Annual Report 2022

UCI

Index

Index

Letter from the CEO

1

UCI

Letter from the CEO

The 2022 fiscal year was marked by geopolitical tensions, especially in the wake of Russia's invasion of Ukraine in February, a conflict that has led to one of the largest refugee crises in Europe since the World War II and a generalised rise in prices across the eurozone.

The economic uncertainty arising from this conflict, coupled with rising inflation, has led to successive interest rate hikes by major central banks as a tool to combat inflation.

Consequently, the rise in interest rates and, in particular, the Euribor, has led to a generalised rise in lending rates since the beginning of autumn 2022, affecting both new production and revisions of variable rate loans. In addition, market forecasts suggest that interest rates may continue to rise, affecting the volume of sales and purchases, new loan originations, as well as the payment behaviour of the portfolio's customers, who are affected by increased cost of living and, where applicable, by the foreseeable increase in instalments on variable rate loans.

In this context, in 2022, the UCI Group formalised new production amounting to EUR 839 million.

Our positioning as experts in the markets in which we operate has enabled us to maintain a significant presence in the financing of sustainable housing and in the refurbishment of the residential stock on the Iberian Peninsula.

Financial autonomy

In terms of financial autonomy, in 2022 the UCI Group conducted two major operations. First, in March 2022, we reopened the European RMBS market, shortly after the Russian invasion of Ukraine, with the **Prado X** Fund, backed by 565 million euros of prime residential mortgages originated in Spain, the largest securitisation transaction of the Prado series since 2015; and the Belém II transaction, backed by mortgages originated in Portugal, was carried out just after the summer.

Also in 2022, we improved the quality of the balance sheet and RWAs with the Elcano transaction, the UCI Group's first sale of non-performing assets.

First beneficiary of ELENA funds

As an entity committed to sustainability, the Sustainability and Rehabilitation Division was created in 2022 to further promote this line of business, as well as UCI's ESG commitments.

Our commitment to the decarbonisation of the residential stock has been endorsed by the European Commission and the European Investment Bank (EIB), which in June provided UCI with €2.6m for the development of the RER Plan (Residential Energy Rehabilitation), making us the first Spanish financial institution to benefit from ELENA (European Local Energy Assistance) funds.

UCI's commitment to ESG criteria is also reflected in our social action, with a special focus on financial education and the inclusion of people with intellectual disabilities, in partnership with Fundación PRODIS. In addition, UCI and our partners provided more than 20,000 euros in aid for Ukrainian refugees.

Information and data security

It is worth noting that information and data security has emerged as one of UCI's top priorities. Thus, the work of the company's teams has enabled us to obtain the ISO 27001 certification awarded by AENOR, which accredits our Information Security Management System.

Promoting life projects

Naturally, we have remained true to our promise to continue to stand by our customers and, as we did during the pandemic, to help those most affected by the economic hardship associated with rate increases.

In terms of human resources management, we have obtained, for the third consecutive year, the **'Great Place To Work'** certification in Spain and Portugal, which has also been nominated for the Best Work Places.

In 2022, the new Equality Plan 2022-2026 was also presented, with the aim of guaranteeing and promoting equal treatment and opportunities in a real and effective way among all UCI staff, as well as to foster a culture of inclusion and respect for the balance between personal and professional life.

Finally, to adapt the company's headquarters to the new ways of working that have emerged after the pandemic, we are moving our corporate headquarters to a new sustainable building built to Leed and Well standards to achieve the highest levels of energy efficiency, sustainability and employee wellbeing. Temporarily, pending completion of the new headquarters, a provisional move has been made to the Ombú building, which is close to both the old and the new premises.

The 2023 fiscal year has begun with an economic and social scenario similar to that experienced in 2022, where we will rely on our specialisation, commitment to sustainability, quality of service and the support of our shareholders as the basis for our business development.

In April 2023, the European Investment Bank (EIB), in conjunction with the European Investment Fund (EIF) and the Instituto de Crédito Oficial (ICO), once again supported UCI's sustainability strategy by investing in the RMBS Green Prado XI securitisation fund, which is structured through the securitisation of a portfolio of residential mortgages originated in Spain for an amount of 490 million euros.

On a personal note, and after more than thirty years in the service of this company, in 2023, in application of the resolutions of the Board of Directors of last March, once the appropriate confirmations have been received from the regulator, I shall pass the baton to Pedro Megre, who will assume the functions of CEO of UCI EFC and the UCI Group, and Philippe Laporte, as Deputy CEO, while Gregoire Delloye will take over the General Management of UCI Portugal. Following the completion of the handover process, I will remain involved with the UCI Group as Strategic Advisor to the Board, in parallel with my duties as Chairman of the EMF (European Mortgage Federation) for the period of 2023 and 2024.

I would like to end this letter by thanking the various UCI stakeholders for the support I have received over the years in my role as CEO, especially all the company's employees and the members of the Board of Directors, and to congratulate Pedro, Philippe and Gregoire on their appointments and wish them every success.

I hope that this report will be of interest to you.

Kind regards

Roberto Colomer
General Director

Scan me to access
the CEO's video

UCI in numbers

2

UCI

UCI in numbers

Outstanding Balance	Consolidated Production	Market Share	Default Rate UCI group
10,236M€	839M€ (-6%)	0.96%	7.5%

Green Production and Rehabilitation business

111.72M€
Green

161.9%
R/O

312 Green operations

13.19M€ Signed in rehabilitation

Employees

Great Place To Work® Certified SEP 2022–SEP 2023 ESP

Great Place To Work® Certified JUL 2022 – JUL 2023 PORTUGAL

620
employees

57% Women

26.32% Women in Executive Committee

+20,000 Training hours

Financed households

3,248
Financed households in 2022

188,134 Financed households since the beginning of UCI's activity

Ekomi valuation:

9.78

4.92

Real estate professionals

+2,000
Real estate agencies with whom we collaborate

2,308 Real estate professionals trained in alliance with the NAR

1,286 Attendees to professional events

736M€ Signed in this channel

Social Commitment

+ 76,000€
in donations

+3.000 Beneficiaries

+300 Volunteers

Tax contribution

3,888,347.59€

Main Milestones 2022

3

UCI

UCI in numbers

January

› We have participated in the programme ‘Tus Finanzas, Tu Futuro’

We have participated, for the seventh consecutive year, in the programme ‘Tus Finanzas, Tu Futuro’. Together with the Junior Achievement Foundation and the AEB (Spanish Banking Association), this programme promotes the financial education among the young.

February

› We launched `Escuela de Liderazgo´

We promote a new learning space to enhance the management quality of our managers and executives to lead the challenges of the future in the new post-covid era.

› Agreement with the Catalonian Government (Generalitat)

Together with another 9 entities, we have formalised a collaboration agreement to facilitate financing for residential energetic rehabilitation works.

March

› We reopened the European RMBS market with Prado X, for an amount of 565 million euros

RMBS Prado X, the largest securitization operation in the Prado saga since 2015, is UCI’s fifth issuance since the start of the pandemic in 2020, preceded by RMBS Green Belém No.1 in Portugal and RMBS Prado VII, VIII and IX in Spain.

› We have signed an agreement with the General Council of Associations of Property Administrators.

First agreement signed by the Council with a credit institution for the purpose of facilitating financing for the rehabilitation of buildings of residential housing in condominiums.

› We have organised an employees’ donation campaign for the Ukrainian conflict.

We have collaborated again with the Spanish Red Cross, in its donation campaign for Ukraine, to help refugees that had arrived in Spain.

April

› We get the ISO 27001 Information Security certification from AENOR

AENOR grants the ISO 27001 Information Security certification, which certifies that UCI has an Information Security Management System in accordance with the UNE-ISO/IEC 27001:2017 standard.

› We are finalists of the European Securitization Awards organised by GlobalCapital.

Being finalists of this award evidences the level of trust and recognition of the brand RMBS Prado, the risk quality of our mortgages and UCI’s ESG commitment.

May

› Seville hosts the XII edition of Immociónate, the largest event for real estate professionals in Spain

More than 700 real estate professionals meet in a new edition of Immociónate held on May 26 and 27 in Seville.

› Inmosolidarios rewards five real estate agency projects that support Ukrainian refugees

The initiative that annually recognizes the social action projects of Spanish real estate agencies focused on projects dedicated to supporting Ukrainian refugees.

› We have signed an agreement with the Consorci of l'Habitatge of the metropolitan area of Barcelona.

First agreement signed by the Consorci with a credit institution for the rehabilitation and reform of houses and owners' associations of 35 municipalities surrounding the city of Barcelona.

June

› The EIB and the European Commission provide UCI with €2.6m to mobilize €46.5m for energy efficient housing

UCI has become the first Spanish financial institution to receive the European Local Energy Assistance (ELENA) programme for the development of its Residential Energy Rehabilitation (RER) project over the next three years.

› We issued `CoCos´ for an amount of 22 million euros

We made a new issue of perpetual subordinated obligations contingently convertible into shares, known in the financial world as "CoCos", for an amount of 22 million euros.

› We have received the Empowering Women's Talent label

We have obtained the prestigious Empowering Women's Talent label es company committed with the women's empowerment and leadership, for our commitment in equality, diversity and inclusion policies.

July

› We signed an agreement with the Guild of Construction Builders from Barcelona and counties

We will collaborate with the Guild of Construction Builders of Barcelona and its regions to promote the rehabilitation and financing of works in residential buildings in the Ciudad Condal and its surrounding regions.

September

› We are again a Great Place to Work® For the third consecutive year we are Great Place to Work ®

Granted by the consulting firm of the same name, one of the most prestigious distinctions at national and international level to the best employers worldwide.

October

› RMBS Green Belém No.2 was issued in Portugal for €331.2M

Belem No.2 is the second RMBS Portuguese securitisation of UCI Group, which has been launched following the STS (Simple, Transparent and Standardized) rules established in the Securitisation Regulation (EU) 2017/2402, and its good credit quality has been confirmed by the rating agencies DBRS Morningstar and Fitch Ratings.

UCI

› We have launched the Financial Education programme with Prodis Foundation

We approach the Foundation's students with intellectual disability to the financial education, for them to acquire knowledge in this matter from our volunteers.

› We collaborate with Dádoris Foundation

With financial support and protection of two young university students with high abilities and demonstrated performance, without economic resources to follow higher education.

› We have entered into a new agreement with Spanish Red Cross

To support their residential exclusion prevention programme.

November

› We have developed the Equality Plan 2022-2026

With measures and actions aimed to ensure the gender equality, prevent the sexual harassment and ensure the awareness and promotion of women responsibility posts.

› We joined 5 players in the mortgage market to promote the ENGAGE consortium

Together with Hypoport BV, European DataWarehouse (EDW), Università Ca' Foscari Venezia, Woonnu B.V. and Dexai-Etica Artificiale, we promote the ENGAGE project, subsidized by the European Climate Executive Agency, to address the challenges of digital transformation and the green transition identified in the European Green Deal.

› We have signed an agreement with Mutua de Propietarios Foundation

As part of the 'Sin Barreras' program of the Fundación Mutua de Propietarios, we signed an agreement to finance works to remove architectural barriers that contribute to improving the accessibility of properties for people with reduced mobility or over 65 years old.

› Adhesion to the new Code of Best Practices

In order to offer a series of additional measures to assist mortgage debtors, and alleviate the impact of interest rate raises.

› SIRA promotes the first course for real estate professionals in the metaverse

Our professional development area SIRA (Spanish International Realty Alliance), launches the first training course on Digital Marketing for real estate professionals in the metaverse, adapting to the future and fulfilling its usual commitment to the sector.

December

› Sale of a portfolio of NPLs of aproximately 200M€ (Elcano project)

In 2022 we have improved the quality of the balance, and the RWAs with Elcano project, the first deal to sell improductive assets by UCI group.

› Our Christmas campaign supports the Empresa programme of Prodis Foundation

We have launched the Christmas campaign for the purpose of supporting the Empresa programme, designed to achieve the access to the labour market by intellectual disabled people.

Key Data

4

UCI

Highlights	2022	2021	Variation
CONSOLIDATED PRODUCTION (M€)	839.0	892.1	-6.0%
LOAN PRODUCTION SPAIN (M)	637.5	706.9	-9.8%
LOAN PRODUCTION PORTUGAL(M)	201.5	185.2	8,8%
Total Consolidated Loans Managed (M€)	10,235.7	10,669.2	-4.1%
BALANCE Spain	4,833.2	5,000.4	-3.3%
BALANCE Portugal	678.5	897.3	-24.4%
BALANCE Greece	175.9	190.2	-7.5%
Spanish on Balance Consolidated Placed RMBS (UCI 11-17 + Prado V-X)	4,003.1	4,282.8	-6.5%
Portugal on Balance Consolidated Placed RMBS (Green Belem 1 & Belem 2)	545.0	298.4	82.6%
Nº of Files Under Management (Spain, Portugal and Greece)	113.998	117.464	-3.0%
Nº of Solutions (Sales + rentals) Repossessed Homes (*)	1,624	1,487	137
Nº of Branch Offices (*)	30	31	-1
External Agents (*)	190	198	-8
Nº of Employees (**)	673	661	12

(*): Spain+Portugal+Greece
(**): with temporary employees and Comprarcasa (Spain and Portugal)

Consolidated Financials (IFRS 9 y CRD IV in 2020)	2022	2021	Variation
Gross Margin (M)	126.5	139.4	-9.3%
Financial Margin (**)	128.9	139.6	-7.7%
Comissions Fees and Other Incomes (*)	-2.4	-0.2	
General Expenses (M) (€2.6M extraordinary expenses in Q1-22)	52.6	49.6	6.0%
Net Operating Income (M)	73.9	89.8	-17.7%
Cost of Risk (M) Including Elcano	128.9	38.1	238.4%
Ordinary Profit Before Taxes (M)	-54,927	51,72	-206.2%
Taxes (M)	0,083	22,372	
Consolidated Profit (M)	-55,0	29,5	

(*): Deducted Origination Fees (opening- real estate agent- agent)
(**) including capital gain BuyBack 0.83M€ en 12m-22 vs 0 M€ in 12m-21
(***): Including shares (+0K€)

UCI

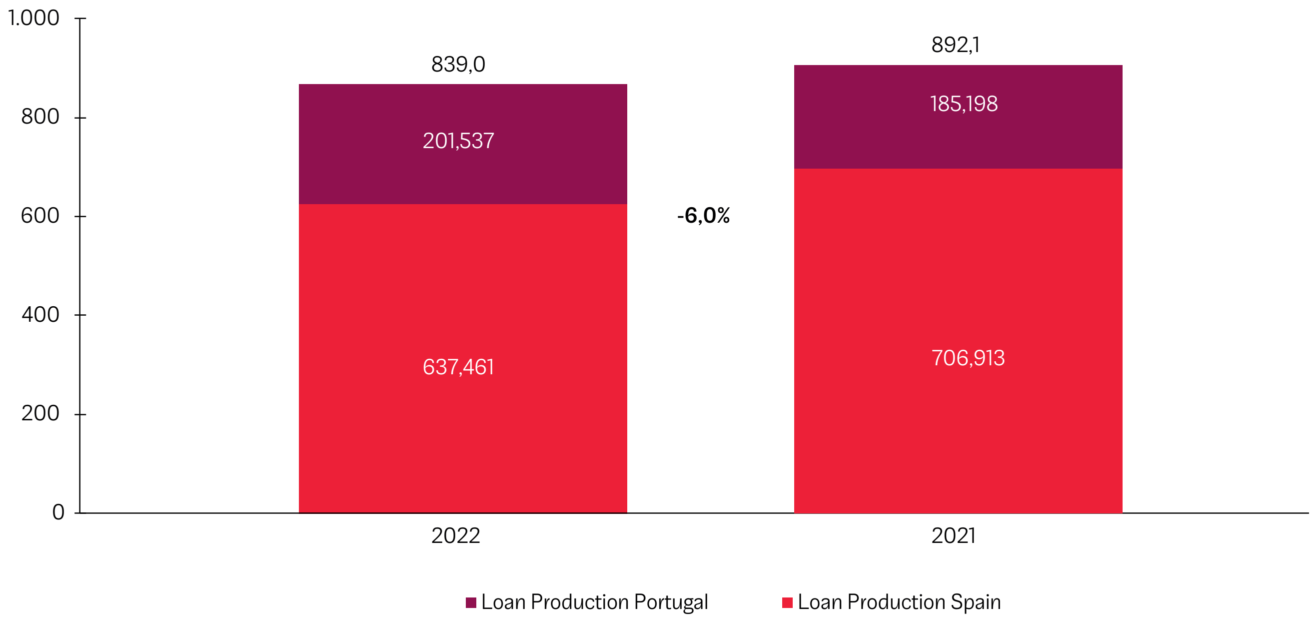
CONSOLIDATED FINANCIALS (IFRS 9 y CRD IV in 2020)	2022	2021	Variation
Suscribed Capital (M)	305.0	158.0	147.0
Reserves (Tier 1 + annual balance N) (1) (M)	251.8	212.0	39.8
TOTAL TIER 1 computable (including AT1) (M)	602.4	477.4	124.9
TOTAL TIER 2 (Subordinated Debt) (M)	150.0	105.0	45.0
TOTAL Equity Tier 1 (1) + Tier 2 (M)	752.4	582.4	169.9
% Equity Ratio (Tier 1) (1) (2)	11.7%	8.7%	3.0%
% Equity Ratio (Total) (2)	14.6%	10.6%	4.0%
% ROE	-11.1%	8.4%	-19.5%
NPL Loans +90D D without subjective loans (M)	769.1	826.2	-57.1
NPL subjective loans (M)	604.7	879.9	-275.2
Repossessed Homes Under Management (Spain, Portugal and Greece) (N)	4,020	4,630	-610
Total Provisions on Loans (M)	281.2	362.06	-80.9
Total Provisions Stage 1	8.0	8.2	-0.2
Total Provisions Stage 2 / Specific Monitoring	29.2	36.2	-7.1
Total Provisions Stage 3/ Sfecific without subjective NPL (M)	189.8	242.2	-52.4
Total provisions specific subjective. Stage 3 (M)	54.2	75.5	-21.3

CONSOLIDATED FINANCIALS (IFRS 9 y CRD IV in 2020)	2022	2021	Variation
Total provisions on repossessed homes (M)	91.2	115.9	-24.7
Total Provisions	372.4	478.0	-105.6
% NPL’s on Loans Managed (Balance Sheet + Securitized) > 90 days Not Including Subjective Non-performing Loans *	7.51%	7.74%	-23.0
%NPL´s Subjective Non-Performing Loans - incl. Ptg+Gre since 2020	5.91%	8.25%	-233.9
% Global NPL	13.42%	15.99%	-256.9
% Global NPA´s	15.48%	18.38%	-290.0
NPL > 90D+Repossessed Homes Coverage (N)	24.0%	27.8%	-3.8%
%Consolidated Efficiency Ratio	38.6%	34.5%	4.1%

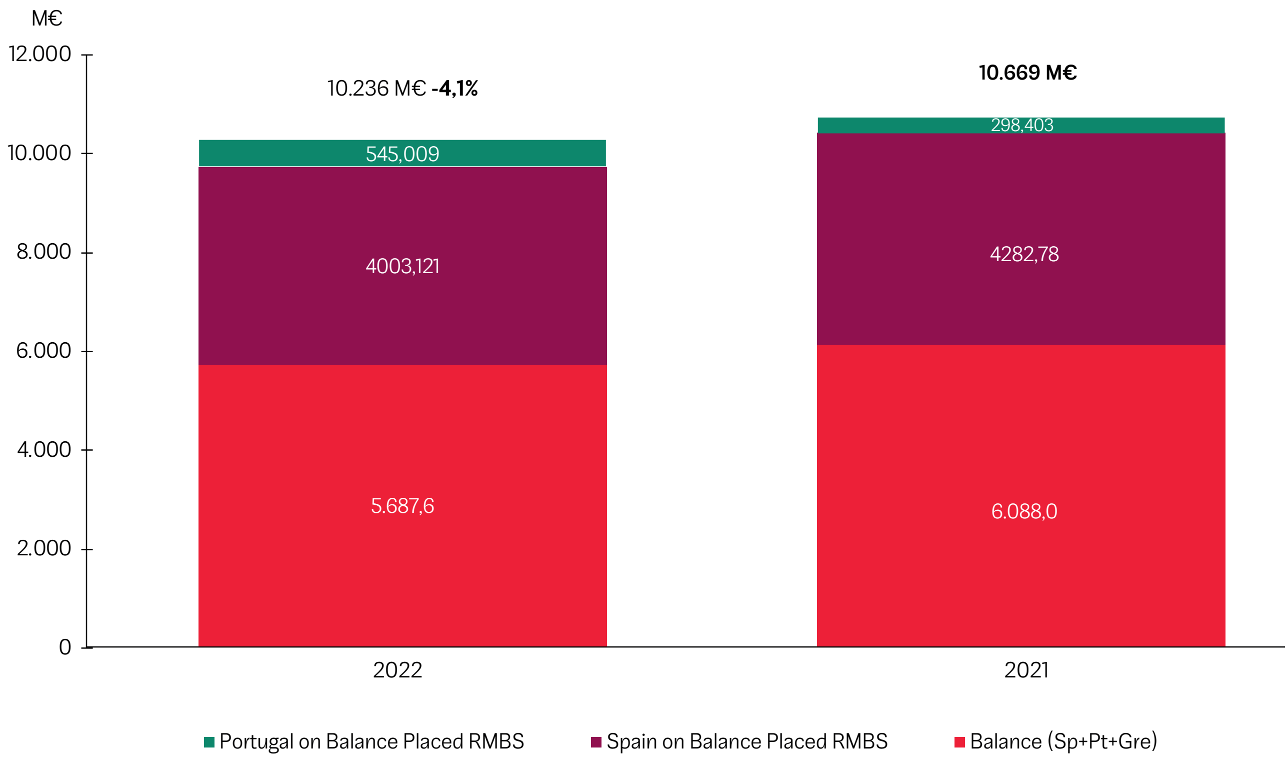
(1): Non incorporation of the FY-21 in Tier 1
(2): RWA Standard version + standard operational risk

UCI

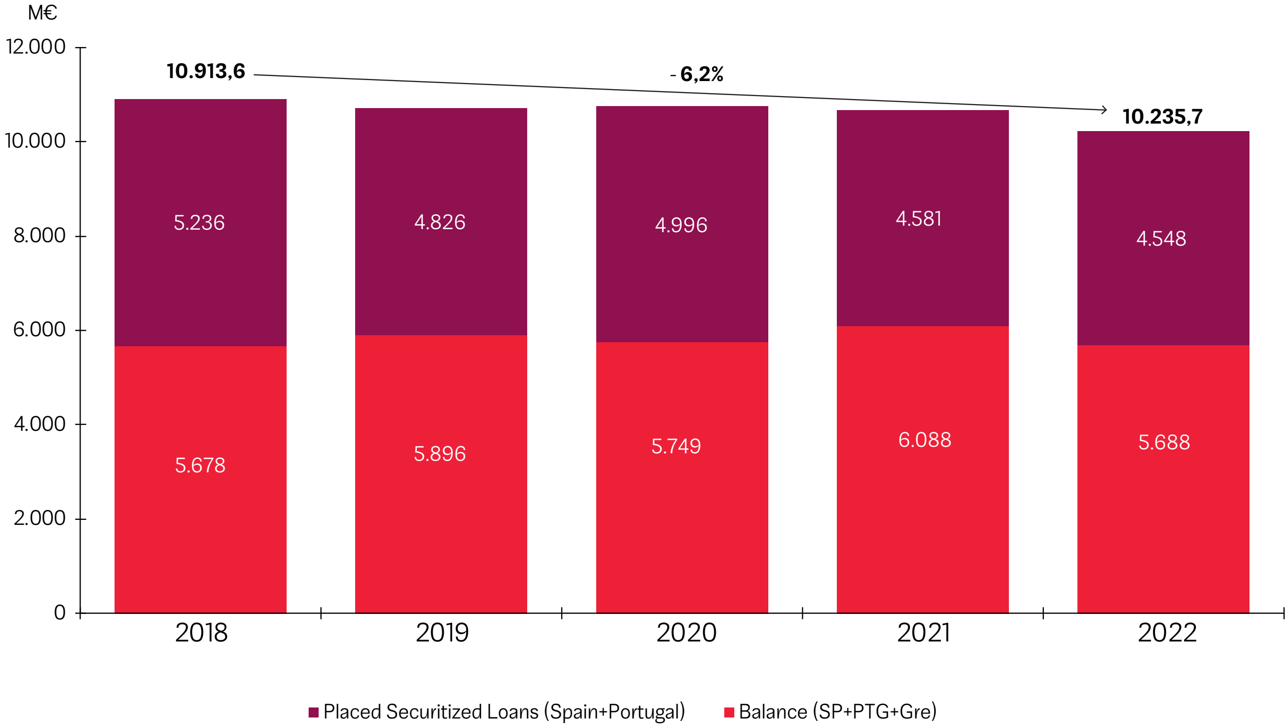
Consolidated production (M€)



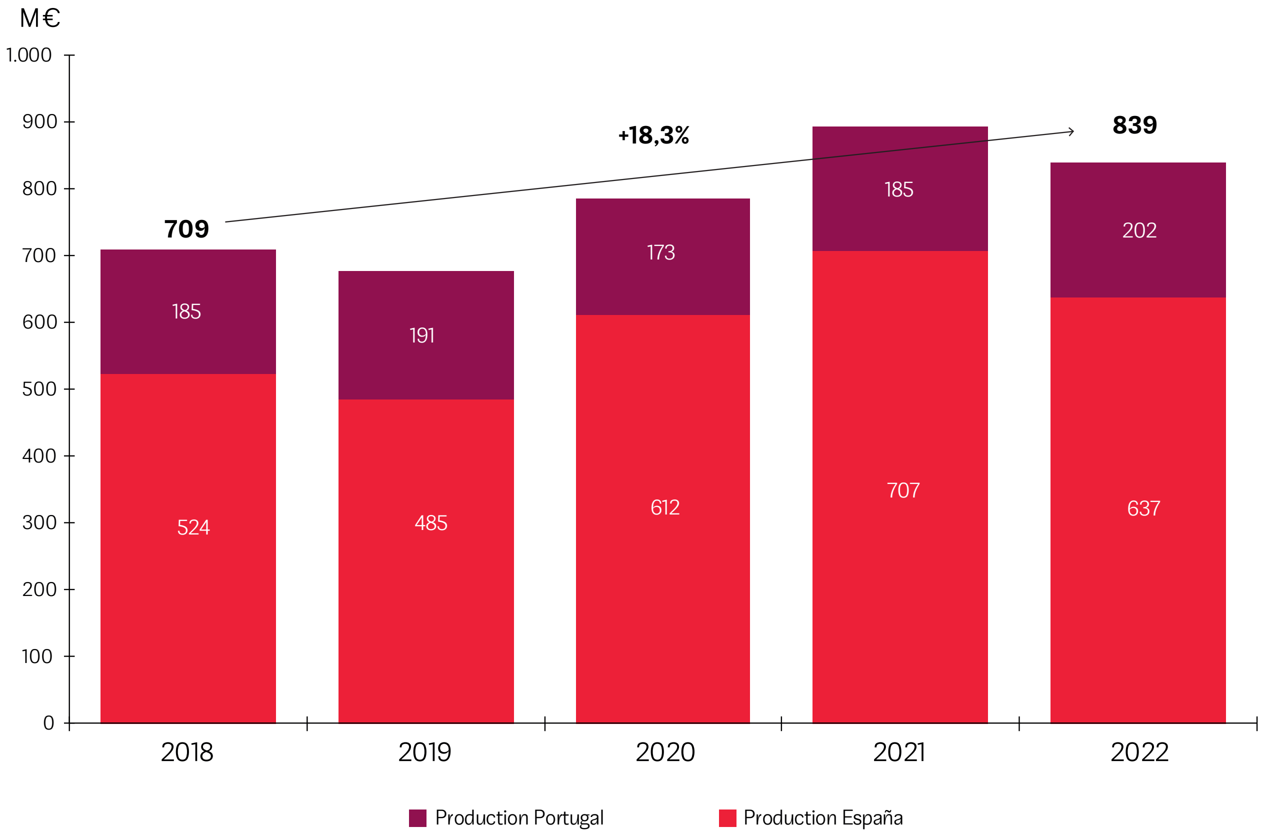
TotalManaged Loans (M€)



Managed Loans Evolution (M€)

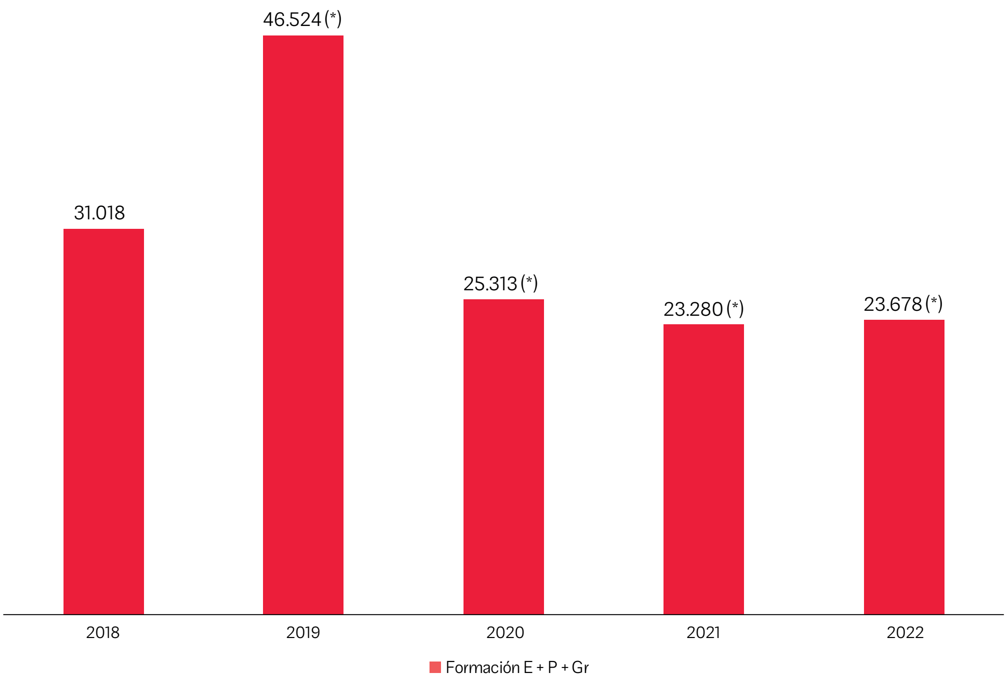


New Loan Production Evolution (M€)



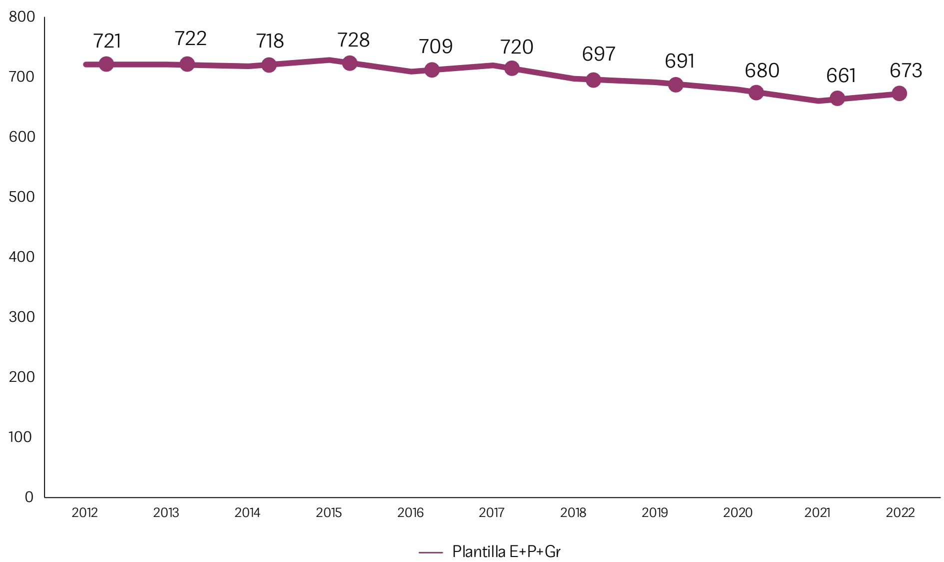
UCI

Training hours (hours/year)



(*) including new Mortgage regulation cumpolsory training (Spain) since 2019

Employees UCI



Spain + Portugal + Greece + Comprarcasa + Temporary Employees

Sustainability Report

INDEPENDENT ASSURANCE REPORT OF THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT

To the Shareholders of
UCI, S.A.:

In accordance with article 49 of the Commercial Code we have performed a limited assurance review of the attached Consolidated Non-Financial Information Statement (hereinafter, NFIS) of **UCI, S.A.** (hereinafter, the parent Company) and **subsidiaries** (hereinafter, the Group), corresponding to the year ended at December 31, 2022, which is part of the Consolidated Directors Report of the Group.

The content of the NFIS includes additional information to that required by current commercial regulations on non-financial information, which has not been the subject of our assurance work. In this regard, our work has been limited exclusively to the verification of the information identified in section "6.1. Contents Law 11/2018 on Non-Financial Information" included in the attached NFIS.

Responsibility of the Board of Directors

The preparation of the NFIS included in the Consolidated Directors Report and its content is the responsibility of the Board of Directors of the parent Company. The NFIS has been prepared in accordance with the mercantile legislation in force and following the criteria of the Global Reporting Initiative's Sustainability Reporting Standards (GRI standards), selected according to that mentioned for each subject in the table included in the section "6.1. Contents Law 11/2018 on Non-Financial Information" of the accompanying NFIS.

This responsibility also includes the design, implementation and maintenance of internal controls considered necessary to enable that a preparation of the NFIS free from material misstatements due to fraud or error.

The parent Company's Directors are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the NFIS is obtained.

Our Independence and quality control

We have complied with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) which is founded on the fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional conduct.

Our firm applies current international quality standards and consequently maintains a comprehensive quality control system that includes documented policies and procedures related to compliance with the applicable ethical requirements, professional standards and legal and regulatory requirements.

Our multidisciplinary team has included specialists in the review of Non-Financial Information, and particularly, in economic business performance, social and environmental.

Our responsibility

Our responsibility is to carry out an independent limited assurance review based on the work performed that refers exclusively to the financial year 2022.

We have conducted our engagement in accordance with the requirements established in the Revised International Standard on Assurance Engagements 3000 in force, “Assurance Engagements Other than Audits or Reviews of Historical Financial Information” (Revised NIEA 3000) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Guidelines for Action on engagements on the verification of the Non-Financial Information Statement issued by the Spanish Institute of Chartered Accountants.

The procedures performed in a limited assurance engagement vary in nature and in timing and are less in extent than those performed in a reasonable assurance engagement and, therefore, the level of assurance obtained is substantially lower.

Our work has consisted of making enquiries to Management, as well as to different units and areas that the Entity, are responsible for and have participated in the elaboration of the NFIS, in the review of the processes to gather and validate the information presented in the NFIS and in the application of certain analytical procedures and sampling review tests, as detailed below:

- Meetings with the Entity’s personnel to know the business model, the policies and the management approaches applied, the main risks related to these matters and obtain the necessary information for the external review.

- Analysis of the scope, relevance and integrity of the content included in the NFIS for the financial year 2022, based on the materiality analysis made by the Company and presented in section “2.4. Materiality and power of dialogue” and considering the content required by the mercantile legislation in force.

- Analysis of the processes to gather and validate the data presented in the NFIS for the financial year 2022.

- Review of the information relating to the risks, the policies and the management approaches applied with regard to the material aspects presented in the NFIS for the financial year 2022.

- Verification, through tests, based on a sample selection, of the information relating to the content included in the NFIS for the financial year 2022 and its adequate compilation from the data provided by the information sources.

- Obtaining a representation letter from the parent Company's Board of Directors and Management.

Conclusion

Based on procedures performed in our verification and on evidences obtained, no matter came to our attention that would lead us to believe that the NFIS of **UCI, S.A. and its subsidiaries** for the year ended at December 31, 2022 has not been prepared, in all material respects, in accordance with the contents established in prevailing Spanish corporate regulations and the criteria of the selected GRI standards, as well as other criteria described in accordance with that indicated for each subject on table named "6.1. Contents Law 11/2018 on Non-Financial Information" of aforementioned Statement.

Emphasis of matter

The Regulation (EU) 2020/852 of the European Parliament and the Council, of 18 June, on the establishment of a framework to facilitate sustainable investment, establishes the obligation to disclose the manner and the extent to which the entity's investments are associated to eligible economic activities according to the Taxonomy. Accordingly, the parent Company's directors have opted for applying criteria that, in their opinion, better enable the compliance with the new obligation and that are defined in Note "3.1. 'We greenimise'. E.2 Taxonomy" of the accompanying NFIS. Our conclusion has not been modified in relation to this matter.

Use and distribution

This report has been prepared in response to the requirement established in the mercantile legislation in force in Spain, thus it may not be suitable for other purposes or jurisdictions.

Madrid, May 16th, 2023

MAZARS AUDITORES, S.L.P.

[Signed in original]

Oscar Herranz López

Preliminary clarifications

This consolidated Non-Financial Information Statement is part of UCI Group's Management Report and is separately issued. With this Sustainability Report UCI reports its situation, in compliance with article 49 of the Code of Commerce, by virtue of the modification carried out by Law 11/2018, as transposition at legal order level of Directive 2014/95/EU, as regards the disclosure of non-financial information and diversity information.

The scope of information and entities included in the perimeter of the Non-Financial Information Statement corresponds to the Group Unión de Créditos Inmobiliarios S.A., Establecimiento Financiero de Crédito, in the areas of Spain and Portugal, which perimeter covers 93% of the Group's employees and 98% of the managed outstanding balance.

In its commitment to reporting non-financial information, UCI Group opts for elaborating its Report following the criteria of the UN Global Compact principles, the Agenda 2030 with Sustainable Development Goals and its three sustainability dimensions: environmental, social and governance, using as reference the GRI Standards and with the requirements established by the Spanish legislation applicable to such matter, as Law 11/2018.

When elaborating this Report, in turn, Regulation EU 2020/852 related to the European Taxonomy has been taken into account, in reference to the classification of economic activities based on their contribution against climate change or damage of the environment.

According to the above, the contents included in this Report follow the principles of comparability, materiality, relevance and reliability, and the information included is precise, comparable and verifiable.

UCI generates trusting and transparent relationships with the stakeholders through an ongoing and proactive dialogue, and thus, the most relevant sustainable matters with a greater impact for the company and its value chain are consulted and analysed, which has underpinned the consequent reporting of information.

The present Report has been verified by MAZARS AUDITORES, S.L.P., as independent verification service provider, in accordance with the new wording given by Law 11/2018 to the abovementioned article 49 of the Code of Commerce.

Such verification includes the documentary verification of information collected in the present document, as well as the analysis of the quality of quantitative data used, justifying the coherence of reported information with results from the analysis of the stakeholders' needs and expectations.

For such purpose, MAZARS AUDITORES, S.L.P. adopts requirements established in International Standard on Assurance Engagements 3000 Revised in force, “Assurance engagements other than audits or reviews of historical financial information” (ISAE 300 Revised), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Guidelines on Verification Engagements of the Non-Financial Information Statement, issued by the Spanish Institute of Chartered Accountants.

Once verified, the Report is approved by the Board of Directors and the General Shareholders’ Meeting of UCI.

[1] Law 11/2018, of 28 December, amending the Code of Commerce, the consolidated text of Corporate Enterprises Act, approved by Royal Decree Law 1/2010, of 2 July, and Law 22/2015, of 20 July, of Audit, concerning non-financial and diversity information.

[2] Directive 2014/95/EU of the European Parliament and the Council, of 22 October, amending Directive 2013/34/EU as regards the disclosure of non-financial information and diversity information by certain large companies and certain groups.

[3] For further detail, consult point 6 with indexes of requirements of Law 11/2018 and the GRI Standards.

[4] Regulation (EU) 2020/852 of the European Parliament and the Council, of 18 June, related to the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088..

Letter from the sustainability manager

2022 has been a year marked by events such as the outbreak of the war in Ukraine, escalating inflation or rate hikes by central banks as an instrument to combat it.

Within this context, one of UCI's priorities has been to promote the transition towards a more equitable, inclusive and sustainable future through ESG criteria and the lines of work set out in our sustainability model. To this end, since 2022 I have the honour of heading the Sustainability and Rehabilitation Department to further promote this line of business, as well as UCI's ESG commitments.

In this sense, in 2022 our green production has risen to 111 million euros, now representing 14% of total production, three points more than in 2021, thanks to the work of our teams and the collaboration with relevant stakeholders with whom we have formalized agreements during the year.

" In 2022 our green production has risen to 111 million euros, now representing 14% of total production. "

With regard to our environmental impact, E, without a doubt, one of the most relevant milestones of the year is having become the first financial institution to benefit from the European Local Energy Assistance programme promoted by the European Commission and the European Investment Bank to develop our RER (Residential Energy Rehabilitation) Plan and promote the rehabilitation of homes located in Madrid, Barcelona, Valencia and Seville.

During the year we have also worked to adapt to new sustainability regulations such as the EU Taxonomy Regulation, the Sustainable Finance Disclosure Regulation (SFDR), the new Directive 2022/2463 or the creation of the International Sustainability Standards Board by the IFRS Foundation, among others.

In addition, we have updated our annual materiality study to meet the requirements of the new European Corporate Sustainability Reporting Directive (CSRD) ahead of its application in 2024 and the new Consolidated GRI Standards.

With regard to our impact on the social environment, S, throughout 2022 we focused on the four key areas of the 'We accompany you' programme: People First, Social Commitment, Customer Centricity and Training of real estate professionals.

“ We focused on the four key areas of the ‘We accompany you’ programme: People First, Social Commitment, Customer Centricity and Training of real estate professionals.”

Thanks to the participation of 300 volunteers, 3000 people have benefitted from the actions to which 76,000 euros were allocated.

Furthermore, we have also renewed the Great Place to Work® certification that recognizes us as a Great Place to Work for the third consecutive year, one of the most prestigious distinctions in the field of Human Resources nationally and internationally.

“ We have also renewed the Great Place to Work® certification that recognizes us as a Great Place to Work for the third consecutive year”

Finally, with reference to G, one of our priorities is to strengthen the Corporate Governance framework and enhance its effectiveness, to meet the objectives we have set ourselves in this respect. In this sense, in 2022 we defined and updated the framework of policies and procedures, as well as its internal governance to strengthen our company’s governance.

I hope that the reading our Sustainability Report will be of interest to you.

Best regards.

Cátia Alves
Sustainability Manager

Scan me to access the Cátia’s video

1. Meet UCI

We are credit institution with more than 30 years of experience, present in Spain, **where its headquarters are located**, Portugal, Greece and Brazil, expert in house financing. Since 1989, we have been accompanying our customers on a personalised basis throughout the process of acquisition of a house or of a house-related service.

Our objective is to satisfy the housing demand, through responsible, customised and sustainable financing solutions. We facilitate the access to housing, and contribute to renewing the property stock to achieve more sustainable cities, through our mortgages and products for the housing reform and building rehabilitation.

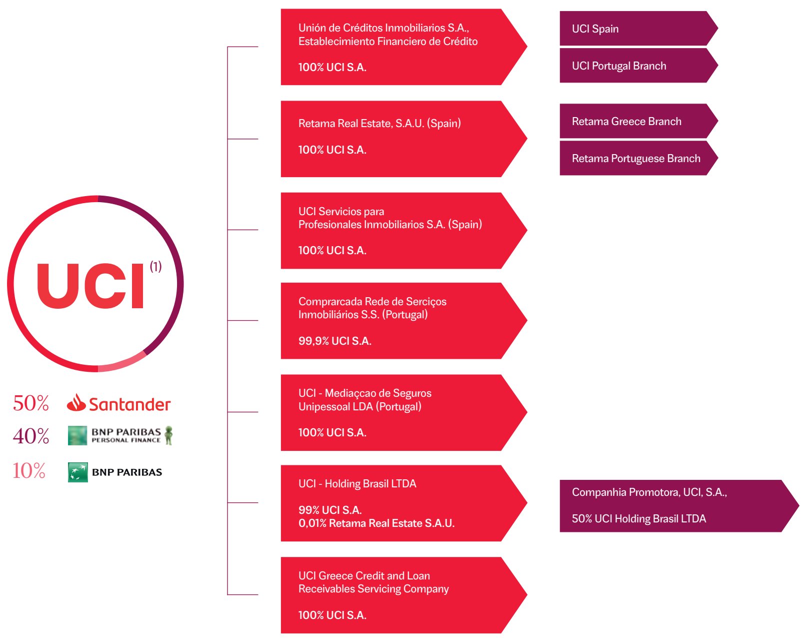
We are pioneers in this matter and are endorsed by our Green commitments with Sustainalytics and with the European Investment Bank, in addition to our involvement in key European projects, such as the RER plan, the Engage project and the Green Mortgage initiative, led by the European Mortgage Federation (EMF).

We reinforce the sustainable financing business for the building rehabilitation with the creation, from the beginning of 2023, of the Sustainability and Rehabilitation Management, in order to boost the rehabilitation of the property stock under energy efficiency criteria and respect of the environment.

UCI is a synonym of transparency, quality, accessibility and closeness. For us, the customer always at the heart, and we offer a bespoke service, according to their needs.

1.1 Our organisational structure

(1) Consolidation Rule: Accounting wise, UCI S.A. is consolidated throught the equity - related method with both shareholders. This concerns its shareholders' P&L and their balance sheet. In terms of capital requirements, UCI Group's balance sheet is proportionally intergrated, 50% with both shareholders. This impacts in principle only its shareholders' equity requirements.



Unión de Créditos Inmobiliarios S.A., E.F.C. is a Financial Credit Entity, autorised and supervised by the Bank of Spain

2. Our sustainability model

2.1. Environment and Sustainability

The financial year 2022 has been marked by a series of events, such as the war of Ukraine, the pandemic not completely overcome, the inflation, the economic situation, the rise of rates, which have created an uncertain environment. All this implies a prudential decision-making, responsible with the business and with the stakeholders and the ongoing adaptation and improvement of the teams to make progress in complex situations that also offer opportunities of change and contribute to the progress of the society in general. Accordingly, with our business activity and social commitments, we aim to boost an inclusive and sustainable growth, also adapted to the regulation in general and in particular to sustainability standards that are having a great impact in the organisations' management. Among this regulation, we note the following:

The European Union **Taxonomy Regulation**, which has entailed a change, extending the matters to be reported.

With the entry into force of the **Disclosure** Regulation (Sustainable Finance Disclosure Regulation or **SFDR**), progress has been made in transparency, as it allows investors to decide in which among the actually sustainable products they could invest. The investment in sustainability is no longer disruptive, but demands a series of requirements to stand out.

The new **Directive 2022/2464** (also known as **CSRD** for Corporate Sustainability Reporting Directive), published at the end of 2022, has demonstrated that the coming movements go towards an increasingly responsible and demanding direction, together with the standards published by the **EFRAG** that serve as guidelines to implement the new reporting Directive.

We cannot forget the modification of the Global Reporting Initiative (**GRI**) standards, which have been updated to face all this regulatory transformation and its consequent sustainability needs.

The new Proposal of the **Due Diligence Directive** points to a new direction, promoting the transparency and marking increasingly sustainable behaviours in the companies and in their supply chain.

The creation of the **International Sustainability Standards Board** by the IFRS Foundation stands out as international development, as it has been born with the idea of routing the financial markets in ESG matters, even beyond the EU.

The war of Ukraine has marked one of the devastations this year, and has required a revision of energy policies at European level to prevent the dependence from the invading country, with the **REPowerEU Plan**.

At **State** level, there is an increasing ESG regulation to achieve a greater involvement by the citizenship and the companies, which implies having a governing structure to allow the adaptation to the environment and the integration of sustainability at all levels within the organisation.

2.2. Governing system and sustainability management

At UCI, we have action frameworks and policies that guarantee responsible and sustainable behaviours in what we do as organisation, and assessing our impact over the people and the planet.

Since 2021, we have the Sustainability Management which, on January 2023, incorporates the business line of Sustainable Rehabilitation of Buildings to boost a more sustainable business model that complies with our purpose to decarbonise the property stock in the Iberian peninsula. It also reinforces our commitments with the European Investment Banks (EIB) and Sustainalytics, in addition to the Agenda 2030: the United Nations Sustainable Development Goals (SDG), the Paris Agreement and the Global Compact Principles. Additionally, it has other areas of action for the design of the Sustainability strategy, the ESG framework and the social action plan.
Since January 2023, this management is incorporated to UCI's Steering Committee and directly reports to the entity's CEO, which favours the design of more sustainable, responsible and transversal strategies.

Frame of action

Our business activity and social commitments are developed taking into account sustainability regulations, the internal regulatory framework and international initiatives related to the sustainable development. Our internal framework is made up of action policies and principles that allow us to adopt responsible behaviours in the integration of the ESG criteria.

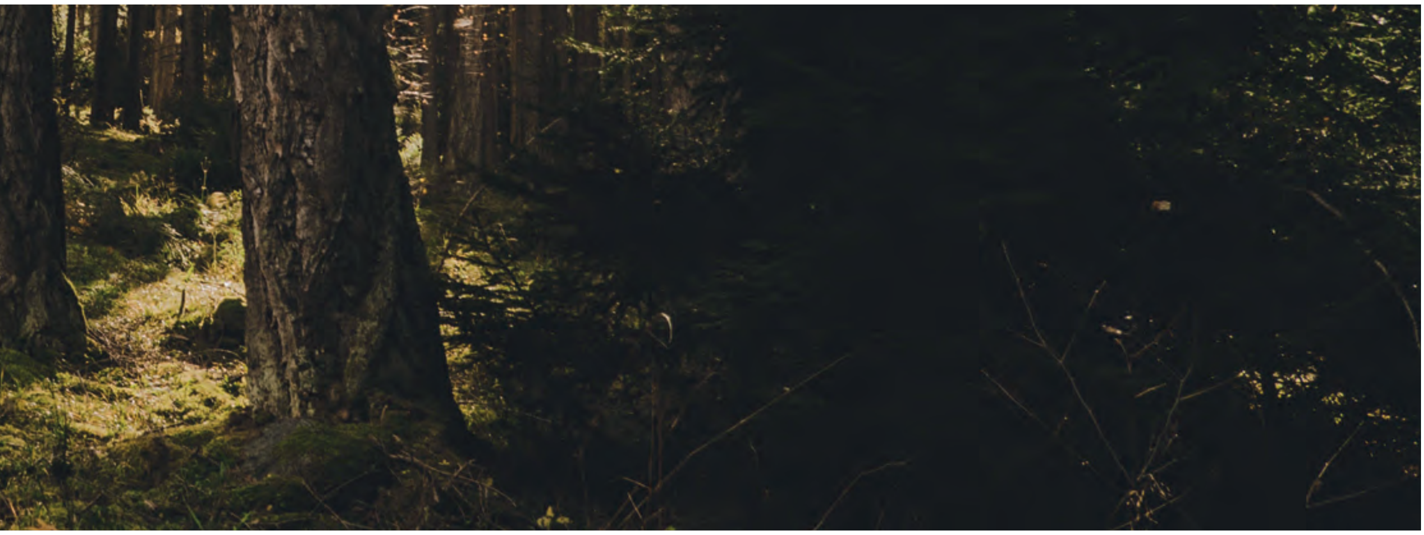
UCI

Policies guiding the integration of sustainability in our actions

Sustainability Policy	It defines the general sustainability principles and the commitments with out stakeholders to create value at the long term.
Code of Ethics	It established a set of principles and guidelines of conduct, aimed to guarantee the ethical and responsible behaviour of all UCI employees in the development of their activity.
Environmental Risk Management Policy	It specifies criteria and procedures to be followed in relation to the granting of loans for property assets (real state sector) that could have a greatest environmental impact.
Diversity Policy	It includes objectives, principles and actions to guarantee the diversity and inclusive culture in the organisation.
Consumer protection policy	It details the 9 general principles that must govern the relationship with out customers to respect their interests and inherent rights.

Other policies supporting our ESG strategy

Information secutiry policy	It includes the main lines of action to guarantee the confidentiality, competeness and availability of UCI Group's information.
Anticorruption and antibribery policy	It identifies the most common cases of corruption and how to proceed in such situations.
General Conflicts of Interest Policy	It establishes guidelines to prevent and manage conflicts of interest that could derive from activities developed by UCI Group's employees, board members and entities.
Supplier Contracting Procedure	It establishes the general framework in relation to the selection, control and monitoring of the service suppliers, as well as the quality assesment.
Social Action Policy	It defined lines of action for donations made in the UCI group, both economic or inkind donationes, or through volunteering.



UCI

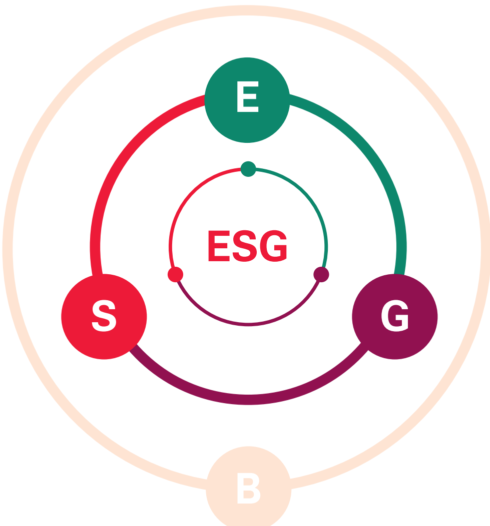
2.3. Our ESG commitment

Our activity focuses on the decarbonisation of the Spanish and Portuguese property stock to transform our cities and make our houses energetically efficient, and to reduce CO2 emissions to the atmosphere. For the purpose of caring for people and the planet, we design our ESG framework with clear commitments.

Our ESG commitment

Create value for stakeholders, incorporating ESG criteria in new business lines

E	› Minimise the impact of our activities in the environment and boost the decarbonisation of the housing stock through sustainable financing and rehabilitation.
S	› Support the development of a more sustainable and caring society, promoting the customer satisfaction, and inclusive growth, and supporting the creation of diverse and talented teams.
G	› Integrate a responsible management through a framework of actiones with well defined policies and procedures, listening to our stakeholders and with a prudential risk management.



Environment
We greenimise

Minimise the impact of our own activities over the environment

Social
We accompany

People First
Financial social engagement
Customer centric
Training of the Iberian real state sector

Governance
We comply

Responsible, transpaent and ethical management

Sustainable business:
Creation of sustainable products, sustainable origination and sustainable funding

UCI

2.4. Materiality and power of dialogue

Dialogue with the stakeholders

At UCI, we establish an ongoing dialogue with our stakeholders to generate long-term relationships based on trust and transparency, to create shared value.

This dialogue allow us to:

•Analyse and integrate the new expectations and needs of our customers, employees, shareholders, investors and other stakeholders.

•Respond in a transparent manner to their demands for information on the entity's sustainability and ESG matters.

•Develop and innovate with products that respond to our customers' sustainable and responsible financing needs.

•Identify emerging risks and opportunities for the business through the stakeholders' participation in the materiality study of the entity.

We additionally participate in national and European forums and working groups to contribute to sustainable initiatives and projects.

Stakeholders	Most significant relationship channels
Customers	Commercial channels
	Line with Credit
	UCI your web
	Ekomi
	Quality surveys
	Customer care service
Employees	Annual survey Great Place to Work
	Performance appraisal
	Whistleblowing channel
	Corporate news channels
	Satisfaction surveys
Real estate professionals	Commercial network
	Professional events
	Real estate barometer
	Quality service surveys
Shareholders and investors	Board of Directors
	Securitisation Roadshows
	Investor questionnaires
	Meetings with investors
Society	Participation in events
	Social media
	Corporate websites
	Meetings with NGOs and Foundations

Materiality study. New approach from the impact analysis

In 2022, we have updated the annual materiality study for the purpose of carrying out an exercise of approach to the requirements of the new European of Corporate Sustainability Reporting Directive (CSRD), ahead of its application in 2024, and to the new Consolidated GRI Standards, applicable from January 2023.

Methodology

The methodology used has evolved from an approach of relevance to an approach of impact, in line with the current reporting and sustainability management trends.

The work was carried out in three phases:

1. **Identification of the material issues** from a **doble vision**: impact of issues over the company and the people and the planet, based on the analysis of documentation and of an internal working group.

At this phase, **51 internal sources and 33 external sources** have been reviewed, in order to detect recurrent issues that affect UCI and in which, as entity, we impact our stakeholders.

This was followed by the creation of an **internal working group made up of 17 people** from UCI Spain and UCI Portugal, distributed in two sessions, to identify and validate possible material issues and impacts.

Based on the analysis of information, 10 material issues and 21 sub-issues were identified which, after the sessions with the working group, were adjusted to 10 issues and 18 sub-issues.

2. **As a novelty, the impact approach has been incorporated.** In order to give priority to impacts over the business and the stakeholders, the surveys annually carried out with the main stakeholders have evolved.

•**Impact over the business**: specific survey to the Steering Committee for the purpose of assessing the impact of material issues in the business development, with a current vision and evolution at the mid and long term.

•**Impact over stakeholders**: the new approach of external consultations has allowed evidencing how stakeholders, both in Spain and in Portugal, assess UCI's impact over issues identified in their daily relationship with the entity, with a current vision and evolution at the mid and long term.

As a whole, **566 consultations have been made to internal and external stakeholders:**

- 6 members of the Steering Committee
- 255 employees (Spain and Portugal)
- 233 customers (Spain)
- 53 financial consultants (Spain and Portugal)
- 8 real estate professionals (Spain)
- 11 suppliers - Managing entities (Spain)

3. **Construction of the matrix** with the consolidation of global results and an analysis of the evolution of issues at the mid and long term.

The matrix includes the following:

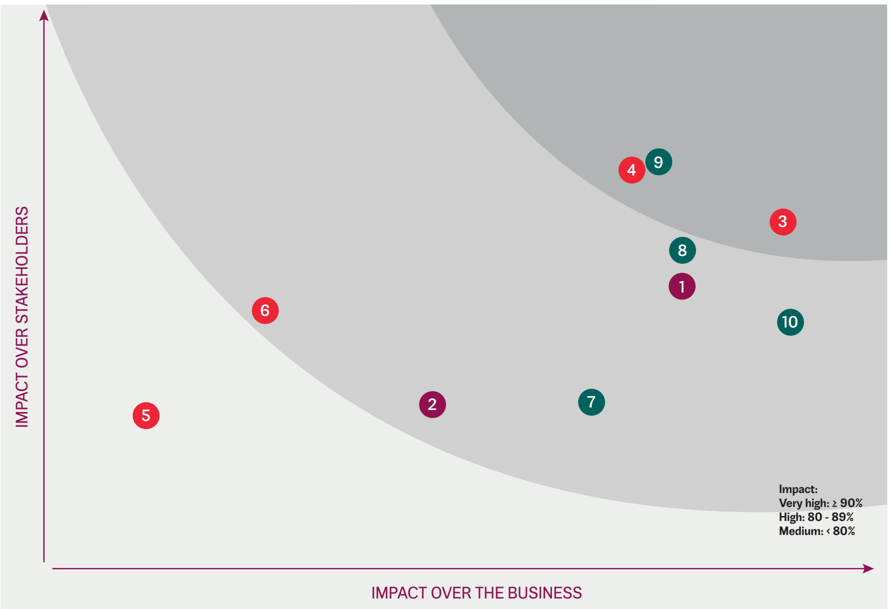
a) Two new axes:

• **Impact over business**: impact of issues in the development of the company's activity, understood as the ability to implement its strategic lines and achieve its objectives.

• **Impact over stakeholders with regard to sustainability matters.**

b) Results both from consultations on identified issues and on impact of issues at mid and long term.

It has been classified as very high impact when the score is 90% or more, high in a scope from 80% to 89%, and medium when it is below 80%.



Material issues	Dimension ESG Framework	Total Impact
1. Sustainable and responsible financial products	Climate change	89%
2. Carbon footprint and environmental impact	Carbon footprint	80%
3. People first	People first	91%
4. Customer engagement	Customer engagement	90%
5. Social engagement	Social engagement	75%
6. Professionalisation and diversification of the real estate sector	Professionalisation and diversification of the real estate sector	80%
7. Corporate governance and values	Corporate governance and values	84%
8. Long-term value creation	Code and values	89%
9. Security, transparency and reporting	Security, transparency and reporting	91%
10. Prudential risk management	Prudential risk management	89%

On this occasion, the matrix is presented with 10 relevant issues: for their valuation in consultations, the sub-issues that comprise them were included and are described below.

Issues	Sub-issues
1. Sustainable and responsible financial products	Purchase and sustainable reform of houses Sustainable rehabilitation of the property stock
2. Carbon footprint and environmental impact	Carbon footprint Environmental management
3. People first	Talent and training Diversity, equality and inclusion Health and wellbeing
4. Customer engagement	Customer satisfaction and experience Accompaniment of financial consultants
5. Social Commitment	Investment in social projects
6. Professionalisation and diversification of the real estate sector	Training of real estate professionals
7. Corporate governance and values	Corporate governance Responsible management of stakeholders
8. Long-term value creation	Business strategy Digital transformation
9. Security, transparency and reporting	Data protection and cybersecurity Transparent dialogue and clear language with stakeholders
10. Prudential risk management	Prudential risk management

UCI

The **main conclusions** from this analysis have been the following:

1. The **three issues with the highest impact valuation** for UCI and its stakeholders belong to the Social and Governance categories: People First (91%), Security, transparency and reporting (91%) and Customer Engagement (90%).

2. The issues of Prudential Risk Management, Corporate Governance and Values, Sustainable financial products and Long-term value creation are the four matters that **record a greater impact for the business** than for stakeholders.

3. Although all material issues obtain a high consolidated valuation above 75%, one of the issues is at a **medium impact level**, and is the Social Commitment.

The main conclusions per consulted group:

1. The material issue within the top 3 of impact for a larger number of consulted stakeholders is the **long-term value creation**. The employees, financial consultants and managing entities are the groups that rate this issue most highly.

2. **Security, transparency and reporting** are among the most prominent issues for three of the stakeholders, with special impact over customers.

3. The issue **customer engagement** is also a priority for three stakeholders, with the highest valuations among real estate professionals.

Top 3 issues	Business	Stakeholders				
	Directors	Customers	Employees	Finanical Consultants	Real Estate Professionals	Managing Entities (Suppliers)
1	Prudential risk management	Security, transparency and reporting	People first	Long-term value creatuion	Professionalisation and diversification of the real estate sector	Corporate governance and values
2	People first	Customer engagement	Long-term value creatuion	Customer engagement	Customer engagement	Long-term value creatuion
3	Long-term value creatuion	Social engagement	Security, transparency and reporting	Sustainable and responsible financial products	Sustainable and responsible financial products	Security, transparency and reporting

● Environmental ● Social ● Governance

Evolution of issues at mid and long term

In 2022, as novelty, the surveys made to stakeholders have introduced the vision of the evolution of the impact of issues at the mid and long term. The surveys requested selecting the 5 sub-issues that would be considered to increase in impact in following 5 years.

The main conclusions have been the following:

1. **Customer satisfaction and experience** is again the sub-issue most frequently noted by stakeholders.

2. Environmental sub-issues with focus on the **purchase, reform and rehabilitation** with sustainability criteria are considered to increase in impact.

3. Other issues that will increase their impact to a greater extent in the future, according to the stakeholders, are those related to the **people management**, in particular **talent and training**.

Finally, the existing correlation between ESG axes, material issues and both priority and interrelated SDGs are included below.

	Priority SDGs	Interrelated SDGs	Associated material issues	Transversal SDGs
Environmental	13 CLIMATE ACTION	7, 11, 12	Sustainable and responsible financial products Carbon footprint and social impact	
Social	4 QUALITY EDUCATION 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES	5	People First Customer engagement Social engagement Professionalisation and diversification of the real estate sector	17 PARTNERSHIPS FOR THE GOALS
Governance	16 PEACE, JUSTICE AND STRONG INSTITUTIONS		Corporate governance and values Long-term value creation Security, transparency and reporting Prudential risk management	

UCI

2.5. Contribution to the Agenda 2030

At UCI, we want to contribute to the transformation of our world and achieve a sustainable future for everyone.

With our activity, we generate value, promote quality of life in the communities where we operate, and promote our support to the global challenges faced by us on a daily basis.

We commit to the Agenda 2030, and thus integrate in our business the Sustainable Development Goals to contribute to their progress and align it with our ESG framework and with projects and initiatives carried out by us in the entity.

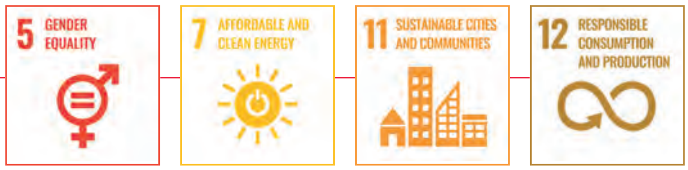
Priority and interrelated SDGs:

Priority SDGs

UCI contributes directly with its activity and commitments

Interrelated SDGs

UCI contributes directly and/or indirectly through projects and specific initiatives



Transversal SDGs

Present in all SDGs to which UCI contributes

Integration in the business:

SDGs	Goals to which UCI contributes	Main initiatives
4 QUALITY EDUCATION	4.3 Ensure equal access for all women and men to affordable quality technical, vocational and tertiary education, including university	**Aprendizándome**: ongoing learning ecosystem in which each collaborator decides the format and theme for its development. **Leadership School**: space designed for the company's leaders, with themes of conduct, key areas and styles. **SIRA**: attract, train and contribute to the development of the best real estate professionals, to stand out in the sector for their abilities, ethical commitment and quality service. **"We accompany" Programme**: financial training to young people through the initiatives "Tus Finanzas, Tu Futuro' (Junior Achievement) and Scholarships for extraordinary talent without resources (Dádoris Foundation).
8 DECENT WORK AND ECONOMIC GROWTH	8.5 Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value 8.8 Protect labour rights and promote safe and secure working environments of all workers 8.10 Strengthen the capacity of domestic financial institutions to encourage and to expand access to banking, insurance and financial services	**Wellbeing Ecosystem - Cuídate**: a framework for proactive action and continuous improvement in health promotion and wellbeing. **Work organisation model:** a new model for hybrid telework. **Agreements with EEC**: contracting material and services for the employment of intellectually disabled people. **Customer relationship model**: based on responsible purchases, free choice, in-depth understanding of products and services to be contracted and accompaniment at every stage of the customers life
10 REDUCED INEQUALITIES 5 GENDER EQUALITY	10.2 Empower and promote the social, economic and political inclusion of all irespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status. 10.3 Ensure equal opportunity and reduce inequalities of outcome. 5.5 Ensure women's full and effective participation and equal opportunities for q ¡eadership at all levels of decision-making in political, economic, and public life.	**"We accompany"**: support in educational programmes for the inclusion of disabled people, to programmes for the prevention of residential exclusion and energy donation campaigns. **Equality plan**: new Plan to guarantee and promote the equality of treatment and opportunities among everyone and Protocol against harassment. **Adherence to the initiative "Business for a society free of gender-based violence".** **Adherence to Empowering Women's Talent**: programme to develop the women's empowerment and leadership.

UCI

SDGs	Goals to which UCI contributes	Main initiatives
	7.2 Increase substantially the share of renewable energy in the global energy mix 7.3 Double the global rate of improvement in energy efficiency 11.1 Ensure access for all to adequate, safe and affordable housing and basic senices, and upgrade slums 11.3 Enhance inclusive and sustainable urbanization and capacities for participatory, integrated and sustainable human settlement planning and management in all countries 12.2 Achieve sustainable management and efficient use of natural resources 12.5 Substantially reduce waste generation through prevention, reduction, recycling, and reuse 12.6 Encourage companies, especially large and trans-national companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle 12.8 Ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature 13.1 Strengthen resilience and adaptive capacity to climate related hazards and natural disasters in all countries 13.3 Improve education, awareness raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction, and early warning	**Green Products**: green mortgage (acquisition and self-construction), SUMA Green (Purchase plus reform) and photovoltaic financing **RER Plan**: Residential Energetic Rehabilitation Plan in order to promote savings and energy efficient buildings, providing the necessary financing and senices to Owners' Associations **ENGAGE for ESG activation investments**: the objective is to meet the data and financing needs for the decarbonisation of the European housing stock **EIB commitments and Sustainalytics**: green production commitments under the criteria set by the European Investment Bank and Sustainalytics that have a positive impact in the Green Asset Ratio and in goals **Green bonds**: RMBS Green Belém 1 and FT RMBS Prado Vil **Environmental management system**: under the standards of ISO 14001 and with the support from Greemko to measure our carbon footprint, we work to minimise the environmental impact and to comply with legal requirements and the needs of our stakeholders

SDGs	Goals to which UCI contributes	Main initiatives
	16.5 Substantially reduce corruption and bribery in all their forms 16.6 Develop effective, accountable and trans-parent institutions at all levels 16.7 Ensure responsive, inclusive, participatory and representative decision-making at all levels	**Policies and Code of Conduct** which regulate UCI activity and behavours to guarantee a responsible and ethical management of the company **Cero tolerance of corruption and fraud**: criminal prevention system and money laundering pre-vention **Active listening and value creation** for stakehol-ders **Security of information**: ISO 27002 certificate Promotion and assurance of a **responsible advertising and communication** of products and seices
	17.17 Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.	We participate in national and international initiatives and projects. The list of alliances is included as Annex 3 to the report.

3. We support the sustainable transition

3.1. 'We greenimise'

E.0 Introduction

Greenization is our contribution to the planet. They are actions adopted by us to generate a positive impact in the fight against climate change and to accelerate the awareness towards energetically efficient homes. We greenimise also means being responsible with our stakeholders in this path and, therefore, we promote the progress towards the sustainability in their business model.

Fighting **climate change** is one of our lines of action main in the environmental axis. At UCI, we know that the fight against climate change and global warming must be a priority, and thus our business model includes **sustainable and responsible financial products** both for the acquisition and reform of houses and for the rehabilitation of buildings as base of our strategy.

Directly related to the above is the environmental need to reduce the carbon footprint and to maintain the global temperature by 1.5ºC, which is a key point to the COP27 held this year, which has highlighted the step to "the implementation".

At UCI, we have already taken this step and our dimensions of the ESG framework also include as main activity the control of the **carbon footprint**, with measures such as the management of the **environmental footprint**, the use of a **circular economy** and a **sustainable consumption of resources**.

Our commitment with the sustainability and with all these matters is reflected in the entity's ESG framework and in the group's Sustainability Policy, as a sample of our intention to contribute to the development of a more sustainable economy and financial system and as accelerator of change.

In the financial year 2022, we have not dedicated resources to the prevention of environmental risks, but are working in the incorporation of energy and environmental factors in the Continuity Management System. At 2022 closing, the Consolidated Annual Accounts do not include any item for environmental provisions or guarantees.

At UCI, we deal with our environmental management with the responsibility to operate in the most respectful manner with the environment, taking the necessary measures to mitigate our environmental impact. We have to continue making progresses in environmental management to adapt it to the principle of precaution.

Finally, given the entity's activity and the geographic areas of business, our operations do not affect protected areas, and therefore we do not have any measure to preserve or restore the biodiversity.

Related **material matters:**

Issues: Sustainable and responsible financial products and carbon footprint and environmental impact.

Sub-issues: Products for the purchase and renovation of housing with sustainability and energy efficiency criteria; Financing for the sustainable rehabilitation of the property stock; Reduction

UCI

of the carbon footprint; Waste management and sustainable consumption of resources; Business strategy for the long-term value creation.

SDGs to which it contributes:

E.1 Financing the fight against climate change

Business lines through sustainable and responsible products

At UCI, we want to protect the environment and care for people, to achieve a more sustainable and fairer world. For such purpose, we commit to the value creation integrating ESG criteria in our business lines, and to also support our stakeholders in this path.

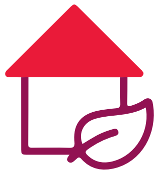
We develop our business in a sustainable manner, with three pillars to reach it: the creation of sustainable products, a supporting origination and an endorsing funding.

We finance the fight against climate change through Green products, focused on the acquisition and reform of energetically efficient houses and launch a fully new business line with an innovating model: the sustainable rehabilitation of buildings.

Green Products

As credit institution, we have the responsibility to offer products committed with the environment that meet the energy efficiency challenge and the sustainability. We therefore promote our Green products.

Since 2018, we participate in the European programme as one of the credit institutions of the Green Mortgage initiative, led by the European Mortgage Federation (EMF) and, since 2021, within the EMF, we lead the Taxonomy working group, which objective is to align the standards of the EEML (Energy Efficient Mortgage Label) with the European Union taxonomy.

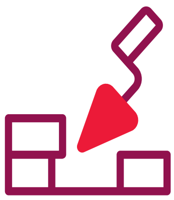


Mortgage Vive Green

The mortgage that benefits the client and the planet. With the acquisition of a house with energy efficiency A, special financing conditions are obtained.

Sum Green

Purchase + Reform in a single loan. If energy efficiency is improved by 30%, better financia conditions are available according to the final energy certificate.



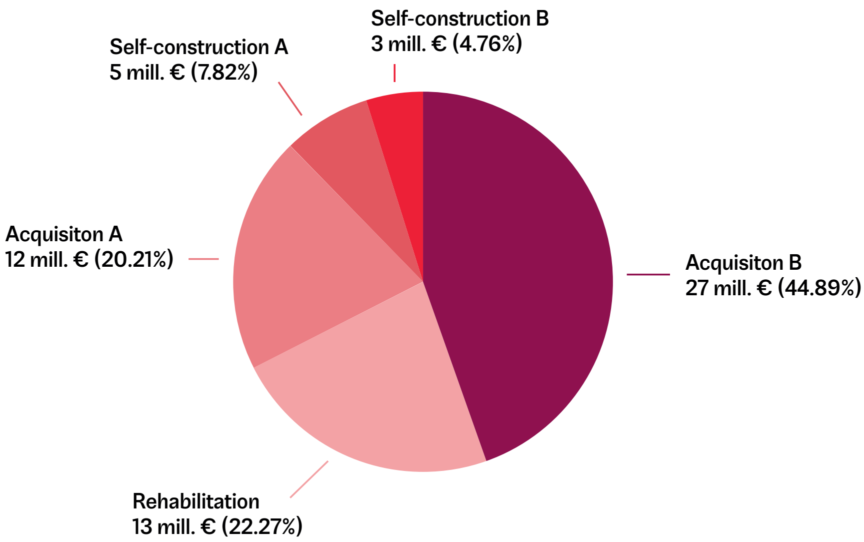
Create Green

Self-development mortgage. Build a customised house and benefits from the advantages of our Green solutions.

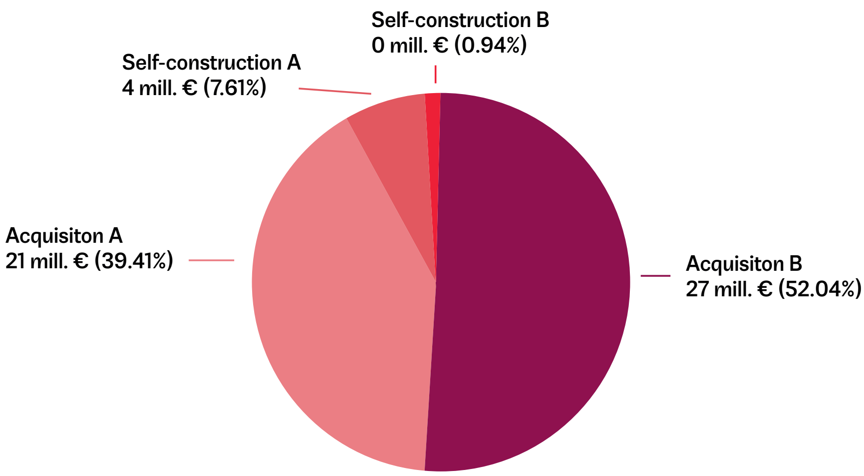
Our progress in Green production:

2022

•Spain: 10.2% of total production.

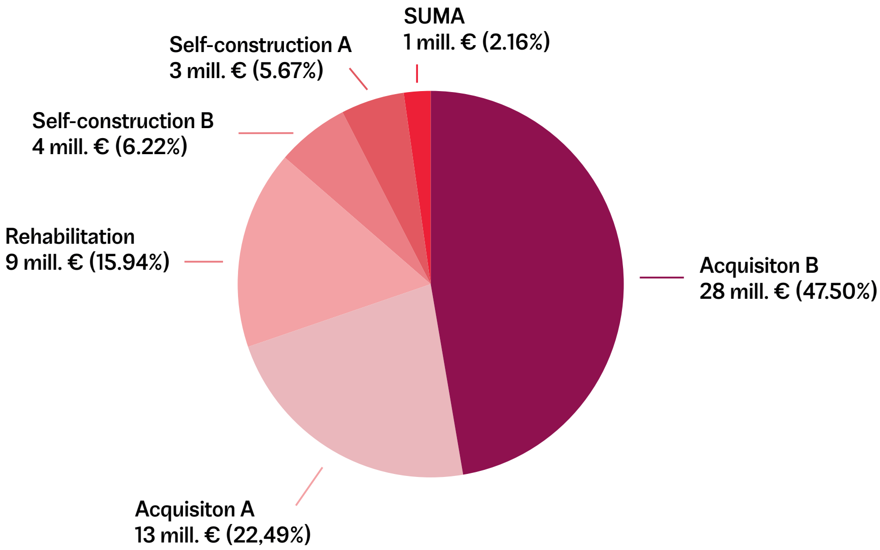


•Portugal: 26.2% of total production.

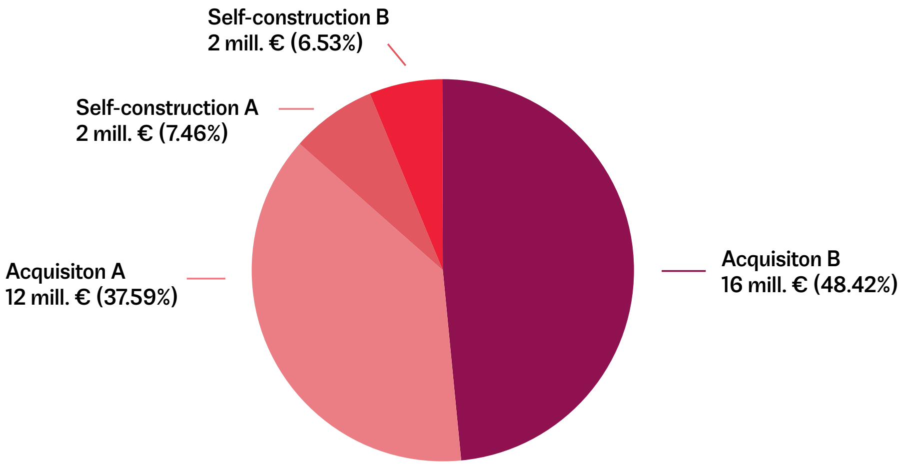


2021

•Spain: 9.2% of total production.



•Portugal: 17.9% of total production.



+ 10.87%
Regarding 2021

+ 46.37%
Regarding 2021

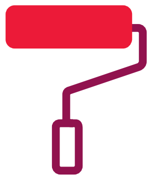
Sustainable Rehabilitation and Ecosystems

Sustainable Rehabilitation and Ecosystems
At UCI, we are pursuing more than just financing through mortgages: we commit and dare to dream with the rehabilitation. We have analysed the current situation, studying the market, and have found a need in the society and the environment, which has led us to find our purpose: Decarbonise the property stock.

We have therefore decided to go for a disruptive business, incorporating innovating tools and partners at supranational level. This allows us to offer the best option for what is already a reality: the energy improvement of the world where we live.

Rehabilitation of homeowners' associations

Building rehabilitation loans to customers who apply for refurbishment through associated partners.



Personal loans for reforms

Loan to finance refurbishment works, reforms, energy efficiency improvements, renovation of community facilities or new community elements.

