Institut Català de Finances

2024

Pillar III Disclosure Report

Basel Pillar III

Generalitat de Catalunya

Contents

1. ICF GROUP PILLAR III

With this document, the Institut Català de Finances Group (hereinafter the Group or the ICF Group) complies with section eight of Regulation (EU) No 575/2013 (known as CRR) and its amendment to Regulation (EU) No 2019/876 (known as CRR II) applicable to financial institutions relating to the obligations to disclose financial information on the risk profile of the institution, its risk control and management, its own resources and solvency levels. These regulations are directly applicable in European Union member states.

Law 10/2014 on the regulation, supervision and solvency of credit institutions was enacted on 26 June 2014 in order to adapt Spanish law to this new regulatory framework. Article 85 of this law states that financial institutions must publish a single document called the "Pillar III Disclosure Report" (hereinafter the P3D) at least once a year.

Under Rule 59 of Bank of Spain Circular 2/2016, the contents of the P3D have been reviewed by the institution's internal audit unit through independent experts. This circular has been amended by Circular 3/2023 of 31 October without affecting the content of rule 59 of Circular 2/2016.

The ICF Group has determined that the P3D will be issued annually, or more frequently if necessary due to market conditions. The P3D will also be published on the ICF's website (www.icf.cat).

The contents of this report not included in the financial statements have been reviewed by the ICF Group's Joint Audit and Control Committee. The ICF Group also declares that no required information has been omitted because it is confidential or reserved.

1.1 Regulatory framework

In 2010, the Basel Committee on Banking Supervision, the international forum which sets general supervisory standards and issues statements on prudential best practice, approved the reform of the global regulatory capital framework known as Basel III. The legislative package implementing this framework in the European Union came into force on 1 January 2014, comprising Regulation (EU) No 575/2013 and Directive 2013/36/EU, known as CRR and CRD IV respectively. While the Regulation is applied directly by the institutions of Member States, the CRD IV Directive required the following process for inclusion in the Spanish legal system:

1. Royal Decree Law 14/2013, of 29 November 2013, on urgent measures to adapt Spanish law to European Union regulations on the supervision and solvency of financial institutions.
2. Law 10/2014, of 26 June 2014, on the regulation, supervision and solvency of credit institutions.
3. Royal Decree 84/2015, of 13 February 2015, implementing Law 10/2014.
4. Bank of Spain Circulars 2/2014 and 2/2016.

The review of the legislative package under the Basel III framework, which presents proposals for amendments of the CRR and CRD IV, came in June 2019 when the European Parliament and the Council published Regulation (EU) 2019/876 or CRR II amending Regulation (EU) No 575/2013 and Guideline (EU) 2019/878 or CRD V amending Guideline (EU) 2013/36. CRR II was applicable from June 2021 and

CRD V was introduced into Spanish law through Royal Decree Law 7/2021 amending Law 10/2014 and Royal Decree 970/2021 amending provisions including Royal Decree 84/2015.

The latest review of the legislative package under the Basel III framework, which is the culmination of the changes begun in 2017, has taken shape in the publication in the Official Journal of the European Union on 19 June 2024 of Regulation (EU) 2024/1623 (CRR III) and Directive (EU) 2024/1619 (CRD VI). CRR III entered into force on 1 January 2025 and therefore does not affect the content of this document. As for CRD VI, Member States have two years after its publication to implement it in their national regulatory framework. The goals of these changes are to make banking more transparent and robust to deal with future economic crises while at the same time fostering the transition to a more sustainable economy.

2. INTRODUCTION

2.1 Macroeconomic environment

The world economy has maintained moderate growth in 2024 against a background of lower price increases which has made it possible to loosen monetary policies leading to a fall in financing costs. Global economic growth is expected to close 2024 at 3.3%, led mainly by the United States and the recovery of Japan's vibrancy as China slows down slightly and Europe is still close to stagnating mainly owing to the persistence of high energy costs and sluggish productivity. However, world trade has stayed buoyant, albeit subject to uncertainties about the effects of tariff policies.

As for the Catalan economy, preliminary figures point to 3.6% growth in 2024, up from 2.6% in 2023, slightly above the Spanish economy as a whole (3.2%) and significantly outstripping the euro area (0.9%). The services sector performed well, driven by tourism, hospitality and business services, while industry grew less and construction gained from better financial and investment conditions. Meanwhile, consumer spending is picking up on the back of job creation and wage recovery. Catalan GDP growth has now outpaced the euro area’s for four years in a row.

Catalan inflation closed 2024 with price rises coming to 2.9% compared to 3.0% in the previous year. Core inflation ended 2024 with 2.7% growth, one of the lowest rates in the last three years.

Looking ahead to 2025, economic growth is expected to be fairly stable against a backdrop of significant global uncertainties. The latest forecasts for Catalonia estimate 2.2% growth in 2025, similar to the Spanish economy as a whole and higher than in the euro area.

Financial system

The banking industry continued to perform robustly in 2024 supported by the strong growth in net interest income, albeit there was a slowdown in the final months of the year as a result of the drop in interest rates. This growth is accompanied by rising commissions and the positive evolution of the result of financial transactions.

Banking sector operations have also been impacted by monetary policy easing. Lending to the private sector stayed stable compared with a fall of 3.6% in the previous year, driven particularly by the consumer segment.

The sector closed the year with a slight reduction in doubtful assets and an NPL ratio of 3.3% compared with 3.5% at the end of the previous year. However, regulators are asking financial institutions to be particularly cautious in their capital and provisioning policies to be able to react quickly in the event of the materialisation of potential risks for financial stability.

On the liabilities side, there was a significant upward trend in term deposits and investment funds to the detriment of demand deposits.
For the year as a whole, the banks' capital and liquidity ratios are generally robust and they continue to maintain a comfortable margin over the requirements.

2.2 Main Conclusions

Credit risk

Credit risk is the ICF Group's main risk, a natural consequence of its business model. At the prudential level, this risk represents for credit investment 60.4% of total risk-weighted assets. At the end of 2024, the NPL ratio stood at 6.7% and the NPL coverage ratio was 158.6%, higher than the average for the sector.

Capital and Solvency

The ICF Group maintains at the end of 2024 a solvency level of 34.3%, well above the regulatory minimum of 10.5%[1] (8% for capital requirements plus 2.5% for the capital conservation buffer) as a result of high own funds and a conservative management policy. The historical evolution of the total capital ratio over the last three years is shown below, with the fall mainly due to the increase in the portfolio.

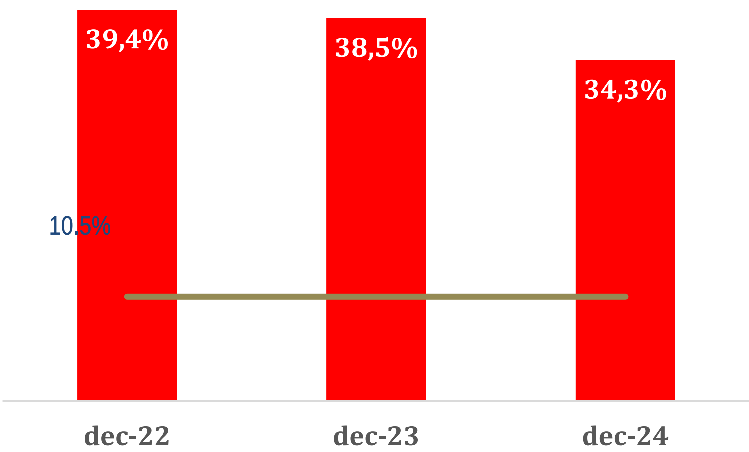

Figure 1. 1Historical performance (last three years) of the ICF Group's total capital ratio. 10.5% is the minimum total regulatory capital ratio (8%) with capital conservation buffer (2.5%).

Liquidity risk

[1] As of 1 October 2025, this limit will be raised to 11% by including an additional 0.5% as a countercyclical buffer.

The ICF Group maintains a solid liquidity position with a total cash position at the end of 2024 of EUR 444 million, of which EUR 276 million is in fixed income investments, EUR 128 million in current accounts and EUR 40 million in deposits redeemable at notice:

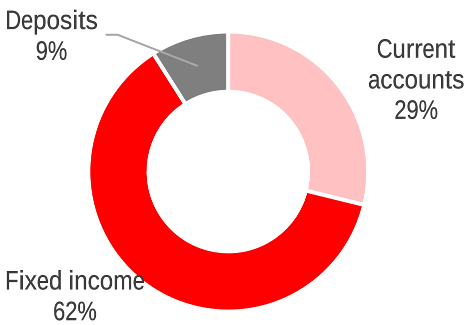

Figure 2. 2Group liquidity structure

The ICF Group calculates, analyses and monitors the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) metrics following the guidelines in Article 412 of Regulation No 575/2013 and its amendment in Article 428(b) of Regulation No 2019/876 which set minimum compliance requirements. At year-end 2024, the ICF Group complies with the regulatory limits set for the LCR and NSFR metrics:

	31/12/2024	Regulatory limit
LCR	509%	100%
NSFR	126%	100%

Table 1. 1Regulatory metrics at year-end 2024

In terms of financing, the ICF Group closed 2024 with a position of EUR 1,286 million financed through various debt instruments. Loans make up 87% of the financing, of which 73% are loans financed by the public banking sector (EUR 936 million) and the rest by the private banking sector (EUR 180 million). Issues and promissory notes account for the remaining 13% of the financing and were worth EUR 170 million at the end of December 2024. The ICF Group's financing tends to be non-current with average residual maturity of 8.6 years, which makes for stable financing.

3 ICF GROUP

3.1 Description of 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 regulations governing the Institute are in Legislative Decree 1/2022 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 it performs its roles with organisational, financial, capital, operational and management autonomy, fully independent of public administrations.

The Institut Català de Finances is subject to specific regulations for credit institutions and therefore governed only by public basic legislation and the regulations issued by the applicable regulatory bodies of the European Union in view of its special activities and nature. The Institute has to prepare its annual financial statements and recognise its transactions in accordance with the accounting criteria and standards for credit institutions.

3.2 Scope of application

The Institut Català de Finances heads the Institut Català de Finances Group (hereinafter the Group or the ICF Group). At 31 December 2024 it comprised the following subsidiaries, wholly owned by the ICF either directly or indirectly:

- Institut Català de Finances Capital, SGEIC S.A.U.: administration and management of venture capital funds and the assets of venture capital companies. It also provides advisory services to companies related to it as a result of its core business. As at 31 December 2024, the company manages four venture capital entities:

- Capital MAB F.C.R., incorporated on 27 February 2012
- Capital Expansió F.C.F., incorporated on 20 July 2012
- ICF Capital Expansió II, F.C.R.E., incorporated on 28 June 2019.
- ICF Venture Tech II, F.C.R.E., incorporated on 28 June 2019
- ICF Venture Tech III, F.C.R.E, incorporated on 22 May 2024

- Instruments Financers per a empreses Innovadores, S.L.: the company's corporate purpose is managing public programmes agreed with the Government of Catalonia and with the European Union and the Spanish Government in the broadest sense of the term. The company performs its corporate purpose using the investment, financing and guarantee financial instruments it considers appropriate, including holding and managing financial investments in guarantee companies, venture capital firms and funds and investment in other state-owned or private enterprises, and awarding financing and investment both directly and also indirectly through financial intermediaries.

The ICF agreed on 31 May 2023 to transfer to IFEM the task of implementing the financial instruments in the Catalonia ERDF 2014-2020 Operational Programme together with all the rights and obligations flowing from its position as implementing entity for these instruments, including all Eurocrèdit loan facility agreements.
The transfers were concluded in September 2023 by means of a non-monetary contribution to IFEM which was coupled with a monetary contribution, leading to the relevant capital increase for a total amount of EUR 175,000 thousand (EUR 156,263 thousand relates to the value of the economic rights resulting from the Eurocrèdit loan facility and EUR 18,737 thousand to the monetary contribution). The increase in IFEM's capital by the ICF, its sole member, involved the creation of 1,750,000 new equity interests and the amendment of IFEM's bylaws to reflect the new company capital figure after the capital increase which now stands at EUR 225,000 thousand.

- The main purpose of Capital MAB, F.C.R. is to acquire temporary equity interests in the capital of non-financial and non-real estate companies which at the time of acquiring the holding are not listed on the first stock exchange market or any other equivalent regulated market in the European Union or in the other member countries of the Organisation for Economic Co-operation and Development

(OECD). It invests on a co-investment basis in companies in Catalonia listed or to be listed on the Alternative Stock Market in the growth companies sector or on any other stock market with the same features. The aforementioned regulations also state that the Fund may not participate in Initial Public Offerings. The investment period ended on 31 December 2018.

- The main purpose of Capital Expansió, F.C.R. is to acquire temporary equity interests in the capital of non-financial and non-real estate companies which at the time of acquiring the holding are not listed on the first stock exchange market or any other equivalent regulated market in the European Union or in the other member countries of the Organisation for Economic Co-operation and Development (OECD). In furtherance of this corporate purpose, it provides equity loans and other forms of financing, in the latter case only for investees that are part of the mandatory investment ratio. It invests on a co-investment basis in companies in Catalonia, mainly medium-sized enterprises (turnover between EUR 10 and 100 million and in a way compatible with European Commission Regulation 800/2008 of 6 August 2008) that need financing for their growth and meet the following conditions: sustainable competitive advantages, high growth potential, sound and proven business plan, skilled management team committed to the project, ability to raise additional private financing, Board of Directors with proven standing and an operational presence in Catalonia. The investment period ended on 31 December 2018.

