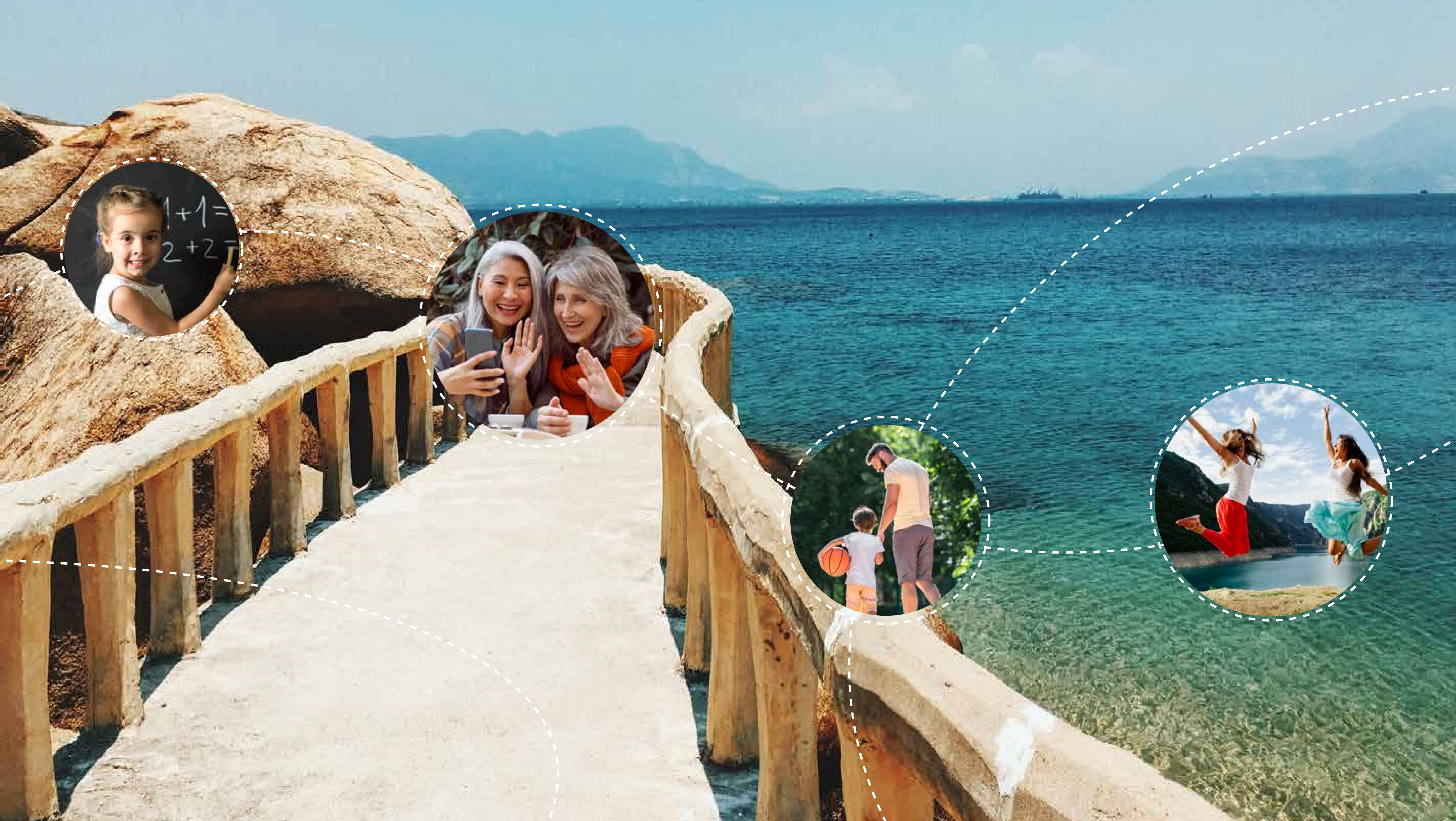
VidaCaixa

2021 CONSOLIDATED ANNUAL ACCOUNTS OF VIDACAIXA, S.A.U. DE SEGUROS Y REASEGUROS Y SOCIEDADES DEPENDIENTES



INDEX

INDEPENDENT AUDIT REPORT

This version of our report is a free translation from the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor's report on the consolidated annual accounts

To the Sole Shareholder of Vida-Caixa, S.A.U. de Seguros y Reaseguros:

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Vida-Caixa, S.A.U. de Seguros y Reaseguros (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at December 31, 2021, and the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at December 31, 2021, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. 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 from the Group in accordance with the ethical requirements, including those relating to independence, which are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª.
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Key audit matter	How our audit addressed the key audit matter
Valuation of technical provisions for life insurance The Group develops the life insurance business by selling protection, savings and unit-linked products. The Group books the technical provisions related to these contracts in accordance with regulatory legislation applicable in Spain, where, in some cases, elements of certain judgment and estimates by the Management of the Group and subsidiaries are incorporated, to reflect the unearned amounts from the premiums written, the mathematical reserve and the reserve for claims. In relation to protection products, the estimated cost of the claims outstanding and the claims incurred but not reported, as of the date of presentation of the consolidated annual accounts as of December 31, 2021, is included. In addition, the Group recognizes liabilities for the internal expenses necessary to settle outstanding claims, as well as an unearned premiums reserve and a reserve for premium deficiencies, if necessary. In the case of savings products, the Group calculates the mathematical provision through complex actuarial techniques based on hypotheses such as the technical interest rate, the expenses hypothesis or the mortality tables according to the applicable regulations. Specifically, the Group calculates the reserve of a significant part of its savings portfolio according with the article 33.2 sections a and b, not repealed, of the Private Insurance Regulation and Supervision Regulation (ROSSP). For more information about technical provisions for life insurance contracts, see Note 19 of the consolidated annual accounts for the 2021-year end.	We have gained an understanding of the process of estimating and recording liabilities for life insurance contracts, which has included an evaluation of the design and effectiveness of internal control related to this area including the controls of the main key information systems. Our procedures have focused on aspects such as: • Understanding of the calculations methodology for calculating life insurance reserves according with the nature of the products and the reserve for claims, as well as their application in a consistent manner with respect to the prior financial year. • Verifying the adequate accounting record of the reserves for insurance contracts, as well as their variations during the period. • Performing tests in detail on the consistency of information on reserves established at the end of the period and payments made during the period. Regarding, specifically, the mathematical reserve, we have performed additional procedures, carried out with our actuarial specialists, in relation to: • Analysis of the integrity and reconciliation of the data of the technical-actuarial calculations. • Veryfing the application of biometric hypotheses appropriate to the applicable regulations (Article 34, not repealed, of the Private Insurance Regulation) and, in particular, the longevity hypotheses regarding the internal model of experience approved by the regulator the regulator and in accordance with its latest pronouncements on biometric assumptions, for a product sample. Regarding the Partial Internal Longevity and Mortality Model, a study of the validation parameters was carried out by the CaixaBank modeling team.

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Key audit matter	How our audit addressed the key audit matter
	• Analysis of the sufficiency of real expenses according to article 35, not repealed, of the Regulations for the Regulation and Supervision of Private Insurance. • Analysis of the compliance of the specific regulation regarding interest rates to be applied in the calculation of the mathematical reserve, including an analysis of the liabilities cash flows considered in the cashflow maturity portfolio for a selected sample. • Actuarial recalculation of the mathematical reserve for a policy selection according to sampling procedures. • Analysis of the liability adequacy test. On the other hand, regarding specifically the reserve for claims, we have performed additional complementary procedures in relation to: • Analysis of the sufficiency of reserves for outstanding and incurred but not reported claims reserves by a review of a sample of files and the analysis of the adequacy of the reserve established in the previous year. • Analysis of the adequacy of the incurred but not reported reserve at the end of the period based on independent actuarial reprojections. Regarding specifically to protection products, we have performed the following audit procedures: • Analysis of the calculation basis and the unearned premiums provision calculation for a selected sample of protection products. • Analysis, where appropriate, the need to book a reserve for premium deficiencies based on the stipulations of Article 31, not repealed, of the Regulations for the Regulation and Supervision of Private Insurance and additional legislation.

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Key audit matter	How our audit addressed the key audit matter
	• Analysis of information regarding the valuation of technical provisions for life insurance contracts included in the consolidated annual accounts. As a result of the procedures described above, no relevant aspect to highlight has been revealed.
Valuation of Financial Investments without an active market booked at fair value Although most of the financial assets of the investment portfolio are quoted in active markets where liquid prices are obtained from market sources, the Group's financial investment portfolio includes certain structured financial assets that do not have an active market, mainly used for the immunization of long-term saving insurance liabilities. Given that these financial assets do not have an active market, their valuation is performed by the Parent Company through valuation methodologies that incorporate certain judgment and estimates by the Management or by the related counterparty. The instruments that are valued on the basis of models and assumptions that are not observable by third parties are included in Note 26 of the accompanying consolidated financial statements for the year 2021.	In the case of the valuation of illiquid investments where prices are not available in an active market, we have gained an understanding of the valuation process of this type of assets. Additionally, we have proceeded to evaluate the control environment of this area in terms of its design and its effectiveness. The audit tests included the completion of the following procedures carried out with the participation of specialists in valuation of financial assets: • Reconciliation of the accounting records with the underlying information of these assets. • Evaluation of the methodology and assumptions used in the valuation models, in particular, interest rate curves and discounted cash flows, as well as obtaining the market value calculated, as the case may be, by the related counterparts. • Analysis of the market value of a sample of assets recorded at fair value. • Analysis of information regarding the valuation of financial investments without an active market recorded at fair value, included in the consolidated annual accounts. As a result of the procedures described above, no relevant aspect to highlight has been revealed.