In this sense, we highlight two projects:

Residential Energy Rehabilitation Plan (RER)

On May 2022, at UCI, we have entered into an agreement with the European Investment Banks by means of which, through the funds of the ELENA programme, a joint initiative of the EIB and the European Committee, we have launched the **RER Plan.**

It is a Residential Energy Rehabilitation plan which objective is to promote the savings and energy efficiency of buildings, facilitating financing and the necessary services to Owners' associations to carry out the necessary improvement works to achieve it, always using the digitalisation and technology as added-value strategic element.
This project focuses on the decarbonisation of the Spanish property stock, mainly in the cities of Madrid, Valencia, Barcelona and Seville.

We want to simplify a process that may initially seem complex. This project is born with the idea of simplifying the procedure for all players and people involved in the estates' rehabilitation: Owners' associations, Property Administrators and Administrations in charge of granting the pertinent grants to carry out such works.

For such purpose, we take to the rehabilitation world the model of success we have applied to mortgages for 30 years and continue placing customer at the centre, accompanying them throughout process with expert and specialist advice.
This programme will allow us to mobilise, in three years, 46.5 million Euros in eligible rehabilitation investment, which implies reforming around 3,720 houses until 2024 and savings of up to 1,765 tons of CO2 per year.

ENGAGE for ESG activation investments

Also in 2022, we have signed an agreement as beneficiaries in the **ENGAGE Project for ESG activation investments**, together with other consortium members from different European countries, who constitute a reference in the financial, university and legal world: Hypoport BV, Università Ca' Foscari Venezia, Woonnu B.V. and Dexai-Etica Artificiale.

It is a three-year project that has received a grant from the European Climate, Infrastructures and Environment Executive Agency (CINEA-European Committee) in the framework of the LIFE programme.

It is coordinated by European Datawarehouse, and focuses on the search for a data model related to green loans, standardising and identifying the most relevant fields to conform a Green Investment Portal to allow consumers to access this kind of loan.

This provides support to the achievement of a new energy efficiency label and simplify the access and comparison of green data. In short, the project's objective is to satisfy the needs of data and financing for the decarbonisation of the European property stock.

Our Green commitments

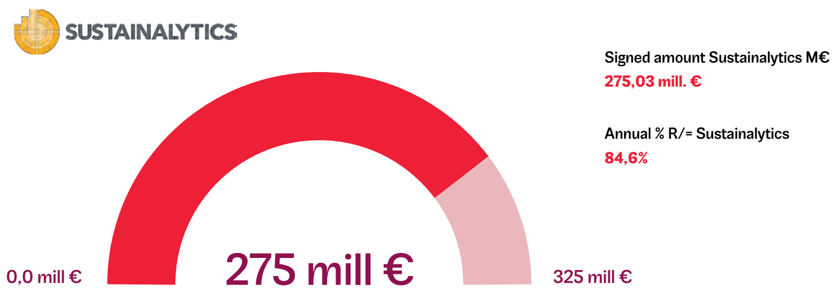
Sustainalytics

In our commitment to the sustainable financing of houses, we collaborate with Sustainalytics through an agreement for the creation of a green framework, in turn complying with the Green Bond Principles for the financing of individuals' investments in the fight against climate change.

Through our Green Bond Framework, we issue green bonds and use income to finance green mortgages for new residential buildings and reform. Sustainalytics considers that projects financed with resources from green bonds will generate a positive environmental impact, contributing to reducing the energy consumption of the stock of residential buildings in Spain and Portugal.

In turn, Sustainalytics has assessed and considered that we have the appropriate measures to identify, manage and mitigate environmental and social risks commonly associated to eligible projects financed with the use of funds. Additionally, that UCI is well positioned to issue green bonds and that we have a solid, transparent framework in this sense, aligned with the four main components of the Green Bond Principles, which are:

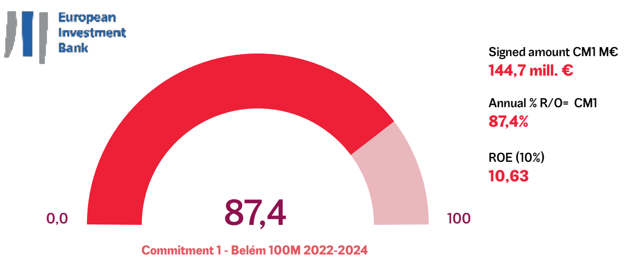
1. Use of income
2. Assessment and selection of the project
3. Management of income
4. Reporting

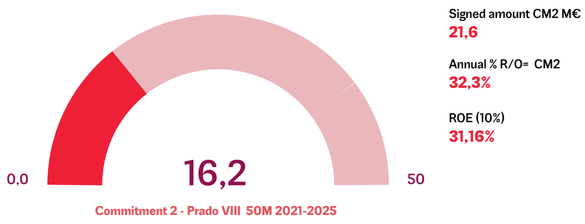


European Investment Banks

At UCI, we have joined forces with the European Investment Banks (EIB) to boost property energy efficiency projects in Spain and Portugal. The agreement signed in 2020 has allowed us to generate a new sustainable financing portfolio in the Iberian peninsula. This investment is possible thanks to the financing of our green products.

We offer bonuses to the customer for certain cases in new works and purchase with energy efficiency reform, as well as for the energetic rehabilitation of buildings and Green reforms.





Green bonds

RMBS Green Belém Nº1.

Our first securitisation fund in Portugal 'RMBS Green Belém nº1' has been the first issue of green bonds towards the investment in high energy efficiency assets, with a total volume of 400 million Euros, which has allowed us to be in the core of the financial markets.

Following the principles of the **STS regulation** (Simple, Transparent and Standardised), this fund has been the first one counting with the green certificate issued by Sustainalytics, showing our commitment to improving the energy efficiency through financing, thus collaborating to achieve a greener and more sustainable world.

FT RMBS Prado VIII

As in the previous case, this new securitisation fund has met again the demanding **European STS criteria** (Simple, Transparent and Standardised), with capital requirements Regulation and with the short-term liquidity coverage ratio.

Prado VIII is UCI's third issue, preceded by RMBS Green Belém No.1 and RMBS Prado VII. We receive requests from the main European countries, with a demand three times higher than issued bonds, which has allowed achieving a higher return for investors.

This fund has entailed an agreement with the European Investment Banks, where we have committed to financing the energetically efficient renovation of houses and the construction of new buildings in the Iberian peninsula, for an amount of 50 million Euros in 5 years.

Although this Prado has not been catalogued as Green, it has had a positive influence over our ESG commitments to demonstrate our work to the investors in this financial axis, with which we anticipate the future regulation.

E.2 Taxonomy

Since 2020, our task is to identify the activities in a sustainable manner, based on transparency requirements established by the **Taxonomy Regulation (EU) 2020/852** of the European Parliament and the Council. Its article 8 establishes the enforceability for companies that already report non-financial information to disclose the details of **environmentally sustainable economic activities.**

This Regulation establishes six common climate objectives in the European Union that must be met by any economic activity to be sustainable:

1 Mitigation

2 Adaptation to climate change

3 Protection of water and marine resources

4 Transition of a circular economy

5 Pollution prevention and control

6 Recovery of the European biodiversity and ecosystems

In turn, there are four criteria that must be complied with in order to understand the Taxonomy as a fundamental transparency tool:

1	Make a substantial contribution to one of the European climate goals
2	Do not significantly harm any of the other five
3	Comply with minimum social guarantees
4	Adapt to technical selection criteria

The Regulation above is specified with **Delegated Regulation (EU) 2021/2178** that establishes the content to include the sustainability degree of the activities. It sets the content, methodology and presentation of information to be disclosed with regard to environmental activities.

In turn, all the information above is also developed by **Delegated Regulation (EU) 2021/2139**, which establishes technical criteria of selection to determine whether an economic activity contributes to **mitigating greenhouse gas emissions and adaptation of the climate** change, thus focusing on the two first objectives. These criteria also allow determining when an economic activity causes significant damages to the rest of environmental objectives. And, also, this must be considered when disclosing the information established by the abovementioned article 8.

At UCI, given our type of activity and products, we must focus on **article 7**, in particular points 7.1, 7.2 and 7.7:

Point 7.1: Construction of new buildings.

The technical criterion of selection applied in this point is the following:

The demand of primary energy, which determines the energy efficiency of the building that is being built, is at least 10% lower than the threshold established in relation to requirements concerning near-zero energy buildings (EECN).

Point 7.2: Renovation of existing buildings

The technical criterion of selection applied in this point is the following:

The building's renovation leads to a reduction of the primary energy demand of at least 30% (as a result of a real reduction of the primary energy demand).

Point 7.7: Acquisition of buildings

The technical criterion of selection applied in this point is the following:

In relation to a substantial contribution to mitigating the climate change:

• For buildings built before December 31, 2020, the building at least has a class A energy efficiency certificate.

- Alternatively, the building is part of 15% of the most energetically efficient buildings of the national or regional property stock, in terms of operating primary energy demand (PED).

• In the case of the buildings built after December 31, 2020, the building complies with criteria established in section 7.1 that are pertinent at the moment of acquisition.

At UCI, we take into account the alignment with the Taxonomy with a view to 2024, due to its obligatoriness, but we currently have the eligibility, which implies that it is applicable to all of our portfolio, as the technical criteria are not considered as no significant harm is caused (DNSH - do not significant harm).

In this context, we demonstrate the percentage of our financial assets/products aligned with the Taxonomy and that are therefore sustainable for individual customers through the following:

1. Financing to acquire houses with an energy efficiency rating A or B; and

2. Financing exclusively dedicated to building houses with the highest energy ratings (A and B).

Country	Taxonomy Green Products	Amount €	Weight
Spain	A&B acquisition	118,572,310.97	38%
	A&B self-construction	12,224,265.26	4%
	Rehabilitation of communities 30% improvement	5,994,322.56	2%
	Reform & Acquisition + reform 30% improvement	10,708,739.95	3%
	Total Green Products	147,499,638.74	
	Total outstanding balance	8,905,951,875.70	
	GAR	**1.66%**	
Portugal	A&B acquisition	152,738,512.42	49%
	A&B self-construction	9,296,114.04	3%
	Total Green Products	162,034,626.46	
	Total outstanding balance	1,226,290,349.51	
	GAR	**13.21%**	
Total	Total Green Products	309,534,265.19	
	Total outstanding balance	10,132,242,225.21	
	GAR	**3.05%**	

UCI

E.3 Our environmental footprint

We minimise our impact in the environment

Our strategy to fight against the climate change focuses on the decarbonisation of the property stock. In 2018, green products were designed and traded for the acquisition of energetically efficient houses and the improvement of said efficiency in the houses. Our internal management also cares for minimising the impact of our activities over the environment.

Our internal environmental management focuses on three axes that are included in the ESG framework to guarantee that our impact in the environment is correctly identified and managed:

• Manage our waste in a responsible manner

• Quantify the consumption of resources

• Control and measure CO2 emissions

Additionally, we have continued raising awareness on these questions from our employees and other stakeholders.

Since 2021, we count with the platform **Greemko** that has allowed us to correctly monitoring the abovementioned matters, in order to establish objectives that will be included in the future Sustainability Plan. This methodology is based on standards of reference, GRI, GHG Protocol, ISO 14001, ISO 14064 and CDP, which allows us to have a comprehensive solution to structure, consolidate and report all environmental information, enhancing the efficiency and reliability.

In 2020, the Environmental Management System (SGA), certified by AENOR, was implemented and evidences the adequacy of the central services building to the requirements the Standard ISO 14001:2015. The ISO 14001 certificate is a reference of the performance in the environmental management, applying policies and objectives to reduce consumptions, waste and the emissions in the buildings.

Concerning our activity, during 2022, we have had a hybrid working model, and therefore variations with regard to the previous year are still due to atypical behaviours from 2021, derived from the pandemic.

Circular economy and waste management

As part of our environmental management system we have internal procedures to manage and guarantee the withdrawal and recycling of 100% of the paper (offices and HQ Spain) and plastic (HQ Spain) through authorised waste managers. The corporate headquarters have a selective collection of packaging, organic matter and batteries.

Our waste elimination method is verified through the following:

• Information collected in control and waste management monitoring documents (Chronological Waste File).

• Certificates of destruction issued by the different authorised suppliers and managers.

The treatment given to document, paper and cardboard waste consists of shredding, sorting and compacting it and sending it to paper and cardboard factories for recycling.

Waste generated by Spain and Portugal is exposed below:

Matter	2022	2021	Var. %
Waste			
Batteries and accumulators	0.11 t	0.00 t	100%
Ink and toner cartridges	0.03 t	0.16 t	-83.49%
Paper	15.78 t	15.57 t	1.39%
Descarded equipment	0.00 t	0.08 t	-100.00%
Electrical and electronic devices	4.58 t	0.69 t	561.07%
Mixed construction and demolition waste	0.90 t	0.00 t	100%
Municipal waste	6.06 t	6.25 t	-2.97%
Alkaline batteries	0.00 t	0.01 t	-100.00%
Plastic	1.68 t	1.52 t	11.10%
	29.15	24.28	18.17%

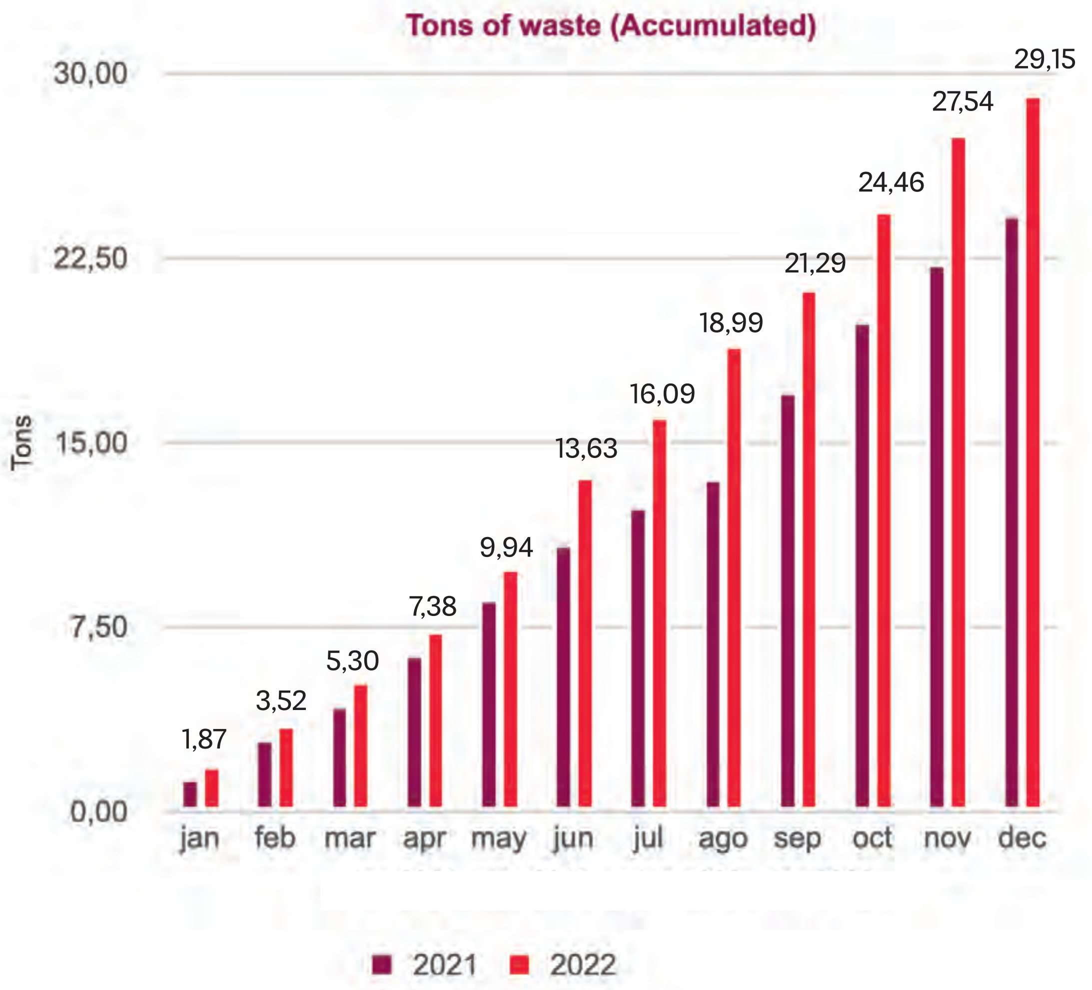
In 2021, the discarded equipment corresponds to Portugal.

Portugal does not have the following waste: cartridges, electrical equipment, mixed construction waste, municipal waste, alkaline batteries and plastics.

The increase in the waste of electrical and electronic equipment is due to the cleaning of the headquarters of Retama 3, after moving the corporate headquarters and substituting the monitors.

The 0.9 tons of mixed waste from construction and demolition correspond to the work in the new Murcia office.

Information on waste generated in the year is included below.



As regard the food waste, given UCI's business activity, taking measures or carrying out actions to fight it is not a relevant issue.

Sustainable consumption of the resources

At UCI, our objectives include the efficient consumption of resources and, for such end, we have launched initiatives aimed to its optimisation, particularly of those that are material for the entity: energy, diesel and petrol, water, and paper. Additionally, we carry out awareness actions for their correct use.

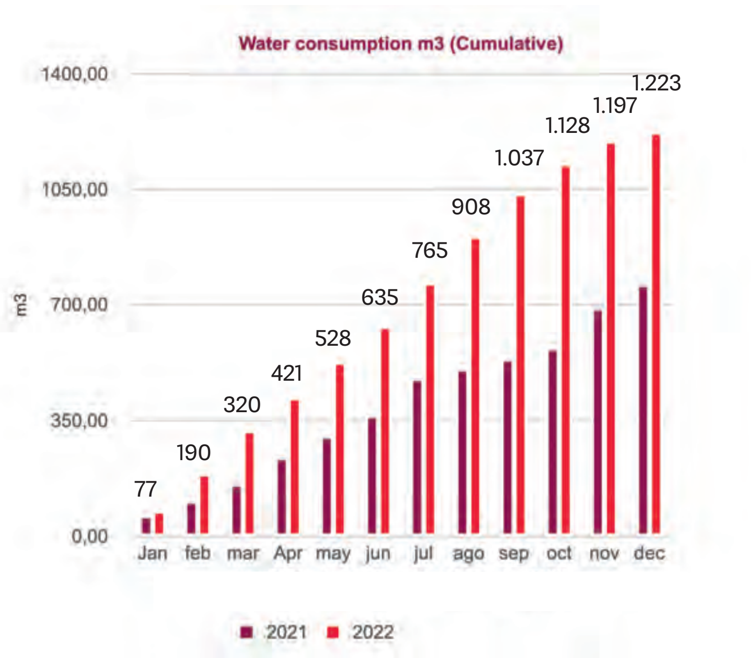
Water: the most relevant water consumptions at UCI are those corresponding to UCI Spain central buildings (Ejesur Building and Ombú Tower) and UCI Portugal (Building Torre das Amoreiras) and those offices that have a larger payroll volume, all of which originate from tap water, and therefore it is considered that there is no relevant impact in water sources. The increase in water consumption by 60.72% is due to the return to the in-person activity.

Paper: paper concentrates the main consumption of materials used in our offices. The paper consumption is in line with the previous year, +0.96%, as different actions are maintained for its responsible consumption, such as the digitalisation, reduction of printing points, reuse and use of recycled paper.

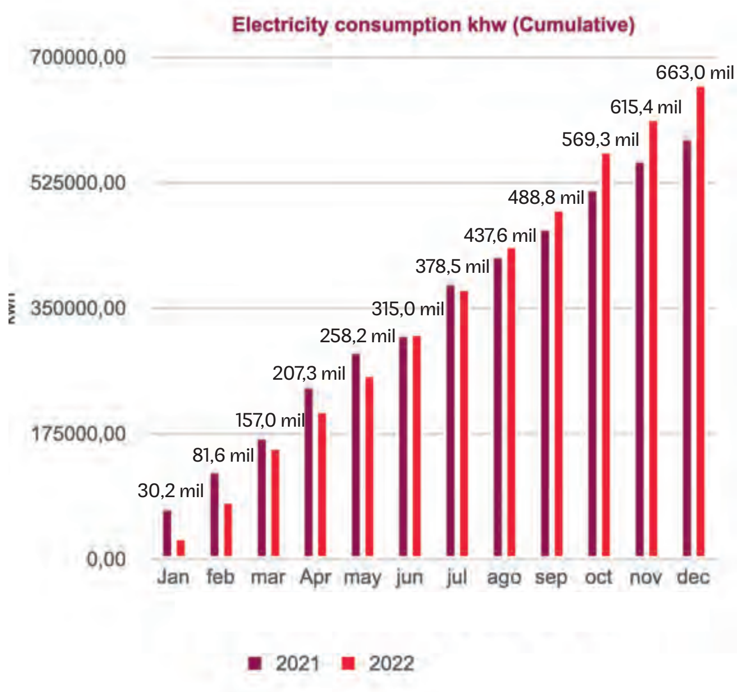
Electricity: the main source of energy is the electricity. In 2022, there has been an increase of 12.81%, given the normalisation of the activity after the pandemic.

Matter	2022	2021	Var. %
Water consumption	1,222.96 m^3	760.90 m^3	60.72%
Natural gas consumption	135.33 kWh	8,335.00 kWh	-98.38%
Electricity consumption	662,993.15 kWh	587,722.36 kWh	12.81%
Diesel A consumption	33,400.00 l	55,725.64 l	-40.06%
Fuel consumption	80,292.47 l	62,342.47 l	28.79%
Paper consumption	7,350.00 kg	7,280.10 kg	0.96%

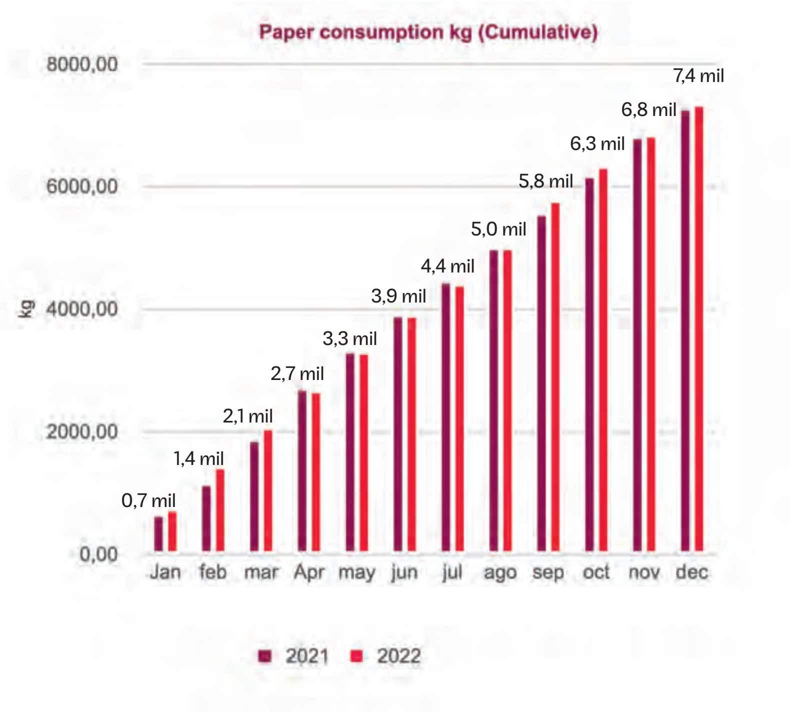
Evolution of the consolidated water consumption



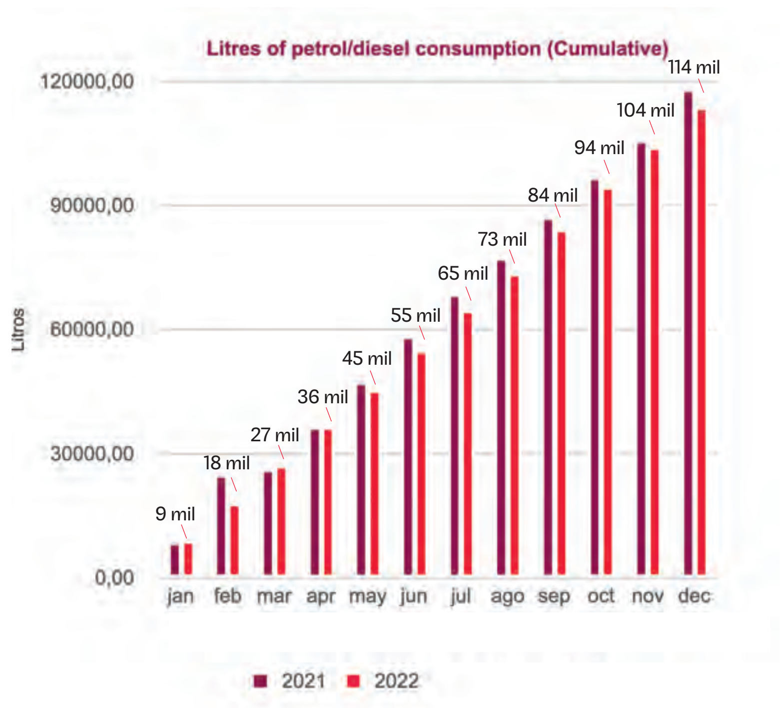
Evolution of the consolidated electricity consumption



Evolution of the consolidated paper consumption



Evolution of the consolidated petrol and diesel consumption



UCI

Data on consumption per employee and the comparison with the previous year are included below.

	Spain			Portugal		
	2021	2022	Variation	2021	2022	Variation
Total electricity consumption per employee (KWh)	959.91	1,042.53	8.61%	973.59	1,238.84	27.24%
Total water consumption per employee (m^3)	1.01	2.03	100.99%	1.96	1.64	-16.33%
Total paper consumption per employee (Kg)	5.57	6.39	14.72%	89.00	44.09	-50.46%

GHG Emissions

In relation to emissions, environmental and expense rationalisation criteria are regularly applied, favouring the reduction of CO2 emissions, boosting the choice of means of transport with a lower level of emissions and promoting the shared vehicle use.

The platform Greemko allows us to detail emissions included in each scope:

Scope 1: Direct emissions

It includes emissions generated by installations through the consumption of fuels, such as gasoil (there was a generator set in the Retama office that was activated when the power system failed). Natural gas (at the Barcelona Premium Office) is included, and the consumption of diesel A and petrol.

Scope 2: Indirect emissions from electricity

It includes emissions derived from the power consumption in Spain and Portugal. For Spain, the contracting of clean/renewable energy with guarantee of origin is particularly relevant in this scope. We have the certificate of 100% renewable energy since 2017 for all offices that contract with Energya, except for Avenida de Córdoba, Palma de Mallorca, Marbella and Barcelona Premium.

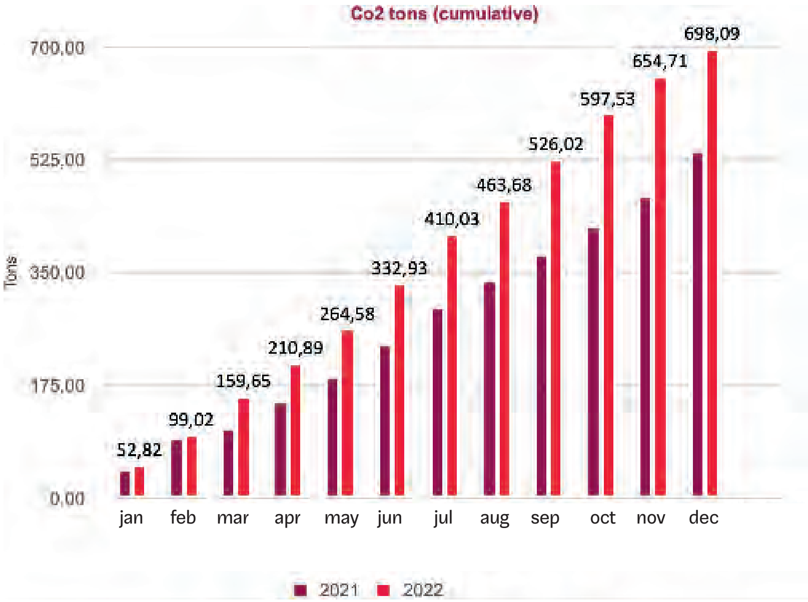
Scope 3: Other indirect emissions

This scope includes other indirect activities in Spain and Portugal, which register emissions in trips made by train, plane, vehicle (except for company vehicles) and paper consumptions and waste management in Spain and Portugal.
In this sense, in 2022, CO2 emissions in tons (t) derived from these parameters amounted to a total of **698.08 t/CO2 vs 539.81 t/CO2 in 2021**.

UCI

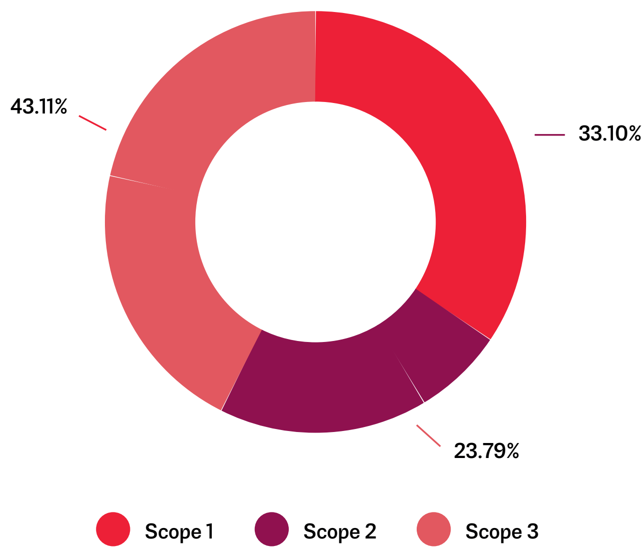
Year	2021		2022	
Scope	tCO2eq	%	tCO2eq	%
Scope 1	**242.07 t**	**44.84%**	**231.06 t**	**33.10%**
Natural gas consumption	1.52 t	0.28%	0.02 t	0.00%
Diesel A consumption	136.86 t	25.35%	84.17 t	12.06%
Fuel consumption	103.69 t	19.21%	146.87 t	21.04%
Scope 2	**118.25 t**	**21.91%**	**166.07 t**	**23.79%**
Electrical consumption	118.25 t	21.91%	166. 07 t	23.79%
Scope 3	**179.48 t**	**33.25%**	**300.96 t**	**43.11%**
Fuel consumption	36.20 t	6.71%	33.79 t	4.84%
Emissions business trips (CO2)	34.57 t	6.40%	63.69%	9.12%
Battery and accumulator waste			-	-
Ink and toner cartridge waste	0.40 t	0.07%	0.07 t	0.01%
Paper waste	0.33 t	0.06%	0.34 t	0.05%
Discarded equipment waste	-	-		
Electrical and electronic equipment waste	0.01 t	0.00%	0.10 t	0.01%
Mixed construction and demolition waste			-	-
Municipal waste	3.66 t	0.68%	3.48 t	0.50%
Alkaline battery waste	-	-		
Plastic waste	0.03 t	0.01%	0.04 t	0.01%
Business trips	104.26 t	19.31%	199.46 t	28.57%
Total	539.81 t	100.00%	698.09 t	100.00%

The evolution of emissions, during 2022, expressed in tons of CO2, is detailed below.



Emissions generated during 2022 have increased with regard to 2021 as a consequence of the increase of business trips and the electrical consumption generated when returning to the normal business activity after the pandemic.

The following graph shows the importance of each scope of our carbon footprint:



Given our activity, we have not directly generated a very significant volume of polluting emissions or environmental noise. Nor has there been any light pollution, dumping or soil contamination.

The most representative emissions are those indirectly originated from the consumption of electricity, as well as from the consumption of fossil fuels derived from the transportation of staff in work trips.

Calculations of greenhouse gas emissions are given in equivalent tons of CO_2, which already include the remaining greenhouse gases originated from the combustion of the different energy sources used at UCI. Such greenhouse gases are mainly CO_2, N_2O and CH_4 (the Barcelona Premium office residually uses natural gas coming from boiler).

Indicators related to “We greenimise” may be consulted in section 4.1 of the report- Environmental matters.

3.2. ‘We accompany’

S.0 Introduction

For UCI, people are at the heart and, therefore, **“we accompany”** revolves around our relationships with the main stakeholders and their support and accompaniment, in the development of our activity and commitments. The society advances and so do we with it. “You scratch my back and I’ll scratch yours”.

Our line of work in the social axis is based on “by and for people”. Thus, **People first** means that our employees come first and this is achieved by promoting the **talent**, the employment and the training to drive their **employability**, as well as promoting the payroll **diversity, equality and inclusion** and, in short, making UCI a Great Place to Work.

The centrepiece of any business is the customer and, as credit institution, it is transcendental. Therefore, through the **customer engagement**, we want to build long-term trusting relationships with our customers and for them to be increasingly satisfied with the care and services they receive.

We are responsible with our workers, with our customers and also with the society, and therefore, in **social engagement**, we offer sustainable rehabilitation and social products as part of the **social inclusion in the business** and we generate value with initiatives that allow **our investment in the society**.

Finally, our activity implies a link with the **real estate sector** of more than 30 years, and therefore we promote and drive their **professionalisation and training** for them to adopt the best practices in their relationship with the customers and in the development of their own business.

All these lines of work are part of our ESG framework and respond to the commitments established for stakeholders in the Sustainability Policy.

This part of the report addresses the following **material matters**:

Issues: People first, Customer Engagement, Social Commitment, Professionalisation and Diversification of the Real Estate Sector.

Sub-issues: Development of the talent and training; Diversity, equality and inclusion; Health and wellbeing; Satisfaction and experience of the customer; Accompaniment of financial consultants for the ongoing improvement in the relationship with customers; Investment in social projects; training of real estate professionals and tools for the development of their business; Transparent dialogue and clear language with stakeholders.

SDG to which it contributes:

S.1 People First

For UCI, people come first. Therefore, all our lines of work in this matter have a clear intention: to demonstrate, both to our employees and to anyone else directly or indirectly involved with UCI, that they are the most important part of our entity.

A. For the third consecutive, we are a great place to work

As specialists in homes, at UCI, we are convinced that our place of work must be like home. We work for our employees to feel at home, and to continue feeling this every year.

In 2022, we have renewed for the third year the certificate **Great Place to Work®** that recognises us as such, one of the most prestigious distinctions in the area of Human Resources at national and international level.

The **global trust index (Spain and Portugal) has been of 76%**, maintaining the value of 2021 and 11 points above the limit of 65% required to obtain the certificate.

As in previous years, we highlight the high participation and involvement of the employees in both countries with an index of 92% in Spain and Portugal.

In 2022, measures have been launched, after the results of 2021, among which are the following:

• Definition of a single leadership style for all UCI managers.

•Creation of a School of leadership to work on this corporate style.

•Focus groups with managements that have obtained the lowest assessments, to understand insights and identify areas of improvement.

•Launch of a working group for the purpose of better working the management and governance in talent decisions.

•Presentation of the areas' talent map to all directors to make such talent visible.

B. Talent, Employment and Employability

Our employees are the vital part of our company, the driver that allows the entity to operate. For us to make a correct progress, the talent must be promoted, with an employment that complies with optimal wellbeing levels and an employability based on a suitable and precise training.

B.1 Training

The professional development of our employees is an axis of the Human Resources area. Training and learning are two key elements for the development of the skills required by the organisation to face the new objectives and strategies.

In 2021, in order to evolve the learning at UCI, a project was launched in Spain, "**Aprendizándome**", as key element of the learning culture, and where the employee is the lead. In 2022, we have continued to work in this space, allocating specialist elements for specific areas and teams.

Thus, in Aprendizándome, we have created not only specific lists for areas such as Customers, Digital or Sustainability, but we have also opened a unique space dedicated to the Innovation, as "Innovation Campaign". In 2022, and in order for the initiative launched in 2021 to continue, a second stage has been launched where the collaborators, in groups, have presented ideas related to the sustainability and its application in the entity's processes and challenges. This campaign has been accompanied by specific contents and certain lists on the issue, for the purpose of assisting and delivering knowledge to more than 80 participants.

The main results on Aprendizándome platform in 2022 have been the following:

•208 reproduction lists; 74 new lists have joined the existing 134 lists in 2022.

•+12,400 voluntary training hours.

•109 people interested in presential resources.

•Average of 1,000 records in training resources per month.

The platform counts with compulsory and voluntary trainings, and their 15 themes cover such wide fields as the following: Sustainability, Digitalisation and Technology, Financial, Legal, IT, Customers, Marketing, Business, Risk, We share, Culture and RC, Skills, Languages, Leadership and More than work.

B.2 Talent

In 2021, we worked in the development of a **talent mapping** in the organisation to identify the talent of key people, in terms of their potential and level of contribution in their post.

In 2022, the map has been presented to area directors for them to know and make their team's talent visible.

The map is used to provide objectives data to be used as another element in the decision-making in many of the people management processes, such as mobility and projects assignment, among others. We are currently working on new policies and procedures to offer greater transparency and value the use of the data, both on potential and performance.

In 2022, we have carried out **performance appraisals** to collaborators both from Spain and Portugal, with the corresponding average values of 3.41 and 3.46 (out of 4). This result corresponds to the appraisal average of objectives of the year and to qualitative matters, such as actions based on the entity's values. and the skills of the appraised person.

The performance appraisal measures both the result and achievement of objectives and the way in which values and skills are brought into play to reach these objectives. It is an opportunity of direct feedback from each manager with their collaborators and, therefore, it is used as element to contribute to their development, as they have the possibility to suggest development plans and learning resources.

B.3 Recruitment

In Spain, in 2022, **29** people have joined the payroll, out of whom 48.3% are women and 51.7% are men. Several of these incorporations are due to the launch of the project "Talento Joven", where several colleagues who were interns have become part of the company's payroll.

In 2022, **15** new interns have joined the company.

Additionally, in payroll incorporation processes, a satisfaction survey is sent to the candidate, reaching a global assessment of **4.67** over 5.

In Portugal, **10** people have joined the company in 2022, 60% women and 40% men.

We also **promote the internal mobility**, which in 2022 has been of **27 people in Spain and 12 in Portugal**, as this is an essential element in the people development, allowing UCI professionals to have a global view of the organisation, extend their expertise and continue being trained.

Precisely in order to promote this mobility, we publish vacancies in the section "Muevete" of our internal Talent management application for interested employees to be able to apply the position and request the change. In 2022, in Spain, 26 vacancies have been published, and 3 positions have been covered through this system. We also highlight the initiative to manage resources in a more sustainable manner, with 37 mission orders in specific positions and moments to cover occasional needs.

B.4 Employment and remuneration

In Spain the totality of employees are covered by the sector bargaining agreement of ASNEF, the National Association of Credit Financial Establishments in Spain. Portugal does not apply a sector bargaining agreement.

98.30% of our payroll in Spain counts with an indefinite term contract. Out of the 28 people who joined us in 2022, 57.14% were with indefinite term contract, which represents our commitment with the generation of stable quality employment. In Portugal, 90.11% of contracts are indefinite term.

All our professionals benefit from a Remuneration Policy that guarantees an appropriate remuneration system and, also, at UCI we offer **social benefits** to our collaborators, such as the wellbeing and health management programmes, ergonomics at work, 29 working days of holidays, kindergarten cheques, life insurance, private health insurance, restaurant tickets, transport aids, no-interest Loans, financing in favourable conditions, remote work and flexible hours.

B.5 Organisation of the time of work and work-life balance

In order to ease the work-life balance and to improve the payroll's productivity and commitment, in 2022, the **telework** hybrid model has been approved. Additionally, we continue applying **flexible working hours** from which 72.21% of the payroll in Spain and 76% in Portugal benefit.
In this line in 2022, 13 employees have benefitted from the **parental leave in Spain**.

Since the end of 2020, we have a **Digital Disconnection Policy** that guarantees this right in order to combine the digital connectivity with the work-life balance in an efficient manner.

B.6 Health & Wellbeing
Because we care for our people

Health surveillance and ASNEF Agreement

In relation to the employees' health, we abide by the sector agreement of ASNEF, National Association of Credit Financial Establishments in Spain, and which article 26 on Health Surveillance states that companies shall ensure that their employees are regularly and voluntarily monitored on a voluntary basis, depending on the risks to which they are exposed.

The HR area manages the application of the above on health to the payroll and launches initiatives to cover needs detected in the payroll or derived from special situations.

Desde el área de RRHH se gestiona la aplicación a la plantilla de lo indicado sobre salud y se ponen en marcha iniciativas que atienden a necesidades detectadas en la plantilla o bien derivadas de situaciones especiales.

Cuídate Programme

Cuídate is the proactive frame of action and of ongoing improvement acquired in UCI in the promotion of the health and wellbeing of all our employees through the responsible commitment with the development, measurement and maintenance of best practices.

Its purpose is to facilitate a labour ecosystem that builds trust that everyone within the organisation feels part of a team committed with the proactive care for wellbeing.

The 4 pillars of **Cuídate** are the following:

1. Physical wellbeing:

Parameters have been extended within the campaign of medical check-ups, offering the season flu vaccine. 373 medical check-ups were carried out in 2022.

Additionally, private health insurance is offered.

Concerning nutrition, specialised hub chats have been offered, in particular:

•“Cómo bajar el turrón” (145 participants).
•“Entrenamiento invisible” (120 participants).

As physical exercise is a key piece of the people’s wellbeing, we count with the Andjoy service to be practiced in its sport centres. Additionally, for the purpose of favouring sports, we have sponsored the participation of all employees who wanted to join the different races organised throughout the year.

•40 runners in the Madrid Race Against Cancer

•28 runners in the Race Against Gender-based violence

•23 runners in the Charity Race for the Financial education and the Inclusion

•34 runners in the Popular Race of the Heart

•13 runners in the Popular Race of Santa Claus

•11 runners in the Race of Companies

2. Emotional Wellbeing:

A hub chat has been given to favour the emotional wellbeing under the title “Mental health and management of stress” with 142 participants.

Within this pilar, and until May 2022, we have the Stimulus Service for the psychological support of the employee and relatives.

3. Social and Cultural Wellbeing:

This line of the programme is partly related to social benefits and focuses on economic measures, such as the advantageous financing for employees and the childcare support, as well as a series of details in different moments of the employees’ life, such as the Birth Gift, the Welcome Pack for employees who join the organisation, and the Christmas Basket at choice.

4. Professional Wellbeing:

This point focuses on one of the main objectives of the organisation, which is for UCI to be a great place to work. Being a **Great Place to Work** implies focusing on the employees' work-life balance measures, flexible working, and of a hybrid work model, in addition to providing training and development to the employees.

In particular, hybrid work model, which combines the advantages of working onsite with the remote telework, has entail the application of several actions in 2022, such as the following:

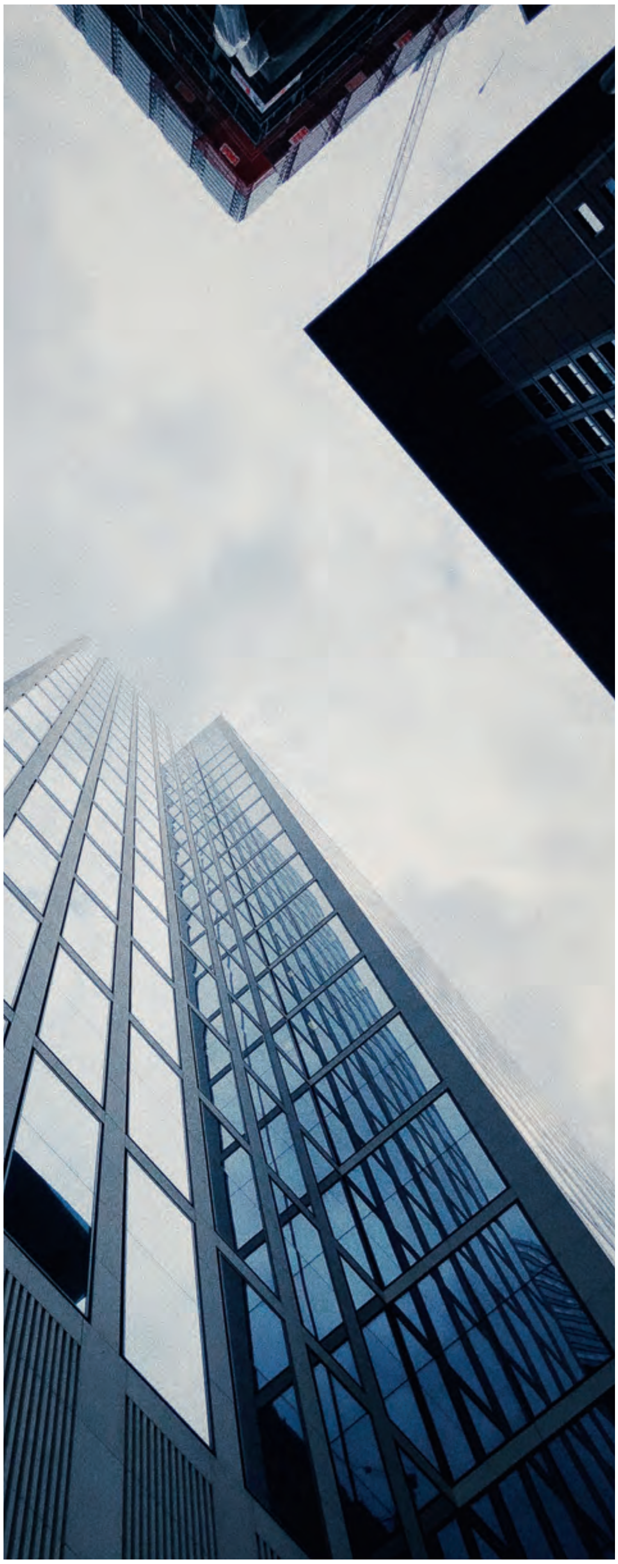
•Providing all necessary ergonomic means to people who telework.

•Training and reporting on teleworking risks.

•Advising on measures to be solved or recommendations for a comfortable work post and with all security conditions.

•Sign the digital telework agreement.

In relation to **sensitive people**, they are provided with all means required, guaranteeing that their place of work is perfectly adapted, and ensuring that the person's labour performance does not mean a risk for them or for other company's workers. Pregnant people in hybrid situation of telework and onsite may telework from the third quarter of pregnancy and have a parking space in the headquarters, whenever available, for onsite working.



C.Diversity, equality and inclusion

The respect for **diversity** for any condition or personal or social circumstance, the **equality** of treatment and opportunities and the promotion of the **inclusion** in the payroll are the guiding principles of any activity, in a transversal manner, and are present in all policies, procedures and actions of the entity's people management.

Managing the diversity is part of our corporate responsibility, understood as an internal commitment that guarantees the adhesion of the collaborators and helps us to have the appropriate talent to comply with the demands of our business. It also entails a social commitment with our environment.

Our data in this sense are the following:

In Spain

• 57.09% of staff are women
•26.32% of women in the senior management
•1.13% of disabled people in staff
•Average age of 46.93 years old of staff

In Portugal

•59.34% of staff are women
•16.67% of women in the senior management
•There are no disabled people in the staff
•Average age of 43.85 years old of staff

We note below certain matters from the GPTW survey related to the equality of treatment, both in Spain and in Portugal. We detail below the percentage of employees who consider that we are fairly treated:

•Regardless of the age: 84% in Spain and 87% in Portugal
•Regardless of race: 98% both in Spain and 96% in Portugal
•Regardless of gender: 86% in Spain and 93% in Portugal
•Regardless of the sexual orientation: 97% in Spain and 96% in Portugal

C.1 Equality Plan

In order to adapt to the regulation on Equality Plans and to the RD 901/2020 and RD 902/2020, in 2021, we started to work on the adaptation of our Plan, carrying out a diagnosis of the situation under the new regulation and, once such analysis had been done, the 54 necessary measures were defined to comply with the areas of intervention established during the validity of this **Plan (2022-2026)**.

Furthermore, and in order to reinforce the existing commitment to reject any kind of harassment, we have the **Protocol of action against the sexual and gender harassment** as annex to the Equality Plan, one of its main objectives being taking the necessary measures to prevent sexist behaviours and to promote the culture of respect and the tolerance with people, regardless of their gender.

The Equality Plan was presented to the staff in a Hub held on November, and was published in the corporate Intranet.

1. Areas of action

The Equality Plan aims to integrate and promote the principle of equality in its 10 areas of action:

1. Strategy at the level of awareness, communication and internal and external relationships concerning gender equality

2. Selection and contracting
3. Professional classification and female under-representation
4. Training
5. Professional promotion
6. Working conditions
7. Co-responsible exercise of the right to the personal, family and work life
8. Remuneration and salary audit
9. Prevention of the sexual and gender harassment
10. Gender-based violence

For each area of intervention, measures of action have been established, responding to the commitment with equality.

2. Objectives

The Equality Plan contemplates specific measures and actions which main purpose is to achieve the following objectives:

•Guaranteeing the equality by means of specific management bodies, for the objectives of the Equality Plan to have the necessary internal momentum and appropriate monitoring, in order to ensure their compliance.

•Promoting the defence and effective application of the gender equality principle between all workers, ensuring the same opportunities of incorporation, classification and professional development at all levels in the labour area.

•Preventing the sexual and gender harassment, and establishing and disseminating the action procedure for these cases.

•Ensuring that people in charge of teams are aligned with the philosophy and principles in equality of opportunities at UCI.

•Promoting a culture of awareness surrounding Equality, Diversity and Inclusion, through the necessary communication actions and training.

•Fostering the presence of women in all posts and levels where they are under-represented and, particularly, in responsibility positions.

3. Actions

In 2022, training, awareness and communication actions, among others, have been developed to comply with the established plan and consolidate our commitment with Equality.

•Disseminating the Equality Plan.

•Disseminating the adhesion to the Empowering Women's Talent programme.

•Training on management skills to 252 employees (118 women and 134 men).

•Monitoring of trainings in which people with reduced working hours have participated, in order to comply with work-life balance measures. A total of 24 people with reduced working hours are identified, all of whom are women, and a total of 25 training hours during working hours.

•Training and awareness on care in the telework and onsite work. 173 men for 126 hours and 248 women for 182 hours have followed the training.

•Recommendation about automatic responses in periods of absence, to guarantee a digital disconnection and correct work-life balance.

•Teleworking permit during the three last months of pregnancy, if required. 3 collaborators have adopted this measure.

•Guarantee actions to perceive social benefits during maternity and paternity leaves. A total of 4 people have asked for some of the social benefits established in the collective bargaining agreement.

•Disseminating the new harassment Protocol and publication in the entity's internal website.

•Renewing the agreement with the Ministry of Equality "Companies for a society free of gender-based violence".

•Awareness on the International Day for the Elimination of the Violence against Women.

•Space in the internal website on gender-based violence.

C.2 Salary equality, a goal to keep working towards

At UCI, we work to raise awareness and promote gender equality in all positions. The professional development, the balancing, the equality of opportunities and the salary gender equality are an issue to develop at the short term within the entity.

Our position in 2022

In 2022, our team is made up of:

•In Spain, 529 people: 57.09% are women and 42.91% are men.

•In Portugal, 90 people: 59.34% are women and 40.66% are men.

Our salary policy helps us to guarantee and manage the remuneration equality and transparency among the employees. Internal equity and external competitiveness studies are carried out to ensure the salary equality at levels and areas, introducing corrective actions when deviations are detected.

Our strategy prioritises the salary parity between men and women, which is measured through the gender salary gap and equity:

At UCI, we have fewer women than men in the senior management; however, in the remaining posts, the gender diversity is balanced.

1. Gender salary gap

The gender salary gap measures differences of remuneration between the average salary of men and women and is divided by the men's salary.

	Spain		
	2021	2022	Variation
Gender salary gap	20.36%	19.98%	-1.87%

	Portugal		
	2021	2022	Variation
Gender salary gap	43%	41%	-4.65%

2. Gender salary equity

The gender salary equity measures the existence of "equal salary for equal work" between women and men in the same professional category. The comparison does not take into account factors such as the permanence in the position, the years of service, the prior experience or the background.

	Spain		
	2021	2022	Variation
Average remuneration board members (1) - women	-	-	N/A
Average remuneration board members (1) - men	18,312.50	16,750.00	-8.53%
Average remuneration of senior management - women	83,177.42	86,135.03	3.56%
Average remuneration of senior management - men	152,995.82	149,073.51	-2.56%

(1) The single female Board Member and one male Board Member waived to perceiving remuneration and allowances.
Senior management is the Executive Committee, both in Spain and in Portugal.
Average remuneration of Board members and Senior Management includes the totality of perceptions, both for salary and others.

	Portugal		
	2021	2022	Variation
Average remuneration board members (1) - women	N/A	N/A	N/A
Average remuneration board members (1) - men	N/A	N/A	N/A
Average remuneration of senior management - women	36,617.00	37,940.00	3.61%
Average remuneration of senior management - men	77,963.71	79,470.33	1.93%

C.3 Inclusion of disabled people

For the purpose of guaranteeing the universal integration and accessibility of disabled people, we carry out a process of adaptation and integration in the work post, such as provision of special chairs, evacuation chair, tutors, footrests, ergonomic mats, vertical mice, higher resolution screens, screen lifters, voice software and all the necessary means to adapt the workstations.

Additionally, we collaborate with special employment centres, such as Prodis, La Amistad Montesol and Juan XXIII Roncalli Foundation, for purchases or contracting services, and thus to favour the indirect employment of **intellectually disabled people**.

In relation to the awareness and inclusion, different initiatives are carried out with the Prodis Foundation, detailed in the chapter dedicated to “our investment in the society”.

D. Dialogue and communication with the employees
Closeness and proactivity

Keeping an open dialogue and active hearting with the employees are key elements for an entity's correct operation. At UCI, through several channels, we have placed the employee at the centre, to thus move forward together and converse in a direct way.

We have different channels to inform our employees about different issues of the organisation, as well as to know their opinion and suggestions and thus to incorporate them in the improvement of processes and situations within UCI.

Channels and initiatives available are the following:

Virtual breakfasts with General Management: this year, and once the pandemic was left behind, we have recovered the onsite breakfasts with General Management. In these breakfasts, a group of employees meet the members of our management team, generating a meeting point that allows sharing concerns, experiences, doubts and questions, as well as aspects of the future of the organisation and business vision.

HUB chats: in them, members of the organisation's management team and employees share data with the totality of the payroll on the entity's evolution and actions that are being implemented, as well as projects and milestones reached. In these chats, any employee can formulate their questions to any team member

Corporate Intranet and the news portal: it centralises all employees' services and makes available all corporate and business information, while we collect all news within the organisation, elaborated by the employees. This portal becomes a meeting point for the collaborators to know what is being done and how, and it is a channel to share knowledge and recognition. This year, the intranet transition has been completed, integrating it within Teams, turning this tool into the entity's internal communication hub, promoting and increasing the employees' participation.

Yammer, the online corporate network that allows all collaborators in Spain to share professional experiences, participate in debates, and propose improvement ideas for the company.

Moreover, at UCI, we count with other communication means, such as daily newsletters to report the market news to our staff, monthly newsletters on the business evolution or on demand for occasional communications.

"El Batido", the internal communication magazine which reports on the employees' more personal facets, in addition to the Entity's aspects. It is a support to create synergies, which is quarterly distributed to all staff.

Also, there are **annual events** held for managers (UCIWay) or to all staff (UCIDay).

In 2022, in relation to the second innovation campaign focused on sustainability, after selecting the best ideas, an onsite **Hackathon** has been developed where, through ideation, prototyping and presentation techniques, the finalist ideas were presented, concluding with the selection of two wining groups. These two projects will be launched during 2023.

S.2 Customer at the heart

At UCI, we want to build long-term trusting relationships with our customers, for them to feel increasingly satisfied with the care and services they receive.

Our priority is the following:

- Our customer satisfaction
- Customer protection principles
- Responsible and sustainable products
- Make the customer “fall in love”
- Date and privacy protection

2022	Since the entity was born
We have assisted in the acquisition of more than **+3,000 homes**	We have financed a total of **188,134 homes**

A. Our relationship model with the customer

At UCI, we accompany our customers in the different stages of their home financing. They are one of our **essential stakeholders**, and therefore our relationship with them goes from the beginning to the end and in all directions.

The purchase of a house is one of the most important decisions and with the greatest impact in the life of anyone. At UCI, we are aware of this, and therefore our objective is for the customer to fall in love and to show them a **relationship model** which main axis is to accompany them at all stages, offering a clear, natural and bespoke financing and treatment, where the transparency, the communication and the information are the bases of the relationship.

It goes beyond contracting a loan to purchase an estate: our commitment is to know the customer and propose solutions adapted to their needs. This relationship with the customer is reflected in our **brand promise**:

“At your side”
We talk where and when you want.

“You choose”
Always choose what is best for you.

“Responsible purchase”
We explain everything so you can make the best decision.

Based on our relationship model with customers, we have defined an accompaniment to financial consultants that focuses on the ongoing improvement of the relationship with customers, consisting of the following:

•Accompaniments with final customers to receive feedback on the transparency of information offered, clarity in the presentation, language adapted to the customer...

•Accompaniment of customer when processing the operation and assignment to the FC throughout the life of the loan to maintain the relationship.

•Customer reviews in Ekomi, of all the selling process and of people who attended them.

•Information on best practices of other financial consultants.

•Training: on the LCCI (Property Credit Contract Law); on insurances and procedures; computer tools and digital process.

•Reviewing claims that could be allocated to the financial consultant and reimbursement to the customer of part of collected fees for a bad service (there has only been one case in 2022).

B. Protection of the customer's interest

One of our main objectives is to respect the customers' interests and inherent rights. Therefore, the **Consumer Protection** is one of our relevant functions and, within this framework, we have established our Consumer Protection Policy, which aim is to establish specific criteria to identify, order and exercise consumers' protection principles in their relationship with UCI, as well as to establish the particular criteria to control and monitor their compliance. This policy includes the 9 principles in which the customer protection is based.

1	Fair and respectful treatment
2	Customer-focused product and service design
3	Transparent communication
4	Responsible prices
5	Consideration of customers' special circumstances and prevention of over-indebtedness
6	Data protection
7	Claim management
8	Financial education
9	Responsible innovation

1. Fair and respectful treatment. Focused on treating customers with respect and honesty, fair and not discriminatory, with high ethics standards, using a clear and transparent language ensuring a quick, rigorous, diligent and efficient management.

2. Design of products and services with customer focus. One of our objectives is to make a correct design of financial products and services, always meeting the consumer protection national and international regulation.

3. Transparency in communications. We promote a communication to provide precise and sufficient information, with clear and simple language.

4. Responsible prices, taking into account the consumer protection and the price competition regulation.

5. Consideration of customers special circumstances and prevention of the over-indebtedness, to proceed in the customer's best interest and offer feasible solutions.

6. Data protection, with a rigorous data management, based on the regulation in force, applying the principles of lawfulness, loyalty, transparency and accuracy.

7. Claim management under principles of accessibility, independence, specialisation and the ongoing improvement.

8. Financial education to adopt informed and appropriate decisions, helping customers to enjoy a greater protection degree.

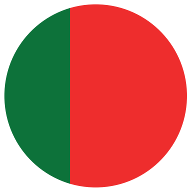
9. Responsible innovation in the development or improvement of products, services and processes, complying the customers' needs to achieve their satisfaction.

C. Customer experience and satisfaction

As can be seen from the above, our commitment with the customer is essential for UCI and, for such purpose, the customer **satisfaction** is one of the responsibilities that we take into account the most.

Ekomi assessment

9.78/10
in Spain



4.92/5
in Portugal

We recognise that satisfied and **loyal** customers are vital to the growth sustainable and, for such purpose, it is also important to go hand by hand with the **digitalisation**.

This year, in this line of work, we have updated the welcoming to UCI, promoted the platform UCI Contigo, fostered the direct access to “tu web” as the customer’s personal area, through a “webapp”. In order to know first hand their opinions, concerns and level of satisfaction, a **focus group** with customers was held to work on value proposals focused on their interests.

Integrated in our digital ecosystem, this year, a new website has been created for non-resident customers, **UCI Mortgages**. It has incorporated a series of developments, such as the update to German and French, and more specialised content, personalised to the language and country of origin, a digital tracking to improve the digital experience and functionalities such as a calculator of the mortgage amounts.

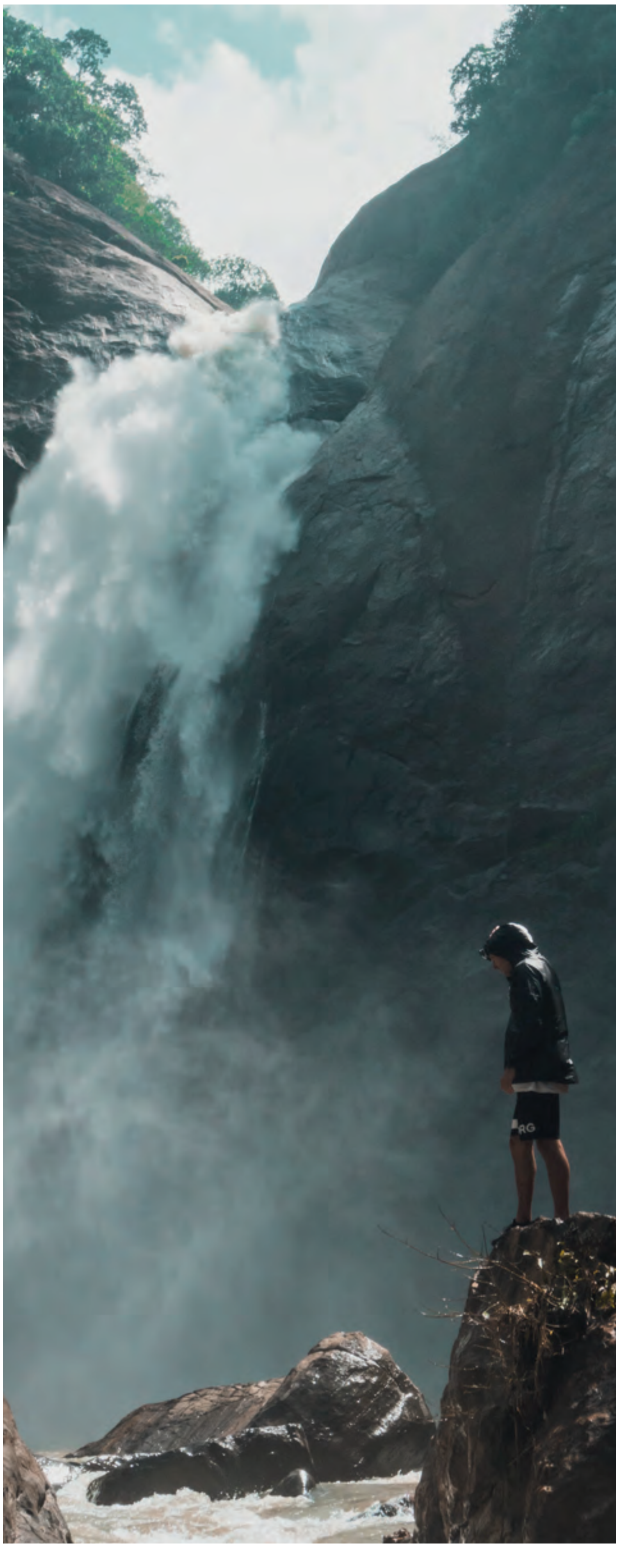
In 2022, the **Reinventa Posventa Project** has been completed, focused on creating new specialised services and products for customers through their experience, focused on always making it a **WOW experience** and boosting its **recommendation**.

D. Customers with payment difficulties

At UCI, we help our customers who are facing economic difficulties. For such purpose, we look for the best solutions, adopting agreements accommodated to the largest number of people in this situation, and performing a personal monitoring in order to find solutions adapted to each one of them.

At UCI, we have established a **Restructuring Acceptance Policy** and, in general, of solutions for customers with difficulties, adapted to the present and future circumstances expected from the customers. In this sense, we make a distinction between temporary restructuring operations, long-term solutions and definitive solutions.

Additionally, we adhere to the **Codes of Best Practices**. At this moment, there are two: the former Royal Decree 6/2012 on the protection of low income mortgage debtors and the new Royal Decree 19/2022, which establishes a Code of Best Practices to alleviate the rise of interest rates in mortgage loans on the regular house, each one of which is aimed to customers who meet their particular requirements. At UCI, we adhere to both Codes, and comply with their legal requirements. Their purpose is to alleviate or reduce the effects of the different rises over mortgage loans and in the ability to face the payment of the instalment in our customers.



E. Claim management

The claim management is an important element in the relationship with the customers and is part of their experience and relationship with the entity. In view of such claims, we must act proactively and, accordingly, we have a Customer Care Service (SAC) that channels and solves claims received, and offers an appropriate attention in these cases. It must respond, within one month, for customers considered consumers, and two for the rest, and it is free. It acts with independence from all other departments and operating units, and fully autonomously with the criteria and guidelines to be applied in the exercise of its duties. It has its own rules, which are also published in UCI website, which contains all necessary information in this regard.

There are different types of claims. First, **banking** claims, defined as those that refer to the functioning of financial services delivered to users and presented for delays, disregards or any other type of deficient action or those that aim to obtain the restitution and refer to the entity's actions or omissions and entail a damage. These include those that are **admitted** by the service, as they meet the requirements established in the applicable regulation and legislation, and those that are **not admitted**, as they do not. This type covers those filed by UCI customers, as well as from Consumer Associations and the Ombudsman.

There are also **non-banking** claims, which are all others not included among the above; those formulated by **CIRBE** (Risks Information Centre - Bank of Spain), which are not properly considered as claims, but are also derived to the Customer Care Service and, lastly, those originating from **Bank of Spain**.

During 2022, 8 claims have been received from Bank of Spain, 52 from CIRBE and 230 non-banking claims.

S.3 Our Social Commitment

Through our activity and our social commitments, we foster the social and sustainable rehabilitation, the residential inclusion, and contribute to the financial education.

A. Social inclusion in the business

Sustainable and social rehabilitation of buildings

We act both in fighting against climate change and with social objectives. Our main business line in this sense is the sustainable and social rehabilitation of buildings for an energetic improvement, with a project contributing to both sides.

But, in order to be considered as such, it must comply with the following criteria:

• "Eligible under sustainable energetic efficiency criteria", stated in the section of Business of "We greenimise".

• "Eligible under social criteria related to the GDP level per capita in the project's province": rehabilitation projects in low-income areas are projects chosen for the green renovation and conversion of buildings into more comfortable and healthier houses, in order to reduce GHG emissions and fight against energy poverty.

Low-income or deprived areas are defined as those postal areas in which the average income is 25% below the average income of the "region" (Province in Spain) where they are located. Their calculation has taken data from the INE (Spanish National Institute of Statistics), observed in each province.

The considerations considered when estimating the number of people that could be affected by this project are the following:

• 5 floors per building
• 4 houses per floor
• 3 people per house

Considering this calculation criteria, UCI has financed 63 buildings in 2022, which implies an increase of 57.5% with regard to 2021. 3,780 people have benefitted from this social rehabilitation.

In this line, on October, we have entered into an **agreement with Mutua de Propietarios Foundation to adhere to the "Sin barreras" programme** to finance accessibility works for owners' associations with residents with reduced mobility or, at least, 40% of people above 65 years old. This agreement implies that the Foundation will pay to the community the interests accrued for these loans granted in UCI in preferential conditions.

B. Our investment in the Society

Our Social Commitment in Spain, in figures:

3,213 beneficiaries of actions

347 volunteer participants

Participation in **36** programmes

70.402 Euros in donations

Our contribution to the economic and social development of the society mainly becomes effective through our own business activity and also with our social commitment through which we support projects whose beneficiaries are groups identified in our strategy, which is materialised in the programme **“we accompany”**.

The programme has with 4 lines of action:

1. Education to young people, with a special focus on the financial education.

2. Inclusion of intellectually disabled people, through the “Iniciativas molonas”.

3. Residential inclusion of vulnerable groups of people.

4. Donation for global and/or health emergency in countries where UCI is present.

B.1 Education

Based on this criterion, the following initiatives have been carried out:

• The involvement, for seventh consecutive year, in the financial education programme “Tus Finanzas, Tu Futuro” in collaboration with Junior Achievement Foundation and the AEB. This programme fosters the financial education of young people for them to start to manage their finances and to learn to make informed and responsible decisions.

• The support to the Dádoris Foundation with 2 scholarships to young university students with high capacities and demonstrated performance, without economic resources to follow higher education. In particular, in 2022, we have promoted the access to university education by two young students who have followed International English Studies in the University of Cordoba and second year of Industrial and Automatic Electronic Engineering in Universidad Politécnica of Madrid.

• The contribution to educational programmes of Prodis Foundation to promote and boost the inclusion of young people with intellectual disability. In 2022, the selected project was Prodis English School, which is an online adapted teaching-learning space to acquire basic English skills.

• The creation, together with the Prodis Foundation, of the financial education programme to approach these concepts to intellectually disabled students for them to acquire essential financial knowledge to be able to get on in their daily life situations. This programme, created and given by nine volunteers from UCI, includes six training sessions.

B.2 Socioeconomic Empowerment

This parameter includes actions linked to socioeconomic and awareness matters that affect groups in risks of residential exclusion and intellectually disabled people, apart from those affected by health emergency situations or natural disasters, analysing the participation in other places when required by the magnitude of the emergency.

• In order to promote the inclusion of intellectually disabled people, we have continued with the **"desayunos molones" together with the Prodis Foundation**. 6 events have been held in 2022, with the attendance of 123 employees, mainly in order to exchange experiences between them and the Foundation students, to know first hand and in a different manner the different realities that must be included in our society.

• As novelty, in 2022, we signed an **agreement with the Red Cross** to adhere to their programme for the **residential exclusion prevention**. In 2022, aids focused in achieving a residential solution for 29 homeless people, in addition to informing and guiding on the existing resources that could be accessed by them. It should be noted that 86% of the project's beneficiaries have been able to access a home, and have overcome their homeless situation.

• The war in Ukraine has bee one of the emergencies that have marked the global agenda in 2022, and we have thus collaborated again with the Spanish Red Cross in their campaign for the **donation to Ukraine**, to help refugees when they arrived to Spain. Employees participated in this campaign, in addition to UCI's donation, and the sum of their donations amounted to 8,102 Euros, applied to helping those refugees.

• Linked to the war conflict in Ukraine, in Inmotionate, the largest forum for real estate professionals of Spain, the **Inmosolidarios** awards were presented as recognition to five projects from the sector, dedicated to supporting Ukrainian refugees, to donate to the NGOs, Foundations or entities with which their projects of support to Ukraine were carried out.

In Portugal, contributions have also been made for the purpose of improving the life of different people. Thus, in 2022, they have collaborated with Junior Achievement Foundation to continue giving their financial education programmes, also with the organisation Crescer Ser - Hogar Infantil, with Associação Salvador for persons with motor deficiency, and with Associação Play for Wishes that cares for children and young people with severe illnesses. The contribution to this association was made through by participating in a charity paddle and football tournament. Other entities that have received donations from UCI Portugal have been Helping with SATYA and Red Cross, with whom we collaborated as a consequence of the war in Ukraine. The total donated amount is of 6,272.94 Euros.

S.4 Professionalisation of the Real estate sector

Ethics, training and innovation are the pillars to foster the professionalisation of the real estate sector.

The real estate professionals are our travel companions, our allies, who have allowed us to connect people to homes, for more than thirty years, and have been essential in the development and evolution of our commercial model. Currently, we collaborate with more than 2,000 real estate agencies.

Offering a good service to customers, transmitting security, helping them to build their home is essential to generate trust in home purchasers. The task of the real estate professional and their commitment with the customers requires high quality standards, responsibility and training.

With this mission, **SIRA** (Spanish International Realty Alliance) (**PIRA** in Portugal) is born, to train the industry leaders, who aim to have a positive and long-lasting impact in the communities where they work, leadership based on the excellence, which is achieved with ongoing training, based on ethics and the commitment with the society, and based on the sustainability and efficiency of the households they help to form. All this with the highest digitalisation level, with a view of an unprecedented efficiency and quality.

At UCI, through SIRA and with the Financial Studies Foundation, we offer training courses to allow the professionals to obtain the certificate as **Property Credit Informer**, as required by Law 5/2019 of 15 March, regulating property credit agreements, but also as responsibility to offer the best service possible to customers. During 2022, a total of 146 professionals have been inscribed in this training.

We consider that SIRA is one of the training market leaders for realtors, as confirmed by the data, given that during 2022, we have organised **81 courses** in Spain with **2,144 attendees**, an increase of 42% with regard to 2021, and **11 courses** in Portugal with **164 attendees**, an increase of 37%.

An important chapter of the activity of SIRA and PIR are the new memberships and the appointments which, during 2022, have increased in general with regard to 2021.

No. Memberships SIRA	776 (+7% from 2021)
No. Memberships CRS Spain	1,108 (-0.7% from 2021)

No. Memberships PIR Portugal	146 (+55% from 2021)
No. Memberships CRS Portugal	91 (+47% from 2021)

No. Designations CRS Spain	912 (+0.7% from 2021)
No. Designations CRS Portugal	36 (There is no variation, same number as in 2021)

Trainings are complemented with **webinars** (web seminars dedicated to learning and training), which in 2022, more than 100 webinars have been held in Spain, and with quarterly informative **magazines**, such as Inmobiliarios in Spain and Real Estate in Portugal.

We consider that each real estate professional is agent of change and, therefore, we promote their professional growth through different initiatives, among which we highlight **Inmociónate**, the mayor event of training and networking para professionals. In Spain, it has been held in Seville and counted with 750 attendees and 30 sponsors and, in Portugal, with 429 attendees.

SIRA and PIR are local partners para Spain and Portugal of the **NAR** (National Association of Realtors), which is the largest professional association of the United States and includes institutes, companies and councils involved in all matters of the residential and commercial sectors.

The **NAR Convention** was held on November in Orlando, to which we attended, together with 60 professionals. Inspiring presentations were given, with a quality networking for our real estate professionals.

We have continued our **Real Estate Barometer**, which has been launched on a quarterly basis to our real estate professionals, achieving the participation of more than 2,000 panellists, and presenting it online in our special programme Inmotionate en Casa.

SIRA Membership:

They are affiliations to SIRA (PIRA in Portugal). With this membership, we obtain the International Realtor Member condition, and become part of the National Association of Realtors® in the USA (known as NAR), which allows the professional to be distinguished in the market from other realtors and implies exercising the profession being guided by a Code of Ethics that exemplifies the commitment with the highest standards of professionality, honesty and transparency in the real estate business. SIRA members can use the brand Realtor®, one of the most prestigious brands worldwide.

CRS Spain Membership:

It means being partner of the Council of Residential Specialists (CRS), being part of a non-profit organisation created within the NAR to train realtors who want to stand out from the competition, counting with evidenced training and experience and keeping a quality commitment in the service delivered to their customers.

CRS Designations:

They are appointments granted by the organisation for residential market specialists. In order to request it, it is necessary for the real estate professional to previously be member of SIRA and CRS, to have a minimum sector seniority of 4 years, to have participated at least in 35 purchases, to have followed basic REAP training, and having obtained 64 training credits. Credits may be obtained with sector experience, following courses, university qualification, or attending events and trips.

Indicators related to “We accompany” may be consulted in section 4.2 of the report- Indicators Social matters

3.3. `We comply´

G.0 Introduction

At UCI, we are aware of our responsibility as entity and as credit institution and, therefore, the chapter “**We comply**” includes the description of our corporate governance that allows an efficient decision-making process, as it incorporates the transparency in the assignment of functions and responsibilities.

We additionally include issues linked to the compliance and corporate ethics, the correct risk management and the data protection and cybersecurity as pillars of our management, which contributes value to the entity, in general, and to its stakeholders.

These are the pillars that govern UCI’s performance and, as such, are included in our ESG framework and in the Sustainability Policy, demonstrating our responsibility and commitment with an appropriate governance strategy and with our values.

Related **material matters**:

Issues: Corporate governance and values, Long-term value creation, Security, transparency and reporting, Prudential risk management.

Sub-issues: solid corporate governance structure; Secure management, ethics and responsible for stakeholders; Business strategy for the long-term value creation; Digital transformation; Data protection and cybersecurity; Transparent dialogue and clear language with stakeholders; Prudential financial and non-financial risk management.

SDG to which it contributes:

In view of an uncertain economic and geopolitical environment, it is essential to guarantee an appropriate management of the entity. We must have an effective governance, adapted both to regulatory and supervisory requirements and to the commitments with our stakeholders.

This chapter includes our corporate governance structure, with its bodies and functions, that allow defining the entity's frame of action, adjusted to ethical, responsible and transparent criteria.

G.1 Corporate governance

One of our priorities is to strengthen the corporate governance framework and promote its effectiveness, to comply with internal standards and with applicable regulations. In this sense, in 2022, we have defined and updated the framework of policies and procedures, as well as their internal application, to reinforce the governance of our entity.

Since May 2021, we count with a new Corporate governance policy that constitutes the framework that defines the entity's Governance, Risk management and Compliance structure (GRC).

The Corporate governance policy is complemented with other standards to guarantee the correct management of the UCI Group, such as the following:

• Bylaws
• Policy suitability of Board Members and of senior management members and other key function holders
• Remuneration policy for members of the Board of Directors
• Policy of conflicts of interest

Governing bodies

We have an appropriate and transparent organisational structure and operating management and control model, which aim is an efficient and proportional action to the nature, scale and complexity of risks inherent to its business model and activity and, in turn, in compliance with the principles of best corporate governance.

The organisation chart of UCI S.A., E.F.C. Is structured with three main bodies:

• UCI, S.A. as sole shareholder, exercising the powers of the General Shareholders' Meeting.

• The Board of Directors, which concentrates its activity in the general function of supervision and adoption of the most relevant decisions.

• The Board's Committees, which assist in the development of its functions and include: an Audit and Risks Committee and a Committee of Assessment, Suitability and Remunerations.

Sole Shareholder. UCI S.A.

Given our own nature, we have a sole shareholder who governs and administers the entity, together with the Board of Directors. Taking into account the shareholding structure, our company UCI S.A. exercises the powers of the General Shareholders' Meeting and, as such, has been entrusted with functions established by law and the bylaws.

UCI

Board of Directors

EThe Board of Directors is the highest body of representation, management, strategy and supervision of the activity, except with regard to matters reserved to the power of the Sole Shareholder.

As in the case of the Board of UCI SA, the Board of Directors of UCI S.A., E.F.C. Includes four members. Their obligations and responsibilities are detailed on the Annual Report of Credit Entities' Capital Self-Assessment Process and are the following:

The Board's policy is to delegate our ordinary management. In the management team, and to focus its activity on the general function of supervision and adoption of the most relevant decisions for the company's administration.

In order to support these basic functions through an appropriate management monitoring, supervision and control process, the Board of Directors counts with two specific committees that provide assistance in their corresponding fields:

• Audit and Risk Committee, which Members are appointed by the Board. Its purpose is to improve the monitoring, information and decision making of the Board, as well as developing, executing and monitoring management control systems, internal control and regulatory compliance.