- The main purpose of ICF Capital Expansió II, F.C.R.E., is to invest in qualifying portfolio undertakings as defined in Regulation (EU) No 345/2013 of the European Parliament and of the Council of 17 April 2013 on European venture capital funds, as amended by Regulation (EU) 2017/1991 of the European Parliament and of the Council of 25 October 2017, through qualifying investments as also defined in the abovementioned Regulation. In furtherance of this corporate purpose, the Fund may invest in qualifying portfolio undertakings through equity or quasi-equity instruments, secured or unsecured loans granted by the Fund to a qualifying portfolio undertaking in which the Fund already holds qualifying investments, shares of a qualifying portfolio undertaking purchased from shareholders of such undertaking or equity interests or shares of other European qualifying venture capital funds. As set by its management regulations, the Fund invests, on a co-investment basis, in companies in any sector in Catalonia, mainly medium-sized enterprises (turnover between EUR 10 and 100 million and in a way compatible with European Commission Regulation 800/2008 of 6 August 2008) that need financing for their growth and meet the following conditions: sustainable competitive advantages, high growth potential, sound and proven business plan, skilled management team committed to the project, ability to raise additional private financing, Board of Directors with proven standing and an operational presence in Catalonia. On 28 June 2019, the Spanish National Securities Market Commission listed the fund in its European Venture Capital Fund administrative registers.

- The main purpose of ICF Venture Tech II, F.C.R.E., is to invest in qualifying portfolio undertakings as defined in Regulation (EU) No 345/2013 of the European Parliament and of the Council of 17 April 2013 on European venture capital funds, as amended by Regulation (EU) 2017/1991 of the European Parliament and of the Council of 25 October 2017, through qualifying investments as also defined in the abovementioned Regulation. In furtherance of this corporate purpose, the Fund may invest in qualifying portfolio undertakings through equity or quasi-equity instruments, secured or unsecured loans granted by the Fund to a qualifying portfolio undertaking in which the Fund already holds qualifying investments, shares of a qualifying portfolio undertaking purchased from shareholders of such undertaking or equity interests or shares of other European qualifying venture capital funds. As set by its management regulations, the Fund invests on a co-investment basis in companies in Catalonia in emerging or innovative sectors that need financing for their growth and meet the following conditions: high growth and appreciation potential, sound and proven business plan, skilled management team committed to the project, ability to raise additional private financing, Board of Directors with proven standing and an operational presence in Catalonia. These are mainly capital-efficient growth companies targeting large markets and providing strong distinctiveness through technology and/or innovation. On 28 June 2019, the Spanish National Securities Market Commission listed the fund in its European Venture Capital Fund administrative registers.

- The main purpose of ICF Venture Tech III, F.C.R.E., is to invest in qualifying portfolio undertakings as defined in Regulation (EU) No 345/2013 of the European Parliament and of the Council of 17 April 2013 on European venture capital funds, as amended by Regulation (EU) 2017/1991 of the European Parliament and of the Council of 25 October 2017, through qualifying investments as also defined in the abovementioned Regulation. In furtherance of this corporate purpose, the Fund may invest in qualifying portfolio undertakings through equity or quasi-equity instruments, secured or unsecured loans granted by the Fund to a qualifying portfolio undertaking in which the Fund already holds qualifying investments, shares of a qualifying portfolio undertaking purchased from shareholders of such undertaking or equity interests or shares of other European qualifying venture capital funds. As set by its management regulations, the Fund invests on a co-investment basis in companies in Catalonia in emerging or innovative sectors that need financing for their growth and meet the following conditions: high growth and appreciation potential, sound and proven business plan, skilled management team committed to the project, ability to raise additional private financing, Board of Directors with proven standing and an operational presence in Catalonia. These are mainly capital-efficient growth companies targeting large markets and providing strong distinctiveness through technology and/or innovation. On 12 July 2024, the Spanish National Securities Market Commission listed the fund in its European Venture Capital Fund administrative registers.

The registered address is Gran Via de les Corts Catalanes, 635, Barcelona.

The scope of this document is therefore the consolidated group of institutions headed by the ICF. Prudential regulations are applicable to the entire consolidated Group.

3.3 Consolidated group for the purposes of solvency regulations

Pursuant to applicable regulations, the consolidated ICF Group presents the consolidated financial statements for the year ended 31 December 2024 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 Financial 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.

In the preparation of the consolidated financial statements of the ICF Group, all the subsidiaries and consolidated structured entities were fully consolidated. The associate Avalis de Catalunya is measured using the equity method.

The differences between the consolidated group of entities for the purposes of the prudential regulation, as defined in Part One, Title II, Chapter 2 of the CRR, and the accounting circular are primarily that the solvency circular only takes into account entities included in the scope of consolidation as a result of their operations, including:

- Credit institutions;
- Investment service companies;
- Investment companies, as defined in Article 9 of Law 35/2003 of 4 November on Collective Investment Undertakings;
- Management companies of collective investment schemes, including pension fund management companies and mortgage and asset securitisation fund management companies, whose corporate purpose is the administration and management of these funds;
- Venture capital companies and venture capital fund management companies;
- Organisations whose main activity involves holding shares or equity interests, except for mixed financial holding companies subject to supervision as a financial conglomerate and not controlled by a credit institution;
- Organisations, regardless of their name, bylaws or nationality, that carry out activities similar to those previously mentioned.

The table below lists the reconciliation between accounting capital and regulatory capital at 31 December 2024:

	Prudential regulation	BoS Circular 4/2017
	Eligible capital	Total equity ICF Group
Tier 1	994.9	1,048.8
Paid-up capital	693.1	693.1
Reserves	278.6	278.6
Profit(loss) for the year	33.1	33.1
(-) Intangible assets	-0.2	n.a.
(-) Deduction for material financial investments	0.0	n.a.
(-) Deduction for non-material financial investments	-53.7	n.a.
(+/-) Valuation adjustments	43.9	43.9
Tier 2	24.0	-
General provision (*)	115.1	n.a.
(-) Excess general provision	-91.1	n.a.
Total	1,018.9	1,048.8

(*) hedging not assigned to individual operations

Table 2. 2Reconciliation between accounting capital and regulatory capital

3.4 Other general information

There are no material or legal impediments to equity transfers from the parent company, the ICF, to its subsidiaries, provided the applicable legal framework is complied with and the necessary procedures are carried out.

Furthermore, providing that the subsidiaries comply with their bylaws and minimum reserve requirements, there are no material or legal impediments to equity transfers from the subsidiaries to the parent company.

At the individual level, the entity complies at year-end December 2024 with its capital requirement obligations for Pillar I risks (credit risk, market risk and operational risk) and also with the limits set by regulations.

There are no entities excluded from the consolidated Group whose capital is below the minimum level required by solvency regulations.

4. STRUCTURE, ORGANISATION AND INTERNAL GOVERNANCE OF RISK MANAGEMENT

This chapter sets out the ICF Group's risk management system, the strategies and processes making up risk management, and the ICF Group's governance and organisational structure to ensure effective risk management monitoring.

4.1 Strategies and processes for managing risks

Three lines of defence model

The ICF Group's Risk Management System is comprehensive and uses the three lines of defence model following the European Banking Authority's guidelines (EBA/GL/2021/05). This organisational framework separates internal control functions from the business lines they control, thus segregating roles and resources. This distinction is translated into the following roles classified in three lines:

- *First line:* this includes business units and committees which are the chief guarantors of the control environment for their own activities.
- *Second line:* this includes risk monitoring and control units and committees which are responsible for designing and upholding the Group's risk model and verifying that it is correctly implemented in all areas.
- *Third line:* this is made up of Internal Audit which conducts an independent review to ensure compliance with and the effectiveness of corporate policies and also oversight of the actions of the first and second lines of defence.

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Corporate risk map

The ICF Group has in place a corporate risk map which includes both financial and non-financial risks that have a significant impact on the Group and therefore require follow-up and monitoring. This risk map quantifies each of the risks through the control systems and procedures in place which make it possible to monitor and mitigate the various risks by reinforcing the control environment, reporting them in aggregate in 14 corporate risks to the Joint Audit and Control Committee and the Supervisory Board for their control and oversight.

1. Regulatory Risk. Risk related to breach of internal and/or external regulations.
2. Governance risk. Risk related to poor management and administration of the institution together with instability in its governance.
3. Credit risk. The possibility of incurring losses arising from borrowers' failure to meet their financial obligations or impairment of their credit quality.
4. Venture capital risk. Risk of incurring losses stemming from venture capital investments.
5. Cybersecurity and IT failure risk. Risk of external cyber attacks, incidents with an impact on sensitive information and system failures.
6. Reputational risk. Risk related to events that have a direct negative impact on the institution's image and reputation.

7. **Human capital management risk**. Risk related to challenges in talent selection and/or retention and occupational health and safety management.

8. **Sustainability risk**. Risk related to lack of or improper integration of ESG criteria in operations.

9. **Strategic risk**: based on failure to devise or implement a corporate strategy.

10. **Fraud risk**: associated with wilful actions potentially involving both internal and external fraud.

11. **Operational risk**: related to errors in the performance and management of processes associated with routine operations.

12. **Liquidity risk**: the risk of incurring losses due to a lack of sufficient liquid funds or an increase in the cost of financing, which prevents compliance with commitments undertaken as they become due, together with the risk of being unable to unwind a position as a result of market imperfections.

13. **Interest rate risk**: the possibility of incurring losses in the ICF Group's net interest margin and equity as a result of changes in the interest rate curve.

14. **Solvency and capital risk**: risk of having insufficient regulatory capital to meet unexpected losses in the entity.

Risk Appetite Framework (RAF) and Risk Appetite Statement (RAS)

The ICF Group has drawn up a risk appetite framework (RAF) identifying the entity's risk management policies, procedures, roles and responsibilities. The ICF Group's RAF sets out general qualitative principles which apply to risk management and control. These principles fall into six broad categories and are as follows:

1. Risk profile: The ICF Group is to adopt a medium risk profile that ensures the performance of its operations and a countercyclical role without jeopardising its solvency. The risk will be medium-low after discounting the effect of guarantees, aligned in the medium term with the banking benchmark.

2. Solvency and hedging: The Group is to maintain levels of liquidity and solvency that enable it to meet its commitments, including in stress scenarios. It will act in accordance with the principles of prudence in managing its risks.

3. Concentration: The Group is to diversify its investment portfolio so that there is no business, customer or sector that could put it at risk.

4. *Sustainability*: The Group's business operations should encourage investments that promote sustainable development.

5. Compliance: The Group's operations are to comply at all times with regulations, paying special attention to the specific features applicable to it in relation to state aid regulations and the European System of Accounts (ESA).

6. Market and interest rate risk: The balance sheet result should be stable and shaped exclusively by the margin generated from its core business. The Group will not engage in speculative activity.

The ICF Group also has a risk appetite statement (RAS) to identify, monitor and manage the main financial risks to which it is exposed and set tolerance levels for these risks which are aligned with the ICF Group's corporate strategy and its financial plan.

The main financial risks to which the Group is exposed in accordance with its operations and risk map are credit risk, interest rate risk in the banking book, solvency and capital risk, business and asset quality risk, liquidity risk, concentration risk and venture capital activity risk.

The ICF Group has set out policies and procedures which are its operational framework for controlling and managing the risks to which it is exposed. These policies are ultimately supervised by the highest risk body (JACC) and approved by the Supervisory Board. They are regularly reviewed and updated to accommodate any strategic and external changes which may take place.

4.2 Organisational structure

The ICF Group's risk control and management structures are organised globally, forming part of a comprehensive management framework under the supervision of the Joint Audit and Control Committee (JACC), a risk body delegated by the Supervisory Board. The following sections describe the ICF Group's risk management and control structure and organisation.

Supervisory Board and delegated committees

At the end of 2024, the governance structure related to the ICF Group's risk management and control is as follows:

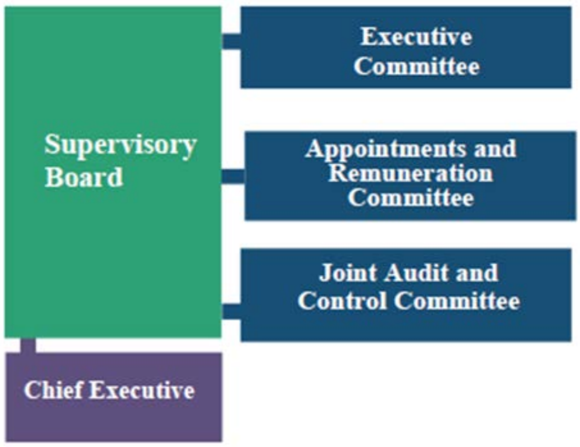


Figure 3. 3Structure of the ICF Group's governing bodies

The members of the Board and committees at 31 December 2024 are as follows:

	Supervisory Board	Executive Committee	Control Committees
Independent	Peydró Alcalde, José Luis Casas Onteniente, Joan B. Puig Pla, Francesc Xavier Soldevila García, Maria Pilar Carme Hortalà i Vallvé	Peydró Alcalde, José Luis Puig Pla, Francesc Xavier Carme Hortalà i Vallvé	Joint Audit and Control Peydró Alcalde, José Luís Casas Onteniente, Joan B. Appointments and Remuneration Soldevila García, Maria Pilar Carme Hortalà i Vallvé
Proprietary	Juli Fernández Iruela Eva Giménez Corrons Jaume Baró Torres Francesc Trillas Jané	Juli Fernández Iruela	-
Executive	Servera Planas, Vanessa	Servera Planas, Vanessa	-

Note: On 04/02/2025 Mr Pere Cots Juvé was appointed as a member of the Supervisory Board, and on 26/02/2025 as a member of the Joint Audit and Control Committee and of the Appointments and Remuneration Committee.