INDEPENDENT AUDIT REPORT

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Key audit matter	How our audit addressed the key audit matter
Valuation of the ownership interest in Segurcaixa Adeslas, S.A. de Seguros y Reaseguros, S.A. The Parent company holds a 49.92% stake in the share capital of SegurCaixa Adeslas, S.A. de Seguros y Reaseguros, an entity not listed on regulated markets whose activity is the commercialization of non-life insurance products. The Parent company performs annually the corresponding impairment test applying market hypotheses in order to verify that the recoverable value of the asset is not in an amount lower than its book value. This analysis requires judgments and estimates from the Management, such as business growth, margins or the discount rate to be used. As of December 31, 2021, the Company's management has considered in its assessment the current economic and business environment, the market conditions and the existing economic uncertainty in determining the recoverable value of such interest. The aforementioned aspects, as well as the relevance of the investment held, amounting to 1.193 million euros at December 31, 2021, means that we consider the situation described as a key issue of our audit. See Note 14 to the accompanying consolidated annual accounts.	We have gained an understanding of the process of evaluating the recoverability of the ownership interest, as well as the internal control environment of the process of testing the impairment of ownership interests. The audit tests included the completion of the following procedures with the participation of specialists in valuation of intangible assets and actuaries: • Evaluation of the methodology used by the directors and the management for the evaluation of impairment indicators of the participation, including the evaluation of the supervision controls of the process and of the implicit approvals of the same. • Analysis of the adequacy of the valuation methodology used and analysis of the arithmetic correction of the calculations made. • Evaluation of the future cash flows with approved business plans. • Analysis of the reasonableness of the main hypotheses of the valuation model, such as growth rates and discount rates used. • Obtaining of the specific audit report of SegurCaixa Adeslas for the purposes of the consolidated group. • Analysis of the information regarding the investment of the ownership interest in SegurCaixa Adeslas included in the consolidated annual accounts. As a result of the procedures described above, no relevant aspect to highlight has been revealed.

5

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Key audit matter	How our audit addressed the key audit matter
Valuation of the Goodwill and other intangible assets As a result of certain business combinations, the Group has intangible assets recorded as Goodwill and Other Intangible Assets originated on different acquisitions for a combined value of 699 million euros. The main highlights are the merger by absorption of VidaCaixa Group and the acquisition and subsequent merger of the Banca Cívica Vida y Pensiones S.A., CajaSol Vida y Pensiones, S.A. and CajaCanarias Vida y Pensiones, S.A. and the intangible asset coming from the business combination of Bankia Pensiones, S.A.U., E.G.F.P. The Group proceeds to identify the cash generating unit with the objective of annually perform an impairment test that integrates all of the Group's goodwill and other intangible assets. The evaluation by the management of the Parent Company involves a complex process that requires the use of a high level of assumptions, estimates and judgments, mainly related to future dividend flows, discount rates applied and growth rates at perpetuity. As of December 31, 2021, the Company's management has considered in its assessment the current economic and business environment, the market conditions and the existing economic uncertainty in determining the recoverable value of such Goodwill and other intangible assets. For more information on intangible assets, see Note 16 to the consolidated annual accounts for the 2021 fiscal year.	We have gained an understanding of the evaluation process of the recoverability of intangible assets (goodwill and other intangible assets), as well as the internal control environment for the process of testing the impairment of intangible assets. The audit tests included the completion of the following procedures with the participation of specialists in valuation of intangible assets and actuaries: • Evaluation of the methodology used by the directors and the management for the evaluation of the existence of impairment indicators of the intangible assets, including the evaluation of the controls of the process supervision and of the implicit approvals thereof. • Analysis of the adequacy of the valuation methodology used and analysis of the arithmetic correction of the calculations performed. • Assessment of the consistency of future cash flows with approved business plans. • Analysis of the reasonableness of the main hypotheses of the valuation model, such as growth rates and discount rates used. • Analysis of the information regarding the valuation of the Goodwill and other intangible assets included in the consolidated annual accounts. As a result of the procedures described above, no relevant aspect to highlight has been revealed.

6

INDEPENDENT AUDIT REPORT

Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2021 financial year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility regarding the consolidated management report, in accordance with legislation governing the audit practice, is to:

a) Verify only that the statement of non-financial information, as referred to in the Auditing Act, has been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.

b) Evaluate and report on the consistency between the rest of the information included in the consolidated management report and the consolidated annual accounts as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the consolidated management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of 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 management report is consistent with that contained in the consolidated annual accounts for the 2021 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit committee for the consolidated annual accounts

The Parent company's directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

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

The Parent company's audit committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

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 legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company's directors.

- Conclude on the appropriateness of the Parent company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 fair presentation.

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

INDEPENDENT AUDIT REPORT

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

We also provide the Parent company's audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate 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 with the Parent company's audit committee, 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.

Report on other legal and regulatory requirements

Report to the Parent company's audit committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent company's audit committee dated March 23, 2022.

Appointment period

On September 9, 2020, the Sole Shareholder appointed us as auditors of the Group for a period of one year, as from the year ended December 31, 2021.

Previously, we were appointed by the Sole Shareholder for a period of three years and we have performed the work of auditing the accounts uninterruptedly since the year ended December 31, 2018.

Additionally, on June 10, 2021, the Sole Shareholder appointed PricewaterhouseCoopers Auditors, S.L. as auditors of the Company for a period of one year, counting from the year ended December 31, 2022.

Services provided

Services provided to the Group for services other than the audit of the accounts are indicated in the Note 28 of the consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Original in Spanish signed by
Pedro Díaz-Leante Sanz (20488)

March 31th, 2022

CONSOLIDATED ANNUAL ACCOUNTS

- CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2021 AND 2020 BEFORE DISTRIBUTION OF EARNINGS
- CONSOLIDATED PROFIT AND LOSS ACCOUNTS FOR THE FINANCIAL YEARS ENDING ON 31 DECEMBER 2021 AND 2020
- CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY CORRESPONDING TO THE FINANCIAL YEARS ENDING ON 31 DECEMBER 2021 AND 2020

  Consolidated statements of recognised income and expenses

  Total consolidated statements of changes in equity
- CONSOLIDATED CASH FLOW STATEMENTS CORRESPONDING TO THE FINANCIAL YEARS ENDING ON 31 DECEMBER 2021 AND 2020
- CONSOLIDATED REPORT CORRESPONDING TO THE FINANCIAL YEAR ENDING ON 31 DECEMBER 2021

CONSOLIDATED BALANCE SHEETS (Thousands of euros)

ASSETS	Accompanying notes	31.12.2021		31.12.2020 (*)	
1. Cash and equivalent liquid assets	**Note 10**		**1,405,734**		**900,789**
2. Financial assets held to trade			**150**		**141**
3. Other financial assets at fair value through profit and loss	**Note 11**		**18,401,600**		**14,452,038**
a) Equity instruments		6,460,381		4,633,048	
b) Debt securities		282,782	936,460		
c) Hybrid instruments		-	-		
d) Investments by policyholders who assume the risk of the investment		11,626,299		8,878,815	
e) Other		32,138		3,715	
4. Financial assets available for sale	**Note 12**		**58,232,950**		**61,707,144**
a) Equity instruments		2,181		1,865	
b) Debt securities		58,230,769		61,705,279	
c) Loans		-		-	
d) Deposits in credit institutions		-		-	
e) Other		-		-	
5. Loans and receivables	**Note 13**		**352,174**		**666,692**
a) Debt securities		169,163		188,607	
b) Loans and deposits		44,609		56,634	
c) Receivables		138,402		421,451	
6. Held-to-maturity investments			**-**		**-**

CONSOLIDATED ANNUAL ACCOUNTS

cont.

