3 years	-	240,000
		-	**240,000**

The national value of derivatives is the underlying figure for estimating the results associated with derivatives, although this figure cannot be taken to represent a reasonable measure of the ICF's exposure to the risks associated with these products.

3.6 Operational risk

Operational risk relates to the possibility of incurring losses as a result of poor allocation or of error in processes, systems and people or from external events.

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

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

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

3.7 Capital management

The Group has eligible capital of 986,003 thousand euros at 31 December 2022 (950,767 thousand euros at 31 December 2021) with a solvency ratio of 39.4% (42.8% at 31 December 2021), which is well above the minimum Pillar 1 ratio required by Basel III regulations.

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

The breakdown of the ratio is shown below as at 31 December 2022 and 31 December 2021:

Solvency ratio (thousands of euros)	**2022**	**2021**
Common equity tier 1 (CET1)	966,444	954,947
Eligible capital	986003	975,188
Total Risk Weighted Assets	2,502,760	2,291,954
CET1 ratio	38.62%	41.67%
Solvency ratio	**39.40%**	**42.55%**

4. Distribution of profit/application of losses for the year of Institut Català de Finances as parent of the ICF Group

The proposed distribution of the individual profit/application of losses for 2022 to be put forward for approval by the ICF's Supervisory Board and the approved distribution for 2021, respectively, are as follows:

Thousands of euros	**2022**	**2021**
Basis of allocation:		
Profit and loss	27,399	36,419
Distribution:		
Voluntary reserves	27,399	36,419

5. Cash, deposits in central banks and other on-demand deposits

The breakdown of the balance of this heading in the accompanying balance sheet at 31 December 2022 and 31 December 2021 is as follows:

Thousands of euros	**2022**	**2021**
Current accounts	79,479	64,445
Total	**79,479**	**64,445**

6. Financial assets and liabilities held for trading

As at 31 December 2022, there is no balance under this heading. At 31 December 2021, the total balances under this heading in the accompanying balance sheet were composed of trading derivatives.

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

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

Note 3.5 details the maturity structure of derivative instruments.

7. Financial assets at fair value through other comprehensive income

The breakdown of this heading of the accompanying balance sheet at 31 December 2022 and 31 December 2021 by type of transaction is as follows:

Thousands of euros	2022	2021
Risk capital instruments		
Outstanding risk in venture capital entities	155,168	142,913
Valuation adjustments	27,187	28,341
Subtotal venture capital instruments	**182,355**	**171,254**
Other equity investments	8,749	11,255
Valuation adjustments	(8,197)	(10,451)
Subtotal other investments in capital	**552**	**804**
Total capital instruments	**182,907**	**172,058**
Debt securities		
Debt securities	232,075	268,645
Valuation adjustments	(10,721)	(3,886)
Total debt securities	**221,354**	**272,531**
Total	**404,261**	**444,589**

The valuation adjustments include:

- For venture capital instruments: changes in fair value.
- For debt securities: changes in fair value, accrued interest and premiums to be accrued.

When venture capital companies are set up, the Group is committed to paying out a fixed amount to ensure these financial vehicles can perform the operations for which they were established. These commitments are always enforceable, in accordance with the contracts entered into, for amounts detailed in the "Disbursements pending of venture capital entities" in the above table.

At 31 December 2022 there are outstanding commitments of 112,072 thousand euros (87,698 thousand euros at 31 December 2021).

In 2022, a total of 7,372 million euros has been recognised from dividends on venture capital instruments. In 2021, a total of 2,377 million euros was recognised from dividends on venture capital instruments.

Appendix III to these notes to the consolidated financial statements contains details of the Group's main investees that are neither subsidiaries nor associates, together with certain significant information about them.

With regard to debt securities, the breakdown of the balances of this balance sheet heading, based on the nature of the transactions, is as follows (excluding valuation adjustments):

Thousands of euros	2022	2021
Autonomous region public debt	7,350	5,000
Other public debt	400	1,400
Financial institutions	96,625	117,445
Other fixed-income securities	127,700	144,800
Total	**232,075**	**268,645**

The whole balance reflects debt issues at an average effective interest rate of 0.74% for 2022 and 0.49% for 2021.

8. Financial assets at amortised cost

The breakdown of this heading in the accompanying balance sheet by type of financial instrument is as follows:

Thousands of euros	2022	2021
Loans and advances		
Central banks	-	3,600
Credit institutions	15,468	20,217
Customers	1,878,878	1,927,054
Total	**1,894,346**	**1,950,871**

The main valuation adjustments made to each asset type included under "Loans and advances" are set out below:

Thousands of euros		Valuation adjustments 2022				
	Gross balance	Impairment provisions	Accrued interest	Commission	Other	Net balance
Credit institutions	15,448	-	22	(3)	-	15,468
Customers	2,106,352	(230,336)	7,109	(4,657)	410	1,878,878
Total	**2,121,800**	**(230,336)**	**7,131**	**(4,660)**	**410**	**1,894,346**

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

8.1 Credit institutions

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

Thousands of euros	2022	2021
Term deposit accounts and other	12,479	14,540
Intermediation loans	2,970	5,664
Total deposits in credit institutions	**15,448**	**20,204**

"Credit institutions - Term deposit accounts and other" mainly comprises balances on deposits with fixed maturity held by the Group in financial institutions

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

The average effective interest rate accrued during 2022 on the balances of deposits in credit institutions was 2.06%. In 2021 it was 2.28%.

8.2 Customers

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

By type and form of loan:

Thousands of euros	2022	2021
Public administrations and rest of public sector	322,820	377,658
Secured debtors	357,844	345,460
Other fixed-term debtors	1,257,025	1,225,066
Debtors on demand and sundry debtors	2,824	6,009
Non-performing loans	165,839	187,087
Total loans to customers	**2,106,352**	**2,141,279**

By borrower's sector:

Thousands of euros	2022	2021
Public sector	**322,820**	**377,658**
Public administrations and rest of public sector	322,820	377,658
Private sector	**1,783,532**	**1,763,621**
Resident	1,783,532	1,763,621
Total loans to customers	**2,106,352**	**2,141,279**

By interest rate:

Thousands of euros	2022	2021
At fixed interest rate	404,220	297,970
At variable interest rate	1,702,132	1,843,309
Total loans to customers	**2,106,352**	**2,141,279**

The average effective interest rate payable on the balances recognised under “Loans to customers” was 2.25% in 2022. In 2021 it was 1.96%.

Changes in the balance of “Non-performing loans” in 2022 and 2021 was as follows:

Thousands of euros	2022	2021
Opening balance for the year:	187,087	139,005
Plus:		
Additions of new assets	43,358	63,883
Less:		
Recoveries	(45,485)	(11,320)
Transfer to asset write-offs	(19,121)	(4,481)
Closing balance:	**165,839**	**187,087**

8.3 Impairment provisions

Note 3.4.9. shows the change in the balance of the provisions that cover impairment losses on the assets that make up the heading "Financial assets at amortised cost" for 2022 and 2021.

8.4. Financial assets derecognised due to impairment

Note 3.4.11. shows the change in 2022 and 2021 of impaired financial assets that are not registered in the balance sheet as their recovery is considered unlikely, although the ICF Group has continued with the actions to recover the amounts owed.

9. Derivatives – hedge accounting

At 31 December 2022 and 2021, the ICF had entered into financial derivative transactions to hedge against interest rate risk with various reputable counterparties in accordance with the risk management policy explained in Note 3.

The breakdown by product type of the fair value of the derivatives designated as hedging derivatives at 31 December 2022 and at 31 December 2021 is as follows:

Thousands of euros	31/12/2022		31/12/2021	
	Notional	Fair value	Notional	Fair value
Debit balances:				
Micro-hedges at fair value	32,000	169	32,000	5,633
Macro-hedges at fair value	98,727	20,731	98,740	1,705
Total	**130,727**	**20,899**	**130,740**	**7,338**
Credit balances:				
Micro-hedges at fair value	-	-	541	603
Micro-hedges of cash flows	-	-	240,000	1,965
Macro-hedges at fair value	-	-	5,605	47
Total	**-**	**-**	**246,146**	**2,615**

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

At 31 December 2022, as a result of the annual review of hedge effectiveness, an income of 576 thousand euros has been recognised in the income statement for macro hedges and a loss of 446 thousand euros in the income statement for micro hedges (income of 1,931 thousand euros in 2021).

9.1 Fair value hedging transactions

The following is the breakdown, by type of hedged item, of the balance sheet value and cumulative amount of fair value hedge adjustments at 31 December 2022 and 2021 for outstanding fair value hedges:

Thousands of euros	31/12/2022		31/12/2021	
	Balance sheet value of the hedged item	Cumulative amount of fair value hedge adjustments for the hedged item	Balance sheet value of the hedged item	Cumulative amount of fair value hedge adjustments for the hedged item
Debit balances:				
Loan portfolio at fixed rates classified as financial assets at amortised cost	-	-	603	603
Total	**-**	**-**	**603**	**603**
Credit balances:				
Debt securities issued at fixed rates classified as financial liabilities at amortised cost	169	169	5,633	5,633
Total	**169**	**169**	**5,633**	**5,633**

9.2 Cash flow hedging transactions

At 31 December 2022 the Group does not hold cash flow hedges. At 31 December 2021, the ICF had four cash flow hedges in which it designated debits as hedged items that were represented by marketable securities issued at a floating rate classified as financial liabilities at amortised cost. Below is a reconciliation of the changes in the value of the hedged item and the changes in the value of the derivative, used as the basis for the recognition of ineffectiveness, for 2021:

Thousands of euros	31/12/2021				
	Cash flow hedge reserve	Change in the value of the covered item	Change in value of the hedging derivative - effective portion	Change in value of the hedging derivative - ineffective portion	Amount reclassified to the income statement
Credit balances:					
Debt securities issued at fixed rates classified as financial liabilities at amortised cost	3,565	2,496	(2,496)	-	
Total	**3,565**	**2,496**	**(2,496)**	**-**	

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

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

Change in foreclosed assets during 2022 and 2021 is as follows:

Thousands of euros	2022	2021
Opening balance for the year:	**15,236**	**12,745**
Plus:		
Additions for the year (Note 34)	2,473	13,198
Transfers	-	-
Less:		
Derecognition through sale	(6,393)	(581)
Derecognition through transfers	-	-
Impairment funds for the year (Note 34)	(76)	(10,126)
Closing balance for the year:	**11,239**	**15,236**

The 2022 and 2021 restatement of the impairment allowance has been recorded on the basis of updated individual appraisals by independent experts so that the fair value of these assets does not differ significantly from their carrying amount.

Note 34 details the results generated by the restatement of the impairment allowance and the sale of this type of assets.

11. Investments

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

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

Thousands of euros	2022	2021
Avalis de Catalunya S.G.R		
Shareholding	4,863	5,024
Equity method adjustment	2,758	2,790
Closing balance for the year:	**7,621**	**7,814**

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

	2022	2021
Total assets	143,149	124,877
Total liabilities	76,327	64,813
Total equity	66,822	60,065
Profit after income tax	-	-

Change in 2022 and 2021 of the reserves consolidated using the equity method is set out in Note 20.2.