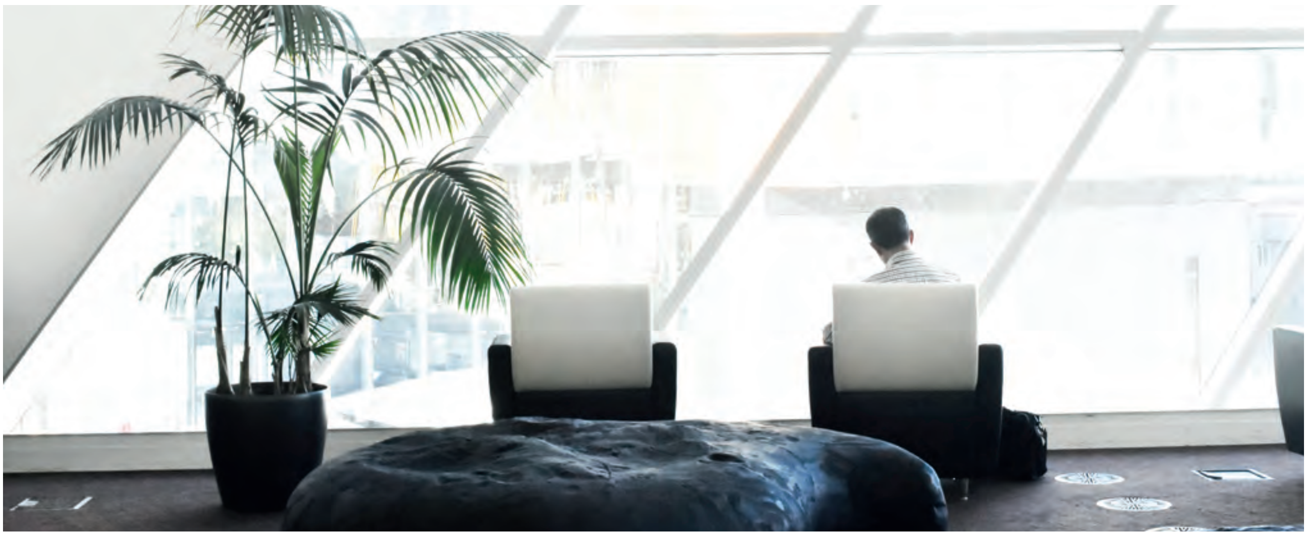
• Assessment, Suitability and Remunerations Committee. Its most relevant powers are the assessment of directors and key personnel's suitability, and the supervision and application of the remuneration policy.

Internal Governance

Our governance comprises, at internal level, the management instances, which activity is reported to the Board of Directors and which first level corresponds to the General Management, with the support of a Management Committee, an Executive Committee and different sector committees, constituted to manage of certain matters and risks.

Senior management, within the framework established by the Board of Directors and its Committees, plans and develops the entity's strategy, organises resources, leads the human capital and organises and controls processes.

Governing bodies see Annex 1 (Point 5.1)



G.2 Compliance and corporate ethical culture

Our culture of Compliance

One of our priorities is to care for the compliance with regulations in force, and with policies and procedures established, as well as adopting the best practices and ethics and professional standards in our activity.

We are a responsible company, which implies being aware of the Compliance as key tool in our daily tasks and providing legal security, and ensure the best ethical and professional practices in the entity.

We rely in the culture of compliance as essential element for:

• The risk prevention, management and control.
• The company's appropriate operation.
• The value creation for our stakeholders and the society as a whole.

It is a transversal culture, and thus it affects all levels of the entity and is part of all employees' day-to-day work. Its implementation in the organisation is developed in three levels: **compliance risk prevention, detection and management by creating and developing specific programmes**.

These risks are linked both to criminal rules and to those established in our legal system and which voluntarily assumed by UCI. Their non-compliance, in addition to criminal responsibility or strong administrative penalties, could imply serious reputational damages with impact in UCI's image in the market. These risks refer to the degree of compliance with regulations in force, and to the achievement of ethical principles represented in our values.

Compliance skills

Compliance skills include the promotion of the dissemination, knowledge, compliance with, the general and binding interpretation of the code of ethics, as well as the coordination of its application, and resolution of any consultation or doubt posed in relation to its content, interpretation, application or compliance and, in particular, to the application of disciplinary measures by the competent bodies.
The Criminal Risk Prevention and the Money Laundering Risk Prevention constitute the main competences of Compliance, given the relevance of the involved legal and regulatory risks, which competences are complemented with the management of the whistle-blowing channel, which constitutes an essential tool for monitoring possible breaches of regulations, ethics or internal procedures.

Model of Compliance

We have **basic standards** for the correct functioning of the organisation.

The **code of ethics** that develops the principles included on the Mission, Vision and

Values of UCI. It also establishes a set of conduct principles and guidelines to ensure the ethical responsible behaviour of all employees in the development of their activity, and stipulates the compliance with the legislation in force, included in UCI's internal procedures.

In relation to the respect of the people's individualities and rights establishes that our labour objectives are the elimination of sexist behaviours, the discrimination for ethnicity, religion, nationality, civil status, sexual orientation and/or social class, as well as behaviours that could constitute an offence, such as the sexual and labour harassment. All employees have a moral commitment to denounce any of the aforementioned conduct of which we are witnesses or knowledgeable, in order to achieve a working environment in accordance with the values, culture and customs of our company.

When performing our activity, we adopt responsible behaviour guidelines, respecting and making others respect the **Human Rights** in the internal and external relationships, assuming commitments included in international rules and guidelines, such as the Declaration of the International Labour Organisation (ILO) related to the fundamental principles and rights at work, including the Fundamental labour rules of the ILO, the UN Guiding Principles on companies and human rights, and the ten Global Compact principles.

Criminal Risk Prevention System

We have a **criminal risk prevention system**, which counts with a specific manual and includes other policies, procedures and controls to prevent the performance, by employees, collaborators and/or people working on its environment, of fraudulent or inappropriate actions and conducts.

This system is made up of the following:

• **Criminal Risk Prevention Manual.**

• **Money Laundering Prevention and Terrorist Financing Prevention.**

Apart from the specific manual, we note the significance of the due control and compliance with obligations in this matter for the entity. The non-compliance with obligations established by the legislation for this section could imply serious penalties, both economic and administrative, for the entity.

Therefore, at UCI we have implemented a series of procedures to detect suspicious operations, which must be immediately communicated, according to the Money Laundering Prevention Manual.

From the particular standpoint of the compliance with the money laundering prevention regulations, the essential working lines **during 2022** have been the following:

› Follow-up of the alert management system of potentially suspicious money laundering and terrorist financing operations, both in financing and in the sale of estates, regardless of the subsequent detailed analysis of each file.

› Review of the money laundering prevention system by an External Expert, by virtue of Law 10/2010, of 28 April, on money laundering and terrorist financing prevention.

› Internal verification of the Money Laundering Prevention system by UCI's Internal Audit Department.

› Review and update of the risk self-assessment report, in relation to money laundering prevention.

• **Whistleblowing procedure.**

We have a **Whistleblowing Channel**, which is a procedure to report the non-compliance with regulations, allowing the collaborators to confidentially communicate conducts that could imply a lack of compliance with the corporate governance system or the commission by any of the collaborators of an action against law (in particular a criminal action) or against UCI's acting standards included on the Code of Ethics and in internal policies and procedures

• **Catalogue of best and bad practices within UCI.**

• **Gift and invitations policy. Anticorruption and anti-bribery policy.**

The gift policy establishes guidelines to be considered in relation to the possible delivery or acceptance of gifts at UCI, for the purpose not incurring in actions contrary to the regulation and internal procedures.

Additionally, we count with an anticorruption and antibribery policy. UCI has assumed a commitment of "cero tolerance" with regard to corruption and/or bribery activities, in all shapes and circumstances. The purpose of the anticorruption and antibribery policy is to identify the most regular cases for this type of activities and how to proceed to identify, prevent and avoid them.

•**Policy of relationships with authorities and Public Administrations.**

• We also have an **exemplary catalogue of money laundering risk operations – real estate sector and credit institutions sector**, published by the Treasury Department, and available to the employees.

The compliance function includes other policies to guarantee a correct functioning of the organisation, such as the following:

Consumer Protection Policy (Protection of the Customer's Interest)

At UCI, one of our main objectives is the respect for the customers' interests and their inherent rights. Accordingly, the Consumer Protection function with nine principles is very relevant within the field of Compliance. This part is explained in the section of "The customer at the heart".

General Conflicts of Interest Policy

Its purpose is to make available guidelines to the employees, board members and the entity, to prevent and manage conflicts of interest that could occur as a result of its activities.

UCI

This policy has been developed taking into account proportionality criteria with regard to the entity's structure to identify the circumstances in which there could be conflicts of interest, and the internal regulation of reference that establishes mechanisms to prevent and manage conflicts of interest, in particular:

• Code of Ethics.

• Internal Government Policy .

• Remuneration Policy.

• Essential Service Outsourcing Policy.

• Anticorruption and Antibribery Policy.
Gifts and Invitations Policy.

• Procedure Know Your Intermediary.

• Suppliers Contracting of Procedure and Supplier's Code of Conduct.

Our Activity

Whistleblowing Channel. Throughout 2022, three ethical alert communications have been received and processed, of which two communicated situations that could be related to Human Rights. In Portugal, no report has been registered in 2022.

Gifts and invitations. During 2022, no incident has been registered in relation to the Gift Policy.

Money laundering prevention alerts. During 2022, the following have been analysed:

• 1,835 alerts in Spain, out of which 11 were communicated to the OCI (internal control body) and, of these, 1 was communicated to the SEPBLAC. Furthermore, we have continued with the process of ongoing review of the customer portfolio, from the standpoint of money laundering prevention, which has implied the analysis of 444 additional alerts generated through the ongoing monitoring process.

• In Greece, 25 alerts have been analysed, none of which have been communicated to the local regulator.

• In Portugal, 614 alerts have been analysed, and one has been communicated to the local regulator

Awareness and training

During 2022, the Compliance area has continued training and raising awareness, in order to train, inform and raise awareness among the employees on possible risks, and to provide them with the necessary tools to identify and prevent them, as well as to mitigate them, if such risk materialised.

Compliance training modules given during 2022 in Spain have been the following:

• Competition Law.

• Criminal Risk Prevention .

• Anticorruption and gift policy.

• International Penalties and Seizures .

• Money laundering prevention.

• Data Protection.

• Protection of the customer's interest.

• Advertisement of banking products and services.

• Volcker.

• Validation and monitoring of products.

The scope of all of them has covered all staff, except for the one related to the competition law, which was aimed for managers, including senior management. The Volcker training has been aimed to a given group of employees and directors.

Internal communications for the awareness of contents related to Compliance have been the following:

• Culture of Transparency.

• Culture of Compliance.

• Money laundering prevention.

• Communication procedure Alerta Ética.

• Communication policy anticorruption and Policy of gifts.

• Communication Manual of Prevention of Risk Penal.

Regulatory developments

In the framework of the Compliance function, one of the main aspects is the identification and analysis of regulatory developments that affect the entity. In 2022, 52 communications on regulatory developments in Spain have been disseminated.

Tax contribution

UCI carries out an appropriate tax contribution in the different jurisdictions where it operates.

Tax information

UCI profits per country (Euros)	2021	2022
Spain (*)	25,484,540.47€	-58.845,442.97€
Portugal	3,792,172.44€	3,441,170.99€
Greece	75,891.30€	377,891.55€
Brazil	134,689.00€	14,834.00€
Total consolidated profits	29,487,293.21€	-55,011,546.43€

(*) 2022. Results are affected by Elcano project, ehich has implied the sale of the aggravated loan portfolio.

Taxes paid on profits - Spain 2021	
Definitive CIT 2020 settlement	5,343,611.64€
First interim payment CIT 2021	-830,681.49€
Second interim payment CIT 2021	-2,492,058.41€
Third interim payment CIT 2021	-642,912.20€

Taxes paid on profits - Spain 2022	
Definitive CIT 2021 settlement	3,965,652.10€
First interim payment CIT 2022	-1,801,985.59€
Second interim payment CIT 2022	-1,259,445.16€
Third interim payment CIT 2022	0.00€

UCI

Taxes paid on profits - Portugal 2021	
Definitive CIT 2020 settlement	271,993.64€
First interim payment CIT 2021	395,473.00€
Second interim payment CIT 2021	395,473.00€
Third interim payment CIT 2021	395,473.00€

Taxes paid on profits - Portugal 2022	
Definitive CIT 2021 settlement	88,952.65€
First interim payment CIT 2022	364,396.00€
Second interim payment CIT 2022	364,396.00€
Third interim payment CIT 2022	364,396.00€

Allowances and subsidies	2021	2022
ELENA Programme (European Local Energy Assistant)	N/A	1,056,000.00€
ENGAGE project for ESG activation investments	N/A	38,400.00€

G.3 Responsible supplier management

For the purpose of guaranteeing an appropriate global supplier management, sustainable over time, at UCI we have created a new model that comprises the following phases:

1. Understanding of the Supplier

2. Risk Analysis and Homologation

3. Contract Validation (if applicable)

4. Assessment, Control and Monitoring

A **new function** has been created and is in charge of **analysing and rating the supplier with a risk rating** that will determine the feasibility to be able to establish a contractual agreement (homologation). Prior to contracting, all suppliers are given a risk rating.

The risk rating assesses the quality, experience and stability of the suppliers, including, for these purposes and without limitation, their financial solvency and degree of continuity in the service delivery, their market reputation and extent to which they comply with the most relevant applicable Laws and standards. In particular, their compliance with money laundering prevention and customer protection rules is assessed.

In order to assess these element
s and to determine the supplier's risk rating, **the supplier's identifying information is collected**.

At UCI, in our commitment to adapt to new regulatory requirements, we have created the **outsourcing function**, as control unit in charge of the documentation, management, monitoring and control of outsourcing agreements.

The purpose of this function is to establish the governing and organisational structure, as well as the supervisory structure, to guarantee the compliance with principles established by the competent authorities and the applicable regulation with regard to the outsourcing of functions or services, mainly on those referring to essential or important functions.

Thus, at UCI, under the application of the proportionality principle, we have met requirements established by the competent authority in Circular 3/2022, of 30 March, amending Circular 2/2016, of 2 February (Standard 43) and Outsourcing Guidelines (EBA/GL/2019/02).

In order to ensure the adaptation to these principles, the Outsourcing Policy and outsourcing contracts in force, categorised as essential, have been subject to internal audit and review by an external consulting service.

Supplier assessment

On an annual basis, an **assessment is made of suppliers and/or outsourced services** by the person in charge of their associated processes.

UCI

• Suppliers that are within the scope of the certificate **ISO 9001 and/or ISO 14001** and in which the assessment criteria and methodology documented in the corresponding procedures have been established, are assessed.

• In 2022, **environmental matters have been integrated in the annual quality assessment**, taking into consideration our "life cycle".

Once assessed, those in charge of each one of them communicate the result to the supplier, in order to establish actions of improvement to allow them to satisfy the established requirements and our customers' needs and expectations, creating value for the entity and for our stakeholders.

Number of assessments made:

	Suppliers		Outsourced services	
	Spain	Portugal	Spain	Portugal
Quality assessment	41	24	18	14
Environmental assessment	5	10	13	0
Quality and environmental assessment	6	0	0	0
Total	52	34	31	14

The result of the suppliers' performance assessments in 2022 has been the following:

	Result of the assessment			
	Spain	Portugal	UCI Global	
Suppliers	3.69	3.63	3.66	Satisfactory
Outsourced services	3.37	3.76	3.57	Satisfactory

G.4 Privacy and data protection

At UCI, we are committed to providing our customers with a high degree of reliance and security in relation to their personal data.

The main initiatives developed in this area focus on the adoption of measures to guarantee that all of the entity's information assets are duly protected, limiting their use to the purpose of processes for which they are aimed, and ensuring a controlled access to them, based on UCI's security guidelines. The compliance with applicable regulatory requirements on data security and privacy, particularly personal data, is guaranteed.

Our technical and organisational measures guarantee the confidentiality, integrity and availability of the information included in our databases and corporate applications.

The entity cares for the correct privacy and data protection risk management, for which purpose we count with the following:

- Corporate standards with general lines of action to comply with legal requirements.

- The responsibility of all areas towards the compliance with obligations contained in the European Data Protection Regulation (GDPR) and in the different applicable local regulations in this matter (LOPDGDD. LSSI-CE, etc.).

- A governing model based on:

  - A corporate political framework of reference, duly validated by the entity.

  - The designation and appointment, by the Board of Directors, of the figure of the corporate Data Protection Officer (DPO), and the corresponding communication to the Control Authority (AEPD).

  - Constitution of the support body called Office DPO, made up of the Regulatory Compliance, Legal, Customer Protection Service and DPO Corporate departments, in charge of the global privacy and data protection management.

  - Compliance and Data Protection Committee, in charge of supervising and controlling activities related to the information protection programme, and which represents all relevant areas within the entity in this matter. The Committee meets every two months, is chaired by the CEO and is informed of the situation status and other relevant matters regarding compliance and data protection.

Other measures that reinforce our commitment with data protection are the following:

- Collaboration with external service suppliers that must meet principles required by the data protection regulation.

- Inventory of the entity's processing activities and information on the management of security incidents by UCI.

• Data protection technical training of the DPO and other people in charge.

• DPO's involvement in the Data Protection Committee of the National Association of Credit Financial Establishments (ASNEF) and in the Club DPD of the Spanish Quality Association (AEC).

• Certificate of the Corporate DPO according to the certificate scheme of the Spanish Data Protection Agency (AEPD)

• Monitoring regulatory developments, allowing the improvement and updating of methodologies and documentation.

• Employees' training and awareness.

The respect for the fundamental right to data protection and privacy is established in our Code of Ethics. We have action principles in customers' Privacy and Rights, and internal regulation that develops the confidentiality and the diligent processing of all personal data managed at UCI.

During 2022, we have carried out communication and training actions in security and privacy, with compulsory training actions for all employees, and awareness actions for employees, customers and the society in general.

G.5 Information security

Digital transformation is an essential element in any organisation, and more so as a consequence of the recent years. At UCI, we use this digital transformation to improve the efficiency of our processes, improve the customer experience and take advantage the new opportunities. In order to carry out this transformation in a responsible manner, cybersecurity and information security must be closely considered.

Cybersecurity and information security are part of the strategic focus of the organisations and of UCI, where protection and privacy are critical, for several reasons: to ensure a correct business development, control possible risks and vulnerabilities to which we may be exposed, and generate trust in the customers, investors and other stakeholders.

In 2021, the process of ISO 27001 certificate of Information Security started and, in 2022, we have achieved the certificate that evidences that UCI has an Information security Management System in accordance with the standard UNE-ISO/IEC 27001:2017.

This international standard provides with entity with the necessary requirements to obtain an information security management system (ISMS), allowing us to prevent security issues and to specify the implementation, maintenance and ongoing improvement in this matter.

The certificate has been achieved after implementing information security governing components and integrating them in the Corporate governance structure. Additionally, in parallel, cyber capacity assessments have been performed, demonstrating through data the greater Government maturity.

We thus guarantee that information systems that serve the technological process of our mortgage products after sales management meet high information security requirements. By obtaining this certificate, it is confirmed that the business processes, IT services, assessment-based assets and the risk management are identified and valued. Additionally, it is confirmed that the most efficient and coherent controls and procedures are adopted, and that these are aligned with the business strategy.

Apart from obtaining the certificate, the following have been our main axes of action in 2022:

• SIEM optimisation, Cybersecurity event detection and correlation system.

• Cyber-intelligence, cyber-simulations and incident response.

• Strategic plan to prevent information leaks and protect information.

• Analysis of supplier-associated risks: third parties that establish collaboration agreements with UCI must demonstrate adequate levels of maturity.

• Cyber policy. UCI is included in the coverage of our shareholder BNP Paribas.

G.6 Comprehensive risk management

At UCI, we consider the risk as an inherent factor to our business activity. A correct analysis, measurement and management will contribute to the maintenance of solvency and liquidity levels.

We count with a comprehensive risk management process, which includes an efficient monitoring by the Board of Directors and senior management and the implementation of different appropriate policies and procedures to timely identify, quantify, assess, monitor, report and control or mitigate all significant risks, and to assess the capital and liquidity sufficiency in relation to the risk profile and the macroeconomic and market situation.

UCI's Risk Management Framework covers all principles and procedures implemented in the entity, which main purpose is to implement a solid risk management culture within the entity.

Internal governance

Our risk governance structure allows us to carry out an effective supervision in line with our risk appetite. It relays in the management model of the three lines of defence, our structure of committees, and a solid risk culture.

We count with a model of three lines of defence to effectively manage and control risks:

First line

Business functions that take or generate risk exposure constitute the first line of defence, which identifies, measures, controls, monitors and reports risks and applies the internal regulation on risk management. The risk generation must adjust to the approved risk appetite and associated limits.

Second line

It must ensure, within its respective areas of responsibility, that risks are managed in agreement with the risk appetite defined by senior management and promote a strong risk culture throughout the organisation.

Third line

The internal audit function is independent to guarantee to the Board of Directors and senior management the quality and efficiency of internal controls, governance and risk management systems, safeguarding our value, solvency and reputation.

Risk management, compliance and internal audit functions have an appropriate level of separation and independence. Each one of them has direct access to the Board of Directors and their committees.

Structure of risk management committees

The Board of Directors is ultimately responsible for the risk management and control. They review and approve frameworks and the risk appetite, and promote a solid risk culture throughout the organisation.

The Group's chief risk officer (Group CRO) establishes the risk management strategy, promotes an appropriate risk culture and is responsible for supervising all risks, apart from challenging and advising the business lines on their risk management. They have direct access and report to the Board's Audit - Risks Committee and to the Board of Directors.

The risks governance separates the control line from the risk line:

	Board's Audit–Risks Committee	Risk Management Committee
Tasks	This committee is responsible for the risk management, in agreement with powers delegated by the council, and is authorised to accept, modify or escalate those actions or operations that could expose the entity to a relevant risk, as well as the most relevant models. The committee makes risk assumption decisions at the highest level, in agreement with UCI's risk appetite.	This committee is responsible for the risk management and to provide a holistic view of such risks. They determine whether the business lines are managed in agreement with the risk appetite. They also identify, monitor and assess the impact of current and emerging risks in UCI's risk profile.
Chair	Independent Board Member	Group CRO
Composition	Appointed executive directors and other senior management members (CEO), representing the functions of Risk management, Compliance and Audit.	Senior management members and Risk management, Compliance, Financial and General Intervention functions.
Frequency	At least, half yearly / At request	Quarterly

Risk management system (RMS)

At UCI, we systematically assess risk profiles, using a unique robust methodology that allows analysing all types of risk to which we are exposed, in agreement with the identified corporate risk mapping. It also shows results at different levels per type of risk and unit through a scoring system that classifies the profile in four categories: low, medium-low, medium-high and high.

The RIA methodology (Risk Identification and Assessment), aligned with our shareholders' methodology, the market's best practices and taking as reference the guidelines sent to the supervisor established in the PRES, is based on the fundamental principles of the risk identification and assessment model, such as: self-assessment and suitability of the exercise, efficiency, holistic and comprehensive view of the risk, by means of the use of common methodologies, convergence and alignment aimed to the decision-making. The three lines of defence participate in the exercise, reinforcing our risk culture when analysing the evolution of the risks and identifying areas of improvement.

The risk profiles' assessment integrates the following blocks:

• Risk performance, which allows measuring the profile of exposure to each type of risk.

• Control environment, which assesses the distance to the target operating model of our advanced risk management, according to regulatory requirements and best practices in the market.

• Analysis of the business model. Prospective analysis, assessing potential threats that could affect the business planning and strategic objectives.

Risk appetite framework

At UCI, we carry out a comprehensive risk management, where the risk appetite's definition and control is a key element. In this context, our Risk Appetite Framework (hereinafter, RAF) formalises the structuring of the decision-making with regard to risks, the definition, level and composition of risks we wish to assume in our activity, as well as the risks' supervision mechanism and follow-up. As part of the risk appetite framework, a risk appetite statement (RAS) is included, establishing the articulation, in writing, of the aggregated level of types of risk that at UCI we are willing to prevent, reduce, share or accept to achieve our strategic objectives.

The Board of Directors annually establishes the risk appetite and the FGR is in charge of the risk management profile, in line with the established risk appetite.

The main elements on which the entity's risk appetite is based are the following:• Un perfil de riesgo objetivo medio-bajo y predecible centrado eminentemente a la concesión de créditos hipotecarios a particulares.

• A medium-low predictable risk profile target, mainly focused on granting mortgage credits to individuals.

• A solid structure in terms of capital and liquidity, with risk profiles that do not compromise the entity's feasibility.

• An independent risk management function with active involvement by senior management in order to reinforce a solid risk culture and sustainable capital profitability.

• A remuneration policy that aligns the employees and management's interests with the entity's long-term risk appetites and results.

Corporate risk mapping

The different risks to which we are exposed as entity, classified per relevance and per the application of regulatory requirements are presented below.

Material risks	Non-material risks with regulatory requirements	Non-material risk without regulatory requirements
Credit and concentration	Structural balance sheet interest rate	Market
Strategic	Operating	Reputational
Solvency		ESG
Liquidity and financing		

ESG Risk

At UCI, in our commitment with the planet, we integrate the ESG criteria as one of the pillars that guide our sustainability strategy.

The ESG approach is continuously compared to the stakeholders' expectations, actively participating in discussions to understand their different perspectives.

Taking into account all analysed elements, the ESG risk profile is established as medium-low. The risk profile assessment is based on a scale of 4 risk levels, aligned with that established in the PRES Guidelines for the competent authorities.

Based on the EBA consulting document on the ESG risk management and supervision (EBA/DP/2020/03), we have identified, assessed and managed the ESG risks in adaptation to the competent authorities' review and assessment expectations.

Environmental (E)

The E from Environmental alludes to the direct and indirect effect of our activity over the environment.

The following table details the environmental factors and associated indicators that determine the environmental risk profile at UCI.

Environmental factors*	Indicator / KRI	Value	Risk profile	Risk appetite
Environmental business	GAR (PN)	7.44%	3.0	
Physical risk (Climate risk)	Risk of river flooding	Risk model of Sociedad de Tasación (ST)	1.1	
	Risk of sea flooding		1.0	
	Risk of desertification		1.5	
	Risk of fire		1.9	
	Seismic risk		2.3	
	Energetic certificate (emissions)		3.0	
	Energetic certificate (consumptions)		3.1	
Risk of transition (Climate risk)			2.0	
Environmental risk			2.4 **Medium-low**	2.5 **Medium-low**

**Factors, indicators and metrics refer to the counterparties' assessment, not to the institution per se.*

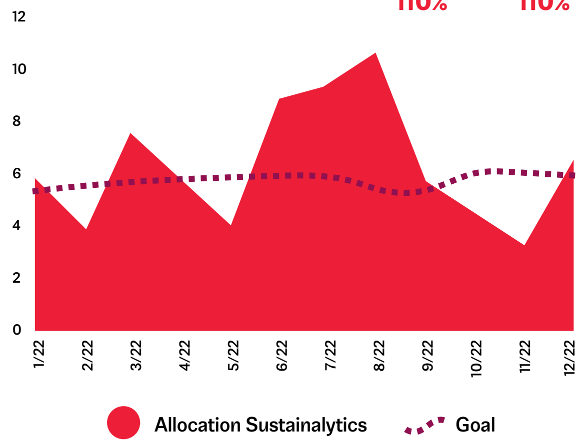
Contributing to the environmental business factor, at UCI, we have established green production commitments under the European Investment Banks and Sustainalytics criteria that have a positive impact over the Green Asset Ratio (GAR). The following graphs show the degree of compliance with the annual objectives and global commitments.

UCI

Total UCI Group

UCI Group YP (€m)

Monthly goal **110%** YtD goal **110%**

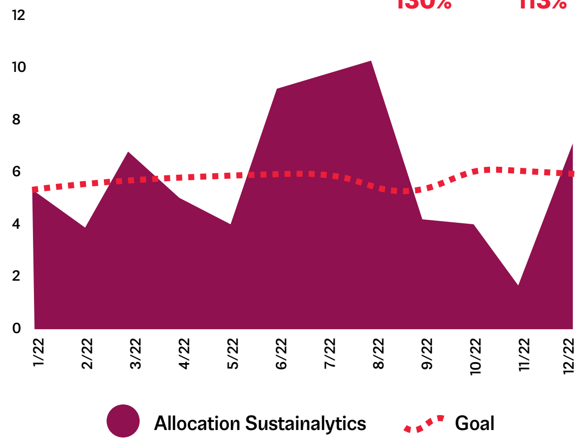


Global Sustainalytics commitment (€m)	325
Global accomplishment **Data month -1*	55,9%

Total UCI Group

Traditional Channel UCI Group YP (€m)

Monthly goal **130%** YtD goal **113%**



Global BEI commitment (€m) | Belem | 2020-2024	100
Global accomplishment **Data month -1*	84,4%

Global BEI commitment (€m) | Prado VIII| 2021-2025	50
Global accomplishment **Data month -1*	30%

Sustainalytics commitment (€m)

BEI commitment | Belem (€m)

BEI commitment | Prado VIII (€m)

Climate risk

In order to create a common and consistent framework at global level to consider the economic risks derived from the global warming, the Task Force on Climate related Financial Disclosures (TCFD), created by the FSB, established in 2017 their definition and categorisation.

Climate change risks may be divided into two main categories: those derived from the physical impacts and those derived from the transition towards a low-carbon economy.

Risks of transition

Commitments acquired by the signatories of the Agreement of Paris and the consequent transition towards a decarbonised productive system imply a drastic transformation of the global economy through important changes in regulation, the market or the technology.

The Agreement of Paris of 2015 and the Sustainable Development Goals, as part of the United Nations Agenda 2030 for Sustainable Development, implied a turning point in the raising of awareness for the world to head towards sustainability.

At UCI, we have integrated the sustainability and the responsibility in our commitment with our stakeholders, offering innovating solutions adapted to our customers' needs, and that contribute to the social wellbeing and the care for the environment.

We support the climate change targets marked by the Agreement of Paris. Our ambition is to reach net zero emissions in 2050, and are working in establishing our first decarbonisation targets. Our objective is to support our customers in the green transition and contributing to the Paris targets with the development of a complete green and sustainable financing offer.

In an environment where consumption models must adapt to the new social and environmental risks, we have taken part of this challenge, implementing initiatives and financial products that contribute to the social wellbeing, the sustainability and the care for the environment.

At UCI, one of our priorities is to boost the transition towards a more equitable, inclusive and sustainable future for everyone. At a moment of technological and social transformation as this, diversity and the inclusion are essential for the entities to create value to their stakeholders and the society as a whole.

Physical risks

Physical risks of the climate change are defined as those that derive from the growing severity and frequency of extreme climate events or from a gradual and long-term change of the clime of the globe. These risks may directly affect the companies by means of the damage of assets or infrastructures, or indirectly, in the alteration of operations or unviability of activities.

At UCI, we have integrated the physical risks based on how they affect the guarantees that endorse the operation granting.

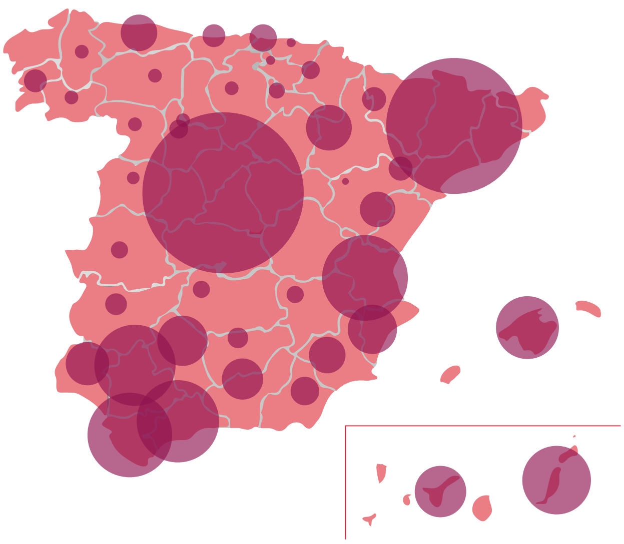
UCI

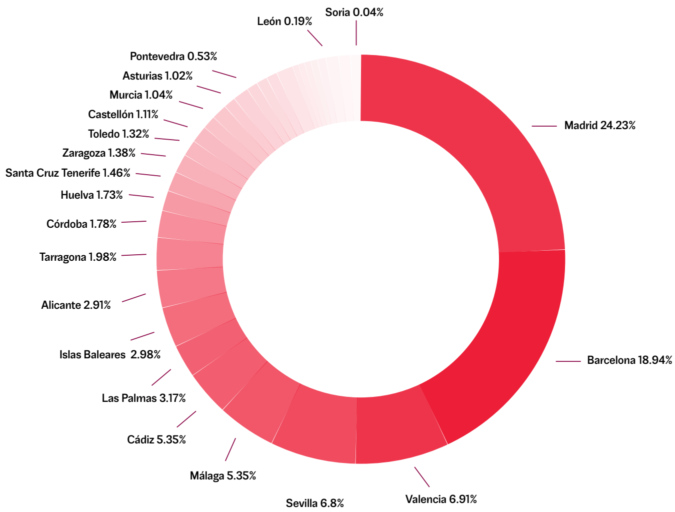
In this sense, we have measured and analysed the portfolio in Spain, since 2010, to have a comprehensive documented view.
The methodology used is based on the physical risks measurement model used by the entity Sociedad de Tasación, who have assessed the physical risks of 36,304 guarantees (33% of the total).

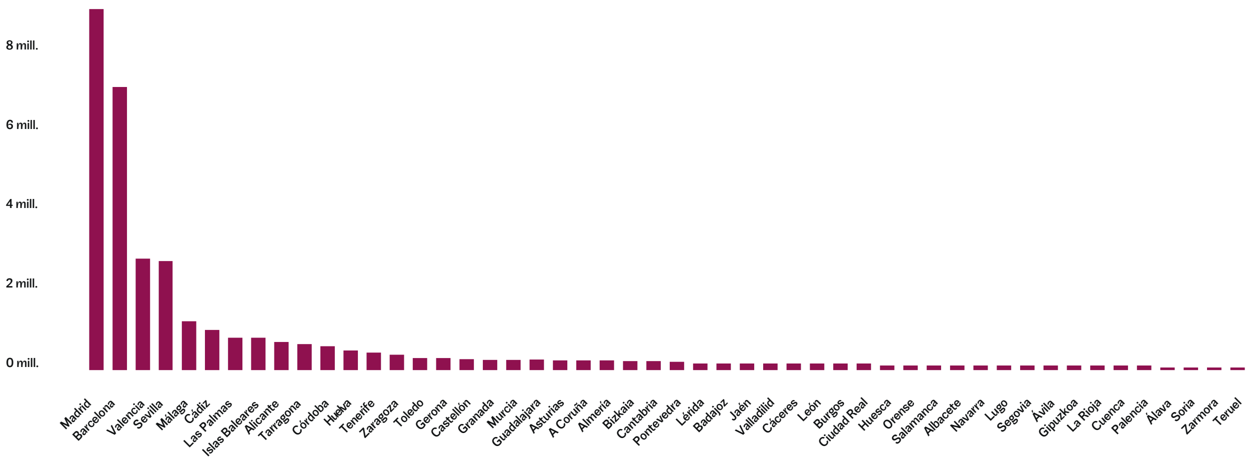
The global physical risk associated to each province and determined by the aggregation of particular physical risks is presented in the following map:

Detail of physical risks

Location of the Properties

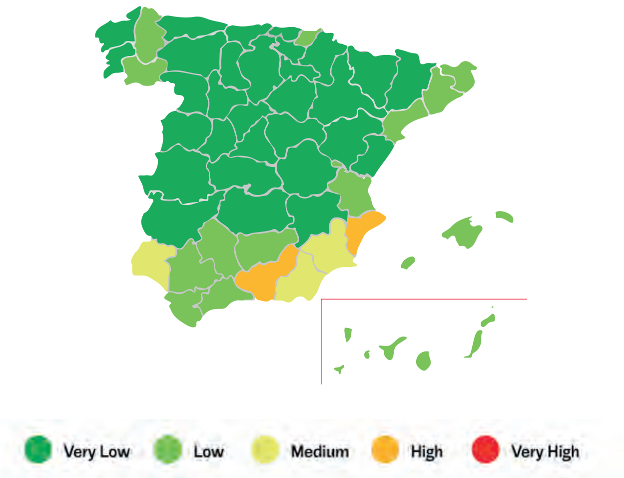


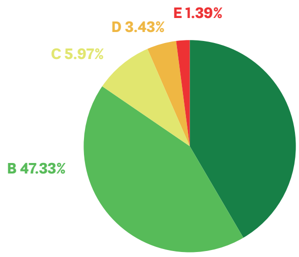




UCI

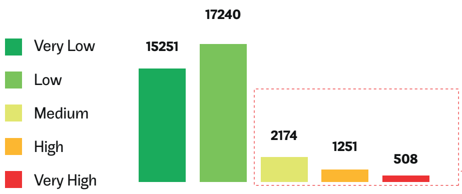
Seismic Risk

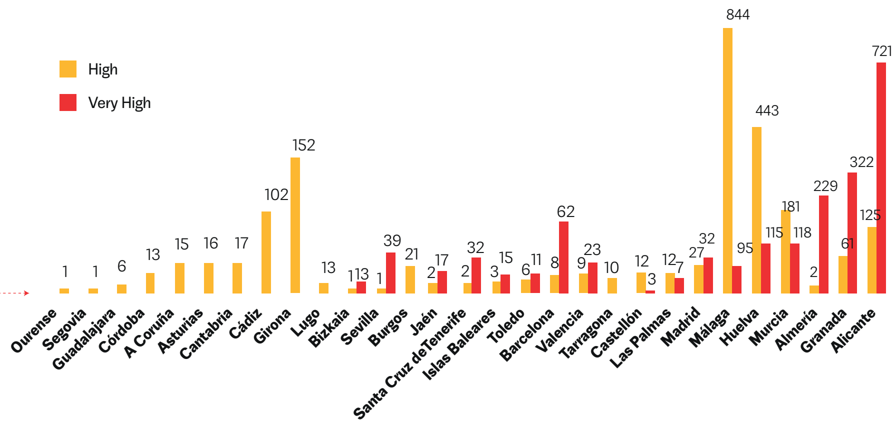




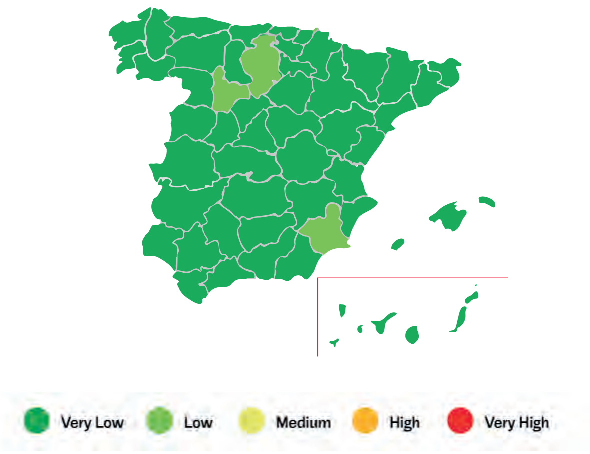
The seismic risk gradient has been calculated following the provisions based on the basic seismic acceleration, a scale that marks the intensity, being the ¡parameter contemplated in the NCSE-02 Standard. The letters have been established according to the following scale, the letter gradients being:

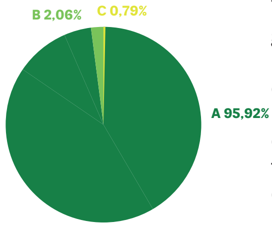
Calification	A	B	C	D	E
Acceleration Gradient	ab › 0,04g	0,04g ‹ ab ‹ 0,08g	0,08g ‹ = ab ‹ 0,12g	0,12g ‹ = ab ‹ 0,16g	ab › 0,16g
Perception	Not Appreciable	Moderate	Strong	Strong to very Strong	Very Strong to Fierce
Potencial damage	Without Damage	Very Low	Low	Moderate	From Moderate to Strong





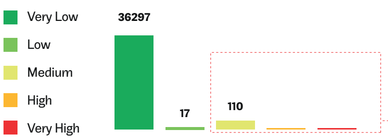
Risk of River Flood

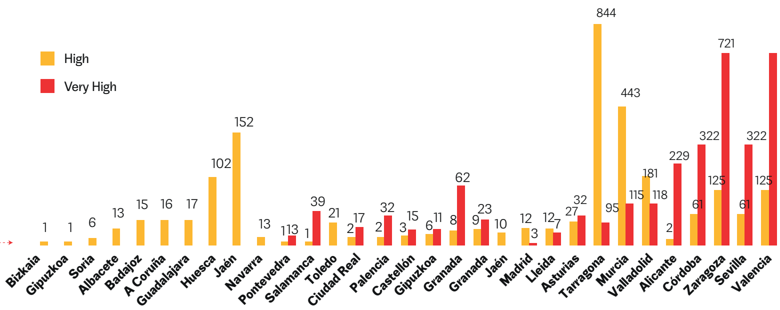




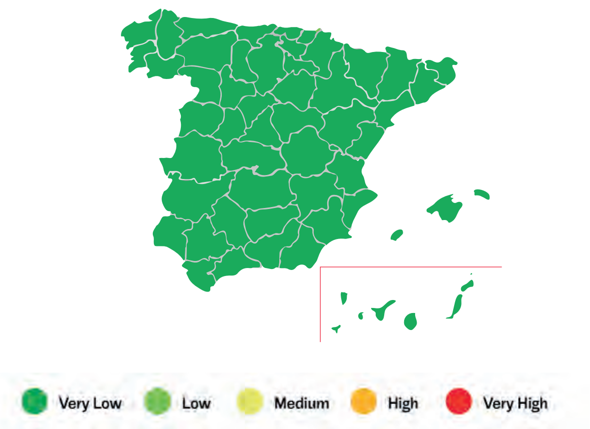
This parameter analyzes the potential danger of river flooding in a specific geographic location. As a flood zone, the definition and criteria set forth in the R.D. 849/1986, and R.D. 9/2008 laws have been followed. The classification has been made according to the evaluation that the river basin districts carry out of the risk of flooding:

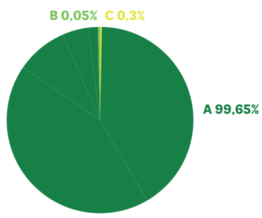
Calification	A	B	C	D	E
Flood Periodicity	Very Low Probability >= 500 años	Low Probability <500 y >=100 años	Medium Probability <100 y >=50 years	High Probability <50 y >= 10 years	Very High Probability <10 years





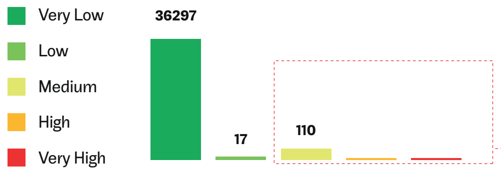
Risk of Marine Flooding

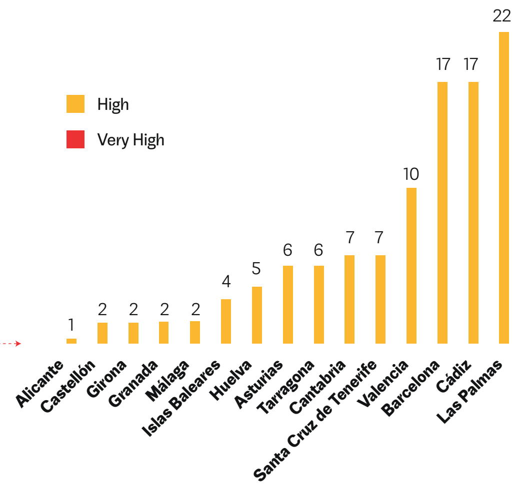




In a similar way to the risk of river flooding, the risk of flooding of marine origin has been analyzed, considering as flood zones those that are not caused by tides, since if so, they would form part of the terrestrial maritime public domain.

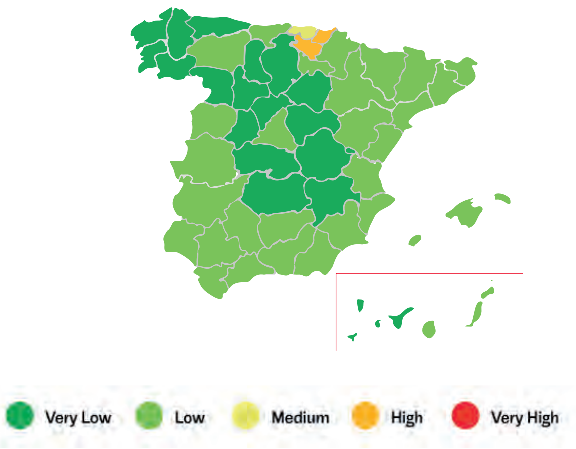
Calification	A	B	C	D	E
Flood Periodicity	Very Low Probability >= 500 años	Low Probability <500 y >=100 años	Medium Probability <100 y >=50 years	High Probability <50 y >= 10 years	Very High Probability <10 years

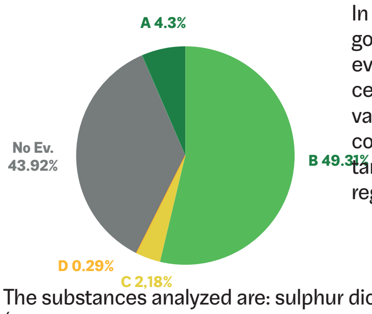




UCI

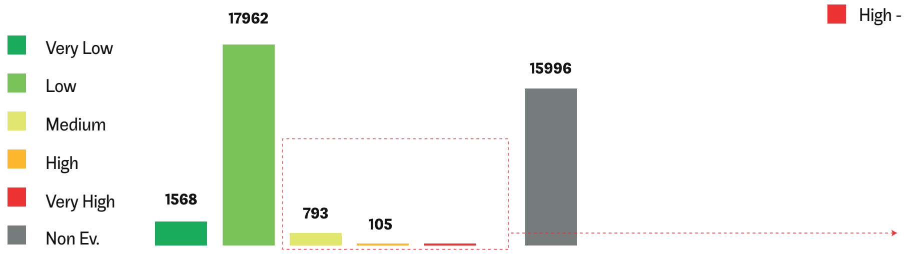
Risk of Air Pollution

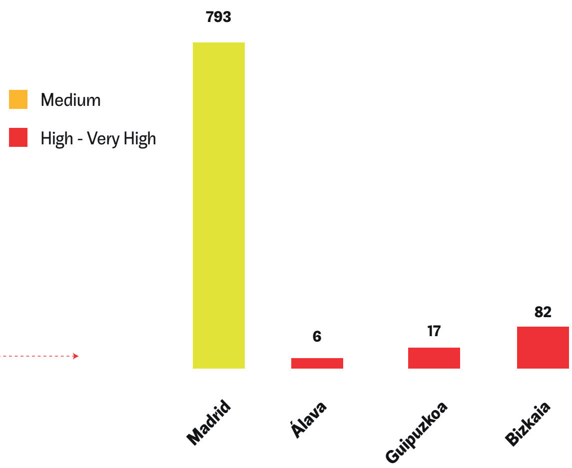




In this parameter the global air quality is categorized, based on the weighting of the ratios of evaluation of the compliance or non-compliance with the limit values or the legal objective values during the last decade, for the different concentrations in the ambient air of the substances. pollutants included in RD 102/2011, regarding the improvement of air quality.

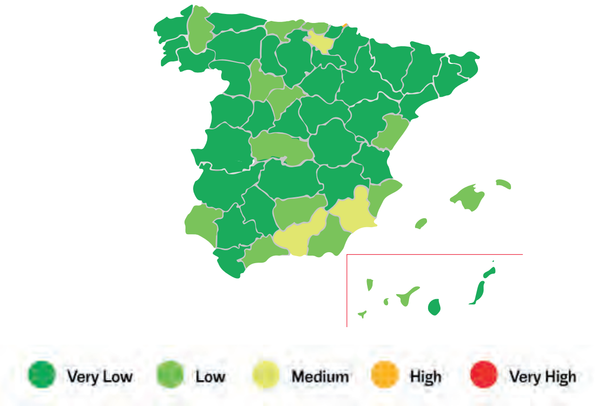
The substances analyzed are: sulphur dioxide (SO2), nitrogen dioxide (NO2), particles (dust, ash, soot, metallic particles, cement and pollen) with an aerodynamic diameter equal to or less than 10 and 2.5 um, lead (Pb), benzene (C6H6), carbon monoxide (CO), ozone (03), arsenic (As), cadmium (Cd), nickel (Ni) and benzo (a) pyrene (C20H12).

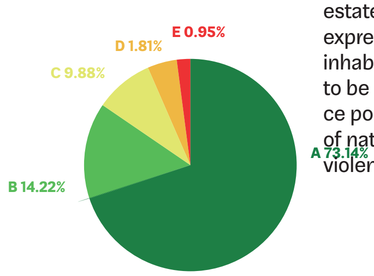




UCI

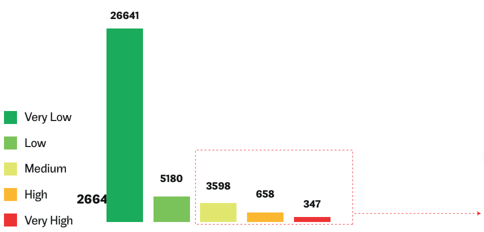
Risk of Extraordinary Claims

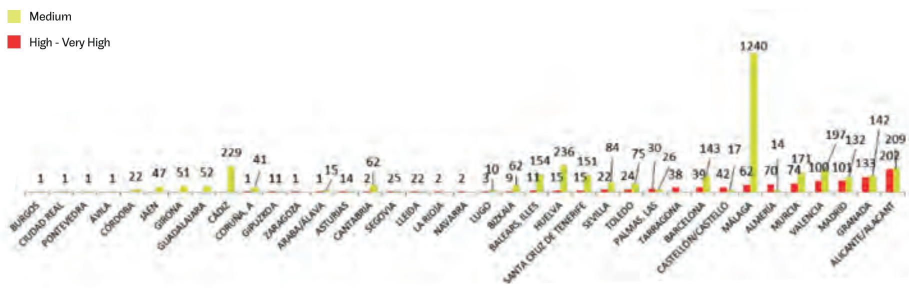




This parameter analyzes the number of extraordinary claims that have been registered on real estate during the last ten years, by municipality, expressed in number of claims per thousand inhabitants. Extraordinary risks are understood to be those not covered by a standard insurance policy. These risks include contingencies of natural origin and those caused by acts of violence.

Calification	A	B	C	D	E
r = Number of incidents/100 inhabitats	r <= o,5	0,5 < r < = 1	1 < r <=5	5 < r <=10	10 > r

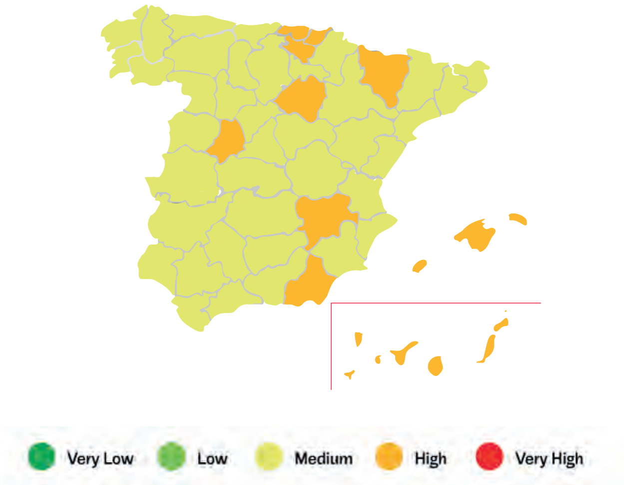


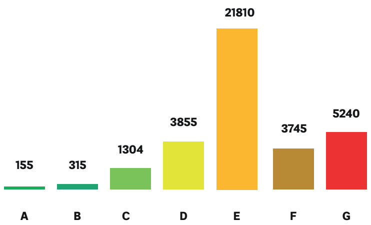


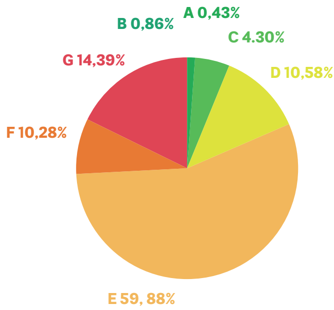
Energy Rating of the Property (Main Indicator, Emissions)

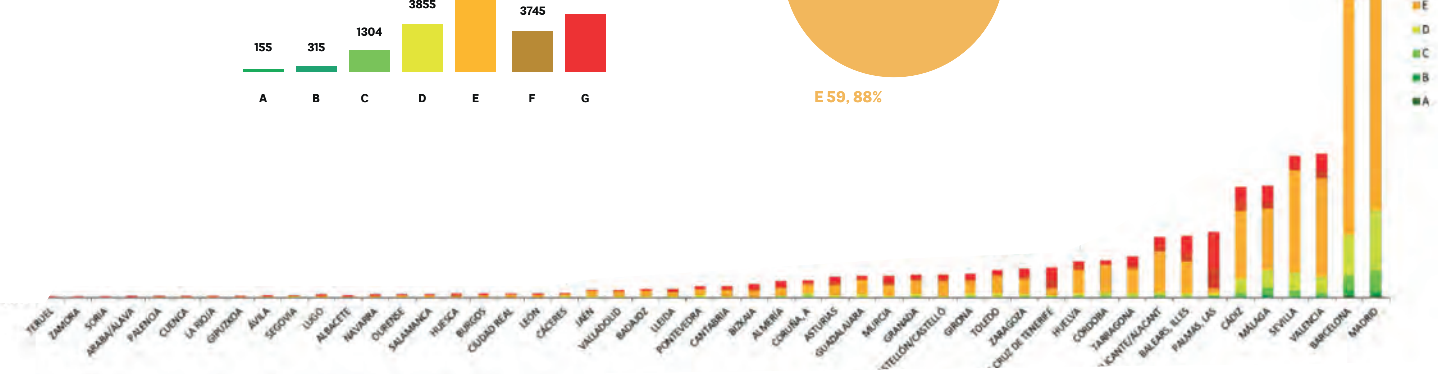
The energy rating scale (Main Indicator, Emissions) is based on CO2 emissions per m2of Surface associated with heating, cooling, DHW, ventilation and lighting services (only business buildings).

It is made up of the letters, from A to G, and is the result of the relationship between the emissions of the building in question and a building with similar characteristics and that meets either the requirements related to the Technical Building Code (CTE).





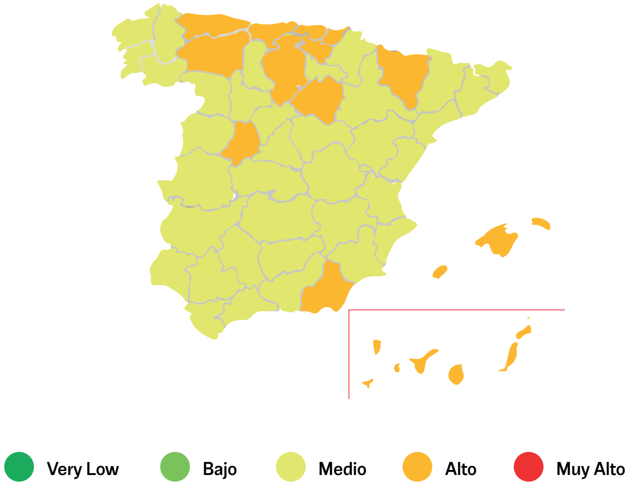


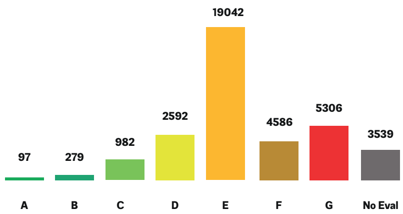


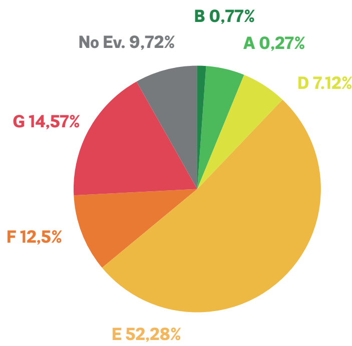
Energy Rating of the Property (Secondary Indicator, Consumption)

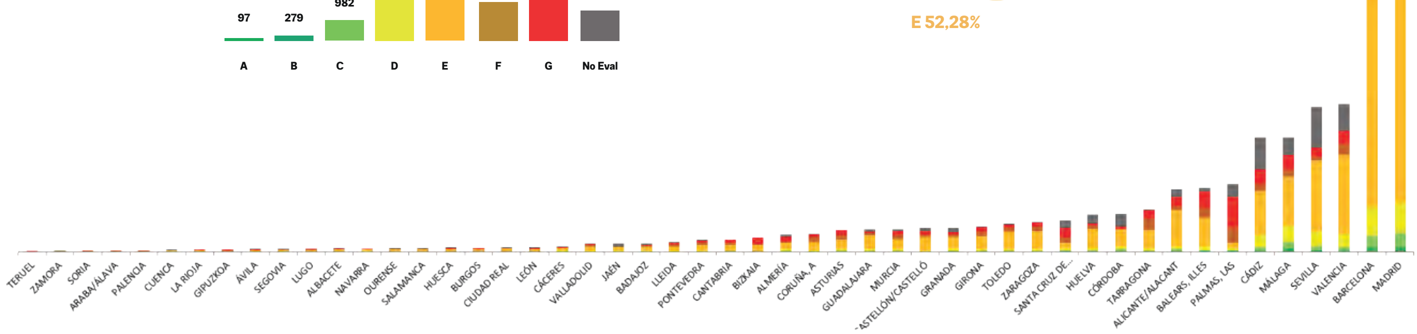
The energy rating scale (Secondary Indicator Consumption) reports on the primary energy consumption per m2 of surface associated With heating, cooling, DHW, ventilation and lighting services (only business buildings).

It is made up of the letters, from A to G, and is the result of the relationship between the emissions of the building in question and a building with similar characteristics and that meets either the requirements related to the Technical Building Code (CTE).









Social (S)

The S for Social takes into account the repercussion of activities performed by the entity over the community and stakeholders.

At UCI, we carry out a quarterly monitoring of the social risk, analysing factors related to the investment in the community, relationships with employees and customers. The following table details social factors and the associated indicators that determine the entity's social risk profile.

Social factors*	Indicator / KRI	Value	Risk profile	Risk appetite
Community	Investment rate in the community	0.31%	3.0	
Relationship with employees	Personnel rotation rate	5.39%	3.3	
	New contracting rate	3.19%	1.5	
	Dismissal rate	0.95%	1.7	
	Absenteeism rate	3.27%	2.0	
	Employees gender gap	-19.08%	1.0	
	Senior Management gender gap	55.56%	3.5	
	Employees salary gap	9.40%	1.7	
	Senior Management salary gap	29.12%	3.2	
	Rate of disabled employees	0.94%	3.3	
	Employee training per year	37.49	1.0	
	Rate of external employees	0.63%	1.2	

UCI

Social factors*	Indicator / KRI	Value	Risk profile	Risk appetite
Relationship with employees	Work accident frequency index	2.22	2.9	
	Professional illness frequency index	-	1.0	
	Work accident severity index	0.08	1.8	
Relation with customers	Rate of compliance responsible credit	96.26%	2.1	
Social risk			2.3 **Medium-low**	2,5 **Medium-low**

**Social factors have been grouped according to the main stakeholders with whom the institution could interact. Additionally, the list of factors has included the fundamental agreements of the International Labour Organisation (ILO). Factors, indicators and metrics refer to the counterparties' assessment, not to the institution per se.*

In order to contribute to the improvement of certain social factors and mitigate the entity's social risk, the entity's Equality Plan has been revised, adapting it to the new standards required by the Government through RD 901/2020. The Plan contemplates measures and actions to guarantee the equality through specific management bodies, promote the defence and effective application of the gender equality principle, prevent the sexual and gender harassment, ensure that all team managers are aligned with the equality philosophy and principles, promote a culture of awareness and foster the presence of women in all positions and levels where they are under-represented, particularly in responsibility positions.

Corporate governance (G)

LThe G for Governance refers to the company's corporate governance, the composition of the Board of Directors, or transparency policies and codes of conduct applied.

The following table details the corporate governance factors and associated indicators that determine UCI's governance risk profile.

Corporate governance factors*	Indicator / KRI	Value	Risk profile	Risk appetite
Ethics considerations	SDG contribution rate	70.40%	2.5	
Strategy and risk management	Global Compact contribution rate	69.53%	2.5	
	Strategy implementation rate	-	4.0	
	RMS (a) alignment rate	84.27%	2.2	
	ICS (b) alignment rate	92.00%	1.6	
Document management	Correct documentation rate	-	4.0	
Transparency			3.3	
Corporate governance risk			2.3 **Medium-low**	2.5 **Medium-low**

**Governance factors have been grouped in four main subtitles, identifying a common main characteristic of underlying factors. Factors, indicators and metrics refer to the counterparties' assessment, not to the institution per se.*
(a) Risk management system
(b) Internal Control System

The corporate governance risk management has focused on complying with action plans that respect the project developed by a consulting firm, based on the exhaustive analysis of the internal control framework that reinforces the entity's governance framework.

In this sense, we note the creation and update of a framework of policies and procedures, as well as the associated governance framework, which responds to the regulation in force and to the market's best practices.

Indicators related to "We comply" may be consulted in section 4.3 of the report- Governance matters.

4. Indicators

4.1. Environmental matters

	Spain			Portugal		
	2021	2022	Variation	2021	2022	Variation
Greenhouse Gas Emissions (GHG)						
Total CO2 emissions (t / CO^2)	413.72	485.11	17.26%	126.08	212.98	68.92%
Scope 1 emissions (direct emissions) (t / CO^2)	242.07	231.06	-4.55%	0.00	0.00	-
Scope 2 emissions (indirect emissions) (t / CO^2)	99.71	138.57	38.97%	18.55	27.51	48.30%
Scope 3 emissions (indirect emissions) (t / CO^2)	71.94	115.49	60.54%	107.54	185.47	72.47%
Waste						
Total non-hazardous waste (t)	21.98	23.81	8.34%	1.52	0.64	-57.98%
Total hazardous waste (t)	0.69	4.62	568.99%	0.08	0.08	-
Total recycled waste (t)	22.67	28.43	25.41%	1.61	0.72	-55.28%
Consumption						
Total water consumption (m^3)	586.9	1,075.12	83.19%	174	147.836	-15.04%
Water consumption per employee(m^3)	1.01	2.03	100.99%	1.96	1.64	-16.33%
Total paper consumption (kg)	2,909.20	3,381.67	16.24%	4,370.90	3,968.33	-9.21%
Paper consumption per employee (kg)	5.57	6.39	14.72%	89.00	44.09	-50.46%
Total energy consumption (kWh)	501,073.08	551,497.26	10.06%	86,649.28	111,495.90	28.67%
Energy consumption per employee (kWh / year)	959.91	1,042.53	8.61%	973.59	1,238.84	27.24%
Working trips (km)	282,388.00	559,776.66	98.23%	392,644.00	529,622.00	34.89%
Diesel consumption (l)	55,725.00	33,400.00	-40.06%			-
Fuel consumption (l)	62,342.00	80,292.00	28.79%			-
Fight against Climate Change						
Amount of green production according to Sustainalytics criteria (M€)	58.99	59.22	0.39%	32.90	52.50	59.57%
Total green operation (Sustainalytics criteria / EEML)	218	229	5.05%	171	238	39.18%
Amount of green securitisation funds: RMBS Green Belém I (M€)	19.84	18.86	-4.94%	9.03	15.63	73.09%
Amount of green securitisation funds: RMBS Prado VIII (M€)	6.18	9.99	61.65%	-	-	-
Total energy savings of the green product range (kWh / m^2 / year)	4,632.12	81,721.62	1664%	77.30	543.50	603.10%
Reduction of emissions of the green product range (t/CO^2)	1,688.00	2,738.83	62%	-	-	

Given the readjustment of the tool Greemko, the information related to environmental data corresponding to the year ended December 31, 2021 has been restated.

The source of emission factors used when calculating the Carbon Footprint in Spain is the Ministry for the Ecologic Transition and Demographic Challenge and, in Portugal, EDP, DEFRA and carbon footprint.

4.2. Social matters

	Spain			Portugal		
	2021	2022	Variation	2021	2022	Variation
Great Place to Work (GPTW)						
Employee's satisfaction - GPTW	75%	75%	-	83%	81%	-2.41%
Training						
Training hours Collaborators	11,491.52	11,943.35	3.93%	2,576.00	1,673.50	-35.03%
Training hours Managers	4,960.49	6,176.34	24.51%	873.00	1,108.50	26.98%
Training hours Management	975.31	1,154.85	146.74%	N/A	N/A	-
Training hours Senior Management		1,251.67		386	196	-49%
Total	**17,427.32**	**2,526.21**	**17.78%**	**3,835.00**	**2,978.00**	**-22.35%**
Total number of training hours/employee per year	31.86	36.09	13.28%	41.24	32.79	-20.49%
% voluntary training hours	73.59%	60.04%	-18.41%	-	-	-
% compulsory training hours	26.41%	39.96%	51.31%	16.85%	1.11%	-93.41%

	Spain 2021	Spain 2022	Spain Variation	Portugal 2021	Portugal 2022	Portugal Variation
Rotation and Mobility						
Rotation rate - % (1)	5.46%	3.81%	-30.29%	3.93%	13.02%	231.30%
Internal mobility rate - % (2)	11.67%	19.22%	64.69%	8.89%	12.22%	37.48%

(1) Percentage resulting from dividing two quantities: the total number of employees who have left in the year divided by the average number of employees at the beginning and end of the year.

(2) Percentage resulting from dividing the number of mobilities in the year by the average number of employees at the beginning and end of the year. The end of temporary assignments is not included.

	Spain 2021	Spain 2022	Spain Variation	Portugal 2021	Portugal 2022	Portugal Variation
Employees						
Employees per Gender						
Women (total no.)	297	302	1.68%	53	53	0.00%
Women (%)	56.90%	57.09%	0.33%	59.55%	59.34%	-0.35%
Men (total no.)	225	227	0.89%	36	37	2.78%
Men (%)	43.10%	42.91%	-0.44%	40.45%	40.66%	0.52%
Total	**522**	**529**	**1.34%**	**89**	**90**	**1.12%**

	Spain			Portugal		
	2021	2022	Variation	2021	2022	Variation
Employees						
Employees per Age						
AgeEmployees < 25 years old (total no.)	2	3	50.00%	-	1	100.00%
Employees < 25 years old (%)	0.38%	0.57%	49.24%	-	1.10%	100.00%
Employees 25-40 years old (total no.)	88	87	-1.14%	25	20	-20%
Employees 25-40 years old (%)	16.86%	16.45%	-2.45%	28.09%	23.08%	-17.85%
Employees >40 years old (total no.)	432	439	1.62%	64	69	7.81%
Employees >40 years old (%)	82.76%	82.99%	0.27%	71.91%	75.82%	5.44%
Total	**522**	**529**	**1.34%**	**89**	**90**	**1.12%**
Employees per Nationality						
No. of nationalities	13	15	15.38%	4	4	0%
Employees with disability						
No. employees with disability (total no.)	4	6	50.00%	-	-	-
No. employees with disability (%)	0.77%	1.13%	47%	-	-	-
Employees per professional category						
Senior Management (total no.)	19	19	-	6	6	-
Senior Management (%)	3.64%	3.59%	-1.32%	6.74%	7.69%	14.10%
Management (total no.)	11	11	-	1	1	-
Management (%)	2.11%	2.08%	-1.32%	1.12%	-	-1.00%
Manager (total no.)	90	93	3.33%	26	30	15.38%
Manager (%)	17.24%	17.58%	2%	29.21%	32.97%	12.85%
Collaborator (total no.)	402	406	1.00%	56	53	-5.36%
Collaborator (%)	77.01%	76.75%	-0.34%	62.92%	59.34%	-5.69%
Total	**522**	**529**	**1.34%**	**89**	**90**	**1.12%**

	Spain			Portugal		
	2021	2022	Variation	2021	2022	Variation
Contracts						
Employment contract modality						
Temporary contracts FT - total no.	3	9	200.00%	8	9	12.50%
Temporary contracts FT - %	0.57%	1.7%	198.48%	8.99%	9.89%	10.03%
Temporary contracts PT - total no.	-	-	-	-	-	-
Temporary contracts PT - %	-	-	-	-	-	-
Indefinite-term contracts FT - total no	517	517	-	81	81	-
Indefinite-term contracts FT - %	99.04%	97.73%	-1.32%	91.01%	90.11%	-0.99%
Indefinite-term contracts PT - total no.	2	3	50.00%	-	-	-
Indefinite-term contracts PT - %	0.38%	0.57%	49.24%	-	-	-
Total	**522**	**529**	**1.34%**	**89**	**90**	**1.12%**
Annual average of contracts modalities per gender						
Annual average temporary contracts FT - women	3	3.25	8.33%	4.5	6.92	54%
Annual average temporary contracts PT - women	-	-	-	-	-	-
Annual average indefinite-term contracts FT - women	300	295.58	-1.47%	46	45.83	-0.37%
Annual average indefinite-term contracts PT - women	1	1.42	41.67%	-	-	-
Total	**304**	**300.25**	**-1.23%**	**50.5**	**52.75**	**4.46%**
Annual average temporary contracts FT - men	0.92	1.83	99.28%	2	1.17	- 41.50%
Annual average temporary contracts PT - men	-	-	-	-	-	-
Annual average indefinite-term contracts FT - men	223.17	220.58	-1.16%	34	33.83	-0.50%
Annual average indefinite-term contracts PT - men	1.58	1.17	-26.16%	-	-	-
Total	**225.67**	**223.58**	**-0.92%**	**36.00**	**35.00**	**-2.78%**
Annual average of contract modalities per age						
Annual average temporary contracts FT - Less than 25 years old	0.92	1.25	35.87%	-	0.33	100%
Annual average de temporary contracts PT - Less than 25 years old	-	-	-	-	-	-
Annual average indefinite-term contracts FT - Less than 25 years old	0.75	0.33	-55.56%	-	-	-
Annual average de indefinite-term contracts PT - Less than 25 years old	-	-	-	-	-	-
Total	**1.67**	**1.58**	**-5.19%**	**0**	**0.33**	**100%**

UCI

	Spain			Portugal		
	2021	2022	Variation	2021	2022	Variation
Contracts						
Annual average of contract modalities per age						
Annual average temporary contracts FT - From 25 to 40 years old	2.67	3.50	31.09%	5.5	5.92	7.64%
Annual average de temporary contracts PT - From 25 to 40 years old	-	-	-	-	-	-
Annual average indefinite-term contracts TC- From 25 to 40 years old	100.25	81.42	-18.79%	17	14.08	-17.18%
Annual average de indefinite-term contracts PT - From 25 to 40 years old	1	1	-	-	-	-
Total	**103.92**	**85.92**	**-17.32%**	**22.5**	**20.00**	**-11.11%**
Annual average temporary contracts FT - More than 40 years old	0.33	0.33	1.01%	1	1.83	83%
Annual average de temporary contracts PT - More than 40 years old	-	-	-	-	-	-
Annual average indefinite-term contracts FT - More than 40 years old	422.17	434.42	2.90%	63	65.58	4.10%
Annual average de indefinite-term contracts PT - More than 40 years old	1.58	1.58	0.21%	-	-	-
Total	**424.08**	**436.33**	**2.89%**	**64**	**67.41**	**5.33%**
Annual average of contract modalities per professional classification						
Annual average temporary contracts FT - Senior Management	-	-	-	-	-	-
Annual average de temporary contracts PT - Senior Management	-	-	-	-	-	-
Annual average indefinite-term contracts FT - Senior Management	18.92	19.00	0.42%	6	6	0.00%
Annual average de indefinite-term contracts PT - Senior Management	-	-	-	-	-	-
Total	**18.92**	**19**	**0.42%**	**6**	**6**	**0.00%**
Annual average temporary contracts FT - Manager	-	-	-	-	-	-
Annual average de temporary contracts PT - Mana-gement	-	-	-	-	-	-
Annual average indefinite-term contracts FT - Mana-gement	10.75	11.00	2.33%	1	1	-
Annual average de indefinite-term contracts PT - Management	-	-	-	-	-	-
Total	**10.75**	**11.00**	**2.33%**	**1**	**1**	-

	Spain			Portugal		
	2021	2022	Variation	2021	2022	Variation
Contracts						
Annual average of contract modalities per professional classification						
Annual average temporary contracts FT - Manager	-	-	-	-	-	-
Annual average de temporary contracts PT - Manager	-	-	-	-	-	-
Annual average indefinite-term contracts FT - Manager	91.08	91.92	0.92%	26	27.42	5.46%
Annual average de indefinite-term contracts PT - Manager	-	-	-	-	-	-
Total	**91.08**	**91.92**	**0.92%**	**26**	**27.42**	**5.46%**
Annual average temporary contracts FT - Collaborator	3.92	5.08	29.68%	6.5	8.08	24.31%
Annual average de temporary contracts PT - Collaborator	-	-	-	-	-	-
Annual average indefinite-term contracts FT - Collaborator	402.42	394.25	-2.03%	47	45.25	-3.72%
Annual average de indefinite-term contracts PT - Collaborator	2.58	2.58	0.13%	-	-	-
Total	**408.92**	**401.92**	**-1.71%**	**53.50**	**53.33**	**-0.32%**
Labour relationships						
Collective Bargaining Agreements						
Total no. Collective bargaining agreements	1	1	-	N/A	N/A	-
% covered employees	100.00%	100.00%	-	N/A	N/A	-

UCI

	Spain			Portugal		
	2021	2022	Variation	2021	2022	Variation
Dismissals						
Classification of the number of dismissals						
No. dismissals per gender - women	7	2	-71.43%	-	-	-
No. dismissals per gender - men	-	3	100.00%	1	1	-
No. dismissals per age - Less than 25 years old	-	-	-	-	-	-
No. dismissals per age - From 25 to 40 years old	2	1	-50.00%	-	1	100.00%
No. dismissals per age - More than 40 years old	5	4	-20.00%	1	-	-100.00%
No. dismissals per professional classification - Senior Management	-	-	-	-	-	-
No. dismissals per professional classification - Management	-	-	-	-	-	-
No. dismissals per professional classification - Manager	1	-	-100.00%	1	-	-100.00%
No. dismissals per professional classification - Collaborator	6	5	-16.67%	-	1	100.00%
Total	**7**	**5**	**-28.57%**	**1**	**1**	**0.00%**
Salary Gap and Remuneration						
Employees' average remuneration						
Average remnuneration per gender - women	29,168.58 €	30,532.65 €	4.68%	22,978.78 €	23,928.87 €	4.13 %
Average remnuneration per gender - men	36,627.23 €	38,154.44 €	4.17%	40,351.34 €	40,820.14 €	1.16 %
Average remnuneration per age - Less than 25 years old	18,472.50 €	22,778.33 €	23.31%	0.00 €	5,230.88 €	100%
Average remnuneration per age - From 25 to 40 years old	25,703.21 €	27.099.25 €	5.43%	18,098.41 €	18,947.02 €	4.69 %
Average remnuneration per age - More than 40 years old	33,808.72 €	35,207.17 €	4.14%	34,657.24 €	34,701.51 €	0.13 %
Average remnuneration per professional classification or equal value - Senior Management	93,514.08 €	97,721.59 €	4.50%	90,718.21 €	94,916.37 €	4.63 %
Average remnuneration per professional classification or equal value - Management	56,702.99 €	58,210.58 €	2.66%	61,758.82 €	66,152.47 €	7.11 %
Average remnuneration per professional classification or equal value - Manager	41,385.56 €	43,434.73 €	4.95%	36,835.57 €	36,048.96 €	-2.14 %
Average remnuneration per professional classification or equal value - Collaborator	26,813.42 €	27,944.48 €	4.22%	19,763.05 €	20,027.47 €	1.34 %

In Spain, average remuneration has been calculated based on payroll at December 31, taking into account base salary plus transport bonus.
In Portugal, average remuneration has been calculated based on payroll at December 31, taking into account base salary plus variables.

UCI

	Spain			Portugal		
	2021	2022	Variation	2021	2022	Variation
Salary Gap and Remuneration						
Salary Gap						
Senior Management- %	32.79%	32.37%	-1.28%	52.00%	50.00%	-3.85%
Management- %	3.21%	3.42%	6.46%	-	-	-
Manager - %	8.31%	7.37%	-11.30%	11.00%	9.00%	18.18%
Collaborator - %	2.73%	1.59%	-41.82%	8.00%	-3.00%	-137.50%
For the same professional category, the men's remuneration has been divided by the women's.						
Gender salary gap	20.36%	19.98%	-1.89%	43.00%	41.00%	-4.65%
Percentage resullting from dividing 2 amounts: the difference between the average salary of men and women, dividided by men's salary.						
Average remuneration of board members and senior management						
Average remuneration board members (1) - women	-	-	-	N/A	N/A	-
Average remuneration board members (1) - men	18,312.50 €	16,750.00 €	-8.53%	N/A	N/A	-
Average remuneration senior management - women	83,177.42 €	86,135.03 €	3.56%	36,617.00 €	37,940.00 €	3.61%
Average remuneration senior management - men	152,995.82 €	149,073.51 €	-2.56%	77,963.71 €	79,470.33 €	1.93%
(1) The only female director and two of the male directors waive their remuneration and allowances. Senior Management is the Executive Committee, both in Spain and Portugal Average remuneration of Board Members and Senior Management includes the totality of salary and non-wage payments						
Social benefits						
Total no. social benefits	14	15	7.14%	13	13	0.00%
Work-life balance						
Flexiworking						
% employees	72.41%	72.21%	-0.27%	77.53%	76.00%	-1.97%
Commercial and recovery networks are not covered by this policy.						

UCI

	Spain			Portugal		
	2021	2022	Variation	2021	2022	Variation
Absenteeism						
Absenteeism rate (%)						
Professional contingencies (1)	0.05	0.04	-20.00%	-	-	-
Common contingencies (1)	2.97	2.37	-20.20%	0.2	0.01	-95.44%
*(1) (Days of sick leave year *100) / Σ (Days month * Affiliated workers month)*						
No. Hours of absenteeism						
Professional contingencies	50,000.00	552,00	-98.90%	-	-	-
Common contingencies	800.00	41,416.00	5,077.00%	2,736.00	1,848.00	-32.00%
Total	**50,800.00**	**41,968.00**	**-17.39%**	**2,736.00**	**1,848.00**	**-32.00%**
*When calculating hours of absenteeism, days lost * 8 hours of daily working hours have been considered.*						
Accidents at work						
Accidents at work and professional diseases						
Frequency accidents at work - women (1)	1.97	0.00	-100.00%	-	-	-
Frequency accidents at work - men (1)	-	5.13	100.00%	-	-	-
Severity accidents at work - women (2)	0.197	0.00	-100.00%	-	-	-
Severity accidents at work - men (2)	-	0.177	100.00%	1	-	-100.00%
Frequency professional diseases - women	-	-	-	-	-	-
Frequency professional diseases - men	-	-	-	-	-	-
Severity professional diseases - women	-	-	-	-	-	-
Severity professional diseases - men	-	-	-	-	-	-
(1) Frequency rate: (no. of accidents with leave, including accidents in the way to and from home/no. worked hours) x 1,000,000 (2) Severity rate: (Days lost due to accidents at work, including accidents to and from home and relapses/no. hours worked) x 1,000						
No. accidents at work per gender						
Women	1	-	-100%	-	-	-
Men	-	2	100%	1	-	-100%
Total	**1**	**2**	**100%**	**1**	**-**	**-100%**

Accidents at work have been with leave

	Spain			Portugal		
	2021	2022	Variation	2021	2022	Variation
Inclusion and diversity						
Women in leadership						
% Women in Executive Committee (1)	26.32%	26.32%	-0.02%	16.67%	16.67%	-
% Women as managers (2)	40.00%	39.00%	-2.44%	40.74%	40.00%	-1.82%

(1) Percentage resulting from dividing the total number of women by the total number of members, men and women of the Executive Committee.
(2) Percentage resulting from dividing 2 amounts: the total number of women managers by the total number of men and women managers (Executive Committee and managers).