Table 3. 3Composition of the ICF Group's governing bodies

Supervisory Board

The Supervisory Board has the broadest powers concerning the management of the institution and is its highest decision-making body. It also oversees the entire operation of the corporate governance system, the integrity of reporting systems, the information disclosure process, and the effective oversight of senior management. The decisions taken in this governing body relating to the management and supervision of risks are based on a comprehensive analysis of all those factors that have a degree of influence on the organisation. It also, therefore, takes into account the risks affecting the other subsidiaries making up the ICF Group, while respecting the organisational and decision-making structure of the subsidiary concerned. Moreover, the Supervisory Board is responsible for approving policies on risk.

The Supervisory Board's current delegated committees are described below.

- Executive Committee
- Appointments and Remuneration Committee (ARC)
- Joint Audit and Control Committee (JACC)

The responsibilities of the Executive Committee are:

- To decide on all matters delegated by the Supervisory Board. Specifically and in accordance with the powers currently delegated, to decide on investment proposals, relating to credit risk, or investments in venture capital or financial holdings.

- To decide on new products which it is thought might have a significant impact on the entity's risk profile, and if this is considered to be the case, subsequently report on them to the Supervisory Board.
- To ensure the actions of the ICF Group are consistent with the risk tolerance framework defined by the Supervisory Board in conjunction with the other governing and management bodies.

The responsibilities of the Appointments and Remuneration Committee (ARC) are:

- To propose the criteria and policies to be applied for the composition of the Supervisory Board taking into account the principles of good repute, suitability and good governance.
- Pursuant to the suitability and incompatibility requirements set out in the regulations governing credit institutions and following the policies and procedures approved by the relevant governing bodies, assess the suitability of the members of the ICF's Supervisory Board under the terms of the relevant Regulation on the dismissal, appointment and re-election of the members of the ICF's governing bodies. The chief executive officer is responsible for reporting to this committee on the hiring of senior executives and key personnel undertaken in the performance of their duties. Key personnel are those employees who can influence the risk profile of the entity as defined in banking regulations.
- To supervise the criteria applied for the identification and development of key ICF personnel.
- To propose to the Supervisory Board the remuneration policy and the system for awarding and the amount of any fixed and/or variable remuneration of the members of the governing bodies, executives and key personnel, ensuring it is compatible with the long-term interests of the institution and with appropriate and effective risk management.
- To propose to the Supervisory Board programmes aimed at serving members of the governing bodies to update their knowledge.
- To inform and give its opinion to the Supervisory Board regarding transactions that involve or may involve conflicts of interest in accordance with the Code of Good Practice and on related party transactions.
- At the request of the Chair of the Supervisory Board, to issue an opinion for the Board to decide on the authorisation for any member of the governing bodies to take up a new office in a different entity or on the early dismissal of an independent member of any governing body of the institute.
- To make recommendations to the Supervisory Board for the appointment of a new chairperson or chief executive and, if necessary, make proposals to ensure that the process takes place in an orderly and well-planned manner.
- To monitor and follow up cases of bullying and sexual harassment involving key personnel.

The responsibilities of the Joint Audit and Control Committee (JACC) are:

- To supervise the efficacy of the control of the entity and the functions of internal audit, regulatory compliance and internal control, global risk control and risk management and information systems. Also to supervise information security management tasks and conduct half-yearly follow-up of the indicators and controls relating to its governance.
- To approve or amend the bylaws governing the functions referred to in the previous paragraph while at the same time guaranteeing their independence and universal nature.
- To give its opinion to the Supervisory Board prior to decisions concerning any matter within its powers together with any financial information to be published, on the creation or acquisition of holdings in entities whose purpose or location is different from those approved in the ICF's policy on investment.

- To supervise the preparation and presentation of regulatory financial information, ensuring its compliance with legal requirements and the proper application of accounting principles.
- To be promptly advised of any monitoring or request for information by a supervisory body, irrespective of the department responsible for complying with such requests.
- To define the entity's tolerance to general risks, ensure that the risk profile remains within the objectives and keep the Supervisory Board informed of the measures adopted to correct any variance that may arise.
- To establish and supervise a mechanism that enables employees to confidentially report any potentially significant irregularities.

<u>Chief Executive Officer</u>

The CEO is freely appointed and removed by the Catalan Government on the proposal of the Minister of Economy and Finance following a favourable report by the Appointments and Remuneration Committee. They are responsible for the ordinary and extraordinary representation of the ICF in all areas and situations. Since 10 January 2023, the ICF's CEO has been Ms Vanessa Servera i Planas.

The duties of the CEO include:

a) Managing and implementing the agreements and guidelines approved by the Supervisory Board.
b) Coordinating and supervising the work delegated by the Supervisory Board to the institution's committees and management bodies referred to in point (f).
c) Senior management and hiring of staff at the Institut Català de Finances and also appointment of the managers of its functional departments.
d) Representing the Institut Català de Finances on the governing boards of the companies in which it has direct or indirect investments, without prejudice to representing the Institute in such other areas as may be agreed upon.
e) The internal organisation and structure of the Institut Català de Finances in accordance with the guidelines approved by the Supervisory Board concerning its functional departments and services, executive committees and investment committees, in the manner they consider most suitable for the successful performance of its ordinary operations, including the appointment of managers and specifying the employment system.
f) Exercising the powers delegated to them by the Supervisory Board which will be set out in an Authority document.

The CEO may submit for the approval of the Supervisory Board any expedient changes and alterations in delegated powers required to keep them updated based on the conclusions drawn by the management and/or governing bodies tasked with overseeing their application.

Management divisions and committees

The roles of the main divisions engaged in risk control and management are set out below.

The Risk Monitoring and Management division's roles include:

- Systematic monitoring and annual review of risks above a certain threshold set by policy;
- Symptomatic monitoring: actions to be taken in the event of alerts generated by the system;
- Analysis and evaluation of adjustments to operations due to customer payment difficulties;
- Managing operations subject to irregularities to recover the investment;
- Deciding upon the recovery strategy and its transfer to litigation.

The Global Risk Control division's roles include:

- Systematically monitoring and analysing the evolution of all the ICF Group's relevant risks and checking that they are in line with the established policies.
- Proposing guidelines, methodologies and strategy for the management of all risks.
- Ensuring the integrity of the information systems and risk measurement techniques used to monitor the Group's risk profile relative to its risk appetite.
- Monitoring and regular reporting of the main banking book risks to the Assets and Liabilities Committee (ALCO).
- Monitoring and reporting the main risk indicators and their controls to the Joint Audit and Control Committee (JACC) and where needed to other committees.

The Compliance and AML division's roles include:

- Developing a control environment for all legislation covering the effective supervision of risks requiring the establishment of internal control mechanisms and defining procedures for related activities, such as the prevention of money laundering and terrorist financing and data protection.

- Monitoring internal issues that may be significant for the reputation of the ICF and its Group and contributing to the development of measures which the Regulatory Compliance division will be involved in implementing such as codes of conduct, security or internal governance.

- Submitting an annual work plan to the Joint Audit and Control Committee (JACC) for approval together with regular performance reports.

The Internal Audit and Control division has a number of roles including:

- Preparing internal audit and control plans which are to be reviewed at least once a year. They must take into account the specific requirements of the Joint Audit and Control Committee and be submitted for its consideration and approval.

- Examining and assessing management systems and procedures, risk assessment and control, and the assessment methods used.

- Regularly monitoring the compliance, appropriateness and effectiveness of the Group's policies, procedures, information systems and internal control systems, ensuring they conform to laws, standards and regulations. In particular, overseeing the internal financial reporting control system.

- Ensuring the Corporate Risk Map is maintained and updated to furnish a global and uniform view of the risks to which the entity is exposed.

- Providing guidance and support in identifying, assessing, monitoring, managing and mitigating the entity's risks.

Given their importance and relevance in the organisation and in risk management, the main management bodies involved are described below. Notwithstanding the above roles and responsibilities, in 2024 the management committees have been as follows:

- Management Committee: In this area it is responsible for actions concerning the supervision of all the ICF Group's risks and evaluating suitability for the target risk profile, validating that risks borne are compatible with the level of solvency and ensuring compliance with internal limits.

- Technical Liquidity Committee, whose main role is determining and updating cash needs so that the Treasury area can propose actions to the ALCO.

- Asset and Liability Committee (ALCO): it is responsible for supervising interest rate, liquidity and funding risks. It also checks that investment and financing strategies are optimal and consistent with the profitability and risk levels which the Group is prepared to assume.

- Monitoring Committee (MOCO): responsible for reviewing portfolios and customers under special monitoring and refinancing with control over the evolution of loan quality. Additionally, deciding on the management, accounting classification and provisions to be established for all holders, except for those classified as non-performing due to default.

- Credit Investments Committee (CINC): it may take decisions on credit risk investment proposals within its remit in accordance with the established decision thresholds and may amend transactions, facilities and agreements. It may also take decisions on the alignment and exploitation of assets that have been acquired in legal proceedings.

- ICF Capital's Analysis Committee whose roles include supervising the performance of the venture capital instrument investment portfolio coupled with analysis of investment or divestment operations to be submitted to the Board.

- The Capital Investment Committee whose main roles include decisions on investments or divestments in venture capital instruments.

- The Venture Capital Committee – IFEM whose roles include recommending investments, amendments and additional or complementary investments.

- The Digital Information Security Committee (DISC) whose roles include reporting regularly on information security to the Management Committee.

- The **Internal Control Body (ICB)** which is responsible for designing and coordinating Anti-Money Laundering (AML) policies and its roles include analysis and resolution of AML alerts reported to it.

5. ELIGIBLE CAPITAL AND CAPITAL REQUIREMENTS

5.1 Regulatory framework

The breakdown of the ICF Group's eligible capital is established as shown in Part Two of Regulation (EU) No 575/2013. When applied to the ICF Group, eligible capital is made up of the sum of Tier 1 capital plus Tier 2 capital. The components of Tier 1 capital are defined in Chapter 1 Article 25 of the CRR. Prudential filters are defined in Articles 32 to 35 of the Regulation. The ICF Group's Tier 2 capital complies with Article 62(c).

5.2 Eligible capital

Below is a breakdown of the items comprising the ICF Group's eligible capital at 31 December 2024 as well as a comparison with 31 December 2023:

ICF GROUP ELIGIBLE CAPITAL	2024	2023	Differences
Tier 1	994.9	993.0	1.9
Paid-up capital	693.1	693.1	0.0
Reserves	278.6	255.1	23.5
Profit(loss) for the year	33.1	49.5	-16.4
(-) Intangible assets	-0.2	-0.4	0.2
(-) Deduction for material financial investments	0.0	0.0	0.0
(-) Deduction for non-material financial investments	-53.7	-37.0	-16.7
(+/-) Valuation adjustments	43.9	32.6	11.3
Tier 2	24.0	20.5	3.5
General provision (*)	115.1	92.1	23.0
(-) Excess general provision	-91.1	-71.6	-19.5
Eligible capital = Tier 1 + Tier 2	1,018.9	1,013.5	5.4

(*) Hedging not assigned to individual operations

Table 4. 4Annual comparison of the breakdown of the Group's eligible capital

At year-end 2024, Tier 1 capital was EUR 994.9 million, similar to the previous year, mainly due to the fact that the results generated during 2024 have been offset by the payment of a dividend to the shareholder (the Government of Catalonia) of EUR 25 million charged to the 2023 financial year and by the increase in deductions owing to greater venture capital business in 2024.

Tier 2 capital has been increased by EUR 3.5 million due to the calculation methodology of its constituent item, generic coverage not allocated at an individual level, which results in a percentage of certain risk-weighted assets, and these have increased in 2024.

Total regulatory capital, which is the sum of Tier 1 capital plus Tier 2 capital (the ICF Group does not include any capital items eligible as Additional Tier 1), has increased compared to year-end 2023 by EUR 5.4 million to EUR 1,018.9 million.

The chart below shows the performance of eligible capital through its various components:

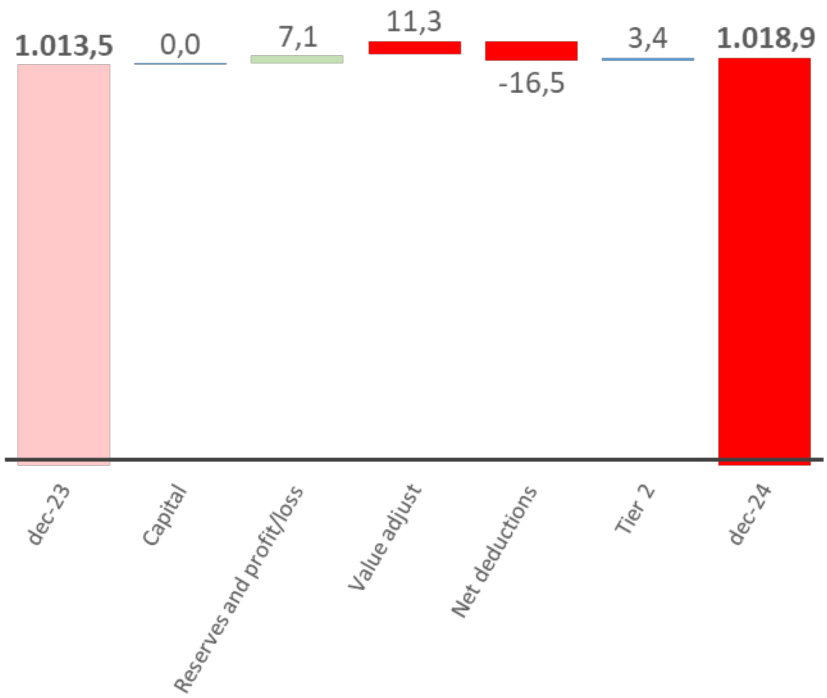


Figure 4. 4Annual performance of the ICF Group's eligible capital. The *net deductions* item also includes change in intangible assets.