12. Tangible assets

The breakdown of the heading “Tangible assets”, the corresponding accumulated depreciation and change during 2022 and 2021 is as follows:

2022 (Thousands of euros)	Property, plant and equipment for own use	Investment property	Total
Cost			
Opening balances	16,061	72,532	88,594
Additions	377	290	666
Reclassifications and derecognitions	(1,328)	1,287	(41)
Total cost at 31 December 2022	**15,110**	**74,109**	**89,219**
Cumulative amortisation			
Opening balances	(4,581)	(6,408)	(10,989)
Additions (Note 32)	(559)	(646)	(1,206)
Derecognition and transfers	360	(214)	146
Total cum. depreciation at 31 December 2022	**(4,780)**	**(7,268)**	**(12,048)**
Impairment			
Opening balances	-	(8,142)	(8,142)
Total impairment at 31 December 2022	**-**	**(8,142)**	**(8,142)**
TOTAL TANGIBLE ASSETS AT 31 DECEMBER 2022	**10,330**	**58,699**	**69,029**

2021 (Thousands of euros)	Property, plant and equipment for own use	Investment property	Total
Cost			
Opening balances	14,952	72,832	87,784
Additions	431	379	810
Reclassifications and derecognitions	678	(678)	-
Total cost at 31 December 2021	**16,061**	**72,532**	**88,594**
Cumulative amortisation			
Opening balances	(2,396)	(7,738)	(10,134)
Additions (Note 32)	(719)	(441)	(1,160)
Derecognition and transfers	(1,466)	1,771	305
Total cum. Amortisation at 31 December 2021	**(4,581)**	**(6,408)**	**(10,989)**
Impairment			
Opening balances	-	(8,142)	(8,142)
Total impairment at 31 December 2021	**-**	**(8,142)**	**(8,142)**
TOTAL TANGIBLE ASSETS AT 31 DECEMBER 2021	**11,480**	**57,982**	**69,463**

12.1 Tangible assets – Property, plant and equipment for own use

The breakdown by type of the items comprising the balance of "Tangible assets - Property, plant and equipment for own use" in the balance sheet as at 31 December 2022 and 31 December 2021 is as follows:

2022 (Thousands of euros)	Cost	Cumulative amortisation	Net balance
IT equipment and facilities	1,098	(831)	267
Furniture and other fixtures	3,348	(1,364)	1,983
Land and buildings	10,664	(2,584)	8,080
Balances at 31 December 2022	**15,109**	**(4,780)**	**10,330**

2021 (Thousands of euros)	Cost	Cumulative amortisation	Net balance
IT equipment and facilities	955	(743)	212
Furniture and other fixtures	3,161	(1,238)	1,923
Land and buildings	11,944	(2,599)	9,346
Balances at 31 December 2021	**16,061**	**(4,580)**	**11,480**

At 31 December 2022, certain tangible assets for own use valued at 1,559 thousand euros (1,692 thousand euros at 31 December 2021) were fully depreciated. The fair value of all property, plant and equipment at 31 December 2022 and 31 December 2021 does not differ significantly from that recorded under "Tangible assets" in the accompanying balance sheet.

12.2 Tangible assets – Investment property

This heading includes buildings held for rental purposes and there are no contingent liabilities. At 31 December 2022 and 2021, the ICF had no significant contractual obligations in relation to the future development of the investment property included in the balance sheet at that date, nor were there any relevant restrictions to its realisation, other than the current conditions of the real estate market.

Details of the net rental income from these investments are provided in Note 28.

The expenses associated with the investment property that generated income correspond to administration and maintenance expenses, which are detailed in Note 29.

13. Intangible assets

Other intangible assets mainly relate to the acquisition of software programs and systems. The changes in this item in the balance sheet in 2022 and 2021 are as follows:

2022	Thousands of euros
Cost	
Balances at 1 January 2022	12,101
Additions	775
Derecognition and transfers	(406)
Total cost at 31 December 2022	**12,470**
Cumulative amortisation	
Balances at 1 January 2022	(8,329)
Additions (Note 32)	(1,610)
Derecognition and transfers	(82)
Total cum. amortisation at 31 December 2022	**(10,021)**
TOTAL INTANGIBLE ASSETS AT 31 DECEMBER 2022	**2,449**

2021	Thousands of euros
Cost	
Balances at 1 January 2021	10,993
Additions	1,108
Derecognition and transfers	-
Total cost at 31 December 2021	**12,101**
Cumulative amortisation	
Balances at 1 January 2021	(7,057)
Additions (Note 32)	(1,057)
Derecognition and transfers	(214)
Total cum. Amortisation at 31 December 2021	**(8,329)**
TOTAL INTANGIBLE ASSETS AT 31 DECEMBER 2021	**3,772**

At 31 December 2022, certain intangible assets valued at 6,438 thousand euros (6,338 thousand euros at 31 December 2021), were fully amortised.

14. Other assets

The breakdown of the balance of this item in the balance sheet is as follows:

Thousands of euros	2022	2021
Prepayments and accrued income	5	51
Amounts pending collection in the ERDF programme (Note 17)	51,420	36,875
Other items	2,512	4,827
Total	**53,937**	**41,753**

The heading "Other assets - Other items" in financial years 2022 and 2021 mainly includes:

- Approved contributions pending receipt from various departments of the Generalitat for obligations recognised in certain loan transactions with entities and companies. In general, these loans have been provided as advances on grants from the aforementioned departments, when the assignment of the receivables has been obtained as a guarantee (Note 35).

- Group receivables.

15. Financial liabilities at amortised cost

The breakdown by type of this heading on the accompanying balance sheets at 31 December 2022 and 2021 is as follows:

Thousands of euros	2022	2021
Deposits with credit institutions	1,092,218	987,851
Customer funds	280,930	248,544
Debt securities issued	105,697	332,831
Other financial liabilities	5,583	4,360
Total	**1,484,428**	**1,573,586**

The breakdown of the gross balance and valuation adjustments relating to the sub-headings comprising "Financial liabilities at amortised cost" at 31 December 2022 and 2021 is shown below

Thousands of euros	Valuation adjustments 2022					
	Gross balance	Accrued interest	Derivative micro-hedges	Transaction costs	Discounted premiums	Net balance
Deposits with credit institutions	1,087,750	4,523	-	(56)	-	1,092,218
Customer funds	280,935	(5)	-	-	-	280,930
Debt securities issued	105,194	335	169	-	-	105,697
Other financial liabilities	5,583	-	-	-	-	5,583
Total	**1,479,462**	**4,853**	**169**	**(56)**	**0**	**1,484,428**

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

15.1 Deposits from credit institutions

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

Thousands of euros	2022	2021
Fixed-term deposits	**1,087,750**	**985,850**
Fixed-term accounts	1,087,750	985,850
Total	**1,087,750**	**985,850**

In 2021, the average effective interest rate on the financial instruments classified under this heading was 0.90% (0.60% in 2021).

The heading contains the bank borrowings used by the Group.

Repayments of bank borrowings by residual maturity at year-end 2022 and 2021 are as follows:

Thousands of euros	2022	2021
From 3 months to 1 year	-	13,125
From 1 to 5 years	120,347	114,270
More than 5 years	967,403	858,454
Total	**1,087,750**	**985,850**

At 31 December 2022 there are formalised and undrawn borrowings of 110 million euros. At 31 December 2021 there were formalised and undrawn borrowings of 175 million euros.

15.2 Customer funds

The breakdown of the balance of this item in the accompanying balance sheet at 31 December 2022 and 31 December 2021, excluding valuation adjustments and based on the sector and nature of the transactions, is as follows:

By sectors:

Thousands of euros	2022	2021
Public administrations	250,598	219,369
Other resident sectors	30,337	29,167
Total	**280,935**	**248,536**

By nature:

Thousands of euros	2022	2021
Funds received	278,939	245,554
Other – loans managed	1,996	2,982
Total	**280,935**	**248,536**

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

The average effective interest rate of the items included under this heading during 2022 was 0.03% (0.08% in 2021).

15.3 Debt securities issued

The composition of the balance of this item in the accompanying balance sheet at 31 December 2022 and 31 December 2021, considering the principal amount of the issues, is as follows:

31/12/2022	Thousands of euros		
	Maturity	Amount	Interest rate
Eighth issue	15/06/2024	12,000	4.25%
Eleventh issue	22/10/2029	20,000	4.55%
Total		**32,000**	

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

At 31 December 2022 and 31 December 2021, redemption of the aforementioned issues according to their residual maturity is as follows:

Thousands of euros	2022	2021
From 3 months to 1 year	-	240,000
From 1 to 5 years	12,000	12,000
More than 5 years	20,000	20,000
Total	**32,000**	**272,000**

The heading also includes at 31 December 2022 promissory notes listed on the Barcelona Stock Exchange for a total amount of 73,194 thousand euros (53,955 thousand euros at 31 December 2021). This amount corresponds to 55 transactions (50 transactions at 31 December 2021) with nominal amounts between 100 thousand euros and 6,500 thousand euros (between 100 thousand euros and 6,500 thousand euros at 31 December 2021). The weighted average yield on the notes is 0.31% (0.25% at 31 December 2021) and the average residual term is 0.5 years (0.7 years at 31 December 2021).

During 2022, 240,000 thousand euros corresponding to the sixth issue matured.

15.4 Other financial liabilities

The breakdown of this balance sheet heading is as follows:

Thousands of euros	2022	2021
Accrued commissions on financial guarantees	5,583	4,360
Total	**5,583**	**4,360**

16. Provisions

The breakdown of the balance of this item in the accompanying balance sheet at 31 December 2022 and 2021 is as follows:

2022	Thousands of euros			
	31/12/2021	Net provisions	Recoveries	31/12/2022
Provisions for contingent liabilities and commitments	**2,616**	**2,432**	**(2,273)**	**2,775**
Guarantees received	1,448	1,698	(2,273)	873
Loan commitments granted	1,168	734	-	1,902
Other provisions	**882**	**-**	**-**	**882**
Total	**3,498**	**2,432**	**(2,273)**	**3,657**

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

The Group's directors do not consider that any additional liabilities will accrue in addition to those disclosed at 31 December 2022.

17. Other liabilities

The breakdown of this balance sheet heading is as follows:

Thousands of euros	2022	2021
Accruals and deferrals	14,377	2,201
Deferred income ERDF programme	103,169	102,192
Trade and other payables	1,846	3,746
Total	**119,392**	**108,139**

Deferred income ERDF programme

Changes in deferred income from the European Regional Development Fund (ERDF) programme during 2022 and 2021 are presented below:

(Thousands of euros)	Start balance	Additions	Transfers to the income statement (Note 28)	End balance
2022				
Deferred income	102,192	14,545	(13,568)	103,169
	102,192	**14,545**	**(13,568)**	**103,169**

(Thousands of euros)	Start balance	Additions	Transfers to the income statement (Note 28)	End balance
2021				
Deferred income	73,440	40,437	(11,685)	102,192
	73,440	**40,437**	**(11,685)**	**102,192**

On 12 February 2015, the ERDF Operational Programme for Catalonia 2014-20 was approved by *Decision No. C (2015) 894 final*. In compliance with Article 124 of Regulation (EU) No. 1303/2013 of the European Parliament and of the Council and Article 10(2)(c) of Royal Decree 256/2012 of 27 January 2012, the Generalitat de Catalunya has been designated as the managing authority for the planned operational programmes in paragraph 1(6) of Spain's Association Agreement 2014-2020, co-financed by the ERDF. Under Article 38(4)(c) of Regulation 1303/2013, the Institut Català de Finances is named as the body responsible for of the implementation of this operational programme. The main purpose of this programme is to improve the competitiveness of small and medium-sized enterprises on preferential terms.