ASSETS	Accompanying notes	31.12.2021		31.12.2020 (*)	
7. Hedge derivatives		**-**		**-**	
8. Share of the reinsurer in technical provisions	**Note 19**		**117,679**		**131,065**
9. Tangible fixed assets and property investments	**Note 15**		**22,214**		**23,845**
a) Tangible fixed assets		21,429		23,096	
b) Property investments		785		749	
10. Intangible fixed assets	**Note 16**		**784,121**		**687,123**
a) Goodwill		583,577		583,577	
b) Expenses for the acquisition of policy portfolios		-		-	
c) Other intangible fixed assets		200,544		103,546	
11. Shares in entities accounted for using the equity method	**Note 14**		**1,193,321**		**983,822**
12. Tax assets	**Note 21**		**206,833**		**239,734**
a) Current tax assets		-		127	
b) Deferred tax assets		206,833		239,607	
13. Other assets			**932.654**		**875,089**
14. Assets held for sale			**-**		**-**
TOTAL ASSETS			**81,649,430**		**80,667,482**

(*) Presented solely and exclusively for comparison purposes (see note 1)

CONSOLIDATED ANNUAL ACCOUNTS

LIABILITIES AND EQUITY	Accompanying notes	31.12.2021		31.12.2020 (*)	
TOTAL LIABILITIES			**77,845,808**		**77,189,204**
1. Financial liabilities held to trade			**-**		**-**
2. Other financial liabilities at fair value through profit and loss			**20,161**		**905**
3. Debits and payables	**Note 18**		**547,959**		**699,088**
a) Subordinated liabilities		-		-	
b) Other debt		547,959		699,088	
4. Hedge derivatives			**7,667**		**12,093**
5. Technical provisions	**Note 19**		**76,974,001**		**76,203,899**
a) For unearned premiums		1,812		1,984	
b) For ongoing risks		-		-	
c) For life insurance		75,642,938		75,126,405	
- Provision for unearned premiums and ongoing risks		57,702		62,462	
- Mathematical provision		63,174,334		65,729,612	
- Provision for life insurance when the risk of the investment is assumed by the policyholder		12,410,902		9,334,331	
d) For benefits		1,256,167		988,332	
e) For profit sharing and rebates		73,084		87,086	
f) Other technical provisions		-		92	
6. Non-technical provisions	**Note 22**		**2,166**		**248**
7. Tax liabilities	**Note 21**		**285,874**		**264,936**
a) Current tax liabilities		2,533		-	
b) Deferred tax liabilities		283,341		264,936	
8. Other liabilities			**7,980**		**8,035**
9. Liabilities associated with assets held for sale			**-**		**-**

CONSOLIDATED ANNUAL ACCOUNTS

LIABILITIES AND EQUITY	Accompanying notes	31.12.2021		31.12.2020 (*)	
TOTAL EQUITY			**3,803,622**		**3,478,278**
Own funds			**3,786,924**		**3,445,194**
1. Share capital	**Note 20**	1,347,462		1,347,462	
a) Authorised capital		1,347,462		1,347,462	
b) *Less:* Uncalled capital		-		-	
2. Issue premium		-		-	
3. Reserves	**Note 20**	2,015,635		1,884,799	
4. *Less*: Treasury stock or shares		-		-	
5. Profit and loss from previous years		-		-	
6. Other shareholder contributions		-		-	
7. Profit and loss for the financial year attributable to the parent company		793,827		887,933	
a) Consolidated profit and loss		793,827		887,933	
b) Profit and loss attributable to external shareholders		-		-	
8. *Less*: Interim dividend	**Note 5**	(370,000)		(675,000)	
9. Other equity instruments		-		-	
Value adjustments	**Note 20**		**16,698**		**33,084**
1. Financial assets available for sale		16,698		33,084	
2. Hedging transactions		-		-	
3. Exchange differences		-		-	
4. Accounting asymmetry correction		-		-	
5. Entities accounted for using the equity method		-		-	
6. Other adjustments		-		-	

CONSOLIDATED ANNUAL ACCOUNTS

cont.

LIABILITIES AND EQUITY	Accompanying notes	31.12.2021		31.12.2020 (*)	
Subsidies, donations and bequests received			**-**		**-**
EQUITY ATTRIBUTED TO THE PARENT COMPANY			**3,803,622**		**3,478,278**
MINORITY INTERESTS			**-**		**-**
1. Value adjustments		-		-	
2. Other		-		-	
TOTAL EQUITY AND LIABILITIES			**81,649,430**		**80,667,482**

(*) Presented solely and exclusively for comparison purposes (see note 1)

CONSOLIDATED ANNUAL ACCOUNTS

CONSOLIDATED PROFIT AND LOSS ACCOUNTS (Figures in thousands of euros)

	Accompanying notes	2021	2020 (*)
1. Premiums allocated to the financial year, net of reinsurance		2,523	3,449
2. Revenue from tangible fixed assets and investments		209,498	219,740
3. Other technical revenue		-	-
4. Loss rate for the financial year, net of reinsurance		295	(2,187)
5. Variation in other technical provisions, net of reinsurance		-	-
6. Sharing in profits and rebates		(573)	(2,017)
7. Net operating expenses		22	1,473
8. Other technical expenses		(236)	(301)
9. Expenses from tangible fixed assets and investments		(87)	(3)
A) NON-LIFE INSURANCE PROFIT AND LOSS	**Note 8**	**211,442**	**220,154**
10. Premiums allocated to the financial year, net of reinsurance		8,388,201	7,004,938
11. Revenue from tangible fixed assets and investments		4,479,929	3,855,554
12. Revenue from investments subject to insurance when the policyholder assumes the risk of the investment		1,615,651	1,598,914
13. Other technical revenue		-	-
14. Loss rate for the financial year, net of reinsurance		(6,968,205)	(6,744,855)
15. Variation in other technical provisions, net of reinsurance		(4,330,454)	(1,418,608)
16. Sharing in profits and rebates		(54,057)	(85,106)
17. Net operating expenses		(337,093)	(298,508)
18. Other technical expenses		(25,530)	(28,855)

cont.

	Accompanying notes	2021	2020 (*)
19. Expenses from tangible fixed assets and investments		(1,338,199)	(1,867,375)
20. Expenses from investments subject to insurance when the policyholder assumes the risk of the investment		(728,646)	(1,353,205)
B) LIFE INSURANCE PROFIT AND LOSS	**Note 8**	**701,597**	**662,894**
21. Revenue from tangible fixed assets and investments		49,787	151,317
22. Negative consolidation difference		-	-
23. Expenses from tangible fixed assets and investments		(29,681)	(1,402)
24. Other income		343,607	257,237
25. Other expenses		(242,200)	(178,410)
C) PROFIT AND LOSS FROM OTHER ACTIVITIES		**121,513**	**228,742**
D) PRE-TAX PROFIT/LOSS		**1,034,552**	**1,111,790**
26. Corporation tax	**Note 21**	(240,725)	(223,857)
E) PROFIT AND LOSS FOR THE FINANCIAL YEAR FROM CONTINUING OPERATIONS		**793,827**	**887,933**
27. Profit and loss for the financial year from discontinued operations net of taxes		-	-
F) CONSOLIDATED PROFIT AND LOSS FOR THE FINANCIAL YEAR		**793,827**	**887,933**
a) Profit and loss attributed to the parent company		793,827	887,933
b) Profit and loss attributed to minority interests		-	-
PROFIT PER SHARE			
Basic and diluted profit per share (in euros)		4	4

(*) Presented solely and exclusively for comparison purposes (see note 2.e)

CONSOLIDATED BALANCE SHEETS BY SEGMENT AS OF 31 DECEMBER 2021 (Thousands of euros)

ASSETS	NON-LIFE SEGMENT	LIFE SEGMENT	OTHER SEGMENT	TOTAL
1. Cash and equivalent liquid assets	**228,909**	**1,172,986**	**3,839**	**1,405,734**
2. Financial assets held to trade	**-**	**150**	**-**	**150**
3. Other financial assets at fair value through profit and loss	**-**	**18,401,600**	**-**	**18,401,600**
4. Financial assets available for sale	**-**	**58,232,950**	**-**	**58,232,950**
5. Loans and receivables	**-**	**352,166**	**8**	**352,174**
a) Debt securities		169,163	-	169,163
b) Loans and deposits	-	44,609	-	44,609
c) Receivables	-	138,394	8	138,402
8. Share of the reinsurer in technical provisions	**14,580**	**103,099**	**-**	**117,679**
9. Tangible fixed assets and property investments	-	**22,214**	**-**	**22,214**
a) Tangible fixed assets	-	21,429	-	21,429
b) Property investments	-	785	-	785
10. Intangible fixed assets	-	**784,121**	**-**	**784,121**
a) Goodwill	-	583,577	-	583,577
c) Other intangible fixed assets	-	200,544	-	200,544
11. Shares in entities accounted for using the equity method	**1,193,321**	**-**	**-**	**1,193,321**

CONSOLIDATED ANNUAL ACCOUNTS

cont.

ASSETS	NON-LIFE SEGMENT	LIFE SEGMENT	OTHER SEGMENT	TOTAL
12. Tax assets	-	**206,833**	-	**206,833**
b) Deferred tax assets	-	206,833	-	206,833
13. Other assets	-	**932,639**	**15**	**932,654**
TOTAL ASSETS	**1,436,810**	**80,208,758**	**3,862**	**81,649,430**

LIABILITIES AND EQUITY	NON-LIFE SEGMENT	LIFE SEGMENT	OTHER SEGMENT	TOTAL
TOTAL LIABILITIES	**17,466**	**77,828,236**	**106**	**77,845,808**
2. Other financial liabilities at fair value through profit and loss	-	20,161	-	20,161
3. Debits and payables	-	547,856	103	547,959
4. Hedge derivatives	-	7,667	-	7,667
5. Technical provisions	17,466	76,956,535	-	76,974,001
6. Non-technical provisions	-	2,166	-	2,166
7. Tax liabilities	-	285,874	-	285,874
8. Other liabilities	-	7,977	3	7,980
TOTAL EQUITY	**1,404,763**	**2,398,640**	**219**	**3,803,622**

CONSOLIDATED ANNUAL ACCOUNTS

cont.