5.3 Capital requirements

Credit risk and operational risk are the ICF Group's only Pillar I risks with capital requirements. The Group's main risk is credit risk[2] at 94.5% of capital consumption followed by operational risk at 5.5% (Figure 5). As the ICF Group has no positions in the trading book at the end of December 2024, it is exempt from capital requirements for market risk.

[2] Credit risk also includes counterparty and CVA risk.

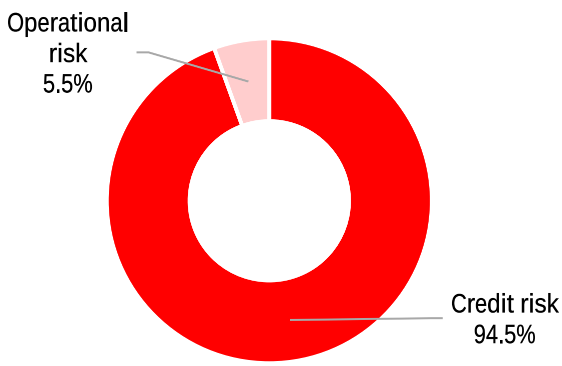


Figure 5. 5Capital consumption by risk type (Pillar 1 risks).

The assets included in the calculation of the capital requirements for credit risk are assessed in accordance with the standardised approach set out in Regulation (EU) No 575/2013, taking into account where applicable the amendments introduced by Regulation (EU) No 2019/876. Below is a table breaking down by product and risk the calculation of risk-weighted assets and capital requirements for Pillar I risks as at 31 December 2024:

Millions of euros	Regulatory exposure (1)	Regulatory net exposure (2)	Risk weighting	Risk-Weighted Assets (RWAs)	Pillar I risks cap. req. (8% RWA)	%
CREDIT RISK	3,901.1	3,548.1	79%	2,804.0	224.3	94.5%
a) Credit investment	2,831.6	2,532.3	71%	1,792.6	143.4	60.4%
Loans	2,692.5	2,429.8	71%	1,720.8	137.7	58.0%
Standard risk	2,540.3	2,404.6	70%	1,684.5	134.8	56.8%
Non-performing	152.2	25.2	144%	36.3	2.9	1.2%
Guarantees:	137.9	101.3	70%	71.2	5.7	2.4%
Standard risk	129.8	100.8	70%	70.5	5.6	2.4%
Non-performing	8.14	0.5	140%	0.7	0.1	0.0%
Pass-through loans	1.2	1.2	42%	0.5	0.0	0.0%
b) Venture capital (direct and funds)	343.7	290.0	144%	416.5	33.3	14.0%
Shareholdings and venture capital (outstanding risk):	237.8	184.1	169%	310.6	24.8	10.5%
of which, subject to 150% weighting	203.4	149.7	150%	224.6	18.0	7.6%
of which, subject to 250% weighting	34.4	34.4	250%	86.0	6.9	2.9%
Venture capital (commitments)	105.9	105.9	100%	105.9	8.5	3.6%
c) Current accounts and deposits	170.5	170.5	51%	86.5	6.9	2.9%
d) Fixed income investments	276.0	276.0	52%	144.5	11.6	4.9%
e) Other assets	107.2	107.2	90%	96.2	7.7	3.2%
f) Deferred tax assets	63.8	63.8	250%	159.4	12.8	5.4%
g) Derivatives	108.3	108.3	100%	108.3	8.7	3.6%
Counterparty risk	16.2	16.2	100%	16.2	1.3	0.5%
CVA risk (4)	92.1	92.1	100%	92.1	7.4	3.1%
OPERATIONAL RISK (5)	163.6	163.6	100%	163.6	13.1	5.5%
TOTAL	4,064.7	3,711.7	80%	2,967.6	237.4	100.0%

Table 5. 5Composition of Risk-Weighted Assets (RWAs) and Pillar 1 risk capital requirements

(1) Gross exposure of provisions. (2) Net exposure includes credit risk mitigation techniques. (3) Exposure as defined in Article 282 of the CRR-II. (4) Capital requirements for CVA risk are calculated as defined in Article 384 of the CRR. According to Article 92, exposure is calculated by multiplying capital requirements by 12.5. (5) Capital requirements for operational risk are calculated as 15% of the 3-year average for the relevant indicator, as defined in Articles 315 and 316 of the CRR. According to Article 92, exposure is calculated by multiplying capital requirements by 12.5.

The breakdown of capital requirements by product is shown below:

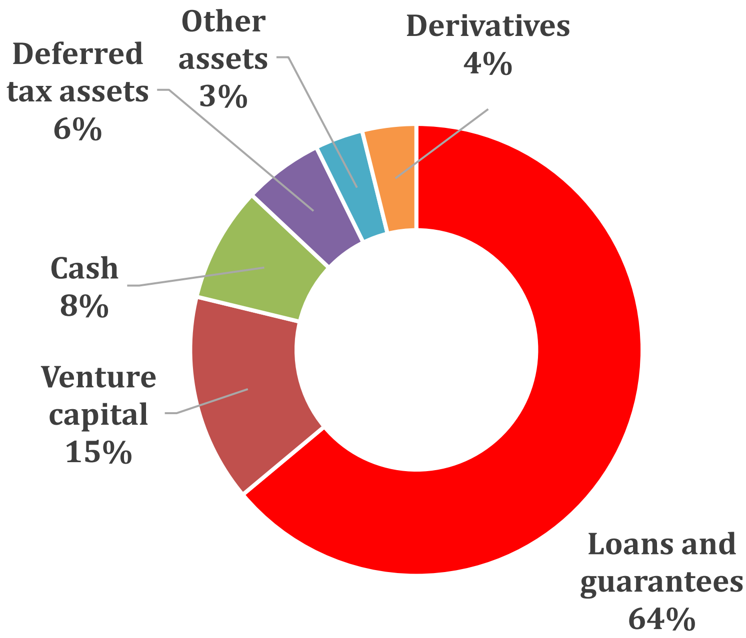


Figure 6. 6Capital consumption by product type

The ICF Group's total risk-weighted assets amounted to EUR 2,968 million, of which 60.4% were from credit investments, in line with the Group's activity.

The Pillar I minimum capital requirement at year-end 2024 is EUR 237.4 million and the ICF Group held an available capital buffer of EUR 781.5 million. For illustrative purposes, a comparative table with respect to year-end 2023 is shown below:

	2024	2023	Differences
ICF Group EC	1,018.9	1,013.5	5.4
Total RWAs	2,967.6	2,629.3	338.2
Pillar I Risks Capital Requirements (8%)	237.4	210.3	27.1
Available capital	781.5	803.2	-21.7

Table 6. 6Annual comparison of eligible capital (EC), risk-weighted assets (RWAs), capital requirements and available capital

The ICF Group complies with all regulatory limits for capital ratios as at 31 December 2024:

Capital ratios	2024	Minimum requirements				
		Total	Total (ex. countercyclical)	Minimum[3]	Capital buffer[4]	Countercyclical buffer[5]
Common Capital Ratio (CET1)	33.5%	8.0%	7.0%	4.5%	2.5%	1.0%
Total capital ratio	34.3%	11.5%	10.5%	8.0%	2.5%	1.0%

Table 7. 7ICF Group capital ratios at year-end 2024

At the end of 2024, the ICF Group's leverage ratio is 33.2%, a figure that comfortably complies with the regulatory limits set by the 3% leverage ratio following the guidelines of Article 429 in Regulation (EU) No 575/2013 and its amendment in Regulation (EU) No 2019/876 (as indicated in recital 10 of the latter).

	2024	2023	Differences
Leverage ratio	33.2%	37.8%	-4.6%

Table 8. 8Annual comparison of the ICF Group's leverage ratio.

6. CREDIT RISK

6.1 Regulatory framework

Credit risk is the possibility of incurring economic loss arising from borrowers' potential failure to meet their financial obligations. This risk is calculated according to the standardised approach (Title II, Chapter 2, Section 1 of Regulation EU No 575/2013 2013 and its amendments in Regulation (EU) No 2019/876). Credit risk adjustments and risk mitigation techniques are applied according to Articles 442 and 453 respectively of Regulation (EU) No 575/2013.

6.2 Accounting definition of default and impaired positions

[3] Chapter I, Section 1, Article 92 of EU Regulation No 575/2013.
[4] Chapter 4, Section 1, Article 129 of Directive 2013/36/EU.
[5] Countercyclical buffer of 0.5% from the fourth quarter of 2024 and applicable from 1 October 2025 plus its increase to 1% in the fourth quarter of 2025 and applicable from 1 October 2026 (Bank of Spain statement of 16 May 2024 and subsequently in the statement of 18 December 2024).

Impaired exposures and objective evidence of impairment

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.
The Group considers that there is objective evidence of impairment (OEI) when one or more events with a negative impact on its estimated cash flows have occurred. Observable data relating to the following events constitute evidence that a financial asset is credit-impaired:

- Unpaid instalments past-due 90 days. Likewise, all operations of a borrower 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 by the lender of concessions 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.

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.

A table of the main credit risk indicators at December 2024 (and a comparison with December 2023) is shown below:

	2024	2023	Differences
Total portfolio (millions of euros)	2,395	2,228	150
Non-performing (millions of euros)	160.3	166.6	0.6
NPL ratio	6.7%	7.5%	-0.4%
Coverage ratio	158.6%	139.2%	29.1%

Table 9. 9Annual comparison of portfolio volume and non-performing risk (includes loans and guarantees gross of provisions), NPL ratio and coverage ratio.

6.3 Valuation adjustments due to impairments and allowances for contingent liabilities and commitments

Credit risk impairment provisions are calculated on the basis of the criteria set out in Bank of Spain Circular 4/2017, as amended by Circular 6/2021. These provisions may be supplemented by any additional amounts judged necessary to reflect the particular characteristics of borrowers, sectors or portfolios that cannot be identified in the general process of estimating the impairment provision.

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 any 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 transaction (discounted using the original effective interest rate) and its carrying amount. Accordingly, both the going concern and the gone concern hypotheses are considered.

- Customers 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 transactions and coverage for specific transactions 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 based on their risk characteristics and management's estimate of the amount of expected loss based on our current economic conditions.

6.4 Changes due to impairments and provisions for credit risk

At 31 December 2024, hedging for non-impaired operations includes an amount of EUR 92,150 thousand (EUR 77,822 thousand in 2023) for transactions classified as standard and EUR 64,940 thousand (EUR 47,567 thousand euros in 2023) for transactions classified as standard under special surveillance. Table 10 shows the changes in impairment losses recorded in 2024.

The calculation of provisions for credit risk impairment, calculated in accordance with the accounting policy described in note 2, has been supplemented by additional allowances derived from the macroeconomic and geopolitical environment, a situation which generates uncertainty about the evolution of the Group's customers' businesses and, therefore, about the severity of the loss they may generate in the event of default, which the institute has stressed to assess its potential impact. 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, amounting to EUR 77,285 thousand and EUR 37,247 thousand for stages 1 and 2 respectively (EUR 60,126 thousand and EUR 25,403 thousand at 31 December 2023).

Millions of euros

2024	Stages 1 and 2 Not Impaired		Stage 3 Impaired		Total
	Individual	Collective	Individual	Collective	
Gross amount					
Balance at 1 January 2024	-	1,989.8	34.7	124.6	2,149.1
Balance at 31 December 2024	-	2,108.8	38.6	116.2	2,263.6
Impairment					
Balance at 1 January 2024	-	125.4	30.0	51.1	206.5
Charges/Recoveries	-	29.0	5.8	10.8	45.6
Transfers between stages	-	2.7	-	2.7	-
Transfer to write-offs	-	-	-	2.4	2.4
Balance at 31 December 2024	-	157.1	35.8	56.8	249.6

Table 10. 10Breakdown of the annual evolution of accounting provisions for credit risk corresponding to customer loans (includes equity loans and excludes guarantees).

6.5 Geographical distribution of exposures

The classification of the ICF Group's loan portfolio by area of investment as at 31 December 2024 is shown below. The Group's operations focus on promoting the growth of Catalan companies, so its natural area of activity is the Region of Catalonia:

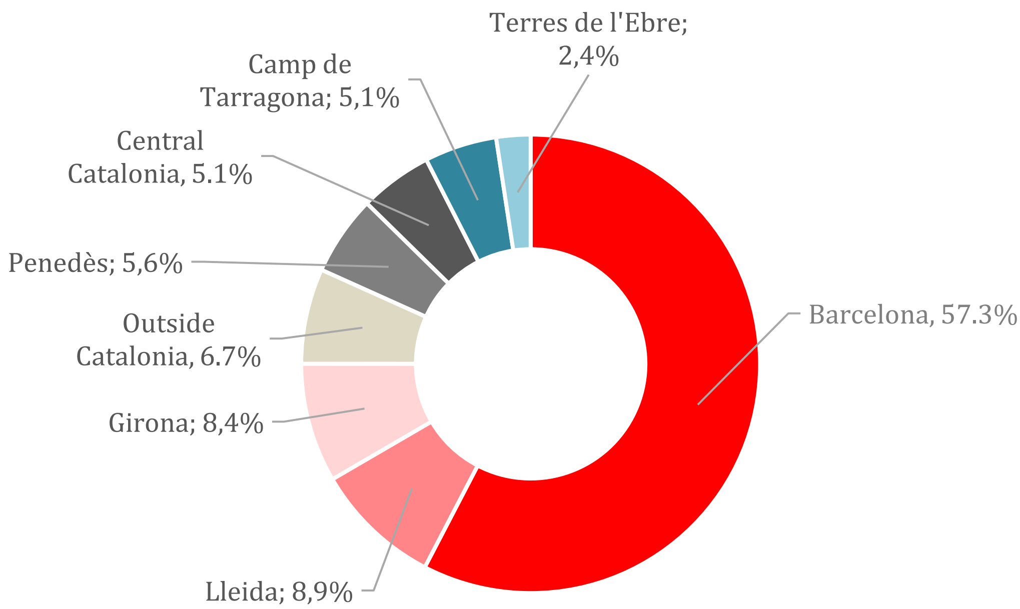


Figure 7. 7Territorial distribution of the loan portfolio (calculated by gross exposure)

The geographical breakdown used is based on traditional Catalan jurisdictions (*vegueries*). The Barcelona area represents 57.3% of the ICF's portfolio, in line with its share of Catalonia's total GDP.