	2021	2022	Variation	2021	2022	Variation
Customer relationship						
Evolution of the number of customers						
No. financed homes for First Residence (total 1st holders)	165.001	167.422	1.47%	19.984	20.712	3.64%
No. financed homes for First Residence (total 1st holders)	3.045	2.461.00	-19.18%	860.00	787.00	-8.49%
Ekomi global customer valuation	9.75	9.78	0.31%	4.86	4.92	1.23%
Customer claims						
Total no. admitted customer claims	3.408	2.684	-21.24%	19	26	36.84%
No. claims resolved in favour of the customer	454	364	-19.82%	8	10	25.00%
No. claims resolved favourable to the customer	2.910	2.232	-23.30%	11	16	45.45%
No. claims to be resolved	44	88	100.00%	-	-	-
Adhesions/applications to the Code of Best Practices						
Accepted applications	148	245	65.54%	N/A	N/A	-
Approved applications	79	166	110.13%	N/A	N/A	-

UCI

	Spain			Portugal		
	2021	2022	Variation	2021	2022	Variation
Financial Social Engagement						
Social Inclusion in the business						
No. of people benefitted by the sustainable rehabilitation of buildings in areas with low GDP per capita	2,400	3.780	57.50%	N/A	N/A	-
Investment in the community						
Monetary contributions to non-profit entities						
Prodis Foundation - educational projects	15,000.00 €	15,000.00 €	-	N/A	N/A	-
Prodis Foundation - awareness projects	950.00 €	1,800.00 €	89.47%	N/A	N/A	-
Red Cross - Global Emergency	10,365.00 €	13,102.00 €	26.41%	N/A	975.00 €	100.00%
Red Cross - Prevention of residential exclusion		6,500.00 €	100.00%	N/A	N/A	
Dádoris Foundation - Educational Scholarships	3,000.00 €	12,000.00 €	300.00%	N/A	N/A	-
Junior Achievement Foundation - Tus finanzas, tu futuro	4,400.00 €	10,000.00 €	127.27%	5,500.00 €	- €	-100.00%
Inmosolidarios Awards	15,000.00 €	12,000.00 €	-20.00%	N/A	N/A	-
Instituto Português de Oncologia - I.P.O. Lisboa	N/A	N/A	-	5,000.00 €	- €	-100.00%
ONG Crescer, Ser - Children's Home	N/A	N/A	-	500.00 €	950.00 €	90.00%
Associaçao Salvador	N/A	N/A	-	-	1,000.00 €	100.00%
Associaçao Play for Wishes	N/A	N/A	-	-	600.00 €	100.00%
Helping With Satya	N/A	N/A	-	-	2,747.94 €	100.00%
Total	**48,715.00 €**	**70,402.00 €**	**44.52%**	**11,000.00 €**	**6,272.94 €**	**-42.97%**

4.3. Governance matters

	Spain			Portugal		
	2021	2022	Variation	2021	2022	Variation
Ethics and Compliance						
Whistleblowing channel reports						
No. of reports	-	3	100 %	-	-	-
Gift Policy						
No. of incidents	-	-	-	-	-	-
Money Laundering Prevention Alerts						
Total no. of alerts	1.564	1.835	17.33%	367	614	62%
Communicated to the OCI (Internal Control Body)	15	11	-26.7%	-	1	100%
Communicated to the SEPBLAC (Spain) / Regulator (Portugal)	4	1	-75%	-	1	100%
Suppliers						
No. assessed suppliers (Quality)	11	41	273%	25	24	-4%
No. assessed suppliers (Environment)	5	5	-	10	10	-
No. assessed suppliers (Quality, Environment)	8	6	-25%	35	-	-100%
Total	**24**	**52**	**117%**	**70**	**34**	**-51%**
No. assessed outsourced services (Quality)	13	18	38%	14	14	0%
No. assessed outsourced services (Environment)	-	13	100%	-	-	-
No. assessed outsourced services (Quality, Environment)	12	-	-100%	14	-	-100%
Total	**25**	**31**	**24%**	**28**	**14**	**-50%**
Result from suppliers' assessment	3.68	3.69	0.27%	3.61	3.63	1%
Result from outsourced services' assessment	3.24	3.37	4.01%	3.64	3.76	3%
Cybersecurity						
Efficiency of cybersecurity measures	17.00	9.40	-45%	17.00	9.40	-45%

5. Annexes

5.1. Governing bodies

data at 31 December 2022

Board of Directors UCI, S.A.	
President: Matías Rodríguez Inciarte	President of Santander Universidades
Board Member: Remedios Ruiz Maciá	Global Head of Risk Oversight and Control at Banco Santander; Board Member at Banco Santander Totta
Board Member: Patrick Marie Alain Denis Miron de L Espinay	Head of the Office of the Deputy Director-General. BNP Paribas Personal Finance
Board Member: Michel Falvert	Director Large Agreements, BNP Paribas Personal Finance
Secretary of the Board of Directors: Eduardo Isidro Cortina Romero	Legal and Compliance Director

Board of Directors Unión de Créditos Inmobiliarios, S.A., Establecimiento Financiero de Crédito	
President: Matías Rodríguez Inciarte	President of Santander Universidades
Board Member: Remedios Ruiz Maciá	Global Head of Risk Oversight and Control at Banco Santander; Board Member at Banco Santander Totta
Board Member: Patrick Marie Alain Denis Miron de L Espinay	Head of the Office of the Deputy Director-General. BNP Paribas Personal Finance
Board Member: Michel Falvert	Director Large Agreements, BNP Paribas Personal Finance
Board Member Independiente: Jean François Georges Marie Deullin	Independent Board Member of Findomestic Banca
Secretary of the Board of Directors: Eduardo Isidro Cortina Romero	Legal and Compliance Director

Committees of Board of Directors UCI, S.A.	
Audit and Risk Committee	
Audit and Risk Committee	Director Large Agreements, BNP Paribas Personal Finance
Member: Remedios Ruiz Maciá	Global Head of Risk Oversight and Control at Banco Santander; Board Member at Banco Santander Totta

Evaluation, Suitability and Remuneration Committee	
President: Matías Rodríguez Inciarte	President of Santander Universidades
Member: Michel Falvert	Director Large Agreements, BNP Paribas Personal Finance

Committees of the Board of Directors Unión de Créditos Inmobiliarios, S.A., Establecimiento Financiero de Crédito	
Mixed Audit and Risk Committee	
President: Jean François Georges Marie Deullin	Independent Board Member of Findomestic Banca
Member: Michel Falvert	Director Large Agreements, BNP Paribas Personal Finance
Member: Remedios Ruiz Maciá	Global Head of Risk Oversight and Control at Banco Santander; Board Member at Banco Santander Totta

Appointment and Remuneration Committee	
President: Jean François Georges Marie Deullin	Independent Board Member of Findomestic Banca
Member: Matías Rodríguez Inciarte	President of Santander Universidades
Member: Michel Falvert	Director Large Agreements, BNP Paribas Personal Finance

Composition of the Steering and Executive Committee	
Steering Committee	
Roberto Colomer Blasco	General Director
José Manuel Fernández Fernández	Deputy General Director Commercial Area
Philippe Jacques Laporte	Deputy General Director Finance, Technology and Customers
Ángel Aguilar Otero	HR Director

Composition of the Steering and Executive Committee	
Steering Committee	
Catia Vanessa Neves de Almeida Lopes Alves (*)	Sustainability and Rehabilitation Director
Ruth Armesto Carballo	Marketing and Brand Director
Rodrigo Malvar Soto	Risk Director
Pedro Manuel Megre Monteiro do Amaral	General Director UCI Portugal
Olivier Rodríguez	General Intervention Director
Francisco Javier Villanueva Martinez (*)	Risk and Quality Assessment Director
[*) On 1.01.2023, they join the Steering Committee	
Executive Committee	
Anabel del Barco del Barco	Communication Director
José Antonio Borreguero Herrera	IT Director
Eduardo Isidro Cortina Romero	Legal Counsel and Compliance Director
Fernando Delgado Saavedra	Professional Marketing Director
Greg Delloye (*)	Finance Director Portugal
Francisco José Fernández Ariza	Professional Service Director
Cecila Franco García	Aftersales and Property Management Director
José García Parra	Sale Organisation Projects Director
Marta Pancorbo García	Simplification Director
Tomás Luis de la Pedrosa Masip	Internal Audit Director
Miguel Ángel Romero Sánchez	Customer Director
[*) On 1.01.2023, they join the Executive Committee	

5.2. Table of alliances

Green Alliances		
EIB - European Investment Bank	It is the world's largest multilateral financial institution and one of the largest providers of climate finance.	www.eib.org/en
BCSD - Business Council for Sustainable Development Portugal	BCSD Portugal is part of the Global Network of the World Business Council for Sustainable Development (WBCSD), the largest international business organisation working in the area of sustainable development.	www.bcsdportugal.org
EMF - European Mortgage Federation	The European Mortgage Federation (EMF) is the voice of the European mortgage industry and represents the interests of mortgage lenders at European level.It aims to ensure a sustainable housing environment for the European Union (EU) citizens.	www.hypo.org/emf
EDW - Enterprise Data Warehouse	It is part of the ABS Loan Level Data initiative established by the European Central Bank which is dedicated to providing data warehousing and full disclosure services for investors in asset-backed securities.	www.eurodw.eu
Gloval	It is a full-service real estate valuation, engineering and consulting firm that brings together companies with more than 70 years of accumulated experience.	www.gloval.es
Grupo BC	It is a company that provides End to End services for the formalisation and management of mortgage operations, with tailor-made solutions adapted to the needs and particularities of each Financial Institution. They deal with the mortgage process in a global manner, managing the pre-signing, assistance with signing and post-signing of all types of operations.	www.grupobc.com/es
GBCe - Green Building Council Spain	A platform for meeting and dialogue that provides cutting-edge information and training to guide and help its members in the transformation towards sustainable building, with a focus on people's wellbeing.	www.gbce.es

<table>
<tr><td>CONCOVI-Spanish Confederation of Housing Cooperatives</td><td rowspan="9">Contribute to the improvement of the energy efficiency of the existing building stock by means of public-private partnerships, through the use of financing the refurbishment of homeowners' associations.</td><td>www.concovi.org</td></tr>
<tr><td>IDAE-Institute for Energy Diversification and Savings</td><td>www.idae.es/home</td></tr>
<tr><td>General Council of Associations of Property Administrators. Spain</td><td>www.cgcafe.org</td></tr>
<tr><td>Association of Property Administrators (Alicante, Seville, Huelva, Malaga and Barcelona)</td><td></td></tr>
<tr><td>COAM-Official Association of Architects of Madrid</td><td>www.coam.org</td></tr>
<tr><td>EMVS - Municipal Housing and Land Company of Madrid</td><td>www.emvs.es</td></tr>
<tr><td>Government of Catalonia</td><td>web.gencat.cat/ca/inici</td></tr>
<tr><td>Consorci Habitatge del Área Metropolitana de Barcelona</td><td>www.amb.cat/s/home.html</td></tr>
<tr><td>htmlCity Council of Barcelona-Illa Eficient</td><td>www.ajuntament.barcelona.cat/ca/</td></tr>
</table>

Business and Sector Alliances		
AHE	It is an organisation made up of the banks, credit cooperatives and financial credit establishments with the largest presence in the Spanish mortgage market. The Association members have approximately 75 per cent of the mortgage lending market.	www.ahe.es
APEMIP	Portuguese Association of Real Estate Professionals and Companies.	www.apemip.pt
ASFAC	The Association of Specialised Credit Institutions is the specialised entity representing the consumer finance sector in Portugal. It promotes the increase of the financial literacy of Portuguese people, investing in financial education for children, young people and adults, particularly in the most vulnerable populations.	www.asfac.pt
ASNEF - Asociación Nacional de Establecimientos Financieros de Crédito	Liaison between financial institutions specialising in consumer finance in Spain and public administrations, other Spanish and European professional associations and users of financial products, which through its work facilitates access to consumer and production goods for consumers, professionals and entrepreneurs.	www.asnef.com

Asociación Española de la Calidad	A private non-profit organisation whose purpose is to promote Quality as a driver of competitiveness and sustainability for professionals, companies and the country.	www.aec.es
Camara de Comercio Luso-Espanhola	It is a private non-profit organisation whose main activity is to promote commercial relations between Portuguese and Spanish companies.	www.portugalespanha.org
NAR - National Association of REALTORS ®	It is the largest professional association in the United States, with one million members, and includes institutes, societies and councils involved in all aspects of the residential and commercial sectors. SIRA is the local partner in Spain.	www.siralia.com/sira www.pir.pt/
Portuguese Chamber of Comerce in the UK	It is a private non-profit entity whose main activity is to promote business relations between Portuguese and UK companies	www.portuguese-chamber.org.uk

Sustainability and Corporate Responsibility Alliances		
UN Global Compact	International UN initiative that promotes sustainable development and corporate social responsibility.	www.pactomundial.org
DIRSE - Spanish Sustainability Directors Association (ASG)	Spanish association of Sustainability and ESG (Environmental, Social and Corporate Governance) professionals, which works for the promotion, defence and recognition of the people who, from all types of entities, carry out this specific function, thus contributing to improve their capacity to influence the creation of value in organisations.	www.dirse.es

Agreements with Foundations		
Crescer Ser	National private social solidarity institution. It promotes, organises and dynamises community support services for children, young people and the family society. It stimulates specialised training in the areas of protection, reception and accompaniment, of technicians linked to the problems of children and young people at risk of exclusion.	www.crescerser.org
Dádoris Foundation	Support for talented high school students with brilliant results to access university studies and centres of excellence and who do not have financial resources.	www.fundaciondadoris.org
Prodis Foundation	Contribution from the ethical engagement to improve the quality of life of people with intellectual disabilities and their families, supporting and promoting their full inclusion in a fair and supportive society.	www.fundacionprodis.org
Cruz Roja	Adherence to the programme to prevent the residential exclusion of vulnerable people.	www.cruzroja.es
Junior Achievement Portugal (JAP)	Non-profit organisation created in November 2005. It is affiliated with Junior Achievement, the world's oldest and largest entrepreneurship education organisation.	www. japortugal.org

6. Contents

6.1. Contents Law 11/2018 on non-financial information

Information requested by Law 11/2018	Section in the Report
General Information	
Brief description of the group's business model, including: its business environment	1.Meet UCI
Brief description of the group's business model, including: its organisation and structure	1.Meet UCI
	3.3 We comply G1 Corporate Governance
	5.1 Governing Bodies
Markets in which it operates	1.Meet UCI
Objectives and strategies	2. Our sustainability model
Main factors and trends that could affect its future evolution	2. Our sustainability model
Mention in the report to the national, European or international reporting framework used for the selection of key indicators of non-financial results included on each section	Preliminary clarifications
Materiality	2. Our sustainability model

Information requested by Law 11/2018	Section in the Report
Environmental matters	
Management approach: description and results from the environmental policies and main risks related to these matters, linked to the group's activities	2. Our sustainability model 3.1 We greenimise 3.3 We comply G6 Comprehensive risk management
Detailed information	
Current and foreseeable effects of the company's activities in the environment and, where applicable, health and security	3.1 We greenimise
Environmental assessment or certification procedures	3.1 We greenimise E3 Our environmental footprint
Resources dedicated to the environmental risk prevention	3.1 We greenimise 3.3 We comply G6 Comprehensive risk management
Application of the precautionary principle	3.1 We greenimise
Provisions and guarantees for environmental risks	3.1 We greenimise
Pollution	
Measures for the waste prevention, recycling, reuse, other forms of waste recovery and disposal	3.1 We greenimise
Including noise and light pollution	3.1 We greenimise
Circular economy and waste prevention and management	
Measures for the waste prevention, recycling, reuse, other forms of waste recovery and disposal	3.1 We greenimise E3 Our environmental footprint
Actions to fight food waste	3.1 We greenimise
Sustainable use of resourcesClimate	
Water consumption and supply, according to local limitations	3.1 We greenimise E3 Our environmental footprint
Consumption of raw materials and measures adopted to improve the efficiency of their use	3.1 We greenimise E3 Our environmental footprint
Direct and indirect energy consumption	3.1 We greenimise E3 Our environmental footprint
Measures taken to improve the energy efficiency	3.1 We greenimise
Use of renewable energies	3.1 We greenimise E3 Our environmental footprint

Information requested by Law 11/2018	Section in the Report
Climate change	
Greenhouse gas emissions generated as a result from the company's activities, including the use of goods and services produced	3.1 We greenimise E3 Our environmental footprint
Measures adopted to adapt to the consequences of climate change	3.1 We greenimise
Reduction targets voluntarily established at mid and long term to reduce greenhouse gas emissions and measures implemented for such purpose	3.1 We greenimise
Biodiversity protection	
Measures taken to preserve or restore the biodiversity	3.1 We greenimise
Impacts caused by activities or operations in protected areas	3.1 We greenimise

Information requested by Law 11/2018	Section in the Report
Social and personnel matters	
Management approach: description and results from social and personnel-related policies and of the main risks related to these matters, linked to the group's activities	2. Our sustainability model 3.2 We accompany 3.3 We comply G6 Comprehensive risk managementTotal
Employment	
Total number and distribution of employees per gender, age, country and professional category	4.2 Indicators of Social Matters
Total number and distribution of employment contract modalities	4.2 Indicators of Social Matters
Annual average of indefinite-term contracts, temporary contracts and part-time contracts per gender, age and professional category	4.2 Indicators of Social Matters
Number of dismissals per gender, age and professional category	4.2 Indicators of Social Matters
Average remuneration per gender, age and professional category	4.2 Indicators of Social Matters
Salary Gap	3.2 We accompany S1 People First 4.2 Indicators of Social Matters

Information requested by Law 11/2018	Section in the Report
Social and personnel matters	
Remuneration equal work posts or average in the company	4.2 Indicators of Social Matters
Average remuneration of the board members and directors per gender (including variable remuneration, allowances, severances, payment to savings systems)	3.2 We accompany S1 People First 4.2 Indicadores Aspectos Sociales
Labour disconnection policies	3.2 We accompany S1 People First
Disabled employees	3.2 We accompany S1 People First 4.2 Indicators of Social Matters
Work organisation	
Organisation of working time	3.2 We accompany S1 People First
Number of hours of absenteeism	4.2 Indicators of Social Matters
Measures to ease the enjoyment of balancing procedures and to promote the co-responsible exercise by both parents	3.2 We accompany S1 People First
Health and Security	
Health and security conditions at work	3.2 We accompany S1 People First
Occupational accidents and professional diseases per gender: frequency rate and severity	4.2 Indicators of Social Matters
Social relationships	
Organisation of the social dialogue (including procedures to report and consult the staff and to negotiate with them)	3.2 We accompany S1 People First
Percentage of employees covered by collective bargaining agreement per country	4.2 Indicators of Social Matters
Balance of collective bargaining agreements, in particular in the area of health and security at work	3.2 We accompany S1 People First
Mechanisms and procedures to promote the involvement of employees in the management of the company, in terms of information, consultation and participation	2. Our sustainability model 3.2 We accompany S1 People First
Training	
Training policies implemented	3.2 We accompany S1 People First
Total amount of training hours per professional category	4.2 Indicators of Social Matters

Information requested by Law 11/2018	Section in the Report
Social and personnel matters	
Universal accessibility of disabled people	
Universal accessibility of disabled people	3.2 We accompany S1 People First
Equality	
Measures adopted to promote equality of treatment and opportunities between women and men	3.2 We accompany S1 People First
Equality plans, measures adopted to promote employment, protocols against sexual and gender-based harassment	3.2 We accompany S1 People First
Policy against any type of discrimination and management of diversity	3.2 We accompany S1 People First

Information requested by Law 11/2018	Section in the Report
Respect for Human Rights	
Management approach: description and results from policies on human rights and of the main risks related to these matters, linked to the group's activities	2. Our sustainability model 3.3 We comply G2 Compliance and corporate ethical culture G6 Comprehensive risk management
Application of due diligence procedures in human rights and prevention of the risk of breach of human rights and, where applicable, measures to mitigate, manage and repair possible abuses	3.3 We comply G2 Compliance and corporate ethical culture
Reports of human rights' breaches	3.3 We comply G2 Compliance and corporate ethical culture
Promotion and compliance with provisions of fundamental agreements of International Labour Organisation related to the respect for the freedom of association and right to collective negotiation	3.3 We comply G2 Compliance and corporate ethical culture
Elimination of the discrimination in employment and occupancy	3.3 We comply G2 Compliance and corporate ethical culture
Elimination of forced or compulsory work	3.3 We comply G2 Compliance and corporate ethical culture
Effective abolition of child labour	3.3 We comply G2 Compliance and corporate ethical culture

UCI

Information requested by Law 11/2018	Section in the Report
Fight against corruption and bribery	
Management approach: description and results from policies on human rights and of the main risks related to these matters, linked to the group's activities	2. Our sustainability model 3.3 We comply G2 Compliance and corporate ethical culture G6 Comprehensive risk management
Measures adopted to prevent corruption and bribery	3.3 We comply G2 Compliance and corporate ethical culture
Measures to fight against money laundering	3.3 We comply G2 Compliance and corporate ethical culture
Contributions to foundations and non-profit entities	3.2 We accompany S3 Our social commitment 4.2 Indicators of Social Matters

Information requested by Law 11/2018	Section in the Report
Information on the society	
Management approach: description and results from policies on human rights and of the main risks related to these matters, linked to the group's activities	2. Our sustainability model 3.2 We accompany S3 Our social commitment 3.3 We comply G6 Comprehensive risk management
Company's commitments with sustainable development	
Impact of the company's activity in local populations and local development	3.1 We Greenimize 3.2 We accompany
Impact of the company's activity in local populations and in the territory	3.1 We Greenimize 3.2 We accompany
Relations held with actors of local communities and modalities of such dialogue	2. Our sustainability model
Association or sponsorship actions	5.2 Table of alliances

Information requested by Law 11/2018	Section in the Report
Information on the society	
Subcontracting and suppliers	
Inclusion of social, gender equality and environmental matters in the procurement policy	3.3 We comply G3 Suppliers' responsible management
Consideration in relations with suppliers and subcontractors of their social and environmental responsibility	3.3 We comply G3 Suppliers' responsible management
Supervisory systems and audits and their results	3.3 We comply G3 Suppliers' responsible management
Consumers	
Measures for the health and the security of the consumers	3.2 We accompany S2 Customer at the heart 3.3 We comply G5 Information security
Claiming systems, complaints received and their resolution	3.2 We accompany S2 Customer at the heart
Tax Information	
Profits obtained per country	3.3 We comply G2 Compliance and corporate ethical culture
Profit tax paid	
Public grants received	

UCI

6.2. Contents of Global Reporting Initiative (GRI)

2022 Statement of Use	UCI has presented the information included in this GRI index of contents for the period comprised from January 1, 2022 to December 31, 2022, using GRI Standards as reference
GRI 1 used	Foundation 2021

GRI Standards-General Content

GRI Standard	Content	Section in the Report
GRI 2 General Disclosures		
1. The organization and its reporting practices	2-1 Organizational details	1. Meet UCI
	2-2 Entities included in the organization's sustainability reporting	0. Preliminary clarifications. UCI presents the audited consolidated annual accounts
	2-3 Reporting period, frequency and contact point	0.Preliminary clarifications
	2-4 Restatements of information	4.1 Environmental matters. Given the adjustment of the tool Greemko, the information related to environmental matters, corresponding to the year ended December 31, 2021, has been restated.
	2-5 External assurance	7. External verification report
2. Activities and workers	2-6 Activities, value chain and other business relationships	1.Meet UCI, 3.1 We greenimise, 3.3 We comply, G.3 Responsible supplier management
	2-7 Employees	3.2 We accompany, S1 People First, 4.2 Social matters:employees

GRI Standard	Content	Section in the Report
GRI 2 General Disclosures		
3. Governance	2-9 Governance structure and composition	1. Meet UCI, 3.3 We comply, G.1 Corporate governance, 5.1 Governing bodies
	2-10 Nomination and selection of the highest governance body	3.3 We comply,G.1 Corporate governance
	2-11 Chair of the highest governance body	3.3 We comply,G.1 Corporate governance, 5.1 Governing bodies
	2-12 Role of the highest governance bodyin overseeing the management of impacts	3.3 We comply,G.1 Corporate governance
	2-13 Delegation of responsibility for managing impacts	3.3 We comply,G.1 Corporate governance
	2-14 Role of the highest governance body in sustainability reporting	2. Our sustainability model, 3.3 We comply, G.1 Corporate governance
	2-15 Conflicts of interest	3.3 We comply, G.1 Corporate governance, G.2 Compliance and corporate ethical culture
	2-16 Communication of critical concerns	3.3 We comply,G.1 Corporate governance
	2-18 Evaluation of the performance of the highest governance body	3.3 We comply,G.1 Corporate governance
	2-19 Remuneration policies	3.3 We comply,G.1 Corporate governance
	3.3 We comply,G.1 Corporate governance	3.3 We comply,G.1 Corporate governance

GRI Standard	Content	Section in the Report
GRI 2 General Disclosures		
4. Strategy, policies and practices	2-22 Statement on sustainable development strategy	2. Our sustainability model
	2-23 Policy commitments	2. Our sustainability model, 3.3 We comply G.2 Compliance and corporate ethical culture
	2-24 Embedding policy commitments	2. Our sustainability model,3.2 We accompany: S.1 People first, S.2 Customer at the heart, S.3 Our social commitment, S.4 Professionalisation of the real estate sector, 3.3 We comply:G.2 Compliance and corporate ethical culture, G.3 Responsible supplier management
	2-25 Processes to remediate negative impacts	3.2 We accompany: S.2 Customer at the heart, 3.3 We comply:G.2 Compliance and corporate ethical culture, G.3 Responsible supplier management, G.6 Comprehensive risk management
	2-26 Mechanisms for seeking advice and raising concerns	3.2 We accompany: S.1 people first: Dialogue and communication with employees, 3.3 We comply: G.2 Compliance and corporate ethical culture (whistleblowing channel), G.3 Responsible supplier management
	2-28 Membership associations	UCI participates in the sectoral associations representing mortgage activity in the countries in which it operates, such as the AHE in the case of Spain. 5.2 Table of alliances
5.Stakeholder engagement	2-29 Approach to stakeholder engagement	2. Our sustainability model: 2.4 Materiality and the power of the dialogue
	2-30 Collective bargaining agreements	3.2 We accompany: S.1 People first, 4.2 table of Social matters: labour relationships

GRI Standard	Content	Section in the Report
GRI 3 Material Topics		
Material topics	3-1 Process to determine material topics	2. Our sustainability model: 2.4 Materiality and the power of the dialogue
	3-2 List of material topics	2. Our sustainability model: 2.4 Materiality and the power of the dialogue
	3-3 Management of material topics	Non-Financial Information Statement

GRI Standards - Thematic content

Economic dimension	Content	Section in the Report
Economic performance		
GRI 3 Material Topics	3-3 Management of material topics	1.Meet UCI, 2. Our sustainability model, 3.1 We greenimise
GRI 201: Economic Performance	201-1 Direct economic value generated and distributed	This information is included in the entity's Annual Report
	201-2 Financial implications and other risks and opportunities due to climate change	3.1 We greenimise, 3.3 We comply, G.6 Comprehensive risk management
	201-4 Financial assistance received from government	3.3 We comply, G.2 Compliance and corporate ethical culture, Tax situation-grants
Presence in the market		
GRI 3 Material Topics	3-3 Management of material topics	1.Meet UCI, 3.2 We accompany, S1 People first
GRI 202: Presence in the market	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	4.1 Social matters: employees and salary gap and remuneration.
	202-2 Proportion of senior management hired from the local community	4.1 Social matters: employees per professional category. The human resources model focuses on attracting and retaining the best professionals where UCI is present

UCI

GRI Standards - Thematic content

Economic dimension	Content	Section in the Report
Anticorruption		
GRI 3 Material Topics	3-3 Management of material topics	3.3 We comply, G.2 Compliance and corporate ethical culture
GRI 205: Anticorruption	205-1 Operations assessed for risks related to corruption	3.3 We comply, G.2 Compliance and corporate ethical culture, 4.3 Governance matters: Ethics and compliance
	205-2 Communication and training about anticorruption policies and procedures	3.3 We comply, G.2 Compliance and corporate ethical culture, 4.3 Governance matters: Ethics and compliance
	205-3 Confirmed incidents of corruption and actions taken	3.3 We comply, G.2 Compliance and corporate ethical culture, 4.3 Governance matters: Ethics and compliance

GRI Standards-Thematic Content

Environmental dimension	Content	Section in the Report
Materials		
GRI 3 Material Topics	3-3 Management of material topics	2. Our sustainability model, 3.1 We greenimise
GRI 301: Materials	301-1 Materials used by weight or volume	3.1 We greenimise, E3 Our environmental footprint, 4.1 Environmental matters: Consumptions
Energy		
GRI 3 Material Topics	3-3 Management of material topics	2. Our sustainability model, 3.1 We greenimise
GRI 302: Energy	302-1 Energy consumption within the organization	3.1 We greenimise, 4.1 Environmental matters: Consumptions
	302-2 Energy consumption outside of the organization	3.1 We greenimise, 4.1 Environmental matters: Consumptions
	302-3 Energy intensity	3.1 We greenimise, 4.1 Environmental matters: Consumptions
	302-4 Reduction of energy consumption	3.1 We greenimise, 4.1 Environmental matters: Consumptions

GRI Standards - Thematic content

Economic dimension	Content	Section in the Report
Water and Effluents		
GRI 3 Material Topics	3-3 Management of material topics	2. Our sustainability model, 3.1 We greenimise
GRI 303: Water and Effluents	303-5 Water consumption	2. Our sustainability model, 3.1 We greenimise, 4.1 Environmental matters: consumptions
Emissions		
GRI 3 Material Topics	3-3 Management of material topics	2. Our sustainability model, 3.1 We greenimise
GRI 305: Emissions	305-1 Direct (Scope 1) GHG emissions	3.1 We greenimise, E3 Our environmental footprint, GHG emissions, 4.1 Environmental matters, GHG emissions
	305-2 Energy indirect (Scope 2) GHG emissions	3.1 We greenimise, E3 Our environmental footprint, GHG emissions, 4.1 Environmental matters, GHG emissions
	305-3 Other indirect (Scope 3) GHG emissions	3.1 We greenimise, E3 Our environmental footprint, GHG emissions, 4.1 Environmental matters, GHG emissions
	305-5 Reduction of GHG emissions	3.1 We greenimise, E3 Our environmental footprint, GHG emissions, 4.1 Environmental matters, GHG emissions
Waste		
GRI 3 Material Topics	3-3 Management of material topics	2. Our sustainability model, 3.1 We greenimise
GRI 306: Waste	306-1 Waste generation and significant impacts related to waste	3.1 We greenimise, E3 Our environmental footprint, circular economy and waste management , 4.1 Environmental matters, waste
	306-2 Management of significant impacts related to waste	3.1 We greenimise, E3 Our environmental footprint, circular economy and waste management , 4.1 Environmental matters, waste
	306-3 Significant spills	3.1 We greenimise, E3 Our environmental footprint, circular economy and waste management , 4.1 Environmental matters, waste
	306-4 Waste not intended for disposal	3.1 We greenimise, E3 Our environmental footprint, circular economy and waste management , 4.1 Environmental matters, waste
	306-4 Waste not intended for disposal	3.1 We greenimise, E3 Our environmental footprint, circular economy and waste management , 4.1 Environmental matters, waste

UCI

GRI Standards - Thematic content

Economic dimension	Content	Section in the Report
Supplier Environmental Assessment		
GRI 3 Material Topics	3-3 Management of material topics	308-2 Negative environmental impacts in the supply chain and actions taken
GRI 308: Supplier Environmental Assessment	308-1 New suppliers that were screened using environmental criteria	308-2 Negative environmental impacts in the supply chain and actions taken
	308-2 Negative environmental impacts in the supply chain and actions taken	308-2 Negative environmental impacts in the supply chain and actions taken

GRI Standards-Thematic Content

Social dimension	Content	Section in the Report
Employment		
GRI 3 Material Topics	3-3 Management of material topics	3.2 We accompany, S1 People first, B Talent, employment and employability
GRI 401: employment	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	All benefits included in point 3.2 We accompany, S1 People first, B Talent, employment and employability, are applied to employees
	401-3 Parental leave	3.2 We accompany, S1 People first, B Talent, employment and employability B.5 Organisation of working time and work-life balance
Occupational Health and Safety		
GRI 3 Material Topics	3-3 Management of material topics	3.2 We accompany, S1 People first, B.6 Health and Wellbeing
GRI 403: Occupational Health and Safety	403-1 Occupational health and safety management system	UCI has an occupational health and safety management system, complying LRP legal requirements.
		3.2 We accompany, S1 People first, B.6 Health and Wellbeing.
	403-6 Promotion of worker health	3.2 We accompany, S1 People first, B.6 Health and Wellbeing.
	403-8 Workers covered by an occupational health and safety management system	100% of UCI employees are covered by the occupational health and safety management system
	403-9 Work-related injuries	4.2 Social matters, occupational accidents
	403-10 Work-related ill health	4.2 Social matters, occupational accidents and professional diseases

GRI Standards - Thematic content

Social dimension	Content	Section in the Report
Training and education		
GRI 3 Material Topics	3-3 Management of material topics	3.2 We accompany, S1 People first, B Talent, employment and employability
GRI 404: Training and education	404-1 Average hours of training per year per employee	4.2 Social matters, training. Requirement b. disclosure per professional category
	404-2 Programs for upgrading employee skills and transition assistance programs	3.2 We accompany, S1 People first, B Talent, employment and employability
	404-3 Percentage of employees receiving regular	3.2 We accompany, S1 People first, B.2 Talent
Diversity and Equal Opportunity		
GRI 3 Material Topics	3-3 Management of material topics	3.2 We accompany, S1 People first, B Talent, employment and employability
GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	3.2 We accompany, S1 People first, C Diversity, equality and inclusion, 4.2 Social matters: employees and inclusion and diversity, 5.1 Annex 1: Governing bodies
	405-2 Ratio of basic salary and remuneration of women to men	3.2 We accompany, S1 People first, C Diversity, equality and inclusion, 4.2 Social matters: salary gap and remuneration
Non-discrimination		
GRI 3 Material Topics	3-3 Management of material topics	3.2 We accompany, S1 People first, C Diversity, equality and inclusion. 3.3 We comply, G2 Compliance and corporate ethical culture
GRI 406: No discriminación	406-1 Cases of discrimination and corrective actions undertaken3.2	3.2 We accompany, S1 People first, C Diversity, equality and inclusion. 3.3 We comply, G2 Compliance and corporate ethical culture

GRI Standards - Thematic content

Social Dimmension	Content	Section in the Report
Customer health and safety		
GRI 3 Material Topics	3-3 Management of material topics	3.2 We accompany, S2 Customer at the heart
GRI 416: Customer health and safety	416-1 Evaluating the impacts of product and service categories on health and safety	3.2 We accompany, S2 Customer at the heart: B. Protection of the customer's interest
Marketing and labelling		
GRI 3 Material Topics	3-3 Management of material topics	3.2 We accompany, S2 Customer at the heart
GRI 417: Marketing and labelling	417-1 Requirements for the information and labelling of products and services	3.2 We accompany, S2 Customer at the heart. UCI is a member of the Association for Commercial Self-Regulation (Autocontrol) and is ethically commited to responsible commercial communication with customers
Customer privacy		
GRI 3 Material Topics	3-3 Management of material topics	3.2 We accompany, S2 Customer at the heart, 3.3 We comply, G2 Compliance and corporate ethical culture, G.4 Data privacy and protection
GRI 418: Customer privacy	418-1 Substantiated complaints regarding breaches of customer privacy and loss of customer data	UCI, in the period 2022, has had no substantiated complaints

6.3. Contents of UN Global Compact

Since 2020, at UCI, we are members of the Global Compact of United Nations and, through this Non-Financial Information Statement, we present our responsibility in ESG contents and our support with the Ten Global Compact Principles in relation to human rights, labour rules, environment and anticorruption.

Global Compact Principles	Section in the Report
Human Rights	
Principle 1	
Businesses should support and respect the protection of internationally proclaimed human rights	3.3 We comply G2 Compliance and corporate ethical culture
Principle 2	
Businesses should make sure that they are not complicit in human rights abuses.	3.3 We comply G2 Compliance and corporate ethical culture
Labour	
Principle 3	
Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	3.2 We accompany S1 People First 3.3 We comply G2 Compliance and corporate ethical culture
Principle 4	
Businesses should uphold the elimination of all forms of forced and compulsory labour	3.3 We comply G2 Compliance and corporate ethical culture
Principle 5	
Businesses should uphold the effective abolition of child labour	3.3 We comply G2 Compliance and corporate ethical culture
Principle 6	
Businesses should uphold the elimination of discrimination in respect of employment and occupation	3.2 We accompany S1 People First 3.3 We comply G2 Compliance and corporate ethical culture

UCI

Global Compact Principles	Section in the Report
Environment	
Principle 7	
Businesses should support a precautionary approach to environmental challenges	3.1 We greenimise
	3.3 We comply G6 Comprehensive risk management
Principle 8	
Businesses should undertake initiatives to promote greater environmental responsibility	2. Our sustainability model
	3.1 We greenimise
Principle 9	
Businesses should encourage the development and diffusion of environmentally friendly technologies	3.1 We greenimise
Anti-corruption	
Principle 10	
Businesses should work against corruption in all its forms, including extortion and bribery	3.3 We comply G2 Compliance and corporate ethical culture

6.4. Contribution to the Sustainable Development Goals

At UCI, we have identified 5 SDGs as priority goals, 4 interrelated goals and 1 transversal goal, with a contribution to 21 major impact goals.

Contribution to the Sustainable Development Goals	
Goals associated with the SDGs	Section in the Report
SDG 4	
4.3 Ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university	3.2 We accompany
SDG 5	
5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life	3.2 We accompany S1 People First
SDG 7	
7.2 Increase substantially the share of renewable energy in the global energy mix	3.1 We greenimise
7.3 Double the global rate of improvement in energy efficienc	3.1 We greenimise
SDG 8	
8.5 Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	3.2 We accompany S1 People First
8.8 Protect labour rights and promote safe and secure working environments	3.2 We accompany S1 People First 3.3 We comply G2 Compliance and corporate ethical culture
8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all	3.2 We accompany
SDG 10	
10.2 Empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status	3.2 We accompany 3.3 We comply G2 Compliance and corporate ethical culture
10.3 Ensure equal opportunity and reduce inequalities of outcome	3.2 We accompany 3.3 We comply G2 Compliance and corporate ethical culture

Contribution to the Sustainable Development Goals	
Goals associated with the SDGs	**Section in the Report**
SDG 11	
11.1 Ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums	3.1 We greenimise 3.2 We accompany
11.3 Enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries	3.1 We greenimise 3.2 We accompany
SDG 12	
12.2 Achieve the sustainable management and efficient use of natural resources	3.1 We greenimise 3.3 We comply
12.5 Substantially reduce waste generation through prevention, reduction, recycling and reuse	3.1 We greenimise
12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle	3.1 We greenimise 3.3 We comply
12.8 Ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature	3.1 We greenimise 3.2 We accompany
SDG 13	
13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries	3.1 We greenimise 3.3 We comply G6 Comprehensive risk management
13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning	3.1 We greenimise 3.2 We accompany
SDG 16	
16.5 Substantially reduce corruption and bribery in all their forms	3.3 We comply G2 Compliance and corporate ethical culture
16.6 Develop effective, accountable and transparent institutions at all levels	3.3 We comply
16.7 Ensure responsive, inclusive, participatory and representative decision-making at all levels	2. Our sustainability model 3.2 We accompany 3.3 We comply
SDG 17	
17.17 Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships	Non-Financial Information Statement 5.5 Table of Alliances

Risk management

6

UCI

1. Risk management

At the UCI Group we consider risk to be an inherent factor in the business we carry out. Proper risk analysis, measurement and management will help to achieve adequate margins and maintain the company's solvency and liquidity levels. When developing risk management systems and models, we use the best market practices as a benchmark, including those implemented by our shareholders.

Through the implementation of a risk management system (RMS), our risk management function (hereinafter referred to as RMF) is characterised by a process in which the risks to which the company is exposed are managed in a holistic, organised and methodological manner that requires the cooperation of all levels of the organisation. This makes the RMS a cross-cutting, proactive and dynamic process.

Its main objective is to protect and create value in the company, thereby improving decision-making and the achievement of objectives and contributing to the anticipation of threats and opportunities. The ultimate objective is to support the strategic decisions made when defining the various management policies, including the risk acceptance policy.

The objectives covered by the RMS in each of its phases are as follows:

- Identification of the main risks to which the company is exposed and implementation of a corporate risk map.

- Definition of key risk indicators (KRIs) and evaluation of the control environment and business model in order to determine the risk profile for each of the risks identified and the company as a whole.

- Formulation and monitoring of the risk appetite that the company considers it reasonable to accept in the implementation of its business strategy, as well as definition and integration of the risk culture at all levels of the organisation.

- Assessment of the capital and liquidity requirements according to the approach adopted by the regulator.

- Monitoring of risks and action plans and issue of reports according to the standards established by the regulator or the stakeholders.

1.1. Executive summary and key points

This section provides a summary of the UCI Group's risk management and profile in 2022 through its main indicators and performance.

The UCI Group's risk profile for the year 2022 is set as medium-high. This decrease in the risk profile compared to the previous year is the result of the action plans designed to meet the supervisory expectations. These expectations have had a positive impact, mainly on the company's credit and solvency risk management, although there have also been positive effects interrelated with other risks. This fact, together with the measures adopted to reinforce the Internal Control Framework, means that although the company's overall risk profile remains at medium-high, it has shown a downward trend compared to the previous year and has a positive outlook.

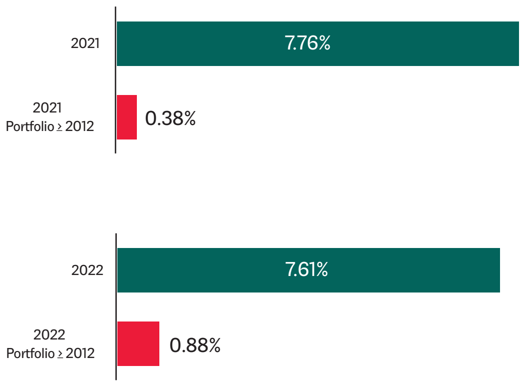
Credit and concentration risk

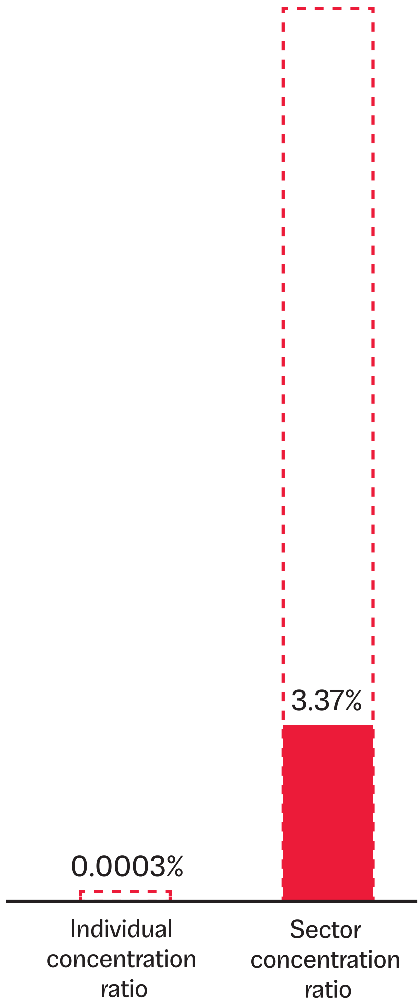
The main risk to which the UCI Group is exposed is credit risk. This is largely determined by its business model, which is highly focused on retail mortgage lending.

The main exposure to credit risk relates to transactions agreed prior to 2012. The credit quality of the mortgages signed subsequent to (and including) 2012 has improved substantially and had a positive impact on the exposure to this risk, as their relative weight in the balance sheet has increased.

One of the key indicators with regard to credit quality is the NPL ratio, which improved over the course of 2022

The credit concentration risk does not have any significant concentrations by area, product, customer type or sales channel. Neither are there any deviations from the regulatory ratios relating to individual sector concentrations.

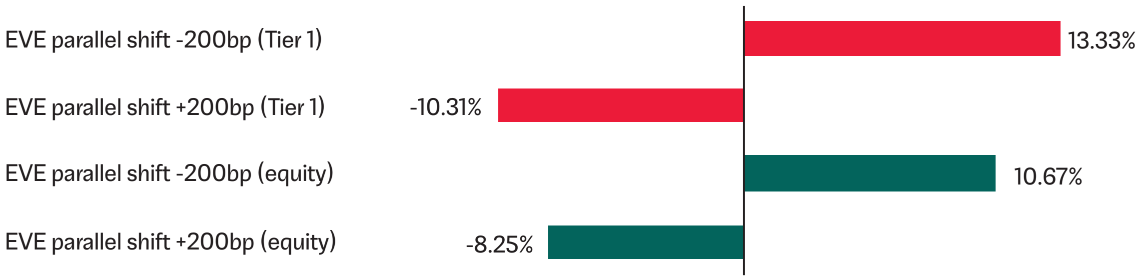




Balance sheet structural interest rate risk

Sección 3.2

Balance sheet structural interest rate risk evaluates the impact of adverse interest rate changes on the balance sheet items that are sensitive to such changes. The interest rate changes seen in the year 2022 did not lead to a breach of any indicator and the company comfortably meets the limits established by the Board of Directors, as well as the regulatory limits.

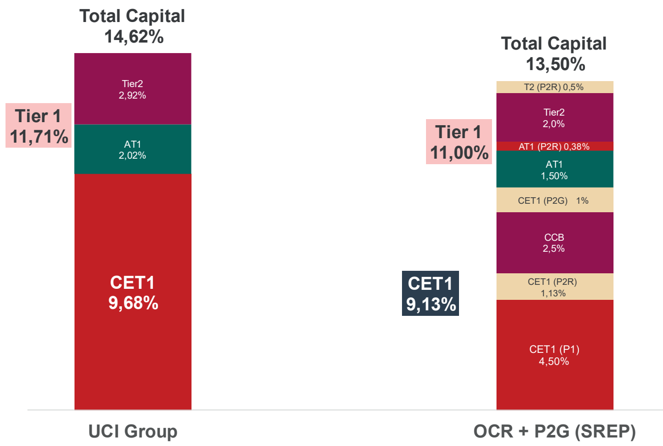


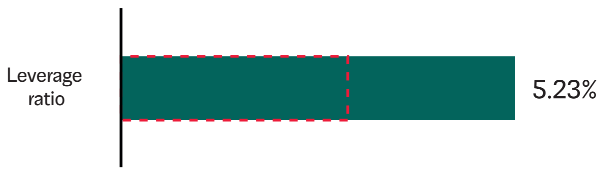
Capital risk

Sección 3.3

The UCI Group has a leverage ratio and a level of capital that meet the minimum regulatory requirements, including the additional capital requirement (P2R) and the expectation of the guidance on additional own funds (P2G).

The supplementary capital plan implemented in the year 2022 means that the company maintains a total capital ratio (TSCR) and overall capital requirements (OCR) that are in line with the specifications established by the supervisor and the internal objectives set by the compan.





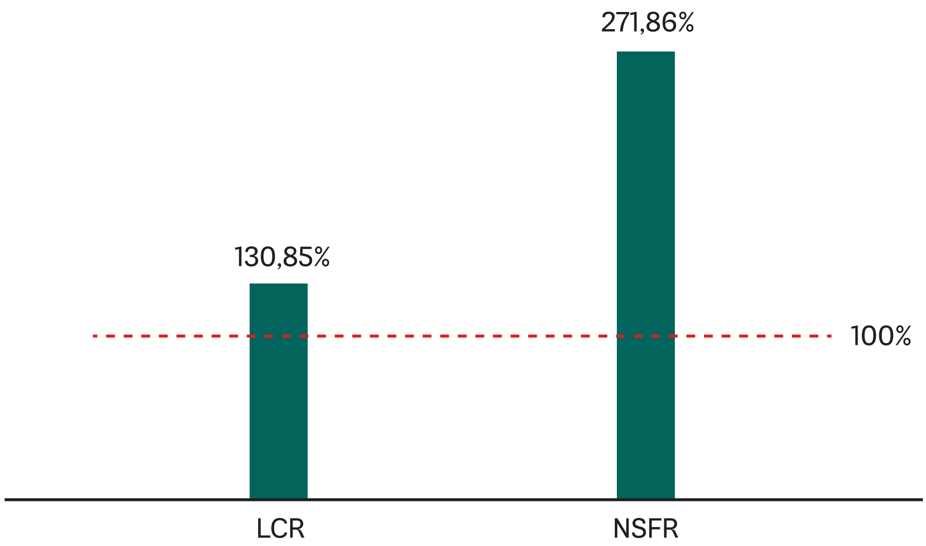
Liquidity and funding risk

This risk is considered significant due to the need to develop self-funding strategies. These strategies are currently based on the issue of securitisation funds to guarantee the company's financial independence, enabling the repayment of the funding facilities drawn down with shareholders.

Prado X was UCI's fifth issue since the start of the pandemic in 2020. Carried out in accordance with strict STS (Simple, Transparent and Standardised) criteria, it was given the highest credit rating (AAA) by the ratings agencies DBRS Morningstar, Fitch Ratings and Scope Ratings, and was preceded by the issue of RMBS Green Belem No.1 and RMBS Belem No.2 in Portugal and RMBS Prado VII, VIII and IX in Spain. It was also the transaction with the largest amount of securitised loans to date.

Following the entry into force of Bank of Spain Circular 1/2022, the UCI Group is required to comply with liquidity requirements which, with regard to its structure, are based on the liquidity coverage ratio (LCR) required from credit institutions in accordance with Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No. 575/2013 of the European Parliament and the Council with regard to the liquidity coverage requirement applicable to credit institutions – and the simplified calculation of the net stable funding ratio (NSFR) – provided for in sections 5, 6 and 7 and heading IV of part six of Regulation (EU) No. 575/2013. With regard to the content, the components that make up the liquidity requirements include adaptation and proportionality criteria, taking into consideration the idiosyncrasy and nature of credit finance establishments, their particular funding structure and the liquidity risk of their activities.

The NSFR and LCR ratios comfortably exceed the regulatory requirements (100% in both cases)



Market risk **Sección 3.5**

The market risk is determined solely by price fluctuations linked to the “foreclosed assets” item on the company’s balance sheet. The uptick in valuations and the capital gains obtained on sales mean that there is a downward trend in this risk.

Operational risk **Sección 3.6**

Our Operational Risk Management System (ORMS) has enabled the detection of a certain number of incidents, significantly reducing exposure to operational risk as the system has matured. Actions aimed at promoting the operational risk culture and the involvement of all functions and senior management have resulted in the detection and reporting of a certain number of incidents, although the amount of the losses shows a downward trend.

The operational risk capital requirements for the UCI Group as at the 2022 year-end amounted to €17.51 million.

Reputational risk **Sección 3.6**

The reputational risk, which is determined by the inherent risk of the mortgage sector, is no different to that of its peers.

This risk is defined as the collection of perceptions and opinions that the various stakeholders have about the company. It is associated with changes in the perception of the Group and its component brands, where an action, event or situation could have a negative or positive impact on the organisation’s reputation. The eKomi and GmB certifications reveal a high level of customer satisfaction with the service and attention received.

GMB 4,8/5

Ekomi 9,8/10

Strategic risk **Sección 3.8**

Strategic risk is defined as loss or damage resulting from strategic decisions (or poor implementation thereof) that affect the long-term interests of our key stakeholders, or the inability to adapt to a changing environment.

Strategic risk management cuts across the whole company and stems from other risks which may be non-strategic in origin but could still have a significant impact on the company’s business model and strategy.

ESG risk **Sección 3.9**

Based on the EBA discussion paper on the management and supervision of ESG risks (EBA/DP/2020/03), the ESG risks have been identified, evaluated and managed in adaptation to the expectation of review and evaluation by the competent authorities.

ESG risks include any risks relating to the impacts of climate change, including physical and transition impacts, the social risks inherent in economic activities and, lastly, the risks related to corporate governance.

1.2. Top risks and emerging risks

We carry out a forward-looking analysis of the unit based on stress metrics and/or identification and assessment of the main threats or key vulnerabilities (top risks) which could have a significant impact on the strategic plan or compromise the company's viability in the future. This enables specific action plans to be put in place to mitigate and monitor their potential impacts.

The assessment of key vulnerabilities is based on the individual classification of the top risks, which are grouped into 4 main areas (weighted according to their importance in the company's strategic plan for each year).

Macroeconomic and political risks

1. Health, safety and protection
2. Macroeconomic and geopolitical uncertainty
3. Business continuity, crisis management and disaster response
4. Climate change and environmental sustainability
5. Inflation and interest rates

Competitive environment and customer relations

1. Communication, reputation and stakeholder relations
2. Digital disruption, new technologies and AI
3. Human capital, diversity and talent management
4. Organisational culture
5. Pricing risk

Regulatory environment

1. Financial, liquidity and insolvency risks
2. Changes in laws and regulations
3. Organisational governance and corporate reports
4. Supply chain, outsourcing and supplier risk
5. Fraud, bribery and criminal exploitation of disruption

Threats to systems (cyber risk)

1. Cybersecurity and data security
2. Telework risks
3. Phishing and spear-phishing
4. Ransomware
5. Advanced persistent threat

2. Risk management and control model

2.1. Risk principles and culture

Having a sound risk culture is crucially important and one of the keys to the UCI Group being able to respond to changes in economic cycles, new customer demands and increasing competition, thereby positioning itself as a company which is trusted by all its stakeholders.

One of the pillars on which the development of a risk culture is founded is an RMS which is implemented across the whole company and integrated into the Group's strategy, operations and culture.

Excellence in risk management is thus one of the strategic priorities set by the Group. This means consolidating a strong risk culture throughout the organisation and ensuring that it is known and applied by all the employees of the UCI Group.

Our risk culture is defined on the basis of five principles:

1. **Commitment**. The risk culture is based on the commitment and participation of all units and employees (irrespective of the function they perform) and should be embedded and integrated as a "lifestyle" rather than an imposition.

2. **Responsibility**. All units and employees must know and understand the risks involved in their daily activities and be responsible for the identification, assessment and management and reporting of such risks in a comprehensive and transparent manner.

3. **Simplicity**. The risk culture should be adapted to the Group's business model, with processes and decisions that are clear, documented and comprehensible to both employees and customers.

4. **Customer focus.** All risk actions are focused on the customer and their long-term interests. The Group's vision is to be a leader in specialised real estate finance and to earn the trust and loyalty of our employees, customers, shareholders and society. The way to achieve this is to proactively contribute to the progress of our customers through excellent risk management.

5. **Experience**. Our previous experience will enable us to prevent the occurrence of adverse events. This experience will be gained through a dynamic and evolving learning process that will be shared and transferred to all levels.

Dissemination of the risk culture is a process of continuous improvement supported by a number of actions based on communication, training and development and technological support from the RMS.

2.2. Corporate risk map

Classification of the risks faced by the UCI Group enables the effective management, control and communication of these risks. Our corporate risk map includes the following areas of risk:

Credit and concentration risk: the risk of financial loss caused by the default or deterioration in credit quality of a customer or a counterparty whom the UCI Group has financed or to whom it has undertaken a contractual obligation. Concentration indicates a lack of diversification from the point of view of geographical exposure, customer type, specific products or sales channel.

Balance sheet structural interest rate risk: the exposure to which the company is subject as a consequence of adverse interest rate movements. This sensitivity is determined by mismatches in the maturity and review dates of the interest rates of different balance sheet items.

Capital risk: this risk relates to the company's ability to generate funds to meet, under the agreed conditions, the commitments made to third parties. Solvency is closely linked to credit risk, as it represents the possible loss to the company that would result from a change in conditions and characteristics, as this could affect the company's ability to meet the contractual terms of its transactions.

Liquidity and funding risk: the risk of not having the necessary liquid financial resources to meet contracted obligations when they fall due, or of such resources only being obtained at a high cost.

Market risk: reflects the possibility of losses arising from adverse movements in market prices and/or the negotiable instruments with which the company operates.

Operational risk: the risk of incurring losses due to the inadequacy or failures of processes, employees or internal systems, or as a result of external events. It includes legal risk and regulatory compliance and conduct risks.

Reputational risk: the risk of a real or potential negative economic impact due to an adverse perception of the bank by employees, customers, shareholders/investors and society in general.

Strategic risk: the risk of loss or damage resulting from strategic decisions (or poor implementation thereof) that affect the medium and long-term interests of our key stakeholders, or the inability to adapt to a changing environment.

ESG risk: this includes the environmental factor (E), concerning decisions made on the basis of how companies' activities affect the environment, the social factor (S), which takes into account the repercussions that the activities carried out by the company have in the community, and the governance factor (G), which studies the impact that the shareholders and directors themselves have, and is based on issues such as the structure of the board of directors, shareholders' rights and transparency, among others.

2.3. Risk governance

Our risk governance structure enables us to carry out effective oversight in line with our risk appetite. It is supported by the three lines of defence management model, our committee structure and a sound risk culture.

Lines of defence

The UCI Group has a three lines of defence model in place to effectively manage and control risks:

• **First line:** the business functions that take or generate exposure to risk are the first line of defence. The first line of defence identifies, measures, controls, monitors and reports the risks arising and applies the internal regulations governing risk management. The generation of risks must be in line with the approved risk appetite and associated limits.

• **Second line:** the risk management and compliance functions make up the second line of defence, which independently oversees and challenges the risk management activities carried out by the first line of defence. Within its respective areas of responsibility, this second line of defence must ensure that the risks are managed in accordance with the risk appetite defined by senior management and promote a strong risk culture throughout the organisation.

• **Third line:** the third line of defence is made up of an independent internal audit function which assures the Board of Directors and senior management that the internal controls, governance and risk management systems are of sufficient quality and efficacy, helping to safeguard our value, solvency and reputation.

The risk management, compliance and internal audit functions have an appropriate level of separation and independence. Each of them has direct access to the Board of Directors and its committees.

Risk management committee structure

The Board of Directors is ultimately responsible for risk management and control. It reviews and approves the risk frameworks and risk appetite and promotes a sound risk culture throughout the organisation.

The Group Chief Risk Officer (CRO) establishes the risk management strategy, promotes an appropriate risk culture and is responsible for overseeing all risks, as well as challenging and advising the different business lines on their risk management.

The Group CRO has direct access and reports to the Board's Audit and Risk Committee and to the Board of Directors.

Risk governance keeps the control line separate from the risk-taking line:

	Board's Audit and Risk Committee	Risk Management Committee
Functions	This committee is responsible for risk management, in accordance with the powers delegated by the board, and is authorised to accept, modify or escalate any actions or transactions which could expose the company to a significant risk, as well as the most relevant models. The committee makes risk acceptance decisions at the highest level, in accordance with the Group's risk appetite.	This committee is responsible for risk management and for providing a holistic view of the risks. It determines whether the business units are being managed in accordance with the risk appetite. It also identifies, monitors and evaluates the impact of current and emerging risks on the Group's risk profile.
Chaired by	Independent director	Group CRO
Composition	Designated executive directors and other members of senior management (CEO). The Risk Management, Compliance and Finance functions will be represented.	Members of senior management and the Risk Management, Compliance, Finance and Financial Controller functions.
Frequency of meetings	At least half-yearly / On request	Quarterly

UCI

2.4. Management processes and tools

Risk appetite and limit structure

At the UCI Group we carry out comprehensive risk management in which definition and control of the risk appetite is a key element. In this context, our risk appetite framework (RAF) is the basis for appropriate coordination of the risk decision-making process, the definition, level and composition of the risks the Group wishes to assume in its activities, and the mechanism for supervision and monitoring of risks.

The risk appetite framework includes the risk appetite statement (RAS). This sets out in writing the aggregate level of the types of risk that the UCI Group is willing to avoid, reduce, share or assume in order to achieve its strategic objectives.

The Board of Directors establishes the risk appetite for the whole Group on an annual basis and the RMF is responsible for management of the risk profile in line with the established risk appetite.

The main elements on which our risk appetite is based are as follows:

• A medium-low and predictable target risk profile, predominantly focused on retail mortgage lending.

• A sound capital and liquidity structure, with risk profiles that do not compromise the viability of the Group.

• An independent RMF with the active involvement of senior management to strengthen a sound risk culture and a sustainable return on capital.

• A remuneration policy which aligns the interests of employees and executives with the Group's risk appetite and long-term results.

Risk Management System (RMS)

At the UCI Group we assess the company's risk profile in a systematic manner, using a unique and robust methodology which enables an analysis of all the types of risk to which we are exposed, in accordance with the identified corporate risk map. It also produces results at different levels by risk type and unit through a scoring system that classifies the profile into four categories: low, medium-low, medium-high and high.

The Risk Identification and Assessment (RIA) methodology, which is aligned with our shareholders' methodology and best market practices and uses as a benchmark the supervisor's guidelines established in the SREP exercise, is based on the core principles of the risk identification and assessment model. These include the following: self-assessment and adequacy of the exercise, efficiency, a holistic and comprehensive view of risk through the use of common methodologies, convergence and alignment for decision-making purposes.

The three lines of defence all participate in the exercise, reinforcing our risk culture by analysing how risks evolve and identifying areas for improvement.

The evaluation of the risk profile is comprised of the following blocks:

• Risk performance, which enables measurement of the profile of exposure to each type of risk.

• Control environment, in which the distance to the target operating model of our advanced risk management system is evaluated in line with regulatory requirements and best market practices.

• Business model analysis. A prospective analysis, it assesses potential threats which could have an impact on business planning and strategic objectives.

Scenario analysis

A key tool for ensuring robust risk management and control is the analysis of the possible impacts arising from different scenarios related to the environment in which the Group operates, in order to determine capital and liquidity requirements.

Accordingly, at the UCI Group we carry out internal capital and liquidity adequacy assessment processes (ICAAP) in which the company applies its methodology to assess capital and liquidity levels under different scenarios based on the adverse performance of different macroeconomic variables (GDP, interest rates, employment and house prices).

Risk Reporting Structure (RRS)

In order to provide senior management with a complete and up-to-date overview of the risk profile, the Risk Management Department regularly reports and consolidates the risks so that appropriate decisions can be made in a timely manner.

We have two types of risk reports:

1. Risk Management Report (quarterly): this report is submitted to the Risk Management Committee and distributed to senior management.

2. Risk Management Report (Board): this report is submitted to the Board's Audit and Risk Committee and distributed to the designated executive directors and members of senior management.

3. Corporate risks

3.1 Credit and concentration risk

3.1.1 Credit and concentration risk management

This is our most significant risk, both in terms of exposure and capital consumption, and includes credit risk in lending, on the balance sheet, and in the analysis of collateral and coverage.

Lending

Our business strategies and risk policies ensure an overview of the portfolios, establishing business objectives and defining specific action plans in line with our risk appetite statement.

The risk approval criteria included in our lending policy cover three key risk concepts: borrower, collateral and transaction. The main objective of the policy is to ensure the creditworthiness of the customer and the consistency of the transaction.

The first step is to assess the borrower's ability to pay, in order to ensure that the financial obligations undertaken will be met in a timely manner, taking into account only the borrower's regular income without relying on guarantors, co-signers or assets provided as collateral (considered an exceptional method of recovery).

In order to assess the borrower's creditworthiness and risk profile, UCI will have sufficient, precise and up-to-date information and data (prior to formalisation of the loan agreement) related to the purpose of the loan (employment, sources of income as proof of the ability to pay, household composition and dependents, commitments and regular expenses associated with the latter). All of this information will be used to assess the personal guarantee of the parties to the loan.

As a second basic element of the transaction, UCI carries out a precise valuation of the collateral through authorised appraisal companies. This valuation forms the basis for determining the ratio between the amount of the requested loan and the value of the collateral.
All the documents that have been used as the basis of or to support the decision will be adequately traceable in the company's systems, with the dual objective of complying with the regulatory framework and facilitating future reviews, both at internal level and by third parties. All the documentation that has been used in the appraisal of the transaction, as well as the data taken from it and used to measure the viability and to decide on the transaction, in addition to the decision on the viability of the transaction made jointly with the responsible decision-making body, will be recorded in an easily accessible computer format.

In order to analyse our customers' ability to meet their contractual obligations, we use parameter assessment and estimation models in each of our segments.

1. Rating: The customer rating model segments the portfolio classified as normal risk according to its default risk. This segmentation is based on predictive behavioural models, calculated on the basis of historical data from the UCI España Retail portfolio. Each transaction is assigned a risk rating based on its current status and past performance. This rating is updated monthly for all transactions.

2. Scoring: The credit scoring model is an algorithm which enables the credit risk of a person applying for a loan to be automatically assessed.

The model can estimate the probabilities of default by customers and assigns a metric which enables borrowers to be compared and ranked according to their default risk. The objective of these models is to find patterns of behaviour in the customer portfolio.

Changes to terms and conditions and recovery management

The recoveries department follows the requirements set out in the EBA Guidelines on management of non-performing, refinanced and forborne exposures. Recovery management is divided into four phases: watchlist or early default, recovery of non-performing loans, recovery of write-offs and management of foreclosed assets. We are constantly seeking alternatives to court debt recovery proceedings.

In line with the principle of customer protection, and in order to facilitate the fulfilment of customers' payment commitments, the recoveries department plays an important role in our risk management and control as far as changes to the terms and conditions of a transaction are concerned. This is where a customer seeks an improvement in the financial conditions or is facing difficulties making full payment of the loan instalment.

If there is a change to the financial terms and conditions of a customer who wishes to subrogate to another bank or improve the conditions of their current loan, UCI has different solutions for the assessment and renegotiation of improved terms and conditions on the loan. These can be applied in response to requests by customers following a prior assessment of both the transaction and the customer.

Credit risk assessment, monitoring and control

Regular monitoring of business performance against the strategic plans is an essential part of our risk management. The RMF regularly monitors and assesses credit risk indicators, enabling early detection of impacts on risk performance and credit quality. Moreover, any trends or deviations in the key risk indicators are monitored in line with our risk appetite statement, action plans are implemented, responsible parties are identified and monitoring frequency is established.

Classification of transactions based on credit risk due to insolvency

Loans are granted under the premise that the debt will be repaid in accordance with the conditions established in the agreement. When the loan is granted, the transaction is therefore classified as normal risk. This classification will be maintained for as long as the customer meets their contractual obligations.

However, according to the customer's payment behaviour, the classification of the debt may be subject to change if the customer's creditworthiness deteriorates. In the same way, the classification of the debt may improve if the customer regains any lost creditworthiness.

The criteria for the accounting classification and the level of provisioning required for each of the defined classifications are managed by the Financial Controller's Department.

Coverage of credit risk loss due to insolvency

The main objective of provisioning for loans is to have the necessary resources to cover the anticipated potential losses on assets and to anticipate their impact on the profit and loss account where such losses are recorded.

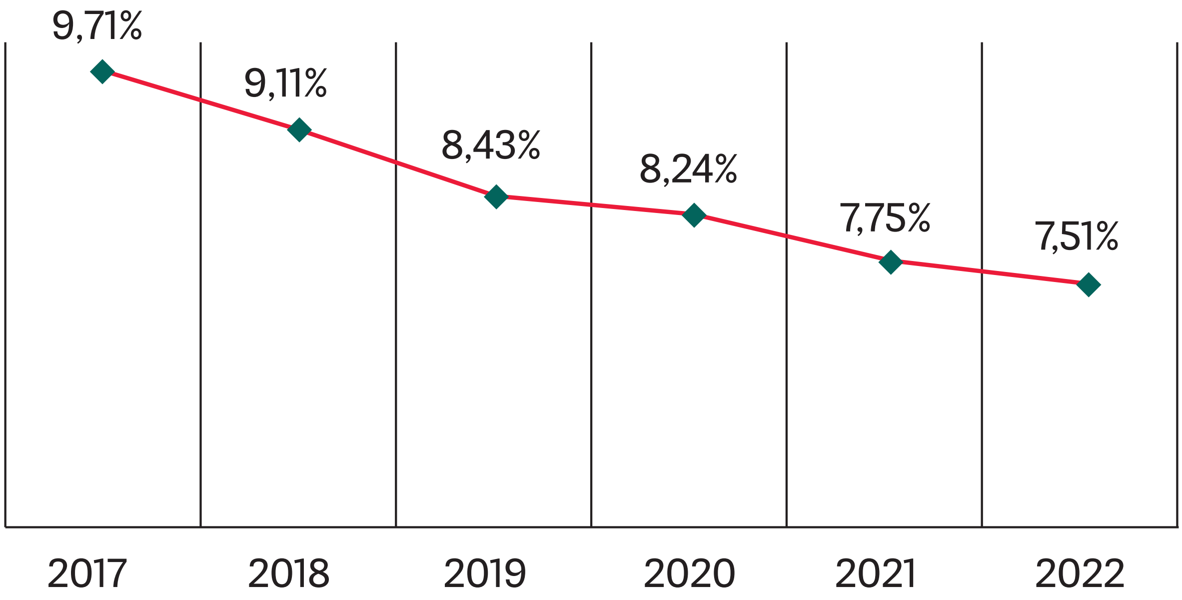
The provisioning model is based on an estimation of the Expected Loss (EL) that could be incurred on the loan in the future if it reaches the end of its usual impairment cycle. It assesses the loans and makes a provision for the potential loss which could be incurred if the loan should become non-performing, or if there is a foreclosure, payment in kind or enforcement of the mortgage guarantee to cancel the customer's debt and, finally, if UCI proceeds with the sale of the foreclosed real estate assets.

In accordance with current solvency regulations, the credit risk is covered by means of the existence and control of own funds to absorb the risks assumed, as well as through the establishment of provisions to cover insolvencies. This coverage is classified into specific coverage for non-performing and delinquent loans (the objective of which is to cover exposures to defaults or transactions with doubtful full repayment) and normal risk coverage, which is in turn classified into normal risk coverage and watchlist normal risk coverage. The latter corresponds to coverage of transactions that have weaknesses in their creditworthiness, but do not raise doubts as to their full repayment.

3.1.2 Core metrics

In the year 2022, an amount of €836.6 million was granted (-€56 million compared to 2021), with satisfactory metrics as far as lending is concerned: loan to value of 62.9% (66.3% in 2021), a personal contribution rate of 31.6% (28.0% in 2021), an affordability rate of 29.7% (30.2% in 2021) and a cost of risk of 0.1% (0.1% in 2021).

As at December 2022, the NPL ratio for the UCI Group stood at 7.51% (-24 bp compared to 2021).



UCI

Due to our business model, mention should be made of the high quality of the collateral, which is concentrated almost exclusively in first home financing. At the year-end, 97.7% of the portfolio value was covered by mortgage guarantees.

As at the 2022 year-end, the Group's total provisions to cover potential bad debts on loans to customers stood at €281 million: €8 million for normal risk; €29.2 million for watchlist normal risk; €54.2 million for non-performing loans and €189.8 million for delinquent loans.

As at 31 December 2022, the total provisions held in relation to the lending portfolio classified as non-performing delinquent loans represented a NPL coverage rate of 24.6%.

With regard to credit risk concentration, UCI carries out continuous monitoring of the degree of concentration based on different relevant dimensions: sector, individual, geography, customer, product and channel.

With regard to sector concentration, the company's direct risk will be grouped together, without taking into account the risk of individuals (except the risk arising from the performance of business activities), into the twelve economic activity groups established by the supervisor.

With regard to individual concentration, the company's total direct risk will be itemised (using the same criteria as in the calculation of the sector concentration rate) with the company's 1,000 largest borrowers, whatever their legal status or form. When several borrowers are connected, as they constitute an economic group or decision-making unit, they will be grouped together and considered as a single risk.

The sector and individual concentration rates are within the regulatory limits - ICI 0.0003% (0.107% in 2021) and SCI 3.5% (11%% in 2021).

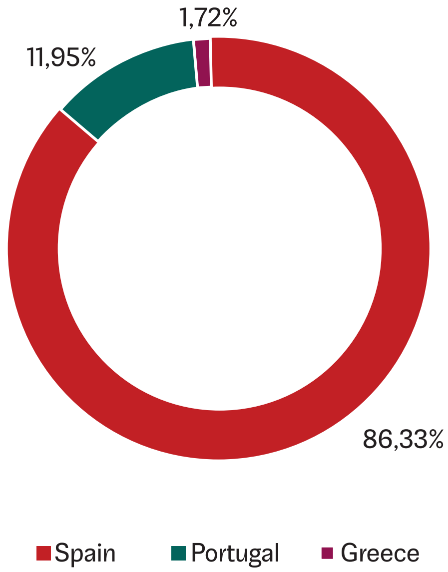
The UCI Group is subject to the large exposure regulation contained in the CRR, according to which an institution's exposure to a customer or group of connected customers will be considered a "large exposure" when its value is equal to or more than 10% of its eligible capital.

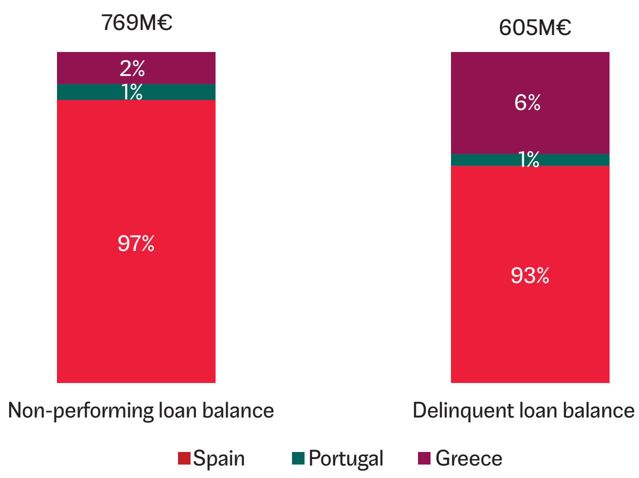
In addition, in order to limit large exposures, no exposure to a customer or group of connected customers may exceed 25% of their eligible capital, after taking into account the effect of credit risk mitigation included in the rule.

As at the end of December, after applying risk mitigation techniques, UCI did not reach the thresholds mentioned above. The regulatory credit exposure within the scope of large exposures represented 0.71% of the credit risk as at December 2022.

In geographical terms, the credit risk is diversified across the main markets in which we have a presence (Spain, Portugal, Greece and Brazil). In Spain and Portugal, the business is focused on real estate loans, whereas in Greece it is focused on the management and maintenance of loans granted by financial institutions.

Outstanding balance 10,237 M€





The geographical concentration of both the portfolio and the front book shows that loans are granted throughout the country. The level of concentration risk is considered low to the extent that lending is primarily carried out in large population centres such as Madrid, Barcelona and the Mediterranean coast (Valencia, Malaga, Seville and Cadiz), which are considered mature and well-known markets.

Lending activity is spread across all of Spain's autonomous regions, with the highest degree of concentration in Spain being recorded in developer transactions, where the lending risk could amount to more than one million euros. This figure is in any case insignificant when compared to the total balance of the company's investment portfolio (0.13% of the portfolio balance).

3.2 Balance sheet structural interest rate risk

3.2.1 Balance sheet structural interest rate risk management

This risk arises from possible changes in interest rates which could have an adverse effect on the value of a financial instrument, a portfolio or the Group as a whole. It affects loans, deposits, debt securities and most of the assets and liabilities in trading portfolios, as well as derivatives.

The Asset & Liability Management (ALM) area is responsible for the internal active management of interest rate risk, based on monitoring of the company's exposure and taking positions aimed at mitigating this exposure, always in accordance with the limits established for the Group.

In order to assess the exposure to interest rate risk, the ALM area analyses the maturity or repricing gaps between assets and liabilities from a static point of view, in other words, based on the current balance sheet, with its maturity and renewal terms. Furthermore, the company calculates the economic value of the balance sheet, in other words, the net present value of all the expected balance sheet flows, assuming that the maturity is not renewed. Based on the calculated economic value, its sensitivity to different interest rate change scenarios is then analysed. Dynamic analyses are also carried out, which, as the name suggests, go beyond the current balance sheet to calculate simulations about the future. This simulates the interest margin, as well as its sensitivity to changes in interest rates.

The indicators used in the analysis of UCI's balance sheet exposure to interest rate risk are approached from three clearly differentiated perspectives:

Interest rate gap

Gap analysis consists of grouping portfolio balances in line with the maturity and reprising of assets and liabilities in time intervals in order to estimate the sensitivity of the balance sheet to interest rate changes.

- A positive gap is where more assets mature and/or reprice than liabilities, which is favourable in the face of interest rate rises. Where the balance sheet structure assimilates changes in the interest rates on assets more quickly, the net interest margin is positively impacted by this circumstance, resulting in greater interest income flows for the company.

- A negative gap is where more liabilities mature and/or reprice than assets, which is favourable in the face of interest rate falls. In this case, the greater speed with which liabilities assimilate changes in interest rates means that the net interest margin is positively impacted by lower interest rates, due to lower financial costs.

- A reduced gap at all maturities will make the net interest margin less sensitive to interest rate changes. The establishment of a maximum monthly gap, either (-) or (+), will contribute to this lower sensitivity, stabilising the impact on the net interest margin and therefore on the company's results.

Sensitivity of net interest margin

UCI regularly assesses the exposure of the gap to interest rate risk by means of simulations (projections) of the changes in the net interest margin in the face of different interest rate scenarios.

Sensitivity of economic value

The sensitivity of the economic value is a measurement which complements the sensitivity of the net interest margin. It measures the impact of interest rate changes in terms of the market value of the company's equity-adjusted assets and liabilities. The objective is therefore to capture all the time effects generated in the future flows arising from interest rate movements.

Economic value of equity (EVE)

The change in the EVE is the change in the net present value of all cash flows from the assets, liabilities and off-balance-sheet items in the banking book (structural balance sheet) resulting from a change in interest rates, assuming that all the positions in the banking book are amortised on maturity.

The scenarios for the calculation of the impact of interest rate shocks on the EVE are as follows:

i. parallel shock up;
ii. parallel shock down;
iii. steepener shock (short-term rates down and long-term rates up);
iv. flattener shock (short-term rates up and long-term rates down);
v. short-term rates shock up; and
vi. short-term rates shock down.

3.2.2 Core metrics

As at 31 December 2022, the interest rate gap did not exceed any of the internally established limits for the different time periods.

The sensitivity of the net interest margin to a scenario in which the yield curve moves by +/- 100 bps stands at -3.99% and 3.99% respectively, which does not exceed the internal limit of +/- 8.5%.

The sensitivity of the economic value to a scenario in which the yield curve moves by +/- 100 bps stands at -3.96% and 4.41% respectively, which does not exceed the internal limit of +/- 7.5%.

The percentage change in the economic value of equity in the face of a parallel shift of the yield curve of +/- 200 bps stands at -8.25% and 10.67% respectively, which does not exceed the regulatory limit of -20%.

The percentage change in economic value of Tier 1 capital in the face of a parallel shift of the yield curve of +/- 200 bps stands at -10.31% and 13.33% respectively, which does not exceed the regulatory limit of -15%.

The above figures indicate that interest rate changes have not resulted in an adverse impact on the company's economic value and equity.

3.3 Capital risk

3.3.1 Capital risk management

Capital management and capital adequacy in the UCI Group seeks to ensure solvency and maximise profitability, while meeting internal capital targets and regulatory requirements. It is a key strategic tool for decision-making at corporate level.

The Group's capital management activities include the following:

- Establishment of solvency and capital contribution targets aligned with minimum regulatory requirements and internal policies in order to guarantee a sound level of capital consistent with our risk profile, and an efficient use of capital with a view to maximising shareholder value.

- Development of a capital plan to meet the aforementioned objectives consistent with the strategic plan. Capital planning is an essential part of the implementation of the three-year strategic plan.

- Capital adequacy assessment to ensure that the capital plan is also consistent with our risk profile and the risk appetite framework under stress scenarios.

- Preparation of internal capital reports, as well as reporting to the supervisory authorities and the market (ICAAP).

The Group's capital function is carried out at three levels:

Regulatory capital

Regulatory capital management is based on an analysis of the capital base, the solvency ratios under current regulatory criteria and the scenarios used in capital planning in order to make the capital structure as efficient as possible, both in terms of cost and in compliance with regulatory requirements.

Economic capital

The economic capital model is designed to ensure that we correctly allocate our capital to all the risks to which we are exposed as a consequence of our activities and risk appetite. The aim is to optimise the Group's value creation.

Profitability and pricing

We aim to create value and maximise profitability by carefully choosing the most appropriate strategies in terms of profitability while taking the risk into account. That is why profitability and pricing form part of the key processes of the capital model.