The operational programme consists of two investment cycles, with the first cycle due to end on 31 December 2023, and is divided into two distinct lines:

- ICF Eurocrèdit: the total investment foreseen under this programme is 184 million euros, which is initially gradually provided by the ICF. The ICF receives funds corresponding to 50% of the eligible amount of the financing transactions. In the second cycle, 50% of the funds returned from the first cycle will need to be reinvested.

- ICF Eurocrèdit Covid-19 liquidity. A facility of up to a maximum of 70 million euros, which is gradually provided by ICF. The ICF receives funds corresponding to 100% of the eligible amount of the financing transactions. In the second cycle, it will be necessary to reinvest 100% of the funds returned corresponding to the first cycle to recipients in the same sector.

The ICF has established a certification system to accredit the level of compliance with the conditions of the programme, at which point the amounts to be received become non-refundable. Given the conditions of the funding programme and the crediting system, the amounts received are recognised in the income statement simultaneously with the evolution of the operational programme portfolio.

Up to 31 December 2022, it has been agreed to pay the ICF 132,675 thousand euros (118,130 thousand euros at 31 December 2021), of which 51,420 thousand euros (Note 14) is pending collection at 31 December 2022 (36,875 thousand euros at 31 December 2021).

Trade and other payables

In 2022 and 2021, the main entries are as follows:

- Invoices receivable from various suppliers.

- In 2022, 2,145 thousand euros is also recognised in respect of the cost of guaranteeing the Covid-19 liquidity facilities pending payment to the Generalitat de Catalunya (2,200 thousand euros in 2021) (Note 35).

18. Fair value of financial assets and liabilities

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

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

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

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

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

The main measurement techniques, assumptions or inputs used to estimate the fair value of financial instruments classified in Levels II and III, according to the type of instrument. The measurement criteria remain the same as those in 2021.

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

Financial instruments Level III	Measurement techniques	Main assumptions	Main inputs used
Capital instruments available for sale	Contrast of the accounting information with the equity value of the investee companies, using as equity value the one indicated in the financial statements to formulate provided by the respective management companies. Additionally, measurement based on discounted cash flows can be used among other commonly accepted methods.	- Calculation based on the financial information of the instruments available at the date of preparation of the financial statements. - Impairment exists if the fair value is below 60% of the investment value. - Variations below 10% are not significant for the volatility of the instruments	Financial information of the investee companies

The main financial instruments recognised at fair value on the accompanying balance sheet at 31 December 2022 and 2021, detailing the measurement technique used to estimate their fair value, are as follows:

	2022		
	Level 1	**Level 2**	**Level 3**
Assets:			
Financial assets at fair value through other comprehensive income (Note 7)	221,354	-	182,907
Hedging derivatives (Note 9)	-	20,899	-
Trading derivatives (Note 6)	-	-	-
Total assets	**221,354**	**20,899**	**182,907**

	2022		
	Level 1	**Level 2**	**Level 3**
Liabilities:			
Hedging derivatives (Note 9)	-	-	-
Trading derivatives (Note 6)	-	-	-
Total liabilities	**-**	**-**	**-**

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

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

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

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

During 2022 and 2021 changes in the fair value of Level 2 and Level 3 financial instruments are solely due to the maturity of existing transactions, the arrangement of new transactions and changes in the fair value classified in other comprehensive income (in the case of available-for-sale financial assets and cash flow hedging derivatives) and the income statement (in the case of fair value hedging derivatives). No transfers from one level to another occurred.

19. Accumulated other comprehensive income

This heading of the accompanying balance sheet includes the following:

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

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

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

Thousands of euros	2022	2021
Financial assets at fair value through other comprehensive income	40,784	53,794
Equity instruments	50,725	53,638
Debt instruments	(9,941)	156
Cash flow hedging	-	(1,689)
Total	**40,784**	**52,105**

20. Own funds

20.1 Endowment fund

The change in this heading during 2022 and 2021 is as follows:

Thousands of euros	2022	2021
Opening balance	693,149	693,149
Total	**693,149**	**693,149**

20.2 Reserves

The change in this heading during 2022, 2021 and 2020 is as follows:

Heading	Parent reserves	Subsidiaries reserves	Reserves in equity method	Profit /(loss) for the year	Total
Balance at 31.12.2020	**183,632**	**(1,469)**	**2,904**	**5,409**	**190,476**
Distribution of profit/allocation of losses	7,792	(2,383)	-	(5,409)	-
Other changes	1,318		(114)	-	1,204
Profit or loss for 2021	-	-	-	36,419	36,419
Balance at 31.12.2021	**192,742**	**(3,852)**	**2,790**	**36,419**	**228,099**
Distribution of profit/allocation of losses	40,490	(4,071)	-	(36,419)	-
Other changes	(255)	-	(32)	-	(287)
Profit or loss for 2022	-	-	-	27,399	27,399
Balance at 31.12.2022	**232,977**	**(7,923)**	**2,758**	**27,399**	**255,211**

With the sole exception of the parent company's capitalisation reserves, amounting to 11,839 thousand euros which comply with the deadlines established in Law 27/2014 of 27 November on Corporate Income Tax, all reserves at 31 December 2022 and 2021 are freely distributable.

21. Taxation

21.1 Tax consolidation

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

The composition of the Group filing consolidated corporate income tax returns in 2022 is as follows:

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

21.2 Financial years subject to tax inspection

At 31 December 2022, the Group is open to inspection for all taxes to which it is liable for the last four financial years. It is not estimated that there are any significant tax liabilities other than those included in these financial statements.

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

The reconciliation between 2022 and 2021 accounting profit and taxable income and the calculation of the income tax expense/(recoverable income tax), as described in Note 2.k, is as follows:

Thousands of euros	2022	2021 (*)
Accounting profit or loss before tax	**31,878**	**36,766**
Consolidation adjustments		
Profit of companies not included in the tax group	1,131	1,835
Other consolidation adjustments	(1,089)	4,793
Permanent differences	(6,792)	(7,330)
Temporary differences	(61,042)	(79,969)
Increases	65,963	24,456
Decreases	(127,005)	(104,426)
Capitalisation reserve (Note 4)	-	-
Consolidated tax base	**(35,915)**	**(43,905)**
Tax at prevailing rate	-	-
Deductions and credits	-	(4)
Withholdings and payments on account	(5,273)	(5,017)
Income tax expense (recoverable tax)	**(5,273)**	**(5,021)**

(*) Estimate included in the 2021 financial statements which is not the settlement for the financial year.

Details of the income tax expense related to profit tax and profit for 2022 and 2021 are as follows:

Thousands of euros	2022	2021
Accounting profit or loss before tax	**31,878**	**36,766**
Tax at current tax rate	9,563	11,030
Tax effect of non-deductible expenses	(2,038)	(2,199)
Consolidation adjustments	12	1,988
Deductions and credits applied	-	(4)
Capitalisation reserve (Note 4)	-	-
Restatement of the tax rate	(3,058)	(10,469)
Adjustments	-	-
Income tax expense (recoverable tax)	**4,480**	**(347)**

The reconciliation of current income tax and the income tax expense (recoverable income tax) for 2022 and 2021 is as follows:

Thousands of euros	2022	2021
Taxable income due to tax rate	(10,774)	(13,171)
Deductions and credits	-	(4)
Current income tax for the year	**(10,774)**	**(13,175)**
Change in temporary differences	18,313	23,991
Adjustments	-	-
Restatement of the tax rate	(3,058)	(10,469)
Income tax expense (recoverable tax)	**4,480**	**(347)**

21.4 Deferred taxes

The differences, wherever applicable, between the amount of income tax recognised and that payable corresponds to current and deferred taxes arising due to temporary differences, and are recognised under "Tax assets" and "Tax liabilities". Details of current and deferred tax balances at 31 December 2022 and 31 December 2021 are as follows:

Thousands of euros	2022	2021
Opening balance of deferred tax assets	**55,258**	**55,883**
Provisions for hedges on non-deductible credit risk	18,175	6,590
Provisions for hedges on credit risk that become deductible	(4,606)	(31,107)
Equity adjustments	3,063	245
Limitation of depreciation	(37)	(29)
Negative tax base activation exercise	(2,397)	13,171
Other tax assets	(64)	36
Restatement of the tax rate	-	10,469
Closing balance of deferred tax assets	**69,392**	**55,258**

Thousands of euros	2022	2021
Opening balance of deferred tax liabilities	**-**	**-**
IFDV changes in value	869	828
Closing balance of deferred tax liabilities	**869**	**828**

The Entity expects to recover the tax assets as a whole within at most 10 years.

21.5 Current taxes

The balances relating to current tax assets at 31 December 2022 and 2021, amounting to 5,325 thousand euros and 5,159 thousand euros, respectively, relate mainly to payments on account made by the tax group during the year.

The breakdown of current tax liabilities at 31 December 2022 and 2021 is as follows:

(Thousands of euros)	2022	2021
Withholding debt	160	231
Social security debt	141	135
Taxation authority, IT credit	30	-
Taxation authority, VAT credit	1	56
Total	**332**	**422**

22. Other relevant information

a) Financial guarantees granted

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

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

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

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

The breakdown of the heading “Financial guarantees granted” included in the memorandum accounts to the balance sheets at 31 December 2022 and 31 December 2021 is as follows:

Thousands of euros	2022	2021
Guarantees and other deposits	114,149	112,530
Total	**114,149**	**112,530**

b) Loan commitments granted

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

The breakdown of the heading “Loan commitments granted” included in the memorandum accounts to the balance sheets at 31 December 2022 and 31 December 2021 is as follows:

Thousands of euros	2022	2021
Available to third parties	320,733	259,760
Public sector	41,157	50,520
Other resident sectors	279,576	209,240
Total	**320,733**	**259,760**

23. Interest income

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

The breakdown of the origin of interest and similar payments accrued in favour of the ICF Group in 2022 and 2021 is the following:

Thousands of euros	2022	2021
Deposits with credit institutions	1,771	1,503
Customer loans	50,206	44,314
Public administrations	4,949	4,819
Other resident sectors	45,257	39,495
Debt securities	1,801	1,221
Other interest	85	57
Total	**53,862**	**47,095**

24. Interest expenses

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

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

Thousands of euros	2022	2021
Deposits with credit institutions	(9,322)	(6,170)
Customer funds	(27)	(71)
Marketable debt securities	(3,348)	(5,674)
Total	**(12,697)**	**(11,915)**

25. Commission income

The amount of the income for fees accrued at 31 December 2022 and 2021 is as follows:

Thousands of euros	2022	2021
Fees for financial guarantees granted	3,131	3,269
Management of agreed lines (Note 35)	59	1,320
Total	**3,191**	**4,589**

26. Commission expenses

The amount of the fee expenses accrued at 31 December 2022 and 2021 is as follows:

Thousands of euros	2022	2021
Corrections for asset and liabilities transactions	(900)	(691)
Cost of guarantee operations (Note 3.4.4 and Note 35)	(2,065)	(2,630)
Total	**(2,964)**	**(3,321)**

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

The breakdown of this heading is as follows:

Thousands of euros	2022	2021
Financial income derived from the sale of debt securities classified at fair value through other comprehensive income	76	116
Accrual for sale of swaps	-	(653)
Total	**76**	**(537)**

28. Other operating income

The breakdown of this heading in the accompanying income statement for 2022 and 2021 is as follows:

Thousands of euros	2022	2021
Operating income from investment property (Note 12.2)	3,979	3,481
Income from ERDF operational programme (Note 17)	13,568	11,685
Other items	204	78
Total	**17,751**	**15,244**

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

29. Other operating expenses

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

Thousands of euros	2022	2021
Operating expenses from investment property (Note 12.2)	(1,616)	(1,355)
Other items	(694)	(500)
Total	**(2,311)**	**(1,856)**

30. Personnel expenses

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

Thousands of euros	2022	2021
Wages and salaries	(6,201)	(5,587)
Social Security	(1,378)	(1,418)
Total	**(7,578)**	**(7,004)**

Staff expenses include the remuneration of the key personnel of the entity defined by the Appointments and Remuneration Committee (15 people) for the amount of 1,282 thousand euros in 2022 (15 people and 1,294 thousand euros in 2021). In addition, there are 213 thousand euros of provisions for variable remuneration (225 thousand euros in 2021), whose settlement is subject to the evaluation of the Appointment and Remuneration Committee. Key personnel are considered those who carry out functions that, due to their level of responsibility and ability to take risks, impact on the company's risk profile; as well as all those staff who receive global remuneration that includes them in the same salary range as senior managers and employees who take risks, and whose professional activities impact significantly on the company's risk profile. In particular, the following members are considered as key personnel of the ICF:

- **CEO**
- General directors: General Director of Credit Investments and Risk; General Director of Finance and Operations.
- **Directors:** Corporate Director of Audit and Compliance; Director of Credit; Director of Finance; Director of Venture Capital Investments; Director of Risk Monitoring and Management; Director of Business Development; Director of Treasury and Capital Markets; Director of Technology; Director of Human Resources; Director of Product Development; Head of Internal Audit; Head of Marketing and Communications.

At 31 December 2022 and 2021, the distribution the ICF Group's workforce by professional category and gender is as follows:

	31 December 2022			31 December 2021		
	Men	Women	Total	Men	Women	Total
CEO	1	-	1	1	-	1
General Directors	-	2	2	1	2	3
Corporate Directors	-	1	1	-	1	1
Directors / Unit Heads	15	12	27	15	10	25
Technical / Administrative	28	54	82	25	55	80
Total	**44**	**69**	**113**	**42**	**68**	**110**

The distribution the ICF Group's average workforce by professional category and gender during 2022 and 2021 is as follows:

	31 December 2022			31 December 2021		
	Men	Women	Total	Men	Women	Total
CEO	1	-	1	1	-	1
General Directors	-	2	2	1	2	3
Corporate Directors	-	1	1	-	1	1
Directors / Unit Heads	15	12	27	16	11	27
Technical / Administrative	31	54	85	26	52	78
Total	**47**	**69**	**116**	**44**	**66**	**110**

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

In 2021 and 2022 the ICF Group has 2 employees with a disability equal to or greater than 33%.

31. Other administrative expenses

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

Thousands of euros	2022	2021
Furniture, fittings and materials	(327)	(247)
Information technology	(2,128)	(1,742)
Publicity and advertising	(148)	(341)
Technical reports	(785)	(736)
Security and cash-in-transit services	(119)	(86)
Insurance premiums	(145)	(128)
Governance and control bodies	(182)	(145)
Outsourced administrative services	(35)	(8)
Contributions and taxes	(79)	(172)
Other expenses	(643)	(593)
Total	**(4,590)**	**(4,198)**

The fees and expenses of Ernst & Young S.L. are included in the balance of "Other general administrative expenses" as an annual audit amounting to 91 thousand euros (excluding VAT) in 2022 and 2021. In addition, in the financial years 2022 and 2021, the external auditor has accrued a total of 13 thousand euros for the review of the information on the Financial Information Control System included in the Annual Corporate Governance Report and for the review of the ICF Group's Prudential Relevance Report, mainly for other accounting verification services, which correspond to agreed-upon procedures reports.

The heading "Governance and control bodies" includes 165 thousand euros (126 thousand euros in 2021) corresponding to the compensation received for attendance at the governing bodies of the Institut Català de Finances, the ICF Group's parent. Law 3/2015 of 11 March on fiscal, financial and administrative measures suspended the receipt of attendance allowances for the senior officials of the Generalitat as a result of going to meetings of governing bodies from its date of entry into force on 14 March 2016. Independent directors as members of the Supervisory Board, the Executive Committee and the control committees (Joint Audit and Control Committee and Appointments and Remuneration Committee) received specific annual remuneration for their status as independent Directors, in accordance with the Remuneration Policy approved by the Supervisory Board on 18 June 2015 in line with the proposal of the Appointments and Remuneration Committee. Greater detail of these remunerations corresponding to 2022 is shown in Appendix I.

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

Information on payment deferrals to suppliers.

At 31 December 2022 and 31 December 2021, the Group has no invoices pending payment to suppliers with a deferral exceeding the established statutory period.

Information on the average payment period is as follows:

	2022	2021
	Days	**Days**
Average payment period for suppliers	18.84	24.37
Ratio of paid transactions	18.84	24.37
Ratio of transactions pending payment	-	-

32. Amortisation

The breakdown of this heading in the income statement for the years ended 31 December 2022 and 31 December 2021 is as follows:

Thousands of euros	2022	2021
Tangible assets (Note 12):		
For own use	(559)	(719)
Investment property	(646)	(441)
Intangible assets (Note 13)	(1,610)	(1,057)
Total	**(2,816)**	**(2,217)**

33. Impairments or (-) or reversals of impairments to financial assets not recognised at fair value through profit or loss:

The breakdown of the balance of this heading of the accompanying income statement for the years 2022 and 2021 is as follows:

Thousands of euros	2022	2021
Impairments or (-) or reversals of impairments to financial assets not recognised at fair value through profit or loss:		
Allocations to provisions	(87,183)	(58,003)
Recoveries	56,950	28,029
Recoveries of asset write-offs and other	5,537	20,091
Total	**(24,697)**	**(9,883)**

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

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

Thousands of euros	2022	2021
Impairment of foreclosed assets (Note 10)	2,397	3,072
Gains on the sale of foreclosed assets	2,875	1,842
Total	**5,272**	**4,914**

35. Related parties

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

The breakdown of the balances and transactions for 2022 and 2021 with the related parties of the ICF Group, not disclosed in any other note, is as follows:

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

2022 – Thousands of euros	Assets	Liabilities	Expenses	Income
Convertible debt	213	-	-	1
Debt securities	-	15,846	138	-
Rental of offices	-	-	-	245
Total	**213**	**15,846**	**138**	**246**

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

Balances and transactions with the sole shareholder:	Balances Assets / (Liabilities)		Income (expenses)	
	2022	**2021**	**2022**	**2021**
Debt securities (Note 7)	7,350	5,000	85	131
Customer loans	13,833	39,466	312	269
Renting spaces	14	-	136	-
Other assets - departmental debt (Note 14)	1,996	2,982	-	-
Management of lines in agreement (Note 25)	68	900	59	1,320
Transaction guarantee expense (Note 26)	(2,145)	(2,200)	(2,065)	(2,630)
Customer funds (Note 15.2)	(278,939)	(245,554)	-	-

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

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

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

36. Events after the reporting period

No significant events have occurred subsequent to year-end 2022 that have not been disclosed in the notes above.

37. Note added to the English translation

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

APPENDIX I – ALLOWANCES AND REMUNERATION OF THE MEMBERS OF THE GOVERNING BODIES OF THE INSTITUT CATALÀ DE FINANCES DURING 2022 (Note 31)

The composition at 31/12/2022 of the governing bodies and the delegated commissions was as follows:

	Supervisory Board	Executive Committee	Control Committees
Independent members	Abella Martín, Rafael Peydró Alcalde, José Luis Vilumara Pérez, Albert Casas Onteniente, Joan B. Puig Pla, Xavier Soldevila García, Pilar	Vilumara Pérez, Albert Peydró Alcalde, José Luis Puig Pla, Xavier	Joint Audit and Control Committee Abella Martín, Rafael Peydró Alcalde, José Luís Casas Onteniente, Joan B. Appointments and Remuneration Vilumara Pérez, Albert Abella Martín, Rafael Soldevila García, Pilar
Proprietary	Vilarrúbia Tapia, Josep Maria Castellanos Maduell, Albert Cuenca León, Núria Puig Raposo, Miquel	Vilarrúbia Tapia, Josep Maria	-
Executive members	Òliva Ritort, Jordi (*)	Òliva Ritort, Jordi (*)	-

(*) Until 10/01/2023, when he was replaced by Vanessa Servera i Planas.

Taking into consideration all the aforementioned changes, the table below shows the remuneration earned by the members of the Supervisory Board and delegate committees at 31 December 2022:

Euros	Remuneration of Supervisory Board	Remuneration of Delegate Committees	Total
JOSE LUIS PEYDRÓ	12,944	23,727	36,671
FRANCISCO JAVIER PUIG PLA	12,944	15,099	28,043
PILAR SOLDEVILA GARCIA	12,944	5,284	18,228
ALBERT VILUMARA PÉREZ	12,944	13,912	26,856
JOAN B CASAS ONTENIENTE	12,944	15,099	28,043
RAFAEL ABELLA MARTÍN	12,944	13,912	26,856
TOTAL	**77,664**	**87,033**	**164,697**

APPENDIX II - SUBSIDIARIES AND ASSOCIATES IN THE INSTITUT CATALÀ DE FINANCES GROUP AT 31 DECEMBER 2022

Investment	Address	Activity	Auditors	% of shares owned:	Figures in Thousands of euros at 31/12/2022							
					Capital	Share premium	Technical provisions	Reserves/ Prior years' profit (loss)	Profit/(loss) for the last year	Valuation adjustments	Interim dividend	Total Shareholders' equity
Subsidiaries												
Instruments Financers per a Empreses Innovadores, S.L.	Gran Via de les Corts Catalanes, 635 Barcelona	Possession and management of financial and equity stakes on behalf of the Generalitat, in funds of any type, in companies and guarantee funds, companies and venture capital funds.	EY	100%	50,000	-	-	1,876	38	43	-	51,958
Gran Via de les Corts Catalanes, 635 Barcelona	Gran Via de les Corts Catalanes, 635 Barcelona	Administration and management of Venture Capital Funds and assets of Venture Capital Companies.	EY	100%	300	-	-	573	87	-	-	961
Capital Expansió, F.C.R.	Gran Via de les Corts Catalanes, 635 Barcelona	Venture capital for technology and industrial companies.	EY	100%	9,784			- 4,748	- 1,119			3,917
Capital MAB, F.C.R.	Gran Via de les Corts Catalanes, 635 Barcelona	Venture capital for technology and industrial companies.	EY	100%	1,912			-	- 107	339	-	2,144
ICF Capital Expansió II, F.C.R.E.	Gran Via de les Corts Catalanes, 635 Barcelona	Venture capital for technology and industrial companies.	EY	100%	13,205			- 1,158	- 228	869		12,688
ICF Venture Tech II, F.C.R.E.	Gran Via de les Corts Catalanes, 635 Barcelona	Venture capital for technology and industrial companies.	EY	100%	12,173				235	1,715	-	14,123
Associates												
Avalis de Catalunya S.G.R	Gran Via de les Corts Catalanes 129-131, Barcelona	Mutual guarantee company	KPMG	12.38%	19,000	-	48,313	207	(698)	-	-	66,823