The table below shows the gross carrying amount of loans broken down into performing and non-performing loans, provisions for impairment and net carrying amount (total carrying amount less provisions for impairment) by county investment area:

Millions of euros	Non-performing	Performing	Provisions	Total[6]
Alt Pirineu and Aran	2.5	9.6	-0.8	11.3
Barcelona	135.7	1,238.1	-198.3	1,174.7
Camp de Tarragona	7.2	114.4	-13.9	107.7
Central Catalonia	5.0	117.5	-10.8	111.7
Girona	2.4	197.9	-7.8	192.6
Lleida	1.3	212.5	-6.4	207.6
Penedès	3.3	130.5	-10.8	123.1
Terres de l'Ebre	0.1	57.4	-1.0	56.5

[6] The differences between this total net credit risk exposure as calculated by the solvency ratio are caused by the different treatment of generic provisions, valuation adjustments and managed funds.

Outside Catalonia	2.8	157.3	-4.5	155.9
TOTAL	160.3	2,235.1	-254.4	2,141.1

Table 11. 11Territorial distribution of non-performing loans and (standard and specific) accounting provisions for credit risk (loans and guarantees, not including equity loans).

6.6 Distribution of exposure by counterparty or sector

The segmentation of the loan portfolio as at 31 December 2024, distributed by NACE, is shown below:

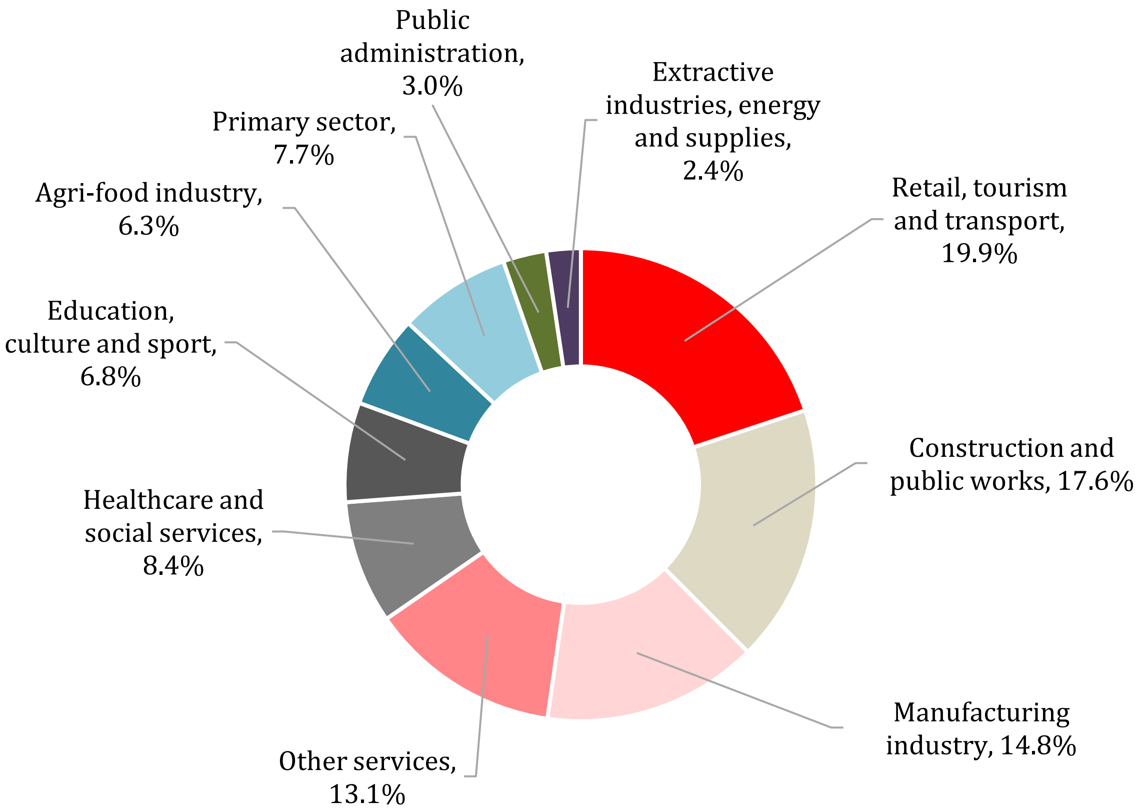


Figure 8. 8Sector segmentation of the loan portfolio (calculated by gross exposure)

The table below shows the gross carrying amount of the loan portfolio broken down into performing and non-performing loans, provisions for impairment and net carrying amount (total carrying amount less provisions for impairment) by investment sector:

Millions of euros	Non-performing	Performing	Provisions	Total
Retail, tourism and transport	34.2	442.7	-49.5	427.5
Construction and public works	17.9	403.8	-28.7	393.0
Manufacturing industry	38.3	315.1	-47.5	305.8
Other services	50.1	264.1	-77.7	236.4
Healthcare and social services	1.1	200.8	-14.7	187.2
Primary sector	1.4	183.3	-3.0	181.7

Education, culture and sport	10.1	153.1	-13.3	149.9
Agri-food industry	5.6	146.4	-10.6	141.4
Public administration	0.0	71.0	0.0	71.0
Extractive industries, energy and supplies	1.7	54.7	-9.4	47.0
TOTAL	160.3	2,235.1	-254.4	2,141.1

Table 12. 12Sector distribution of non-performing loans and accounting provisions for credit risk (includes loans and guarantees and excludes equity loans)

Investment in the construction and public works sector derives solely and exclusively from investment through social housing and public works facilities.

6.7 Distribution of exposure by residual maturity

The table below shows the maturity of cash instruments, customer loans, deposits with credit institutions and debt securities at 31 December 2024 based on their tenor according to their contractual terms:

Millions of euros	Demand deposits	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Cash, deposits in central banks and other demand deposits	*128.2*	-	-	-	-	-	*128.2*
Loans and receivables	-	*31.6*	*80.1*	*254.6*	*981.0*	*715.3*	*2,062.7*
Deposits with credit institutions	-	*4.3*	*30.4*	*5.3*	*3.0*	*0.2*	*43.2*
Central banks	-	-	-	-	-	-	-
Customer loans	-	*27.3*	*49.7*	*249.3*	*978.0*	*715.1*	*2,019.5*
Debt securities	-	*16.0*	*34.0*	*94.2*	*129.4*	*2.4*	*275.9*
Total	*128.2*	*47.6*	*114.1*	*348.8*	*1,110.4*	*717.7*	*2,446.8*

Table 13. 13Time distribution of expected cash flows (data with value adjustments).

6.8 Impairment losses and reversals for previously recognised losses

Impairment losses on financial assets not measured at fair value through profit(loss) for 2024 and 2023 are as follows:

Millions of euros	2024	2023
Impairments or (-) or reversals of impairments to financial assets not recognised at fair value through profit or loss:		

Allocations to provisions	*(60.5)*	*(46.2)*
Recoveries	*15.5*	*36.5*
Recoveries of written-off assets and other	*9.6*	*5.1*
Total loans and receivables	(35.5)	*(4.6)*
Total other available-for-sale financial assets	-	-
Financial assets at cost	-	-
Total financial assets at cost	-	-
Total	(35.5)	(4.6)

Table 14. 14Annual evolution of provisions for credit risk

6.9 External credit assessment institutions (ECAI) used

The ICF Group uses the external credit assessment institutions (ECAIs) S&P, Moody's, Fitch and DBRS, recognised by the European Central Bank, to determine the risk weights applicable to exposures from fixed income investments and positions held with financial institutions through deposits, current accounts, pass-through transactions and derivatives. The conditions indicated in Article 138 of Regulation (EU) No 575/2013 are applied to determine the final assessment for exposure.

A comparison between 2024 and 2023 of the distribution of the Group's exposures by rating for investments in fixed income and derivatives is shown below. At the end of December 2024, 99% of total exposures are in investment grade investments.

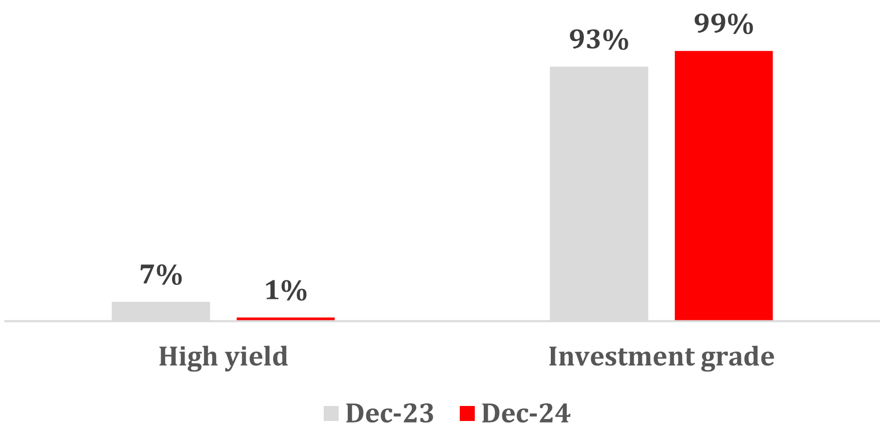


Figure 9. 9Distribution by counterparty rating of fixed income investment and derivatives

6.10 Application of risk mitigation techniques

The ICF Group uses the credit risk mitigation techniques referred to in Article 453 of Regulation (EU) No 575/2013. In this respect and following the principle of prudence, credit risk mitigation techniques are only used through guarantees when these guarantees correspond to regional governments and banking institutions (including Avalis S.G.R.), applying Article 201(1)(b) and (f) of Regulation (EU) No 575/2013, or they are mortgage collateral within the meaning of Article 199 of Regulation (EU) No 575/2013 and Article 124 of the same regulation.

Lastly, the ICF Group calculates credit risk capital requirements according to Article 501 of Regulation (EU) No 575/2013 on exposures with small and medium-sized enterprises (SMEs) which have a correction factor of 0.7619. Regulation (EU) No 2019/876 increases the application of this correction factor for exposures up to €2.5 million and applies a factor of 0.85 to exposure above this ceiling.

6.11 Capital requirements for credit risk

The ICF Group applies the standard method for calculating risk-weighted assets for credit risk. At 31 December 2024, 94.5% of risk-weighted assets (RWAs) were classified under credit risk, a total of EUR 2,804 million. It should be borne in mind that these are RWAs after applying risk reduction techniques acceptable under applicable standards. Capital requirements for credit risk amounted to EUR 224.3 million.

6.12 Capital requirements for counterparty and CVA 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 ICF Group, in compliance with Article 286 of Regulation (EU) No 575/2013, has drawn up a counterparty risk management policy which is included in the ICF Group's Financial Risk Policy.

It should be pointed out that the ICF Group does not perform repurchase operations (repos) or use credit derivatives (CDS). The ICF Group only uses financial derivatives as a tool for managing financial risk. When these operations comply with certain requirements they are treated as hedging operations.

The capital requirements regarding counterparty risk stemming from the ICF Group's positions on interest rate derivatives are calculated based on the original exposure method, using the notional value of the contract weighted for the residual maturity and rating of the financial institution.

The calculation of the credit valuation adjustment or CVA is an adjustment included in the valuation of the derivative to include the effect of the counterparty's credit risk in the measurement. The methodology used prudentially to calculate the CVA at year-end December 2024 is the standard approach methodology as indicated in Article 384 of Regulation (EU) No 575/2013.

The capital requirements for CVA resulting from the ICF Group's interest rate derivative positions are also calculated on the basis of Article 384 of Regulation (EU) No 575/2013.

At 31 December 2024, the RWAs deriving from the exposure with derivative instruments (accounting for counterparty and CVA risk) totalled EUR 108.3 million and the capital requirements stood at EUR 8.7 million.

6.13 CMOF/ISDA agreements and netting processes

When the ICF Group designates a transaction as a hedge, it does so from the date of inception of the transactions or instruments included in that hedge and provides adequate documentation of the hedging transaction in accordance with current regulatory requirements. The hedge accounting documentation includes adequate identification of the hedged 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 uses ISDA (International Swaps and Derivatives Association) or Spanish CMOF (Contrato Marco de Operaciones Financieras) contracts to secure counterparty derivatives. The ISDA and CMOF contracts have enabled the ICF Group to establish netting agreements with the derivative counterparties it trades with, allowing it to offset between contracts of the same type. The offsetting of positive and negative derivative market values with the same counterparty allows the Group, in the case of the bankruptcy of the former, to owe (or be owed) a single amount, and not a set of values for each individual transaction.

The ICF Group complies with the requirements of EMIR (Regulation No 648/2012), EMIR Refit (Regulation No 2019/834) and most recently the latest amendment, published on 5 December 2024, EU Regulation 2024/2987. The regulation specifies reporting obligations for entities which trade in derivatives. In the ICF Group, the only entity trading in derivatives is the ICF, which is classified as a Non-Financial Counterparty (NFC) for EMIR reporting purposes.