LIABILITIES AND EQUITY	NON-LIFE SEGMENT		LIFE SEGMENT		OTHER SEGMENT		TOTAL	
Own funds		**1,404,763**		**2,381,942**		**219**		**3,786,924**
1. Share capital		-		1,347,462		-		1,347,462
a) Authorised capital	-		1,347,462		-		1,347,462	-
3. Reserves		1,193,321		822,314		-		2,015,635
7. Profit and loss for the financial year attributable to the parent company		211,442		582,166		219		793,827
a) Consolidated profit and loss	211,442		582,166		219		793,827	
8. *Less*: Interim dividend		-		(370,000)		-		(370,000)
Value adjustments		**-**		**16,698**		**-**		**16,698**
1. Financial assets available for sale		-		16,698		-		16,698
EQUITY ATTRIBUTED TO THE PARENT COMPANY		**1,404,763**		**2,398,640**		**219**		**3,803,622**
TOTAL EQUITY AND LIABILITIES		**1,422,229**		**80,226,876**		**325**		**81,649,430**

CONSOLIDATED ANNUAL ACCOUNTS

CONSOLIDATED BALANCE SHEETS BY SEGMENT AS OF 31 DECEMBER 2020 (Thousands of euros)

ASSETS	NON-LIFE SEGMENT		LIFE SEGMENT		OTHER SEGMENT		TOTAL	
1. Cash and equivalent liquid assets		**108,792**		**788,373**		**3,624**		**900,789**
2. Financial assets held to trade		**-**		**141**		**-**		**141**
3. Other financial assets at fair value through profit and loss		**-**		**14,452,038**		**-**		**14,452,038**
4. Financial assets available for sale		**-**		**61,707,144**		**-**		**61,707,144**
5. Loans and receivables		**130,259**		**536,422**		**11**		**666,692**
a) Debt securities			188,607		-		188,607	
b) Loans and deposits	-		56,634		-		56,634	
c) Receivables	130,259		291,181		11		421,451	
8. Share of the reinsurer in technical provisions		**13,709**		**117,356**		**-**		**131,065**
9. Tangible fixed assets and property investments		-		**23,845**		**-**		**23,845**
a) Tangible fixed assets	-		23,096		-		23,096	
b) Property investments	-		749		-		749	
10. Intangible fixed assets		-		**687,123**		**-**		**687,123**
a) Goodwill	-		583,577		-		583,577	
c) Other intangible fixed assets	-		103,546		-		103,546	
11. Shares in entities accounted for using the equity method		**983,822**		**-**		**-**		**983,822**

CONSOLIDATED ANNUAL ACCOUNTS

cont.

ASSETS	NON-LIFE SEGMENT	LIFE SEGMENT	OTHER SEGMENT	TOTAL
12. Tax assets	**-**	**239,734**	**-**	**239,734**
a) Current tax assets	-	127	-	127
b) Deferred tax assets	-	239,607	-	239,607
13. Other assets	**-**	**875,068**	**21**	**875,089**
TOTAL ASSETS	**1,236,582**	**79,427,244**	**3,656**	**80,667,482**

LIABILITIES AND EQUITY	NON-LIFE SEGMENT	LIFE SEGMENT	OTHER SEGMENT	TOTAL
TOTAL LIABILITIES	**18,897**	**77,170,189**	**118**	**77,189,204**
2. Other financial liabilities at fair value through profit and loss	-	905	-	905
3. Debits and payables	-	698,972	116	699,088
4. Hedge derivatives	-	12,093	-	12,093
5. Technical provisions	18,897	76,185,002	-	76,203,899
6. Non-technical provisions	-	248	-	248
7. Tax liabilities	-	264,936	-	264,936
8. Other liabilities	-	8,033	2	8,035
TOTAL EQUITY AND LIABILITIES	**1,203,976**	**2,274,044**	**258**	**3,478,278**

CONSOLIDATED ANNUAL ACCOUNTS

cont.

LIABILITIES AND EQUITY	NON-LIFE SEGMENT		LIFE SEGMENT		OTHER SEGMENT		TOTAL	
Own funds		**1,203,976**		**2,240,960**		**258**		**3,445,194**
1. Share capital		-		1,347,462		-		1,347,462
a) Authorised capital	-		1,347,462		-		1,347,462	
3. Reserves		983,822		900,977		-		1,884,799
7. Profit and loss for the financial year attributable to the parent company		220,154		667,521		258		887,933
a) Consolidated profit and loss	220,154		667,521		258		887,933	
8. *Less*: Interim dividend		-		(675,000)		-		(675,000)
Value adjustments		**-**		**33,084**		**-**		**33,084**
1. Financial assets available for sale		-		33,084		-		33,084
EQUITY ATTRIBUTED TO THE PARENT COMPANY		**1,203,976**		**2,274,044**		**258**		**3,478,278**
TOTAL EQUITY AND LIABILITIES		**1,222,873**		**79,444,233**		**376**		**80,667,482**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY (PART A)

Consolidated statements of recognised income and expenses (Thousands of euros)

	2021	2020 (*)
PROFIT/LOSS FOR THE FINANCIAL YEAR	**793,827**	**887,933**
OTHER RECOGNISED INCOME AND EXPENSES	**(16,386)**	**7,182**
Elements that may be reclassified in profit and loss	**(16,386)**	**7,182**
Financial assets available for sale	**(23,408)**	**10,260**
Valuation gains and losses	(23,408)	10,260
Amounts transferred to the profit and loss account		
Other reclassifications		
Cash flow hedges	-	-
Hedging of net investments in foreign businesses	-	-
Exchange and conversion differences	-	-
Accounting asymmetry correction	-	-
Assets held for sale	-	-
Shareholding in other recognised income and expenses from investments in joint ventures and associates	-	-
Other recognised income and expenses	-	-
Corporation tax on elements that may be reclassified in profit and loss	**7,022**	**(3,078)**
TOTAL RECOGNISED INCOME AND EXPENSES	**777,441**	**895,115**
Attributable to minority interests (non-controlling shareholdings)	-	-
Attributable to the owners of the Parent	**777,441**	**895,115**

(*) Presented solely and exclusively for comparison purposes (see note 1)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (PART B) (Thousands of euros)

	OWN FUNDS					
	AUTHORISED CAPITAL OR MUTUAL FUND	RESERVES	PROFIT/LOSS FOR THE FINANCIAL YEAR	LESS: INTERIM DIVIDENDS	VALUE ADJUSTMENTS	TOTAL
BALANCE AS OF 31-12-2019	**1,347,462**	**1,807,433**	**794,776**	**(666,000)**	**25,902**	**3,309,573**
OPENING BALANCE AS OF 01-01-2020	**1,347,462**	**1,807,433**	**794,776**	**(666,000)**	**25,902**	**3,309,573**
Total recognised revenues and expenses	**-**	**-**	**887,933**	**-**	**7,182**	**895,115**
Transactions with partners or mutual associations	**-**	**-**	**-**	**(726,410)**	**-**	**(726,410)**
Increases in capital or mutual fund	-	-	-	-	-	-
(-) Reductions of capital or mutual fund	-	-	-	-	-	-
Conversion of financial liabilities into equity (conversion bonds, debt waivers)	-	-	-	-	-	-
(-) Distribution of dividends or supplementary returns				(726,410)		(726,410)
Transactions with treasury shares or stock (net)	-	-	-	-	-	-
Increase (reduction) in equity resulting from a business combination	-	-	-	-	-	-
Other transactions with partners or mutual associations	-	-	-	-	-	-
Other changes in equity	**-**	**77,366**	**(794,776)**	**717,410**	**-**	**-**
Payments based on equity instruments	-	-	-	-	-	-
Transfers between equity items	-	77,366	(794,776)	717,410	-	-
Other changes	-	-	-	-	-	-
BALANCE AS OF 31-12-2020	**1,347,462**	**1,884,799**	**887,933**	**(675,000)**	**33,084**	**3,478,278**

cont.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (PART B) (Thousands of euros)