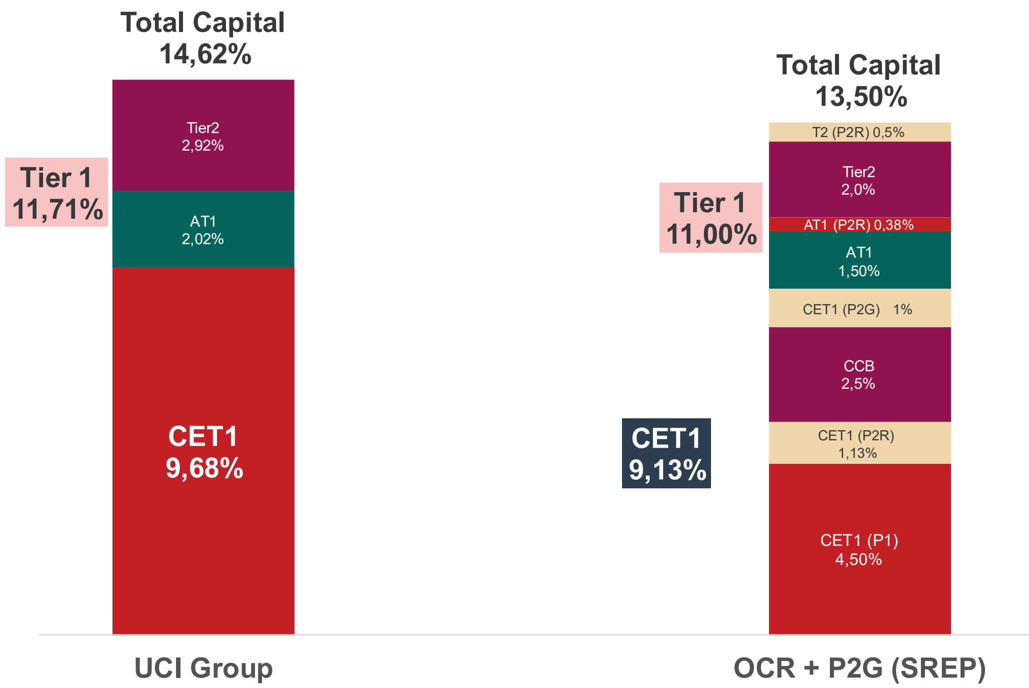
3.3.2 Core metrics

At the UCI Group we have a capital position in proportion to our business model, balance sheet structure, risk profile and regulatory requirements.

As at the year-end, the CET1 ratio was 9.68%, above the minimum requirement of 7% and the Pillar 2 requirement of 9.125%. The increase of CET1 in the year was 252 bps, which is due to the capital increase of €147 million, a fact which reaffirms our shareholders' commitment to the company. The growth in risk-weighted assets (RWAs), supported by appropriate management and the recovery in the pace of securitisation, has also contributed to the stability of the indicator.

AT1 (Additional Tier 1) represents 2.02% and is made up entirely of contingent convertible bonds or CoCos, in other words, hybrid issues with both debt and equity elements. Their main characteristic is that they can be converted into shares if the CET1 capital ratio falls below a certain level. The Tier1 ratio is therefore 11.71%, exceeding the minimum requirement of 8.5% and the Pillar 2 requirement of 11%. Tier 2, made up of subordinated debt, represents 2.92%.

As a result, the total capital ratio at the 2022 year end stood at 14.62%, above the minimum requirement of 10.5% and the Pillar 2 requirement of 13.5%, ensuring a sound capital base and complying with the required regulatory ratios.



3.4 Liquidity and funding risk

3.4.1 Liquidity and funding risk management

We measure liquidity risk through several different tools and metrics which cover the diverse risk factors that fall within this risk. The objective is to have a minimum amount of liquid assets and a funding structure adapted to the legal nature and business model.

Our funding plan consists mainly of the issue of financial instruments in the capital markets (securitisation funds), credit lines with shareholders, own funds and external repo lines.

With regard to the securitisations market, the institution has more than 25 years of experience and since 2015 has placed a total of 12 transactions with external investors through the Prado programme in Spain and the Belem programme in Portugal.

Development of the funding plan therefore begins with the granting of transactions through the implementation of responsible lending and purchasing policies. These ensure the credit risk quality standards subsequently required by investors and credit rating agencies in securitisation fund issues, which include criteria of charges on income and minimum personal contribution, among others. The commercial policy in turn promotes the sale of an attractive range of simple, transparent and standardised products, free of scalability or options, in which different types of non-tied insurance are offered.

As far as the terms and conditions of the issues are concerned, the UCI Group complies with the standards published by the regulator ESMA in 2017, on simplicity, transparency and standardisation (STS compliant), and with the Capital Requirements Regulation (CRR). At structuring level, it also incorporates mechanisms to protect the senior tranche placed with investors, such as the step-up call on year 5, turbo amortisation, interest rate hedging and limits on the renegotiation of loan terms. All of the above contributes to improving the Group's funding capacity in the markets.

We have also developed an ESG framework that has enabled us to reach agreements with international institutions such as the European Investment Bank (EIB) to obtain funding by means of lending under Green standards.

In addition to securitisations, we have developed an active policy for the use of collateral in funding through repos on our own bond issues, and have therefore maintained contact with entities other than shareholders.

We regularly use the income generated by the business firstly to fund new business activity and subsequently use any surplus liquidity to reduce our exposure to shareholders' credit lines, while ensuring balanced compliance with prudential obligations.

Bank of Spain Circular 1/2022 came into force in 2022. This applies a specific regulation with regard to liquidity for EFCs:

• Liquidity Coverage Ratio (LCR): a regulatory metric aimed at promoting the short-term resilience of the company's risk profile, ensuring the availability of liquid assets to withstand a significant stress scenario (idiosyncratic and market stress) for 30 calendar days. The regulatory requirement for this indicator stands at 100% and will have to be met every day of the year.

• Net Stable Funding Ratio (NSFR): a regulatory metric which requires the maintenance of a stable funding profile in relation to the composition of the company's assets and off-balance activities. It is defined as the ratio between the amount of stable funding available and the stable funding required. The regulatory requirement of this indicator stands at 100% and will have to be met every day of the year.

We have funding lines with the shareholders (Santander and BNP Paribas), which are reviewed at least once a year and at the same time with both shareholders in order to adapt them to the needs of the business within the company's liquidity structure and policy. For assets which are not refinanced by means of securitisations placed on the market, we manage refinancing through the aforementioned funding lines. The branches in Portugal and Greece are funded directly through their parent company in Spain.

3.4.2 Core metrics

The amount drawn down from the funding lines was 8.01% in 2022 (8.73% in 2021), exceeding the target set in the strategic plan to gradually increase autonomy in terms of funding.

As at 31 December 2022, the LCR ratio stood at 130.85% and the NSFR ratio at 271.86%, both above the regulatory threshold.

3.5 Market risk

3.5.1 Market risk management

The exposure to market risk is determined by the existence of "foreclosed assets" on the institution's balance sheet and the price fluctuations associated with those assets.

We keep any self-subscribed and retained bonds on the balance sheet to maturity. Market price fluctuations do not therefore imply the existence of any market risk.

The hedging derivatives are treated as cash flow hedging instruments whose purpose is to hedge the liability against interest rate changes. They are within the regulatory limits for them to be treated as hedging instruments.

The price changes of these instruments in the market do not therefore have any market risk as they are classified as a "Held-to-maturity investment portfolio".

3.5.2 Core metrics

The marketing of foreclosed assets continues to produce positive results. In 2022, 1450 sales of foreclosed assets were made. Our stock of foreclosed assets therefore stands at 3.28% (3.65% in 2021).

The coverage ratio of the foreclosed assets stood at 27.22% (22.8% if we include leased foreclosed assets) at the 2022 year-end, against 28.9% (25.1% if we include leased foreclosed assets) at the 2021 year-end.

3.6 Operational risk

3.6.1 Operational risk management

The objective of operational risk control and management is focused on the identification, measurement, assessment, control and mitigation and reporting of this risk. Operational risk includes ICT risk, compliance and conduct risk and model risk.

The priority is to identify and eliminate pockets of risk, irrespective of whether or not losses have been incurred. Measurement also contributes to the establishment of priorities in operational risk management. Operational risk is inherent in all products, activities, processes and systems, and is generated in all business and support areas. For this reason, all employees are responsible for managing and controlling the operational risks generated in their area of activity.

We apply the Standard Method (SM) for the minimum capital requirement statements, establishing the mechanisms necessary to comply with the requirements specified in the Bank of Spain's "Guide for applying the SM in the determination of equity for operational risk".

As far as operational risk is concerned, the organisational model adopted by the UCI Group, based on the three lines of defence, identifies the following independent pillars or levels of responsibility:

• Business and support functions. They are responsible for identifying, assessing, managing, controlling and reporting on the operational risks of their activity.

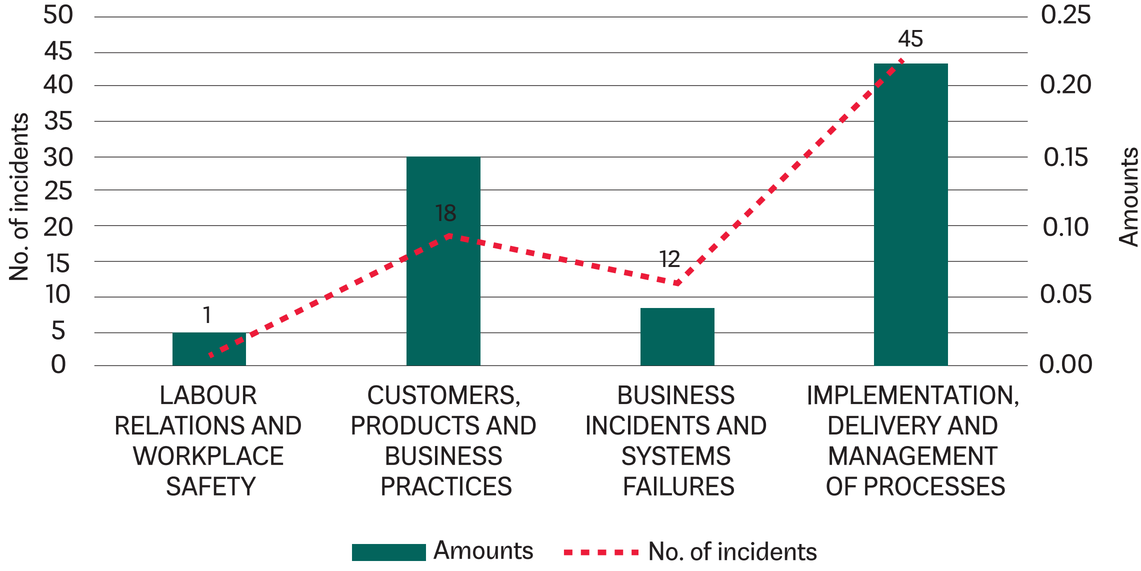
• Operational risk function. This function is responsible for defining the methodology and solutions to identify, measure, control and correctly manage the Group's operational risk and, in addition, control its correct deployment. It helps the business and support functions, and consolidates information on the operational risks of the whole Group for reporting to senior management and the risk management committees involved.

• Internal audit function. In relation to operational risk, this is the area responsible for reviewing compliance with the established operational risk identification, measurement, control and management model.

The operational risk function analyses, reports and advises the business and support functions on the best way to assess operational risk. Its day-to-day management is the responsibility of the company's different areas and departments, which have lines of communication with the operational risk function and work alongside it to obtain information and implement actions, where appropriate, to manage the risk. The interaction between the operational risk function and the other areas and departments is defined by the person in charge.

3.6.2 Core metrics

In the year 2022, the company verified operational risk incidents which amounted to €0.43 million, compared to €0.81 million in 2021. These incidents are broken down as follows:



Aside from the above information, institutions that apply the Basic Indicator Approach will be required to record any operational risk losses of more than one million euros or 0.5% of their equity, indicating among other things the type of operational risk event.

The UCI Group did not identify any specific operational risk events of more than one million euros or 0.5% of its equity in the year 2022.

The capital requirements in relation to operational risk amounted to €17.51 million at the year-end.

3.7 Reputational risk

3.7.1 Reputational risk management

We see reputational risk as the risk arising from all the perceptions and opinions that the different stakeholders have about the company. It is associated with changes in the perception of the Group or its brands on the part of stakeholders, where an action, event or situation could have a negative or positive impact on the reputation of the organisation.

The reputational risk management model is based on a predominantly preventive approach, but also on crisis management processes. Risk management thus encompasses both business and support activities.

Reputational risk management is carried out considering two fundamental variables: corporate reputation and the specific reputational risks that affect the company's operations. Accordingly, the reputational risks arising from external and operational factors and from compliance and conduct issues are considered, as well as ICT risks.

This risk is particularly linked to the compliance function, given the strong reputational impact of potential penalties, economic or otherwise, or of being subject to other types of disciplinary measures by supervisory bodies. It also includes conduct risk, which aims to measure and manage the risks of harm that may be caused to stakeholders and market integrity. It is in turn closely linked to the risk of money laundering and terrorist financing risk, the risk of any economic, administrative or even criminal damage from using a financial system for money laundering activities, or the financing of criminal organisations, including those linked to terrorism.

In the risk management process, if the risks have negative economic impacts, the objective will be to reduce any associated costs; if they are seen as opportunities, the objective will be to increase the investment associated with the risk.

3.7.2 Core metrics

The core metrics for this risk show a high degree of customer satisfaction. The eKomi certification, based on a unique platform where consumers share real shopping experiences, yielded a score of 9.8 out of 10 at the year-end. The Google My Business tool provided by Google to help businesses manage their online presence scored 4.8 out of 5 with around 1000 reviews. Moreover, UCI's monitoring of the media indicates that 96% of the comments made on different social networks were positive.

Lastly, our materiality matrix, the aim of which is to identify and prioritise the key issues for the company from the point of view of the business and its stakeholders, shows that there is a high degree of alignment between delivery of stakeholder expectations and the material issues established for the year 2022.

3.8 Strategic risk

3.8.1 Strategic risk management

Strategic risk is defined as the loss or damage resulting from strategic decisions (or poor implementation thereof) that affect the long-term interests of our key stakeholders, or the inability to adapt to a changing environment.

The company's business model is a key component of strategic risk. Potential current and future impacts on results or on capital may arise from adverse business decisions, a mistaken application of strategic decisions or from the inability to respond to a changing environment.

Strategic risk management cuts across the whole company and stems from other risks which may be non-strategic in origin but could still have a significant impact on the company's business model and strategy.

The analysis of strategic risk is divided into three individual risks:

- Business model risk: this is the risk associated with the company's business model. Among others, it includes the risk growing obsolete, becoming irrelevant and/or losing value to generate the desired results.

- Strategy design risk: this is the risk associated with the strategy reflected in the Group's long-term strategic plan (including the risk that the plan itself is inadequate), or the assumptions made therein, which could result in a failure to achieve the expected results.

- Strategy execution risk: this is the risk associated with the implementation of the three-year financial plan, including the potential impacts due to both internal and external factors, the possible lack of responsiveness to changes in the business environment and the risks associated with corporate development operations.

Strategic risk will be analysed by considering the correct definition of the business plan and strategy, together with their transposition into the identification of strategic priorities and lines. This risk is associated with the selection of the projects to be developed in order to achieve the strategic goals set and deployed in the functional plans.

The evaluation of the efficiency and efficacy of each of the activities in the process, as well as their degree of communication, will help determine the company's exposure to strategic risk.

3.8.2 Core metrics

The company ended the year 2022 with a net loss following the implementation of measures and policies to enable a gradual increase in the regular income generated through its main business, with the aim of improving its future profitability and solvency. These measures took the form of a plan for the reduction of unproductive assets and, specifically, the sale of the NPA portfolio. This sale resulted in losses of €55 million.

Moreover, the front book RoE, for which a minimum tolerance of 9.5% has been set, stood at 11.70% in the year 2022, consolidating the positive trend of the UCI Group's overall activity.

3.9 ESG risk

3.9.1 ESG risk management

Based on the EBA discussion paper on the management and supervision of ESG risks (EBA/DP/2020/03), the ESG risks have been identified, evaluated and managed in adaptation to the expectation of review and evaluation by the competent authorities.

Environmental (E)

The E for Environmental refers to the effect that our activity has on the environment, either directly or indirectly.

Climate change risks can be divided into two main categories: those resulting from physical impacts and those resulting from the transition to a low-carbon economy.

• Transition risks

The commitments made by the signatories to the Paris Agreement, and the consequent transition to a low-carbon production system, implies a drastic transformation of the global economy by means of major changes to legislation, the market and technology.

One of the company's priorities is to promote the transition to a more equitable, inclusive and sustainable future for all. At a time of technological and social transformation, diversity and inclusion are essential if companies are to be able to create value for their stakeholders and society as a whole.

• Physical risks

The physical risks of climate change are defined as those resulting from the increasing severity and frequency of extreme weather events or gradual and long-term changes in the Earth's climate. These risks may directly affect companies through damage to assets or infrastructures or indirectly through a change in their operations or the non-viability of their activities.

Social (S)

The S for Social takes into account the repercussions that the activities carried out by the company have in the community and among its stakeholders.

Corporate governance (G)

The G for Governance refers to the company's corporate governance, the composition of the Board of Directors and the transparency policies or codes of conduct implemented.

3.9.2 Core metrics

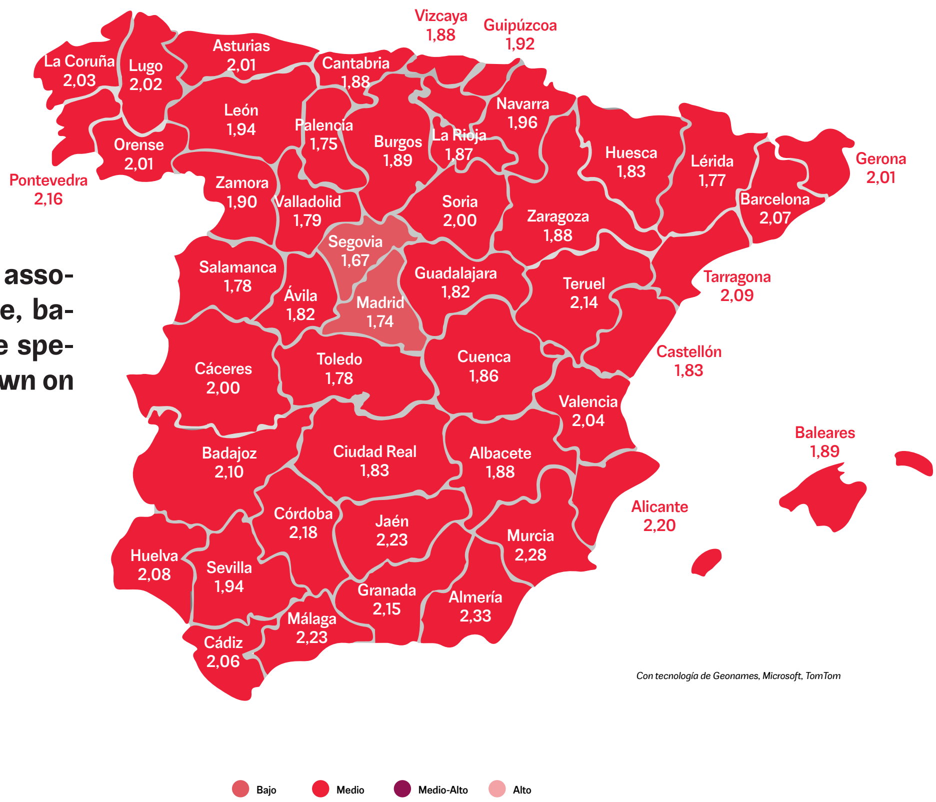
• Environmental

As far as **transition risk** is concerned, we have integrated sustainability and responsibility into our commitment to stakeholders, offering innovative solutions that are in line with the needs of our customers and contribute to social wellbeing and environmental care.

We support the climate change goals set by the Paris Agreement. Our ambition is to achieve net zero emissions by 2050 and we are working to set our first low-carbon goals. Our aim is to support our customers in the green transition and to contribute to the Paris goals through the development of a full range of green and sustainable financing.

The methodology used is based on the physical risk measurement model adopted by a renowned valuation company, which has assessed the physical risks of 36,304 assets held as collateral (33% of the total).

The overall physical risk associated with each province, based on aggregation of the specific physical risks, is shown on the following map:



- **Social**

With the aim of contributing to the improvement of certain social aspects and mitigating the UCI Group's social risk, the company's Equality Plan has been reviewed and adapted to the new rules established by the Government through Royal Decree 901/2020. The Plan sets out measures and actions to guarantee equality through specific management bodies, promoting the protection and effective application of the principle of gender equality, preventing sexual and sex-based harassment, ensuring that all of our team managers are aligned with the equality philosophy and principles, promoting a culture of awareness and the presence of women in all positions and at all levels where they are underrepresented, especially in positions of responsibility.

The UCI Group monitors all aspects relating to investment in the community and relations with employees and customers.

• **Corporate governance**

In the course of the last year, corporate governance risk management has focused on the implementation of action plans in line with the project developed by a consulting firm on the basis of an exhaustive analysis of the internal control framework that will strengthen the company's governance framework.

In this regard, mention should be made of the creation and updating of a framework of policies and procedures, as well as its associated governance framework, which is in line with current regulations and best market practices.

Economic & Financial Report

7

UC

Grant Thornton
Paseo de la Castellana, 81
28046 Madrid
T. +34 91 576 39 99
F. +34 91 577 48 32
www.GrantThornton.es

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

(Translation of a report and consolidated annual accounts originally issued in Spanish and prepared in accordance with Spanish generally accepted accounting principles. In the event of a discrepancy, the Spanish-language version prevails)

To the shareholders of U.C.I., S.A.:

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of U.C.I., S.A. (the Parent company) and its subsidiaries, (the Group), which comprise the consolidated balance sheet at 31 December 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the consolidated notes to the consolidated annual accounts for the year then ended.

In our opinion, the accompanying consolidated annual accounts present, in all material respects, a true and fair view of the consolidated equity and the consolidated financial position of the Group at 31 December 2022, and of the consolidated results of its operations and consolidated cash flows for the year then ended, in accordance with the applicable financial reporting framework (identified in note 2.1 to the consolidated financial statements) and, in particular, with the accounting principles and criteria contained therein.

Basis for opinion

We conducted our audit in accordance with the current Spanish standards for auditing accounts. Our responsibilities under those standards are further described in the *Auditor´s responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are applicable to our audit of the consolidated annual accounts in Spain, as required by the regulations governing the auditing of accounts. In this regard, we have not provided any services different to the audit of accounts and no situations or circumstances have arisen that, based on the aforementioned regulations, might have affected the required independence in such a way that it could have been compromised.

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

Key audit matters

The key audit matters are those that, in our professional judgement, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimation of impairment of financial assets at amortized cost - loans and advances to - customers, determined on a collective basis

The Group periodically evaluates the estimate of credit risk losses on the loans and advances to customers portfolio calculated collectively, using the models for calculating impairment by expected loss established in Circular 4/2019, of November 26, to financial credit institutions, which takes as a reference the accounting regulations of credit institutions, either setting criteria similar to those of the latter, or referring directly to the rules of Bank of Spain Circular 4/2017, to credit institutions, and its subsequent amendments. This estimate has become increasingly complex in the context of the current uncertain macroeconomic environment.

The internal models and methodologies for calculating credit impairment determined collectively, incorporate a high component of judgment for the estimation of impairment losses, considering aspects such as:

- The determination of the main assumptions used in the calculation of the probability of default (PD - Probability of Default) and loss given default (LGD - Loss Given Default) parameters of the recalibrated expected loss models, including forward looking models.
- The identification and staging criteria for financial assets at amortized cost - loans and advances to customers.
- The incorporation of qualitative adjustments in the calculation of provisions due to judgmental or economic factors, such as internal rating policies or economic expectations, among others.
- The realizable value of collateral associated with the credit operations granted.

These estimates involve a high degree of judgment on the part of Management and are subject to a high degree of uncertainty, and are therefore one of the most significant and complex estimates in the preparation of the accompanying consolidated financial statements as of December 31, 2022, which is why it has been considered one of the most relevant aspects of our audit. See notes 11.g, 13 and 17 to the accompanying consolidated financial statements as of December 31, 2022.

We have carried out, with the collaboration of our credit risk experts, an understanding of the process of estimating the impairment of financial assets at amortized cost - loans and advances to customers carried out by management, on the collectively estimated provisions.

Regarding internal control, we have carried out an understanding and testing of controls of the main phases of the estimation process, paying particular attention to the processes of determining the main assumptions used in the calculation of the expected loss, periodic monitoring of risks, as well as the management and valuation of guarantees associated with credit operations.

Grant Thornton

Additionally, we have performed detailed tests consisting of:

- Selective tests to verify the quality of the data, by checking with supporting documentation the information contained in the systems and which serves as the basis for the classification of the transactions and the corresponding impairment, if any.

- Verification of a sample of credit risk files whose coverages are estimated collectively in order to evaluate their adequate classification, the identification of refinancing and their cures.

- Selective checks for the main models, with respect to: i) calculation and segmentation methods; ii) methodology for estimating expected loss parameters, iii) data used and main estimates employed, iv) loan classification criteria by phase and v) information regarding scenarios, their assumptions and sensitivities.

- Re-execution of the calculation of collective provisions according to the parameters obtained from the expected loss models.

We have also verified that the accompanying notes to the consolidated financial statements include the disclosures required by the applicable financial reporting regulatory framework.

Information technology systems

The Group's financial information is highly dependent on information technology (IT) systems, so that adequate control over them is relevant to ensure the correct processing of the information, which is why it has been considered one of the most relevant aspects of our audit.

Likewise, as systems become more complex, the risks on the organization's information systems and, therefore, on the information they process, increase.

In this context, it is critical to evaluate aspects such as the organization of the Technology and Operations Area, controls over the maintenance and development of applications, physical and logical security and the operation of the systems.

With the collaboration of our IT systems specialists, our work consisted of evaluating and verifying the internal control environment in relation to the main systems, databases and applications that support the core business activity with an impact on the Group's financial information.

Basically, our work consisted of the analysis of:

- The internal controls established by the Group in the acquisition, development and maintenance of technology with the objective of minimizing the risk of modifications or new undue functionalities to programs in production.

- The control procedures implemented by the Group in the area of security management of the technological infrastructure and applications.

- The procedures defined by the Group in the management of incidents in technology and information systems.

Grant Thornton

Other information: Consolidated directors' report

Other information comprises exclusively the consolidated directors' report for the 2022 financial year. The directors of the Parent company are responsible for preparing this report, which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated directors' report. In accordance with the regulations governing the auditing of accounts, our responsibility regarding the consolidated directors' report, includes:

a) Verifying only that the statement of non-financial information has been provided in the manner provided for in the applicable regulations and, if not, to report on it.

b) Evaluating and reporting on the consistency of the rest of the information included in the consolidated director's report with the annual accounts, based on the knowledge of the Group obtained during our audit of those accounts, as well as evaluating and reporting on whether the content and presentation of this part of the consolidated director's report meet the requirements of the applicable regulations. If, as a result of our work, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the annual accounts for the year 2022 and its content and presentation meet the requirements of the applicable regulations.

Responsibility of the directors and the audit committee for the consolidated annual accounts

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

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

Auditor´s responsibilities for the audit of the consolidated annual accounts

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

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

As part of an audit in accordance with current Spanish regulations for auditing accounts, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Parent company.
- Conclude on the appropriateness of the directors of the Parent company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention to this in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the audit committee of the Parent company with a statement that we have complied with relevant ethical requirements, including those relating to independence, and have communicated with the audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee of the Parent company, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are, therefore, the key audit matters.

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

Grant Thornton, S.L.P. Sociedad Unipersonal

ROAC nº S0231

Álvaro Fernández Fernández

ROAC nº 22.876

May 26, 2023

7.1. Consolidated management report of the year ended on 31 December 2022

In fiscal year 2022, the UCI Group applied the financial reporting framework established by the International Financial Reporting Standards adopted by the EU. In fiscal year 2020, Unión de Créditos Inmobiliarios EFC, like the rest of the Spanish Financial Credit Establishments, started to apply Bank of Spain Circular 4/2019, which includes the same accounting criteria that Spanish credit institutions have been applying since 2018, in application of Circular 4/2017, which transferred to Spain the European accounting framework made up of the International Financial Reporting Standards adopted in the European Union (IFRS-EU).

1. Economic Environment

The year 2022 was marked by the gradual health and social normalization following the Covid-19 crisis. The world economy experienced according to the IMF a growth of +2.9% in 2022, half of the growth experienced in 2021, but this came to compensate for the strong decrease of 4.4% experienced in 2020. Average economic growth in 2022 is in line with the five-year pre-covid-19 average of 3.0%. The eurozone grew by 1.9% according to Eurostat estimates, lower than the 4.8% in 2021, but more dynamic than the 1.0% in 2021.

In the markets where UCI operates, the trend has been similar: growth lower than 2021, but in line with or above the pre-2020 trend. With growth of 2.7% and 3.1%, Spain and Portugal led EMU growth, exceeding in 2022 the levels of activity achieved in 2019. Greece was already in this situation since the end of 2021, although its growth in 2022 was weaker (+1.4%).

The biggest macro-economic threat, which was already present at the end of 2021, was the Eurozone consumer price index, which went from being negative in 2020 to an increase of 5.0% at the end of 2021 and to 9.2% in December 2022. The restrictions generated by the Covid-19 health crisis had weakened the supply networks of the globalized economy, causing a spike in inflation. The invasion of Ukraine in February 2022, with its upward impact on commodity and agricultural prices, reinforced inflationary pressure.

The Spanish CPI, which was higher than that of the EMU as a whole in 2021 (+6.6%) fell back slightly in 2022, remaining below the average (+5.5%), like that of Greece, unlike that of the large Eurozone economies (Germany, France and Italy).

This inflationary pressure on the core of the Eurozone, equally present in the other Western economies (USA, UK, even Japan), has resulted in a generalization of more restrictive monetary policies worldwide: Euro interest rates have undergone a spectacular rise: the 12-month Euribor, the main variable reference for the Spanish mortgage market, still negative in March 2022, ended the year at 3.018%.

The Spanish residential real estate market instead maintained during 2022 the dynamism of 2021: prices grew by 3.2% up to Q4 2022 according to MITMA's DG Housing index, consolidating the 4.4% rise of 2021.

In terms of volume, the real estate market retained its upward trend, with sales 7% higher than the 2021 level by units, and 26% compared to 2019.

2. Commercial Activity Loans to Customers

The 2022 fiscal year confirmed the trend towards greater social normality in the countries in which UCI operates. The Group has constantly sought to adapt its working environment as best as possible to these successive developments, while maintaining the well-being and satisfaction of its employees as a priority: UCI confirmed for the third consecutive year in 2022 the valuable Great Place to Work certification, first obtained in June 2020, with levels of adherence even higher than those of the two previous years. The high levels of service quality perceived by our customers were also maintained, resulting in ratings of over 9.5 out of 10 on Ekomi and over 4.5 out of 5 on Google.

The financial environment was marked by the continuous rise in interest rates throughout the year. This process in fact divided the activity into two periods, on the one hand until the end of the summer, and on the other hand the last four months of the year.

During the first eight months of 2022, commercial activity showed strong dynamism: the 656 million loans formalized in the period represented an increase of 15% over the equivalent period in 2021, both in Spain (+10%) and in Portugal (+34%). The rise in medium- and long-term interest rates forced an upward revision of pricing, which resulted in a slowdown in loan originations: the 183 million signed in the last four months of the year represented a decline of 43% compared to the last four months of 2021.

The Group's cumulative production of new loans in 2022 finally amounted to €839 million, 14% lower than the €892 million formalized in 2021. 201 million, Portugal grew by 9%, while Spain, with 637 million, experienced a decline of 10%.

The strategic axes of UCI's commercial offering in Spain have been maintained in 2022, with the emphasis on the strategy of responsible lending and sustainability, which in financial terms has found its translation in the high weight of fixed or mixed rate production with a first long fixed rate period: 80%, after the 79% and 81% levels of 2021 and 2020.

In both Spain and Portugal, the proportion of financial consultants in commercial activity has remained in the majority: 73% in 2020, 83% in 2021 and 91% in 2022 (90% in Spain and 95% in Portugal).

In Greece, whose loan portfolio was assigned in 2018 to the Spanish parent company Unión de Créditos Inmobiliarios, SA, EFC, it is managed by the Group company UCI Hellas LMS, a wholly owned subsidiary of UCI SA, with an asset manager's license granted by the Bank of Greece.

The outstanding portfolio managed by the UCI Group stood at the end of 2022 at €10,236 million, €433 million (-4.1%) lower than the level at the end of 2021.

Spain's portfolio at the end of 2022 stood at 8,838 million, down by 434 million (-4.1%)

compared to the balance sheet at the end of 2021. This decline is due to two causes. On the one hand, the write-down of the portfolio; on the other hand, a sale of a fraction of the non-performing loan portfolio, amounting to €189 million.

The portfolio in Portugal, 1,223 million, increased by +2.3% and the UCI portfolio in Greece, managed by UCI Hellas LMS, whose balance is structurally decreasing, as there is no new production, with 176 million decreased by -7.5%.

3. Gross Margin

The gross margin earned by the Group during the 2022 financial year stood at €137.7 million, representing a decline of 7.9% (-11.8 million) compared to 2021.

The main component of the decline was the different dynamics between the review of the variable interest rates of the loan portfolio and the variable refinancing This time lag between the evolution of monetary interest rates, the basis for the refinancing of the Company's variable-rate portfolio, and the review of the variable-rate loans in the portfolio, reduced the financial margin by approximately 12 million with respect to 2021.

The UCI Group continued to finance its activity through its securitization program in Spain and Portugal. In Spain, Unión de Créditos Inmobiliarios, EFC assigned loans to the Prado X securitization fund in March for 565 million, and in Portugal, the branch of this company assigned 325 million to the RMBS Belém 2 fund. These two transactions generated a cash-in of 510 million euros, which does not include the 374 million euros in securitization bonds that Unión de Créditos Inmobiliarios, SA, EFC has subscribed with these funds to be used as collateral for repo transactions. To conclude this section, as planned, at the end of the fifth year since the issue, Unión de Créditos Inmobiliarios, SA, EFC exercised the clean-up call on the Prado IV securitization fund, which represented a disbursement of 170 million euros.

The two Investment Grade ratings that Unión de Créditos Inmobiliario, SA, EFC has with the rating agencies Fitch and DBRS have enabled it to carry out repo transactions (repurchase agreements), with counterparties outside the shareholder groups, using as collateral securitization bonds backed by loans from this company for an amount of nearly 535 million euros at the end of 2022.

In 2023, the Group plans to continue to develop its financing autonomy under conditions that will enable it to maintain the competitiveness of its commercial offering, both in Spain and in Portugal.

4. General cost

General expenses, excluding fees paid to intermediaries, amounted to €52.6 million in 2022, an increase of €3.0 million (+6.0%). The two main reasons for the increase were fees paid to external advisors as part of the Group's adaptation to the changing regulatory environment (+1.4 million) and real estate expenses generated by the relocation of its Madrid headquarters (+0.7 million).

This cyclical increase in expenses, and the reduction in the financial margin, resulting from the lag between the interest rate review of the loan portfolio and the portfolio that refinances it, in an environment of rapidly rising interest rates, led to an efficiency ratio of 38.6% in 2022, after the level of 34.5% reached in 2021.

The company's average headcount stood at 660 employees in 2022, representing an increase of 8 employees compared to the average for 2021.

5. Defaults and Hedging

In 2020, Bank of Spain Circular 4/2019 came into force for Financial Credit Establishments, which transferred the European accounting framework for financial institutions to Spanish FCEs: International Financial Reporting Standards adopted in the European Union (IFRS-EU). In 2021, following the criteria of its regulator, the Group proceeded to a change of accounting criteria. The 2022 financial year was developed for the Group in continuity with the accounting criteria introduced in 2021, with some minor adjustments reflecting a more prudent interpretation of the regulations in accounting for credit risk.

The outbreak of the Covid-19 pandemic in 2020 and its permanence in 2021 have meant, in the three countries in which the Group has a loan portfolio, the application of public, sectoral and private moratoriums, which Unión de Créditos Inmobiliarios, EFC has formalized with its customers, according to the criteria established by the competent authorities of the respective countries.

As regards the loan portfolio, the Group's doubtful balance, including non-performing loans and subjective doubtful loans, was established at the end of the 2022 financial year at €1,375 million, (13.42% of the total balance), down by €332 million compared to €1,707 million at the end of 2021 (16.0% of the balance). This sharp decline has affected all three countries: -2.3 million euros in Portugal, -9.2 million euros in Greece, the most relevant part being the -320 million reduction in Spain.

The decline in Spain is reflected in the two components of the doubtful balance. On the one hand, a natural decrease in the subjective doubtful balance by 275 million, as a result of the Group's management of its portfolio subject to restructuring in Spain. On the other hand, a decrease of 54 million euros in non-performing loans in Spain. The main source of this decrease was the sale to institutional investors of a portion of the non-performing loans portfolio, amounting to 189 million euros, in December. The entry of new loans in the non-performing loans balance, amounting to 135 million, was generated by a technical effect (change in the counting of the terms generating the non-performing loans, which occurred in May), the application of more demanding criteria for the renewal of restructurings, and in the last months of the year, the impact of a less favorable macro-economic environment, as a result of the rise in inflation and interest rates.

The determination of loan loss provisions has been carried out by applying the internal model, adjusted to IFRS 9. However, in application of the principle of valuation prudence, UCI opted in 2021, having maintained this criterion in 2022, to establish the provisions of its loan portfolio classified as subjective doubtful based on the so-called 'alternative solution' of Circular 4/2019.

Loan loss provisions for the entire loan portfolio amounted to EUR 281 million at the end of the 2022 financial year, a reduction of EUR 81 million compared to 2021 levels. The reduction in the stock of provisions is essentially due to the significant reduction in the non-performing loan portfolio over the course of the year.

Foreclosed assets sales have maintained strong activity for the fourth consecutive year, generating a positive impact (7.9 M€ in 2022, to be compared with 8.1 M€ in 2021 and 7.3 M€ in 2020) on the income statement for the year, as a result of the high levels of provisions for these assets, and the good performance of the real estate market.

Overall, the cost of risk for 2022 amounted to €129 M, compared to €38 M in 2021, of which €55 M came from the sale to institutional investors of a fraction of the doubtful portfolio.

The coverage ratio for non-performing exposures fell from 18.5% to 17.8%. This slight decrease is due to the higher coverage ratio of the portfolio sold during the year to institutional investors (35.3%), which corresponded to older non-performing loans. In the absence of this assignment, the coverage rate of the doubtful balance would have stood at 19.4%. Within this population, the coverage of the portfolio with payment delays of 90 days or more on the Group's balance sheet has experienced a notable reduction, from 29.6% to 24.7%.

The Group's transitional properties, classified as available-for-sale assets, stood at €182.3 million net book value at the end of 2022, down sharply from €225.2 million at the end of 2021. This decline is the result of good results in the marketing of foreclosed properties, both for sale and lease.

With a net balance of its transitional properties at minimum levels, €1.8 M, Portugal's transitional property stock is down 45% compared to 2021, in line with the trend of recent years. In Greece, the transitional property portfolio has remained at very low levels: €0.8 million.

In 2022, the UCI Group plans to maintain its responsible collection strategy, compatible with a clear focus on the reduction of non-performing assets, and to consolidate the good results in terms of volume and economic impact of the real estate marketing activity.

6. Consolidated Results

The UCI Group recognized a negative result of €55.0 million, compared to a profit of €34.4 million in 2021. This result is essentially the result of the sale to institutional investments of a fraction of the non-performing loan portfolio, with a negative impact of €55.1 million; without this exceptional event, the result for the year would have been positive by €0.1 million.

7. Risks and uncertainties

Regarding the main risks and uncertainties, we note the following:

• Credit risk: due to the nature of the UCI Group's retail business and the large dispersion derived from it, the risks arising from the credit balance and the real estate portfolio do not present significant concentrations in relation to the Group's level of shareholders' equity.

• Market risk: the Company is subject to the situation of the financial, mortgage and real estate markets in the countries in which it operates, inflationary pressures:

- have an impact on the monetary policy of central banks, particularly the ECB,

- lead to interest rate hikes which do not usually have a simultaneous impact on the average rates of the Company's assets and liabilities, although they are expected to converge once the current cycle of increases has stabilized.

- The impact of interest rate hikes on the budgets of some of the Company's clients may create tensions, although it is expected to be limited, due to the strategy followed in past years of priority marketing of loans at fixed and mixed interest rates, with a long initial period at fixed rates, and the greater weight in the Company's variable rate portfolio of loans at an advanced stage of repayment, with the consequent reduction of the impact of the rise in interest rates.

• Operating risk: In fiscal year 2022 there were no operating risk incidents with a significant impact. Operating risks are essentially included within the risk systems of Unión de Créditos Inmobiliarios, SA, EFC, as they have the same facilities, the same computer servers and the same levels of access and security to the systems. Within the framework of UCI Group's equity management, operational risk had a consumption of €18.5 million in 2022. The equivalent figure was 19.3 million in 2021.

• Litigation risk: during the 2022 financial year, the UCI Group continued to manage legal proceedings for clause nullity claims, the most relevant reasons being the formalization costs, the arrangement fee and the portfolio referenced to the IRPH benchmark. In relation to the first two grounds, the CJEU is pending a decision on the preliminary question raised by the Supreme Court on the statute of limitations of the action for the refund of formalization expenses. With regard to the IRPH, it is worth highlighting the favorable pronouncements that have been made in 2022 by both the Supreme Court and the CJEU.

During 2022 the average payment period to UCI's suppliers was 15 days, within the legally established period of 60 days. Given the activity to which the Group is dedicated, there are no relevant issues of an environmental nature.

No investments in research and development have been recorded during the year, although the Group continues to develop computer systems within the framework of innovation plans, which for prudence reasons have been recorded under general expenses.

There were no acquisitions of treasury stock during the 2022 financial year.

8. Equity and Solvency Ratios

RDL 309/2020 of February 11, 2020, established that, in general, the prudential regulations for credit institutions, in particular Regulation 575/2013 of the European Union (CRR), would apply to financial credit institutions. This regulation therefore came into force for the Company and for the UCI Group on July 1, 2020 with a first solvency statement, adjusted to this new regulation, corresponding to December 31, 2020.

In application of this regulation, in January 2022, Unión de Créditos Inmobiliarios, SA, EFC and the UCI Group have seen their own funds requirements revised upwards, in application of Pillar 2 communicated by their regulator, the Bank of Spain, by incorporating a P2R of 2%, as well as an additional P2G. In December 2022, Unión de Créditos Inmobiliarios, SA, EFC and the UCI Group were informed that the P2R level would become 1.75% as of January 1, 2023.

Following the Pillar 2 communication received from its supervisor in January 2022, UCI, SA proceeded to issue new shares in the amount of €100 million on March 3, 2022, to issue new subordinated debt in the amount of €45 million on March 24, and to issue contingent convertible bonds for €22 million on May 30.

At the end of 2022, the Group was in compliance with the requirements to which it was subject: with a solvency ratio of 14.62%, 57 million euros above the minimum to which it is subject at the end of 2022. One year earlier, the ratio was 10.57%, and the Group exceeded the minimum of 10.50% to which it was then subject by 4.1 million euros.

Tier 1 book equity stood at 602 million at the end of 2022, i.e. 11.71% of the Group's risk-weighted assets. This level includes 104 million of contingently convertible bonds. In addition, the UCI Group had 150 million euros of Tier2 capital, representing 2.90% of weighted assets.

The Company's solvency ratios, which as of June 2022 were already comfortably above the minimum requirements, including the aforementioned Pillar 2, are a direct consequence of the amount and speed of the capitalization of UCI, SA by its shareholders, a speed which in turn implicitly reflects the commitment of UCI, SA's shareholder groups to the solvency of the UCI Group and its main company, Unión de Créditos Inmobiliarios, SA, EFC.

9. Group`s expected evolution

The health and economic context resulting from the pandemic caused by Covid-19 interrupted the dynamism that the economies of the Iberian Peninsula had been experiencing since 2015. However, UCI overcame this environment, with the results of its commercial activity continuing to progress, while the reception by the markets of the operations of the Securitization Funds, originated with collateral from loans assigned by the Company, continued to be very well received. On a qualitative level, the Euronext Lisbon award for the best operation in 2020 in the Sustainable Finance category, and the achievement in 2020 and confirmation in 2021 and 2022 of the Great Place to Work certification, underlined UCI's ability to adapt to the new environment.

The framework in which the UCI Group operates, particularly correlated with the evolution of the real estate market, has not been significantly affected by the pandemic; on the contrary, it has evolved favorably.

Inflationary pressures have shaped the economic environment in which UCI operates in 2022, affecting interest rates and its customers' budgets. The UCI Group will continue to prudently manage its business, maintaining a sustainable and responsible management model, focused on meeting the real needs of its customers, and on quality and transparency in all processes.

In terms of products, in addition to mortgage financing to individuals, the priority will be the development of financial solutions for the rehabilitation and improvement of the energy efficiency of individual homes and homeowners' associations, in line with the priorities of the EU and Spain in its 2030 agenda, making all this compatible with an adequate management of margins, and continuing to develop autonomy in refinancing.

In portfolio management, customer satisfaction, cross-selling, efficiency in the responsible recovery of transactions with defaults or with difficulties in meeting their loan repayments, compatible with a clear focus on the reduction of doubtful assets, the profitable divestment of foreclosed assets and cost control, will continue to be priorities.

UCI will continue to develop in 2023 its refinancing policy on the markets, through the contribution of loans from its portfolio to Securitization Funds issued with the collateral of these guarantees, as well as through other sources of financing compatible with the status of Financial Credit Establishment of its main subsidiary and accessible thanks to the two 'Investment Grade' ratings obtained in 2018 and 2019 with the agencies DBRS and Fitch respectively.

10. Non-Financial Reporting Statement

By virtue of Law 11/2018, of 28 December of non-financial information and diversity, UCI Group has elaborated the consolidated non-financial reporting statement related to 2022, which is included as a separate document attached to the consolidated directors' report of 2022, as established on article 44 of the Commercial Code.

Grant Thornton
Paseo de la Castellana, 81
28046 Madrid
T. +34 91 576 39 99
F. +34 91 577 48 32
www.GrantThornton.es

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

(Translation of a report and consolidated annual accounts originally issued in Spanish and prepared in accordance with Spanish generally accepted accounting principles. In the event of a discrepancy, the Spanish-language version prevails)

To the shareholders of U.C.I., S.A.:

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of U.C.I., S.A. (the Parent company) and its subsidiaries, (the Group), which comprise the consolidated balance sheet at 31 December 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the consolidated notes to the consolidated annual accounts for the year then ended.

In our opinion, the accompanying consolidated annual accounts present, in all material respects, a true and fair view of the consolidated equity and the consolidated financial position of the Group at 31 December 2022, and of the consolidated results of its operations and consolidated cash flows for the year then ended, in accordance with the applicable financial reporting framework (identified in note 2.1 to the consolidated financial statements) and, in particular, with the accounting principles and criteria contained therein.

Basis for opinion

We conducted our audit in accordance with the current Spanish standards for auditing accounts. Our responsibilities under those standards are further described in the *Auditor´s responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are applicable to our audit of the consolidated annual accounts in Spain, as required by the regulations governing the auditing of accounts. In this regard, we have not provided any services different to the audit of accounts and no situations or circumstances have arisen that, based on the aforementioned regulations, might have affected the required independence in such a way that it could have been compromised.

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

Key audit matters

The key audit matters are those that, in our professional judgement, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimation of impairment of financial assets at amortized cost - loans and advances to - customers, determined on a collective basis

The Group periodically evaluates the estimate of credit risk losses on the loans and advances to customers portfolio calculated collectively, using the models for calculating impairment by expected loss established in Circular 4/2019, of November 26, to financial credit institutions, which takes as a reference the accounting regulations of credit institutions, either setting criteria similar to those of the latter, or referring directly to the rules of Bank of Spain Circular 4/2017, to credit institutions, and its subsequent amendments. This estimate has become increasingly complex in the context of the current uncertain macroeconomic environment.

The internal models and methodologies for calculating credit impairment determined collectively, incorporate a high component of judgment for the estimation of impairment losses, considering aspects such as:

- The determination of the main assumptions used in the calculation of the probability of default (PD - Probability of Default) and loss given default (LGD - Loss Given Default) parameters of the recalibrated expected loss models, including forward looking models.
- The identification and staging criteria for financial assets at amortized cost - loans and advances to customers.
- The incorporation of qualitative adjustments in the calculation of provisions due to judgmental or economic factors, such as internal rating policies or economic expectations, among others.
- The realizable value of collateral associated with the credit operations granted.

These estimates involve a high degree of judgment on the part of Management and are subject to a high degree of uncertainty, and are therefore one of the most significant and complex estimates in the preparation of the accompanying consolidated financial statements as of December 31, 2022, which is why it has been considered one of the most relevant aspects of our audit. See notes 11.g, 13 and 17 to the accompanying consolidated financial statements as of December 31, 2022.

We have carried out, with the collaboration of our credit risk experts, an understanding of the process of estimating the impairment of financial assets at amortized cost - loans and advances to customers carried out by management, on the collectively estimated provisions.

Regarding internal control, we have carried out an understanding and testing of controls of the main phases of the estimation process, paying particular attention to the processes of determining the main assumptions used in the calculation of the expected loss, periodic monitoring of risks, as well as the management and valuation of guarantees associated with credit operations.

Additionally, we have performed detailed tests consisting of:

- Selective tests to verify the quality of the data, by checking with supporting documentation the information contained in the systems and which serves as the basis for the classification of the transactions and the corresponding impairment, if any.

- Verification of a sample of credit risk files whose coverages are estimated collectively in order to evaluate their adequate classification, the identification of refinancing and their cures.

- Selective checks for the main models, with respect to: i) calculation and segmentation methods; ii) methodology for estimating expected loss parameters, iii) data used and main estimates employed, iv) loan classification criteria by phase and v) information regarding scenarios, their assumptions and sensitivities.

- Re-execution of the calculation of collective provisions according to the parameters obtained from the expected loss models.

We have also verified that the accompanying notes to the consolidated financial statements include the disclosures required by the applicable financial reporting regulatory framework.

Information technology systems

The Group's financial information is highly dependent on information technology (IT) systems, so that adequate control over them is relevant to ensure the correct processing of the information, which is why it has been considered one of the most relevant aspects of our audit.

Likewise, as systems become more complex, the risks on the organization's information systems and, therefore, on the information they process, increase.

In this context, it is critical to evaluate aspects such as the organization of the Technology and Operations Area, controls over the maintenance and development of applications, physical and logical security and the operation of the systems.

With the collaboration of our IT systems specialists, our work consisted of evaluating and verifying the internal control environment in relation to the main systems, databases and applications that support the core business activity with an impact on the Group's financial information.

Basically, our work consisted of the analysis of:

- The internal controls established by the Group in the acquisition, development and maintenance of technology with the objective of minimizing the risk of modifications or new undue functionalities to programs in production.

- The control procedures implemented by the Group in the area of security management of the technological infrastructure and applications.

- The procedures defined by the Group in the management of incidents in technology and information systems.

Other information: Consolidated directors' report

Other information comprises exclusively the consolidated directors' report for the 2022 financial year. The directors of the Parent company are responsible for preparing this report, which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated directors' report. In accordance with the regulations governing the auditing of accounts, our responsibility regarding the consolidated directors' report, includes:

a) Verifying only that the statement of non-financial information has been provided in the manner provided for in the applicable regulations and, if not, to report on it.

b) Evaluating and reporting on the consistency of the rest of the information included in the consolidated director's report with the annual accounts, based on the knowledge of the Group obtained during our audit of those accounts, as well as evaluating and reporting on whether the content and presentation of this part of the consolidated director's report meet the requirements of the applicable regulations. If, as a result of our work, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the annual accounts for the year 2022 and its content and presentation meet the requirements of the applicable regulations.

Responsibility of the directors and the audit committee for the consolidated annual accounts

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

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

Auditor´s responsibilities for the audit of the consolidated annual accounts

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

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

As part of an audit in accordance with current Spanish regulations for auditing accounts, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Parent company.
- Conclude on the appropriateness of the directors of the Parent company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention to this in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the audit committee of the Parent company with a statement that we have complied with relevant ethical requirements, including those relating to independence, and have communicated with the audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee of the Parent company, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are, therefore, the key audit matters.

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

Grant Thornton, S.L.P. Sociedad Unipersonal

ROAC nº S0231

Álvaro Fernández Fernández

ROAC nº 22.876

May 26, 2023

7.2. Consolidated annual accounts

CONSOLIDATED BALANCE SHEETS ON 31 DECEMBER 2022 (Expressed in thousands of euros) (Expressed in thousands of Euros)

ASSETS	Note	2022	2021 (*)	LIABILITIES AND EQUITY	Note	2022	2021 (*)
Cash, cash balances in central Banks and other on-demand deposits	**16**	**272,076**	**263,386**	**Financial liabilities held for trading**		**129,707**	**29,168**
Cash		3	3	Derivatives	24	129,707	29,168
Other on-demand deposits		272,073	263,383	Short positions		-	-
				Deposits		-	-
Financial assets held for trading		128,429	24,750				
Trading derivatives	24	128,429	24,750	Financial liabilities designated at fair value through profit and loss		-	-
				Financial liabilities at amortised cost	23	10,337,121	10,625,929
Financial assets not held for trading compulsorily measured ar fair value profit and loss		-	-	**Deposits**		**7,410,846**	**7,461,168**
Equity instruments		-	-	Deposits of credit institutions		7,410,846	7,461,168
Debt securities		-	-	Debt securities		2,924,192	3,160,805
Loans and advances		-	-	Other financial liabilities		2,084	3,956
Financial assets designated at fair value through profit and loss		-	-	**Derivatives - hedge accounting**	**25**	**1,608**	**19,475**
Equity instruments		-	-				
Debt securities		-	-	Provisions	26	16,532	14,414
Loans and advances		-	-	Pensions and other post-employment defined benefit obligations		-	-
Financial assets designated at fair value through other global results:		-	-	**Other non-current remunerations to employees**		-	-
Debt securities		-	-	Procedural matters and litigations for outstanding taxes		-	-
Loans and advances		-	-	Commitments and guarantees granted		16,532	14,414

ASSETS	Note	2022	2021 (*)	LIABILITIES AND EQUITY	Note	2022	2021 (*)
Financial assets at amortized cost	**17**	**10,185,847**	**10,367,855**	**Tax liabilities**	**21**	**122,767**	**2,649**
Debt securities		146,116	-	Current tax liabilities		2,027	1,418
Loans and advances		10,039,731	10,367,855	Deferred tax liabilities		120,741	1,230
Hedging derivatives	**25**	**405,405**	**25**	**Other liabilities**	**22**	**24,815**	**27,499**
Changes in the fair value of hedged elements of a portfolio with hedge of the interest rate risk		-	-	**Liabilities included in disposable groups of elements classified as held for sale**		-	-
Investments in join ventures and associates		-	-	**TOTAL LIABILITIES EQUITY**		**10,632,550**	**10,719,134**
Property, plant and equipment	**19**	**134,508**	**128,809**	**Equity**	**29**	**507,484**	**422,371**
Tangible assets		7,858	8,186	Capital		153,803	114,137
Property investments		126,650	120,623	Paid		153,803	114,137
				Share premium		151,215	43,882
Intangible assets	**20**	**2,454**	**2,777**	**Equity instruments issued other than capital**		-	-
Goodwill		-	-	Other equity elements		-	-
Other intangible assets		2,454	2,777	Accumulated gains		257,477	234,864
				Other reserves		-	-
Tax assets	**21**	**86,710**	**92,645**	**Profit/(loss) for the period**		**(55,011)**	**29,488**
Current tax assets		3,792	4,594	Minus: Interim dividends		-	-
Deferred tax assets		82,916	88,051	Other global accumulated results		280,386	(14,007)
Other assets		**23,272**	**23,147**	**Elements that will not be reclassified in results**		-	-
Insurance agreements linked to pensions		-	-	Elements that could be reclassified in results		280,386	(14,007)
Inventories		-	-	Hedging of net investments in businesses abroad		-	-
Other assets	22	23,272	23,147	Currency exchange		-	-

ASSETS	Note	2022	2021 (*)	LIABILITIES AND EQUITY	Note	2022	2021 (*)
Non-current assets held for sale	**18**	**181,716**	**224,102**	**Hedging derivatives. Cash flow hedge reserve**	**28**	**280,386**	**(14,007)**
				Changes in the fair value of debt instruments measured at fair value through other global results		-	-
				TOTAL EQUITY		**787,870**	**408,364**
TOTAL ASSETS		**11,420,420**	**11,127,498**	**TOTAL EQUITY AND LIABILITIES**		**11,420,420**	**11,127,498**
Memorandum item	**32**	**41.506**	**33.267**				
Contingent risks		39.462	30.884				
Contingent commitments		-	-				
Other granted commitments		2.043	2.383				

(*) Presented solely and exclusively for comparison purposes.
The accompanying Notes 1 to 36 are an integral part of the consolidated balance sheet on 31 December 2022.

CONSOLIDATED PROFIT AND LOSS ACCOUNTS CORRESPONDING TO YEAR ENDED ON 31 DECEMBER 2022 (Expressed in thousands of Euros)

	Note	2022	2021(*)
Income from interests	33	222,384	188,893
Financial assets at amortised cost		189,480	171,090
Derivatives - hedge accounting, interest rate risk		32,830	17,516
Other assets		74	287
Expenses from interests)	34	(97,077)	(51,129)
INTEREST MARGIN		**125,307**	**137,764**
Income from dividends		-	-
Income from commissions		10,064	12,567
(Expenses for commissions)		(5,261)	(6,101)
Profit or (-) loss when writin g off financial assets and liabilities not measured at fair value through profit and loss, net		-	-
Financial liabilities at amortised cost		832	-
Profit or (-) loss for financial assets and liabilities held for trading, net		1,999	(474)
Profit or (-) loss for financial assets and liabilities held for negotiation, net		-	-
Profit or (-) loss for financial assets not held for trading compulsorily measured at fair value through profit and loss, net		1,764	-
Profit or (-) loss for financial assets and liabilities designated at fair value through profit and loss, net		-	-
Profit or (-) loss for financial assets and liabilities not held for trading, net		-	-
Profit or (-) loss resulting from hedge accounting, net		-	-
Exchange differences [profit or (-) loss], net		-	-
Other operating income		2,966	5,768
Other operating expenses			-
GROSS MARGIN		**137,671**	**149,524**
Administration expenses		(85,182)	(79,267)
Personnel costs	35	(34,215)	(33,948)
Other general administration expenses	36	(50,967)	(45,319)
Amortisation		(5,974)	(6,923)
Provisions or (-) reversal of provisions		(5,138)	(732)
Impairment or (-) reversal of the impairment of financial assets not measured at fair value through profit and loss		(92,492)	(4,404)
Financial assets at amortised cost		(92,492)	(4,404)
Financial assets at fair value through other global results			-

UCI

	Note	2022	2021(*)
RESULTS FROM THE OPERATING ACTIVITY		**(51,115)**	**67,006**
Impairment or (-) reversal of the impairment of non-financial assets		299	(1,830)
Property, plant and equipment		-	-
Property investments		299	(1,830)
Intangible assets		-	-
Others		-	-
Share of profit or (-) loss on investments in subsidiaries, joint ventures and associates accounted for using the equity method		-	-
Profit or (-) loss when writing off non-financial assets, net		-	-
Profit or (-) loss originated from non-current assets and disposable groups of elements classified as held for sale not admissible as discontinued activities	18	(4,112)	(13,594)
RESULT BEFORE TAX		**(54,928)**	**51,860**
(Gastos o (-) ingresos por impuestos sobre las ganancias de los resultados de las actividades continuadas)	31	83	(22,372)
RESULT FROM THE YEAR FROM CONTINUING OPERATIONS		**(55,011)**	**29,488**
Profits (losses) after tax from discontinued activities		-	-
RESULTS FROM THE YEAR		**(55,011)**	**29,488**

(*) Presented solely and exclusively for comparison purposes.
The accompanying Notes 1 to 36 are an integral part of the consolidated balance sheet on 31 December 2022.

UCI

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY CORRESPONDING TO YEAR ENDED ON DECEMBER 31, 2022 (Expressed in thousands of Euros)

A) CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSES CORRESPONDING TO YEARS ENDED ON 31 DECEMBER 2022

	2022	2021(*) (*)
RESULTS FROM THE PERIOD	**(55,011)**	**29,488**
OTHER GLOBAL RESULTS	**294,393**	**61,436**
ELEMENTS THAT WILL NOT BE RECLASSIFIED IN RESULTS	-	-
Actuarial profits (losses) in defined benefit pension plans	-	-
Non-current assets and disposable groups of elements held for sale	-	-
Changes in the fair value of equity instruments measured at fair value through other global results, net	-	-
Profits (losses) of hedge accounting of equity instruments at fair value through other global results, net	-	-
Changes in the fair value of financial liabilities at fair value through profit and loss attributable to changes in the credit risk	-	-
Other valuation adjustments	-	-
Income Tax related to elements that will not be reclassified	-	-
ELEMENTS THAT COULD BE RECLASSIFIED IN RESULTS	**294,393**	**61,436**
Hedging of net investments in businesses abroad (effective portion)	-	-
Currency exchange	-	-
Cash flow hedges (effective portion)	**420,562**	**85,611**
Profits (losses) registered in equity	420,562	85,661
Transferred to results	-	-
Transferred to the initial carrying amount of hedged elements	-	-
Other reclassifications	-	-
Debt instruments at fair value through other global results	-	-
Profits (losses) registered in equity	-	-
Transferred to results	-	-
Other reclassifications	-	-
Non-current assets and disposable groups of elements held for sale	-	-
Other recognised income and expenses	-	-
Income Tax related to elements that could be reclassified in results	**(126,169)**	**(24,175)**
TOTAL RECOGNISED INCOME AND EXPENSES	**239,382**	**90,924**

(*) Presented solely and exclusively for comparison purposes.
The accompanying Notes 1 to 36 are an integral part of the consolidated balance sheet at 31 December 2022.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY CORRESPONDING TO YEAR ENDED AT DECEMBER 31, 2022 (Expressed in thousands of Euros)

B) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY CORRESPOODING TO YEARS ENDED 31 DECEMBER 2022

	EQUITY								Accumulated other global result	TOTAL EQUITY
	Common stock	Share premium	Reserves	Other equity instruments	Minus: Treasury shares	Profit/ (loss) for the period	Minus: interim dividend	Total equity		
1. Closing balance at (31/12/2021)	**114,137**	**43,882**	**234,864**	-	-	**29,488**	-	**422,371**	**(14,007)**	**408,364**
Effects from error correction	-	-	-	-	-	-	-	-	-	-
Effects from changes in accounting policies	-	-	-	-	-	-	-	-	-	-
2. Adjusted opening balance	**114,137**	**43,882**	**234,864**	-	-	**29,488**	-	**422,371**	**(14,007)**	**408,364**
3. Total recognised income and expenses	-	-	-	-	-	**(50,011)**	-	**(50,011)**	**294,393**	**239,382**
4. Other variations in equity	**39,666**	**107,333**	**22,613**	-	-	**(29,488**	-	**140,124**	-	**140,124**
4.1 Capital increases	39,666	107,333	-	-	-	-	-	146,999	-	146,999
4.2 Capital decreases	-	-	-	-	-	-	-	-	-	-
4.3 Conversion of financial liabilities in capital	-	-	-	-	-	-	-	-	-	-
4.4 Increase of other equity instruments	-	-	-	-	-	-	-	-	-	-
4.5 Reclassification from financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-

	EQUITY								Accumulated other global result	TOTAL EQUITY
	Common stock	Share premium	Reserves	Other equity instruments	Minus: Treasury shares	Profit/ (loss) for the period	Minus: interim dividend	Total equity		
4.6 Reclassification from other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-
4.7 Distribution of dividends	-	-	-	-	-	-	-	-	-	-
4.8 Operations with equity instruments (net)	-	-	-	-	-	-	-	-	-	-
4.9 Transfers between equity items	-	-	29,488	-	-	(29,488)	-	-	-	-
4.10 Increases (reductions) for business combinations	-	-	-	-	-	-	-	-	-	-
4.11 Payments with equity instruments	-	-	-	-	-	-	-	-	-	-
4.12 Other increases (reductions) of equity	-	-	(6,875)	-	-	-	-	(6,875)	-	(6,875)
4.13 Exchange differences	-	-	-	-	-	-	-	-	-	-
5. Closing balance at (31/12/2022)	**153,803**	**151,215**	**257,477**	-	-	**(55,011)**	-	**507,484**	**280,386**	**787,870**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY CORRESPONDING TO YEARS ENDED ON DECEMBER 31, 2021 (Expressed in thousands of Euros)

	EQUITY								Accumulated other global result	TOTAL EQUITY
	Common stock	Share premium	Reserves	Other equity instruments	Minus: Treasury shares	Profit/(loss) for the period	Minus: interim dividend	Total equity		
1. Closing balance at (31/12/2020)	**98,019**	**-**	**269,541**	**-**	**-**	**(30,522)**	**-**	**337,038**	**(75,443)**	**261,595**
Effects from error correction	-	-	-	-	-	-	-	-	-	-
Effects from changes in accounting policies	-	-	-	-	-	-	-	-	-	-
2. Adjusted opening balance	**98,019**	**-**	**269,541**	**-**	**-**	**(30,522)**	**-**	**337,038**	**(75,443)**	**261,595**
3. Total recognised income and expenses	**-**	**-**	**-**	**-**	**-**	**29,488**	**-**	**29,488**	**61,436**	**90,924**
4. Other variations in equity	**16,118**	**43,882**	**(34,677)**	**-**	**-**	**30,522**	**-**	**55,845**	**-**	**55,845**
4.1 Capital increases	16,118	43,882	-	-	-	-	-	60,000	-	60,000
4.2 Capital decreases	-	-	-	-	-	-	-	-	-	-
4.3 Conversion of financial liabilities in capital	-	-	-	-	-	-	-	-	-	-
4.4 Increase of other equity instruments	-	-	-	-	-	-	-	-	-	-
4.5 Reclassification from financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-
4.6 Reclassification from other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-
4.7 Distribution of dividends	-	-	-	-	-	-	-	-	-	-

	EQUITY								Accumulated other global result	TOTAL EQUITY
	Common stock	Share premium	Reserves	Other equity instruments	Minus: Treasury shares	Profit/(loss) for the period	Minus: interim dividend	Total equity		
4.8 Operations with equity instruments (net)	-	-	-	-	-	-	-	-	-	-
4.9 Transfers between equity items	-	-	(30,522)	-	-	30,522	-	-	-	-
4.10 Increases (reductions) for business combinations	-	-	-	-	-	-	-	-	-	-
4.11 Payments with equity instruments	-	-	-	-	-	-	-	-	-	-
4.12 Other increases (reductions) of equity	-	-	(4,155)	-	-	-	-	(4,155)	-	(4,155)
4.13 Exchange differences	-	-	-	-	-	-	-	-	-	-
5. Closing balance at (31/12/2022)	**114,137**	**43,882**	**234,864**	-	-	**29,488**	-	**422,371**	**(14,007)**	**408,364**

(*) Presented solely and exclusively for comparison purposes.
The accompanying Notes 1 to 36 are an integral part of the consolidated balance sheet at 31 December 2022.

UCI

CONSOLIDATED STATEMENTS OF CASH FLOWS CORRESPONDING TO YEARS ENDED ON 31 DECEMBER 2022 (Expressed in thousands of Euros)

	2022	2021(*)
A. CASH FLOWS FROM OPERATING ACTIVITIES **Profit or loss for the period**	**(288,044)** **(55,011)**	**(182,673)** **29,488**
	-	-
Adjustments to profit or loss to obtain cash flows from operating activities	**(25,056)**	**(33,721)**
Depreciation and amortisation	5,974	6,923
Other adjustments	(31,030)	(40,644)
Net increase/decrease in operating assets	**(149,049)**	**(94,842)**
Financial assets held for trading	-	-
Financial assets designated at fair value through profit or los	-	-
Financial assets held for sale	-	-
Financial assets at amortised cost	(149,173)	(90,264)
Other assets	(124)	(4,578)
Aumento/disminución neto de los pasivos de explotación	**(357,025)**	**(83,598)**
Pasivos financieros mantenidos para negociar	-	-
Pasivos financieros a coste amortizado	(354,405)	(67,292)
Otros pasivos de explotación	(2,620)	(12,340)
Collections/payments for income tax		**(3,966)**
B. CASH FLOWS FROM INVESTING ACTIVITIES	**(91,128)**	**77,982**
Payments	(3,778)	(3,164)
Tangible assets	(2,082)	(2,131)
Intangible assets	(1,696)	(1,033)
Participations	-	-
Non-current assets held for sale and associated liabilities	-	-
Charges	94,906	81,146
Tangible assets	11,408	8,401
Non-current assets held for sale and associated liabilities	83,498	72,745
C. CASH FLOWS FROM FINANCING ACTIVITIES	**205,606**	**53,883**
Payments	**(6,991)**	**(6,117)**
Payment for dividends and other remuneration of liabilities	(6,991)	(6,117)
Charges	**212,597**	**60,000**
subordinated liabilities	**43,597**	-

	2022	2021(*)
Issuance of equity instruments	**147,000**	**60,000**
Other charges related to financing activities	**22,000**	-
D. EFFECT OF EXCHANGE RATE CHANGES	-	-
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A+B+C+D)	**8,690**	**(50,808)**
CASH OR CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**263,386**	**314,194**
CASH OR CASH EQUIVALENTS AT END OF THE PERIOD	**272,076**	**263,386**
MEMORANDUM ITEM:	-	-
COMPONENTS OF CASH OR CASH EQUIVALENTS AT END OF THE PERIOD	-	-
Cash	**3**	**3**
Balance of cash equivalent in central banks	-	-
Other on-demand deposits	**272,073**	**263,383**
Total cash or cash equivalents at end of the period	**272,076**	**263,386**

(*) Presented solely and exclusively for comparison purposes.
The accompanying Notes 1 to 36 are an integral part of the consolidated balance sheet at 31 December 2022.

1. Activity of the entity

UCI, S.A. is the Parent of a Group of Investees comprising UCI, S.A. and its Investees (hereinafter the UCI Group). UCI, S.A. was incorporated for an indefinite period of time in 1988 and has been registered in the Mercantile Register since that year. Its registered office and tax domicile is at calle Retama nº 3 in Madrid, and it is registered in the Madrid Mercantile Register in volume 4075, folio 169, section 8, page number M-67799, 29th entry.

The Group's main activity is the granting of mortgage loans. Its corporate purpose also allows it to carry out the activities of a Credit Financial Institution through the subsidiary Unión de Créditos Inmobiliarios S.A., E.F.C.

During 1999 and 2004, the Group opened a Branch in Portugal and Greece respectively to distribute mortgage loans to individuals. The Greek production was paralysed in the last quarter of 2011, and the branch was closed in the first quarter of 2019, reallocating assets to the parent company. The remaining activity is performed on the national territory.

The Parent Company is obliged to prepare, in addition to its own individual annual accounts, which are also subject to mandatory audit, consolidated annual accounts for the Group, including, where applicable, the corresponding interests in Subsidiaries. The individual annual accounts have been prepared as of 28 March 2023 and are expected to be approved unchanged by the Shareholders. The individual and consolidated financial statements for 2022 were authorised for issue on 30 March 2022 and approved by the shareholders at the Annual General Meeting on 6 May 2022. The Entities comprising the Group are engaged in credit financing activities.

On December 31, 2022 and 2021, total assets, net equity and results for the year of the Subsidiary UNION DE CRÉDITOS INMOBILIARIOS S.A. E.F.C. represent almost all of the same concepts within the Group.

Summarised below are the individual balance sheet, the individual income statement, the individual statement of recognised income and expenses, individual statement of changes in net equity and individual cashflow statement for the aforementioned Subsidiary, corresponding to the financial years ended on December 31, 2022 and 2021, prepared in accordance with the same accounting principles and rules and valuation criteria applied to these consolidated financial statements for the Group:

Balance sheets on 31 December 2022 and 2021 (Expressed in thousands of Euros)

ASSETS	Note	2022	2021	EQUITY AND LIABILITIES	Note	2022	2021
Cash, cash balances in central Banks and other on-demand deposits	**16**	**68,003**	**110,447**	**Financial liabilities held for trading**		**17,939**	**20,806**
Cash		2	2	Derivatives	24	17,939	20,806
Other on-demand deposits		68,001	110,445	Short positions		-	-
				Deposits		-	-
Financial assets held for trading		**5,871**	**5,954**				
Trading derivatives	24	5,871	5,954	Financial liabilities designated at fair value through profit and loss		-	-
Equity instruments		-	-	Deposits		-	-
Debs securities		-	-	Issued debt securities		-	-
Loans and advances		-	-	Other financial liabilities		-	-
				Financial liabilities at amortized cost	23	9,914,772	10,742,708
Financial assets not held for trading compulsorily measured ar fair value profit and loss	**24**	**132,121**	**313,648**	**Deposits**		**9,912,733**	**10,738,913**
				Deposits of central bank		-	-
				Deposits of credit institutions		6,989,437	7,269,197
Equity instruments		-	-	Deposit of clients		2,923,296	3,469,716
Debt securities		-	-	Debt securities		-	-
Loans and advances		132,121	313,648	Other financial liabilities		2,039	3,795
Financial assets designated at fair value through profit and loss		-	-	**Derivatives – hedge accounting**	**25**	**117,639**	**19,475**
Equity instruments		-	-				
Debt securities		-	-	Provisions	26	16,247	11,746
Loans and advances		-	-	Pensions and other post-employment defined benefit obligations		-	-

UCI

ASSETS	Note	2022	2021	EQUITY AND LIABILITIES	Note	2022	2021
Financial assets designated at fair value through other global results:		-	-	**Other non-current remunerations to employees**		-	-
Equity instruments		-	-	Procedural maters and litigations for outstanding taxe.		-	-
Debt securities		-	-	Commitments and guarantees granted		-	-
Loans and advances		-	-	Other provisions		16,247	11,746
Financial assets at amortized cost	**17**	**10,253,761**	**10,438,662**	**Tax liabilities**	**21**	**121,739**	**2,221**
Debt securities		146,116	-	Current tax liabilities		1,446	1,106
Loans and advances		10,107,645	10,438,662	Deferred tax liabilities		120,293	1,115
Hedging derivatives	**25**	**401,942**	**25**	**Other liabilities**	**22**	**31,285**	**31,746**
Changes in the fair value of hedged elements of a portfolio with hedge of the interest rate risk		-	-	**Liabilities included in disposable groups of elements classifield as held for sale**		-	-
Investments in join ventures and associates		-	-	**TOTAL LIABILITIES EQUITY**		**10,219,621**	**10,828,702**
Property, plant and equipament	**19**	**131,207**	**125,807**	**Equity**	**29**	**747,495**	**478,291**
Tangible assets		7,079	7,947	Capital		85,534	52,534
Property investments Of which: Assigned in operating lease		124,128	117,860	Paid		85,534	52,534
				Share premium		414,746	125,746
Intangible assets	**20**	**2,074**	**2,464**	**Equity instruments issued other tan capital**		-	-
Goodwill		-	-	Other equity elements		-	-
Other intangible assets		2,074	2,464	Accumulated gains		-	-
				Otras reserves		300,011	265,623
Tax assets	**21**	**59,825**	**63,421**	**Profit/(los) for the period**		**(52,796)**	**34,388**

ASSETS	Note	2022	2021	EQUITY AND LIABILITIES	Note	2022	2021
Current tax assets		18	18	Minus: interim dividends		-	-
Deferred tax assets		59,807	63,403	Other global accumulated results	-	279,346	(12,837)
Other assets	**22**	**22,095**	**24,227**	**Elements that will not be reclassified in results**	-	-	-
Insurance agreements linked to pensions		-	-	Elements that could be reclassifield in results	-	279,346	(12,837)
Inventories		-	-	Hedging of net investements in businesses abroad	-	-	-
Other assets		22,095	24,227	Currency exchange		-	-
Non-current assets held for sale	**18**	**169,583**	**209, 501**	**Hedging derivatives. Cash Flow hedge reserve**	**28**	**279,346** -	**(12,837)** -
TOTAL ASSETS		**11,246,462**	**11,294,156**	**Changes in the fair value of debit instruments measured at fair value through other global results**	-	-	-
				TOTAL EQUITY	-	**1,026,841**	**465,454**
Pro-memory Contiguous risks	32	41.506 39.462	33.267 30.884	**TOTAL EQUITY AND LIABILITIES**	-	**11,246,462**	**11,294,156**
Contingent commitments	32	-	-				
Ohter granted commitements		2.043	2.383				

UCI

Profit and los accounts corresponding to year ended at 31 December 2022 and 2021 (Expressed in thousands of Euros)

	Note	2022	2021
Income from interests	33	219,035	189,851
Financial assets at amortized cost		185,681	172,132
Derivatives – hedge accounting, interest rate risk		32,830	17,516
Other assets		524	203
(Expenses from interests)	34	(99,225)	(52,736)
INTEREST MARGIN		119,810	137,115
Income from dividends		-	-
Income from commissions	35	12,472	12,420
(Expenses for commissions)	36	(4,277)	(5,652)
Profit or (-) loss when writing off financial assets and liabilities not measured at fair value through profit and los, net.		832	-
Profit and (-) los for financial liabilties hel for trading, net.		-	(474)
Profit and (-) los for financial assets not held for trading compulsory measured at fair value through profit and los, net.		1,764	(81)
Profit an (-) los resulting from hedge accounting, net		1,467	-
Other operating income		4,107	3,687
Other operating expenses		-	-
GROSS MARGIN		136,175	147,015
Administration expenses		(82,988)	(80,567)
Personnel cost	37	(32,127)	(31,860)
Other general administration expenses	38	(50,861)	(48,707)
Amortization	19, 20	(5,763)	(6,691)
Provisions or (-) reserval of provisions		(8,388)	(714)
Impairment or (-) reserval of the impairment of financial assets not measured at fair value through profit and loss		(92,427)	3,780
Financial assets at amortized cost		(92,427)	3,780
RESULTS FROM THE OPERATING ACTIVITY		(53,391)	62,823
Impairment or (-) reserval of the impairment of non-financial assets	19	262	(1,831)
Property, plant and equipment		-	-
Property investments		262	(1,831)
Intangible assets		-	-
Profito r (-) los when writing off non-financial assets, net		-	-
Profit or (-) los originated from non-current assets and disposable groups of elements classifield as held for sale not admisible as discontinued activities	18	(789)	(9,832)

	Note	2022	2021
RESULT BEFORE TAX		(53,918)	51,160
(Expenses or (-) income for income tax from continuing activities)	31	1,122	(16,772)
RESULT FROM THE YEAR FROM CONTINUING OPERATIONS		**(52,796)**	**34,388**
Profits (losses) after tax from discontinued activities		-	-
RESULT FROM THE YEAR		**(52,796)**	**34,388**

UCI

STATEMENTS OF RECOGNISED INCOME AND EXPENSES CORRESPONDING TO YEAR ENDED ON 31 DECEMBER 2022 AND 2021 (Expressed in thousands of Euros)

	2022	2021
RESULTS FROM PERIOD	**(52,796)**	**34,388**
OTHER GLOBAL RESULTS	**292,183**	**61,098**
ELEMENTS THAT WILL NOT BE RECLASSIFIED IN RESULTS	-	-
Actuarial profits (losses) in defined benefit pensión plans	-	-
Non-current assets and disposable groups of elements held for sale	-	-
Changes in the fair value of equity instruments measured at fair value through other global result, net	-	-
Profits (losses) of hedge accounting of equity instruments at fair value through other global results, net	-	-
Changes in the fair value of financial liabilities ar fair value through profit and los attributable to changes in the credit risk	-	-
Other valuation adjustments	-	-
Income Tax related to elements that Will not be reclassified	-	-
ELEMENTS THAT COULD BE RECLASSIFIED IN RESULTS	**292,183**	**61,098**
Hedging of net investments in businesses abroad (effective portion)	-	-
Currency exchange	-	-
Cash Flow hedges (effective portion)	417,404	87,283
Profits (losses) registered in equity	417,404	87,283
Transferred to results	-	-
Transferred to the initial carrying amount of hedged elements	-	-
Other reclassifications	-	-
Debt instruments at fair value through other global results	-	-
Profits (losses) registered in equity	-	-
Transferred to results	-	-
Other reclassifications	-	-
Non-current assets and disposable groups of elements held for sale	-	-
Income Tax related to elements that could be reclassified in results	**(125,221)**	**(26,185)**
TOTAL RECOGNISED INCOME AND EXPENSES	**239,387**	**95,486**

STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (Expressed in thousands of Euros)

	EQUITY								Accumulated other global result	TOTAL EQUITY
	Common stock	Share premium	Reserves	Other equity instruments	Minus: Treasury shares	Profit/ (loss) for the period	Minus: interim dividend	Total equity		
1. Closing balance at (31/12/2021) (*)	**52,534**	**125,746**	**265,623**	-	-	**34,388**	-	**478,291**	**(12,837)**	**465,454**
Effects from error correction	-	-	-	-	-	-	-	-	-	-
Effects from changes in accounting policies	-	-	-	-	-	-	-	-	-	-
2. Adjusted opening balance	**52,534**	**125,746**	**265,623**	-	-	**34,388**	-	**478,291**	**(12,837)**	**465,454**
3. Total recognised income and expenses	-	-	-	-	-	**(52,796)**	-	**(52,796)**	**292,183**	**239,387**
4. Other variations in equity	**33,000**	**289,000**	**34,388**	-	-	**(34,388)**	-	**322,000**	-	**322,000**
4.1 Capital increases	33,000	289,000	-	-	-	-	-	322,000	-	322,000
4.2 Capital decreases	-	-	-	-	-	-	-	-	-	-
4.3 Conversion of financial liabilities in capital	-	-	-	-	-	-	-	-	-	-
4.4 Increase of other equity instruments	-	-	-	-	-	-	-	-	-	-
4.5 Reclassification from financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-
4.6 Reclassification from other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-
4.7 Distribution of dividends	-	-	-	-	-	-	-	-	-	-

UCI

	EQUITY								Accumulated other global result	TOTAL EQUITY
	Common stock	Share premium	Reserves	Other equity instruments	Minus: Treasury shares	Profit/ (loss) for the period	Minus: interim dividend	Total equity		
4.8 Operations with equity instruments (net)	-	-	-	-	-	-	-	-	-	-
4.9 Transfers between equity items	-	-	34,388	-	-	(34,388)	-	-	-	-
4.10 Increases (reductions) for business combinations	-	-	-	-	-	-	-	-	-	-
4.11 Payments with equity instruments	-	-	-	-	-	-	-	-	-	-
4.12 Other increases (reductions) of equity	-	-	-	-	-	-	-	-	-	-
5. Closing balance at (31/12/2022)	**85,534**	**414,746**	**300,011**	-	-	**(52,796)**	-	**747,795**	**279,346**	**1,026,841**

	2022	2021
A. CASH FLOWS FROM OPERATING ACTIVITIES	**(497,984)**	**(182,897)**
Profit or loss for the period	**(52,796)**	**34,388**
Adjustments to profit or loss to obtain cash flows from operating activities	**22.516**	**(7,950)**
Depreciation and amortisation	(5,763)	6,691
Other adjustments	28,278	(14,641)
Net increase/decrease in operating assets	**363,560**	**270,737**
Financial assets held for trading	(83)	
Financial assets designated at fair value through profit or los	181,527	51,822
Financial assets held for sale	-	-
Financial assets at amortised cost	179,986	218,915
Other assets	2,130	
Aumento/disminución neto de los pasivos de explotación	**(831,264)**	**(480,072)**
Pasivos financieros mantenidos para negociar	(2,867)	
Pasivos financieros a coste amortizado	(827,936)	(496,794)
Otros pasivos de explotación	(461)	(1,632)
Collections/payments for income tax		-
B. CASH FLOWS FROM INVESTING ACTIVITIES	**91,096**	**77,859**
Payments	(3,148)	(2,669)
Tangible assets	(1,653)	(1,712)
Intangible assets	(1,496)	(957)
Participations	-	
Non-current assets held for sale and associated liabilities	94,244	80,528
Charges	10,747	8,221
Tangible assets	-	-
Non-current assets held for sale and associated liabilities	83,498	72,307
C. CASH FLOWS FROM FINANCING ACTIVITIES	322,000	60,000
Payments	-	-
Payment for dividends and other remuneration of liabilities	-	-
Charges		
Issuance of own equity instruments	322,000	60,000

	2022	2021
D. EFFECT OF EXCHANGE RATE CHANGES	-	-
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A+B+-C+D)	(42,444)	(45,038)
CASH OR CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	110,488	155,486
CASH OR CASH EQUIVALENTS AT END OF THE PERIOD	68,003	110,488
MEMORANDUM ITEM:	-	-
COMPONENTS OF CASH OR CASH EQUIVALENTS AT END OF THE PERIOD	-	-
Cash	2	2
Balance of cash equivalent in central banks	-	-
Other on-demand deposits	68,001	110,448
Total cash or cash equivalents at end of the period	68,003	110,448

2. Basis of the presentation of the consolidated financial statement and consolidated principles

2.1 Bases of presentation of the consolidated annual accounts

On January 1, 2020, Circular 4/2019 of 26 November, of Bank of Spain, entered into force for financial credit establishments, public and reserved financial reporting standards, and models of financial statements. The reference taken by this Circular is the accounting regulation for credit institutions, either establishing analogous criteria or directly referring to standards of Circular 4/2017, of 27 November. Differences in the nature, scale and complexity of the establishments' activities with regard to credit institutions are translated in a simplified regime of requirements in the financial statements. Such regulations includes requirements set in national accounting regulations, together with International Financial Reporting Standards adopted by the European Union (IFRS-EU) and, in particular, the criteria of the IFRS-EU 9, on financial instruments, including the approach of expected losses to estimate credit risk hedges are incorporated to the accounting regulations of the financial credit establishments.