7. MARKET RISK IN THE TRADING BOOK

Market risk is defined as the possibility of incurring losses in the value of positions held in financial assets in the trading book due to price variations.

7.1 Capital requirements for market risk

Pursuant to Article 325a(1) of Regulation (EU) No 2019/876, they are exempt from market risk capital requirements when the trading book business is small. In this respect, the ICF Group has no positions in the trading book at the end of December 2024 and therefore does not have any capital requirements for market risk.

8. INTEREST RATE RISK IN THE BANKING BOOK

8.1 Regulatory framework

Article 448 of Regulation (EU) 2019/876 (CRR II), amending Regulation (EU) 575/2013, states that financial institutions must disclose the following information concerning exposure to interest rate risk on positions not included in the trading portfolio:

- The nature of the interest rate risk, basic assumptions and the frequency with which it is calculated;

- Changes to revenues, economic value or other relevant measures used as a result of changes in interest rates.

Article 98(5) of Directive 2019/878 (CRD V) amending Directive 2013/36/EU sets out the technical criteria for the supervisory review and assessment of institutions' exposure to interest rate risk in the banking book through measures of the impact of changes in the interest rate curve on economic value and net interest income.

8.2 Nature of interest rate risk

Interest rate risk in the banking book is inherent to the activity of the ICF Group and is caused by changes in the yield curve, which impact net interest income and on the economic value of the entity.

The main sources of interest rate risk affecting the ICF Group are:

- Reinvestment or repricing risk: caused by differences in the time of maturity or the repricing of lending and borrowing transactions. For fixed-rate transactions, the risk occurs at the time of maturity, while for variable-rate transactions, this happens when the coupon is reset;
- Basis risk: this arises when the asset and liability positions are benchmarked against different repricing bases (EUR3M, EUR6M, EUR12M);
- Yield curve risk: caused by unexpected movements or changes in interest rates that do not affect all periods of the curve equally;
- Optionality risk: risk arising from explicit or implicit options affecting assets or liabilities.

8.3 Management of interest rate risk in the banking book

The ICF Group monitors metrics of interest rate risk in the banking book on a monthly basis. This monitoring includes risk limits, which are defined in the Group's policies. The results of monitoring this risk are reported on a monthly basis to the Asset and Liability Committee (ALCO) and on a quarterly basis to the Joint Audit and Control Committee (JACC).

Risk monitoring metrics

Currently, the ICF Group uses the following structural interest rate risk metrics:

- Repricing gap. This measures net interest income sensitivity to changes in the yield curve caused by different maturity schedules or repricing of lending and funding transactions which are sensitive to interest rate movements.
- Net interest income (NII) sensitivity. This measures the impact on net interest income of changes in the yield curve. It is evaluated by comparing the 1-year net interest margin according to the base scenario corresponding to the implicit market rate scenario with the net interest margin obtained in a stress scenario, designed using disruptions in the market yield curve. Its

result is expressed as the ratio of these two magnitudes. Net interest income sensitivity is a metric based on dynamic scenarios, in other words, simulations of future balance sheet behaviour.

- Economic value (EV) sensitivity. It measures the impact on the present value of balance sheet assets and liabilities of changes in the yield curve. This impact is evaluated by comparing the economic value calculated in the base scenario, which includes implicit market curves, with the result of the EV calculated for a stressed scenario, designed using disruptions in the market yield curve. The result is expressed in relation to the economic value of interest rate sensitive balance sheet items.

Net interest income and economic value sensitivity

The ICF Group has defined various scenarios to calculate the impact on net interest income and economic value. The main scenarios used are detailed below.

- Regulatory scenario. This scenario is defined in the EBA/GL/2022/14 guidelines and applies an instantaneous parallel shift of -200 bp at all points on the yield curve.

- Parallel scenario (+/-100 bp). This scenario applies an instantaneous parallel shift of +/-100 bp at all points on the yield curve.

Below are the results of the changes in economic value and net interest income with two different curve change scenarios.

Scenario	Change in Economic Value	Change in Net Interest Income
Regulatory scenario (+/-200 bp)	-1.6% / +2.4%	+3.8% / -3.4%
Parallel scenario (+/-100 bp)	-0.9% / +0.9%	+1.9% / -1.8%

Table 15. 15Economic value and net interest income sensitivity to scenarios of instant and parallel shifts in the yield curve

Furthermore, Article 98(5) of Directive 2019/878 (CRD V) defines the supervisory review and assessment of net interest income and economic value sensitivity metrics under six supervisory scenarios defined in the EBA/GL/2022/14 guidelines. These scenarios have a floor below 0% and act dynamically depending on the current rate environment:

- *Parallel Up:* parallel increase of all points of the curve by +200 bp;
- *Parallel Down:* parallel decrease of all points on the curve by -200 bp;
- *Steepener:* fall in short-term rates and increase in long-term rates. Overall increase in the slope of the curve;
- *Flattener:* increase in short-term rates and fall in long-term rates. General decline in the slope of the curve;
- *Short Up:* increase in short-term rates;
- *Short Down:* decrease in short-term rates.

These scenarios include a -1.5% floor on immediate maturities which gradually increases by +3 basis points to 0% at maturities of 50 years or longer as determined by the EBA's technical standards (EBA/RTS/2022/10, Article 4(k)).

Directive 2019/878 (CRD V) determines minimum thresholds for changes in economic value and net interest income above which supervisory mechanisms are triggered. Specifically, for economic value, a -15% change in Tier 1 capital, assessed as the worst-case of the six supervisory shock scenarios (Article 98(5)(a)) and a significant decrease in the case of changes in net interest income (Article 98(5)(b)). In the latter, the EBA Technical Standard (EBA/RTS/2022/10) defines a significant decrease as a limit of 2.5% of Tier 1 capital while the EBA's opinion report in 2023 (EBA/Op/2023/03) suggested raising it to 5%.

The results of this supervisory outlier test (Table 16) show levels below the established supervisory limits.

EBA scenarios (SOT)	Change in Economic Value	Change in EV (€m)	Change in Net Interest Income (€m)
Parallel Up	-1.6%	-16.4	2.1
Parallel Down	+2.4%	24.0	-1.9
Steepener	+1.2%	12.2	
Flattener	-1.5%	-14.8	
Short Rates Up	-1.9%	-19.1	
Short Rates Down	+2.0%	20.5	
Maximum Loss		-19.1	-1.9
% of CET1		**-1.9%**	**-0.2%**

Table 16. Sensitivity of economic value and net interest income for the SOT scenarios defined by the EBA. The maximum is the worst case scenario.

Repricing gap

The static repricing gap (assets minus liabilities) in millions of euros at the end of 2024 is set out below. The graph shows the discrete structure, at monthly intervals up to 1 year, and its cumulative structure:

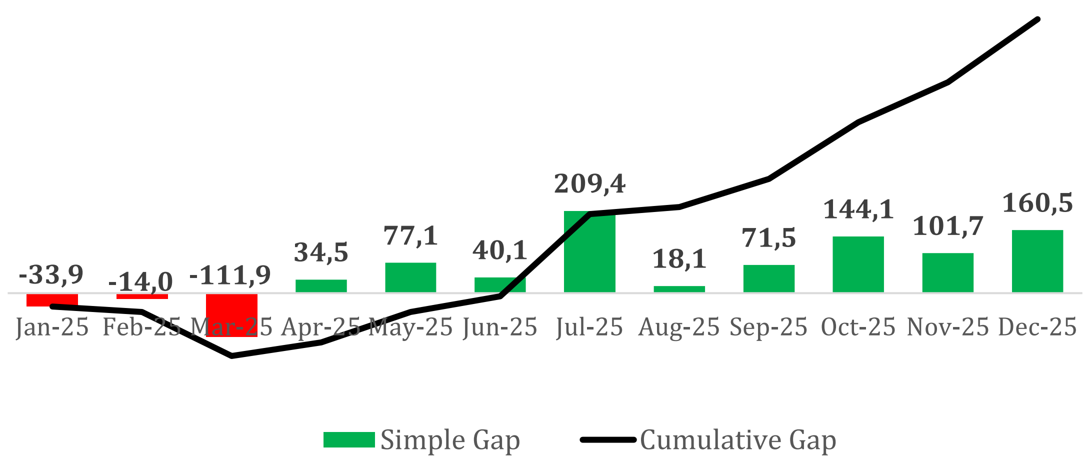


Figure 10. 1012-month repricing gap (*figures in millions of euro*)

The following table also shows the repricing gap for a period of 25 years:

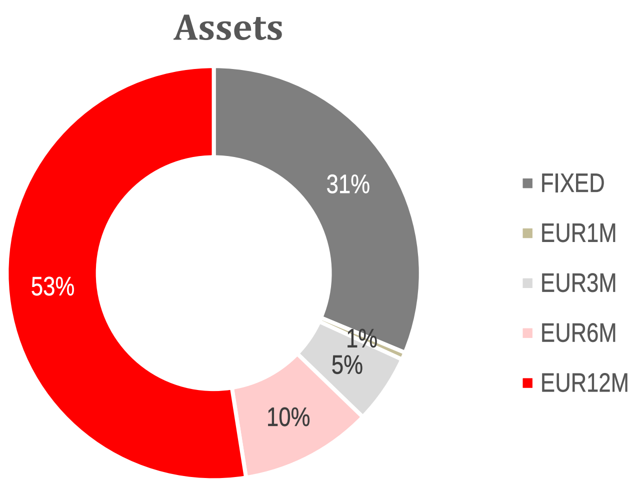
Millions of euros	IR-Sensitive Balance	% of total assets	STATIC GAP

RENEWAL	Assets	Liabilities	Assets	Liabilities	Simple	Cumulative	Cum. gap
Up to 1 month	159.1	193.0	5.5%	6.7%	-33.9	-33.9	-1.2%
1 to 3 months	404.5	530.4	14.0%	18.4%	-125.9	-159.8	-5.5%
3 to 6 months	500.3	348.7	17.4%	12.1%	151.6	-8.2	-0.3%
6 to 12 months	830.3	125.1	28.8%	4.3%	705.2	697.0	24.2%
Cumulative 12 m	1,894.2	1,197.2	65.7%	41.6%		697.0	24.2%
1 to 2 years	172.3	69.7	6.0%	2.4%	102.5	799.5	27.8%
2 to 3 years	79.5	42.2	2.8%	1.5%	37.3	836.8	29.0%
3 to 4 years	61.4	43.2	2.1%	1.5%	18.2	855.0	29.7%
4 to 5 years	68.1	41.4	2.4%	1.4%	26.6	881.6	30.6%
5 to 7 years	48.8	70.6	1.7%	2.5%	-21.8	859.9	29.8%
7 to 10 years	46.3	50.5	1.6%	1.8%	-4.2	855.7	29.7%
10 to 15 years	56.1	35.9	1.9%	1.2%	20.2	875.9	30.4%
15 to 20 years	48.9	33.4	1.7%	1.2%	15.4	891.3	30.9%
20 to 25 years	28.4	22.9	1.0%	0.8%	5.4	896.7	31.1%
25 to 30 years	20.2	21.5	0.7%	0.7%	-1.3	895.4	31.1%
TOTAL	2,524.1	1,628.6	87.6%	56.5%		895.4	31.1%

Table 17. 16Repricing gap up to 25 years

Basis risk

The Group also controls its basis risk, analysing the distribution of benchmark bases for both assets and liabilities to determine whether their distribution in the balance sheet is in line with the Group's target interest rate exposure. The breakdown at 31 December 2024 is as follows:



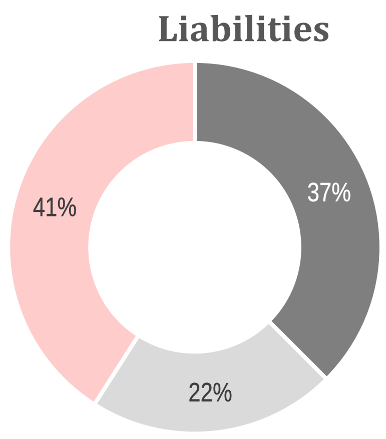


Figure 11. 11Distribution of assets and liabilities by type of curve.

8.4 Capital requirements for interest rate risk

The ICF Group has no capital requirements for interest rate risk.

9. EXCHANGE RATE RISK

9.1 Capital requirements for exchange rate risk

In accordance with Article 351 of Regulation (EU) No 575/2013 and its extension in Article 325a of Regulation (EU) No 2019/876, capital requirements for exchange rate risk may be considered to be zero when the sum of the overall net positions in foreign currency does not exceed 2% of eligible capital.

The ICF Group has no capital requirements for exchange rate risk.

10. LIQUIDITY RISK

10.1 Regulatory framework

According to Directive 2013/36/EU, institutions must identify, measure, manage and control liquidity risk. Similarly, Regulation (EU) No 575/2013 refers to the publication of policies to manage this risk as part of Pillar III.

For the purposes of regulatory liquidity metrics, Regulation (EU) No 2019/876 amending Regulation (EU) No 575/2013 includes changes to the net stable funding ratio (NSFR), one of which is that institutions will have to maintain an NSFR of at least 100% (Article 428(b), paragraph 2).

10.2 Nature of liquidity risk

The ICF Group is exposed to the following liquidity and funding risks:

- **Financing liquidity risk**: probability that the organisation will incur losses or be unable to take on new business due to the inability to meet its commitments or finance additional needs;

- **Market liquidity risk**: this is the risk to which the entity is exposed when it is unable to unwind a particular position as a result of market imperfections.

10.3 Management of liquidity risk

Unlike other financial institutions, the ICF Group has two distinctive features that simplify its liquidity management:

1. **Absence of retail or wholesale deposits.** The Group sources financing in the capital markets by means of debt issues, loans and promissory notes. Except for promissory notes, which are contracted with maturities of between 12 and 18 months, the rest of the instruments have long maturities.