	OWN FUNDS					
	AUTHORISED CAPITAL OR MUTUAL FUND	RESERVES	PROFIT/LOSS FOR THE FINANCIAL YEAR	LESS: INTERIM DIVIDENDS	VALUE ADJUSTMENTS	TOTAL
OPENING BALANCE AS OF 01-01-2021	**1,347,462**	**1,884,799**	**887,933**	**(675,000)**	**33,084**	**3,478,278**
Total recognised revenues and expenses	**-**	**-**	**793,827**	**-**	**(16,386)**	**777,441**
Transactions with partners or mutual associations	**-**	**87,387**	**-**	**(539,484)**	**-**	**(452,097)**
Increases in capital or mutual fund	-	-	-	-	-	-
(-) Reductions of capital or mutual fund	-	-	-	-	-	-
Conversion of financial liabilities into equity (conversion bonds, debt waivers)	-	-	-		-	-
(-) Distribution of dividends or supplementary returns	-	-	-	(539,484)	-	(539,484)
Transactions with treasury shares or stock (net)	-	-	-	-	-	-
Increase (reduction) in equity resulting from a business combination	-	87,387	-	-	-	87,387
Other transactions with partners or mutual associations	-	-	-	-	-	-
Other changes in equity	**-**	**43,449**	**(887,933)**	**844,484**	**-**	**-**
Payments based on equity instruments	-	-	-	-	-	-
Transfers between equity items	-	43,449	(887,933)	844,484	-	-
Other changes	-	-	-	-	-	-
CLOSING BALANCE AS OF 31-12-2021	**1,347,462**	**2,015,635**	**793,827**	**(370,000)**	**16,698**	**3,803,622**

CONSOLIDATED CASH FLOW STATEMENTS (DIRECT METHOD) (Thousands of euros)

	2021	2020 (*)
A) OPERATION CASH FLOWS	**1,694,465**	**85,937**
Insurance activity	**1,881,546**	**317,257**
Cash receipts from the insurance activity	9,798,584	7,999,424
Cash payments for the insurance activity	(7,917,038)	(7,682,167)
Other operating activities	**50,733**	**(22,035)**
Cash receipts from other operating activities	348,170	257,090
Cash payments for other operating activities	(297,437)	(279,125)
Receipts and payments for corporation tax	**(237,814)**	**(209,285)**
B) CASH FLOWS FROM INVESTMENT ACTIVITIES	**(518,855)**	**365,619**
Receipts from investment activities	**43,802,169**	**30,930,701**
Tangible fixed assets	-	-
Property investments	-	-
Intangible assets	-	-
Financial instruments	40,882,023	27,893,534
Shareholdings in joint ventures and associates	-	19,458
Interest earned	2,489,843	2,749,029
Dividends earned	247,031	190,189
Business unit	-	-
Other receipts related to investment activities	134,688	78,491
Other receipts related to investment activities from business combinations	48,584	-

cont.

CONSOLIDATED CASH FLOW STATEMENTS (DIRECT METHOD) (Thousands of euros)

	2021	2020 (*)
Payments for investment activities	**(44,321,024)**	**(30,565,082)**
Tangible fixed assets	(58)	(39)
Property investments	(395)	-
Intangible assets	-	(207)
Financial instruments	(44,284,150)	(30,564,575)
Shareholdings in joint ventures and associates	(142)	(261)
Business unit	-	-
Other payments related to investment activities	(36,279)	-
C) FINANCING CASH FLOWS	**(670,665)**	**(538,410)**
Receipts from financing activities	**3,232,349**	**100,300**
Subordinated liabilities	-	-
Receipts for issue of equity instruments and capital increase	-	-
Supplementary returns and contributions from partners y mutual associations	-	-
Disposal of treasury stock	-	-
Other receipts related to financing activities	3,232,349	100,300
Payments from financing activities	**(3,903,014)**	**(638,710)**
Dividends to shareholders	(750,597)	(538,410)
Interest paid	(68)	-
Subordinated liabilities	-	-
Payments for the return of contributions to shareholders	-	-

cont.

CONSOLIDATED CASH FLOW STATEMENTS (DIRECT METHOD) (Thousands of euros)

	2021	2020 (*)
Supplementary calls and return of contributions of partners y mutual associations	-	-
Acquisition of treasury stock	-	-
Other payments related to financing activities	(3,152,349)	(100,300)
Effect of the variations in exchange rates	**-**	**-**
D) NET INCREASE/(DECREASE) OF CASH AND EQUIVALENTS (A+B+C)	**504,945**	**(86,854)**
E) CASH AND EQUIVALENTS AT THE START OF THE FINANCIAL YEAR	**900,789**	**987,643**
F) CASH AND EQUIVALENTS AT THE END OF THE FINANCIAL YEAR (D+E)	**1,405,734**	**900,789**
COMPONENTS OF CASH AND EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		
Cash and banks	1,405,734	900,789
Bank overdrafts refundable on demand	-	-
Other financial assets	-	-
TOTAL CASH AND EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**1,405,734**	**900,789**

(*) Presented solely and exclusively for comparison purposes (see Note 1).

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

In accordance with the current regulations on the content of consolidated annual accounts, this consolidated Report completes, expands on and comments on the consolidated balance sheet, the consolidated profit and loss account, the consolidated statement of changes in equity and the consolidated cash flow statement and forms a whole unit with them, in order to show the true and fair view of the assets and financial position of Vida-Caixa, S.A.U. de Seguros y Reaseguros y Sociedades Dependientes as of 31 December 2021 as well as the results of its operations, changes in equity and cash flows that have occurred during the financial year ended on that date.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

1. NATURE OF THE COMPANY, PRESENTATION RULES AND OTHER INFORMATION

1.1. Nature of the Company

Vida-Caixa, S.A.U., de Seguros y Reaseguros (hereinafter, VidaCaixa or the Parent Company), with Tax ID (NIF) A58333261 and corporate and fiscal address in Madrid, Paseo de la Castellana 51, registered in the Mercantile Registry of Madrid, is a public limited company incorporated on 5 March 1987. The Company is registered in the Administrative Registry of Insurance Companies of the General Directorate of Insurance and Pension Funds with number C-611, authorised to operate in the life, accident and illness branches (illness-disability area), and as a manager of pension funds with number G-0021, and is subject to its supervision.
VidaCaixa's corporate purpose is defined as:
• performing life insurance and reinsurance operations; and
• operations subject to the regulations for private insurance, in particular those of insurance or capitalisation, management of collective retirement funds, pensions and any other authorised by current regulations.

The Parent Company is also the development partner of voluntary retirement savings providers GEROCAIXA EPSV INDIVIDUAL, GEROCAIXA PYME EPSV DE EMPLEO and GEROCAIXA PRIVADA PENSIONES EPSV ASOCIADA, and is the company responsible for managing the assets associated with the retirement plans integrated into the aforementioned voluntary retirement savings providers.

VidaCaixa and its subsidiaries make up the VidaCaixa Group (hereinafter, VidaCaixa Group or the Group). The Group, either directly or through its investees, operates in (i) Spain in the branches of motor, accident, illness (including the healthcare segment), life, death, legal defence, home, fire and natural elements, transported goods, other damages to goods, various pecuniary losses, general civil liability, motor land civil liability and non-railway land vehicles; and (ii) in Portugal, under the supervision of Autoridade de Supervisão de Seguros e Fundos de Pensões, in the life branch focused on the marketing of capitalisation and insurance products in which the investment risk is assumed by the policyholder.

The Group forms part of the CaixaBank Group, whose parent company (CaixaBank, S.A.) has a direct shareholding in the entire capital of VidaCaixa. CaixaBank, S.A. with registered address in Calle Pintor Sorolla nº 2- 4, in Valencia. The consolidated annual accounts of the CaixaBank Group are filed with the Mercantile Registry of Valencia and drawn up within the legally established period. The consolidated annual accounts of the CaixaBank Group for the 2021 financial year were drawn up by the Group's directors at their Board of Directors meeting held on 17 February 2022.

CaixaBank is the parent company of the financial conglomerate consisting of the Group's companies that have regulated status, CaixaBank being classified as a significant supervised entity. Together with its Group's credit institutions, it forms a significant supervised group of which CaixaBank is the entity at the highest level of prudential consolidation.

As VidaCaixa is a trading company in Spain, which has the legal form of a public limited company, it is governed by the Consolidated Text of the Spanish Capital Companies Law, approved by Spanish Royal Legislative Decree 1/2010, of 2 July, and implementing regulations.

It reorganised the insurance group during the 2013 financial year in order to

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

simplify its organisational structure. In this regard, on 5 March 2013, the Boards of Directors of VidaCaixa Grupo, S.A.U. and of VidaCaixa approved the take-over whereby the latter absorbed VidaCaixa Grupo, S.A.U.

As a result of this entire process, VidaCaixa became the parent of the Group and the owner of the stakes.

Appendix I gives a breakdown of the main figures for the subsidiaries and associates that form the Group, as well as the Sole Shareholder of the Parent Company.

In light of the activity in which the Group engages, it has no liabilities, expenses, assets or provisions or contingencies of an environmental nature that may be material in relation to its capital, financial position and earnings. Therefore, specific disclosures regarding environmental issues are not included in this report on the annual accounts. Notwithstanding the foregoing, the comprehensive statement on the Parent Company's investment policy principles incorporates socially responsible investments as set forth in the 2021 Management Report.

As of 31 December 2021, the Group manages 184 pension funds and 3 Voluntary Social Welfare Entities (EPSV to use the Spanish name) with a consolidated rights volume of €47,638,688,000 (€35,301,487,000 as of 31 December 2020). The gross income accrued through management fees for the different funds amounted to €341,544,000 in the 2021 financial year (€253,865,000 in the 2020 financial year), and this is accounted for under the 'Profit and loss from other activities - Other income' heading. Likewise, the expenses associated with this management were €230,180,000 (€172,693,000 in the 2020 financial year), presented under the 'Earnings from other activities - Other expenses' heading.