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

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

Investment	Address	Activity	Auditors	% of shares owned:	Figures in Thousands of euros at 31/12/2021							
					Capital	Share premium	Technical provisions	Reserves/ Prior years' profit (loss)	Profit/(loss) for the last year	Valuation adjustments	Interim dividend	Total Shareholders' equity
Subsidiaries												
Instruments Financers per a Empreses Innovadores, S.L.	Gran Via de les Corts Catalanes, 635 Barcelona	Possession and management of financial and equity stakes on behalf of the Generalitat, in funds of any type, in companies and guarantee funds, companies and venture capital funds.	EY	100%	50,000	-	-	314	2,466	160	-	51,876
Gran Via de les Corts Catalanes, 635 Barcelona	Gran Via de les Corts Catalanes, 635 Barcelona	Administration and management of Venture Capital Funds and assets of Venture Capital Companies.	EY	100%	300	-	-	434	139	-	-	873
Capital Expansió, F.C.R.	Gran Via de les Corts Catalanes, 635 Barcelona	Venture capital for technology and industrial companies.	EY	100%	10,775	-	-	2,234	(2,514)	-	-	6,027
Capital MAB, F.C.R.	Gran Via de les Corts Catalanes, 635 Barcelona	Venture capital for technology and industrial companies.	EY	100%	1,862	-	-	-	1,225	-	(1,225)	1,862
ICF Capital Expansió II, F.C.R.E.	Gran Via de les Corts Catalanes, 635 Barcelona	Venture capital for technology and industrial companies.	EY	100%	6,585	-	-	(420)	(738)	-	-	5,427
ICF Venture Tech II, F.C.R.E.	Gran Via de les Corts Catalanes, 635 Barcelona	Venture capital for technology and industrial companies.	EY	100%	9,732	-	-	-	143	36	(143)	9,876
Associates												
Avalis de Catalunya S.G.R	Gran Via de les Corts Catalanes 129-131, Barcelona	Mutual guarantee company	KPMG	13.69%	18,751	-	41,313	207	(698)	-	-	59,573

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

APPENDIX III - INVESTEES OF INSTITUT CATALÀ DE FINANCES –31 DECEMBER 2022

					Figures in thousands of Euros		
Company name	Address	Activity	Auditors	%	Capital	Changes in value	Net value of share
Catalana d'Iniciatives, S.C.R. SA	Rambla Catalunya, 86 08008 Barcelona	Venture capital	-	24.3%	15,458	(15,458)	-
Spinnaker Invest, S.C.R., SA	Diputació 246, 08007 Barcelona	Venture capital	KPMG	24.6%	4,160	(4,160)	-
Ingenia Capital S.A.	Passeig Bonanova, 47 08017 Barcelona	Venture capital	-	33.4%	(917)	(917)	-
INVEREADY FIRST CAPITAL, SA	Calle Orfila 10 BAJO IZQUIERDA. 28010, Madrid (Madrid). Spain	Venture capital	PricewaterhouseCoopers Auditores, S.L	31.58%	610	(509)	101
Venturecap II, SCR	Calle Doctor Ferran 3 5 P 1. 08034, Barcelona (Barcelona). Spain	Venture capital	BDO Auditores	33.33%	826	(1)	825
CAIXA INVIERTE START, FCR	Av. Diagonal, 621, TORRE II - 08028 BCN	Venture capital	VIR AUDIT, S.L.P.	9.48%	1,078	(729)	349
4FOUNDERS Capital II, FCRE	Passeig Joan de Borbó, 99-101, Barcelona	Venture capital	Joint Venture - PwC	6.85%	850	17	867
Adara Ventures III, S.C.A, SICAR	15, Boulevard F.W. Raiffeisen, Luxembourg	Venture capital	Deloitte	5.06%	1,840	512	2,352
AFB FUND II	4 rue Thénard 75005 Paris	Venture capital	N/A	3.24%	240	-	240
Aldea tech fund I-A, FCR	Avinguda Diagonal, 640, Barcelona	Venture capital	KPMG Auditores SL	10.80%	2,648	373	3,021
Alma Mundi Fund II, FCRE	Plaza Santa Bárbara 2, Madrid	Venture capital	BDO Auditores	3.00%	1,500	373	1,873
Alta Life Science Spain I, FCR	Paseo de la Castellana, 91 Madrid	Venture capital	PwC	6.31%	2,843	136	2,979
AMERIGO INNVIERTE SPAIN VENTURES, F.C.R.	Diagonal 401, Barcelona	Venture capital for technological projects	BDO Auditores	3.72%	37	1,358	1,395
AURICA GROWTH FUND IV, FCR	Diagonal 407, Barcelona	Venture capital	PwC	7.43%	3,494	-	3,494
AURICA III, FCR	Diagonal 407, Barcelona	Venture capital	PwC	15.71%	-	12,212	12,212
Barcelona Empren S.C.R., S.A.	Gran Via de les Corts Catalanes 635, Barcelona	Venture capital for technology companies	BDO Auditores	27.11%	2,520	(2,151)	369
Bonsai Partners Fund I, FCR	Zurbano 76, Madrid	Venture capital	BDO Auditores	4.96%	1,502	2,408	3,910
Bonsai Partners Fund II, FCR	Zurbano 76, Madrid	Venture capital	BDO Auditores	2.56%	520	-	520
CAIXA CAPITAL BIOMED S.C.R., S.A.	Diagonal 621, Barcelona	Venture capital for health sciences and biotechnology	Vir Audit, SLP	4.55%	509	(394)	115
Caixa Capital TIC, S.C.R., S.A.	Diagonal 621, Barcelona	Venture capital for technology companies	Vir Audit, SLP	9.68%	189	285	474
CAIXA INNVIERTE BIOMED II FCR	Diagonal 621, Barcelona	Venture capital for health sciences and biotechnology	Vir Audit, SLP	5.71%	1,421	(413)	1,007
Caixa Innvierte Industria S.C.R.	Diagonal 621, Barcelona	Venture capital for technology and industrial companies.	Vir Audit, SLP	8.57%	1,026	(427)	600
CATHAY INNOVATION GLOBAL FUND III, FPCI	52 Rue d'Anjou – 2nd floor 75008 Paris	Venture capital	KPMG	1.53%	241	-	241
Elaia Delta Fund	Rue de Ponthieu 54, Paris	Venture capital for technological projects	PwC	2.36%	1,908	508	2,417
Encomenda Seed i B FCRE SA	Pau Vila, 1, 2ª, Sector 1A, Edif. Palau de Mar, Barcelona	Venture capital	Grant Thornton	10.70%	1,347	840	2,186
ENION I ENERGY FUND, FCRE	Jordi Girona, 29, Barcelona	Venture capital for energy transition projects	BDO Auditores, SLP	17.00%	857	-	857
FINAVES IV, SA	Avenida Diagonal, 453, Barcelona	Venture capital	GNL Russell Bedford Auditors	12.86%	265	20	285
FONDO AXON INNOVATION GROWTH IV	Sagasta, 18, Madrid	Venture capital	KPMG	3.71%	1,080	-	1,080
Fons Mediterrània Capital FCR de Regimen Simplific	Diputació 246, Barcelona	Venture capital	KPMG	24.00%	7,286	-	7,286
Fund Underwriting - FEI	-	Venture capital	-	6.25%	1,071	1,240	2,311
Healthequity, SCR	Passeig de Gràcia 54, Barcelona	Venture capital for the healthcare sector	Deloitte	35.66%	4,388	430	4,818
Idinvest Digital Fund II	Avenue des Champs Elysées 117, Paris	Venture capital for companies in the digital sector	Aplitec	2.59%	1,830	4,286	6,116
Idinvest Digital Fund III	Avenue des Champs Elysées 117, Paris	Venture capital for companies in the digital sector	Aplitec	1.43%	3,307	1,164	4,471
INVEREADY BIOTECH II, SCR SA	Calle Zuatzu, 7, San Sebastián	Venture capital for life sciences and biotechnology projects	BDO Auditores	5.84%	353	1,477	1,829
Inveready Biotech iii, SCR, SA	Calle Serrano, 50, Madrid	Venture capital	BDO Auditores	5.32%	998	118	1,116
INVEREADY FIRST CAPITAL III PARALLEL FCR	Calle Zuatzu, 7, San Sebastián	Venture capital for technology companies	BDO Auditores	3.37%	633	30	663

INVEREADY FIRST CAPITAL III, SCR SA	Calle Zuatzu, 7, San Sebastián	Venture capital for technology companies	BDO Auditores	16.75%	1,843	89	1,931
INVEREADY VENTURE FINANCE, SCR	Calle Zuatzu, 7, San Sebastián	Venture capital for technology projects	BDO Auditores	8.90%	-	103	103
Invivo Ventures, F.C.R.	Passeig de Gràcia 54, Barcelona	Venture capital for the healthcare sector	EY	10.63%	2,542	-	2,542
K Fund II, FCRE	Rafael Calvo, 40, Madrid	Venture capital	KPMG	3.72%	1,450	199	1,649
K FUND, FCRE	Rafael Calvo, 40, Madrid	Venture capital	KPMG	4.00%	1,970	2,556	4,526
Kibo Ventures Fund III, FCRE	Carrer Zurbano 34, Madrid	Venture capital for technological projects	BDO Auditores	2.50%	1,260	-	1,260
Miura Expansion Fund I	Josep Llovera, 4 - 08021 BCN	Venture capital	Deloitte	11.46%	199	-	199
Nauta Sidecar Tech I, FCR	Diagonal, 593, Barcelona	Venture capital for technological projects	EY	10.50%	625	(17)	608
NAUTA TECH INVEST II S.C.R. S.A.	Diagonal, 593, Barcelona	Venture capital for technology, media and telecommunications	EY	7.40%	-	6	6
NAUTA TECH INVEST III S.C.R. S.A.	Diagonal, 593, Barcelona	Venture capital for technology, media and telecommunications	EY	5.72%	-	1,421	1,421
Nauta Tech Invest IV, FCR	Diagonal 593, Barcelona	Venture capital for technological projects	EY	14.06%	6,764	5,510	12,275
Nauta Tech Invest V FCR + SCR	Diagonal, 593, Barcelona	Venture capital for technological projects	EY	9.26%	8,625	-	8,625
NINA CAPITAL FUND I, FCRE	Tuset, 20, Barcelona	Venture capital for the healthcare sector	BDO Auditores	5.56%	780	126	906
Sabadell Asabys Health Innovation Investments, SCR	Passeig de Gràcia 53, Barcelona	Venture capital for the biomedical sector	KPMG	5.79%	2,806	211	3,016
Samaipata II, Capital, FCR	Gran Vía, 4, Madrid	Venture capital for the technology sector	Deloitte	2.35%	875	112	987
SC CLIMATE IMPACT FUND III, FCRE	AVDA DIAGONAL 640 5º F - 08017 BARCELONA (BARCELONA)	Venture capital	Ernst & Young	3.56%	495	-	495
SC Efficiency & Environment Fund II	Diagonal 640, Barcelona	Venture capital for energy efficiency projects	EY	8.87%	4,950	1,207	6,158
SC Growth Fund II Plus, FCRE	Diagonal 640, Barcelona	Venture capital	BDO Auditores	11.54%	6,817	1,145	7,962
Seaya Ventures III Fondo de Capital Riesgo, FCRE	Carrer de Alcalá, 54, Madrid	Venture capital for technological projects	Deloitte	3.03%	2,239	387	2,627
Sino-French (Innovation) Fund II, FPCI	52 rue d'Anjou – 75008 Paris	Venture capital	KPMG	0.77%	4,126	1,725	5,851
SLP impact croissance IV	Pépinière, 22, París	Venture capital	Deloitte	1.99%	1,254	(288)	966
Suma Capital Growth Fund I, SCR	Diagonal 640, Barcelona	Venture capital for companies with growth projects	BDO Auditores	30.30%	2,391	8,171	10,562
Ysios Biofund III FCRE	Avda. de la Libertad 25, San Sebastian	Venture capital for health sciences and biotechnology	KPMG	6.94%	5,032	-	5,032
YSIOS BIOFUND, F.C.R.	Avda. de la Libertad 25, San Sebastian	Venture capital for health sciences and biotechnology	KPMG	4.33%	143	191	334
TOTAL							**153,134**

In addition, on 31 December 2022 the Group had direct investments in venture capital amounting to 29,935 thousand euros mainly through Capital MAB F.C.R., Capital Expansió F.C.R., ICF Capital Expansió II F.C.R.E. and ICF Venture Tech II F.C.R.E.