The abovementioned Circular constitutes the adaptation to the sector of Spanish credit institutions of the International Financial Reporting Standards, adopted by the European Union through Community Regulations, according to Regulation 1606/2002 of the European Parliament and the Council, of July 19, 2002, related to the application of International Accounting Standards, to show the true and fair view of the Entity's equity and financial position at December 31, 2020 and the results of its operations, of recognised income and expenses and of cash flows generated during the year therein ended.

Accordingly, the Group's consolidated financial statements have been formulated by the Directors following the accounting models and criteria established in Circular 4/2019, of 27 November, of Bank of Spain, to express the true and fair view of the consolidated equity and consolidated financial position at December 31, 2022 and of consolidated results from the Group's operations and changes in consolidated equity and cash flows during the year therein ended.

The consolidated annual accounts for the financial year 2022 have been prepared by the Directors at the meeting of its Board of Directors held on 28 March 2023. The consolidated annual accounts of the Group and the annual accounts of the Group entities for the financial year 2022 will be submitted for approval by the General Meeting of Shareholders to be held after the date of preparation

UCI

and during the first half of the financial year 2023. However, the Board of Directors of the Parent Company of the Group considers that these consolidated annual accounts will be approved without changes.

The consolidated financial statements for the financial year 2021 were prepared by the Directors at the Board of Directors' meeting held on 30 March 2022 and approved by the General Meeting of Shareholders held on 6 May 2022.

Accordingly, the financial reporting framework applicable to the Group and used in the preparation of these consolidated financial statements is that set out in:

1. The Commercial Code and other commercial legislation.

2. The mandatory rules approved by the Spanish Accounting and Auditing Institute (Instituto de Contabilidad y Auditoría de Cuentas) and other commercial legislation.

3. Las normas de obligado cumplimiento aprobadas por el Instituto de Contabilidad y Auditoría de Cuentas y en la restante legislación mercantil.

4. All other applicable accounting regulations.

The Group's financial statements have been prepared on the basis of the Group's accounting records, taking into account all accounting policies and rules and measurement bases that have a significant effect on the financial statements, so that they present fairly the Group's equity and financial position on 31 December 2022 and the results of its operations, recognised income and expense, changes in equity and cash flows for the year then ended.

The principal accounting policies and measurement bases applied in the preparation of the consolidated financial statements for 2022 are set out in Note 11. There are no accounting policies or measurement bases that have a material effect on the consolidated financial statements that have not been applied in their preparation.

Notes to the financial statements contain information in addition to that presented in the balance sheet, income statement, statement of changes in equity and cash flow statement. They provide narrative descriptions or disaggregation of those statements in a clear, relevant, reliable and comparable manner.

Main regulatory changes in the period from 1 January to 31 December 2022, not commented above

The following is a summary of the main applicable Bank of Spain Circulars issued and which entered into force in the financial year 2022:

Circular 1/2022, of January 24, of the Bank of Spain, to credit financial institutions, on liquidity, prudential rules and information obligations, and which amends Circular 1/2009, of December 18, to credit institutions and other supervised institutions, in relation to information on the capital structure and equity quotas of credit institutions, and on their offices, as well as on the senior officers of the supervised entities, and Circular 3/2019, of

October 22, exercising the power conferred by Regulation (EU) 575/2013 to define the threshold of significance of overdue credit obligations. (BOE of February 3, 2022)

This circular has led to the establishment of specific regulations and reporting for both liquidity and solvency.

Bank of Spain Circular 2/2022, of March 15, on rules for the submission to the Bank of Spain of payment statistics by payment service providers and payment system operators. (BOE of March 18, 2022)

The application of the circular has not had any significant effects on the Bank's annual accounts, as it is not a payment service provider.

Circular 3/2022, of March 30, of the Bank of Spain, amending Circular 2/2016, of February 2, to credit institutions, on supervision and solvency, which completes the adaptation of the Spanish legal system to Directive 2013/36/EU and Regulation (EU) n.No. 575/2013; Circular 2/2014, of January 31, to credit institutions, on the exercise of various regulatory options contained in Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, and amending Regulation (EU) No.No. 648/2012; and Circular 5/2012, of June 27, to credit institutions and payment service providers, on transparency of banking services and responsibility in the granting of loans. (BOE of April 6, 2022).

From the application of the circular, no significant effects have been derived in the annual accounts of the Entity.

Additionally, in June 2022, the application of the new coverage ratios for alternative solution, introduced by the modifications of Annex IX of Circular 6/2021, have been implemented, the impact for the company has been the increase of its coverage for Subjective Doubtful Assets, in the amount of 5 Million Euros.

Bank of Spain Circular 1/2021 of 28 January amending Circular 1/2013 of 24 May on the Central Credit Register and Circular 5/2012 of 27 June to credit institutions and payment service providers on transparency of banking services and responsibility in the granting of loans (BOE of 30 January 2021).

The main objective of the circular is to adapt Banco de España Circular 1/2013 of 24 May on the Central Credit Register and Circular 5/2012 on the transparency of banking services and responsibility in the granting of loans, to the changes introduced in the regulation of the Central Credit Register (CCR), as well as the update of the official reference rates by Order ETD/699/2020 (amending Order ECO/697/2004 and Order EHA/2899/2011, on transparency and customer protection in banking services (OM)).

On 27 July the Official State Gazette (BOE) published the OM on revolving credit, which, among other regulations, amends Order ECO/697/2004, of 11 March, on the Central Credit Register (hereinafter, 'OM of the CIR'). One of the objectives of this order is to improve the information available to lenders to analyse the solvency of potential borrowers, so as to avoid over-indebtedness positions that lead borrowers to be unable to meet their financial obligations. Having the right information to make a sound assessment of creditworthiness to prevent over-indebtedness is particularly relevant in the context of the economic and social impact of the Covid-19 health crisis.

In addition, the aforementioned Circular introduces, in its second rule, a modification of certain aspects of Circular 5/2012, in relation to official interest rates through the amendment of Order EHA/2899/2011. The aim of this change is, among other objectives, to increase the official interest rate alternatives available to institutions, both for use in granting loans and for inclusion as substitutes in such contracts. To this end, the list of interest rates that will be considered official reference rates is revised, the name of some of the existing ones is changed and their number is increased. In this respect, the circular updates the list of official rates envisaged in the OM on transparency and establishes the definition and procedure for determining the new indices.

The application of the Circular has not had any significant effects on the Group's consolidated financial statements.

Bank of Spain Circular 3/2021 of 13 May amending, regarding the definition of the reference interest rate based on the Euro short-term rate (euro STR), Circular 5/2012 of 27 June to credit institutions and payment service providers on transparency in banking services and responsibility in the granting of loans (BOE of 17 May 2021).

The main purpose of this circular is to adapt the definition of the euro short-term rate (euro STR) for the purposes of its consideration as an official rate, as set out in Annex 8, Section 6, of Circular 5/2012 of 27 June 2012 to credit institutions and payment service providers on transparency in banking services and responsible lending, following the publication of Guideline (EU) 2021/565 of the European Central Bank of 17 March 2021 amending Guideline (EU) 2019/1265 on the euro short-term interest rate (euro RTS) (ECB/2021/10), which provides for the compilation and daily publication, from 15 April 2021, of average composite euro RTS-based composite rates.

The application of the aforementioned Circular has not had any significant effects on the Group's consolidated financial statements.

Bank of Spain Circular 4/2021, of 25 November, to credit institutions and other supervised institutions, on models of confidential statements on market conduct, transparency and customer protection, and on the register of complaints (BOE of 1 December 2021).

The purpose of the aforementioned circular is to establish the content and frequency of the model confidential statements on market conduct, transparency and customer protection that must be submitted to the Bank of Spain. It also determines the minimum content of the information that these institutions must have at the disposal of the Bank of Spain regarding complaints.

The application of the aforementioned Circular has not had any significant effects on the Group's consolidated financial statements.

Banco de España Circular 5/2021, of 22 December, amending Circular 2/2016, of 2 February, to credit institutions, on supervision and solvency, which completes the adaptation of the Spanish legal system to Directive 2013/36/EU and Regulation (EU) No 575/2013. (BOE of 23 December 2021) (Correction of errors BOE of 30 December 2021).

This circular responds to the principles of necessity, effectiveness, proportionality, legal certainty, transparency and efficiency, as required by article 129 of Law 39/2015, of 1 October, on the Common Administrative Procedure of Public Administrations.

With regard to the principles of necessity and effectiveness, this circular is the necessary instrument for the development of the regime applicable to the new macroprudential tools available to Banco de España, in accordance with Royal Decree-Law 22/2018 and Royal Decree 102/2019, whose ultimate objective is to identify, prevent and mitigate the development of systemic risk and ensure a sustainable contribution of the financial system to economic growth:

• Capital buffer requirements, as provided for in articles 43 to 49 of Law 10/2014.

• The establishment of limits to sectoral concentration, in accordance with Article 69 Ter of Law 10/2014.

•The setting of conditions on the granting of loans and other operations, pursuant to Article 69 quarter of Law 10/2014.

The application of the aforementioned Circular has not had any significant effects on the Group's consolidated financial statements.

Bank of Spain Circular 6/2021 of 22 December amending Circular 4/2017 of 27 November to credit institutions on public and confidential financial reporting standards and financial statement formats, and Circular 4/2019 of 26 November to financial credit institutions on public and confidential financial reporting standards and financial statement formats (BOE of 29 December 2021). The main objective of the circular is to update Circula 4/2017, of 27 November, for credit institutions, on public and confidential financial reporting standards and financial statement formats.

Firstly, the amendments that the aforementioned circular incorporates in Circular 4/2017, are fundamentally to reflect the changes in the international financial reporting standards adopted by the European Union (IFRS-EU), with regard to International Accounting Standard 39 and International Financial Reporting Standards 4, 7, 9 and 16. The aforementioned changes are the result of the project of the International Accounting Standards Board (IASB) to respond to the reform of the benchmark interest rate indices known as IBORs (InterBank Offered Rates).

Second, the templates and instructions for the preparation of the confidential financial statements known as FINREP have, inter alia, been amended by Commission Implementing Regulation (EU) 2021/451 of 17 December 2020 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council as regards supervisory reporting by institutions and repealing Implementing Regulation (EU) No 680/2014. Pursuant to this Implementing Regulation, changes have been introduced in FINREP, inter alia, regarding restructured, refinanced or refinancing transactions (forborne exposures). This circular incorporates adjustments to the treatment of restructured, refinanced or refinanced transactions set out in Annex 9, on 'Credit risk analysis and coverage', of Circular 4/2017 of 27 November, to keep it aligned with that of FINREP.

Third, the European Banking Authority (EBA) Guidelines on lending and loan monitoring (EBA/GL/2020/06) aim, inter alia, to improve practices, processes and procedures related to the granting of credit operations. These guidelines have been adopted by the Bank of Spain for both less significant credit institutions and financial credit institutions, and by the European Central Bank for significant credit institutions.

Fourth, the aforementioned circular amends Annex 9 of Circular 4/2017 of 27 November to update the alternative solutions for the collective estimation of credit risk loss allowances and discounts on the reference value of foreclosed assets or assets received in payment of debts. This update considers the evolution of the data on the transactions reported by the institutions to Banco de España and, in addition, in the case of the alternative solutions, incorporates updated forecasts on future macroeconomic conditions.

The main change introduced is the update of the alternative solutions for the collective estimation of credit risk loss allowances and discounts on the reference value of foreclosed assets or assets received in payment of debts. It should be noted that these changes will be applied as of 30 June 2022, as the first reference date, changes introduced in the tables relating to the coverage percentages, as an alternative solution, for the collective estimate of the coverage of transactions classified as normal risk and normal risk under special surveillance, as well as the coverage of doubtful risk and the percentage discounts on the reference value.

Fifth, Circular 4/2017 of 27 November is amended to update the statistical data requirements of the Economic and Monetary Union (EMU), in accordance with the amendments established by Regulation (EU) 2021/379 of the European Central Bank of 22 January on balance sheet items of credit institutions and of the monetary financial institutions sector (recast) (ECB/2021/2). The new information requested consists, on the one hand of additional data requirements to improve the analysis of monetary and credit developments and, on the other hand, of amendments to some of the existing data requirements and definitions to support better integration with other statistical datasets.

Lastly, specific amendments are made to the individual financial statements reserved in Circular 4/2017 of 27 November in order to introduce new data requirements to verify compliance with standards or to compile statistical information, as well as to make technical adjustments and corrections identified as necessary since the last update of that Circular.

The application of the aforementioned Circular has not had any significant effects on the Entity's annual accounts.

Comparison of information

The previous year's consolidated annual accounts are solely and exclusively presented for comparison purposes, with each item of the consolidated balance sheet, consolidated profit and loss account, consolidated statement of changes in equity, consolidated statement of cash flows and the notes to the consolidated Financial Statements, related to 2022.

2.2 Management and impacts of the macroeconomic environment

The year 2022 has been marked by the gradual return to health and social normalization, after the health crisis generated by the Covid-19 pandemic, and the correction of the adjustments that occurred after 2020 in the economic activity in general.

In 2020, the Entity focused its attention on ensuring continuity in the operational security of the business as a priority and monitoring the impacts on the business and on the risks of the Company and its Branch (such as impacts on results, capital, customer solvency or liquidity). In addition, the Company adopted from the beginning a series of measures to support and facilitate the payment of loans to its customers, mainly to the sectors most affected by Covid-19.

In order to mitigate the impact associated with Covid-19, the Bank of Spain, the European Central Bank and other European and international organizations made pronouncements aimed at allowing greater flexibility with respect to the implementation of the accounting and prudential frameworks, these pronouncements have been taken into consideration by the Company in the preparation of the financial statements.

The main impacts derived from the pandemic are detailed in the following Notes:

• Note 17 includes information on initiatives carried out by the Entity to assist affected clients. This includes, among others, information related to the number of operations and the amount corresponding to moratoriums, both public and private, granted by the Group.

In addition, in 2020, a "Post-Model Adjustment" was used to calculate the provision for credit risk from the Group's internal model, based on "expert judgement" and in order to include extreme economic conditions, the uncertainty about the duration of the pandemic and the effectiveness of the measures adopted by the authorities for an amount of 8 million euros. In 2021, given the availability of more reliable information on macroeconomic scenarios, these have been updated, reversing the "Post Model Adjustment" recorded for this item.

In line with these recommendations of the supervisory bodies, the Group classified in Stage 1 certain customers who have been granted moratoriums (deferrals) during the financial year 2020 and who before the impact of Covid-19 had good payment behaviour and as a result of the crisis generated by the pandemic are observed to have a transitory liquidity problem.

Thus the Entity set certain thresholds to assess this good payment behaviour prior to Covid-19 and keep customers who meet these criteria in Stage 1, rather than Stage 2 or Stage 3.

In the year 2022, almost all of the moratoriums granted in the year 2021 have ended and therefore there is no differentiated accounting treatment for these types of operations.

On the other hand, in financial year 2022, the greatest macro-economic threat was already present at the end of 2021: the euro zone consumer price index, negative in 2020, increased from 5.0% at the end of 2021 to 9.2% in December 2022. The restrictions generated by the covid health crisis had weakened in 2021 the supply networks of the globalized economy, causing a spike in inflation. The invasion of Ukraine in February, with its upward impact on commodity and agricultural prices, reinforced inflationary pressure.

The Spanish CPI, which was higher than that of the EMU as a whole in 2021 (+6.6%) fell back and ended 2022 below average (+5.5%) as Greece, and unlike the large economies of the euro zone (Germany, France, and Italy)

The Group includes the CPI performance within the inputs used in its provisioning model, as it is part of the econometric model that estimates the Probability of Default. Specifically, quantitative information is provided in relation to the rates used for this variable in note 13.

2.3 Consolidation principles

Subsidiaries

Subsidiaries are entities on which the Group has control. In general, this capacity is stated, although not exclusively, by ownership, direct or indirect, of at least 50% of the political rights on investees or, if such percentage was below 50% or null, if, for example, there are agreements with their shareholders who grant such control to the Group. Control is understood to be the power to manage the financial and operational policies of an entity in which there is a holding, so as to obtain profits from its activities.

It is understood that an entity controls an investee when it is exposed to or has rights to variable returns for its involvement in the investee and has the ability to influence such returns through the power exercised on the investee. The following must concur in order to consider the existence of control:

a) Power: an investor has power on an investee when the investor holds rights in force which provide it with the capacity to direct relevant activities, which are those which significantly affect the investee's yields;

b) Yields: an investor is exposed or has right to variable yields for its involvement in the investee when yields obtained by the investor for such involvement can vary in the basis of the investee's economic evolution. The investor's yields shall be only positive, only negative or simultaneously positive and negative.

c) Relation between power and yields: an investor controls an investee if the investor does not only hold power on the investee and is exposed or has right to variable yields for its involvement in the investee, but also has the capacity to use its power to influence yields obtained for such involvement in the investee.

The financial statements of subsidiaries are consolidated with those of the Group by applying the full consolidation method. Consequently, all significant balances and transactions among consolidated entities and such entities and the Group are eliminated within the consolidation process.

At acquisition of a subsidiary, its assets, liabilities and contingent liabilities are registered at their fair value at acquisition date. Positive differences between the acquisition cost and fair values of identifiable net assets acquired are recognised as goodwill. Negative differences are allocated to profit and loss at acquisition date.

Additionally, the shareholding by minority shareholders on the Group's equity is presented under "Minority shareholders" on the accompanying consolidated balance sheet. Their shareholding on the results for the year is presented on the caption "Results attributed to minority shareholders" on the accompanying consolidated income statement.

The consolidation of results generated by entities acquired during a certain year only considers results related to the period comprised between the acquisition date and that year's closing. In parallel, the consolidation of results generated by entities disposed of during a certain year only considers those results related to the period from the opening of the year and the date of disposal.

Securitisation funds in which an exposure has been withheld as subordinated financing have been consolidated through the global integration, in order to provide more information, although the control is not held on them, there being alternative accounting presentation options.

Associates

Associates are those over which the Group holds a significant influence, although not a control or joint control. It is assumed that there is a significant influence when 20% or more of voting rights are held, directly or indirectly, on an investee, unless it is possible to clearly demonstrate that there is not such influence.

On consolidated financial statements, associates are valued by the "equity method", that is to say, by the fraction of its net equity representing the Group's shareholding on its capital, after considering dividends perceived from them and other equity eliminations. In the case of transactions with an associated entity, the corresponding profit or loss is eliminated on the Group's percentage over its capital.

Structured entities

In those cases in which the Group sets up or participates in entities for the purpose of allowing its customers access to certain investments, or for the transfer of risks or other purposes, also known as structured entities since voting rights or similar are not the decisive factor in deciding who controls the entity, it is determined, in accordance with internal criteria and procedures and considering the provisions of the relevant regulations, whether control exists, as described above, and therefore whether or not they should be subject to consolidation. Specifically, for those entities in which it is applicable (mainly mutual funds and pension funds), the Group analyses the following factors:

• Percentage shareholding maintained by the Group, with a general threshold of 20%.

• Identification of the fund manager, verifying whether it is a company controlled by the Group as this could affect the ability to direct the relevant activities.

• Existence of agreements and/or arrangements between investors that may result in decision-making requiring the joint participation of investors, in which case the fund manager is not the decision-maker. - Existence of currently exercisable exclusion rights (possibility to remove the manager from office) as the existence of such rights may be a limitation to the manager's power over the fund, concluding that the manager acts as an agent of the investors.

• Analysis of the fund manager's remuneration regime, considering that a remuneration regime commensurate with the service provided does not generally create an exposure of such significance as to indicate that the manager is acting as a principal. Conversely, if the remuneration is not commensurate with the service provided, it could give rise to such an exposure as to lead the Group to a different conclusion.

Structured entities also include so-called asset-backed securitisation vehicles, which are consolidated in those cases where, being exposed to variable returns, it is determined that the Group has retained control. The exposure associated with unconsolidated structured entities is not material in relation to the Group's consolidated financial statements.

The following table sets out, among other information, the structured entities (Asset Securitisation Funds) that are consolidated in these consolidated financial statements as of 31 December 2022:

Society	Country	Activity
Mortgage Securitisation Fund UCI 11	Spain	Securitisation
Mortgage Securitisation Fund UCI 12	Spain	Securitisation
Mortgage Securitisation Fund UCI 14	Spain	Securitisation
Mortgage Securitisation Fund UCI 15	Spain	Securitisation
Mortgage Securitisation Fund UCI 16	Spain	Securitisation
Mortgage Securitisation Fund UCI 17	Spain	Securitisation
Securitisation Fund, RMBS Prado V	Spain	Securitisation
Securitisation Fund, RMBS Prado VI	Spain	Securitisation
Securitisation Fund, RMBS Prado VII	Spain	Securitisation
Securitisation Fund, RMBS Prado VIII	Spain	Securitisation
Securitisation Fund, RMBS Prado IX	Spain	Securitisation
Securitisation Fund, RMBS Prado X	Spain	Securitisation
RMBS Green Belem I	Portugal	Securitisation
RMBS Green Belem II	Portugal	Securitisation

The following table sets out, among other information, the structured entities (Asset Securitisation Funds) that are consolidated in these consolidated financial statements as of 31 December 2021:

Society	Country	Activity
Mortgage Securitisation Fund UCI 11	Spain	Securitisation
Mortgage Securitisation Fund UCI 12	Spain	Securitisation
Mortgage Securitisation Fund UCI 14	Spain	Securitisation
Mortgage Securitisation Fund UCI 15	Spain	Securitisation
Mortgage Securitisation Fund UCI 16	Spain	Securitisation
Mortgage Securitisation Fund UCI 17	Spain	Securitisation
Securitisation Fund, RMBS Prado IV	Spain	Securitisation
Securitisation Fund, RMBS Prado V	Spain	Securitisation
Securitisation Fund, RMBS Prado VI	Spain	Securitisation
Securitisation Fund, RMBS Prado VII	Spain	Securitisation
Securitisation Fund, RMBS Prado VIII	Spain	Securitisation
Securitisation Fund, RMBS Prado IX	Spain	Securitisation
RMBS Green Belem I	Portugal	Securitisation

The relevant information of Group Entities' investments on December 31, 2022 and 2021 is the following:

NAME AND ADDRESS	HARE CAPITAL 2022 (in thousands of Euros)	SHARE CAPITAL 2021 (in thousands of Euros)	SHAREHOL-DING PERCENTAGE	ACTIVITY
UNIÓN DE CRÉDITOS INMOBI-LIARIOS, S.A. ESTABLECIMIENTO FINANCIERO DE CREDITO Sociedad Unipersonal C/ RETAMA 3 - MADRID	85,534	52,534	100%	Property financing loans
UCI SERVICIO PARA PROFESIO-RES INMOBILIARIOS, S.A. (antes COMPRARCASA SERVICIOS INMOBILIARIOS, S.A. Sociedad Unipersonal) C/ RETAMA 3 - MADRID	635	635	100%	The provision of all types of services related with the property/IT market
RETAMA REAL ESTATE (antes U.C.I. SERVICIOS INMOBILIA-RIOS Y PROFESIONALES, S.L. Sociedad Unipersonal) C/ RETAMA 3 - MADRID	2,578	2,578	100%	Advice, Management, direction and assistance for companies, as well as the acquisition and sale of real estate
ComprarCasa, Rede de Serviços Imobiliários, SA	275	275	99,9%	Development of IT activi-ties and services related to the real estate sector, both through Internet and other technologies
UCI–Mediação de Seguros Uni-pessoal Lda	5	5	100%	Insurance brokerage
UCI Holding Brasil Lda	1,494	1,494	100%	Holding entity. It holds 50% of COMPANHIA PROMOTORA UCI
UCI Hellas Credit and Loan Recei-vables Servicing Company S.A.	100	100	100%	Management and mainte-nance of loans granted by financial entities.

The contribution to the Group's results by each entity during 2022 has been the following:

	Unión de Créditos Inmobiliario, SA. EFC								
UCI, SA	Business in Spain	Business in Portugal and Greece	ComprarCasa, Rede de Serviços Imobiliários, S.A.	UCI Servicios para profesionales inmobiliarios S.A.	Retama Real Estate	UCI Mediación de seguros	UCI Holding Ltda	UCI Hellas Credit and Loan Receivables Servicing Company S.A.	Total, Consolidated
(7,446)	(52,796)	6,808	12	45	(2,028)	-	15	378	(55,011)

La aportación al resultado del Grupo de cada una de las Entidades en el ejercicio 2021 ha sido la siguiente:

	Unión de Créditos Inmobiliario, SA. EFC								
UCI, SA	Business in Spain	Business in Portugal and Greece	ComprarCasa, Rede de Serviços Imobiliários, S.A.	UCI Servicios para profesionales inmobiliarios S.A.	Retama Real Estate	UCI Mediación de seguros	UCI Holding Ltda	UCI Hellas Credit and Loan Receivables Servicing Company S.A.	Total, Consolidated
(4,011)	30,169	4,219	8	167	(1,275)	2	134	75	29,488

In the consolidation process, the full consolidation procedure has been applied for the annual accounts of the subsidiaries. In this respect, the financial statements of the companies included in the Group's scope of consolidation have been adapted to the valuation models, principles and standards used and the estimates made, in accordance with the regulatory framework for financial reporting contained in the regulations governing financial credit institutions, without any significant adjustments having arisen as a result of this homogenisation process.

Consequently, all significant balances and transactions among Entities that are part of the consolidation perimeter have been written-off during the consolidation process.

3. Change and errors in accounting criteria and estimates

The information included in the present consolidated annual accounts is under the responsibility of the Parent entity's Directors. Estimates, if any, have been used in the present consolidated annual accounts to value certain assets, liabilities, expenses and commitments made by the Parent entity's Senior Management, subsequently ratified by the Directors.

Such estimates correspond to the following:

- Losses from impairment of certain financial assets (Notes 11, 17 and 18)

- The useful life applied to tangible assets and intangible assets (Notes 11 m., 11n., 19 and 20)

- The fair value of certain unlisted assets (Notes 11d., 11c., 24 and 25)

- Impairment losses on non-current assets held for sale and investment property (Notes 11,18 and 19)

- The valuation of the provisions required to cover legal contingencies (Notes 11 and 26)

- The recoverability of deferred tax assets (Notes 11 k. and 21)

Although the estimates described above have been made on the basis of the best information available at year-end 2022, it may be that future events may make it necessary to modify them (upwards or downwards) in the coming years, which would be done in accordance with the provisions of Bank of Spain Circular 4/2019, prospectively, recognising the effects of the change in estimate, if any, in the corresponding income statement.

In updating the above estimates, the Group has taken into account the current macroeconomic scenario resulting from the war in Ukraine, as well as the increasing level of inflation and difficulties in the supply chains, which is generating a certain impact on the economic evolution and is the focus of monitoring, and which generates uncertainty in the Company's estimates. And it has made an assessment of the current situation according to the best information available as of December 31, 2022.

There are no additional aspects to those indicated in Note 2.1.

UCI

4. Distribution of income

The proposed appropriation of the profit for the financial year 2022 obtained by the Company, which its Board of Directors will propose to the Sole Shareholder for approval, as well as the appropriation of the profit for the financial year 2021 approved by the General Meeting of Shareholders, is as follows:

	Thousands of euros	
	2022	2021
Net profit for the year	(2,338)	(5,794)
Application:		
To legal reserve		-
To voluntary reserve		-
To results of previous years	(2,338)	(5,794)
To Dividends		-

5. Minimum equity

Until December 31, 2013, Circular 3/2008 of Bank of Spain, of 22 May, and successive updates, on the determination and control of minimum equity, regulated minimum equity requirements to be held by Spanish credit entities – both at individual and consolidation level – and the way to determine such equity.

On June 27, 2013, the European Union's Official Gazette published the new regulation on capital requirements (called CRD IV), applicable from January 1, 2014, comprised by the following:

• Directive 2013/36/EU, of 26 June, of the European Parliament and Council, related to the access to the activity by credit entities and investment companies, and the prudential supervision of credit entities and investment companies, modifying Directive 2002/87/EC and derogating Directives 2006/48/EC and 2006/49/EC.

• Regulation EU 575/2013, of 26 June, of the European Parliament and Council, on prudential requirements for credit entities and investment companies, modifying Regulation EU 648/2012.

In Spain, the transposition of the new European regulation has been performed on two stages. On a first stage, Royal Decree Law 14/2013, of 29 November, was published, on urgent measures to adapt the Spanish law to the European Union regulation in supervision and solvency of financial entities, performed a partial transposition of Directive 2013/36/EU to the Spanish law and empowered Bank of Spain, in its final fifth provision, to use options allocated to national competent authorities in Regulation EU 575/2013.

In the exercise of authorisation granted by such Royal-Decree Law, Bank of Spain approved Circular 2/2014, of 31 January, on the exercise of several regulatory options contained on Regulation (EU) 575/2013, determining chosen national permanent and transitory options, for its application by credit institutions from the entry into force of such regulation, in January 2014. Subsequently, this Circular was modified regarding the treatment of the deduction of intangible assets during the transitory period, by Circular 3/2014, of 30 July, of Bank of Spain.

On a second stage, Law 10/2014, of 26 June, was enacted on regulation, supervision and solvency of credit entities, establishing bases for a complete transposition of Directive 2013/36/EU. Subsequently, in February 2015, Royal Decree 84/2015, of 13 February, was published, developing Law 10/2014, of 26 June, on regulation, supervision and solvency of credit entities.

Then, Circular 2/2016, of 2 February, was published, on supervision and solvency, which completes the adaptation of the Spanish legal system to Directive 2013/36/EU and to the Regulation (EU) 575/2013, which has been amended by Circular 3/2022, of 30 March.

All the above constitutes the current regulation in force on minimum equity to be held by Spanish credit entities, both at individual and consolidation levels, and the way to determine such equity, as well as several capital self-assessment processes to be applied.

Bank of Spain will have a supervisory function over the Financial Credit Establishments, in agreement with title III Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions, with adaptations that, where applicable, are determined by regulation. This competence will be extended to any office or centre, in the Spanish territory or abroad, and, to the extend required by the compliance with functions entrusted to Bank of Spain, to companies integrated in the group of the Financial Credit Establishment.

On February 11, 2020, the new Royal Decree 309/2020, on the legal regime of financial credit establishments and amending, the Regulations of the Commercial Registry, approved by Royal Decree 1784/1996, of July 19, and Royal Decree 84/2015, of February 13, implementing Law 10/2014, of June 26, on the regulation, supervision and solvency of credit institutions, was approved and entered into force on July 1, 2020.

Concerning financial credit establishments that have the condition of SME, in agreement with the Recommendation 2003/361/EC of the Commission, of 6 May 2003, on the definition of micro-enterprises, small and medium entities, the capital conservation buffers, and specific anticyclical capital regulated in articles 44 and 45 of Law 10/2014, of 26 June, and its developing regulation will not be applicable.

Recommendation 2003/361/EC of the Commission, of 6 May 2003, on the definition of micro-enterprises, small and medium entities establishes the following in article 2 of its Annex:

- The category of micro-enterprises, small and medium entities (SME) comprises companies with less than 250 employees and which annual turnover does not exceed 50 million euros or which general annual balance sheet does not exceed 43 million euros.

- The category of SME defines a small company as one with less than 50 employees and which annual turnover or general annual balance sheet does not exceed 10 million euros.

- The category of SME defines a micro-enterprise as a company that hires less than 10 employees and which annual turnover or general annual balance sheet does not exceed 2 million euros

Therefore, at 2021 and 2022 closing, the solvency regime established for credit institutions in title II of Law 10/2014, of 26 June, and in title II of Royal Decree 84/2015 is applicable to the Entity, with the abovementioned exceptions, which the regulatory framework for reporting purposes has been clarified by Bank of Spain Circular 1/2022, dated January 24, to financial credit institutions, on liquidity, prudential rules and reporting obligations.

In 2019, UCI Group decided to adopt criteria defined by EU CRR regarding the compliance with the percentage of 2.5% of “capital conservation buffer”.

On April 16, 2019, UCI EFC España performed a transfer of 32 million euros, in order to allocate share capital to its Branch in Portugal, in agreement with the local regulator, for the purpose of maintaining sufficient solvency with a view to the development of its credit activity in Portugal.

Therefore, the Group considers equity and the equity requirements established by the aforementioned regulations as a fundamental element of its management of the Group, affecting both investment decisions, analysis of the viability of operations, etc.

Below is a detail, classified into Tier 1 and Tier 2 capital, of the Group's capital on 31 December 2021 and 2022, calculated in accordance with the provisions of Royal Decree 309/2020, which established that, in general, the prudential regulations for credit institutions, in particular Regulation 575/2013 of the European Union (CRR), subsequently amended by EU Regulation No. 876/2019, as well as by Directive (EU) 2019 / 978 of the European Parliament, amending Directive 2013/36 EU.

	Thousands of euros	
	2022	2021 (*)
Computable Capital	305,019	158,019
Computables Reserves	257,410	211,982
Result of the year	(55,011)	-
Other basic PRs according to national legislation	13,212	108,423
Other deductions from basic own resources	(22,274)	(1,016)
AR 1 Cocos	104,000	82,000
BASIC OWN RESOURCES	602,356	477,408
Standard subordinated financing and similar instruments	150,000	105,000
SECOND CATEGORY OWN RESOURCES	150,000	105,000
COMPUTABLE OWN RESOURCES	752,356	582,408
TOTAL, WEIGHTED AVERAGE ASSETS	5,145,780	5,507,610
TOTAL, OWN RESOURCES REQUIREMENTS	694,680	578,299
OWN RESOURCES SURPLUS (+) / DEFICIT (-)	57,675	4,108

(*) Figures not restated.

Accordingly, the solvency ratios at year-end 2022 and 2021 would be as follows:

	2022	2021
About Common Equity	9.68%	8.67%
On basic own resources	11.71%	8.65%
On second category own resources	2.91%	2.23%
Of total own resources	14.62%	10.88%

On 31 December 2022 and 2021, and during those years, the individual and consolidated eligible capital exceeded the requirements of the regulations in force at any given time, with a solvency ratio of 14.62% and 10.88%, respectively.

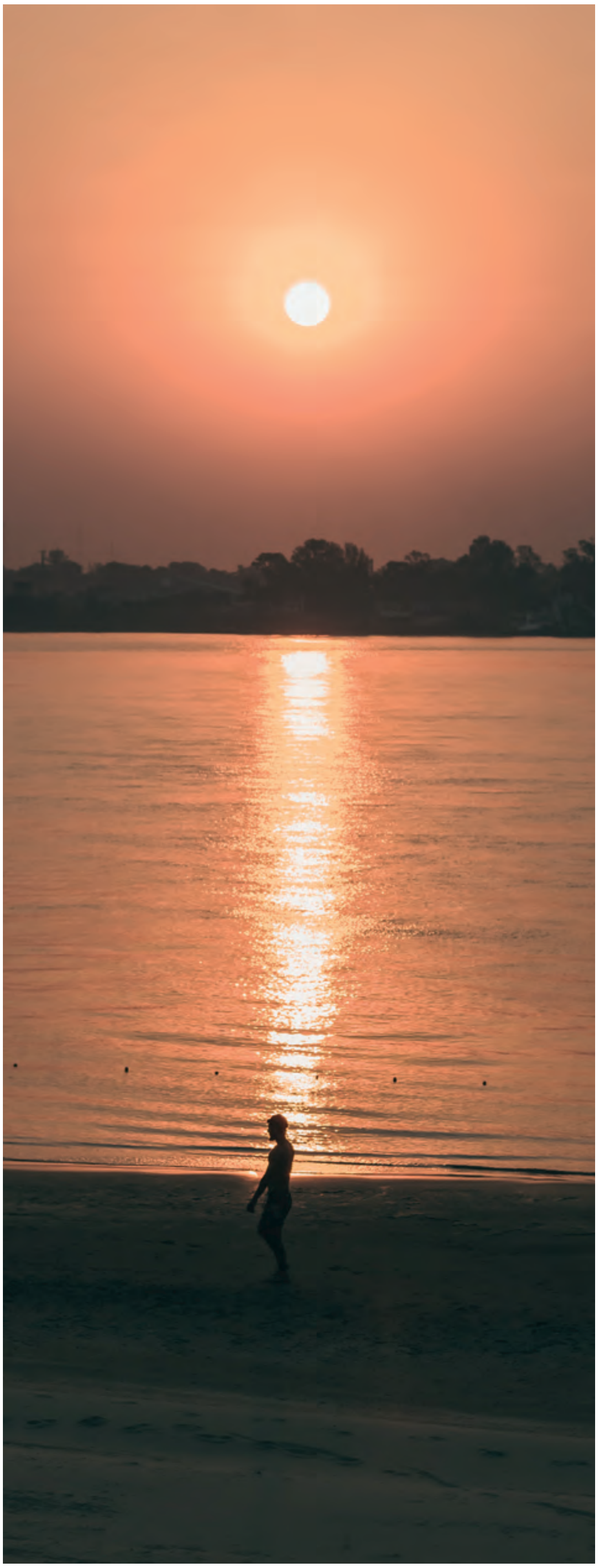
On January 24, 2022, the Group received a communication from its supervisor, the Bank of Spain, within the framework of the SREP process. This communication established under Pillar II a P2R level of 2% in addition to the solvency level required for the Company, which is 10.5%, as well as an additional 1% P2G level.

Following the communication received from the Pillar 2 supervisor, the shareholders of UCI, S.A. proceeded to capitalize its subsidiary by issuing new shares for an amount of 100 million euros on March 4, 2022, and a new subordinated debt issue for an amount of 45 million euros on March 24, 2022. In addition, 22 million contingently convertible preferred shares ("CoCos") were issued as additional tier 1 capital.

In addition, in December 2022, the shareholders of UCI, S.A. capitalized their subsidiary by issuing new shares in the amount of 50 million euros. The amount and speed of the recapitalization of the Company by its shareholder reflects the commitment of the shareholders of UCI, S.A. to the solvency of the UCI Group and its main component, Unión de Créditos Inmobiliarios, S.A., E.F.C.

In relation to the situation as of December 2022, it is worth highlighting the Group's soundness in complying with the solvency ratios, which amount to 14.62%, although the requirements are 13.5%, with a surplus of 57.6 Million Euros.

Finally, in December 2022, the Company again received a communication from its supervisor, the Bank of Spain, within the framework of the SREP process. This communication reduced the additional P2G level from 1% to 0.75%, effective January 1, 2023.



6. Information by market segment and additional information

a) Segmentation by business lines:

The main business of UCI Group is mortgage business, without other significant business lines.

b) Segmentación por ámbito geográfico:

The Group counts with a Branch in Portugal (production of 202 million euros and 185 million euros on December 31, 2022 and 2021 respectively) and in Greece, which ended its commercial activity in 2011, but continued granting new credits until 2016, in order to finance sales of certain REOs. It was closed at the end of the first quarter of 2019, reallocating assets to the parent company. The remaining activity is held in the national territory.

The branch in Portugal has financial assets at amortised cost (loans and receivables) amounting to 1,235 million euros and 1,195 million euros on 31 December 2022 and 2021 respectively.

c) Agency contracts

Neither at 2022 and 2021 closings, nor throughout such years, has the Group held "agency contracts" in force on the way they are contemplated under article 22 of Royal Decree 1245/1995, of July 14, of the Ministry of Economy and Treasury.

d) Coefficient of minimum reserves

At December 31, 2022 and 2021, both the Group and the Parent Entity exempt are from complying with this coefficient, as they do not acquire responsible funds from the public.

e) Presentation currency

The functional and presentation currency of the entity is the Euro.

7. Remuneration and daty to loyalty of the entity´s directors and key management personnel

The remuneration for members of the Board of Directors is included under the heading Personnel Costs in the accompanying consolidated income statement for an amount of 152 thousand Euros (102 thousand Euros in 2021).

At the date of formulation of the consolidated annual accounts, the Board members of UCI, S.A. and persons related to them, as defined by article 231 of the Corporate Enterprises Act, have not communicated to other Board members any situation of conflict, direct or indirect, with the Entity's interest.

Remuneration of key personnel and Board members as Directors

The salary remuneration received in financial year 2023 by the professionals who make up the Group's key personnel in their capacity as executives amounted to 2,743 thousand euros (2,782 thousand euros in financial year 2021), all of which corresponds to fixed remuneration. The Group's senior management corresponds to the senior management of the subsidiary Unión de Créditos Inmobiliarios, S.A., E.F.C., as there are no members of the Board of Directors classified as senior management in the Parent Company.
There are no termination benefits for key personnel in the financial year 2022 and 2021.
For the purposes of the attached data, key personnel are understood to be the persons who meet the requirements indicated in section 1.d) of Rule 62 of Circular 4/2017.

Commitments for pensions, insurances, credits, guarantees and other concepts

The Group's Directors have not been granted with commissions for pensions, credits, guarantees or other concepts.

8. Enviromental impact

The Group considers that it has adopted the appropriate measures regarding the protection and improvement of the environment and the minimisation, as applicable, of environmental impact, complying with the regulations on this aspect. During 2022 and 2021, the Group has not made any significant investment of an environmental nature and neither has it considered it necessary to register any provision for risks and charges of an environmental nature, neither does it consider that there any material contingencies regarding the protection and improvement of the environment.

9. Audit fees

Fees for the audit of the Group's accounts, included under "Other general administrative expenses" in the consolidated income statement for the year 2022, amounted to 114,490 euros (126,900 euros in the year 2021 corresponding to Mazars Auditores, S.L.). In the financial years 2022 and 2021, no fees have been accrued by the auditor or other entities of its network for other services, and regardless of their invoicing period.

10. Subsequent events

Between December 31, 2022 and the date of preparation of these financial statements, no events other than those indicated in the preceding paragraphs have occurred that significantly affect the accompanying financial statements of the Entity.

11. Accounting principles and rules and valuation criteria applied

The most significant accounting policies and rules and measurement basis applied in drawing up these annual accounts are described below:

a) Principle of accrual

These annual accounts, except as applicable in respect of the cash flows statements, have been drawn up based on the real flow of goods and services, regardless of their date of payment or receipt.

b) Other general principles

The annual accounts have been drawn up on the historic cost basis, although modified by financial assets and liabilities (including derivatives) at fair value.

The preparation of the annual accounts requires the use of certain accounting estimates. Likewise, this requires Management to exercise its judgement in the process of applying the Entity's accounting policies. These estimates could affect the amount of the assets and liabilities and the breakdown of contingent assets and liabilities at the date of the annual accounts and the amount of income and costs during the period for the annual accounts. Although these estimates are based on Management's best knowledge of the current and foreseeable circumstance, the end results might differ from these estimates.

Going concern principle

In preparing the annual accounts it has been assumed that the management of the Company will continue for the foreseeable future. Therefore, the application of accounting standards is not intended to determine the value of the net assets for the purpose of their global or partial transfer or the resulting amount in the event of liquidation. Furthermore, the Directors of the Company consider that the Sole Shareholder (UCI, S.A.) will continue to provide the Company with the necessary financial support to enable it to continue to operate normally in the future.

c) Financial derivatives

Financial derivatives are instruments that, in addition to providing a profit or a loss, can allow, under certain conditions, compensation of all or part of the credit and/or market risks associated with balances and transactions, using as underlying components interest rates, certain indices, prices of some securities, cross rates of exchange for different currencies or other similar references. The Entity uses traded financial derivatives in organised markets (OTC).

Financial derivatives are used for trading with customers who request this, for the Management of the risks in the Entity's own positions (hedging derivatives) or to benefit from changes in the prices of these. Financial derivatives that cannot be considered as being for hedging are considered as trading instruments. The following are the conditions for a financial derivative to be considered as being for hedging:

i) The financial derivative must cover the risk of variations in the value of assets and liabilities as a result of changes in the interest rate and/or exchange rate (cover for fair values), the risk of alterations to the estimated cash flows originating in financial assets and liabilities, highly probable foreseen commitments and transactions (cash flow hedge) or the risk of net investment in a foreign business (hedge of net investments in foreign business).

ii) The financial derivative should effectively eliminate any some risk inherent to the component or position covered throughout the full period of hedging. Consequently, it is to have prospective effectiveness, effectiveness at the time of contracting the hedging under normal conditions, and retrospective effectiveness, sufficient evidence that the effectiveness of the hedging is to be maintained throughout the life of the hedged component or position.

The effectiveness of the hedging provided by the derivatives defined as hedge, is to be duly documented by means of the tests of effectiveness, which is the tool that proves that the differences produced by changes in market prices between the hedged component and its hedging is maintained at reasonable parameters throughout the life of the operations, thereby complying with the forecasts established at the moment of contracting.

If this is not the case at any moment, all associated operations in the hedging group are to be transferred to trading instruments and be duly reclassified in the balance sheet.

iii) It is adequately documented in the effectiveness tests that the contracting of the financial derivative took place specifically to serve as hedging for certain balances or transactions and the form in which it was intended to achieve and measure this effective hedging, provided that this is form is consistent with the management of the Entity's own risks.

Hedges can be applied to individual items or balances or to portfolios of financial assets and liabilities. In the latter case, all the financial assets or liabilities to be hedged must share the same type of risk, which is understood to be met when the sensitivity to interest rate changes of the individual hedged items is similar. A hedge is considered to be highly effective when it is expected, both prospectively and retrospectively, at inception and throughout its life, that changes in the cash flows of the hedged item that are attributable to the hedged risk will be almost entirely offset by changes in the fair value or cash flows of the hedging instrument. A hedge is considered to be highly effective when the results of the hedge have ranged within a range of 80% to 125% of the results of the hedged item.

The Group normally uses interest rate swaps to hedge against interest rate fluctuations, primarily with the Group's two shareholders.

Hedges are performed by homogeneous groups with a derivative for each transactions or hedged group of transactions, and under the same conditions of reference, term, etc., as the hedged component.

d) Definitions and classification of financial instruments

i) Definitions

A “financial instrument” is a contract that gives rise to a financial asset in one entity and, simultaneously, a financial liability or equity instrument in another entity.

An “equity instrument” is a legal arrangement that evidences a residual interest in the assets of the issuing entity after deducting all of its liabilities.

A ‘financial derivative’ is a financial instrument whose value changes in response to changes in an observable market variable (such as an interest rate, foreign exchange rate, the price of a financial instrument or a market index, including credit ratings), whose initial investment is very small relative to other financial instruments with a similar response to changes in market conditions and which is generally settled at a future date.

‘Hybrid financial instruments’ are contracts that simultaneously include a host contract other than a derivative together with a financial derivative, called an embedded derivative, that is not individually transferable and that has the effect that some of the cash flows of the hybrid contract vary in the same way as would the embedded derivative in isolation.

Compound financial instruments are contracts that simultaneously create a financial liability and an equity instrument for the issuer (e.g. convertible bonds that give the holder the right to convert them into equity instruments of the issuing entity).

The following transactions are not treated for accounting purposes as financial instruments:

- Holdings in subsidiaries.

- Rights and obligations arising from employee benefit plans.

ii) Classification of financial assets for valuation purposes

Financial assets are presented in groups within the different categories in which they are classified for management and measurement purposes, unless they are presented as “Non-current assets and disposal groups classified as held for sale”, or correspond to “Cash, cash balances at central banks and other demand deposits”, “Derivatives - hedge accounting”, “Financial assets at fair value through other comprehensive income”, or “Investments in subsidiaries, joint ventures and associates” in which case they are shown separately.

The classification criteria for financial assets depend both on the business model for their management and the characteristics of their contractual flows.

The Company’s business models refer to the way it manages its financial assets to generate cash flows.

The Company takes the following factors into account in defining these:

- How the performance of the business model and the financial assets held in the business model are assessed and reported to key management personnel.

- The risks that affect the performance of the business model (and the financial assets held in the business model) and, in particular, how those risks are managed.

- How business managers are remunerated.

- The frequency and volume of sales in previous years, as well as expectations of future sales.

Analysing the characteristics of the contractual cash flows of financial assets requires an assessment of the consistency of those flows with a basic borrowing arrangement. Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding meet this requirement.

Based on the above, the asset can be measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss. Bank of Spain Circular 4/2019 of 26 November 2009 also establishes the option to designate an instrument at fair value through profit or loss under certain conditions. The Company uses the following criteria for the classification of debt instruments:

- Amortised cost: financial instruments under a business model whose objective is to collect principal and interest flows, on which there are no significant unjustified sales and fair value is not a key element in the management of these assets and the contractual conditions give rise to cash flows on specific dates, which are only payments of principal and interest on the principal amount outstanding. In this regard, sales other than those related to an increase in the credit risk of the asset, unforeseen financing needs (liquidity stress scenarios) are considered as unjustified sales. In addition, the characteristics of their contractual flows substantially represent a "basic funding agreement".

- Fair value through other global result: financial instruments included in a business model whose objective is achieved through the collection of principal and interest flows and the sale of these assets, with fair value being a key element in the management of these assets. In addition, the characteristics of their contractual flows represent substantially a "basic financing arrangement".

- Fair value through profit or loss: financial instruments included in a business model whose objective is not achieved through those mentioned above, fair value being a key element in the management of these assets, and financial instruments whose contractual flow characteristics do not substantially represent a "basic financing arrangement". This section includes the portfolios classified under the headings "Financial assets held for trading", "Financial assets not held for trading mandatorily measured at fair value through profit or loss" and "Financial assets designated at fair value through profit or loss".

Equity instruments are accounted for under Bank of Spain Circular 4/2017 at fair value through profit or loss unless the entity elects, in the case of non-trading assets, to classify them irrevocably at fair value through other global result.

iii) Classification of financial assets for presentation purposes

Financial assets are included for presentation purposes, according to their nature on the balance sheet, if any, in the following categories:

- Cash, balances with central banks and other demand deposits: cash balances and immediately available amounts receivable arising from deposits held at the Banco de España and other central banks.

- Derivatives: includes, where applicable, the fair value, in favour of the Company, of financial derivatives that do not form part of accounting hedges.

    - Equity instruments: financial instruments issued by other entities, such as shares and participating interests, which have the nature of equity instruments for the issuer, unless they are investments in associates or jointly controlled entities.

- Loans and advances: debit balances on credits or loans granted by the Company, as well as, where applicable, other debit balances of a financial nature in favour of the Company, such as debit balances on bank accounts held with other institutions, term accounts, reverse repurchase agreements, cheques drawn on credit institutions, balances receivable from clearing houses and settlement agencies for transactions on stock exchanges and organised markets, guarantees given in cash, accrued dividends receivable in favour of the Company, fees for financial guarantees receivable and balances receivable for transactions not originating from banking operations and services such as the collection of rents and similar. They are classified according to the institutional sector to which the debtor belongs as follows:

    - Central banks: claims of any kind on central banks.

    - Credit institutions: claims of every kind on credit institutions, including deposits and money market operations, on behalf of credit institutions.

    - Customer: includes the remaining debit balances of all credits or loans granted by the Company to customers.

    - Derivatives - hedge accounting: offsetting entry for amounts credited to the profit and loss account arising from the valuation of portfolios of financial instruments that are effectively hedged against interest rate risk through fair value hedging derivatives.

iv) Classification of financial liabilities for presentation purposes

Financial liabilities are presented grouped into the different categories into which they are classified for management and measu-

UCI

rement purposes, unless they are to be presented as “Derivatives - hedge accounting”, which are shown separately.

Financial liabilities are included for valuation purposes in one of the following portfolios:

- Financial liabilities held for trading (at fair value through profit or loss): Financial liabilities issued for the purpose of benefiting in the short term from changes in their prices, financial derivatives that are not considered to be hedging instruments, and financial liabilities arising from the firm sale of financial assets acquired under resale or borrowing arrangements (short positions).

- Financial liabilities designated at fair value through profit or loss: Financial liabilities are included in this category when more relevant information is obtained either because this eliminates or significantly reduces inconsistencies in recognition or measurement (also referred to as accounting mismatches) that would arise in the measurement of assets or liabilities or from the recognition of their gains or losses on different bases, either because there is a group of financial liabilities, or financial assets and liabilities, and they are managed and their performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy and information on that group is also provided on a fair value basis to the Company’s key management personnel. Liabilities may only be included in this portfolio at the date of issue.

- Financial liabilities at amortised cost: financial liabilities that are not included in the previous category and that correspond to the typical fund-raising activities of financial institutions, irrespective of the form in which they are instrumented and their maturity.

At both 31 December 2022 and 31 December 2021, the Group did not hold any financial liabilities that, according to the applicable standards, should be classified in any other category.

v) Classification of financial liabilities for presentation purposes

Financial liabilities are included for presentation purposes, according to their nature in the balance sheet, in the following categories, if any:

- Derivatives: includes the fair value, with an unfavourable balance for the Company, of derivatives that do not form part of accounting hedges.

- Deposits: includes the amounts of repayable balances received in cash by the institution, except those in the form of negotiable securities and those which are in the nature of subordinated liabilities. It also includes, where applicable, guarantees and cash deposits received, the amount of which may be freely invested.

Deposits are classified according to the institutional sector to which the creditor belongs into:

- Central banks: deposits of all types, including credits received and money market operations, received from the Banco de España or other central banks.

- Credit institutions: deposits of every kind, including credit received and money market operations on behalf of credit institutions.

- Customer: includes all other deposits, including the amount of money market operations conducted through central counterparties.

- Debt securities issued: includes the amount of debt securities and other debt securities in the form of negotiable securities, other than those in the form of subordinated liabilities. This category includes, where applicable, the component that is considered to be a financial liability of securities issued that are compound financial instruments.

- Other financial liabilities: includes the amount of obligations payable in the nature of financial liabilities not included elsewhere.

- Derivatives - hedge accounting: includes the fair value, against the Company, of financial derivatives designated as hedging instruments in accounting hedges.

- Short positions: the amount of financial liabilities arising from the outright sale of securities received under reverse repurchase agreements, securities lending or puttable collateral.

e) Valuation and recording of results of financial assets and liabilities

Financial assets and liabilities are initially recognised at fair value which, unless there is evidence to the contrary, is the transaction price. For instruments not measured at fair value through profit or loss, the initial fair value is adjusted for transaction costs, in the case of financial liabilities, that are directly attributable to the issue or arrangement of the financial liability, and for the amount of fees and commissions and transaction costs that are directly attributable to the acquisition or arrangement of the financial asset. Subsequently, at the end of each reporting period, they are measured in accordance with the following criteria:

Valuation of financial assets

Financial assets, except for Loans and Receivables and Equity Instruments whose fair value cannot be determined in a sufficiently objective manner (as well as financial derivatives that have these equity instruments as underlying asset and are settled by delivery of these equity instruments), if any, are measured at their “fair value” at each balance sheet date, without deducting any transaction costs for their sale.

The ‘fair value’ of a financial instrument on a given date is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between knowledgeable, willing parties in an arm’s length transaction. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it in an active, transparent and deep market (‘quoted price’ or ‘market price’).

When there is no market price for a given financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments or, failing that, on the basis of valuation models sufficiently tested by the financial community, taking into account the specific characteristics of the instrument to be valued and, in particular, the different types of risk associated with the instrument.

Derivatives are recorded in the balance sheet at their fair value from the trade date. If their fair value is positive, they are recorded as an asset and if negative, as a liability. On the trade date, it is assumed that, unless there is evidence to the contrary, their fair value is equal to the transaction price. Changes in the fair value of trading derivatives from the trade date are recognised with a balancing entry in the profit and loss account. Specifically, the fair value of standard exchange-traded financial derivatives included in the trading portfolios is assimilated to their daily quoted price and if, for exceptional reasons, their quoted price cannot be established on a given date, methods similar to those used to value over-the-counter derivatives are applied.

The fair value of OTC derivatives is the sum of the future cash flows arising from the instrument, discounted to present value at the measurement date ("present value" or "theoretical close"), using methods recognised by the financial markets, such as "net present value" or option pricing models, among others, in the valuation process.

Balances of debt securities and loans and advances under a business model whose objective is to collect principal and interest flows are measured at amortised cost, provided that they meet the Solely Payments of Principal and Interest (SPPI) test, using the effective interest rate method. Amortised cost is the acquisition cost of a financial asset or liability plus or minus (as appropriate) principal repayments and the portion systematically taken to the consolidated income statement of the difference between the initial cost and the corresponding redemption value at maturity. In the case of financial assets, the amortised cost also includes impairment losses. For loans and advances hedged in fair value hedging transactions, changes in their fair value related to the risk or risks hedged in these hedging transactions are recognised.

The effective interest rate is the discount rate that exactly matches the initial value of a financial instrument to all its estimated cash flows from all sources over its remaining life. For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established at the time of acquisition plus, where applicable, fees and transaction costs that, by their nature, form part of the financial return. For floating rate financial instruments, the effective interest rate coincides with the prevailing rate of return in all respects until the first resetting of the benchmark interest rate to take place.

Equity instruments and contracts related to those instruments must be measured at fair value. However, in certain specific circumstances the Company believes that cost is an appropriate estimate of fair value. This may be the case if recent available information is insufficient to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

The amounts at which the financial assets are recorded represent, in all material respects, the Company's maximum exposure to credit risk at each reporting date.

Subsequent valuation of financial liabilities

Financial liabilities are generally measured at amortised cost as defined above, except for financial liabilities held for trading, financial liabilities at fair value through profit or loss and financial liabilities designated as hedged items in fair value hedges (or as hedging instruments) whose carrying amount is modified by changes in their fair value related to the risk or risks hedged in those hedging transactions. Changes in the credit risk arising from financial liabilities designated at fair value through profit or loss shall be recognised in accumulated other comprehensive income, unless they create or increase an accounting mismatch, in which case changes in the fair value of the financial liability in all respects shall be recognised in profit or loss.

Recording of results

As a general rule, changes in the carrying amounts of financial assets and liabilities are recognised with a balancing entry in the profit and loss account; a distinction is made between those arising from the accrual of interest and similar items (which are recognised under interest income or interest expense, as appropriate) and those arising from other causes.

The latter are recorded at their net amount under profits or losses on financial assets or liabilities.

Fair value adjustments arising from changes in:
- Financial assets at fair value through accumulated other global result are recognised temporarily, in the case of debt instruments, in accumulated other global result - Items that may be reclassified to profit or loss - Financial assets at fair value through other global result, while in the case of equity instruments they are recognised in accumulated other global result - Items that will not be reclassified to profit or loss - Changes in fair value of equity instruments measured at fair value through other global result. Exchange differences on debt instruments measured at fair value through accumulated other global result are recognised in Exchange differences, net in the income statement. Exchange differences on equity instruments for which the option to measure at fair value through accumulated other global result has been irrevocably elected are recognised in Accumulated other global result - Items not to be reclassified to profit or loss - Changes in fair value of equity instruments measured at fair value through other global result.

- Items charged or credited to equity Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Financial assets at fair value through other global result and Accumulated other global result - Items that may be reclassified to profit or loss - Foreign currency translation remain part of the Company's equity until the asset in which they arise is impaired or derecognised in the consolidated balance sheet,

at which time they are written off against the consolidated income statement.
- Unrealised gains on assets classified as non-current assets held for sale as part of a disposal group or discontinued operation are recognised with a balancing entry in equity under Accumulated other global result - Items that may be reclassified to profit or loss - Non-current assets and disposal groups that have been classified as held for sale.

Transfers of assets and derecognition of financial assets and liabilities

The accounting treatment of transfers of financial assets is conditioned by the extent to which and the manner in which the risks and rewards associated with the assets being transferred are transferred to third parties:

1. If the risks and rewards are substantially transferred to third parties - in the case of unconditional sales, sales under repurchase agreements at fair value at the repurchase date, sales of financial assets with a purchased call or written put option deep out of the money, asset securitisations in which the transferor does not retain subordinated financing or grant any credit enhancement to the new holders, and other similar cases - the transferred financial asset is derecognised, while recognising any rights or obligations retained or created as a result of the transfer.

2. If substantially all the risks and rewards associated with the transferred financial asset are retained - in the case of sales of financial assets under repurchase agreements for a fixed price or for the sale price plus interest, securities lending agreements in which the borrower has an obligation to return the same or similar assets, in the case of asset securitisations in which the transferor maintains some type of subordinated financing or grants some type of credit enhancement to the new holders that entails assuming substantial credit risk, and other similar cases - the transferred financial asset is not derecognised and continues to be measured on the same basis as before the transfer. Instead, they are recognised for accounting purposes:

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

- Both the income on the transferred (but not derecognised) financial asset and the expenses on the new financial liability.

3. Si If substantially all the risks and rewards associated with the transferred financial asset are neither transferred nor retained - such as sales of financial assets with a purchased call or written put option that are neither deeply in the money nor deeply out of the money, securitisations where the transferor assumes a subordinated financing or other credit enhancement for a portion of the risk of the transferred asset, and other similar cases - a distinction is made between:

- If the transferor does not retain control of the transferred financial asset: it is derecognised and any rights and obligations retained or created as a result of the transfer are recognised.
- If the transferor retains control of the transferred financial asset: it continues to carry it on the balance sheet at an amount equal to its exposure to changes in value and recog-

nises a financial liability associated with the transferred financial asset. The net amount of the transferred asset and the associated liability is the amortised cost of the retained rights and obligations if the transferred asset is measured at amortised cost or the fair value of the retained rights and obligations if the transferred asset is measured at fair value.

Accordingly, financial assets are only derecognised when the rights to the cash flows they generate have been extinguished or when the risks and rewards associated with them have been substantially transferred to third parties. Similarly, financial liabilities are only derecognised when the obligations they generate have been extinguished or when they are acquired by the Group (either with the intention to cancel them or to reposition them).

During the financial years 2022 and 2021 the Group has not transferred any financial instruments that have been removed from the balance sheet.

f) Clearing financial instruments

Financial assets and financial liabilities are offset, i.e., presented on the balance sheet at their net amount, only when the entity has both a legally enforceable right to offset the amounts recognised in those instruments and an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

As of 31 December 2022 and 31 December 2021, there are no financial assets or liabilities for material amounts that have been offset in the balance sheet at that date.

g) Impairment of financial assets

Definition

The Company recognises impairment losses on financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, lease payments and commitments and guarantees not measured at fair value.

An impairment loss for expected credit losses is recognised with a charge to the income statement for the period in which the impairment becomes evident. Recoveries of previously recognised impairment losses, if any, are recognised in the income statement for the period in which the impairment ceases to exist or is reduced.

For credit-impaired financial assets originated or purchased, the Company shall recognise only cumulative changes in expected credit losses over the life of the asset from initial recognition as an impairment loss at the reporting date. For assets measured at fair value through other comprehensive income, the portion of changes in fair value due to expected credit losses is reflected in the income statement in the period in which the change occurs, with the remainder of the measurement reflected in other comprehensive income.

In general, the expected credit loss is estimated as the difference between all contractual cash flows to be recovered under the contract and all cash flows expected to be received discounted at the original effective interest rate. In the case of purchased or originated credit-impaired financial assets, this difference is discounted using the effective interest rate adjusted for credit quality.

Depending on the classification of the financial instruments, as mentioned in the following sections, expected credit losses may be either 12-month or lifetime:

- 12-month expected credit losses: are the portion of expected credit losses arising from potential default events, as defined below, that are expected to occur within 12 months of the reporting date. These losses shall be associated with financial assets classified as "normal risk" as defined below.

- Expected credit losses over the life of the financial instrument: these are the expected credit losses arising from potential default events that are expected to occur over the life of the transaction. These losses are associated with financial assets classified as "normal risk under special surveillance" or "doubtful risk".

For the purpose of estimating the expected life of a financial instrument, all contractual terms (e.g. prepayments, duration, call options, etc.) are taken into account, with the contractual period (including extension options) being the maximum period to be considered for measuring expected credit losses. In the case of financial instruments with undefined contractual maturity and an available balance component, the expected life is estimated using quantitative analyses to determine the period over which the entity is exposed to credit risk, also considering the effectiveness of management practices that mitigate such exposure (e.g., ability to unilaterally cancel such financial instruments, etc.).

The balances corresponding to impaired assets are kept on the balance sheet, in their entirety, until the recovery of these amounts is considered by the remote Group.

The Group considers recovery to be remote when the borrower suffers a notorious and irrecoverable deterioration in its solvency, when the liquidation phase of the insolvency proceedings has been declared or when more than 48 months have passed since its classification as doubtful due to default and it has no mortgage guarantee.

When the recovery of a financial asset is considered remote, it is written off the balance sheet together with its provision, without prejudice to any actions that the Group may take to try to recover it until its rights have been definitively extinguished, whether by expiry of the statute of limitations, forgiveness or other causes.

Classification of financial instruments

For the purpose of calculating the impairment allowance, and in accordance with its internal policies, the Group classifies its financial instruments (financial asset, risk or contingent commitment) measured at amortised cost or at fair value through other comprehensive income into one of the following categories:

- Normal Risk ("Stage 1"): comprises all instruments that do not meet the requirements to be classified in the other categories.

- Normal Risk on Special Surveillance ("Phase 2"): comprises all instruments that, while not meeting the criteria for classification as non-performing or write-off, exhibit significant increases in credit risk since initial recognition.

For the purpose of determining whether a financial instrument has increased its credit risk since initial recognition and is therefore classified as Stage 2, the Group uses qualitative criteria and does not use quantitative criteria at the reporting date.

The Group uses various indicators that are aligned with those used by the Group in its normal credit risk management (e.g., irregular positions of more than 30 days and refinancings). The Company, in financial year 2022, has defined these qualitative indicators, for each of its portfolios, on the basis of the particularities and standard management practices in line with the policies currently in place, which are based on the external payment behavior observed in its borrowers, based on the information obtained from CIRBE and ASNEF.

- Doubtful Risk ("Phase 3"): includes financial instruments, whether due or not, in which, without meeting the circumstances to classify them as written-off risk, there are reasonable doubts as to their full repayment (principal and interest) by the customer under the contractually agreed terms. Also considered in Phase 3 are off-balance sheet exposures whose payment is probable but whose recovery is doubtful. Within this category, two situations are differentiated:

A) Doubtful risk due to late payment: financial instruments, irrespective of their holder and collateral, that are more than 90 days past due in terms of principal, interest or contractually agreed charges. Also, the amounts of all transactions of a customer are considered in this category when the transactions with overdue amounts more than 90 days old are greater than 20 % of the outstanding amounts receivable.

These instruments may be reclassified to other categories if, as a result of the collection of part of the overdue amounts, the reasons for their classification in this category disappear and the customer has no overdue amounts more than 90 days old in other transactions.

B) Doubtful risk for reasons other than late payment: this category includes doubtful recovery transactions that are not more than 90 days past due.

The Group considers a transaction to be doubtful for reasons other than default when an event, or several events combined, with a negative impact on the estimated future cash flows of the transaction has occurred.

These operations may be reclassified to other categories if, as a result of a case-by-case review, there is no reasonable doubt as to their full repayment under the contractually agreed terms and there are no overdue amounts more than 90 days old.

- Write-off risk: comprises all financial assets, or the portion thereof, for which, after individual analysis, recovery is considered remote due to a significant and irrecoverable deterioration in their creditworthiness.

In any case, except in the case of transactions with collateral covering more than 10% of the amount of the transaction, the Company generally considers as remote recovery: transactions of holders who are in the liquidation phase of insolvency proceedings and doubtful transactions due to late payment that have been in this category for more than 4 years.

Balances relating to a financial asset are retained on the balance sheet until they are deemed to be “risk written off”, either in full or in part, and are removed from the balance sheet.

In the case of transactions that have been only partially derecognised due to write-offs or because part of the total amount is considered irrecoverable, the remaining amount shall be classified in its entirety in the “doubtful assets” category, subject to duly justified exceptions.

The classification of a financial asset, or part of a financial asset, as “risk written off” does not imply the discontinuation of negotiations and legal proceedings to recover the amount of the asset.

In accordance with the amendments introduced by Bank of Spain Circular 3/2020 of 11 June, restructured, refinanced or refinancing credit transactions do not necessarily have to be classified as normal risk under special surveillance when their classification as doubtful risk does not apply. In other words, these transactions may continue to be classified as normal risk at the date of refinancing or restructuring provided that the institution can justify that it has not identified a significant increase in credit risk since initial recognition. Likewise, such transactions that are in the normal risk category under special surveillance may be reclassified to normal risk provided that the significant increase in credit risk has been reversed.

However, they must remain identified as restructured, refinanced or refinancing until the end of the minimum two-year probationary period during which the holder must demonstrate good payment behaviour.

Calculation of the impairment allowance

The Company has policies, methods and procedures in place to hedge its credit risk, both due to the insolvency attributable to counterparties and due to its residence in a specific country. These policies, methods and procedures are applied in the granting, study and documentation of financial assets, contingent liabilities and commitments, as well as in the identification of their impairment and in the calculation of the amounts necessary to hedge its credit risk.

The asset impairment model in Bank of Spain Circular 4/2017 and subsequent amendments applies to financial instruments measured at amortised cost and at fair value through other comprehensive income, lease payments, as well as commitments and guarantees not measured at fair value.

The impairment loss represents the best estimate of the expected credit losses of the financial instrument at the balance sheet date, both individually and collectively:

- Individually: for the purpose of making estimates of provisions for credit risk due to insolvency of a financial instrument, the Company makes an individualised estimate of the expected credit losses of those financial instruments that are considered significant and with sufficient information to make such calculation.

The individual estimate of the impairment loss on the financial asset is equal to the difference between the gross carrying amount of the transaction and the value of the estimated cash flows expected to be collected discounted using the original effective interest rate of the transaction. The estimate of these cash flows considers all available information on the financial asset and the effective collateral associated with the asset.

- Collectively: the institution estimates expected credit losses on a collective basis in cases where they are not estimated on an individual basis. This includes, for example, exposures to individuals, sole proprietors or retail banking companies subject to standardised management.

For the collective calculation of expected credit losses, the Company has robust and reliable internal models. For the development of these models, instruments with similar credit risk characteristics indicative of the debtors' ability to pay are considered.

The credit risk characteristics considered in grouping instruments include, but are not limited to: type of instrument, age of past due amounts and any other factors that are relevant to the estimation of future cash flows.

The Company performs retrospective and follow-up tests on these estimates to assess the reasonableness of the collective calculation.

On the other hand, the methodology required for the quantification of the expected loss on credit events is based on an unbiased and probability-weighted consideration of a series of scenarios, considering a range of between three and five possible future scenarios, depending on the characteristics of each unit, that could impact the contractual cash flows, always taking into account both the time value of money and all available and relevant information on past events, current conditions and forecasts of the evolution of macroeconomic factors that are shown to be relevant to the estimation of this amount (e.g: GDP (Gross Domestic Product), house prices, unemployment rates, etc.).

For the estimation of the parameters used in the estimation of impairment provisions (EAD (Exposure at Default), PD (Probability of Default), LGD (Loss Given Default), the Company has based itself on its experience in the development of internal models for the calculation of parameters both in the regulatory sphere and for management purposes, adapting the development of the impairment provision models under Bank of Spain Circular 4/2017 and subsequent amendments.

- Exposure at default: is the amount of risk incurred estimated at the time of counterparty analysis.

- Probability of default: the estimated probability that the counterparty will default on its principal and/or interest payment obligations.

- Loss given default: the estimate of the loss given default is the estimate of the severity of the loss incurred in the event of default.

In any case, portfolio sales are included when estimating the flows expected to be recovered. It should be noted that due to the recovery policy and the experience observed in relation to the prices of past sales of assets classified as phase 3 and/or write-offs, there is no substantial divergence between the flows obtained from recoveries after performing a recovery management of the assets with those obtained from the sale of asset portfolios discounting the structural expenses and other costs incurred.

The definition of default implemented in the Company for the purposes of calculating impairment allowance models is based on the definition of article 178 of EU Regulation 575/2013 (CRR), which is fully aligned with the requirements of Bank of Spain Circular 4/2017, which considers that there is a "default" in relation to a given customer/contract when at least one of the following circumstances exists: that the entity considers that there are reasonable doubts about the payment of all of its credit obligations or that the customer/contract is in a situation of irregularity for more than 90 days with respect to any significant credit obligation.

The Bank of Spain, on the basis of its experience and the information it has on the Spanish banking sector, as well as forecasts on future conditions, has estimated coverage percentages, as an alternative solution in its Circular 4/2017, for the collective estimation of risk coverage, for doubtful risk due to non-performing loans, as well as for Normal / Normal Special Surveillance risk.

The Company currently applies the alternative solutions criteria to the "development finance" portfolio.

Evaluation of the effectiveness of guarantees.

Evaluation of the effectiveness of guarantees.

The Entity assesses the effectiveness of all associated guarantees by considering the following aspects:

- The time required to execute such guarantees.

- The Entity's ability to enforce or assert these assurances in its favor

- Existence of limitations imposed by the local regulation of each unit on the foreclosure of collateral. In no case does the company consider a guarantee to be effective if its effectiveness depends substantially on the solvency of the debtor.

According to the above, mortgage collateral on immovable property, which is first charge, duly constituted and registered, is considered effective collateral. Immovable property includes:

– Finished buildings and building elements.

– Urban land and land for development.

– Other real estate.

The Entity values guarantees according to their nature in accordance with points 69 to 85 of Annex IX of Circular 4/ 2017 on the basis of the following:

- Mortgage collateral on real estate associated with financial instruments, using full individual valuations performed by independent valuation experts and under generally accepted valuation standards in the case of granting, as well as whether the thresholds defined in the standard will be exceeded. In the case of collateral upgrades, where the thresholds are not exceeded, automated valuation methods are used.

The Entity applies a number of adjustments to the value of collateral in order to improve the benchmark values:

- Adjustments according to the entity's historical sales experience.

- Likewise, in order to adjust the value of the guarantees, the time value of money is taken into account on the basis of the institution's historical experience, estimating:

- Period of award/granting

- Estimated time of sale of the asset.

In addition, the Entity takes into account all cash inflows and outflows related to such collateral up to the time of its sale:

- Potential future income committed to the borrower that may be accessed after the asset has been foreclosed.

- Estimated award/granting costs.

- Asset maintenance costs, taxes and community costs.

- Estimated marketing or sales costs.

h) Recognition of income and expenses

Interest income, interest expense and similar items are generally recognised on an accruals basis using the effective interest method. Interest accrued on debtors classified as doubtful is credited to income upon collection, which is an exception to the general rule.

Fees and commissions paid or received for financial services, irrespective of their contractual denomination, are classified in the following categories, which determine their recognition in the profit and loss account:

- Credit fees: fees that form an integral part of the effective yield or cost of a financing operation. These fees are collected in advance and can be of three types:

- Fees and commissions received for the origination or acquisition of financing transactions that are not measured at fair value through profit or loss. These fees shall be deferred and recognised in the profit and loss account over the life of the transaction as an adjustment to the effective yield or cost of the transaction under the same heading as finance income or costs, i.e. 'interest income' and 'interest expense'.