1.2. Reporting rules

The consolidated annual accounts have been drawn up by the Directors in accordance with the regulatory framework for financial reporting applicable to the Group as of 31 December 2021, which is that established in the International Financial Reporting Standards adopted by the European Union (hereinafter, IFRS-EU). Similarly, the following has also been considered in their preparation: (i) the Commercial Code and other trading legislation; (ii) Spanish Law 20/2015, of 14 July, on the Management, Supervision and Solvency of Insurance and Reinsurance Companies ("LOSSEAR"); (iii) Spanish Royal Decree 1060/2015, of 20 November, on the Management, Supervision and Solvency of Insurance and Reinsurance Companies ("ROSSEAR"), as well as the current articles of Spanish Royal Decree 2486/1998, of 20 November, approving the Insurance Management and Supervision Regulations (hereinafter, "ROSSP"); (iv) the mandatory standards approved by the Spanish Institute of Accounting and Account Auditing to implement the General Chart of Accounts and its supplementary standards; (v) and the provisions established by the Spanish General Directorate of Insurance and Pension Funds (DGSyFP in Spanish).

The accompanying consolidated annual accounts have been obtained from the accounting records of the Parent Company and the other companies making up the Group. They are prepared in accordance with the regulatory framework for financial reporting that is applicable and, in particular, the accounting principles and criteria contained therein, in order to show the true and fair view of the assets, the financial position, the earnings of the Group and the cash flows during the corresponding financial year. The accompanying annual accounts include certain adjustments and reclassifications intended to standardise the principles

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

and criteria followed by the integrated companies with those of VidaCaixa. All mandatory accounting principles have been applied.

The figures are presented in thousands of euros unless the use of another alternative monetary unit is indicated. Certain financial information in this report has been rounded. Consequently, the figures shown as totals in this document may be slightly different to the exact arithmetic operation of the figures that precede them. Similarly, when determining the information that must be disclosed in this report, its relative importance in relation to the annual accounting period has been taken into account.

The Parent Company is exempt from drawing up the consolidated accounts as it is consolidated in the accounts of the CaixaBank Group (see Note 1.1), although it prepares them voluntarily, as the Company is obliged to submit statistical-accounting documentation to the DGSFP on a consolidated basis.

Standards and interpretations issued by the International Accounting Standards Board (IASB) that have come into force in the financial year

The following accounting standards have come into forced in 2021:

STANDARDS AND INTERPRETATIONS THAT HAVE COME INTO FORCE IN 2021

STANDARDS AND INTERPRETATIONS	TITLE	APPLICATION DATE
Amendment to IAS 39, IFRS 9, IFRS 7, IFRS 16 and IFRS 4 *	Interest Rate Benchmark Reform (Phase 2)	01/01/2021
Amendment to IFRS 4	Extension of the temporary exemption of the application of IFRS 9	01/01/2021
Amendment of IFRS 16 *	Rent reductions related to Covid-19 beyond 30 June 2021	01/04/2021

(*) They have had no significant impact on the Group.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

• Amendment to IAS 39, IFRS 9, IFRS 7, IFRS 16 and IFRS 4 (Phase 2)

The international financial regulatory authorities have over the last few years encouraged the gradual abandonment of IBORs and their replacement by new risk-free rates. This has led to the need for a transition from the old LIBORs to the new rates recommended by the working groups established in the different areas.

This transition has been accelerated with the notification of the ending of some LIBOR rates at the beginning of 2022. For this reason, market participants must start to use new risk-free rates and amend those agreements affected by the cessation of the publication of the rate.

Since the first announcements by regulators, the Group has adopted an active position both externally, participating in the Working Group on Euro Risk-Free Rates (RFR), and internally, where it has established a project for the transition between rates including a robust governance structure to meet the regulatory, financial, commercial and technical needs arising from the transition between rates. This transition has not had a significant impact on the Group.

The IASB has supplemented its response to the global reform of benchmark interest rates (IBORs) with a series of amendments to IAS 39, IFRS 9, IFRS 7, IFRS 16 and IFRS 4 - the so-called phase 2 - that complement those issued in 2019. These amendments are focused on cases in which an entity replaces the previous benchmark interest rate with an alternative benchmark rate and on the effects of the change on the financial statements. To be specific, this includes:

- Changes to contractual cash flows: an entity will not have to derecognise or adjust the book value of financial instruments due to changes required by the reform adopted, but will update the effective interest rate to reflect the change to the alternative benchmark rate;
- Hedge accounting: an entity will not have to discontinue their hedge accounting simply for the sake of making the changes required by the reform if the hedge meets other hedge accounting criteria; and
- Breakdowns: the entity must disclose information on the new risks that emerge from the reform and how to manage the transition to alternative benchmark rates.

On 5 March 2021, the Financial Conduct Authority (FCA) announced that it would stop publishing the LIBOR on 31 December 2021 for certain terms and currencies and, in the case of overnight and 12-month USD LIBOR, publication will cease on 30 June 2023. As a result of this announcement, ISDA announced that it constitutes an "index cessation event" under its protocol and specific supplements issued dealing with the replacement of the IBOR rates. As a result Bloomberg has set and published the official fallback spread adjustments. It is expected that in June 2023 the different LIBOR rates will cease to be published, at which time the expectation is for the application of the support measures approved in these amendments that are effective from 1 January 2021, since until then they continue to be considered as representative.

In addition, and in relation to the change in the EURIBOR methodology, the amendments have been applied since 1 January 2021 without any significant impact. As of 15 April 2021, the European Central Bank has begun to publish the ESTER (euro short-term rate) as a compounded average rate form for the periods of 1 week, and 1, 3, 6 and 12 months.

• Amendment to IFRS 4

For insurance transactions, the Group's insurance companies have opted for the renewal of the temporary exemption from the application of IFRS 9, by virtue of

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

the application of Regulation (EU) 2020/2097, meaning that this rule is not yet in force for the insurance business. This regulation allows the application of IFRS 9 to be deferred until 1 January 2023 for insurers that are part of a financial conglomerate as defined in article 2, section 14, of EC Directive 2002/87, an option that the VidaCaixa Group chose for VidaCaixa and BPI Vida y Pensões as of 1 January 2018 due to meeting the conditions established by article 2 of Regulation (EU) 2017/1988.

The following table shows the fair value at year end, differentiating the assets whose cash flows would only represent payments of principal and interest (SPPI), in accordance with IFRS 9, from those that are managed based on their fair value (not SPPI):

	SPPI (*)	NOT SPPI	TOTAL
Financial assets not held for trade or managed based on their fair value	58,399,933	-	58,399,933
Financial assets held for trade or managed based on their fair value	282,782	-	282,782

The amount of the change in fair value during the 2021 financial year has been (thousands of euros):

	SPPI (*)	NOT SPPI	TOTAL
Financial assets not held for trade or managed based on their fair value	(3,493,953)	-	(3,493,953)
Financial assets held for trade or managed based on their fair value	(653,678)	-	(653,678)

(*) The Group uses a combination of financial instruments in its financial immunisation strategies to cover the risks to which its activities are exposed. For these purposes, in the investment operations of the Group's insurance business, different fixed income securities include financial swaps that, in accordance with the practice in the sector and the applicable supervision criteria, are accounted for jointly in "Financial assets available for sale", showing the fair value in the upper table.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

These financial swaps assessed individually based solely on their legal form will not comply with the SPPI test set forth in IFRS 9. In this regard, within the framework of the project for the implementation of IFRS 9 that the Group is still running, the different accounting alternatives set forth in the regulatory framework (including hedge accounting) have been analysed together with the main changes that will be introduced by IFRS 17 "Insurance contracts" in the valuation of the technical provisions; all with the final objective of avoiding asymmetries in the Group's profit and loss account and equity.

In addition to applying the temporary exemption for applying IFRS 9 to the Group, this deferral has also been applied to SegurCaixa Adeslas. The valuation impact on the financial instruments associated with the application of IFRS 9 in this company is not considered significant due to the low credit risk of the counterparties for its financial instruments.

.• **Amendment to IFRS 16**

In February 2021, the IASB issued Covid-19-Related Rent Concessions, which amended the support in the application of IFRS 16 Leases that had been previously issued in May 2020. The 2020 amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and, instead, to account for these rent concessions as if they were not lease modifications

The IASB proposes to extend the time period for applying the practical solution, so that it applies to rent concessions for which any decrease in lease payments affects only the payments originally due until 30 June 2022, provided that the rest of the conditions for the application of the practical solution are met.

The Group has not identified relevant agreements that may fall within the scope of this amendment, so it does not foresee there being any impact on equity or on the presentation of the financial statements derived from it.