Figures relating to the equity of these companies were obtained from their financial statements at 31 December 2022 available at the date these financial statements were authorised for issue.

APPENDIX III - INVESTEES OF INSTITUT CATALÀ DE FINANCES –31 DECEMBER 2021

Company name	Address	Activity	Auditors	%	Figures in thousands of Euros		
					Capital	Changes in value	Net value of share
Spinnaker Invest S.C.R. S.A.	Diputació 246, Barcelona	Venture capital for the media sector	KPMG	24.59%	7,561	(7,561)	-
Catalana d'Iniciatives, S.C.R. SA	Rambla Catalunya, 86 08008 Barcelona	Venture capital	-	24.3%	15,458	(15,458)	-
Ingenia Capital S.A.	Passeig Bonanova, 47 08017 Barcelona	Venture capital	-	33.4%	(917)	(917)	-
Barcelona Emprèn S.C.R. S.A.	Gran Via de les Corts Catalanes 635, Barcelona	Venture capital for technology companies	BDO Auditores	27.07%	2,520	(2,106)	415
Nauta Tech Invest II, S.C.R. S.A.	Diagonal, 593, Barcelona	Venture capital for technology, media and telecommunications	EY	7.47%	-	92	92
Mediterrania Capital F.C.R.	Diputació 246, Barcelona	Venture capital	KPMG	24.00%	7,286	-	7,286
Caixa Capital TIC S.C.R. S.A.	Diagonal 621, Barcelona	Venture capital for technology companies	Vir Audit, SLP	9.68%	1,205	(512)	693
Ysios BioFund I, F.C.R.	Avda. de la Libertad 25, San Sebastian	Venture capital for health sciences and biotechnology	KPMG	4.34%	143	577	720
Nauta Invest Tech III. S.C.R.	Diagonal, 593, Barcelona	Venture capital for technology, media and telecommunications	EY	5.72%	-	1,583	1,583
Caixa Capital BioMed S.C.R.	Diagonal 621, Barcelona	Venture capital for health sciences and biotechnology	Vir Audit, SLP	4.55%	627	(414)	213
Caixa Innvierte Industria S.C.R.	Diagonal 621, Barcelona	Venture capital for technology and industrial companies.	Vir Audit, SLP	8.57%	17	3,071	3,088
Amerigo Innvierte Spain Ventures F.C.R.	Diagonal 401, Barcelona	Venture capital for technological projects	BDO Auditores	3.72%	1,073	(81)	992
Caixa Innvierte BioMed II, F.C.R.	Diagonal 621, Barcelona	Venture capital for health sciences and biotechnology	Vir Audit, SLP	5.71%	4,548	8,765	13,313
Suma Capital Growth Fund I, SCR	Diagonal 640, Barcelona	Venture capital for companies with growth projects	BDO Auditores	30.30%	2,186	(381)	1,805
Idinvest Digital Fund II	Avenue des Champs Élysées 117, Paris	Venture capital for companies in the digital sector	Aplitec	2.59%	1,997	4,270	6,268
Nauta Tech Invest IV, F.C.R.	Diagonal 593, Barcelona	Venture capital for technological projects	EY	14.06%	7,465	6,689	14,154
Aurica III, F.C.R.	Diagonal 407, Barcelona	Venture capital	PwC	15.71%	12,288	15,075	27,363
Elaia Delta Fund	Rue de Ponthieu 54, Paris	Venture capital for technological projects	PwC	2.37%	2,055	363	2,418
SC Efficiency & Environment Fund II	Diagonal 640, Barcelona	Venture capital for energy efficiency projects	EY	8.87%	4,100	1,777	5,877
Bonsai Partners Fund I	Zurbano 76, Madrid	Venture capital	BDO Auditores	5.00%	903	2,235	3,138
Idinvest Digital Fund III	Avenue des Champs Élysées 117, Paris	Venture capital for companies in the digital sector	KPMG	1.43%	3,167	1,098	4,264
Nauta Sidecar Tech I, F.C.R.	Diagonal, 593, Barcelona	Venture capital for technological projects	EY	10.50%	250	17	267
Fund Underwriting - FEI	-	Venture capital	-	6.25%	1,741	1,070	2,811
Adara Ventures III, S.C.A, SICAR	15, Boulevard F.W. Raiffeisen, Luxembourg	Venture capital	Deloitte	5.06%	1,360	544	1,904
Alma Mundi Fund II, FCRE	Plaza Santa Bárbara 2, Madrid	Venture capital	BDO Auditores	2.87%	1,250	321	1,571

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

In addition, on 31 December 2021 the Group had direct investments in venture capital amounting to 19,039 thousand euros, mainly through Capital MAB F.C.R., Capital Expansió F.C.R., ICF Capital Expansió II F.C.R.E. and ICF Venture Tech II F.C.R.E.

Figures relating to the equity of these companies were obtained from their financial statements at 31 December 2021 available at the date these financial statements were authorised for issue.

DIRECTOR'S REPORT OF THE ICF GROUP

CONTENTS

1. INSTITUT CATALÀ DE FINANCES (ICF)

1.1 ICF Group Structure

The Institut Català de Finances (hereinafter the Institute, the Entity or the ICF) is a financial institution under public law with its own legal personality subject to private law which is wholly owned by the Generalitat de Catalunya. The regulation governing the ICF is Legislative Decree 1/2002 of 26 July enacting the second recast text of the Law on the Institut Català de Finances.

The assets and liabilities of the ICF account for almost all of those of the ICF Group. The rest of the Group's perimeter as of 31 December 2022 consists of:

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

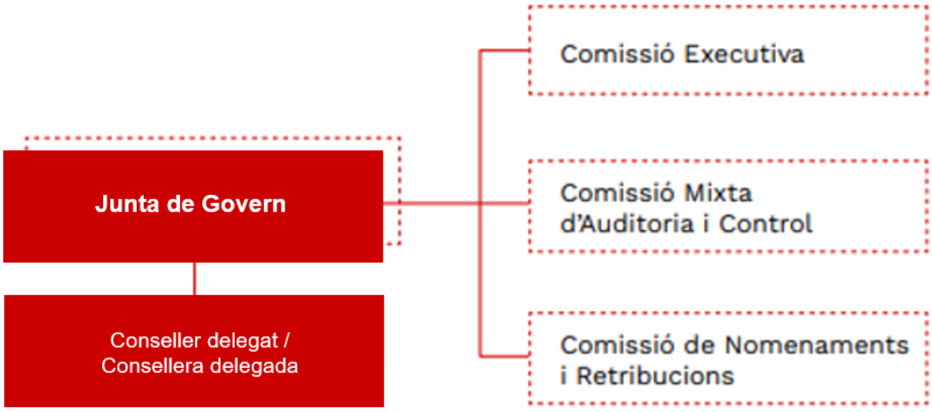
- ICF Capital SGEIC, SAU: its main objective is to promote, advise and manage venture capital funds or companies which contribute capital to Catalan companies. Wholly owned by ICF. ICF currently directly manages five investment vehicles:
    - **Capital MAB F.C.R.**
    - **Capital Expansió, F.C.R.**
    - **Venture Tech, F.C.R**
    - **Capital Expansió II, F.C.R**
    - **BCN Emprèn, S.C.R.**,**S.A.**

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

- The company Avalis de Catalunya, S.G.R. is also a member of the Group and is considered an associate: a mixed capital (public-private) mutual guarantee company promoted by the Generalitat de Catalunya in 2003 to facilitate access to credit for SMEs and self-employed persons operating in Catalonia and to improve their conditions of financing through the provision of guarantees to banks. 12.38% owned by the ICF Group at 31 December 2021, through the Catalan Institute of Finance and IFEM.

1.2 Corporate governance model and structure

At 31 December 2022, the governing structure of the ICF is as follows:



Governing bodies

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

The ICF Law specifies its roles, including submitting the entity's budgets, financial statements and proposed distribution of profit/allocation of losses to the Generalitat de Catalunya for its approval. It can also make decisions regarding the ICF's organisation, functioning and legal relationships and be informed of the initiatives of the other bodies of the ICF.

Under the ICF Law, the Board can set up committees to which it may delegate certain powers. Thus the **Executive Committee** is responsible for approving and amending credit transactions and for taking investment decisions in venture capital and equity instruments by delegation of the Supervisory Board.

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

The **Appointments and Remuneration Committee** is responsible for analysing, validating and making proposals to the Supervisory Board on aspects regarding the appointment of the members (good standing, suitability, etc.) of the ICF's governing bodies and key personnel and their fixed and variable remuneration.

The **Joint Audit and Control Committee** is in charge of planning and monitoring internal and external audits, globally controlling risk, compliance, internal control and anti-money laundering.

Chief Executive Officer

The Government of Catalonia appoints the Chief Executive Officer at the proposal of the head of the economy and finance ministry, subject to prior evaluation by the Appointments and Remuneration Committee. This person is responsible for the ordinary and extraordinary representation of the ICF in all areas and circumstances.

In 2022, the CEO of the ICF was Jordi Òliva Ritort. However, on 10 January 2023 Vanessa Servera i Planas was appointed as the new CEO.

Governing bodies of ICF subsidiaries: ICF Capital and IFEM

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

2. ENVIRONMENT

Macroeconomic environment

The global economy has been shaped in 2022 by the spill-over effects of the war in Ukraine, the energy crisis in Europe, strong inflationary pressures, tightening monetary policy and the Chinese economy being held back by restrictive measures against Covid-19. All these factors have led to a steady worsening of economic growth and inflation, bringing several economies close to stagflation in the final part of the year.

However, global economic growth stood at 3.4%, displaying some resilience due to previously accumulated savings, activity rebounding after the Covid-19 restrictions and the vibrancy of the labour market, which helped to boost private consumer spending and the services sector. Distribution by region has been uneven with more significant growth in the euro area, the United Kingdom and India, while in the US and Japan it has been more moderate.

The Catalan economy grew by 5.5% in 2022, at the same rate as the Spanish economy and significantly above the euro area (3.5%). The recovery of foreign tourism, the improvement in the labour market and the momentum of the services and construction sectors have enabled the economy to keep growing in adverse circumstances. It is important to note that Catalan GDP is back up to pre-pandemic levels, standing 0.4% above the figures for the fourth quarter of 2019, a pace of recovery which ranks between the euro area (which is 2.4% above) and the Spanish economy (which is still 0.9% below previous volumes).