2. **Activity focused on the medium and long term.** The ICF Group awards financing with longer maturity periods than the private sector average.

These two standout features result in an alignment of maturities between assets and liabilities coupled with stable liquidity which enables a management approach targeting the medium and long term to a greater extent. In terms of intraday liquidity management, payment commitments are largely covered by liquid cash, the upshot of conservative liquidity policies.

Likewise, to enhance its liquidity to cope with unforeseen scenarios, the ICF Group has a €100 million loan agreement in place concluded equally between two credit institutions which it renews on an annual basis.

Liquid cash at year-end 2024 and a comparison with 2023 are shown below:

	2024	2023
Current accounts (€m)	128	59
Fixed income (€m)	276	204
Deposits (€m)	40	25
Total (€m)	444	288

Table 18. 17Annual changes in the composition of the ICF Group's liquidated cash flow (management data)

Fixed income investments strictly comply with financial investment policies whose criteria include high credit ratings and short durations to ensure their status as liquid assets.

Liquidity is managed within the areas of responsibility of the three lines of defence. In particular, the following management bodies are involved:

- **Technical Liquidity Committee**: this committee reports regularly to the ALCO. It is made up of members from all the areas involved in liquidity risk management and is responsible for monitoring liquidity risk at the Group level.

- **Asset and Liability Committee (ALCO):** it is responsible for monitoring whether the Group's financial structure is in line with the liquidity needs and risk profiles established by the Supervisory Board. It also analyses liquidity scenarios and survival horizons, and proposes action plans.

The areas engaged in liquidity risk management and control are:

- **Treasury and Capital Markets**: it designs and executes strategies for managing liquidity and obtaining funding as directed by the Asset and Liability Committee (ALCO).

- **Global Risk Control**: it is in charge of tracking and monitoring the metrics defined for liquidity risk management. It monitors and tracks metrics and compliance with them as set out in policies.

Liquidity risk metrics

The ICF Group manages liquidity risk through a series of metrics that have been identified and defined to respond to the entity's risk profile. The liquidity risk metrics which are measured, monitored and managed include:

- **Static liquidity gap:** this allows the time distribution of net inflows and outflows in order to detect possible liquidity shortfalls in a particular period. It is a projection of future flows under the balance sheet depletion assumption;

- **Survival horizon:** this metric calculates the number of months an institution can meet its payment obligations without obtaining new funding. The calculation of this metric is based on dynamic scenarios;

- **Liquidity Coverage Ratio (LCR):** this is a regulatory metric defined in Delegated Regulation 2015/61 supplementing Regulation (EU) No 575/2013 in Part Six, Title I. The ratio was developed to promote the short-term resilience of the liquidity risk profile of banks by ensuring that they have sufficient high-quality liquid assets (HQLA) to survive a 30-calendar day liquidity stress scenario. A regulatory minimum of 100% is required.

- **Net stable funding ratio (NSFR):** it measures the extent to which long-term obligations are fulfilled through a variety of stable funding instruments in both normal and stressed situations. This metric includes a 100% regulatory minimum in accordance with Article 428b of Regulation (EU) No 2019/876 amending Regulation (EU) No 575/2013.

Static liquidity gap

The ICF Group monitors the static liquidity gap each month. This gap is calculated in the short and long term to analyse possible mismatches between liquidity inflows for lending transactions and liquidity outflows for funding transactions. It should be noted that the cumulative liquidity gap is always positive in the long term:

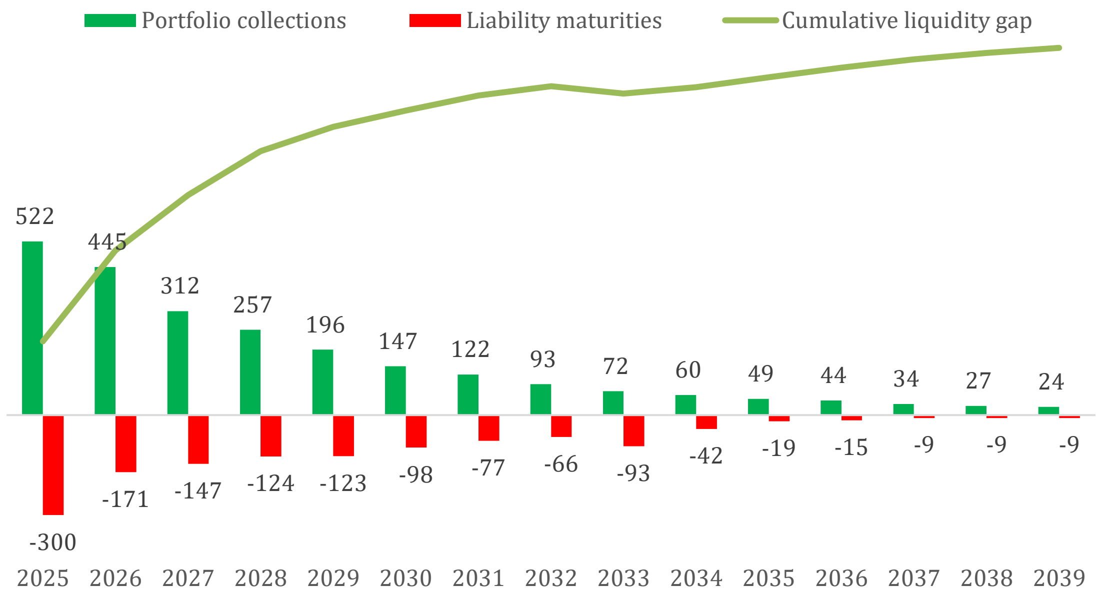


Figure 11. Annual static liquidity gap (figures in millions of euros).

Survival horizon

To calculate the survival horizon at the end of December 2024, the ICF Group started from an initial liquidity buffer of EUR 694 million made up of: (a) cash balances and deposits of EUR 168 million, (b) available credit totalling EUR 213 million, (c) a loan agreement with maturity of more than two years in the amount of EUR 50 million, and (d) fixed income which for the purposes of the calculation is assumed with a 5% loss on nominal for a total of EUR 263 million, thus simulating a volatile market when it comes to unwinding positions.
Two calculations of the survival horizon are conducted, simulating two dynamic scenarios with the following characteristics:

- Base scenario: this scenario simulates changes in the balance sheet over time, taking into account budgeted activity. It thus incorporates forecasts of disbursements according to new transactions;

- Stressed scenario: this scenario stresses the base scenario, increasing new business activity by 50% compared to base activity.

The result at year-end 2024 was a survival horizon of 11 months for the base scenario and 6 months for the stressed scenario, values that are within policy limits.

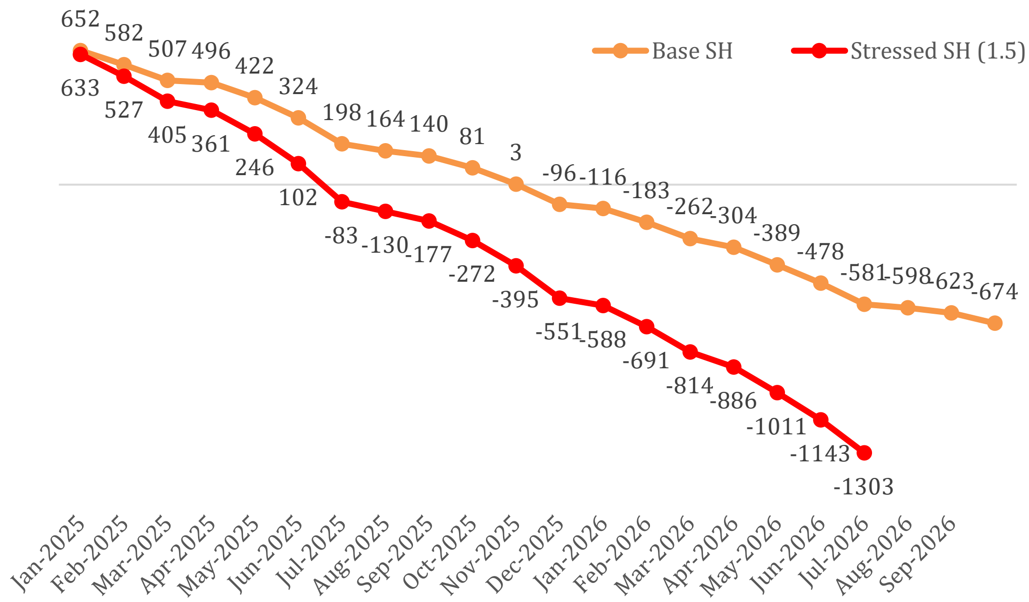


Figure 12. Evolution of cash for calculating the survival horizon.

Regulatory ratios

The ICF Group includes the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) regulatory metrics in its liquidity risk management framework in line with Article 412 in Regulation (EU) No 575/2013 and its amendment in Article 428(b) of Regulation (EU) No 2019/876 which set a minimum compliance requirement of 100%.

The ICF Group's liquidity coverage ratio closed 2024 at 509%, well above regulatory limits as a result of a conservative risk policy. High-quality liquid asset (HQLA) funds at the end of 2024 stand at EUR 270.5 million, where Tier 1 liquid assets account for 84% of total HQLA funds.

The net stable funding ratio at the end of 2024 is 126%, above the regulatory minimums (100%).

	31/12/2024	31/12/2023
LCR	509%	893%
NSFR	126%	127%

Table 20. Annual evolution of liquidity risk metrics

10.4 Funding strategies

At the end of 2024, the ICF Group had EUR 1,286 million in financing. The main sources of financing are in the capital market through own debt issues, loans and promissory notes. 73% of the financing is loans from the public banking sector. The breakdown of financing by product type is shown below:

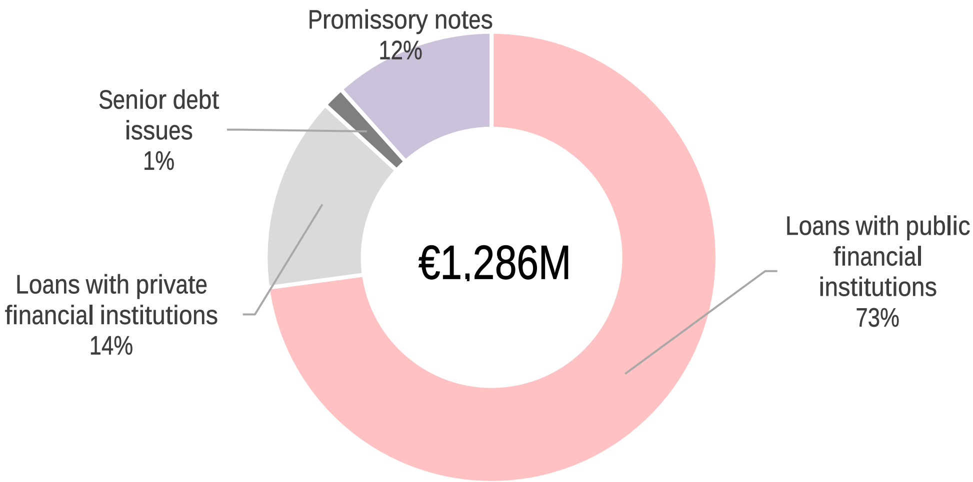


Figure 13. Distribution by type of financing product at year-end 2024.

10.5 Capital requirements for liquidity risk

The ICF Group has no consumption of own funds for liquidity risk.

11. OPERATIONAL RISK

11.1 Regulatory framework

The information concerning operational risk complies at year-end December 2024 with Article 446 in Regulation (EU) No 575/2013. The ICF Group's operational risk-weighted assets are assessed using the basic indicator approach set out in Articles 315 and 316 of the Regulation.

11.2 Definition of operational risk

The ICF Group adopts the definition of operational risk set out in Article 4 of Regulation (EU) No 575/2013: "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk".

The sources of risk the ICF Group includes in this definition are:

- Internal fraud
- External fraud
- Labour relations and workplace safety

- Customers, products and business practices
- Damage to material assets
- Business disruptions and system failures
- Process execution, delivery and management

11.3 Capital requirements for operational risk

The ICF Group performs the calculation of capital requirements for operational risk using the basic indicator approach set out in Articles 315 and 316 of Regulation (EU) No 575/2013. According to the basic indicator approach, the own funds requirement for operational risk results from multiplying the average gross margin over the last three years by a factor of 15%, as calculated as follows:

Millions of euros	Average last 3 years
Interest and similar income	95.1
Interest and similar charges	-33.8
Income from equity instruments	4.1
Commissions received	4.1
Commissions paid	-2.8
Gains or losses on financial assets (net)	0.4
Exchange differences (net)	0.0
Other operating income	20.2
Total	87.2
Risk-weighted assets (€m)	163.6
OPERATIONAL RISK (capital requirements)	13.1

Table 21. Calculation of capital requirements for operational risk

Capital requirements for operational risk amounted to EUR 13.1 million.

12. ESG RISKS

12.1 Introduction and regulatory framework

Land temperature data confirm a continuous rise in the planet's temperature over and above seasonal variations. The consequences of this global warming are triggering an increase in extreme weather events such as hurricanes, floods, fires and heat waves. These risks are classified as physical risks. In response, the Paris Agreement (COP21), a universally binding agreement on climate change, was adopted in 2015. Its main goal is to restrict the rise in global temperature to 2ºC, and preferably to 1.5ºC, compared to pre-industrial times by 2100, achieving climate neutrality by the middle of this century. To achieve these goals, the signatory countries are implementing various measures which also involve regulatory changes. These changes, which have an impact on businesses, are known as transition risk.