Standards and interpretations issued by the IASB but not in force

On the date of drawing up these consolidated annual accounts, the most significant standards published by the IASB but that have not entered into force, either because their effective date is later than the date of the consolidated annual accounts or because they have still not been approved by the European Union, are as follows:

STANDARDS AND INTERPRETATIONS ISSUED BY THE IASB BUT NOT IN FORCE

STANDARDS AND INTERPRETATIONS	TITLE	MANDATORY APPLICATION FOR FINANCIAL YEARS STARTING FROM:
IFRS 17	Insurance contracts	01/01/2023
Amendment to IFRS 17	Initial application of IFRS 17 and IFRS 9 - comparative information	01/01/2023

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

• **IFRS 17 "Insurance contracts"**

The endorsement of the Standard was published in the Official Journal of the European Union on 23 November 2021. This includes an exception with respect to the IFRS in relation to applying the annual cohort requirement for some types of contracts, such as those managed through different generations of contracts that meet the conditions established in article 77 ter of EC Directive 2009/138 and have been approved by the supervisory authorities for the purpose of applying the matching adjustment.

In addition, on 9 December 2021 the IASB issued an amendment to IFRS 17 on the comparative information in the initial application of IFRS 17 and IFRS 9 in order to help companies to avoid temporary accounting mismatches between financial assets and insurance contract liabilities and therefore improve the comparative information for users of these financial statements. This amendment allows companies to present comparative information on financial assets in the initial application of IFRS 17 and IFRS 9 based on the classification expected under IFRS 9, as if the classification and measurement requirements of IFRS 9 had been applied to those financial assets. This presentation can only be applied in the comparative periods that have been restated for IFRS 17. This amendment is currently at the endorsement stage at the European level and is not yet finalised.

As was previously discussed, the insurance companies in the Group have availed themselves of the temporary exemption of the application of IFRS 9, so this standard is not yet in force in the insurance business by virtue of the application of EU Regulation 2017/1988. This regulation allows the application of IFRS 9 to be deferred for insurers that are part of a financial conglomerate as defined in article 2, section 14, of EC Directive 2002/87, an option that the Group opted to use as of 1 January 2018 for the financial investments of the companies VidaCaixa and BPI Vida y Pensiones, due to meeting the conditions established by article 2 of EU Regulation 2017/1988.

The Group continues its intensive work to implement this standard, in accordance with the plan approved in the 2018 financial year and that was subject to updating in the 2019 and 2020 financial years. In particular, the work is currently focused on finalising the modelling, estimating the financial impact and performing dry runs and parallel calculations. No significant changes in the project plan are expected during the 2022 financial year.

Regarding the principles for the recognition, measurement, presentation and information to disclose for insurance contracts that the Group will use, it should be mentioned that:

- Based on the analysis carried out, no changes are expected in the scope of the Standard since the view is that the products continue to meet the definition of an insurance contract.
- The grouping level of insurance contracts will take as a reference the groups of products that are currently used for the Solvency II analyses.
- In general, the Group will use the general model in the measurement of groups of insurance contracts, reserving the premium allocation approach mainly for temporary annual renewable contracts, and the variation of the general model for insurance contracts with components of direct participation mainly in Unit Linked contracts.
- For products managed under cash flow matching, discount rates are expected to be used to adjust the estimates of future cash flows in line

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

with the rates of the underlying financial assets used in their management. Similarly, a contractual service margin recognition pattern similar to the one currently used to record the margin for products in the profit and loss statement is expected to be used.

Regarding the impact deriving from the entry into force of this Standard on 1 January 2023, although work is still being done on the details, it is expected that there will be some changes in classification and presentation by heading in the profit and loss account, whose format must be reviewed, but without these having a material impact on profitability or the ability to pay dividends. Similarly, for the purposes of capital ratios or the tangible book value, the impact of first application is expected to be acceptable.

1.3. Responsibility for the information and estimates made

The annual accounts of the Group for the financial year 2021 have been drawn up by the Board of Directors of the Parent Company at the meeting held on 29 March 2022 and are pending approval by the Sole Shareholder, although they are expected to be approved without modifications. The annual accounts corresponding to the previous financial year were approved by the Sole Shareholder on 29 March 2021.

The information contained in these consolidated annual accounts is the responsibility of the Directors of the Parent Company, who have verified, with the due diligence, that the different controls established to ensure the quality of the financial and accounting information, both from the Parent Company and from the companies that comprise it, have operated effectively.

The preparation of the annual accounts in accordance with the IFRS requires the directors to form judgements, estimates and assumptions that affect the application of accounting policies and the balances of assets, liabilities, revenue and expenses. The related estimates and assumptions are based on historical experience and other diverse factors that are understood to be reasonable given the circumstances, and whose results constitute the basis for establishing the judgements about the book value of the assets and liabilities that are not easily available from other sources.

The respective estimates and assumptions are continuously reviewed. The effects of the reviews of the accounting estimates are recognised in the period or periods in which they are made. In any case, the end results derived from a situation requiring estimates may differ from what was anticipated and be reflected, prospectively, in the future financial years.

Apart from the process of making systematic estimates and their periodic review, the Directors of the Parent Company make certain value judgements about issues of particular importance in the consolidated annual accounts. Included among the most significant are those judgements related to the fair value of certain assets and liabilities, impairment losses, the useful life of tangible and intangible fixed assets, the valuation of consolidation goodwill, the recording of deferred tax liabilities, the assumptions used to calculate the liability suitability test and the assumptions used to allocate part of the unrealised capital gains from the financial investment portfolios allocated as “financial assets available for sale” and as “at fair value through profit and loss” as the greater amount of the life insurance provisions and the fair value of the assets, liabilities and contingent liabilities in the context of the assignment of the price paid in business combinations.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

These estimates have been made based on the best information available on the date of preparing these consolidated annual accounts, considering the uncertainties existing on that date derived from the impact of Covid-19 on the current economic environment. However, it is possible that events that take place in the future could require adjustments to them, which, according to the applicable standard, would be done prospectively, recognising the effects of the change in the estimate in the corresponding profit and loss account.

1.4. Comparison of the information

The figures corresponding to the 2020 financial year, included in the accompanying annual accounts for the 2021 financial year, are shown only and exclusively for comparison purposes. In some cases, to facilitate comparison, the comparative information is presented in summary form. The full information can be found in the 2020 annual accounts.

1.5. Seasonality of transactions

The nature of the most significant transactions performed by the Group is not cyclical or seasonal in nature within the same financial year.

1.6. Subsequent events

On 21 March 2022, VidaCaixa acquired 100% of Bankia Vida, Sociedad Anónima de Seguros y Reaseguros from CaixaBank (Sole Shareholder of the Parent Company) for an amount of €578,000.

In addition, the conflict between Russia and Ukraine is causing, among other effects, an increase in the price of certain raw materials and the cost of energy, as well as leading to the imposing of sanctions, embargoes and restrictions against Russia that affect the economy in general and companies with transactions with and in Russia specifically. The extent to which this war will have an impact on the Group's business will depend on the development of future events that cannot be reliably predicted on the date of preparing these annual accounts. The Group does not have relevant direct exposure to companies located in these countries, and despite the existing uncertainty, the Directors of the Parent Company do not expect this situation to significantly affect the financial position.

Between 31 December 2021 and the date of formulating these annual accounts, no additional events not described in the other explanatory notes have occurred that significantly affect the accompanying financial statements.

2. ACCOUNTING PRINCIPLES AND POLICIES AND VALUATION CRITERIA APPLIED.

When drawing up the consolidated annual accounts for the Group corresponding to the 2021 financial year, the following accounting principles and policies and valuation rules have been applied:

2.1. Business combinations and consolidation principles

The consolidated annual accounts comprise, in addition to the figures corresponding to the Parent Company, the information corresponding to the subsidiaries and associates. The procedure for integrating the assets of these companies been carried out based on the type of control or influence exercised over them.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

Subsidiaries

The Group considers subsidiaries to be those over which it can exercise control. This ability to control is manifested when:

- it has the power to direct its material activities, that is, those that significantly affect its performance, under a legal or bylaw provision or by virtue of an agreement;
- there is a current ability, that is, practical ability, to exercise the rights to use that power to influence its performance;
- and due to its involvement, it is exposed or has a right to variable returns from the investee.

Generally, voting rights provide the power to direct the material activities of an investee. To calculate this, all direct and indirect voting rights are taken into account, including potential ones such as call options acquired on equity instruments of the investee. In certain situations, the power to direct activities may exist without having the majority of the voting rights.

In these cases, it is assessed whether it unilaterally has the practical ability to direct its material activities (financial, operational or those related to the appointment and remuneration of management bodies, among others).

The subsidiaries are consolidated, without exceptions due to their activity, using the full integration method, which consists of aggregating the assets, liabilities and equity, revenue and expenses, of a similar nature, that appear in their individual annual accounts. The book value of the stakes, direct and indirect, in the capital of the subsidiaries is eliminated at the fraction of the equity of the subsidiaries that they represent. The remaining balances and transactions among the consolidated companies are eliminated in the consolidation process.

Third-party stakes in the equity and earnings for the financial year are presented in the “Minority Interests” heading of the balance sheet and in the “Earnings attributed to minority interests” heading of the profit and loss account.