These fees may include fees for activities such as assessing the borrower's financial condition, evaluating and registering personal guarantees, collateral and other security arrangements, negotiating the terms of the transaction, preparing and processing documents and closing the transaction.

- Fees agreed as compensation for the commitment to provide financing when the commitment is not measured at fair value through profit or loss and it is probable that the entity will enter into a specific lending arrangement. Revenue from these fees is deferred and recognised in profit or loss over the expected life of the financing as an adjustment to the effective yield or cost of the transaction. If the commitment expires without the entity making the loan, the fee is recognised as income at the time of expiry.

- Fees paid on the issue of financial liabilities measured at amortised cost. They shall be included together with the related direct costs incurred, which shall not include costs arising from the right to provide a service, in the carrying amount of the financial liability and shall be recognised in the income statement as an adjustment to the effective cost of the transaction.

- Non-credit fees: fees and commissions arising from the provision of financial services other than financing operations, which can be of two types.

- Relating to the performance of a service that is provided over time: revenue shall be recognised in the profit and loss account over time, measuring progress towards complete fulfilment of the performance obligation, in accordance with Rule 15(15) of Circular 4/2017.

- Related to the provision of a service that is performed at a specific point in time: these fees accrue at the point in time when the customer obtains control over the service, such as in the case of securities underwriting fees, currency exchange fees, advisory fees or loan syndication fees where, in the latter case, the institution does not retain any part of the transaction for itself or retains it on the same risk terms as the other participants.
Direct related costs are all costs that would not have been incurred if the transaction had not been concluded.

Personnel costs

Personnel costs include all of the Group's social liabilities and obligations, compulsory or voluntary, accrued at each moment, recognising obligations for extraordinary payments, holidays and variable remunerations, as well as associated expenses.

Remunerations at short term: this kind of remunerations are valued, without update, by the amount payable for services received, generally registering them as personnel costs for the year and including them on an account under liabilities of the balance sheet for the difference between the total accrued expense and the amount satisfied at year end.

Severances: according to the legislation in force, the Entity is compelled to settling severance payments to employees who are dismissed without a justified cause. At year end, the Entity does not count with a plan to reduce its personnel which would lead to a necessary provision for this concept.

i) Compensation of balances

Debtor or creditor balances originated in transactions that, contractually or by legal obligation, have the possibility of compensation and, if the intention is to settle these for their net amount or for the asset to be realised and the liability settled simultaneously, are presented in the consolidated balance sheet at their net amount.

j) Financial guarantees

Financial guarantees are those contracts under which the Group is compelled to pay specific amounts on behalf of a third party in the event of the latter not doing so, irrespective of their legal nature, such as, among others, a guarantee, a financial or technical guarantee and irrevocable documentary credit issued or confirmed by the Group.

Financial guarantees are classified based on the credit risk attributable to the customer or to the transaction and, if appropriate, considering the need for provisions. This credit risk is determined by applying similar criteria to those established for debt instruments measured at their amortised cost.

If it was necessary to constitute a provision for financial guarantees, commissions to be accrued, which are registered in the caption of Accruals of Liabilities in the consolidated balance sheet, are reclassified into the corresponding provision.

k) Income tax

The income tax expense for the year is calculated as the sum of the current tax resulting from the application of the corresponding tax rate to the taxable profit for the year (after deducting tax credits allowable for tax purposes) and the change in deferred tax assets and liabilities recognised in the Company's income statement.

Deferred tax assets and liabilities include temporary differences which are identified as amounts expected to be payable or recoverable in respect of differences between the carrying amounts of assets and liabilities and their corresponding tax bases ("tax bases"), as well as tax loss carryforwards and tax credit carryforwards. These amounts are recognised by applying to the corresponding temporary difference the tax rate at which they are expected to be recovered or settled.

The heading "Tax assets" includes the amount of all tax assets, distinguishing between: "current" (amounts to be recovered for taxes in the next twelve months) and "deferred" (includes the amounts of taxes to be recovered in future years, including credits for tax deductions or allowances pending offset).

Tax liabilities" includes the amount of all tax liabilities, except tax provisions, which are broken down as follows: "current" (includes the amount of income tax payable on taxable profit for the year and other taxes in the next twelve months); and "deferred" (includes the amount of income tax payable in future years).

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets, identified as temporary differences, are only recognised if it is considered probable that the Group will have sufficient future taxable profit against which they can be utilised.

At the end of each reporting period, the deferred tax assets and liabilities are reviewed to ensure that they are still valid, and the appropriate adjustments are made in accordance with the results of the analyses performed.

The capitalised tax loss carryforwards amount to approximately 77 million euros at 31.12.22 and 80,4 million euros at 31 December 2021). As explained in note 31, an impairment of 6,500 thousand euros has been made in 2021 in relation to the tax credits capitalised, in an exercise of prudence and in accordance with the business plan, and the recoverability of the amounts currently capitalised is considered highly probable with the generation of consolidated taxable income.

l) Operating leases

On 1 January 2019, IFRS-EU 16 replaced IAS 17 "Leases". The single lessee accounting model requires the recognition of assets and liabilities for all lease contracts. The standard provides two exceptions to the recognition of lease assets and liabilities, which can be applied in cases of short-term contracts and those where the underlying asset is of low value.

The single lessee accounting model requires the recognition of assets and liabilities for all lease contracts. The standard provides two exceptions to the recognition of lease assets and liabilities, which can be applied in the case of short-term contracts and those where the underlying asset is of low value.

To determine whether a contract is a lease or whether it is another type of contract, such as a contract for the provision of services, it is analysed whether the following two conditions are met: (i) the asset is identified in the contract and (ii) the contracting party receiving the asset has the right to control its use.

The term of the lease shall be equal to the non-cancellable period of a lease, plus the periods covered by the option to extend the lease, if it is reasonably certain that the lessee will exercise that option, and plus the periods covered by the option to terminate the lease, if it is reasonably certain that the lessee will not exercise that option.

In operating leases, ownership of the leased asset and substantially all the risks and rewards incidental to ownership remain with the lessor.

When the Company acts as lessor in operating leases, it presents the acquisition cost of the leased assets under "Tangible assets".

These assets are depreciated in accordance with the policies adopted for similar tangible assets for own use and income from lease contracts is recognised in the profit and loss account on a straight-line basis under "Other operating income".

When the Company acts as lessee and the contracts have a term of less than 12 months or where the underlying asset is of low value, the expenses of these contracts are recorded under "Administrative expenses - Other general administrative expenses" in the profit and loss account.

When the Company acts as lessee and the contracts have a term of more than 12 months or where the underlying asset is not of low value, the Company recognises a lease liability in the balance sheet under "Financial liabilities at amortised cost - other financial liabilities" and a right-of-use asset which are measured as follows:

	At agreement's inception	Subsequently
Lease liability	It is valued at the current value of lease payments that are not paid at such date, using as discount rate the interest rate, called "additional financing rate", that would have to be paid by the Entity to borrow, with similar term and guarantee, the necessary funds to obtain a good of a similar value than the right-of-use asset in a similar economic environment. However, in the case where such update is of scarce materiality, the entity values the liability, without updating the flows, for the purpose of simplifying the estimate.	It is valued at amortised cost, using the effective interest rate method, and is remeasured (with the corresponding adjustment in the related right-of-use asset) when there is a change in future lease payments in case of renegotiation, changes in an index or rate, or in the case of a new assessment of the agreement's options.
Right-of-use asset	It is valued at cost and includes the amount of the lease liability's initial valuation, payments made at inception or before, initial direct costs and those for dismantling or rehabilitation expected to be incurred when there is an obligation to bear them.	It is linearly amortised and is subject to any impairment loss, where applicable, according to the treatment established for the remaining tangible and intangible assets.

m) Property, plant and equipment

Tangible assets for own use correspond to the property, plant and equipment that have a continued use by the Group and property, plant and equipment acquired under finance leases. They are valued at their acquisition cost less the corresponding accumulated depreciation and, as applicable, less any impairment loss determined by comparing the net carrying amount with the corresponding recoverable amount.

Depreciation is calculated systematically using the straight-line method over the years of estimated useful life for the assets on the basis of their acquisition cost less their residual value.

The Group, reviews, at least at every year-end, the estimated useful lives of property, plant and equipment for own use with a view to detecting any significant changes therein. If such changes are detected, the useful lives are adjusted by correcting the depreciation charge to be recognised in the consolidated income statement in future years on the basis of the new estimated useful life.

Upkeep and maintenance costs, relating to property, plant and equipment for own use, are charged to the consolidated income statement for the year in which they are incurred.

n) Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance. Intangible assets are considered to be identifiable when they are separable from other assets because they can be disposed of, rented or held individually or which arise as a consequence of a contract or other type of legal transaction. An intangible asset is recognised when, in addition to satisfying the above definition, the Group considers that it is probable that future economic benefits will be generated by this asset and its cost can be reliably estimated.

Intangible assets are recognised initially at their acquisition of production cost and are measured subsequently at cost less, where applicable, any accumulated depreciation and any impairment loss.

In all cases, the Group recognises for accounting purposes any loss that might arise in the recognised value for these assets arising from impairment with the corresponding charge in the consolidated income statement. The criteria used to recognise the impairment losses on these assets and, where applicable, the reversal of impairment losses recognised in prior years are similar to those used for tangible assets.

o) Property, plant and equipment - Property investments

This caption of the accompanying balance sheet includes lands, buildings and other constructions held by the Entity to be exploited under lease, in order to generate capital gains at their sale, or for both purposes, instead of for own purpose in the production or supply of goods or services for administration purposes.

Property investments are registered at acquisition price, which includes costs directly allocable to the transaction and those necessary for them to be operational.

Extension or improvement costs which imply an increase in these assets' profitability are incorporated as higher value. On the other hand, maintenance and repair costs which do not improve their use or extend their useful life are allocated to the profit and loss account when incurred.

Amortisation is calculated on the acquisition cost, less their residual value, following the linear method on the basis of the estate's estimated useful life.

The Entity will value, at the date of the financial statements, whether there are signs, both internal and external, that an asset could be impaired, such as significant falls of its market value, evidence of the element's obsolescence, and increases in the interest rates that could materially affect the asset's recoverable amount. In such case, the entity will estimate the asset's recoverable amount and, independently, at least on an annual basis. For these purposes, the recoverable amount is the highest amount of the following: the fair value minus the necessary selling costs, and its value in use.

A property investment will be impaired when its carrying amount exceeds its recoverable amount, in which case such impairment will be recognised in the profit and loss account, reducing the asset's carrying amount to its recoverable amount.

p) Provisions and contingent liabilities

Provisions are considered to be the Group's present obligations arising from past events that are considered to be clearly specified at the balance sheet date, but which are uncertain as to their amount or moment of cancellation, on the settlement of which and in order to be cancelled the Group expects to incur an outflow of resources embodying economic benefits. These obligations can arise for the following reasons:

i) A legal or contractual provision.

ii) An implicit or tacit obligation arising from a valid expectation created by the Group with third parties with regard to the assumption of certain types of responsibilities. These expectations are created when the Group publicly accepts responsibilities, are derived from past behaviour or business policies in the public domain.

iii) The practically certain evolution of regulations on certain aspects, in particular with draft legislation that the Group cannot elude

Contingent liabilities are the Group's possible obligations arising as a consequence of past events, whose existence is conditional on the occurrence or non-occurrence of one or more future events beyond the Group's control. Contingent liabilities include the Group's present obligations when it is not probable that an outflow of resources embodying economic benefits will be required to settle them or for which the amount, in extremely rare cases, cannot be quantified in a sufficiently reliable manner.

Provisions and contingent liabilities are classified as probable when it is more plausible that they will occur than otherwise, possible when it is less plausible that they will occur than otherwise and remote when the likelihood is extremely rare.

The Group's consolidated annual accounts include all the material provisions in respect of which it is considered more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated annual accounts but are disclosed unless it is considered remote that there will be an outflow of resources embodying economic yields.

Provisions are quantified on the basis of the best information available on the consequences of the events giving rise to them and are estimated at each year-end. They are used to meet the specific obligations for which they were recognised and are fully or partially reversed when said obligations cease to exist or are reduced.

q) Non-current assets held for sale

Non-current assets and disposable groups of elements classified as held for sale that correspond to the carrying value of individual items, integrated in a disposal group or that are part of a business unit held to be disposed of (discontinued operations) and which sale is highly probable, in such assets' current conditions, in the term of one year, to be counted from the date of the annual accounts. Consequently, the recovery of the carrying amount value of these items, which may be of a financial nature, will probably take place through the proceeds obtained on their disposal.

In the case of the property assets granted or received as payment of debts, they are initially recognised at the lowest amount between: the financial asset's updated carrying value applied and the fair value at the moment of granting or reception of the asset, minus estimated selling costs. The financial asset's applied carrying value is updated at granting date, treating the granted estate as real guarantee and taking into account the corresponding credit risk hedges in agreement to its classification prior to the delivery. For these purposes, the collateral will be valued at its updated fair value (minus selling costs) at the granting date. This carrying amount will be compared with the previous carrying amount and the difference will be recognised as a hedge increase.

Additionally, the granted asset's fair value is obtained through appraisal, assessing the need to apply a discount therein, derived from the asset's specific conditions or the market situation for these assets, and in any case, deducting selling costs estimated by the entity.

Following the initial recognition, these property assets granted or received in payment of debts, classified as "Non-current assets and disposable groups of elements classified as held for sale and the liabilities included in such groups" are valued at the lowest amount between: their updated fair minus estimated selling costs and their carrying value, being able to recognise an impairment or reversal of impairment for the difference, if applicable.

Non-current assets and disposable groups of elements classified as held for sale are not amortised as long as they remain in this category.

Profit and loss generated in the disposal of non-current assets and disposable groups of elements classified as held for sale and liabilities included in disposable groups of elements classified as held for sale, as well as impairment losses and, where applicable, their recovery, are recognised in the caption "Profits or losses originated from non-current assets and disposable groups of elements classified as held for sale not admissible as discontinued activities" of the consolidated profit and loss account. The remaining income and expenses corresponding to such assets and liabilities are classified in items of the consolidated profit and loss account according to their nature.

Variations of the carrying value of elements included in the caption of "Non-current assets and disposable groups of elements classified as held for sale" are registered with counterpart in the caption "Other global accumulated results". Non-current assets and disposable groups of elements are classified as held for sale.

r) Valuation of accounts in foreign currency

At initial recognition, accounts payable and receivable in foreign currency are translated to the functional currency by using the exchange rate at recognition date, understood as the exchange rate for immediate delivery. After initial recognition, the following rules are applied to translate balances from foreign to functional currency:

(i) Monetary assets and liabilities are translated to average exchange rate at the date of annual accounts.

(ii) Non-monetary items valued at historical cost are translated to the exchange rate at acquisition date.

(iii) Non-monetary items valued at fair value are translated to the exchange rate at the date in which fair value is determined.

(iv) Income and expenses are translated by applying the exchange rate of the date of transaction. Nevertheless, the period's average exchange rate is used for all transactions carried out throughout such period, unless in case of significant variations. Depreciations are translated to the exchange rate applied to the corresponding asset.

Exchange differences in the translation of accounts payable and receivable in foreign currency are generally registered on the consolidated income statement.

s) Consolidated statement of cash flows

The consolidated statement of cash flows uses certain concepts defined as follows:

(i) Cash flows refer to additions and deletions of cash and equivalents, understood as short-term investments of high liquidity and low risk of value alterations.

(ii) Operating activities, typical within the Group, and other activities which shall not be qualified as investment or financing activities.

(iii) Investment activities corresponding to the acquisition, disposal or use by other means of long-term assets and other investments not included within cash and equivalents.

(iv) Financing activities which cause changes in the size and composition of equity and liabilities not included within the operating activities.

t) Consolidated statement of changes in equity

The consolidated statement of changes in equity presented on these consolidated annual accounts shows the total variations in equity during the year. This information is, in turn, broken down into two statements: consolidated statement of recognised income and expenses and consolidated statement of changes in equity. The main characteristics of the information contained on both parts of the statement are explained below:

u) Consolidated statement of recognised income and expenses

This part of the consolidated statement of changes in equity presents income and expenses generated by the Group as a consequence of its activity during the year, distinguishing among those registered as results in the consolidated income statement for the year and other income and expenses directly registered on equity, in accordance with the regulation in force.

Therefore, this statement presents the following:

(i) Results for the year.

(ii) Net amount of income and expenses transitorily recognised as valuation adjustments in equity.

(iii) Net amount of income and expenses definitively recognised in equity.

(iv) Corporate income tax accrued for concepts included on captions i) and ii) above.

(v) Total recognised income and expenses, calculated as the sum of the sections above.

Variations of income and expenses recognised in equity as valuation adjustments are broken down as follows:

(i) Profit (loss) for valuation: it includes the amount of income, net of expenses originated within the year, directly recognised in equity. Amounts recognised in the year of this account are maintained therein, although, during the same year, they are transferred to the income statement at initial value of other assets or liabilities, or reclassified into another item.

(ii) Amounts transferred to the income statement: it includes the amount of profit or loss previously recognised in equity, even on the same year, which are recognised on the income statement.

(iii) Amount transferred at initial value of hedged items: it includes the amount of profit or loss from valuation, previously recognised in equity, even in the same year, which are recognised on the initial value of assets or liabilities as a consequence of cash flow hedging.

(iv) Other reclassifications: it includes the amount of transfers during the year among items of adjustments from valuation as per criteria established by the regulation in force.

Amounts on these items are presented at their gross quantity, showing their corresponding tax effect under the caption "Corporate income tax" of the statement.

v) Consolidated statement of changes in equity

This part of the consolidated statement of changes in equity shows all changes in equity, including those originated in changes in accounting criteria and error corrections. Therefore, this statement shows a reconciliation of the accounting value at opening and closing date of all items included within equity, grouping movements based on their nature, under the following items:

i) Adjustments from changes in accounting criteria and error corrections: it includes changes in equity originated as a consequence of the retroactive re-expression of balances in the annual accounts originated in changes in accounting criteria or error corrections.

(ii) Income and expenses recognised during the year: it includes, in aggregate, the aforementioned total amount of items registered in the statement of recognised income and expenses.

(iii) Other variations in equity: it includes the remaining items registered in equity, such as increases or decreases of the allocation fund, distribution of results, transactions with treasury stock, payments with capital instruments, transfers among items on the equity, and any other increase or decrease in the consolidated equity.

w) Own equity instruments

Own equity items are considered to be those that meet the following conditions:

- They do not include any type of contractual obligation for the issuing entity that involves: delivering cash or another financial asset to a third party; or exchanging financial assets or financial liabilities with a third party on terms that are potentially unfavourable to the entity.

- Whether it can be, or will be, settled in the issuer's own equity instruments: when it is a non-derivative financial instrument, it does not involve an obligation to deliver a variable number of its own equity instruments; or when it is a derivative, it is settled for a fixed amount of cash or another financial asset in exchange for a fixed number of its own equity instruments.

Business conducted with own equity items, including their issue and redemption, are recognised directly with a balancing entry in consolidated equity.

Changes in value of instruments qualifying as own equity instruments are not recognised in the financial statements; consideration received or given in exchange for such instruments is added to or deducted directly from consolidated equity and transaction costs are deducted from equity.

The initial recognition of equity instruments issued to settle a financial liability in whole or in part is at fair value, unless the fair value cannot be reliably measured. In this case, the difference between the carrying amount of the financial liability (or part of it) extinguished and the fair value of the equity instruments issued is recognised in profit or loss.

x) Hybrid financial instruments

A financial instrument is a contract that gives rise to a financial asset in one entity and, simultaneously, a financial liability or equity instrument in another entity.

An equity instrument is a legal arrangement that evidences a residual interest in the assets of the issuing entity after deducting all of its liabilities. A financial derivative is a financial instrument whose value changes in response to changes in an observable market variable (such as an interest rate, foreign exchange rate, the price of a financial instrument or a market index, including credit ratings), whose initial investment is very small relative to other financial instruments with a similar response to changes in market conditions and which is generally settled at a future date.

Hybrid financial instruments are contracts that simultaneously include a host contract other than a derivative together with a financial derivative, called an embedded derivative, that is not individually transferable and that has the effect that some of the cash flows of the hybrid contract vary in the same way as would the embedded derivative in isolation.

Compound financial instruments are contracts that simultaneously give rise to a financial liability and an equity instrument for the issuer (e.g. convertible bonds that give the holder the right to convert them into equity instruments of the issuing entity). Contingently convertible preference shares ("CoCos") into ordinary shares eligible for own funds purposes as additional tier 1 capital, with the possibility of purchase by the issuer in certain circumstances, the remuneration of which is discretionary, and which will be converted into a variable number of newly issued ordinary shares in the event that the consolidable group, of which the entity is the parent, has a capital ratio below a certain percentage (trigger event), as both terms are defined in the relevant issue prospectuses, are accounted for by the Group as compound instruments (see note 23).

The liability component reflects the issuer's obligation to deliver a variable number of shares and the equity component reflects the issuer's discretion to pay the associated coupons. To make the initial allocation, the Company estimates the fair value of the liability as the amount it would have to deliver if the trigger event were to occur immediately, so the equity component, calculated as the residual amount, is zero.

Due to the aforementioned discretionary nature of coupon payments, coupons are deducted directly from the Group's equity.

12. Customer service and money aundering

Customer service

Order ECO 734/2004, of 11 March, of the Ministry of Economy, established, among others, the obligation for customer care services and departments of financial entities to elaborate an annual report explaining their activities, in the terms contained in article 17 of such Order, establishing the compulsory inclusion of a summary of such report in the Notes to the Financial Statements of such financial entities. Additionally, if there is a figure of Customers' Ombudsman, such legal text establishes these same obligations, always for clarification purposes of activities performed during the year.

During 2022, the total number of complaints/complaints amounted to 2,684 (5,339 in 2021). The 2,684 claims are broken down as follows:

- 2,684 processed by Customer Services (5,339 in 2021).

- 39 processed by the Customer Ombudsman (264 in 2021).

- 931 processed and inadmissible (1,931 in 2021).

The complaints received and admitted for processing amounted to 1,753 (3,408 in 2021), with 88 pending resolution on 31 December 2022 (44 in 2021).

The most significant reasons for the total number of complaints filed during 2022 are as follows.

- Operation's processing expenses.

- Delay interests, loan's early termination and commissions, including opening fees.

It should be noted that the above-mentioned reasons have been the subject of complaints either jointly or separately and, in some cases, reiterated by customers.

As of 31 December 2022, complaints/claims have been resolved as follows:

- Favourable to the customer: 364 (454 in 2021).

- Unfavourable to the customer: 1,764 (2,910 in 2021).

Of the complaints resolved in favour of the customer, in 18 cases (32 in 2021) financial rights were recognised for the customer. In addition to the complaints handled by the customer service department and by the customer ombudsman (SAC), economic rights have been recognised for customers in other complaints for various reasons, handled directly by the Entity, which has entailed a cost, in 2022, of 12,728.28 euros (14,573.07 euros in 2021).

It should also be noted that, of the complaints received, a total of 8 were filed by customers with the Bank of Spain's Department of Institutions (37 were filed in 2021). Likewise, and although they do not strictly speaking constitute complaints, 52 requests for information have been filed with the CIRBE service (in 2021 a total of 66 requests for information were filed with the CIRBE service) and 230 non-bank complaints.

Criteria considered in the resolution of claims are mainly based on the following aspects:

- Adaptation and compliance with the applicable regulation in force at all times.

- Compliance with assumed contractual obligations, by each of the parties' signature in the contract (client and Entity).

- Information provided by the Entity to the client, both in the pre-contractual stage and throughout the contract's validity.

- Adaptation to banking best practices.

Situation posed by the client, in particular in cases of vulnerability or risk of exclusion caused by the economic crisis or unforeseen situations.

Thus, when solving claims, not only objective facts are considered (such as the applicable standard and best banking practices), but also the personal situation communicated by the client, trying to reach a solution adapted to each client's specific circumstances. With regard to claims posed by customers for payment difficulty, since the Entity adhered to the Best Practice Code, clients are informed and responded based on these regulations and best banking practices.

Additionally, a basic principle of the SAC is the protection of the client's interest and, in compliance with this principle, agreements have been offered and reached with clients to solve at their satisfaction pretensions considered on their claims. Furthermore, in cases where the claim has been escalated to the Entities Department (DCE) of Bank of Spain, specific actions performed by the SAC have also focused on rectifying the entity's performance, in favour of consumers. Accordingly, in 2022, the DCE has accepted the Entity's rectifications in 6 files, therefore adapting the entity's performance to best banking practices.

Lastly, it should be noted that the Entity has additionally received lawsuits from clients, which most significant reasons coincide with those filed before its customer care department. UCI Management considers that provisions allocated in relation to these procedures are appropriate at December 31, 2022.

Money laundering

Regulatory Compliance and Money Laundering Prevention

During 2022, UCI Group has continued performing the necessary follow-up on the field of Regulation Compliance and Money Laundering Prevention, including the application of necessary measures in the estate selling activity, within the framework of Law 10/2010 on Money Laundering Prevention, all the above in order to control its reputational and operative risk.

From the general point of view of the Compliance function, in terms of regulations, ethics, good corporate governance and complaints management, the necessary adaptations and monitoring have continued to be carried out to maintain the good results in the number and treatment of complaints, and to establish internal policies that establish ethical criteria and mitigate the risk of non-compliance with regulations in the performance of the activity. These policies are available to employees and are set out in the following documents and procedures: Code of Ethics, Ethical Alert Procedure (whistle-blowing), Money Laundering Prevention Manual, Catalogue of operations with risk of money laundering in credit institutions and in the real estate activity, Catalogue of good and bad practices in the financing and real estate activity, Criminal Risk Prevention Manual, Customer Interest Protection Policy, Anti-corruption Policy and Gift Policy. During the year 2021, the “Guide of standards of conduct with customers in default” and the Policy of relations with authorities and Public Administrations and the Policy of conflicts of interest have been incorporated.

In relation to the money laundering prevention device, the fundamental working lines during 2022 have been the following:

- Monitoring of the system for managing alerts of potentially suspicious operations of money laundering and terrorist financing, both for the area of financing and for the area of real estate sales, without prejudice to the subsequent detailed analysis of each file.

- Review of the money laundering prevention system by an External Expert, in accordance with the provisions of Law 10/2010, of April 28, 2010, on the prevention of money laundering and financing of terrorism.

- Performance of the internal verification of the money laundering prevention system by UCI’s Internal Audit Department.

- Review and update of the risk self-assessment report on money laundering prevention
- Review and update of the risk self-assessment report on money laundering prevention.

Gifts and Invitations Policy. Anti-Corruption and Anti-Bribery Policy.

Likewise, at UCI we have a Gifts and Invitations Policy which, together with the anti-corruption and anti-bribery policy, form part of the criminal prevention system and which establishes the guidelines to be taken into account in relation to the possible giving or acceptance of gifts in the UCI Group, to avoid incurring in actions contrary to the regulations and internal procedures.

In addition to the gifts and invitations policy, we have an anti-corruption and anti-bribery policy. The UCI Group is committed to a “zero tolerance” policy with respect to any type of corruption and/or bribery activities, in all forms and circumstances in which they may occur. The anti-corruption and anti-bribery policy aims to identify the most common scenarios in which these types of activities may occur and how to proceed to identify, prevent and avoid them.

Consumer Protection Policy (Protection of Customer Interests)

One of the UCI Group’s main objectives is to respect the interests of customers and their inherent rights. Therefore, the Consumer Protection function is a relevant function within the scope of Compliance.

Within this framework, the UCI Group has established its Consumer Protection Policy, which is based on the following principles:

- Fair and respectful treatment. For the UCI Group, fair treatment of customers is a strategic element that is part of the corporate culture. It is essential to place the customer at the center of the business, fostering a relationship of trust between both parties. Customers have the right to be treated with respect and in an honest, fair and non-discriminatory manner, with high ethical standards, using clear language and ensuring prompt, rigorous, diligent and efficient management, with special emphasis on transparency with the customer.

- Design of products and services with a customer vision. The UCI Group is a socially responsible organization and, as such, one of its fundamental objectives is to have a correct design of its financial products and services, always within the scope of national and international regulations on consumer protection.
-Transparency in communication. Communications with the customer throughout the entire customer relationship cycle must be carried out with transparency and quality, regardless of the time at which they take place. UCI promotes communication based on providing accurate and sufficient information, with clear and simple language

- Responsible pricing, taking into account consumer protection and price competition regulations.

- Consideration of customers’ special circumstances and prevention of over-indebtedness, based on the responsible granting of financing and, where appropriate, taking into account the special circumstances and/or financial difficulties of customers in order to proceed in their best interest and offer them viable solutions.

- Data protection, carrying out a rigorous management of data based on current regulations, applying the principles of legality, loyalty, transparency and accuracy.

- Claims Management.The principles governing the performance of the S.A.C. are accessibility, independence, specialization and continuous improvement.

- Financial education. Knowledge of the system and of the principles of personal and family finance is essential to mitigate possible lack of understanding of financial products and services that may lead to possible conflicts that may arise with the entities. Financial education aims to contribute to the improvement of the financial culture of citizens, providing them with tools, skills and knowledge to make informed and appropriate financial decisions, helping consumers to enjoy a higher degree of protection.

- Responsible innovation. Responsible innovation within the UCI Group is defined as the use of new and improved products, services and processes, complying with the evolution of consumer needs, and avoiding barriers to access, understanding, use or utilization of those products, services or processes by customers, in order to achieve customer satisfaction

General Policy on Conflicts of Interest.

Similarly, in the UCI Group we have a General Policy on Conflicts of Interest, the purpose of which is to make available to employees, directors and UCI Group entities the guidelines for preventing and managing conflicts of interest that may arise as a result of their activities.

This policy has been developed taking into account criteria of proportionality with respect to the structure of the UCI Group in order to identify the circumstances in which conflicts of interest may arise, and the internal reference regulations establishing the mechanisms for preventing and managing conflicts of interest, in particular:

- Code of Ethics

- Internal Governance Policy

- Remuneration Policy - Policy on Outsourcing of Essential Services

- Anti-Corruption and Anti-Bribery Policy

- Anti-Corruption and Anti-Bribery Policy. Gifts and Invitations Policy

- Know Your Intermediary Procedure - Supplier Contracting Procedure and Supplier Code of Conduct.

Whistleblowing Channel

The Group has a Whistleblowing Channel, which is a procedure for reporting breaches, allowing Group employees to confidentially report any conduct that may imply a breach of the corporate governance system or the commission by any Group employee of any act contrary to the law (in particular any action that may be criminal) or to UCI's rules of conduct, as set forth in the Code of Ethics and in the internal policies and procedures of the Compliance Activity.

Compliance Activity

1. Whistleblowing Channel. During fiscal year 2022, three complaints have been received through this whistleblowing channel in Spain.

2. Gifts and invitations. During 2022 there were no incidents related to the Gift Policy.

3. Prevention of Money Laundering Alerts. During 2022 a total of 1,835 alerts were analyzed in Spain, of which 9 were reported to the OCI (Internal Control Body) and of these 9, 1 was reported to SEPBLAC. Likewise, the process of continuous review of the

customer portfolio has continued, from the point of view of money laundering prevention, which has involved the analysis of 444 additional alerts generated through the continuous monitoring process.

In Greece, 25 alerts have been analyzed and none has been communicated to the local regulatory body.

In Portugal, 614 alerts have been analyzed and one has been communicated to the local regulator.

Awareness and training provided on Regulatory Compliance issues

During 2022, the Compliance area has continued with the training and awareness-raising work, in order to train, inform and raise awareness among employees about the possible Compliance risks and provide them with the necessary tools to identify and prevent them, as well as to mitigate them in case of materialization of such risk.

Likewise, during this fiscal year 2022, the following training actions have been carried out on Compliance matters (Criminal Risk, Prevention of Money Laundering, Data Protection, International Sanctions and Embargos, Competition Law, Anti-Corruption Training, Validation and monitoring of products, Advertising of banking products and services, and Volcker) and internal dissemination actions of contents related to Compliance matters have been carried out.

The scope of all the training has been for the entire staff, except for the training on competition law and advertising of products and services, which has been addressed to managers, including senior management. Regarding Volcker training, it has been addressed to a specific group of employees and managers.

Internal communications to raise awareness of contents related to Compliance matters have been as follows:

- Transparency Culture
- Compliance Culture
- Prevention of money laundering
- Communication of Ethics Alert procedure
- Communication of anti-corruption policy and Gift Policy - Communication of Criminal Risk Prevention Manual.

Regulatory developments

Within the framework of the Compliance function, one of the main aspects is the identification and analysis of regulatory and normative developments with an impact on the Entity. In fiscal year 2022, 52 information communications on new regulations in Spain have been disseminated.

13. Credit risk

Introduction

As the supreme management body, the Board of Directors establishes the Group's risk policy and supervises compliance with this. The Board of Directors determined the operating limits and the delegation of powers for credit risks, market risks and structural risks.

One of the pillars on which the activity of a Financial Entity is sustained is correct risk management. Control over this is the guarantee for the survival of our business over the course of time. The main objectives in risk management are the following:

- Optimise the relation between the assumed risk and profitability.

- Adapt capital requirements to risks assumed by the Group. For the Group, it is essential to establish a capital planning to ensure its long-term solvency, so as not to commit its business model or risk profile.

In the Group, risk management is carried out with regard to the origin of the risk. Because of the Group's business, there is a main distinction among the following:

- Credit Risk (in which the customer credit risks are concentrated, over 90% of the total risk) - Market Risk

- Operating Risk

- Equity and solvency Risk (see note 5)

All of these are handled and mitigated with all of the latest techniques currently available.

The Group has drawn up management plans in accordance with the needs derived from the different types of risk. The understanding of risk management has a continuous process has led to the management processes for each risk, with the measurement tools for their administration, appraisal and monitoring, as well as to the definition with suitable circuits and procedures, which are reflected in management manuals or in the Credit or Recollection Committees.

Grouped below by headings are the different matters that, in the most material manner, distinguish risk Management and Control within the UCI Group.

Credit risk management

Internal organization

The Board of Directors has delegated to the Credit Risk Committee, comprising the Chairman and the General Director, the operating decisions that, based on their profile, do not have their decision delegated to other executive levels. The Board has established that the Credit Risk Committee can decide on transactions for any amount.

At the executive level within the Risk Directorate, it is the National Authorisation Centre (N.A.C.) is the body responsible for the decisions on all files.

In order to provide ourselves with a consolidated, consistent and solid database, UCI has opted to centralise the codifying process, thereby avoiding the appearance of multiple criteria with regard to the interpretation of data to be codified. One of the main consequences of this form of organisation is the suitability of the databases with regard to the elaboration of our scoring model. This process is integrated in the N.A.C., which reports directly to the Risk Director.

In order to ensure quality in codifying, the N.A.C. is periodically submitted to controls by the Policies and Methods Department and the Internal Audit Department.

Most decisions are taken in a centralised manner in the N.A.C.

Risk analysts from the N.A.C. decide transactions based on their authorisations. Those exceeding such authorisations are submitted to the decision by the N.A.C. Committee or to the Risk Committee, as appropriate.

The activity carried out by the area is monthly reviewed from the point of view of equipment productivity, decision quality, assumed risk levels and transformation rates, in order to meet the established standards.

In addition to the N.A.C., there are other departments that outline the organisational plan for Risk Management in UCI.

The Policy and Method Department, dependent on the Risk Directorate, is entrusted with the responsibility of defining and implementing the policies and procedures to be followed in putting together a loan, its processing and decision. Similarly, it is responsible for the training, supervision and control for the correct application of policies and procedures, both in our agencies and in the N.A.C.

The Agents' Department, integrated under this same directorate, is in charge of monitoring, controlling and encouraging the administrative agency network with which we work. They are also responsible for the proper application of our selection policy from the point of view of legal security for transactions.

And, finally, the Valuation Department is responsible for supervising the activities carried out for us by the valuation firms, giving decisive support for those transactions that require a technical report.

The quality of the setting-up, analysis and decision processes for loan dossiers, as well as those corresponding to the Agency and Valuation Departments have obtained the AENOR certification in Spain for compliance with the Spanish Standard UNE-EN ISO 9001:2008 in March 2003, and which is extended throughout the commercial network. Each year, follow-up audits are performed. The certification is renewed every three years; the last renewal is from 2020.

Control over external collaborators

In UCI, risk control is present in all the phases for processing a dossier and affects not just the internal management units but also included those tasks delegated to our external collaborators.

This also allows us to have the administration agencies network connected by computer with our central systems, with vertical integration in our management system.

It should be noted that, for UCI, the administrative agencies do not merely perform administrative procedures, but are also empowered by UCI and are responsible for the proper legal handling of our transactions, being responsible for the following processes, among others: searching and analysing property register information, preparing and carrying out the signing process, acting as representatives with powers of attorney from our entity, filing deeds in the corresponding registries, cancelling charges prior to our mortgage appearing in the registry so as to guarantee this having first call, settling taxes and sending the deeds for filing once all the appropriate controls have been carried out so as to guarantee the risk levels established .

It is important to point out that the success of their task depends to a great extent on the control processes established in the management systems designed by UCI for this activity.

Furthermore, the valuation process is also subject to control and supervision by our systems without this detracting from the valuation companies' total liberty for determining the value of the security.

The interconnection of our respective computer systems allows us to establish automatic quality controls that go beyond the simple requirement for a minimum demanded valuation amount. Among other aspects, these controls cover re-locatability, the adaptation of the asset to demand, community costs, the need for alterations, the regime to which is subject, the possible presence of third parties with preferential rights, etc.

Any anomaly detected requires the dossier to be sent to the N.A.C. for a further decision in which the risk factors arisen in the valuation are considered.

Scoring model and risk cost

Since its creation, one of UCI's most constant concerns has been to try and create a model for the performance of our loan portfolio. In 2015, the Entity set up in Spain the eighth version of the scoring model constructed in a historical record of homogeneous events since 1999.

This model, more granular in its scaling than the previous ones, makes it possible to discriminate between different categories in customers in respect of homogeneous payment behaviour, anticipating the probability of default.

Scoring forms an integral part of the selection parameters when it comes to selecting a given risk.

In order to complete the view of the risk associated with our dossiers, we have designed a provisional risk cost that allows us to quantify the expected loss on a dossier based on their score and the percentage of financing with regard to the guarantee's value.

Such risk cost is included in our pricing model so as to be able to manage individually the financial conditions to be assigned to the dossier based on its risk.

In Portugal, the fifth version of the scoring system specific to the retail business in Portugal, built on the experience of the actual payment behaviour of UCI's customers since its inception, was implemented in 2020. Portugal represented 7% of UCI, S.A., E.F.C.'s credit exposures at the end of 2008, 10.9% at the end of 2020 and 11.2% at the end of 2021. In order to have forward-looking measures of credit risk by UCI, three basic elements are available: expected loss, probability of default and severity.

The expected loss in percentage terms relative to the risk exposure is formulated as follows:

Expected % = Probability of defaut % x Severity %

Additionally, the economic capital, apart from depending on the same components as the expected loss, also depends on other elements, such as the confidence level taken as reference point, as the correlation or degree of diversification in the portfolios.

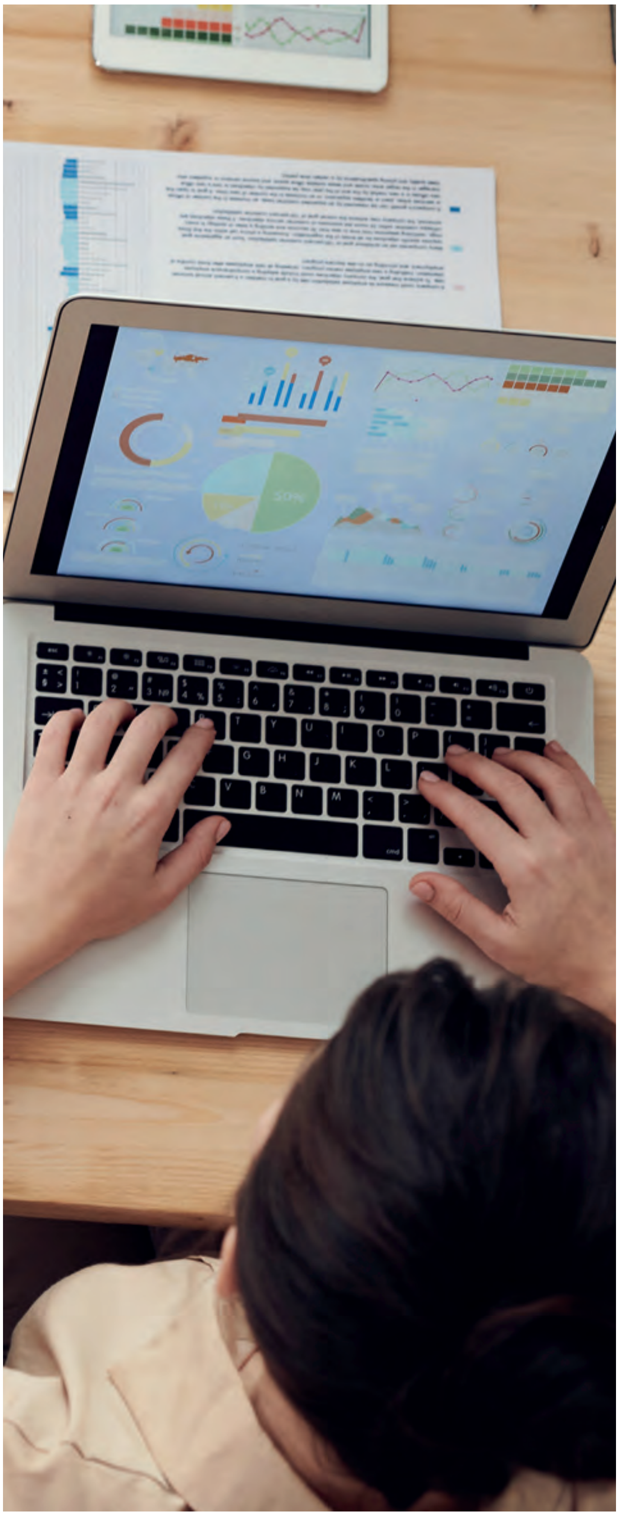
• **Probability of default:** Default is understood to be a delay in payment of an obligation of more than 90 days, a definition that coincides with the Basle II document. The horizon for calculating this probability is three years. It should be noted that the higher the section, the lower the probability of non-payment. The historic records prepared are used to study how this probability varies in relation to the points assigned in the scoring and other possible relevant axes (for example, age of the operation).

• **Severity:** This is defined as the anticipated estimate of final loan losses in the event of a default. Its complementary aspect is the recovery rate, which can be calculated as the difference between 100% and the severity level. In addition to the effectiveness of the recovery process, the elements that affect this are the type of product involved and the guarantees linked with the transaction (mortgage or credit insurance in the case of UCI). In order to have estimates for severity it is necessary to have historical and homogenous databases that make it possible to analyse the result of the procedures for recovery in accordance with different segmentation criteria. On this point, development has been completed for the database for the historical analysis of the recoveries for UCI in Spain in accordance with customers' scoring sec-

UCI

tions. The information collected dates back to 1993 in Spain. In Portugal, the same process has been performed with exploitation of data generated since 2004.

Expected losses: during 2022, the expected loss estimates have been adjusted according to the tranches and scoring, and new information from the historical risk databases has been made available, where all the information on risk exposure is being integrated together with its estimates of probability of default and loss given default and severity broken down by portfolio. The expected loss on the portfolio of new mortgage loans generated in Spain in 2022 is 10 bp (10 bp in 2021).



Incorporation of forward-looking information in the expected loss models

As shown in the following section, the Company has taken into account macroeconomic scenarios with five levels of different severity. These scenarios have been contrasted with those issued by official bodies and by the Entity's shareholders.

The projected variables considered are as follows:

		31/12/22			31/12/21		
		2023	2024	2025	2022	2023	2024
GDP Variation							
(Anual variation)	Very Negative	-2.3%	-3.6%	0.1%	-3.9%	-0.2%	1.6%
	Negative	-0.8%	-1.7%	1.2%	-0.4%	1.0%	1.6%
	Base	0.7%	2.7%	2.2%	7.0%	2.7%	1.6%
	Positive	3.4%	4.4%	3.5%	9.0%	4.4%	2.1%
	Very Positive	4.5%	5.6%	4.1%	10.7%	5.1%	2.8%
Unemployment rate							
(Absolute level)	Very Negative	15.4%	19.9%	21.1%	20.0%	21.9%	20.7%
	Negative	14.4%	17.2%	17.7%	17.2%	19.5%	18.9%
	Base	13.6%	13.1%	12.6%	14.7%	13.8%	12.7%
	Positive	12.8%	12.1%	10.7%	13.6%	12.5%	11.0%
	Very Positive	12.4%	11.2%	9.4%	12.9%	11.6%	9.5%
Interbank rate 12 meses							
(Absolute level)	Very Negative	4.4%	4.0%	3.1%	-0.2%	0.2%	0.8%
	Negative	3.6%	3.1%	2.9%	-0.3%	0.1%	0.5%
	Base	2.7%	2.6%	2.7%	-0.5%	-0.4%	-0.3%
	Positive	2.6%	2.5%	2.5%	-0.4%	-0.3%	-0.2%
	Very Positive	2.5%	2.4%	2.2%	-0.4%	-0.2%	0.0%

		31/12/22			31/12/21		
		2023	2024	2025	2022	2023	2024
Change of housing houses' price							
(Annual variation)	Very Negative	2.2%	0.3%	1.8%	-2.8%	-1.7%	1.8%
	Negative	3.0%	1.6%	2.5%	0.2%	2.6%	2.7%
	Base	3.9%	4.3%	3.7%	4.4%	3.3%	2.4%
	Positive	4.9%	5.3%	4.4%	5.4%	3.9%	2.6%
	Very Positive	5.4%	6.2%	4.9%	7.5%	5.5%	3.1%
Change of consumer price index							
(Annual variation)	Very Negative	10.2%	4.0%	2.5%	3.8%	2.7%	2.7%
	Negative	8.0%	3.1%	2.5%	3.2%	2.1%	2.1%
	Base	6.2%	2.5%	2.3%	1.5%	1.5%	1.8%
	Positive	6.0%	2.3%	2.0%	1.3%	1.5%	1.7%
	Very Positive	5.8%	2.2%	2.0%	2.0%	2.2%	2.3%

Starting from a base scenario, the two "negative" scenarios reflect deficiencies leading, together with other macroeconomic dynamics, to declines in productivity, GDP and house price variations below the evolution of the consumer price index, with two different levels of severity.

The two positive scenarios reflect more favorable developments than the base scenario, with two different levels of severity.

Assumptions and scope of the models

The Company performs an annual recalibration of the provisioning model, in which it integrates the impact of the effective management of its recovery and the marketing of its foreclosed assets in the dynamic parameters of the model, with the most current information possible to comply with the "point-in-time" nature of these methodologies, measured at June 30 of the fiscal year.

The Company inserts this future protection in a macro-economic environment determined by the combinations of the different scenarios. As can be seen, the scenarios are three-year scenarios. The Company inserts this future protection in a macro-economic environment determined by the combinations of the different scenarios. As can be seen, the scenarios are triennial. In November 2022, the macro-economic scenarios have been updated, together with the recalibration mentioned in the previous paragraph, which has generated a recovery of provisions of 6 Million Euros.

In accordance with the principles of the applicable accounting regulations, the expected loss for each loan takes into account a "forward-looking" (12-month horizon) or "life-time" (horizon until the end of the loan's life or maturity) view, depending on the accounting classification of the exposures: horizon until the end of life for doubtful loans in default or not, for loans under special surveillance, and 12-month horizon for the rest of the healthy loans.

The determination of loan loss provisions for credit risk is carried out based on the development of an internal model, based on what is defined in Annex IX of Circular 4/2017, and the precisions set for this purpose by IFRS 9. Likewise, the Group uses a "Post Model Adjustment" for the purpose of calculating the provision for credit risk, for transactions classified as Subjective Doubtful, based on its "expert judgment" and with the objective of including additional valuation prudence conditions, based on the historical experience of the Spanish financial sector, which are extracted from the estimates in Annex IX of Circular 4/2017. The amount of such adjustment is €12.5 million as of December 31, 2022 (€11.6 million as of December 31, 2021).

The weighting of the scenarios envisaged in each of the years on each segment is as follows:

Very Negative	Negative	Base	Positive	Very positive
5%	20%	50%	20%	5%

This weighting is applied to the Company's portfolio in Spain, which represents 86% of the Company's total. The calibration principles for the other countries (Portugal and Greece) follow the letter or spirit of the above, albeit in a simplified manner.

Coexistence of scenarios and sensitivity

The different variables that measure or quantify the economic situation influence each other and show correlations of varying signs: the growth of gross domestic product and the unemployment rate tend to evolve in different directions, low interest rates can fuel growth or conversely be an effect of less restrictive monetary policies caused by weak growth, the evolution of housing prices has to be read in conjunction with the evolution of consumer prices, etc.

These dependencies make it difficult to establish clear causal relationships between a particular variable and an effect (e.g. expected credit loss) and, additionally, also make it difficult to interpret sensitivities to expected credit loss model calculations when these sensitivities are provided for several variables simultaneously.

Following, the estimated sensitivity to a 1 % drop in gross domestic product, as well as to a 1 % drop in real estate asset prices in expected credit risk losses at the end of 2022 on the entire credit portfolio, is shown below

1% unemplyment rate rise		1% housing' price drop	
Impact in M €	Impact in % of the hedges	Impact in M €	Impact in % of the hedges
1.6	0.6%	36.7	14.5%

Risk of concentration

The UCI Group continuously monitors the degree of concentration of the various credit risk portfolios under the most relevant dimensions: geographical areas, economic sectors and customer groups. The Board of Directors establishes the risk policies and reviews the exposure limits approved for the appropriate management of the degree of concentration.

Given the Group's mortgage activity sector, lending activity is dispersed throughout the Spanish Autonomous Regions and Portuguese regions (through loans formalised by the Branch in that country), with the greatest degree of concentration in those transactions involving developer risk in Spain, where the risk formalised can amount to more than one million euros, a not significant figure in any case.

The Group is subject to the Bank of Spain's regulations on large exposures, which are those exceeding 10% of eligible capital. In accordance with the regulations in force, and contained in Circular 3/08, no individual exposure, including all types of credit risk, must exceed 25% of the Group's capital. At 31 December 2022 and 2021, there was no exposure above the above limits.

The policies established for the disposal of foreclosed real estate assets or assets received in payment of debts include the marketing of the assets through real estate professionals. The Group's strategy for each of these non-current assets for sale may include improvement or refurbishment works, in collaboration with the professionals responsible for their marketing. The aim of the strategies is to optimise the timing and price of disposal of these assets, in line with the evolution of the real estate market.

The concentration of risks by activity and geographical area of the Group at 31 December 2022 is as follows:

UCI

CONCENTRATION RISK BY ACTIVITY AND GEOGRAPHICAL AREA (carrying values) TOTAL ACTIVITY	TOTAL 31.12.2021	Spain	Rest of European Union	America
1. Credit institutions	272,076	269,422	2,654	-
2. Public Administrations	146,116	146,116	-	-
3. Other financial institutions	-	-	-	-
4. Non-financial companies and individual employers	8,399	7,892	-	507
4.1 Real estate construction and development	7,892	7,892	-	-
4.2 Construction of civil works	-	-	-	-
4.3 Other purposes	507	-	-	507
4.3.1 Large companies	-	-	-	-
4.3.2 SMEs and individual employers	507	-	-	507
5. Other homes and non-profit institutions serving households	10,031,332	8,795,927	1,235,405	-
5.1 Homes	10,031,332	8,795,927	1,235,405	-
5.2 Consumption	-	-	-	-
5.3 Other purposes	-	-	-	-
TOTAL	**10,457,923**	**9,219,357**	**1,238,059**	**507**

The concentration of risks by activity and geographical area of the Group at 31 December 2021 was as follows:

CONCENTRATION RISK BY ACTIVITY AND GEOGRAPHICAL AREA (carrying values) TOTAL ACTIVITY	TOTAL 31.12.2021	Spain	Rest of European Union	America
1. Credit institutions	263,386	259,554	3,832	-
2. Public Administrations	-	-	-	-
3. Other financial institutions	-	-	-	-
4. Non-financial companies and individual employers	7,572	7,572	-	-
4.1 Real estate construction and development	7,572	7,572	-	-
4.2 Construction of civil works	-	-	-	-
4.3 Other purposes	-	-	-	-
4.3.1 Large companies	-	-	-	-
4.3.2 SMEs and individual employers	-	-	-	-
5. Other homes and non-profit institutions serving households	10,360,283	8,983,742	1,376,541	-
5.1 Homes	10,360,168	8,983,628	1,376,541	-
5.2 Consumption	-	-	-	-
5.3 Other purposes	115	114	-	-
TOTAL	**10,631,241**	**9,250,868**	**1,380,373**	-

Credit risk mitigation

The duties of the Audit Committee and of the Internal Audit Department include ensuring the appropriate compliance with risk control policies, methods and procedures, guaranteeing that they are appropriate, effectively implemented and regularly reviewed.

The Risk policies' internal audits review the client's payment capacity and the focus on a better client profile, analysing whether the granting of credits adapts to the entity's internal policies, to guidelines established by the Board of Directors, to the compliance with the solvency assessment based on the EBA Guidelines (European Banking Authority), to Circulars of Bank of Spain, and to other applicable regulations.

Restructuring/refinancing policy

The UCI Group, within a responsible credit and collection policy, has established a corporate policy which refers to those operations where the customer has presented, or is expected to present, difficulties to face his/her payment obligations under the contract terms in force and, therefore, it could be advisable to temporarily modify the operation in force or even to formalise a new operation.

This policy is applicable to countries where UCI operates and to all customers, adapting to the local needs and standards and always subordinated to the compliance with local regulations applicable. Its principles include the following:

Solutions proposed to the client must be appropriately used, and its use must not distort the recognition of defaults.

The solution must focused in the recovery of all due amounts, recognising as soon as possible the amounts which are considered unrecoverable, if any. Delaying the immediate recognition of losses would be contrary to management good practices.

The restructuring operation will be designed from the client's comprehensive management perspective

If the client has more than one operation with UCI, the following aspects must be addressed:

• The client's risk will be assessed as a whole, regardless of the situation of each individual loan.

• If possible, all operations will be grouped and assigned with the highest level of guarantee possible.

• The determination of monthly charges will be adjusted to monthly payments of all loans. Also, all consolidable income of the family unit will be added so as to verify that the affordability rate keeps the most appropriate proportion.

• The proposed solution will generally imply the cancellation of all available amounts not disposed of.

An operation can be restructured several times (concatenation)

The succession of restructuring operations, in general, will be conditioned to the correct payment behaviour in the previous operation or when, due to the variation of personal/labour/economic circumstances, it was sufficiently evidenced that the lack of compliance is due to these circumstances, as per the client's new situation.

The restructuring or refinancing operation must not imply an increase of the risk with the client

• The proposed solution must not imply granting additional financing to the client and cannot be used to finance other debts or as cross-selling instrument.

• In refinancing operations, the increase of the necessary amount to face formalisation expenses will be admitted when it is evidenced that it will be possible to pay the proposed instalment or when new guarantees are contributed.

• The restructuring or refinancing operation must always contemplate the maintenance of existing guarantees and, where possible, to improve them and/or extend their coverage. New guarantees or real guarantees will not only mitigate severity, but shall reduce the probability of lack of compliance.

Payment condition for ordinary interests

Instalments established in the restructuring operation must comply, in general, at least, with the operation's ordinary interests. Interest's waiting periods must be appropriately justified on the basis of the operation's risk.

Cautions in restructuring and refinancing operations

• When assessing the convenience of the solution's proposal, it is necessary to ensure that this proposal's results exceed those expected to be obtained if the debt was not newly negotiated.

• The analysis of guarantees and the possible future evolution is an especially relevant element when assessing restructuring and refinancing operations.

• Avoid the fact that the solution's possibility incentives defaults.

• If debt restructuring and refinancing products provide more advantageous conditions for the client than the ordinary operation, there is a true risk for the client to observe an advantage in the lack of compliance of obligations. Therefore, the design of UCI policy and products avoid communicating to the client that the lack of compliance of obligations is rewarded.

• The application of rigorous and selective criteria is especially relevant in massive and/or public actions.

Traceability of operations

• It is necessary for systems to keep record of operations subject to restructuring, so as to identify them, such as when the client has had difficulties. All data in origin must be considered in case they are subsequently necessary.

• Systems identify those operations which origin has been a restructuring or refinancing process, in order to appropriately distinguish them from those originated in an ordinary admission process, and to be able to perform a differentiated analysis of both types of operations.

• The Entity keeps record of the relation between original and new operations, if any, being able to determine the debt's distribution between the different origin operations.

The restructuring and refinancing operation cannot imply an improvement of classification as long as there is not a satisfactory experience with the client

• Improvements in classification shall be applied as long as a minimum relation has been held with the client so as to ensure a reasonable knowledge of the new situation.

• This relation must be sufficiently satisfactory and enable the verification of an acceptable improvement in the client's payment capacity.

Restructuring and refinancing operations in category of normal risk will be held identified as such and classified dentro of the category Normal Special Surveillance until their extinction if conditions defined in section 100 of annex IX of Circular 4/2017 are not met

• That it is concluded that, after an exhaustive review of the owner's equity and financial situation, that financial difficulties are not expected.

• That a minim two-year term has elapsed from the date of formalisation of the refinancing or restructuring operation, or, if later, from the date of reclassification from the category of doubtful risk.

• That the owner has paid accrued instalments of principal and interests from the date at which the refinancing or restructuring operation was formalised, or, if later, from the date of reclassification from the category of doubtful. Additionally, the following would be necessary:

  • That the owner has satisfied, through regular payments, an amount equivalent to all amounts (principal and interests) overdue at the date of the refinancing or restructuring operation, or which were written off as a consequence of such operation, or

  • That other objective criteria have been verified, demonstrating the owner's payment capacity, being more appropriate based on the operations' characteristics.

Therefore, the existence of contractual clauses that delay the reimbursement, such as principal's waiting periods, will imply that the operation remains identified as refinancing, refinanced or restructured operation, until the criteria described in this letter are met.

• That the owner does not have any other operation with amounts due more than thirty days at the end of the probationary period.

Therefore, when all requirements above are met, the operations will no longer be identified in the financial statements as refinancing, refinanced or restructured operations, regardless of whether the information on modifications made in the operations is duly included in the entity's databases, in application of the principle of traceability, and it is declared to the Risks Information Centre.

Quantitative information required by Circular 6/2012 of Bank of Spain

The credit risk management policies and procedures applied by the Entity ensure detailed monitoring of borrowers, highlighting the need to make provisions when there are indications of deterioration in their solvency. Accordingly, the Entity establishes the required loan loss provisions for those transactions in which the situation of its borrower so requires prior to formalising the restructuring/refinancing transactions, which should be understood to be:

• Refinancing operation: an operation that is used for economic or legal reasons related to financial difficulties (current or foreseeable) of the holder to cancel one or several operations granted, by the institution itself or by other entities of its group, to the holder or to one or more other companies of its economic group, or whereby such operations are brought fully or partially up to date with payment, in order to facilitate the payment of their debt (principal and interest) by the holders of the cancelled or refinanced operations because they cannot, or it is foreseen that they will not be able to, comply in due time and form with their conditions.

• Refinanced operation: an operation that is fully or partially brought current as a result of a refinancing operation carried out by the institution.

• Restructured operation: the financial conditions of an operation are modified for economic or legal reasons related to the holder's current or foreseeable difficulties, in order to facilitate the payment of the debt (principal and interest) because the holder is unable, or is expected to be unable, to comply with these conditions in due time and form, even if this modification was foreseen in the contract. In any case, operations in which the conditions are modified to lengthen their maturity, vary the amortisation schedule to reduce the amount of the instalments in the short term or reduce their frequency, or establish or lengthen the period of grace period of principal, interest or both, are considered to be restructured, unless it can be proven that the conditions are modified for reasons other than the financial difficulties of the holders and are similar to those that would be applied by other institutions in the market for similar risks.

If a transaction is classified in a specific risk category, refinancing does not improve its risk classification. Refinanced transactions are initially classified according to their characteristics, mainly the borrower's financial difficulties and the existence of certain clauses such as extended grace periods. As a general rule, the Entity classifies refinancings and restructurings with normal risk under special surveillance, unless they meet the criteria for classification as doubtful. The Entity also presumes that a restructuring or refinancing exists in the following circumstances:

• Where all or part of the payments on the modified transaction have been past due for more than 30 days (without being classified as doubtful risk) at least once in the three months prior to the modification,or would have been past due for more than 30 days without such modification.

• Where, simultaneously with the provision of additional funding, or at some point in the future, the holder has made payments of principal or interest on another transaction, all or part of which payments have been overdue for more than 30 days at least once in the three months preceding its refinancing.

• Where the use of implicit restructuring or refinancing clauses is approved with debtors who have amounts due for 30 days or who would be 30 days overdue if such clauses were not exercised.

This typology of operations is specifically identified in the information system in a way that allows for proper accounting classification and monitoring.

Operations classified in this category may be reclassified to normal risk if the reasons for their classification as normal risk under special surveillance no longer exist.

Their respective hedges as at 31 December 2022 and 31 December 2021 are as follows:

2022 TOTAL (thousands of Euros)	Full mortgage guarantee		Other real guarantees		Without real guarantee		Accumulated impairment or accumulated losses in the fair value due to the credit risk Gross amount	Maximum amount of real guarantee that may be considered
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount		
1. Credit institutions	-	-	-	-	-	-	-	-
2. Public Administrations	-	-	-	-	-	-	-	-
3. Other financial entities and individual employers (financial business activity)	-	-	-	-	-	-	-	-
4. Non-financial companies and individual employers (non-financial business activity)	4	690	-	-	-	-	338	351
Of which: financing of the real estate construction and development (including land)	4	690	-	-	-	-	338	351
5. Other homes	17,657	2,018,355	-	-	663	16,365	214,934	1,819,786
Total	17,661	2,019,045	-	-	663	16,365	215,273	1,820,137

2022								
Of which: DOUBTFUL (thousands of Euros)								
	Full mortgage guarantee		Other real guarantees		Without real guarantee		Accumulated impairment or accumulated losses in the fair value due to the credit risk Gross amount	Maximum amount of real guarantee that may be considered
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount		
1. Credit institutions								
2. Public Administrations								
3. Other financial entities and individual employers (financial business activity)								
4. Non-financial companies and individual employers (non-financial business activity)	4	690					338	351
Of which: financing of the real estate construction and development (including land)	4	690					338	351
5. Other homes	9,413	1,131,412			390	10,042	188,147	953,307
Total	9,417	1,132,101			390	10,042	188,485	953,658

2021 (*) TOTAL (thousands of Euros)								
	Full mortgage guarantee		Other real guarantees		Without real guarantee		Accumulated impairment or accumulated losses in the fair value due to the credit risk Gross amount	Maximum amount of real guarantee that may be considered
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount		
1. Credit institutions	-	-	-	-	-	-	-	-
2. Public Administrations	-	-	-	-	-	-	-	-
3. Other financial entities and individual employers (financial business activity)	-	-	-	-	-	-	-	-
4. Non-financial companies and individual employers (non-financial business activity)	4	692	-	-	-	-	340	333
Of which: financing of the real estate construction and development (including land)	4	692	-	-	-	-	340	333
5. Other homes	20,668	2,420,423	-	-	711	18,438	264,143	2,130,890
Total	20,672	2,421,115	-	-	711	18,438	264,483	2,130,890

2021 (*)								
Of which: DOUBTFUL (thousands of Euros)								
	Full mortgage guarantee		Other real guarantees		Without real guarantee		Accumulated impairment or accumulated losses in the fair value due to the credit risk Gross amount	Maximum amount of real guarantee that may be considered
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount		
1. Credit institutions	-	-	-	-	-	-	-	-
2. Public Administrations	-	-	-	-	-	-	-	-
3. Other financial entities and individual employers (financial business activity)	-	-	-	-	-	-	-	-
4. Non-financial companies and individual employers (non-financial business activity)	4	692	-	-	-	-	340	333
Of which: financing of the real estate construction and development (including land)	4	692	-	-	-	-	340	333
5. Other homes	11,429	1,381,748	-	-	379	10,110	229,537	1,168,021
Total	11,433	1,382,440	-	-	379	10,110	229,877	1,168,354

UCI

The amount of transactions that, subsequent to refinancing or restructuring, have been classified as doubtful in the financial year 2022 and in the financial year 2021 is as follows:

REFINANCING AND RESTRUCTURING BALANCES IN FORCE 31.12.2022	Full mortgage guarantee		Other real guarantees		Without real guarantee		TOTAL	
	No. oper.	Gross amount	No. oper.	Gross amount	No. oper.	Gross amount	No. oper.	Gross amount
Homes	**2,929**	**372,091**	-	-	**122**	**3,352**	**3,051**	**375,443**
Of which: loans guaranteed by residential estates	2,929	372.091	-	-	122	3.352	3.051	375.443
Non-financial companies	**4**	**689**	-	-	-	-	**4**	**689**
Of which: small and medium entities	4	689	-	-	-	-	4	689
Total	**2,933**	**372,780**	-	-	**122**	**3,352**	**3,055**	**376,132**

REFINANCING AND RESTRUCTURING BALANCES IN FORCE 31.12.2021	Full mortgage guarantee		Other real guarantees		Without real guarantee		TOTAL	
	No. oper.	Gross amount	No. oper.	Gross amount	No. oper.	Gross amount	No. oper.	Gross amount
Homes	**1,980**	**223,548**	-	-	**60**	**1,465**	**2,040**	**225,013**
Of which: loans guaranteed by residential estates	1,980	223,548	-	-	60	1,465	2,040	225,013
Non-financial companies	**5**	**1,061**	-	-	-	-	**5**	**1,061**
Of which: small and medium entities	5	1,061	-	-	-	-	5	1,061
Total	**1,985**	**224,609**	-	-	**60**	**1,465**	**2,045**	**226,074**

The breakdown of doubtful and non-doubtful exposures refinanced or restructured, according to the number of days elapsed since maturity at December 31, 2022 and December 31, 2021 is as follows:

2022 TOTAL (in thousand of Euros)												
		Exposures not in doubt			Doubtful exposures							
		Total	Not expired or Expired <= 30 days	Overdue > 30 days <= 90 days	Total	With low probability of payment that are not past due or past due < = 90 days	Overdue > 90 days <= 180 days	Overdue > 180 days <= 1 year	Expired > 1 year <= 2 years	Expired > 2 years <= 5 years	Expired > 5 years <= 7 years	Expired > 7 years
Credit Institutions	-	-	-	-	-	-	-	-	-	-	-	-
Public entities	-	-	-	-	-	-	-	-	-	-	-	-
Non financial corporation	690	-	-	-	690	-	-	-	-	-	690	-
Construction and Real Estate development	690	-	-	-	690	-	-	-	-	-	690	-
Other purposes	-	-	-	-	-	-	-	-	-	-	-	-
Rest of households	2,034,720	893,267	881,298	11,968	1,141,454	603,643	113,730	126,269	89,758	127,365	50,957	29,730
Total	**2,035,410**	**893,267**	**881,298**	**11,968**	**1,142,143**	**603,643**	**113,730**	**126,269**	**89,758**	**127,365**	**51,647**	**29,730**

2021 TOTAL (in thousand of Euros)												
		Exposiciones No dudosas			Exposiciones dudosas							
		Total	Not expired or Expired <= 30 days	Overdue > 30 days <= 90 days	Total	With low probability of payment that are not past due or past due < = 90 days	Overdue > 90 days <= 180 days	Overdue > 180 days <= 1 year	Expired > 1 year <= 2 years	Expired > 2 years <= 5 years	Expired > 5 years <= 7 years	Expired > 7 years
Credit Institutions	-	-	-	-	-	-	-	-	-	-	-	-
Public entities	-	-	-	-	-	-	-	-	-	-	-	-
Non financial corporation	692	-	-	-	692	-	-	-	-	-	692	-
Construction and Real Estate development	692	-	-	-	692	-	-	-	-	-	692	-
Other purposes	-	-	-	-	-	-	-	-	-	-	-	-
Rest of households	2,438,861	1,047,002	1,034,901	12,101	1,391,859	881,992	57,710	40,494	62,703	137,475	53,402	158,483
Total	**2,439,553**	**1,047,002**	**1,034,901**	**12,101**	**1,392,551**	**881,992**	**57,710**	**40,494**	**62,703**	**137,475**	**54,094**	**158,483**

Total lending to customers as at 31 December 2022 and 31 December 2021, broken down by counterparty, is as follows:

CREDIT DISTRIBUTION TO CLIENTS BY ACTIVITY (carrying value) AT 31.12.22				Credit with real guarantee. Loan to value				
	TOTAL	Of which: Real estate guarantee	Of which: Other real guarantees	LTV<=40%	40%< LTV<=60 %	60%< LTV<=80%	80%< LTV<=100%	LTV>100%
1 Public Administrations	-	-	-	-	-	-	-	-
2 Other financial institutions	-	-	-	-	-	-	-	-
3 Non-financial companies and individual employers	8,399	7,284	-	226	810	4,283	477	1,488
3.1 Real estate construction and development (b)	7,892	7,284	-	226	810	4,283	477	1,488
3.2 Construction of civil works	-	-	-	-	-	-	-	-
3.3 Other purposes	507	-	-	-	-	-	-	-
3.3.1 Large companies (c)	-	-	-	-	-	-	-	-
3.3.2 SMEs and individual employers (c)	507	-	-	-	-	-	-	-
4 Other homes and non-profit institutions serving households	10,031,332	9,837,228	-	1,821,332	3,006,500	2,976,592	1,488,677	544,127
4.1 Homes (d)	10,031,332	9,837,228	-	1,821,332	3,006,500	2,976,592	1,488,677	544,127
4.2 Consumption (d)	-	-	-	-	-	-	-	-
4.3 Other purposes (d)	-	-	-	-	-	-	-	-
TOTAL	10,039,731	9,844,511	-	1,821,558	3,007,310	2,980,875	1,489,153	545,615
MEMORANDUM ITEM	-	-	-	-	-	-	-	-
Refinancing, refinanced and restructured operations	2,035,410	2,019,044	-	160,383	403,032	495,849	414,889	544,891

CREDIT DISTRIBUTION TO CLIENTS BY ACTIVITY (carrying value) AT 31.12.21				Credit with real guarantee. Loan to value				
	TOTAL	Of which: Real estate guarantee	Of which: Other real guarantees	LTV<=40%	40%< LTV<=60 %	60%< LTV<=80%	80%< LTV<=100%	LTV>100%
1 Public Administrations	-	-	-	-	-	-	-	-
2 Other financial institutions	-	-	-	-	-	-	-	-
3 Non-financial companies and individual employers	**7,572**	**7,436**	-	**287**	**2,223**	**195**	**192**	**4,539**
3.1 Real estate construction and development (b)	7,572	7,436	-	287	2,223	195	192	4,539
3.2 Construction of civil works	-	-	-	-	-	-	-	-
3.3 Other purposes	-	-	-	-	-	-	-	-
3.3.1 Large companies (c)	-	-	-	-	-	-	-	-
3.3.2 SMEs and individual employers (c)	-	-	-	-	-	-	-	-
4 Other homes and non-profit institutions serving households	**10,360,283**	**10,207,714**	-	**1,802,402**	**2,782,330**	**2,850,023**	**1,819,233**	**953,726**
4.1 Homes (d)	10,360,168	10,207,714	-	1,802,402	2,782,330	2,850,023	1,819,233	953,726
4.2 Consumption (d)	-	-	-	-	-	-	-	-
4.3 Other purposes (d)	115	-	-	-	-	-	-	-
TOTAL	**10,367,855**	**10,215,150**	-	**1,802,689**	**2,784,553**	**2,850,218**	**1,819,425**	**958,265**
MEMORANDUM ITEM	-	-	-	-	-	-	-	-
Refinancing, refinanced and restructured operations	**2,439,553**	**2,421,115**	-	**150,140**	**379,979**	**560,514**	**530,383**	**800,099**

14. Market rick management

In the markets and treasury area, the UCI Group manages the market risks that affect managed assets or liabilities. The Board of Directors periodically establishes the delegated limits and checks that they are properly applied. Likewise, loss limits and other control measures are established. The management of limits is made with a broad series of indicators and alert signals that have as their objective the anticipation and proper monitoring of interest rate risks and of liquidity.

Assets and Liabilities interest rate gap

The UCI Group analyses financial margin sensitivity to variations in interest rates, which are analysed by a Committee meeting twice a month for this purpose. This sensitivity is conditioned by time lags in maturity rates and changes to the interest rates that arise between the different balance sheet items, or off-balance sheet with securitisation funds, which represent an imbalance in cash-flow to the entity. Investments are managed through hedging to maintain these sensitivities within the target range set in the Committees. The measures used by UCI to control the interest risk are rate gap analysis and the financial margin sensitivities in the managed portfolio.

Interest rate gap analysis deals with the time lags between the reviews of maturity for assets and liabilities under management and allows concentrations of interest risk in the different maturities to be detected.

Financial margin sensitivity measures the impact on results of the interest rate gaps for a given period with a displacement of the interest rate curve.

The main interest rate sensitive asset item relates to the on-balance sheet customer portfolio, of which 68.62% is at floating rate (75.93% on 31 December 2021), 19.77% is at mixed type (14.81 on 31 December 2021) with a first period at fixed rate and then revisions to floating rate, and a 11,61%% strictly fixed rate (9.26% on 31 December 2021).

Within the variable rate loans, 82.96% (82.81% as of 31 December 2021) review their rate half-yearly and 17.04% (17.19% as of 31 December 2021) annually.
Interest rate risk management has a twofold objective: to reduce the impact of interest rate fluctuations on net interest income and to protect the Group's economic value. To this end, it uses financial instruments such as asset-backed securities (Spain) or cash drawdowns with its shareholders (Spain, Portugal and Greece) and financial derivatives arranged with its shareholders (interest rate swaps or call money swaps).
UCI performs sensitivity analyses of the financial margin to interest rate variations, which are analyzed by a Committee that meets periodically. This sensitivity is conditioned by the mismatches in maturity dates and interest rate reviews that occur between the various balance sheet items, or off-balance sheet with securitization funds, which represent a cash-flow mismatch for the entity. As of December 2022, the sensitivity of the margin to variations of 100 bps in the interest rate curve was -3.99%.
Investments are managed through hedging to maintain these sensitivities within the target

range set by the Committees. The measures used by UCI to control interest rate risk are the interest rate gap and the financial margin sensitivities of the managed portfolio.

Liquidity Risk

The management and control of the liquidity risk aims to ensure compliance with payment commitments under the best possible conditions for the UCI Group in the different countries in which it has a presence.

The liquidity risk is associated with the Group's capacity for financing acquired commitments at reasonable market prices, as well as being able to carry out its business plans with stable sources of finance. The measure used for controlling the liquidity risk is the liquidity gap, which provides information on the contractual cash in-flows and out-flows over the life of the loans.

To mitigate liquidity risk, UCI has had a recurring policy since its inception of tapping the capital markets through the securitization of its credit assets. Thus, the holders of the securitization bonds placed in the capital markets hedge the liquidity of these transactions until maturity. Since 1994, Unión de Créditos Inmobiliarios has issued 29 securitization funds in Spain (28 funds at December 31, 2021) for an initial aggregate amount of approximately €19,783 million (€19.218 million at December 31, 2021), mostly placed on the capital markets, including the issues of RMBS Prado I to Prado X, the first green bond issues in Portugal with RMBS Greem Belem 1 in 2020 and finally in 2022 RMBS Belem 2 which was retained, all for an amount of €4.983 million (€4,418 million as of December 31, 2021), which as of December 2022, represented €4,548 million (€4,581million as of December 31, 2021) or 48.5% of the overall balance managed in Spain financed to maturity by the capital markets (47.8% in 2021).

On June 15, 2020, September 15, September 15, December 15, 2021 and June 15, 2022, respectively, the decision was taken to purchase the mortgage participations and subsequently to proceed with the extinction of the Prado I, Prado II, Prado III and Prado IV Funds.

As a consequence of the need to have two ratings with a minimum grade of at least "A" granted by two different rating agencies in order to be eligible for ECB liquidity operations, most of the asset-backed securities have lost this status. However, Prado V (series A), VI (series A), VII (series A), VIII (series A), IX (series A) and X (series A) bonds as well as Belem 1 series A and B are eligible assets.

For the remaining balance sheet assets, UCI manages refinancing with treasury lines with its two reference shareholders: BNP Paribas and Banco de Santander; UCI branch in Portugal is directly financed by its parent company in Spain.

The liquidity gap contemplates the classification of the outstanding capital of financial assets and liabilities by maturity terms, taking as references the outstanding periods between the corresponding date and their contractual maturity dates. On December 31, 2022 and 2021, the liquidity gap is the following:

31.12.2022	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	More than 5 years	Total
ASSETS:							
Cash, cash balances in central banks and other ondemand deposits		-	-	-	-	-	-
Cash	3	-	-	-	-	-	3
Other on-demand deposits	272,073	-	-	-	-	-	272,073
Financial assets at amortised cost	34,597	76,137	368,378	1,339,560	1,554,369	7,009,324	10,382,365
Representative values of debt	-	-	-	-	146,116	-	146,116
Loans and advances	34,597	76,137	368,378	1,339,560	1,408,253	7,009,324	10,236,250
Total Assets	**306,673**	**76,137**	**368,378**	**1,339,560**	**1,554,369**	**7,009,324**	**10,654,441**
LIABILITIES:							
Deposits of Credit institutions	670,023	2,462,100	3,346,657	147,233	8,058	591,871	7,225,940
Debt securities issued	8,529	17,059	65,799	350,927	350,927	2,131,151	2,924,393
Subordinated liabilities	-	-	-	-	-	184,704	184,704
Other financial liabilities	2	15	20	530	532	985	2,084
Total Liabilities	**678,554**	**2,479,174**	**3,412,475**	**498,690**	**359,517**	**2,908,711**	**10,337,121**
Difference Assets minus Liabilities	**(371,881)**	**(2,403,037)**	**(3,044,097)**	**840,870**	**1,194,852**	**4,100,615**	**322,120**

31.12.2021	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	More than 5 years	Total
ASSETS:							
Cash, cash balances in central banks and other ondemand deposits		-	-	-	-	-	-
Cash	3	-	-	-	-	-	3
Other on-demand deposits	263,383	-	-	-	-	-	263,383
Financial assets at amortised cost							
Representative values of debt	41,595	92,231	455,729	1,555,261	1,663,769	6,861,135	10,669,720
Loans and advances							
	304,979	92,231	455,729	1,555,261	1,663,769	6,861,135	10,932,105
Total Assets							
LIABILITIES:							
Deposits of Credit institutions	887,511	2,455,851	3,653,040	206,225	87,139	30,181	7,319,948
Debt securities issued	9,708	19,416	74,891	399,419	399,419	2,257,952	3,160,805
Subordinated liabilities	1,220	-	-	60,000	-	80,000	141,220
Other financial liabilities	5	26	26	1,166	973	1,760	3,956
Total Liabilities	898,444	2,475,293	3,727,957	666,811	487,532	2,369,892	10,625,929
Difference Assets minus Liabilities	(593,465)	(2,383,062)	(3,272,228)	888,450	1,176,238	4,491,243	307,176

The average annual interest rate applied to loans and advances - customers was 2.72% in 2022 and 1.99% in 2021 excluding “valuation adjustments”. In addition, the average annual interest rate borne by the Company in 2022 and 2021 was 0.477% and 0.103%, respectively.

15. Other market risks: risk management

UCI follows closely the development of the standards on this risk as presented in the Basle II agreements, approved in June 2004, progressing in its project for identifying, mitigating, managing and quantifying operating risk. On this aspect and within the overall ISO 9001:2000 quality certification project, the entity has continued to computerise all risk events and incidents of any type, setting up a database that will make it possible in the future to model and quantify the level of operating risk present in all business and support areas.