As for Catalan inflation, after reaching a peak of 10.3% in July, it eased in the final stretch of the year to 5.2% in December, mainly due to the energy component and lower supply chain pressures. The gas cap measure in the electricity market, known as the Iberian Exception, placed Catalan and Spanish inflation (5.7%) among the lowest in the euro area (9.2%). However, core inflation continues to rise (6.5% in December) as increases in production costs due to higher commodity prices have been partly passed on to final prices.

In this context of strong inflationary pressures, central banks have significantly tightened monetary conditions by raising interest rates across the board, downplaying the signs of an economic slowdown. In the euro area, the European Central Bank has ended its asset purchase programme and significantly hiked the various official interest rates, bringing the rate on the main refinancing operations to 2.5% as of December 2022 and saying that it will continue to raise them until inflation gets back to close to the 2% target. As a consequence of the tightening of the ECB's monetary policy, the Euribor has also risen significantly, pushing the 12-month benchmark from -0.5% at the beginning of the year to 3.3%.

Against a background of high uncertainty, 2023 looks set to be a complex year. Looking ahead to the coming quarters, attention will need to be paid to factors such as the erosion of purchasing power due to the upturn in inflation, falling confidence and the pass-through of the tightening of monetary policy. However, inflation is expected to ease somewhat in 2023 which, together with the rollout of the Next Generation funds, should support a gradual recovery in real incomes and activity. The latest forecasts for the Catalan economy estimate growth for 2023 at between 1.5% and 1.7%[1], in line with those for the Spanish economy and higher than the figure forecast for the euro area (0.7%[2]).

Financial system

In 2022, the recovery of the banking sector's profitability has firmed up, reaching pre-pandemic levels and clearly above the estimated cost of capital (7%[3]). This improvement has been mainly driven by a rise in net interest income, an increase in fee and commission income and the containment of impairment losses. The upward momentum in net interest income was due to a growing loan portfolio in the first half of the year and a positive price effect from higher interest rates.

Although the granting of financing has increased this year in all segments, which has led to an increase in the portfolio during most of 2022, balance sheet derecognition has stepped up during the second half of the year (sale of portfolios, end of the grace period for ICO loans, etc.) which has meant that financing stock has ended the year at very similar levels to December 2021.

As regards the evolution of NPLs, the sector closed the year with a lower figure in absolute and relative terms than in 2021, with the sale of problematic portfolios and the transfer to write-offs accounting for the bulk of the outflows. Despite the aggregate reduction in NPLs, there are signs of deteriorating credit quality, especially in companies in sectors hardest hit by the pandemic and the increase in energy prices, which could get worse due to the uncertainty of the current macroeconomic environment. In this respect, regulators are asking financial institutions to be particularly prudent in their capital and provisioning policies in order to react quickly in the event of the materialisation of potential risks to financial stability.

On the liabilities side, of note once again this year is the upward trend in demand deposits to the detriment of term deposits, pending a potential pass-through of increases in benchmark interest rates to deposit remuneration.

Lastly, from the regulatory standpoint, of note was the entry into force of the EU's green taxonomy which establishes a system for classifying sustainable activities and the approval of the associated reporting requirements. In this respect, credit institutions will have to disclose the proportion of exposures aligned with the taxonomy (Green Asset Ratio) as of the end of 2023.

3. PERFORMANCE

3.1 Lending activity

The ICF has financed 470 companies for an amount of 478.7 million euros in 2022 through 600 loan and/or guarantee transactions. Furthermore, 180 transactions worth 116.7 million euros have been restructured this year.

In addition to the general ICF Crèdit facility, through which 175 transactions were financed for 298.3 million euros, activity in the year included:

[1] Source: BBVA / Generalitat de Catalunya
[2] Source: International Monetary Fund.
[3] Source: Bank of Spain

- *The ICF Eurocrèdit facility, co-financed with the EU's European Regional Development Fund (ERDF), with which 109 transactions have been concluded worth 67.7 million euros.*

- *The two ICF Social Housing facilities, which offer loans with preferential conditions to promote and finance the construction or purchase of housing for social rentals. Through these facilities, 99 transactions have been financed for 37.1 million euros.*

With regard to the territorial distribution of the bank's credit activity, Barcelona and its area of influence concentrate the largest amount of credit investment, with around 60% of the investment. The Girona and Lleida areas are the next regions with the greatest volume of investment.

In terms of sector distribution, auxiliary services and professional activities, industry, trade and tourism have been the main recipients of ICF Group funding in 2022. The ICF has continued to actively work to support a wide range of sectors, such as social rental housing, and projects that contribute to the transformation, innovation and sustainability of the economy.

By type of company, 83% of the financing for the year has been allocated to the financing of self-employed workers, small and medium-sized enterprises, while credit activity for large companies and the public sector has been 15% and 2%, respectively.

Overall, the volume of funding granted by the ICF in 2022, both in the private and public sectors, has helped to maintain and/or create more than 25,700 jobs.

3.2 Capital activity

One of the ICF's strategic objectives is to support setting up, consolidating and growing innovative managers and projects through its venture capital operations. *In this area, it operates mainly through investment in venture capital funds. The participation of the entity is based on collaboration and complementarity with the specialised private sector, identifying market gaps and acting as a driving force to multiply the resources coming from other investors that are allocated to each fund.*

In 2022, new commitments have been made to external funds in the Seed, Venture and Growth segments in the amount of 3 million, 24.1 million and 25 million euros respectively. Furthermore, venture capital funds managed by the Group made investments totalling 12.6 million euros.

In addition to this potential venture capital investor, investment through IFEM Innovation, on a co-investment basis with private investors (business angels, venture builders, accelerators and other instruments), for innovative companies in their early stages managed through IFEM. Through this line, during 2022 the Group has invested 3.1 million euros in 16 Catalan start-ups.

4. FINANCIAL INFORMATION

4.1. Balance sheet performance

The good pace of lending activity has helped to offset the depreciations of the financial year and end 2022 with levels of credit portfolio and total assets closely aligned with those of the previous year. As regards venture capital, the number of disbursements pushed up the amount of equity instruments on the Group's balance sheet.

However, a solid cash position was maintained which, coupled with the undrawn debt, safeguards the Group's capacity to meet its future challenges.

On the liabilities side, there was a change in the debt mix as a result of the maturity of a 240 million euros issue, financed with cash and loans from public and private financial institutions. In any event, capitalisation and solvency levels remain well above the sector average and the minimum market levels set by regulators for credit institutions, with own funds increased by the distribution to reserves of the profit for 2021 and the generation of profits once more in 2022:

Solvency ratio	
2022	**Minimum required by the regulator**
39.4%	10.5%

Impaired loans (stages 2 and 3) remained stable compared to 2021, with a reduction in non-performing loans offset by an increase in special surveillance risk. The Group ended the year with an NPL ratio of 7.5% compared to 8.2% in the previous year. The NPL coverage ratio remained well above the sector's at 139.2%, thus maintaining the Group's long-standing policy of prudence in credit risk coverage.

Average payment period for external suppliers

Information on the average payment period is shown in the note on other administrative expenses in the accompanying notes to the financial statements.

Acquisition and disposal of treasury shares

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

4.2 Income statement

In terms of the income statement, there are two main trends in 2022. Firstly, growing operating profit. The improvement in net interest income, due to the evolution of Euribor, combined with the upward trend in dividends received from venture capital investments

Secondly, the Group's efforts to set up provisions, made with a view to prudent portfolio management and in the context of the current economic environment and its impact on the business community that forms the basis of the Group's portfolio. The cost of risk as a percentage of average total assets was 1.3%, in line with the previous year and above the sector's average.

The efficiency ratio was 23%, significantly below the sector's average and slightly lower than the previous year, as a result of the increase in gross income.

4.3 Information on credit ratings

At 31 December 2022, the ICF's rating was BBB- according to Fitch Ratings and DBRS.

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

5. RISKS AND UNCERTAINTIES

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

Structure of management and control of financial risks

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

- Supervisory Board: highest body responsible for establishing policies and global limits for risk management purposes.
- Joint Audit and Control Committee (JACC): responsible for overseeing that the Group's risk profile is maintained within the established objectives, advising the Board on the Group's current and future global risk strategy. It is also the responsibility of the JACC to ensure the validity and application of the processes to identify, measure and control financial risks.
- Assets and Liabilities Committee (ALC): highest body for managing and controlling financial risks.

Credit risk

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

Concentration risk management is based on that stipulated in the Bank of Spain Circular on calculation and supervision of minimum equity capital requirements (Circular 3/2008), in particular the ninth chapter relating to limits to large risks. Furthermore, for prudential purposes, European Regulation 575/2013 and its amendment in EU Regulation 2019/876 are applied.

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

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

At the end of 2022, non-performing loans accounted for 7.5% of the total loan portfolio,
with an NPL coverage ratio of 139.2%, higher than the sector's average.

In credit risk management, the monitoring and control of all lending operations was maintained with special attention to the facilities that were implemented during Covid-19, monitoring the evolution of default incidents in these facilities.

Counterparty credit risk

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

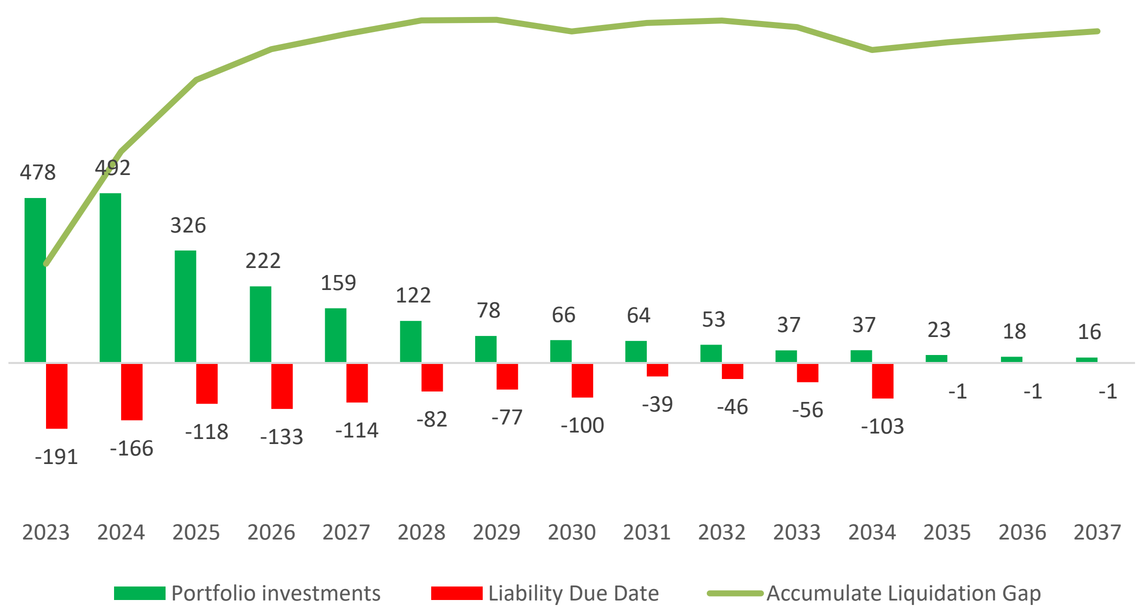
In December 2022, the counterparty risk of the ICF Group comes from the exposure it holds in trading derivatives and interest rate hedging, which it uses solely as a tool for managing financial risks.