From the financial perspective, climate, physical and transition risks should be factored into institutions' risk management processes. In 2021, the European Central Bank brought out a guide to supervisory expectations concerning climate risks. The EBA's final guidance on ESG risk management was recently published in January 2025, following the mandate set out in CRD VI. It addresses materiality analysis, data quality and embedding ESG risks in risk management and business strategy. These guidelines will apply from 11 January 2026 and from 11 January 2027 for small and non-complex entities.

12.2 Commitment to sustainability

The ICF Group is firmly committed to sustainability and is thus a member of various initiatives. Since 2021, the ICF Group has adhered to the United Nations Global Compact for Sustainable Development. Since 2023, it has been a signatory to the Government of Catalonia's voluntary agreements for calculating its carbon footprint, agreements which also include a commitment to annual initiatives to reduce it. ICF Capital is a signatory to the United Nations Principles for Responsible Investment while since December 2024 the ICF Group has adopted PCAF methodology which involves a commitment to calculating and publishing the CO2 emissions of its portfolio.

12.3 Integration into the business model

The ICF Group continues to make progress in mainstreaming sustainability in its business model. In lending, transactions are labelled to determine their impact: environmental, social or governance. Some of the ICF's facilities already include this categorisation from the outset such as its Ecoverda facility and social housing transactions. Likewise, fixed income portfolio management also factors in ESG considerations when investing in issues.

In venture capital, ESG criteria are part of the decision about whether to invest in a fund as per Articles 8 and 9 of EU Regulation 2019/2088 on sustainability-related disclosures in the financial services sector. In terms of governance, ICF Capital has an ESG committee that oversees ESG investments.

In the first few months of 2025, the ICF Group has upgraded its framework for issuing promissory notes by adding ESG components. This will mean a maximum financing volume of EUR 200 million channelled through transactions with an environmental, social or governance impact. More information is available on the bank's corporate website.

12.4 Climate risks

The ICF Group calculates the carbon footprint of its investment portfolio (both lending and venture capital) and publishes the result in its sustainability report. This calculation is the starting point for the materiality analysis of the transition risks assessed in the portfolio. In 2025, it is planned to assess the impact of the most polluting economic sectors pursuant to the Paris Agreement by evaluating their share of the portfolio while also estimating the alignment of the lending portfolio with the Paris goals. On the physical risk side, materiality analysis is planned for 2025 to assess the potential loan portfolio risk for physical events such as floods, desertification/drought and fires.

13. INTERNAL CAPITAL ASSESSMENT PROCEDURES

Each year the ICF Group calculates its internal capital, which includes Pillar I and Pillar II risks, as part of drawing up its capital and liquidity self-assessment report. Pillar I encompasses credit risk, market risk and operational risk. The capital requirements for the first two are calculated under the standardised methodology while operational risk uses the basic indicator method. The total capital requirement at year-end 2024 for Pillar I risks is EUR 237.4 million as shown in Table 6 of this report.

Pillar II includes individual and sector concentration risk, interest rate risk and other risks. The capital requirements for all these risks are calculated using the simplified methodology described in the Bank of Spain's Capital Self-Assessment Process Guidelines. At the close of December 2024, the sector concentration risk and interest rate risk are zero and the sum of the individual concentration risk and other risks is not material with respect to the volume of equity available to the institution at year-end 2024.

This calculation is backed up by projections over a 3-year time horizon of the institution's capital and solvency based on the guidelines of the Bank of Spain's Capital Self-Assessment Process Guidelines. Projections are made with different scenarios (base and stressed) to assess the impact of solvency in situations of external economic tensions (macroeconomic scenarios) and also situations or events which the institution might find itself in (idiosyncratic scenario). The results of the stress tests show that the institution's own resources are comfortably able to cope with stress situations.

14. INFORMATION ON EQUITY INVESTMENTS AND INSTRUMENTS

14.1 Available-for-sale financial assets and portfolios held for strategic purposes

Available-for-sale assets

The changes in 2024 under “Financial assets at fair value through other comprehensive income” are as follows:

Millions of euros	2024	2023
Venture capital instruments		
Outstanding risk in venture capital entities	193.9	182.9
Valuation adjustments	36.2	13.9
Subtotal venture capital instruments	230.1	196.8
Other equity investments	40.7	40.7
Valuation adjustments	-36.2	-40.1
Subtotal other equity investments	4.5	0.6
Total capital instruments	234.6	197.4
Debt securities		
Debt securities	276.8	208.7
Valuation adjustments	-0.8	-4.9
Total debt securities	276.0	203.8
Total	510.5	401.2

Table 22. Changes in the breakdown of assets classified in the financial assets portfolio at fair value through other comprehensive income

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 signed for amounts detailed under "Outstanding disbursements of venture capital entities" in the previous table. At 31 December 2024, there are outstanding commitments of EUR 119.18 million (EUR 116.38 million as of 31 December 2023).

In 2024, EUR 4.072 million has been recognised from dividends on venture capital instruments. In 2023, EUR 0.591 million was recognised from dividends on venture capital instruments. Annex III of the ICF Group's annual report contains details of the Group's main investees which are neither subsidiaries nor associates together with relevant information about them.

Portfolios held with strategic aims

The holding in Avalis de Catalunya S.G.R. is accounted for using the equity method, using the best available estimate of its theoretical carrying amount on the date the annual financial statements were prepared:

Millions of euros	2024	2023
Avalis de Catalunya S.G.R		
Equity interest	4.66	4.72
Equity method adjustment	2.71	2.76

Closing balance	7.37	7.48

Table 23. Holding in Avalis de Catalunya, S.G.R.

14.2 Accounting policies and measurement of equity instruments

Financial assets at fair value through other comprehensive income are always recorded at their fair value. Changes that occur in this fair value are accounted for with a balancing entry in net equity under “Cumulative other comprehensive income”.

Officially listed debt securities and capital instruments are measured monthly, based on the information obtained from the organised markets in which they are quoted.

Investment in venture capital companies and funds is measured at least once a year. Investments are classified under three headings according to the difference between their cost and fair value:

1. If the fair value is greater than the value of the investment. In such cases, the investment is remeasured by the difference taken to net equity.

2. The fair value is between 90% and 100% of the cost of the investment during the first years of operation of the vehicle. Changes in the value of an instrument of up to 10% are not treated as a loss. They are due to associated management costs and are necessary in order to create value in the companies being invested in by venture capital entities. No accounting adjustment is therefore made to the investment.

3. The fair value is less than 90% of the cost of the investment or is between 90% and 100% and not associated with management costs. Differences are treated as valuation adjustments and will be recorded in full against net equity.

15. INFORMATION ON REMUNERATION

This information is prepared in accordance with:

- Directive (EU) 2019/878 (CRD V)
- EBA guidelines on remuneration policies (EBA/GL/2015/22) and subsequent updates, with the guide on internal governance (EBA/GL/2021/05) which also include aspects concerning remuneration policies
- Chapter XIII of Royal Decree 771/2011 of 3 June
- Bank of Spain Circular 4/2011 of 30 November, amending Circular 3/2008 of 22 May to credit entities on the determination and control of minimum own funds (Rule 117a)

15.1 Information on the decision-making process used for establishing the remuneration policy of the identified staff

The governing bodies involved in defining the remuneration policy of the identified staff are the Supervisory Board and the Appointments and Remuneration Committee.

Supervisory Board

The ICF's Supervisory Board has the non-delegable duties and responsibilities attributed to a corporation's board of directors by the Spanish Capital Companies Law. Decisions relating to the remuneration of the institution's directors, executives and key personnel are taken within the framework of the remuneration policy approved by the sole owner.

Appointments and Remuneration Committee

Notwithstanding other duties that may be assigned to it by the Supervisory Board, the Appointments and Remuneration Committee has the following powers in relation to remuneration:

- Approve the appointment and progress of the entity's key personnel;
- Propose to the Supervisory Board the remuneration policy and the fixed and/or variable remuneration system and amounts received by the directors, senior executives and key personnel identified; plus the other contractual conditions of senior executives;
- Propose annual remuneration for identified staff that must be approved by the Supervisory Board;
- Periodically review the general principles regarding remuneration.

The Appointments and Remuneration Committee has at least two independent members who are appointed and removed by the Supervisory Board based on the knowledge, skills and experience of the members and the duties of this committee. The members of this committee are selected in accordance with the requirements of suitability, good repute and good governance, taking into account regulatory stipulations concerning conflicts of interest.

The committee meets at least twice a year and as often as necessary in order to perform its duties properly, and also when called by its chair or at the request of any of its members or the Chief Executive Officer.

15.2 Identified staff

At 31 December 2024, identified staff comprises individuals occupying posts whose level of responsibility and ability to take risks has an impact on the entity's risk profile; it also includes any employee whose total remuneration is in the same salary range as senior executives and employees who take on risks. Specifically, at the date of this report, the following persons are deemed to be included in the ICF Group's identified staff:

- Executive directors
- Non-executive directors
- Senior management and key personnel:

Corporate Director of Audit, Compliance and Legal Affairs, Risk Director, Director of Venture Capital Investments, Director of Administration, Finance and Markets, Director of Risk Monitoring and Management, Sales Director, Director of Human Resources and Organisation, Technology Director, Financial Director, Director of Administration and Capital Markets, Director of Internal Audit and Control and Director of Products, Brand and Sustainability.

15.3 Overview of the Group's remuneration policy

The Group's remuneration policy is designed to encourage behaviours that ensure value is created over the long term with results that are sustainable. To this end, the variable remuneration system is based not only on targets but also on how these are achieved.

In accordance with the relevant legal framework and the corporate vision and strategy, the remuneration policy is based on the following principles:

- It must be in line with the business strategy, goals, values and long-term interests of the Group and its sole shareholder, including measures to avoid conflicts of interest;
- It must apply the principle of restraint and be linked to results based on prudent and responsible risk taking, producing a remuneration system that supports the profitability and long-term sustainability of the organisation, building in the precautions needed to prevent excessive risk taking and the rewarding of unfavourable results;
- Directors' pay must reasonably reflect the importance of the organisation and the current economic situation. This principle of proportionality is applicable to the general remuneration policy of the Group and takes into account its size, internal organisation, nature, the scope and complexity of its activities and its risk profile;
- The ratio between fixed and variable components of remuneration must be balanced and effective, whereby the fixed component represents a sufficiently high proportion of total remuneration;
- The remuneration paid to the members of the Supervisory Board must comply fully with the principles of transparency and public disclosure.

The current remuneration policy, proposed by the Appointments and Remuneration Committee, was approved by the Supervisory Board on 18 June 2015. The amounts related to this policy are updated according to the same percentage increase as the public sector on an annual basis.

15.4 Qualitative information on the remuneration of the identified staff

Directors, members of the Supervisory Board

The remuneration policy for directors complies with the provisions of Articles 217 and following of the Spanish Capital Companies Law as amended by Law 31/2014.

In any event, the remuneration of the members included in this remuneration policy is in reasonable proportion to the importance of the organisation and the current economic situation.

The proprietary directors of the Supervisory Board receive no remuneration as they hold senior positions in the Government of Catalonia. The remuneration paid to independent members is entirely fixed, with no variable component, staff welfare benefits, remuneration in kind or any contractual term providing compensation for removal from office, or any savings or retirement schemes.

In addition to fixed remuneration, the Executive Director receives variable remuneration assessed by the independent members of the Appointments and Remuneration Committee and, finally, the same benefits in kind as other employees.

The maximum annual amount the institution may pay to all the members of the Supervisory Board and members of delegated committees is €200,000.

In addition to the annual remuneration as members of the Supervisory Board, the independent members of the Executive Committee, the Joint Audit and Control Committee and the Appointments and Remuneration Committee are entitled to the annual remuneration expressly agreed upon by the Supervisory Board in payment for the activity carried out and time dedicated.

The institution has taken out public liability insurance for all its directors.

The entity's senior executives and key personnel

Fixed remuneration

The fixed remuneration of senior executives and key personnel consists of predetermined, non-discretionary remuneration that does not directly depend on performance. It is established by taking into consideration the employee's level of responsibility, experience and, if applicable, length of service in the organisation.

The Appointments and Remuneration Committee is responsible for reviewing whether the fixed remuneration of senior executives is in line with the services provided and responsibilities assumed.

Variable remuneration

This is tied to the Group's objectives and to individual targets. It is, therefore, subject to the achievement of specific, measurable targets that are directly linked to the long-term interests of the institution insofar as they contribute to value creation.

It is linked to specific terms in line with prudent risk management, and not just based on the general performance of the markets. Financial and non-financial indicators are used, based on performance scales and in accordance with the weighting attributed to each indicator, as per the amended remuneration policy proposed by the Appointments and Remuneration Committee and approved by the Supervisory Board on 17 December 2015, which is subject to annual review by the Appointments and Remuneration Committee. The quantitative measures are based on indicators such as total business, NPL ratios, gross margin and pre-tax profit.

The variable remuneration is only paid if profits before provisions are at least 80%.

The Appointments and Remuneration Committee ensures that the variable remuneration adheres to the principles of restraint and professional performance and is linked to the organisation's overall performance so that the combination of both fixed and variable remuneration is aligned with the organisation's objectives.

15.5 Quantitative information on the remuneration of identified staff

The remuneration paid to the Group's identified staff in 2024 was as follows:

Thousands of euros	Directors(1)	Key personnel(2)	Total
No. of beneficiaries	11	12	23
Fixed remuneration 2024	275	969	1,244
Variable remuneration 2024 (*)	31	167	198

(*) Variable remuneration has been provisioned up to the maximum expected level, although it is subject to assessment by the Appointments and Remuneration Committee and approval by the Supervisory Board. It has been accrued in 2024 and will not be paid until 2025.

(1) Includes the Executive Director and the other Directors at 31 December 2024.

(2) Key personnel.