The analysis of defaults contained in the losses and incidents database has made it possible to introduce improvements in controls and procedures with immediate results in the reduction of losses derived from operating risk.

The parameterisation of the different types of operating risk can be classified in accordance with the following matrix

Tipo	Origen
Processes	Operating errors, human errors
Fraud and activities	Events of a criminal nature, unauthorised activities, unauthorised internal activities
Technology	Technical failures in computers, applications or communications
Human Resources	Failures in the Human Resources policy, in safety and health in the workplace, etc.
Commercial practices	Product defects and bad sales practices
Disasters	Events (natural, accidental or deliberate)
Suppliers	Breach of contracted services

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

The composition of the balance of caption "Cash, cash balances in central banks and other on-demand deposits" is shown below:

	31.12.22	31.12.21
Cash	3	3
Other on-demand deposits	272,073	263,383
	272,076	**263,386**

The totality of this caption's amount per maturity of the residual term is considered on demand.

The entire amount of this caption due to the maturity of the residual term is considered on demand.

17. Financial assets at amortised cost

Below is a breakdown of the financial assets included in this category as of December 31, 2022 and December 31, 2021:

	31.12.22	31.12.21
Debt Securities	146,116	-
Loans and advances to customers	10,039,731	10,367,855
	10,185,847	**10,367,855**

Debt securities

At December 31, 2022, the nominal amount of debt securities related to certain own or third-party commitments amounted to 150,000 thousand euros.

As of December 31, 2022 and 2021, the detail of debt securities in the balance sheets as of December 31, 2022 and 2021 is as follows:

	31.12.22	31.12.21
By currency:		
Euros	145,938	-
Total	145,938	-
By maturity: Up to 1 month		
Between 1 month and 3 months	-	-
Between 3 months and a year	-	-
Between 1 and 5 years	-	-
More than 5 years	145,938	-
Maturity unspecified	-	-
Total	-	-
By counterparty: Spanish public authorities	145,938	-
Credit Institutions		
Other resident sectors	145,938	-
Non- resident public authorities	-	-
Other non-resident sectors	-	-
Doubtful assets	-	-
Impairment losses	-	-
Total	-	-
Valuation adjustments accrued interest	-	-
Total	145,938	-
Ajustes por valoración intereses devengados	178	-
Total	146,116	-

The average effective interest rate of the debt instruments classified in this portfolio at December 31, 2022 is 2.34%. During 2022, these instruments have accrued interest in the amount of 178 thousand euros, which is recorded under Interest income - Financial assets at amortized cost (See note 33). All exposures are recorded in the normal phase and show no signs of impairment.

Loans and advances to customers

Below is a breakdown of the balance of this caption, based on the type and status of the transactions, the borrower's sector of activity, the geographic area of residence and the type of interest rate of the transactions, both as of December 31, 2022 and 2021:

	31.12.22	31.12.21
Per modality and credit situation:		
Other term loans	8,862,366	8,963,556
Doubtful assets	1,373,884	1,706,164
	10,236,250	**10,669,720**
By sector of activity of the accredited party:		
Other resident sectors	8,367,308	8,920,863
Non-residents	1,868,942	1,748,857
	10,236,250	**10,669,720**
By geographical area:		
Spain	8,999,064	9,283,761
Rest of the European Union	1,237,186	1,385,959
	10,236,250	**10,669,720**
By interest rate mode:		
Interest-free financing		-
Financing with interest	10,236,250	10,669,720
	10,236,250	**10,669,720**
Value adjustments for impairment on assets	(281,701)	(362,511)
Valuation adjustments accrued interest	19,300	13,123
Commission valuation adjustments	65,882	47,523
	10,039,731	**10,367,855**

The carrying amount recorded in the above table, excluding the portion of "Other valuation adjustments" for impairment losses and valuation adjustments for fees, represents the Company's maximum exposure to credit risk in relation to the financial instruments included therein.

During fiscal year 2022, interest has been accrued in the amount of 19,375 thousand (13,124 thousand in 2021), which is included under Interest income - Financial assets at amortized cost (see Note 33).

The detail of the balance of loans and advances to customers is as follows:

	31.12.22	31.12.21
Resident debtors with real guarantee	7,073,064	7,314,979
Non-resident credit with real guarantee	1,788,795	1,648,123
Doubtful debtors	1,373,844	1,706,164
Other term debtors	507	454
Debtors on demand and others		-
	10,236,250	10,669,720

The balance of the "Resident secured loans" and "Non-resident secured loans" accounts represents the unmatured risk of loans granted which are secured by mortgages in favour of the Company.

The balance of the "other term receivables" account represents the unmatured risk of loans granted that are not secured by mortgages in favour of the Group.

The breakdown of Loans and advances to customers by residual term as at 31.12.22 and 31.12.21, in thousands of euros, is as follows:

	31.12.22	31.12.21
On demand	34,597	41,594
From 1 to 3 months	76,137	92,231
From 3 to 6 months	368,378	455,730
From 6 months to 1 year	1,339,560	1,555,261
From 1 year to 5 years	1,408,253	1,663,769
More than 5 years	7,009,325	6,861,135
	10,236,250	10,669,720

The movement in gross exposure by phase of impairment of loans and advances from customers recognised under "Financial assets at amortised cost" under Circular 4/2017 for the financial year 2022 and the financial year 2021 without taking into account valuation adjustments for accrued interest and fees is shown below:

	Thousands of Euros			
	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the financial year 2022	7,863,189	1,100,367	1,706,164	10,669,720
Movements	-	-	-	-
Trransfers:	**(14,759)**	**(17,604)**	**32,363**	-
To Stage 2 from Stage 1	(161,609)	161,609	-	-
To Stage 3 from Stage 1	(45,915)	-	45,915	-
To Stage 1 from Stage 2	189,215	(189,215)	-	-
To Stage 3 from Stage 2	-	(391,294)	391,294	-
To Stage 1 from Stage 3	3,550	-	(3,550)	-
To Stage 2 from Stage 3	-	401,296	(401,296)	-
Net change in financial assets	**(682)**	**(68,145)**	**(189,268)**	**(258,095)**
Failed	-	-	**(175,375)**	**(175,375)**
Exchange rate differences movements	-	-	-	-
Balance at year-end 2022	**7,847,748**	**1,014,618**	**1,373,884**	**10,236,250**

	Thousands of Euros			
	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the financial year 2022	7,806,978	665,962	2,172,247	10,645,187
Movements	-	-	-	-
Trransfers:	**(179,459)**	**(476,725)**	**(297,266)**	-
To Stage 2 from Stage 1	(258,910)	258,910	-	-
To Stage 3 from Stage 1	(28,212)	-	28,212	-
To Stage 1 from Stage 2	102,868	(102,868)	-	-
To Stage 3 from Stage 2	-	(234,049)	234,049	-
To Stage 1 from Stage 3	4,795	-	(4,795)	-
To Stage 2 from Stage 3	-	554,732	(554,732)	-
Net change in financial assets	**235,670**	**(42,320)**	**(100,498)**	**92,852**
Failed	-	-	**(68,319)**	**(68,319)**
Exchange rate differences movements	-	-	-	-
Balance at year-end 2022	**7,863,189**	**1,100,367**	**1,706,164**	**10,669,720**

During 2022 and 2021, the Group has calculated the corresponding provisions on non-performing loans secured by real estate, considering the discounted value of the collateral, and in accordance with the credit risk model based on estimating credit risk by considering the expected loss.

In addition, the Company's Directors, in accordance with point four of Transitional Provision one of Circular 4/2019, have updated the reference valuations of all collateral and assets foreclosed or received in payment of debts requiring full individual appraisals, pursuant to Order ECO 805/2003 of 27 March, in accordance with the provisions of points 78 to 85 and 166 of Annex 9 of Circular 4/2017.

Impaired financial assets

The following is a detail, on 31 December 2022 and 31 December 2021, classified by segment, of those assets that have been considered individually impaired based on the individual analysis of each one of them (it does not include, therefore, the detail of the financial assets impaired based on a collective process of assessment of possible losses):

	Thousands of Euros	
	31.12.22	31.12.21
Individuals:		
Real Garantee		
Mortgage	1,351,142	1,683,435
Values	-	-
Others	-	-
No guarantee	12,629	12,616
Promoters:		
Real Garantees		
Mortgage	10,113	10,113
Total	**1,373,884**	**1,706,164**

Measures adopted credit risk Covid-19 in relation to clients

The Entity took measures during 2020 to facilitate the payment of the customers most affected by Covid19 by granting both public moratoriums in accordance with Royal Decree-Laws 8/2020 and 11/2020, and private moratoriums.

The amounts of both public and private (sectoral) moratoriums (current and terminated) granted by the Company, as well as the number of customers of both measures at the end of 2022 and 2021 are as follows:

31.12.2022 Public Moratoriums				31.12.2022 Private Moratoriums			
In force (millions of Euros)	Completed (millions of Euros)	Total	No. Customers	In force (millions of Euros)	Completed (millions of Euros)	Total	No. Customers
0	394	429	3.910	0	562	562	5.587

31.12.2021 Public Moratoriums				31.12.2021 Private Moratoriums			
In force (millions of Euros)	Completed (millions of Euros)	Total	No. Customers	In force (millions of Euros)	Completed (millions of Euros)	Total	No. Customers
5	133	429	4.130	3	583	597	5.761

Value adjustments for impairment

The changes in the balance of provisions for impairment losses on assets included under "Financial Assets at Amortised Cost - Loans and Advances - Loans and Advances to Customers" are shown below:

	Impairment losses (Thousands of euros)			
	Stage 1	Stage 2	Stage 3	Total
Balances at 1 January 2022	(8,966)	(35,893)	(317,652)	(362,511)
Provisions charged to income for the year	(8,297)	(45,994)	(256,613)	(310,894)
Recoveries of provisions credited to profit and loss	8,421	52,611	155,296	216,324
Net provisions for the year	130	6,617	(101,317)	(94,570)
Of which;				
Individually determined	-	-	-	-
Collectively determined	130	6.617	(101,317)	(94,570)
Application	315	108	174,956	175,715
Balances at 31 December 2022	(8,521)	(29,168)	(244,012)	(281,701)

	Impairment losses (Thousands of euros)			
	Stage 1	Stage 2	Stage 3	Total
Balances at 1 January 2022	(12,904)	(21,749)	(398,195)	(432,848)
Provisions charged to income for the year	(17,994)	(58,903)	(104,272)	(181,169)
Recoveries of provisions credited to profit and loss	21,729	43,891	117,282	182,902
Net provisions for the year	3,735	(15,012)	13,010	1,733
Of which;				
Individually determined	-	-	-	-
Collectively determined	3,735	(15,012)	13,010	1,733
Application	203	868	67,533	68,604
Balances at 31 December 2022	(8,966)	(35,893)	(317,652)	(362,511)

The variation in the item net write-offs due to bad debts and other movements is mainly due to the sale in 2022 of a portion of the non-performing loans portfolio, which took place in December 2022. Specifically, it has led to a reduction of 189 million of non-performing loans, with a high number of defaults, an application of 67 million of provisions covering these loans, and a negative result in the profit and loss account of 55.1 million Euros recorded under the heading "Impairment of Assets at amortized cost" in the profit and loss accounts.

In the profit and loss accounts caption, " Impairment of Assets at amortized cost" for a net reversal in the amount of 4,402 thousand Euros as of December 31, 2021 and a net provision of 92.492 thousand at December 31, 2022, includes the net effect of provisions and recoveries of provisions for credit risk in the amount of 94,570 thousand Euros at December 31, 2022 and an allowance of 2,671 thousand Euros at December 31, 2021 , as well as 2,077 thousand Euros corresponding to recoveries of written-off assets at December 31, 2022 and 2.2,047 Euros thousand at December 31, 2021.

Below is a breakdown of the movement in the gross amount of the allowance for bad debts on loans and advances from customers recorded under the heading Financial assets at amortized cost under Bank of Spain Circular 4/2019 for fiscal year 2022 and fiscal year 2021:

	Thousands of Euros			
	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the financial year 2022	**8,966**	**35,893**	**317,652**	**362,847**
Transfers:	**(740)**	**(4,205)**	**7,809**	**2,864**
To Stage 2 from Stage 1	(847)	3,501	-	2,654
To Stage 3 from Stage 1	(659)	-	5,225	4,566
To Stage 1 from Stage 2	742	(3,345)	-	(2,603)
To Stage 3 from Stage 2	-	(20,087)	34,684	14,597
To Stage 1 from Stage 3	24	-	(696)	(672)
To Stage 2 from Stage 3	-	15,726	(31,404)	(15,678)
Net change in exposure and changes in credit risk (*)	**561**	**(2,466)**	**(83,525)**	**(85,430)**
Failed	-	-	**2,077**	**2,077**
Exchange rate differences and other movements	-	-	-	-
Balance at year-end 2022	**8,787**	**29,168**	**244,013**	**281,968**

	Thousands of Euros			
	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the financial year 2022	**12,904**	**21,749**	**398,195**	**432,848**
Transfers:				
To Stage 2 from Stage 1	(2,199)	4,376	-	2,177
To Stage 3 from Stage 1	(351)	-	2,944	2,593
To Stage 1 from Stage 2	808	(2,915)	-	(2,107)
To Stage 3 from Stage 2	-	(9,331)	14,534	5,203
To Stage 1 from Stage 3	8	-	(676)	(668)
To Stage 2 from Stage 3	-	23,361	(42,507)	(19,146)
Net change in exposure and changes in credit risk (*)	(2,204)	(1,347)	(56,890)	(60,441)
Failed	-	-	2,052	2.052
Exchange rate differences and other mo-vements	-	-	-	-
Balance at year-end 2022	**8,966**	**35,893**	**317,652**	**362,511**

During 2022 and 2021 the Group refinanced or renegotiated outstanding customer debt (see Note 13).

Financial assets overdue and not impaired

The following is a breakdown of financial assets past due and not considered impaired by the entity at 31 December 2022 and 31 December 2021, classified by class of financial instrument:

	Thousands of Euros	
	31.12.22	31.12.21
Per type of counterpart	**411**	**417**
Public Administrations	-	-
Other resident sectors	411	417
Other non-resident sectors	-	-
Total	**411**	**417**

Credit risk with real estate construction and development

At 31 December 2022 and 2021, financing for construction and property development amounted to 12,608 thousand euros and 12,931 thousand euros, respectively, of which10,110 thousand euros and 10,113 thousand euros were impaired assets, respectively.

The amounts above correspond to financing granted for construction and real estate promotion. As a consequence, and according to instructions from Bank of Spain, the debtor's CNAE has not been taken into account. This implies, for example, that if the debtor is: (a) a real estate company but dedicates the granted financing to other than construction or real estate promotion, it is not included on these charts; and (b) a company which main activity is not construction or real estate, but the credit is used to finance estates aimed to real estate promotion, it is included on these charts.

The quantitative information on real estate risk on December 31, 2021 was the following, in thousands of Euros:

	Gross amount	Exceso sobre valor garantía	Coberturas específicas
Credit risk	**12,608**	**4,716**	**5,338**
Defaulter	10,110	4,151	4,151
Normal	2,498	565	1,187

The chart below details the real estate credit risk based on the type of associated guarantees:

	Gross amount	Exceso sobre valor garantía	Coberturas específicas
Credit risk	**12,931**	**5,803**	**5,359**
Defaulter	10,113	5,211	5,198
Normal	2,818	592	161

The chart below details the real estate credit risk based on the type of associated guarantees:

	31.12.2022	31.12.2021
Without specific guarantee	-	-
With mortgage guarantee	**12,608**	**12,931**
Finished buildings-houses	9,565	9,875
Finishes buildings-others	-	-
Buildings under construction-houses	411	424
Buildings under construction-other	-	-
Urbanised land	2,632	2,632

Retail mortgage portfolio risk

The quantitative information regarding the retail mortgage portfolio on December 31, 2022 and 2021 is the following:

	31.12.2022	31.12.2021
Credit to acquire houses	**10,223,134**	**10,656,454**
Without mortgage guarantee	74,099	68,227
Doubtful	12,630	12,616
With mortgage guarantee	10,149,035	10,588,227
Doubtful	1,351,144	1,683,435

Ranges of loan to value (LTV) of the retail mortgage portfolio at December 31, 2022 are the following:

	LTV <=40%	40%<LTV<=60%	60% <LTV<=80%	80%<LTV <=100%	LTV >100%	TOTAL
Live credits to acquire houses. With mortgage guarantee	1,821,414	3,015,192	3,014,108	1,561,428	736,893	10,149,035
Doubtful credits to acquire houses. With mortgage guarantee	73,848	201,331	292,374	280,644	502,947	1,351,144

Los rangos de loan to value (LTV) de la cartera hipotecaria minorista al 31 de diciembre de 2021 son los siguientes:

	LTV <=40%	40%<LTV<=60%	60% <LTV<=80%	80%<LTV <=100%	LTV >100%	TOTAL
Live credits to acquire houses. With mortgage guarantee	1,803.588	2,790,142	2,880,106	1,893,753	1,220,638	10,588,227
Doubtful credits to acquire houses. With mortgage guarantee	72,408	184,505	338,413	363,269	724,839	1,683,435

Failed assets

As of 31 December 2022, the total amount of 'non-performing assets' amounts to 521,636 million euros (31 December 2021: 591,363 million euros).

	2022	2021
Balance at the beginning of the year	**591,363**	**590,666**
Additions	175,375	68,319
Withdrawals	(245,102)	(67,622)
Balance at the end of the year	**521,636**	**591,363**

Securitisation operations

On 31 December there are no assets securitised before 1 January 2004 that were derecognised as the UCI 9 Fund was cancelled in March 2021.

In June 2022, the step up call of the Prado IV Fund was executed, the assets of which were not removed from the Company's balance sheet, as the risks and rewards were retained. Considering that these assets were already on the Group's books, the main impacts were the reduction of the shares issued for an amount of 261 million euros and the cancellation of the Series B Bonds retained by the Company for an amount of 85 million euros and the cancellation of the subordinated loan granted by the Company for a remaining amount of 6.8 million euros. The collection of variable commission amounted to 610 thousand euros.
On the other hand, in March 2022, the Prado X Securitization Fund was set up for an amount of 565 million euros, of which the Group holds 1,383 securities of tranches A, B and C, amounting to a total of 138 million euros. The Company has also granted the fund a subordinated loan in the amount of 12 million euros.

In October 2022, the "Belem 2" Green Securitization Fund was set up in the Portuguese branch for an amount of 331 million euros, of which the Portuguese branch holds 2,503 Tranche A securities amounting to 250 million euros. The Company also acquired 452 Tranche B securities for an amount of 45.2 million euros.

In March 2021 and December 2021, it exercised the step-up call on the Prado II and Prado III Securitization Funds, respectively, which led to their early cancellation.
In September 2021, it exercised the clean-up call on UCI 10, which led to its early cancellation.

On the other hand, in May 2021, the Prado VIII Securitization Fund was set up for an amount of 480 million Euros, of which UCI EFC holds all the bonds of tranches B and C and part of the bonds of tranche A, amounting to a total of 48 million Euros. In addition, in October 2021, the Company granted the fund a subordinated loan in the amount of 11 million Euros. In addition, in October 2021, the Prado IX Securitization Fund was set up for an amount of 488 million Euros, of which UCI EFC holds all the bonds of tranches B and

C and a portion of the bonds of tranche A, amounting to a total amount of 63.4 million Euros. The Company also granted the fund a subordinated loan in the amount of EUR 10.5 million.

Below is a detail of the balances recorded in the accompanying balance sheets at December 31, 2022 and 2021 associated with the securitization transactions, where the Entity has retained substantial risks and retained substantial advantages:

(In thousands of Euros)	31.12.2022	31.12.2021
Asset Securitisation Fund UCI 10	-	-
Asset Securitisation Fund UCI 11	99,267	116,562
Asset Securitisation Fund UCI 12	142,170	169,411
Asset Securitisation Fund UCI 14	260,905	315,236
Asset Securitisation Fund UCI 15	332,637	390,773
Asset Securitisation Fund UCI 16	448,690	532,410
Asset Securitisation Fund UCI 17	397,605	471,463
Asset Securitisation Fund Prado II	-	-
Asset Securitisation Fund Prado III	-	-
Asset Securitisation Fund Prado IV	-	278,335
Asset Securitisation Fund Prado V	268,758	300,319
Asset Securitisation Fund Prado VI	288,595	324,453
Asset Securitisation Fund Prado VII	401,867	455,802
Asset Securitisation Fund Prado VIII	403,300	449,951
Asset Securitisation Fund Prado IX	437,183	480,241
Asset Securitisation Fund Prado X	522,146	-
Asset Securitisation Fund Belem 1	230,693	298,403
Asset Securitisation Fund Belem 2	314,315	-
TOTAL	**4,548,131**	**4,583,359**

18. Non-current assets held for sale

This caption contains the tangible assets represented by foreclosed assets in respect of unpaid loans that have been claimed through legal procedures.

The movement on these assets during 2022 and 2021 was the following:

	31.12.20	Addi-tions	Writeoffs	Reclassif ication	31.12.21	Additio ns	Reclassifi-catio n	Write-off	31.12.22
Foreclosed assets	358,855	65,805	(17,538)	(93,520)	313,602	65,005	(18,037)	(110,535)	250,035
Provisions foreclosed assets	(97,010)	(19,436)	(1,614)	25,332	(89,500)	(25,182)	1,348	45,015	(68,139)
	261,845	**46,369**	**(15,924)**	**(68,188)**	**224,102**	**39,822**	**(16,688)**	**(65,520)**	**181,716**

The amount recorded as reclassification relates to properties that have been reclassified to investment property in the balance sheet in 2022 and 2021 (Note 19).

The sale of the properties in 2022 resulted in a net gain on the net book value of 7,917 thousand Euros (5,981 thousand Euros gain in 2021). This amount is recorded under "Gains or (-) losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations" in the accompanying income statement, including the net gain on disposals, which includes both the gain on disposals and the provisions 25,182 million Euros and 13,153 million Euros of recoveries of provisions for non-current assets held for sale.

Quantitative information relating to foreclosed assets as of 31 December 2022 is as follows:

	Accounting item value	Hedging
Property assets originated from financings to real estate construction and development companies	**2,173**	**(933)**
Finished buildings: housing or others	1,182	(516)
Buildings under construction: housing or others	-	-
Land: urbanised land and others	991	(417)
Property assets originated from mortgage financing to families to acquire houses	**247,862**	**(67,386)**
Other foreclosed property assets	-	-
Equity instruments, participations and financings to non-consolidated companies holding such assets	-	-

The quantitative information regarding foreclosed assets on December 31, 2021 was the following:

	Accounting item value	Hedging
Property assets originated from financings to real estate construction and development companies	**2,385**	**(1,275)**
Finished buildings: housing or others	1,348	(656)
Buildings under construction: housing or others	-	-
Land: urbanised land and others	1,037	(619)
Property assets originated from mortgage financing to families to acquire houses	**311,218**	**(88,226)**
Other foreclosed property assets	-	-
Equity instruments, participations and financings to non-consolidated companies holding such assets	-	-

The classification of foreclosed assets, on December 31, 2022 and 2021, based on their nature and term of permanence in the balance sheet, is the following:

2022	Less than 3 years	More than 3 years	Total
Finished buildings	90,827	158,217	249,044
Buildings under construction	-	-	-
Suelo	141	850	991

2021	Less than 3 years	More than 3 years	Total
Finished buildings	104,665	207,901	312,566
Buildings under construction	-	-	-
Suelo	183	854	1,037

Royal Decree 4/2017 has been applied in the write-down of the assets remaining on the balance sheet, taking into consideration the appraisals carried out by independent third parties. The valuation methods used in the appraisals are those described in Order ECO/0805/2003 of 27 March on valuation standards for real estate and certain rights for certain financial purposes, as revised by Order EHA/3011/2007 of 4 October.

The main companies and agencies with which the Group worked in Spain in 2022 are as follows: Gloval Valuation, S.A.U., Tinsa Tasaciones Inmobiliarias, S.A.U., Euroval, S.A., and Sociedad de tasación, S.A. (Gloval Valuation, S.A.U., Tinsa Tasaciones Inmobiliarias, S.A.U., Euroval, S.A., and Sociedad de tasación, S.A in 2021).

Details of carrying amount and appraised value for foreclosed assets and investment property held for sale as of 31 December 2022 and 2021 are as follows:

	31.12.2022		31.12.2021	
Concept	Net book value	Appraised Value	Net book value	Appraised Value
Foreclosed assets	250,035	291,754	224,102	361,720
Total	**250,035**	**291,754**	**224,102**	**361,720**

During the financial years 2022 and 2021, as well as in previous years, the Group has carried out several transactions involving the sale of non-current assets held for sale and disposal groups, in which it has financed the amount required by the buyer to make this acquisition.

The amount of loans granted by the entity, during the financial year 2022, for the financing of this type of operations amounted to 57.599 thousand euros (59.218 thousand euros during the financial year 2021).

The outstanding balance of this type of financing on 31 December 2022 and 2021 amounted to 701.923 thousand euros and 703.338 thousand euros, respectively.

The average funded percentage of such transactions outstanding on 31 December 2022 and 31 December 2021 corresponds to that set by the Group in its credit risk policies.

19. Tangible assets

Property, plant and equipment

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

Cost	31.12.2021	Additions	Write-offs	31.12.2022
IT equipment and installations	10,598	658	(4,637)	11,256
Furniture, vehicles and other facilities	12,148	1,292	-	13,440
Buildings	414	-	-	414
Works in use	1,063	132	-	1,195
Rights of use	8.507	-	-	8,507
	32,730	2.082	-	34,812
Accumulated amortisation				
IT equipment and installations	(8,988)	(309)	-	(9,297)
Furniture, vehicles and other facilities	(10,657)	(329)	-	(10,986)
Buildings	(146)	-	-	(146)
Works in use	-	-	-	-
Rights of use	(4.754)	(1,927)	-	(6,525)
	(24,545)	(4,832)	-	(26,954)
Net total	8,186	2,118	-	7.858
		(868)		

Cost	31.12.2020	Additions	Write-offs	31.12.2021
IT equipment and installations	13,691	1,770	(244)	13,691
Furniture, vehicles and other facilities	11,561	587	(218)	11,561
Buildings	414	-	-	414
Works in use	1,063	-	-	1,063
Rights of use	5,823	4,819	(3,407)	5,823
	32,552	6,950	(3,869)	32,552
Accumulated amortisation				
IT equipment and installations	(11,578)	(1,993)	4,584	(8,988)
Furniture, vehicles and other facilities	(10,225)	(434)	2	(10,657)
Buildings	(141)	(5)	-	(146)
Works in use	-	-	-	-
Rights of use	(2,792)	(2,400)	438	(4,754)
	(24,736)	(4,832)	5,024	(24,545)
Net total	7,816	2,118	(1,748)	8,186
Total, Neto	**7.816**	**2.118**	**(1.748)**	**8.186**

The amount of fully depreciated assets totals 17,103 thousand euros (20,135 thousand euros in the year 2021).

A breakdown, according to their nature, of the items comprising the balance of this item in the balance sheet on 31 December 2022:

	Thousand of Euros		
	Cost	Accumulated amortisation	Net balance
IT equipment and installations	10,598	(8,987)	1,611
Furniture, vehicles and other facilities	12,148	(10,657)	1,491
Buildings	414	(146)	268
Works in use	1,063	-	1,063
Rights of use	8,507	(4,754)	3,753
Balances at 31 December 2021	**32,730**	**(24,545)**	**8,186**
IT equipment and installations	11,256	(9,297)	1,959
Furniture, vehicles and other facilities	13,440	(10,986)	2,454
Buildings	414	(146)	268
Works in use	1,195	-	1,195
Rights of use	8,507	(6,525)	1,982
Balances at 31 December 2021	34,159	(26,954)	7,858

Circular 4/2019 indicates that financial credit institutions must apply the accounting criteria defined in Circular 2/2018 for leases. In this regard, the Group has recorded as rights of use the impact of the rental of the head office building in Madrid where it carries out its activity.

On 31 December 2022 and 2021, the Group has no tangible assets, either for own use or under construction, for which there are restrictions on title or which have been pledged as security for the fulfilment of debts.

On 31 December 2022 and 2021, the Group has no material asset purchase commitments with third parties.

In 2022 and 2021, no amounts have been received or are expected to be received from third parties for compensation or indemnities for impairment or loss of value of property, plant and equipment for own use.

The Group has no items of property, plant and equipment for own use that are temporarily out of service on 31 December 2022 and 2021.

No impairment of property, plant and equipment was recognised or reversed in 2022 and 2021.

Investment property

The breakdown of and movements during the year in the accounts included under this heading in the accompanying balance sheet are as follows:

	31.12.20	Additions	Writeoffs	31.12.21	Additions	Writeoffs	31.12.22
Property investments	129,677	15,924	(9,612)	29,677	135,989	(11,222)	141,455
Amortización Acumulada de inversiones inmobiliarias	(6,012)	(1,466)	670	(6,012)	(6,808)	810	(7,389)
Correcciones por deterioro	(7,091)	(1,830)	363	(7,091)	(8,558)	837	(7.416)
Total	116,574	12,628	(8,579)	120,623	15,602	(9,575)	126,650

The additions in 2022 and 2021 relate to the reclassification of items that were recorded under non-current assets held for sale in the balance sheet. These are housing units intended for rental operation.

Details of carrying amount and appraised value for foreclosed assets and investment property held for sale as of 31 December 2022 and 2021 are as follows:

	31.12.2022		31.12.2021	
Concept	Net book value	Valuation	Net book value	Valuation
Property investments	126,650	190,573	120,623	178,987
Total	**126,650**	**190,573**	**120,623**	**178,987**

Income from investment property held for lease amounted to 3,2 million recognised under “Other operating income” in the income statement (3,2 million euros on 31 December 2021) and operating expenses for all related items amounted to 3,358 thousand euros (5,568 thousand on 31 December 2021), of which 1,086 thousand euros related to depreciation and valuation adjustments (3,264 thousand euros at 31 December 2021). These operating expenses are presented in the accompanying income statement according to their nature.

The Group had taken out various insurance policies to cover the risks to which these investments are subject, and the Company considers that the coverage of these policies is sufficient.

20. Intangible assets

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

Cost	31.12.2020	Additions	Write-offs	31.12.2021
Software	8,222	1,034	-	9,256
	8,222	1,034	-	9,256
Accumulated Amortisation				
Software	(5,854)	(625)	-	(6,479)
	(5,854)	(625)	-	(6,479)
Net total	2,368	409	-	2,777

Cost	31.12.2021	Additions	Write-offs	31.12.2022
Software	9,256	1,696	-	10,952
	9,256	1,696	-	10,952
Accumulated Amortisation			-	
Software	(6,479)	(2,019)	-	(8,498)
	(6,479)	(2,019)	-	(8,498)
Net total	2,777	323	-	2,454

The amount of fully depreciated assets totals 6,801 thousand euros and 4,875 thousand euros in 2022 and 2021 respectively.

21. Tax assets and liabilities

The detail of these headings in the accompanying balance sheets on December 31, 2022 and 2021 is the following:

	Activo 2022	Activo 2021	Pasivo 2022	Pasivo 2021
Current taxes	**3.792**	**4.594**	**2.027**	**1.418**
Withholding taxes	3.133	4.020	-	-
IVA	659	574	500	229
IRPF	-	-	1.034	1.054
Others	-	-	493	135
Deferred taxes	**82.918**	**88.051**	**120.741**	**1.230**
For leases	668	1.140	576	1.126
For derivatives	-	6.004	120.165	-
For impairment corrections	59.142	56.772	-	-
Tax Credits	23.108	24.135	-	-
Others		-	-	104

As a result of the current corporate income tax regulations applicable to the Group, in 2022 and 2021 certain differences have arisen between the accounting and tax criteria which have been recorded in deferred taxes when calculating and recording the corresponding corporate income tax.

22. Other assets and other liabilities

Details of the balance of "Other Assets" and "Other Liabilities" in the accompanying balance sheet at 31 December 2022 and 2021 are as follows:

	Asset 2022	Asset 2021	Liabilities 2022	Liabilities 2021
Accruals	4,785	4,679	23,900	20,560
Debts with Group companies	-	1,474	915	-
Other concepts	18,487	16,994	-	6,939
TOTAL	**23,272**	**23,147**	**24,815**	**27,499**

Other items include, among others, prepayments made by the Group in connection with its activities in various fields, such as, for example, amounts paid to the management companies for the management of its properties, payments made to solicitors in connection with litigation with its borrowers, as well as transactions with its suppliers.

Information on payment deferrals made to suppliers - Third additional provision. "Duty to provide information" of Law 15/2010 of 5 July 2010

In compliance with the provisions of Law 31/2014, of 3 December, which amends the Capital Companies Act to improve corporate governance, modifies the third additional provision of Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, which has been developed by the resolution of 29 January 2016, of the Spanish Accounting and Auditing Institute (ICAC), on the information to be included in the annual accounts in relation to the average period of payment to suppliers in commercial transactions, the information relating to deferrals of payment to suppliers in commercial transactions is presented. Given the activities in which the Entity engages, the information required on the average payment period corresponds basically to payments for the provision of services and sundry supplies.

	2022	2021
	Days	Days
Average payment period to suppliers.	15	15
Ratio of paid operations.	84.07%	79.99%
Ratio of operations payable.	15.93%	20.01%
	Amount (thousands of Euros)	**Amount (thousands of Euros)**
Total payments made.	77,498	71,600
Total outstanding payments.	14,683	17,915
Number of invoices paid within the legal deadline	83,144	71,600
Number of invoices paid within the legal deadline	8,426	7,625
Percentage of the volume of invoices paid within the legal deadline over the total volume of invoices paid (%)	100%	100%
Percentage of the number of invoices paid within the legal deadline over the total number of invoices paid (%)	100%	100%

Given the activities in which the Group engages, the information required on the average payment period corresponds basically to payments for the provision of services and sundry supplies.

The average supplier payment period indicated has been obtained considering that the company has established, in general, the 10th and 25th of each month as fixed supplier payment days.

23. Financial liabilities at amortised cost

The detail, in thousands of Euros, on December 31, 2022 and 2021 is the following:

	31.12.22	31.12.21
Deposits of credit institutions		
Loans in credit entities (note 30)	6,539,342	6,803,795
Temporary assignment of assets	669,806	513,591
Subordinated loans	184,704	141,107
Valuation adjustments	16,792	2,675
Subtotal	**7,410,644**	**7,461,168**
Debt securities		
Convertible bonds	104,000	82,000
Securities associated with transferred financial assets	2,820,192	3,078,805
Valuation adjustments	201	
Subtotal	**2,924,393**	**3,160,805**
Other financial liabilities	2,084	3,956
Subtotal	**10,337,121**	**10,625,929**

The breakdown of financial liabilities at amortised cost by residual term as of 31 December 2022 and 2021 is as follows:

	31.12.22	31.12.21
Up to 1 month	678,554	898,444
1 to 3 Months	2,479,174	2,475,293
3 to 12 Months	3,412,475	3,727,957
1 to 3 years	498,690	666,811
3 to 5 years	359,517	487,532
More than 5 Years	2,908,710	2,369,892
Total	10,337,121	10,625,929

In 2022, interest rates on outstanding financial liabilities ranged from -0.5% to 3.38%.

In 2021, interest rates on outstanding financial liabilities ranged from 1.812% to -0.125%.

Subordinated Debt

The heading "Loans and advances to credit institutions" includes subordinated debt whose counterparty is the Parent's shareholders, i.e., Banco Santander and BNP Paribas and BNP Paribas Personal Finance.
Specifically, they are included under this heading;

i) Subordinated debt issued by the UCI 10-17 securitisation funds with a balance on 31 December 2022 of 34.7 million (42.2 million at 31.12.21).

ii) Subordinated debt issued by UCI SA, amounting to 150 million on 31 December 2022 and 104 December 2021.

The detail of the loans subscribed and their main conditions as of 31 December 2022 is as follows:

Financial institution	Expiry date	Interest rate	Fees	Non-current liabilities	Current liabilities
BS	12/12/2029	Euribor + 2,5	Half-yearly	40,000	
BNPP París	12/12/2029	Euribor + 2,5	Half-yearly	40,000	
BS	09/12/2030	Euribor + 2,8	Half-yearly	12,500	
BNPP PF	09/12/2030	Euribor + 2,8	Half-yearly	12,500	
BNPP PF	28/03/2032	Euribor + 0,5	Half-yearly	22,500	
BNPP Paris	28/03/2032	Euribor + 0,5	Half-yearly	22,500	
BS	05/03/2039	Eur3 meses+0,60		6,375	
BS	05/12/2039	Eur3 meses+0,55		5,175	
BS	05/06/2040	Eur3 meses+0,63		5,802	
BNPP PF	05/03/2039	Eur3 meses+0,60		6,375	
BNPP PF	05/12/2039	Eur3 meses+0,55		5,175	
BNPP PF	05/06/2040	Eur3 meses+0,63		5,802	
Total				**416,504**	

The detail of the loans subscribed and their main conditions as of 31 December 2021 is as follows:

Financial institution	Expiry date	Interest rate	Fees	Non-current liabilities	Current liabilities
BS	12/12/2029	Euribor + 2,5	Half-yearly	40,000	
BNPP París	12/12/2029	Euribor + 2,5	Half-yearly	40,000	
BS	09/12/2030	Euribor + 2,8	Half-yearly	12,500	
BNPP PF	09/12/2030	Euribor + 2,8	Half-yearly	12,500	
BS	05/03/2039	Eur3 meses+0,60		6,375	
BS	05/12/2039	Eur3 meses+0,55		5,175	
BS	05/06/2040	Eur3 meses+0,63		5,802	
BS	05/12/2039	Eur3 meses+2		701	
BNPP PF	05/03/2039	Eur3 meses+0,60		6,375	
BNPP PF	05/12/2039	Eur3 meses+0,55		5.175	
BNPP PF	05/06/2040	Eur3 meses+0,63		5,802	
BNPP PF	05/12/2039	Eur3 meses+2		701	
Total				**141,107**	

The interest paid on these loans is 4,9 million Euros on 31 December 2022 and 2,1 million euros on 31 December 2021.

In December 2022, several short-term loans were subscribed with shareholders, namely 103.4 million Euros granted by Banco Santander and 128.4 million Euros granted by BNP Paribas respectively, indexed to Euribor 6M+50bp.

In March 2022, two new subordinated debt issues were made for amounts of 22.5 million each and granted by Banco Santander and BNP Paribas respectively, with a maturity of 10 years and indexed to Euribor 6M+50bp.

In December 2021, two new subordinated debt issues were made for amounts of 26 million each and granted by Banco Santander and BNP Paribas respectively, with a maturity of 10 years and indexed to Euribor 6M+50bp.

These loans are subordinated in order to be included in the calculation of the UCI Group's equity, and cannot be amortized or repaid in advance without prior authorization from the Bank of Spain. These loans have a maturity of 10 years and, as previously indicated, are granted by the shareholders or entities related to them.

Debt securities

A) Convertible bonds

On June 26, 2019, subordinated perpetual contingent bonds (“CoCos”) convertible into shares of UCI S.A. were issued, which were admitted to trading in the Fixed Income Alternative Market (“MARF”), for a total amount of 82 million Euros. These bonds were issued at par and have a unit nominal value of 200,000 Euros.

On May 25, 2022, the Company issued contingently convertible subordinated perpetual debentures (“CoCos”) into shares of UCI S.A., which are listed on the Alternative Fixed Income Market (“MARF”), for a total amount of 22 million euros. The debentures were issued at par and have a unit par value of 200,000 euros.

They are perpetual securities, although they could be converted into newly-issued ordinary shares in UCI, in those cases where there was a common equity tier 1 ratio (CET1) below 5.125%, calculated according to Regulation (EU) 575/2013 of the European Parliament and the Council, of 26 June, on prudential requirements of credit institutions and investment entities. The securities’ conversion price will be the highest between (i) the fair value, and (ii) the nominal value of UCI’s ordinary shares at conversion.

Securities are considered Additional Tier 1 Capital.

Bonds issued on June 2019 will accrue a non-cumulative remuneration calculated at an annual interest rate, quarterly payable, of:

- Percentage applied on the nominal of Coco bonds of 7.5% from the date of reimbursement (included) to the fifth anniversary (excluded).

- From the fifth annivesary, and onwards for every five years, adding a margin of 788.8 basic points to the applicable 5-year mid-swap rate.

The debentures issued in May 2022 will accrue a non-cumulative discretionary remuneration calculated at an annual interest rate, payable semi-annually from the date of disbursement of the rate resulting from the applicable 6-month EURIBOR plus margin of 665 basis points.

Expenses for remuneration of preference shares contingently convertible into ordinary shares amount to 6.991 thousand euros on 31 December 2022 (31 December 2021: 6,100 thousand euros). The expense net of its tax impact has been recognised under “Other reserves” in consolidated equity.

UCI

B) Asset-backed securities issued by the UCI Funds

Below is a detail of the balances recorded in the accompanying balance sheets on 31 December 2022 and 2021 associated with outstanding Bonds issued (and not retained by the Group) by the various Securitisation Funds in which Unión de Créditos Inmobiliarios S.A., E.F.C. acted as Assignor:

	2022	2021
Asset Securitisation Fund UCI 11	69,637	83,927
Asset Securitisation Fund UCI 12	75,602	92,415
Asset Securitisation Fund UCI 14	94,746	122,338
Asset Securitisation Fund UCI 15	135,717	162,375
Asset Securitisation Fund UCI 16	246,296	303,199
Asset Securitisation Fund UCI 17	174,657	217,886
Asset Securitisation Fund UCI 17	-	193,289
Asset Securitisation Fund Prado IV	194,105	225,363
Asset Securitisation Fund Prado V	213,654	248,691
Asset Securitisation Fund Prado VI	306,225	355,732
Asset Securitisation Fund Prado VII	357,583	404,019
Asset Securitisation Fund Prado VIII	376,532	419.040
Asset Securitisation Fund Prado IX	392,234	247,487
Asset Securitisation Fund Prado X	179,131	-
Asset Securitisation Fund Belem 1	-	-
Asset Securitisation Fund Belem 2	2,816,118	3,075,761
TOTAL (*)	75,602	92,415

This heading also includes an amount of 4,074 thousand Euros on 31 December 2022 (3,044 thousand Euros on 31 December 2021) relating to valuation adjustments of these bonds (accrued interest, issue costs and issue premium).

The accrued interest on these bonds issued in the market and not retained by the Group is 3.1 million euros on 31 December 2022 and 2.1 million euros on 31 December 2021.

24. Financial assets and liabilities held for trading

The breakdown of financial assets and liabilities held for trading, measured at fair value, in the accompanying balance sheets on 31 December 2022 and 2021 is as follows:

Thousands of Euros	2022		2021	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Trading derivatives	128,429	129,707	24,750	29,168
	128,429	**129,707**	**24,750**	**29,168**

The breakdown by currency, maturity and notional amount of the trading derivatives captions in the balance sheets as at 31 December 2022 and 2021 is as follows:

Thousands of Euros	2022		2021	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Per currency:				
in Euros	128,429	129,707	24,750	29,168
	128,429	**129,707**	**24,750**	**29,168**

The breakdown of the balance of trading derivatives assets and liabilities as of December 31, 2022 is as follows:

Thousands of Euros	Notional value	2022 Fair value	
		Assets	Liabilities
Other operations on interest rates:			
Trading derivatives	2,512,656	128,429	129,707

The breakdown of the balance of trading derivatives assets and liabilities at December 31, 2021 was as follows:

En miles de Euros	Notional value	2021 Fair value	
		Assets	Liabilities
Other operations on interest rates:			
Trading derivatives	2,566,064	24,750	29,168

UCI

25. Derivates - hedge assounting

The amounts recorded under this heading in the accompanying balance sheet correspond to the fair value of derivatives designated as hedging instruments in cash flow hedging transactions.

Cash flow hedges are used to reduce the variability of the cash flows (attributable to the interest rate) generated by the hedged items.

In these hedges, the floating interest rate of the hedged liability items is converted to fixed interest rates using interest rate derivatives.

The following is a breakdown of the notional and/or contractual values of the hedging derivatives held by the Entity on 31 December 2022 and 2021:

	Notionals		Fair value (asset)		Fair value (Liabilities)	
Concept	2022	2021	2022	2021	2022	2021
By market type						
Unorganised markets	5,157,500	5,366,540	405,406	25	1,608	19,475
Total	**5,157,500**	**5,366,540**	**405,406**	**25**	**1,608**	**19,475**
By product type						
Forward transactions		-		-		-
Swaps	5,157,500	5,366,540	405,406	25	1,608	19,475
Options		-		-		-
Other products		-		-		-
Total	**5,157,500**	**5,366,540**	**405,406**	**25**	**1,608**	**19,475**
On the counterpart						
Credit institutions - Residents	2,158,794	2,455,290	223,591	25	-	4,365
Credit institutions - Non-residents	2,998,707	2,911,250	181,815	-	1,608	15,110
Rest						
Total	**5,157,500**	**5,366,540**	**405,406**	**25**	**1,608**	**19,475**
Per remaining term						
Up to 1 year	1,978,650	2,211,435	21,323	-	-	2,311
More than 1 year and up to 5 years	1,390,190	1,462,675	127,814	-	-	2,339
More than 5 years	1,788,660	1,692,430	256,269	25	1,608	14,825
Total	**5,157,500**	**5,366,540**	**405,406**	**25**	**1,608**	**19,475**

Concept	Notionals 2022	2021	Fair value (asset) 2022	2021	Fair value (Liabilities) 2022	2021
By type of covered risk						
Interest rate risk	5,157,500	5,366,540	405,406	25	1,608	19,475
Currencies		-		-		-
Credit		-		-		-
Total	**5,157,500**	**5,366,540**	**405,406**	**25**	**1,608**	**19,475**
By type of elements cove-red						
Financial assets at amortised cost (loans and advances)	5,157,500	5,366,540	405,406	25	1,608	19,475
Financial assets at amortised cost (debt securities)		-		-		-
Total	**5,157,500**	**5,366,540**	**405,406**	**25**	**1,608**	**19,475**

The notional amount of the asset and liability hedging derivative contracts does not represent the risk assumed by the Entity as its net position is obtained from offsetting and/or combining these instruments.

The detail of the impact on the profit and loss account for the years 2022 and 2021 is as follows:

	31.12.2022			
	Result on hedging instrument		Result in hedged instrument	
Concept	Profit	Loss	Profit	Loss
Swaps	-	32,936	32,830	-
Other products	-	-	-	-
Total	-	**32,936**	**32,830**	-

	31.12.2021			
	Result on hedging instrument		Result in hedged instrument	
Concept	Profit	Loss	Profit	Loss
Swaps	-	37,362	17,516	-
Other products	-	-	-	-
Total	-	**37,362**	**17,516**	-

The amount recognised in the statement of recognised income and expense relates mainly to changes in the value of cash flow hedges.

26. Provisions

The balance of "Other Provisions" under "Provisions" is as follows:

	Thousands of Euros	
	2022	2021
Provisions for taxes and other legal contingencies	9,306	5,929
Other provisions	7,226	8,485
	16,532	**14,414**

This heading includes provisions for legal issues, which have been estimated by applying prudent calculation procedures consistent with the conditions of uncertainty inherent to the obligations they cover.

The financial sector has been exposed for years to multiple legal incidents (by way of example and not limitation): massive out-of-court and/or court claims for "floor clauses" (also extending to "settlement/negotiation agreements" and cancelled loans); mortgage loan arrangement fees"; IRPH; and "amounts paid by purchasers for the purchase of a home" (Law 57/68); among other various incidents. Therefore, the Entity has considered provisioning amounts related to some of these cases, based on open proceedings amounting to 9,306 thousand Euros in 2022 (5,929 thousand Euros in 2021). Qualitative information in relation to the legal framework of these issues is detailed below.

Currently, mortgage expenses represent the majority of out-of-court and/or judicial claims filed by customers with financial institutions. On 16 July 2020, the CJEU published a ruling on the constitution and cancellation costs of mortgage loans taken out with consumers, origination fees, limitation period and costs arising from proceedings for the nullity of unfair terms, in line with the above, determining that, where appropriate, it will be the national judges who will have to rule, analysing the applicable regulations on a case-by-case basis, on the nullity of the clause and the restitution of amounts, if applicable.

In addition, the heading "Sundry provisions" includes various items linked to the recoverability of certain transactions that have been covered by the law on the regulation of excessive indebtedness of individuals (3869/2010), relating to loans originated in the defunct UCI branch in Greece.

27. Fair value of financial assets and liabilities not carried at fair value

The Group's financial instruments are measured at fair value, except for those carried at amortised cost.

Most of the financial liabilities recognised in full under "Financial liabilities at amortised cost" in the balance sheet on 31 December 2022 and 2021 are at a floating rate, with the applicable interest rate reviewed periodically, and therefore their fair value as a result of changes in market interest rates does not differ significantly from the amounts at which they are recognised in the accompanying balance sheet.

The remaining assets and liabilities are fixed rate; of these, a significant portion have a maturity of less than 1 year and, therefore, their market value as a result of market interest rate movements is not significantly different from that recorded in the accompanying balance sheet.

Thus, the fair value of the amount of fixed rate, forward assets and liabilities with a residual maturity of more than one year does not differ significantly from that recorded in the accompanying balance sheet.

The fair value of the Company's financial instruments on 31 December 2022 and 2021 for each class of financial assets and liabilities measured at fair value is presented below, broken down by class of financial assets and liabilities at the following levels:

- **Level 1:** The fair value has been determined based on quoted prices in active markets, without making any changes to the assets.

- **Level 2:** Fair value has been estimated based on quoted prices in organised markets for similar instruments or by using other valuation techniques in which all significant inputs are based on directly or indirectly observable market data.

- **Level 3:** Fair value has been estimated using valuation techniques in which some significant input is not based on observable market data.

The reasons for differences between the fair value and the carrying amount of financial instruments are as follows:

- For instruments issued at a fixed rate, the fair value of the instrument varies with changes in market interest rates. The longer the residual maturity of the instrument, the greater the variation.

- For instruments issued at a floating rate, the fair value may differ from the carrying amount if the spreads to the reference interest rate have changed since the instrument was issued. If the margins remain constant, the fair value matches the book value only on repricing dates. On all other dates, interest rate risk exists for flows that are already determined.

	Thousands of Euros					
				2022		
	Book value	Fair value	LEVEL 1	LEVEL 2	LEVEL 3	Valuation techniques
Financial assets						
Cash, cash balances at central banks and other demand deposits	272,076	272,076	-	272,076	-	
Financial assets held for trading	128,429	128,429	-	128,429	-	Linear interest rate swaps (Interest rate swaps) Flow discounting
Financial assets at amortised cost						
- Debt securities	146,116	146,116	146,116	-	-	Present value method (discounted future cash flows). Prices observed in active markets
- Loans and advan-ces	10,039,731	10,034,566	-	10,034,566	-	Present value method (discounted future cash flows)
Hedging derivatives	405,406	405,406	-	405,406	-	Linear interest rate swaps (Interest rate swaps) Flow discounting
Financial liabilities						
Financial liabilities held for trading	129,707	129,707	-	129,707	-	Linear interest rate swaps (Interest rate swaps) Flow discounting
Financial liabilities at amortised cost	10,337,121	10,331,957	-	10,331,957	-	Present value method (discounted future cash flows)
Hedging derivatives	1,608	1,608	-	1,608	-	Linear interest rate swaps (Interest rate swaps) Flow discounting

	Book value	Fair value	LEVEL 1	LEVEL 2	LEVEL 3	Valuation techniques
			Thousands of Euros 2022			
Financial assets						
Cash, cash balances at central banks and other demand deposits	263,386	263,386	-	263,386	-	
Financial assets held for trading	24,750	24,750	-	24,750	-	Linear interest rate swaps (Interest rate swaps) Flow discounting
Financial assets at amortised cost						
- Debt securities	-	-	-	-	-	Present value method (discounted future cash flows). Prices observed in active markets
- Loans and advances	10,367,855	10,533,931	-	10,533,931	-	Present value method (discounted future cash flows)
Hedging derivatives	25	25	-	25	-	Linear interest rate swaps (Interest rate swaps) Flow discounting
Financial liabilities						
Financial liabilities held for trading	29,168	29,168	-	29,168	-	Linear interest rate swaps (Interest rate swaps) Flow discounting
Financial liabilities at amortised cost	10,626,929	10,617,196	-	10,617,196	-	Present value method (discounted future cash flows)
Hedging derivatives	19,475	19,475	-	19,475	-	Linear interest rate swaps (Interest rate swaps) Flow discounting

Financial instruments at fair value and determined by published prices in active markets (Level 1) comprise government bonds, corporate bonds, exchange-traded derivatives, securitised assets, equities, short positions and issued bonds.

In cases where quotations cannot be observed, management makes its best estimate of what the market would price using its own internal models.

In most cases, these internal models use data based on observable market parameters as significant inputs (level 2) and sometimes use significant unobservable inputs in market data (level 3).

28. Other global accumulated results

The detail of this caption of the accompanying balance sheets on December 31, 2022 and 2021 is the following:

In thousands of Euros	2022	2021
Available-for-sale financial assets:		
Debt securities	-	-
Cash flow hedges	280,386	(14,007)
Other valuation adjustments	-	-
Total	**280,386**	**(14,007)**

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

In thousands of Euros	2022	2021
Cash flow hedges	280,386	(14,007)
	280,386	**(14,007)**

The balance included in cash flow hedges corresponds to the net amount of those changes in the value of financial derivatives designated as hedging instruments for the portion of the hedge that is considered to be an effective hedge. The movement during 2022 and 2021 is as follows:

In thousands of Euros	2022	2021
Opening balance	(14,007)	(75,443)
Additions net		-
Value variations	294,393	61,436
Total	**280,386**	**(14,007)**

29.Equity

On 31 December 2022 and 2021, the share capital of the parent company consists of 58,928 thousand and 43,730 thousand ordinary bearer shares with a par value of 2.61 euros each, fully subscribed and paid up. All shares have equal voting and dividend rights.

The composition of the shareholding as of 31 December 2022 and 2021 is as follows:

Banco Santander S.A.	50%
BNP Paribas Personal Finance SA (Francia).	40%
BNP Paribas, S.A. (Francia)	10%

On 22 December 2021, in order to strengthen the Company's equity and, in particular, its ordinary tier 1 capital at the individual level, the shareholders decided to increase the share capital of UCI S.A. by an amount of 16,118,159 euros, by issuing 6,175,540 new shares with a par value of 2.61 euros each, numbered sequentially from 37,555,001 to 43,730,540 inclusive, which were created with a total share premium of 43,881,840 euros for all the new shares issued.

On March 4, 2022, and in order to strengthen the Company's shareholders' equity and, in particular, its ordinary tier 1 capital at the individual level, the shareholders decided to increase the share capital by the amount of 27,023,940 Euros, by issuing 10.354,000 new shares with a par value of 2.61 Euros each, numbered sequentially from 43,730,540 to 54,084,540 inclusive, which were created with a total share premium of 72,976,060 Euros for the new set of newly issued shares.

On December 2, 2022, and in order to strengthen the Company's shareholders' equity and, in particular, its ordinary tier 1 capital at the individual level, the shareholders decided to increase the share capital by the amount of 12,642,840 Euros by issuing 4.2.61 par value each, numbered sequentially from 54,084,540 to 58,928,541 inclusive, which were created with a total share premium of 34,357,160 euros for the new set of shares issued.

Legal Reserve

In accordance with the Revised Text of the Corporate Enterprises Act, entities that obtain profits in a financial year are to transfer 10% of the profit for the year to the Legal Reserve. Such transfers are to be made until the Legal Reserve reaches at least 20% of the paid-up share capital. The Legal Reserve may be used to increase share capital to the extent that its balance is in excess of 10% of the share capital once increased. Until it exceeds 20% of share capital, the Legal Reserve may only be used to compensate losses provided that there are no other reserves available that are sufficient to cover this purpose.

On 31 December 2022 and 2021, the Parent Company had set up this reserve at the minimum limit established by the aforementioned law.

Determination of own funds

Parent company and consolidated reserves

The Parent Company's reserves correspond to retained results or losses not compensated from prior years and the positive difference on first consolidation (1989). Reserves in Companies consolidated under the full consolidation method correspond to retained results or losses not compensated from prior years in subsidiaries.

Basic earnings per share

Basic earnings per share are determined by dividing the Company's net income for a period, adjusted by the after-tax amount corresponding to the remuneration recorded in equity of contingently convertible preferred stock (see Note 8.2), by the weighted average number of shares outstanding during that period, excluding the average number of treasury shares held during that period.

Accordingly:

	2022	2021
Income for the year (thousands of euros)	(2,338)	(5,794)
Remuneration of contingently convertible preferred stock (PPCC) (thousands of euros) (Note 8.2)	(6,991)	(4,270)
Dilutive effect of changes in income for the period arising from potential conversion of common stock	-	-
	(9,329)	(10,064)
Of which:		
Profit from discontinued operations (net of minority interests) (thousands of euros)	-	-
Profit from ordinary activities (net of minority interests and PPCC remuneration) (thousands of euros)	(9,329)	(10,064)
Weighted average number of shares outstanding (Note 7)	58,928,540	43,730,540
Adjusted number of shares	58,928,540	43,730,540
Basic earnings/(loss) per share (euros)	**(0.16)**	**(0.23)**
Basic earnings/(loss) per share from discontinued operations (euros)	-	-
Basic earnings/(loss) per share from continuing operations (euros)	**(0.16)**	**(0.23)**

The variation has been the following:

	Balance 31.12.20	Mov. Year	Application Change in accounting principle	Saldo 31.12.21	Mov. year	Balance 31.12.22
Parent Entity	(36,467)	5,276	-	(31,191)	(12,785)	(43,976)
Consolidated companies	306,008	(44,819)	4,866	266,056	35,397	301,453
Total	**269,541**	**(39,543)**	**4,866**	**234,865**	**22,612**	**257,477**

30. Balances and transactions with group companies

Balances with Group companies as of 31 December 2022 and 2021 are as follows:

	31.12.22	31.12.21
Cash, cash balances with central banks and other demand deposits		
Santander	211,792	70,012
BNP Paribas	53,429	6,190
Flow hedging derivatives		
Santander	222,320	-
BNP Paribas	176,746	-
Derivative valuation adjustments		
Santander	1,295	25
BNP Paribas	1,580	
Financial liabilities at amortized cost		
Repos		
BNP Paribas Paris	60,138	91,011
Santander	74,222	-
Subordinated loans		
BNP Paribas Personal Finance	40,000	40,000
BNP Paribas Paris	35,000	12,500
Santander	75,000	52,500
Debt securities issued		
BNP Paribas Personal Finance	32,800	32,800
BNP Paribas Paris	19,200	8,200
Santander	52,000	41,000
Financial expenses - Loans		
BNP Paribas-préstamos	21,599	8,496
Santander- préstamos	20,828	3,561
Net financial result - financial instruments		
Gastos swaps Santander	1,939	(10,022)
Gastos swaps BNP Paribas	2,033	9,824
Convertible debenture remuneration		
Banco Santander – Cocos	7,839	3,050
BNPP PF- Cocos	6,022	2,440
BNPP - Cocos	1,055	610

31. Tax position

The Group has open for tax audit since 2019, in respect of all the taxes applicable to the Group, with the exception of Corporation Tax, which is open for inspection as from the year 2018.

These tax returns involved cannot be definitive until they have been verified by the Administration or until four years have elapsed since their date of filing.

The UCI Group settles Corporation Tax for the financial years 2022 and 2021 under the taxation base, in accordance with the provisions of the Ministerial Order of October 3, 1992, not incorporating - ComprarCasa, Rede de Serviços Imobiliários, SA, UCI HOLDING Ltda, COMPANHIA PROMOTORA UCI and UCI–Mediação of Seguros Unipessoal Lda, being part of the tax consolidation group Unión de Créditos
Inmobiliarios, S.A., Establecimiento Financiero de Crédito, Retama Real Estate, S.A.U. y UCI Servicios para Profesionales Inmobiliarios, S.A.U.

The calculation for the tax charge payable is the following:

	31.12.22	31.12.21
Accounting results before tax	(54,928)	51,860
Results from subsidiaries not incorporated in the tax consolidation	(3,751)	(7,280)
Consolidated accounting result before tax	-	(39,756)
Accounting profit before tax consolidated group	(58,679)	4,824
Permanent differences	3,759	3,737
Temporary differences	4,509	(6,104)
Obligaciones convertibles	(6,991)	(6,100)
Convertible bonds Tax base	(57,403)	(3,643)
Compensation of tax bases		
Tax rate	-	(1,093)
Compensation temporary differences (25%)	-	-
Compensation tax losses carried forward (25%)	-	-
Others	-	-
Payments on account Corporate Income Tax	(3,061)	(3,965)
Tax payable	-	-

The calculation for the tax charge payable is the following:

	31.12.22	31.12.21
Accounting results before tax	(54,928)	51,860
Results from subsidiaries not incorporated in the tax consolidation	(3,751)	(7,280)
Consolidated accounting result before tax	(58,679)	44,580
Permanent differences	3,759	3,737
Total	**(54,921)**	**48,317**
Tax expense	(2,778)	14,495
Previous years' tax	25	51
Tax expense Branch in Portugal	1,300	1,250
Impairment of tax credits	1,026	6,500
Others	13	76
Current tax expense	(83)	22,372

At December 31, 2022, the Group has not capitalized the taxable income generated by the Tax Group in 2022.1.1 million euros were capitalized at December 31, 2021, and these tax credits are presented under "Deferred tax assets" on the asset side of the accompanying consolidated balance sheet. In addition, in 2022, the Group has made an impairment for an amount of 1,026 thousand euros (6,500 thousand euros in 2021), in relation to the tax credits it had capitalized, in an exercise of prudence and in accordance with the business plan, estimating the recoverability of the amounts currently capitalized to be highly probable with the generation of consolidated taxable income.

Deferred tax assets and liabilities" mainly include deferred tax assets relating to the tax effect of the valuation of hedging derivatives amounting to 120,165 thousand euros on 31 December 2022 (6,015 thousand euros on 31 December 2021), as well as those arising from provisions for non-deductible credit impairment, which are monetizable.

Details of deferred tax assets and liabilities, excluding the tax effect of the valuation of hedging derivatives, on 31 December 2022 and 2021 and their movement are as follows:

	2022	Additions	Write-offs	Adjustments	2021
Allocation to the provision for impairment of non-deductible monetisable receivables	45,751	2,216	-	-	47,967
Provision for contingencies	-	-	-	-	-
Effects of the adoption of Circular 4/2019	-	-	-	-	-
Provision for impairment of non-deductible non monetisable loan	8,478	508	-	-	8,986
Non-deductible impairment on investment property	2,519	-	(331)	-	2,188
Other Assets (IFRS 16)	1,129	-	(461)	-	668
Other liabilities (IFRS 16)	(1,115)	-	539	-	(576)
Tax credits	24,135	-	(1,026)		23,109
	80,896	**2,724**	**(1,279)**	-	**82,342**

Details of deferred tax assets and liabilities, excluding the tax effect of the valuation of hedging derivatives, on 31 December 2021 and 2020 and their movement are as follows:

	2020	Altas	Bajas	Ajustes	2021
Allocation to the provision for impairment of non-deductible monetisable receivables	45,751	-	-	-	45,751
Provision for contingencies	-	-	-	-	-
Effects of the adoption of Circular 4/2019	-	-	-	-	-
Provision for impairment of non-deductible non monetisable loan	10,774	5,167	(7,463)	-	8,478
Non-deductible impairment on investment property	2,079	440	-	-	2,519
Other Assets (IFRS 16)	911	218	-	-	1,129
Other liabilities (IFRS 16)	(903)	(212)	-	-	(1,115)
Tax credits	11,927	-	-	(11,927)	-
Créditos fiscales	29,542	1,093	(6,500)	-	24,135
	100,080	**6,706**	**(13,963)**	**(11,927)**	**80,896**

The breakdown of the income tax expense for 2022 and 2021 is as follows:

	Thousands of Euros	
	2022	2021
Current tax	1,337	15,089
Deferred tax	(1,445)	7,232
Tax expense	(108)	22,321

Apart from the income tax charged in the profit and loss accounts, the Company has charged the following amounts to equity in respect of the following items:

	Thousands of Euros	
	2022	2021
Net credits (debits) to equity:	-	-
Valuation of cash flow hedging derivatives	(126,168)	(24,175)

32. Contingent commitments

Contingent commitments include those irrevocable commitments that could result in the recognition of financial assets contingent commitments include those irrevocable commitments that could result in the recognition of financial assets.

The detail of this caption on December 31, 2022 and 2021 is the following:

	31.12.22	31.12.21
Granted commitments loans	39,462	30,884
Which of doubtful	40	40
Other granted commitments	2,043	2,382
	41,506	**33,267**

The loan commitments granted section records the firm commitments to grant credit under certain conditions and terms.

As at 31 December 2022 and 2021, there are no contingent commitments in addition to those mentioned in the table above. At both dates, third party availability is not subject to any restrictions.

33. Income from interests

The detail of this caption in the accompanying income statement for the financial years ended December 31, 2022 and 2021 is as follows:

	31.12.22	31.12.21
Financial assets at amortised cost	189,480	171,090
Derivatives - hedge accounting, interest rate risk	32,830	17,516
Other assets	74	287
Total	**222,384**	**188,893**

The balance of the "Financial assets at amortized cost" caption under the "Interest income" caption is as follows:

	31.12.22	31.12.21
Financial assets at amortized cost		
Debt securities	178	-
Loans and advances to customers	185,302	171,090
	185,480	**171,090**
Of which interest in stage 3 exposures	49,214	56,534

34. Expenses from interests

The detail of this caption in the accompanying income statement for the financial years ended December 31, 2022 and 2021 is as follows:

	31.12.22	31.12.21
Financial liabilities at amortised cost	63,976	13,575
Derivatives - hedge accounting, interest rate risk	32,936	37,366
Other liabilities	166	188
Total	**97,077**	**51,129**

The balance of the "Financial assets at amortized cost" caption under the "Interest expenses" caption is as follows:

	31.12.22	31.12.21
Financial assets at amortized cost		
Deposits in credit entities	59,309	10,445
Subordinated liabilities	4,667	3,130
	63,976	**13,575**

35. Personal cost

The breakdown of the balance of this item in the accompanying consolidated income statements is as follows:

	31.12.22	31.12.21
Wages and salaries	26,101	26,040
Employee benefits expense	8,114	7,907
Total	**34,215**	**33,948**

The number of employees of the Group as of 31 December 2022 and 2021, distributed by professional category, is as follows:

	31.12.22	31.12.21
Management and Leadership	60	58
Managers and Specialised Technicians	127	121
Technical and Administrative	476	473

UCI

The average number of employees of the Group by category and gender as of 31 December 2022 and 2021 was as follows:

	31/12/2022			31/12/2021		
	Men	Women	Total	Men	Women	Total
Grupo III						
A	109	194	303	110	193	303
B	34	64	97	35	61	96
C	34	42	76	34	51	85
Grupo II						
A	13	8	21	14	8	22
B	3	1	4	2	1	3
C	48	54	101	47	55	101
Grupo I						
A	19	5	24	19	5	24
B	26	5	31	24	5	29
C	1	4	5	1	4	5
Otros	-	-	-			
Total	285	376	660	285	381	666

The number of the Group's employees by category and gender as of 31 December 2022 and 2021 is similar to that presented above, as there are no significant changes compared to the number of employees in the previous year.

The average number of employees with a disability greater than or equal to 33% was 6 (3 men and 3 woman) and they are distributed in the following categories.

	31.12.22			31.12.21		
	Men	Women	Total	Men	Women	Total
Técnicos y administrativos						
A	1	1	2	1	1	2
B	-	-	-	-	-	-
C	2	2	4	1	1	2
Total	**3**	**3**	**6**	**2**	**2**	**4**

36. Administration costs

The composition of this caption in the accompanying consolidated income statement is as fo-llows:

	31.12.22	31.12.21
Rents and leases	3,739	5,823
On properties, installations and materials	3,976	5,367
Information technology	2,625	3,032
Advertising and Propaganda	3,195	3,195
Legal and lawyers' fees	22,287	9,091
Representation costs and trips	997	853
Insurance premiums	496	496
Sub-contracted administrative services	1,407	1,573
Autid and consulting	3,387	3,158
Local levies and taxes	1,848	7,333
Other expenses	7,010	5,398
	50,967	**45,319**

UCI Group Corporate Organization

8. 1 Composition of Governing Bodies

Composition of the Board of Directors

UCI, S.A.	
Chair: Matías Rodríguez Inciarte	Chair of Santander Universidades
Board Member: Remedios Ruiz Maciá	Global Director of Risk Supervision and Consolidation in Banco Santander; board Member of Banco Santander Totta
Board Member: Patrick Marie Alain Denis Miron de L Espinay	Delegate CEO of BNP Paribas Personal Finance
Board Member: Michel Falvert	Director Large Agreements BNP Paribas Personal Finance
Secretary of the Board of Directors: Eduardo Isidro Cortina Romero	Legal and Compliance Director

Unión de Créditos Inmobiliarios, S.A., Establecimiento Financiero de Crédito	
Chair: Matías Rodríguez Inciarte	Presidente de Santander Universidades
Board Member: Remedios Ruiz Maciá	Global Director of Risk Supervision and Consolidation in Banco Santanderboard Member of Banco Santander Totta
Board Member: Patrick Marie Alain Denis Miron de L Espinay	Delegate CEO of BNP Paribas Personal Finance
Board Member: Michel Falvert	Director Large Agreements BNP Paribas Personal Finance
Independent Member: Jean François Georges Marie Deullin	Independent Member of Findomestic Banca
Secretary of the Board of Directors: Eduardo Isidro Cortina Romero	Legal and Compliance Director

Retama Real Estate, S.A.U.	
Sole Director: Roberto Colomer Blasco	CEO of UCI

UCI

Composition of the Board of Directors	
UCI Servicios para Profesionales Inmobiliarios S.A.	Chair: Roberto Colomer Blasco: CEO of UCI
	Board Member: José Manuel Fernández Fernández. Deputy CEO Commercial Area of UCI
	Board Member: Philippe Laporte. Deputy CFO, Technology and Clients of UCI
	Board Member: José Antonio Borreguerro Herrera. IT Director of UCI
	Board Member: José Gerardo Duelo Ferrer. Chair General Council of COAPIS
	Board Member: Fernando García Erviti. Independent Real Estate Consultant
	Board Member and Secretary of the Board of Directors: Eduardo Isidro Cortina Romero. Legal and Compliance Director
CCPT - Comprarcasa Rede Serviços Imobiliários S.A.	Chair: Roberto Colomer Blasco. CEO of UCI
	Board Member: Pedro Megre Monteiro do Amaral. CEO of UCI Portugal
	Board Member: Luis Mário Saraiva Fonseca Nunes . CEO of Comprarcasa Portugal
	Board Member: Luis Carvalho Lima. Chair of the National Management of APEMIP
	Board Member: Vasco Morgadinho Reis. Deputy Chair of the National Management of APEMIP (Consultant)
	Secretary of the Board of Directors: Magda Andrade. Legal Director of UCI Portugal
UCI Mediaçao de Seguros Unipessoal, LDA	Company's Director: Gregory Hervé Delloye. CFO of UCI Portugal
	Company's Director: Pedro Megre Monteiro do Amaral. CEO of UCI Portugal
Holding Brasil L.T.D.A.	Company's Director:: Tiago Miguel da Cruz Marcelino, Administrative and Financial Director
	Company's Director: Alan dos Santos Gomes, Sales ManagerComercial

Composition of the Board of Directors	
Companhia Promotora UCI, S.A.	Chair: José Antonio Carchedi.
	Deputy Chair: Roberto Colomer Blasco, CEO of UCI
	Board Member: Luis Felipe Carlomagno Carchedi. CEO Companhia Promotora UCI S.A
	Board Member: Pedro Megre Monteiro do Amaral. CEO of UCI Portugal
	Company's Director: Tiago Miguel da Cruz Marcelino. Administrative and Financial Director
	Company's Director: Alan dos Santos Gomes. Sales Manager
UCI Greece Credit and Loan Receivables Servicing Company	Chair: Pedro Manuel Megre Monteiro do Amaral. CEO of UCI Portugal
	Board Member: Aristidis Arvanitakis. Managing director
	Board Member independiente: Dominique Bernard Marie Servajean. Managing Partner of Bedor Excem

Composition of Committees of the Board of Directors UCI Group

Composition of Committees of the Board of Directors UCI Group	
UCI Group Audit and Risks Committee	Presidente: Michel Falvert. Director Grandes Acuerdos BNP Paribas Personal Finance
	Vocal: Remedios Ruiz Maciá. Directora Global de Supervisión y Control de Riesgos en Banco Santander; Consejera del Banco Santander Totta
UCI Group Assessment, Suitability and Remunerations Committee	Presidente: Michel Falvert. Director Grandes Acuerdos BNP Paribas Personal Finance
	Vocal: Remedios Ruiz Maciá. Directora Global de Supervisión y Control de Riesgos en Banco Santander; Consejera del Banco Santander Totta
	Presidente: Matías Rodríguez Inciarte. Presidente de Santander Universidades
	Vocal: Michel Falvert. Director Grandes Acuerdos BNP Paribas Personal Finance

<table>
<tr><th colspan="2">Composición de las Comisiones del Consejo de Administración Unión de Créditos Inmobiliarios, S.A., Establecimiento Financiero de Crédito</th></tr>
<tr><td rowspan="3">Mixed Audit and Risk Committee</td><td>Presidente: Jean François Georges Marie Deullin. Consejero Independiente de Findomestic Banca</td></tr>
<tr><td>Vocal: Michel Falvert. Director Grandes Acuerdos BNP Paribas Personal Finance</td></tr>
<tr><td>Vocal: Remedios Ruiz Maciá. Directora Global de Supervisión y Control de Riesgos en Banco Santander; Consejera del Banco Santander Totta</td></tr>
<tr><td rowspan="3">Appointments and Remunerations Committee</td><td>Presidente: Jean François Georges Marie Deullin. Consejero Independiente de Findomestic Banca</td></tr>
<tr><td>Vocal Matías Rodríguez Inciarte. Presidente de Santander Universidades</td></tr>
<tr><td>Vocal: Michel Falvert. Director Grandes Acuerdos BNP Paribas Personal Finance</td></tr>
</table>

UCI

Composition of the Management and Executive Committee

Composition of the Management and Executive Committee	
UCI Group Management Committee	**Roberto Colomer Blasco.** CEO of UCI
	José Manuel Fernández Fernández. Commercial deputy general Manager of UCI
	Philippe Laporte. Deputy CFO, Technology and Clients of UCI
	Ángel Aguilar Otero. HR Manager
	Catia Alves. Sustainability and Rehabilitation Manager
	Ruth Armesto Carballo. Brand and Marketing Manager
	Rodrigo Malvar Soto. Risk Manager
	Pedro Megre. CEO of UCI Portugal
	Olivier Rodríguez. General Intervention Manager
	Francisco Javier Villanueva. Risk Assessment and Quality Manager
UCI Group Executive Committee	**Anabel del Barco del Barco.** Communications Manager
	José Antonio Borreguero Herrera. IT Manager
	Eduardo Isidro Cortina Romero. Legal and Compliance Manager
	Fernando Delgado Saavedra. Professional Marketing Manager
	Francisco José Fernández Ariza. Professional Services Manager
	Cecilia Franco García. After Sales and Estates' Management Manager
	José García Parra. Commercial Organisation Manager
	Marta Pancorbo García. Simplification Manager
	Tomás Luis de la Pedrosa Masip. Internal Audit Manager
	Miguel Ángel Romero Sánchez. Customer Manager

UCI

UCI Portugal Executive Committee	**Pedro Manuel Megre Monteiro do Amaral.** CEO of UCI Portugal
	Gregory Delloye. Risk and financial director
	José Portela. Operations Manager
	Inês Silvestre. Customer Manager
	Pedro Pereira. Direct Channel and Marketing Director
	Carlos Vintem. Sales Manager
UCI Greece Credit and Loan Receivables Servicing Entity, Executive Committee	**Pedro Manuel Megre Monteiro do Amaral.** CEO of UCI Portugal
	Aristidis Arvanitakis. CEO of UCI Portugal
	Christos Grammatikopoulos. Administrative and Financial Manager
	Thanasis Philippou. Operations and Recoveries Manager.
	Evangelos Delis. Chief Portfolio Officer
Companhia Promotora UCI S.A. Executive Committee	**José Antonio Carchedi.** Chair
	Roberto Colomer Blasco. CEO of UCI
	Luis Felipe Carlomagno Carchedi. CEO Companhia Promotora UCI S.A.
	Pedro Megre Monteiro do Amaral. CEO UCI Portugal

8.2 List of branches

Spain

UCI Spain Headquarter
Torre Ombú
Calle Ombú, 3
28045 - Madrid

Alicante
Av Maisonnave, 19,
4ºa 03003 Alicante

Almería
General Tamayo, 1,
2º 04004 Almería

Barcelona
Rambla de Cataluña, 20,
Entresuelo 2ª
08007 Barcelona

Barcelona
Av. Josep Tarradellas, 20-30
– Roselló 1-13.
Planta 3ª, puertas 7ª y 8ª
08029, Barcelona

Gijón
Celestino Junquera, 2, Ofic
17, 33202 Gijón

Jerez
Avda. Alcalde Álvaro Dome-
cq nº 4 - Local 2
11402 Jerez de la Frontera

Las Palmas
Calle Venegas, 2, ofic. 8
5003 Las Palmas

Madrid
Príncipe de Vergara, 43, 3º
28001 Madrid

Avda de Córdoba, 21, 3º, 1B
28026 Madrid

Málaga
Calle Alameda Principal nº 11
4ª planta, 3ª
29001 Málaga

Marbella
Av. Ricardo Soriano, 19, 7º,
C-D 29601 Marbella

Murcia
Plaza de la Fuensanta, 2,
5ºB2
30008 Murcia

Palma
Av. Alejandro Rosselló,
21, 3º 07002 Palma de
Mallorca

Sevilla
Plaza Nueva nº 3 – 3ª planta
41001 Sevilla

Calle Santa María de Gracia,
6, 2º
41002 Sevilla

Valencia
Calle Colón, 60, 6º, C-D
46004 Valencia

Portugal

UCI Portugal Headquarter
Av. Engenheiro Duarte,
Torre 1, 14º 1070 - 101
Lisboa

Algarve
Av. Vilampura XXI,
Edificio Portal, Bloco B,
1º D E E 8125-406
Quearteira

Almada
Almada Business Center.
Rua Marcos de Assunçao 4,
2º,
Sala 2,08
2805-290 Almada

Alverca
Alverca Edif. Prestige, E.n. 10,
23, 3º
2615-130 Alverca

Coimbra
Rua Joao de Ruao, 12
Torre Do Arnado. 8º, Sala
A 3000-229 Coimbra

Lisboa
Av. Vilampura XXI,
Edificio Portal, Bloco B,
1º D E E 8125-406
Quearteira

Lisboa Norte
Av. Engenheiro Duarte, Torre
1, 14º Andar- Amoreiras
1070 Lisboa

Madeira
Rua Ivens 3, Edificio Dona
Mécia 1ºg
9000-046 Funchal

Oeiras
Taguspark. Parque de
Ciencia E Da Tecnología.
Nucleo Central 100,2,
Sala273
2740-122 Oeiras

Porto
Praça Do Bom Sucesso 123-
131, Edif. Península, 3º
Andar, Sala 306
4150-146 Porto

Greece

UCI Greece Headquarter
Aggelou Pirri Street, 5,
2nd Floor
11527 Atenas

8.3 List of websites

UCI

www.uci.com
www.uci.pt
www.uci.gr
www.ucibrasil.com.br
www.ucimortgages.com

HIPOTECAS.COM

www.hipotecas.com

CRÉDITO HABITAÇÃO .com

www.creditohabitacao.com

retama

www.retamarealestate.com

www.comprarcasa.com
www.comprarcasa.pt

www.siralia.com
www.inmocionate.com

www.crsspain.es