The ICF Group follows the EMIR regulation (Regulation 648/2012). This regulation came into force on 15 September 2013 with effect as of 12 February 2014 and specifies reporting obligations affecting entities that trade in derivatives.

Liquidity risk

At 31 December 2022, the ICF Group's total cash position was 310 million euros of which 231.1 million euros are fixed-income bonds, 77.9 million euros in current accounts and 1 million euros in promissory notes.

Note 3.2 to the accompanying financial statements for 2022 provides details of the liquidity management policies, as well as information on the maturity dates and main uses and potential sources of liquidity existing at reporting date. In this regard, it should be noted that the ICF Group has a cumulative liquidity gap that is always positive over a period of 15 years, as shown in the following graph:



Financing

The ICF Group’s borrowings at year-end 2022 are 1,192.9 million euros, divided into issues and promissory notes amounting to 105.2 million euros and 1,087.8 million euros in loans. This is long-term debt, with a residual maturity of more than 7 years.

Liquidity coverage ratio (LCR)

The ICF Group calculates, analyses and monitors the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) metrics following the guidelines of Regulation No 575/2013 and its amendment to Regulation No 2019/876 which set minimum compliance requirements. At year-end 2022, the ICF Group complies with the regulatory limits set for the LCR and NSFR metrics:

	31/12/2022	Regulatory limit
LCR	378%	100%
NSFR	128%	100%

Market risk

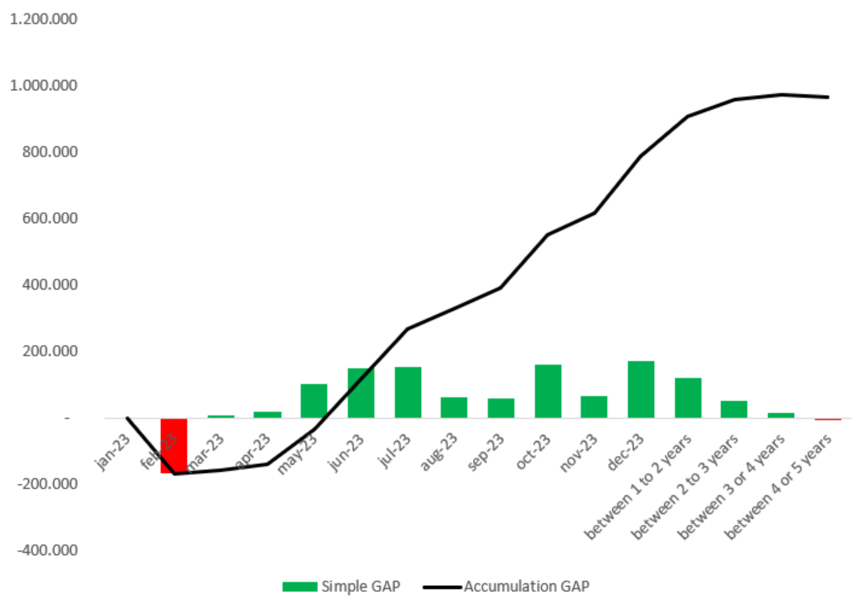
At the end of 2022, the ICF Group did not hold any positions in the trading portfolio. As regards the fixed income portfolio available for sale and maturity, it is entirely in euros and therefore does not incur any currency risk.

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

Interest rate risk

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

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



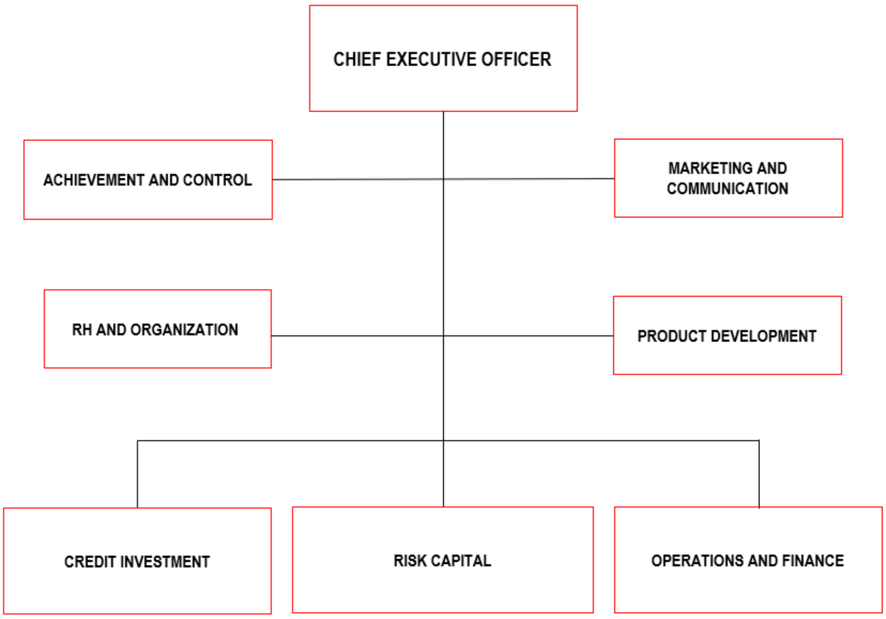
The sensitivity to net interest income over a one-year interval and under a constant balance sheet structure, taking into account a scenario applying an instantaneous and parallel variation of the yield curve of -200 basis points with a floor defined for regulatory purposes [1], is at -7%, a result in relation to the base scenario (scenario projecting the current market interest rate curve). The sensitivity to economic value, applying the same scenario, stands at +2.8%, a result in relation to the equity value of balance sheet aggregates. In both cases, the ICF group is below the limits set by the supervisor (Article 98, paragraph 5, Directive 2013/36/EU).

Operational risk

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

6. INFORMATION ON HUMAN RESOURCES

Functional organisation chart



Workforce

At 31 December 2022, the ICF Group has a headcount of 113 workers (61% female and 39% male), with an average age of 45 years.

The Group's human resources are formed of highly skilled personnel. The majority of the Group's workforce, 89%, is made up of university graduates.

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

Personnel training

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

In 2022, 64 training actions have been carried out involving a total of 995 hours of training (9 hours on average per staff member), focused especially on providing knowledge related to each person's duties but also driving the development of people management skills since people are the company's main asset. Training pathways in ESG goals (62 people concerned and a total of 190 hours) and training related to the Mortgage Law (19 people concerned and a total of 10 hours) have been set up.

Corporate social responsibility

The ICF Group takes part in the Financial Education in Schools in Catalonia (EFEC) programme sponsored by the Government of Catalonia in partnership with the Institute of Financial Studies (IEF), enabling ICF professionals to volunteer during working hours to teach economic concepts to students in the 4th year of secondary school. Five workshops have been held this year, including the session given by the CEO in November.

Also in connection with the IEF, where the CEO is a member of the Board of Trustees, two additional actions have been carried out. Firstly, Global Money Week when the Director of Venture Capital led a session to explain what the key factors in driving a start-up are and which was attended by 15 students. Secondly, on the occasion of Financial Education Day, a session was organised for SMEs entitled "Challenges in the financing and sustainability of female entrepreneurship" with the aim of furnishing tools and knowledge to better carry out financial management of their businesses in which 31 women managers and/or entrepreneurs took part.

7. R+D+i ACTIVITIES

In 2022, the ICF has completed the stabilisation process for its new core banking platform. The implementation process – finished in mid-2021 – was a cross-cutting challenge for the entire organisation which is now considered stabilised.

Thus, digital transformation efforts during 2022 have focused on stabilising core banking alongside other applications that were rolled out during the digital transformation project such as the Customer Area and CRM, while specifying a governance model to ensure their proper operation and continuous improvement.

Since the end of the year and as part of the strategic plan, a digitalisation project has been kicked off designed to make improvements in the Customer Area to add to its features and continue enhancing the digital experience of ICF customers.

Apart from stabilising systems, the ICF has focused its efforts on improving its operations and processes. A process mining pilot test was carried out in 2022. The project has enabled accelerated analysis of some of the ICF's internal processes by means of digital traces of the actions carried out by the teams on the files.

8. ENVIRONMENTAL IMPACT

Given the activity in which it engages, the ICF has no environmental liabilities, expenses, assets, provisions or contingencies that could be significant in relation to its equity, financial position and results. For this reason, the notes to the ICF’s financial statements do not include specific disclosures with respect to information on environmental matters.

However, as a public financial institution the ICF supports small and medium-sized enterprises in their green and innovative projects with the aim of contributing to the development of a more sustainable economy. We have two major sustainability challenges for the coming years: mentoring businesses in the transition towards a sustainable business model and building ESG (environmental, social and good governance) principles into management models across the board to continue increasing the ICF's constructive impact in all three areas.

In order to work towards achieving these goals, this year we have rolled out a sustainability policy which goes beyond what we have done so far. It involves streamlining the process of mapping out and embedding ESG principles into the business model coupled with calculating our carbon footprint, thus deepening our knowledge of the climate impact of our operations.

9. OUTLOOK FOR 2023

Company financing activity

Lending activity

The ICF Group maintains its objective of promoting business growth, entrepreneurship and innovation by financing strategic and sustainable projects for the Catalan economy. The entity thus aims to add to the supply of private financing to support companies and organisations in their development and growth while contributing value to society as a whole.

In 2023, priority will be given to long-term funding for the driving sectors of the Catalan economy by channelling European resources and mentoring the business community in the transition to a sustainable business model. Likewise, it will continue with initiatives already launched in previous years and keep on investing in new facilities that meet the changing needs of the Catalan economy. They include:

- Continuation of the ICF Eurocrèdit facility, launched in the 2017 financial year and which like other European public investment banks channels ERDF funds on a co-investment basis aimed at financing the Catalan business community, focusing on SMEs.
- Enhancing special and strategic facilities, in particular those related to funding for social housing, the agri-food sector and investment projects in the industrial and tourism sectors with a significant impact.
- Alignment of the activity with the Sustainable Development Goals (SDGs) and the implementation of the United Nations 2030 Agenda.

Venture capital activity

In venture capital, the goal of fostering Catalonia's leadership as an innovation hub by supporting entrepreneurship and business creation and growth remains unchanged.

During 2023, investment in venture capital funds will continue to be pushed forward, both from external managers and through the Group's own funds. Moreover, the commitment to the IFEM Innovació facility, aimed at early-stage companies in partnership with business angels and other approved investment vehicles, will be further cemented.

In terms of projects in partnership with the Government of Catalonia, the Advanced Technology Investment Fund (FITA), which seeks to kick-start innovation in Catalonia by investing in early-stage research projects, is to be launched in 2023 with the input of the European Investment Fund (EIF).

Attracting resources

The current cash position secures needs for 2023. Nonetheless, the Group's mission is to be active in the market to achieve the best sources of funding that give long-term financing at the best cost.

Financial statements

With regard to the evolution of the balance sheet, in 2023 the trend towards the stability of the number of assets is expected to continue while maintaining high levels of capitalisation, liquidation and hedges, significantly higher than the minimum set by regulators and the sector average, allowing the ICF Group to face future challenges from a high level of financial solidity.

The commitment, effort and spirit of continuous improvement of ICF professionals have allowed us to achieve the objectives established for 2023, and we are convinced that they will enable us to achieve the important challenges that we set ourselves annually.

10. EVENTS AFTER THE REPORTING PERIOD

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

Barcelona, 29 March 2023