With regard to the consolidation of the earnings of the subsidiaries acquired in the financial year, this is carried out for the amount of the earnings generated from the acquisition date. Similarly, the earnings of the subsidiaries that cease to be subsidiaries in the financial year are consolidated for the amount of the earnings generated from the beginning of the financial year until the date on which control is lost.

Acquisitions and disposals that do not imply a change of control in the investee are recorded as equity transactions, not recognising any loss or gain in the profit and loss account. The difference between the consideration given or received and the decrease or increase in minority interests, respectively, is recognised in reserves.

Annex 1 of this Report provides relevant information about these entities. The information corresponds to the latest real or estimated figures available at the time of writing this Report.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

Exceptionally, the following companies have not been included in the consolidation perimeter due to their insignificant impact on the true and fair view of the consolidated annual accounts and they have been classified in the portfolio of "Financial Assets available for sale - Equity" (thousands of euros):

HOLDINGS IN GROUP COMPANIES, MULTIGROUP COMPANIES AND ASSOCIATES AND ASSETS HELD FOR SALE
(Thousands of euros)

			% Holding		Summarised financial information		
Company name	**Address**	**Activity**	**Direct**	**Indirect**	**Equity**	**Earnings**	**Book Value**
		GROUP COMPANIES:					
GEROCAIXA PYME EPSV DE EMPLEO	Gran Vía López de Haro, 38. Bilbao	Occupational Voluntary Retirement Savings Provider	100,00%	-	42,096	3,420	90
GEROCAIXA EPSV INDIVIDUAL	Gran Vía López de Haro, 38. Bilbao	Individual Voluntary Retirement Savings Provider	100,00%	-	824,094	70,225	850
GEROCAIXA PRIVADA PENSIONES EPSV ASOCIADA	Gran Vía López de Haro, 38. Bilbao	Association Voluntary Retirement Savings Provider	100,00%	-	11,402	50	50

The aforementioned companies focus their activity on the management of insurance-based corporate pension funds domiciled in the Basque Country. All of them are unlisted companies. The Group only participates in the Mutual Fund, and the remaining equity is in the hands of the unitholders.

Associates

Associates are those over which the Parent Company directly or indirectly exercises significant influence but are not subsidiaries or joint ventures. Significant influence is evident, in most cases, through a holding equal to or greater than 20% of the voting rights of the investee.

Investments in associates are valued by applying the equity method, that is, by the fraction of the equity accounted for by the participation of each entity in its capital after considering the dividends received from them and other equity eliminations. In the case of transactions with an associate, the corresponding earnings are eliminated in the percentage of the Group's stake in its capital.

The amortisation of intangible assets with a defined useful life identified as a result of preparing a Purchase price allocation ("PPA") for the allocation of the acquisition price paid is charged to the profit and loss account.

The Group has not used financial statements of entities where the equity method is applied which refer to a date other than that of the Group's parent company.

Annex 2 of this Report provides relevant information about these entities. The information corresponds to the latest real or estimated figures available at the time of writing this Report.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

Business combinations

The accounting standards define business combinations as the joining of two or more entities into a single entity or group of entities, the "acquiring entity" being the one that, on the acquisition date, assumes control of another entity.

For those business combinations in which the Group acquires control, the cost of the combination is determined. This is generally the fair value of the consideration paid. This consideration will be made up of the assets contributed, the liabilities assumed from the previous owners of the acquired business and the capital instruments issued by the acquiring entity.

Similarly, on acquisition date there is an assessment of the difference between:

i) the sum of the fair value of the consideration paid, the minority interests and the previous participations held in the entity or business acquired.

ii)The net amount of identifiable assets acquired and liabilities assumed, measured at fair value.

The positive difference between i) and ii) is recorded under the "Intangible assets – Goodwill" heading on the balance sheet, provided that it is not possible to assign it to specific capital elements or identifiable intangible assets of the entity or business acquired. If the difference is negative, it is recorded under the "Negative goodwill recognised in profit and loss" heading in the profit and loss account.

2.2. Cash and equivalent liquid assets

This heading of the balance sheet includes cash, meaning both cash in hand and demand bank deposits, as well as cash equivalents.

Cash equivalents correspond to those high liquidity short-term investments that are easily convertible into determined amounts of cash and are subject to a low risk of changes in their value and have a maturity of less than three months. .

2.3. Financial instruments

The Group (particularly the Parent Company and BPI Vida e Pensões) has availed itself of the temporary exemption from the application of IFRS 9, so its financial instruments are presented according to the presentation and measurement criteria set out in IAS 39 (see Note 1.2).

Classification of financial assets

Financial assets are presented in the balance sheet in the different categories into which they are classified for their management and valuation purposes, and which are described below:

- "Financial assets held to trade": this portfolio is mainly made up of those financial assets acquired with the intention of realising them in the short term or that are part of a portfolio of financial instruments, identified and managed jointly, for which there is evidence of recent actions aimed at obtaining a short-term profit. Lastly, derivative assets that do not meet the definition of a financial guarantee contract and have not been designated as hedging instruments are considered to be financial assets held to trade.
- "Other financial assets at fair value through profit and loss": includes, where appropriate, those financial instruments designated as such on their initial recognition. This includes hybrid financial assets that must be fully valued at fair value or with financial derivatives to reduce exposure to changes in fair value, or are managed jointly with financial liabilities and derivatives in order to reduce global exposure to interest rate risk. In general, this category

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

includes all those financial assets whose classification as such eliminates or significantly reduces inconsistencies in their recognition or valuation (accounting asymmetries). The financial instruments in this category must be permanently subject to a system for the measurement, management and control of risks and results, integrated and consistent, which allows it to be determined that the risk has been effectively reduced. Assets may only be included in this portfolio on the date of their acquisition or when they are generated.

Specifically, the Group has classified into this category the investments on behalf of life policyholders who assume the investment risk, determining the life insurance provisions for these types of insurance based on the assets specifically affected or the indexes or assets that have been established as a reference to determine the economic value of their rights. In this way, both the variations in the fair value of the affected financial assets and the associated provisions will be recorded with a charge and/or credit to the profit and loss account.

- "Financial assets available for sale": includes debt securities, swaps of certain or predetermined flows and equity instruments that have not been classified in other categories.
- "Loans and receivables": includes the financing granted to third parties originating from typical credit and loan activities, debts commitments with insured parties (excluded in part from the scope of IAS 39) and debt securities that do not have a quoted price in an active market In particular, the balance of loans granted and deposits with credit institutions includes those positions with a maturity of more than 3 months.

Classification of financial liabilities

Financial liabilities are presented in the balance sheet in the different categories into which they are classified for management and valuation purposes, and which are described below:

- "Other liabilities at fair value through profit and loss": These are financial liabilities valued at fair value with changes in profit and loss.
- "Loans and payables": are those debits and payables held by the Group that have arisen from insurance and reinsurance transactions or those which, not having a commercial origin, cannot be regarded as derivative financial instruments.

Initial recognition and valuation

At the time of their initial recognition, all financial instruments are recorded at their fair value. For financial instruments not recorded at fair value through profit or loss, the fair value amount is adjusted by adding or deducting any transaction costs directly attributable to their acquisition or issuance. In the case of financial instruments at fair value through profit or loss, the directly attributable transaction costs are recognised immediately in the profit and loss accounts.

Transaction costs are defined as expenses directly attributable to the acquisition or disposal of a financial asset, or to the issuance or assumption of a financial liability, which would not have been incurred if the Group had not performed the transaction.

The Group recognises financial assets in its balance sheet when it becomes a liable party in the contract or legal business pursuant to its provisions.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

For hybrid financial instruments, meaning those that combine a main non-derivative contract and a financial derivative (referred to as "embedded derivative") and that cannot be transferred independently, the Group has assessed whether it should separately recognise, measure and record the main contract and the embedded derivative. For hybrids not associated with profit-sharing insurance contracts, the Group treats the embedded derivative for accounting purposes as a derivative financial instrument, classifying it in the trading portfolio. The main contract is recorded within the "Financial assets available for sale" portfolio.

Claims recoveries are only accounted for when their realisation is sufficiently guaranteed at the date of preparation of the annual accounts and, therefore, it is expected that economic profits will be obtained from them. Under no circumstances are financial assets recognised for claims recoveries based on estimates made using the Group's experience.

The transactions for the purchase or sale of financial assets instrumented through conventional contracts are recognised on the contracting or settlement date. Contracts that can be settled net are accounted for as a derivative instrument. In particular, transactions carried out in the foreign exchange market are recorded on the settlement date, while financial assets traded on secondary securities markets, if they are equity instruments, are recognised on the contract date, and if they are debt securities, on the settlement date.

Subsequent measurement of financial assets and liabilities

After their initial recognition, the Group values financial instruments at amortised cost, at fair value with adjustments for value changes, at fair value through profit and loss or at cost, as appropriate.

For fixed income securities that include interest rate swaps, the Group has a separate valuation of the bond and of the swap, but because their coupons can be exchanged, the operation is valued jointly by updating the agreed flows and those associated with these financial assets using a market yield curve. For accounting purposes, it carries out the joint financial accrual of the flow resulting from the bond plus the swap. The differences between this combined market value and the accounting cost are allocated, at each year-end, to the technical provisions of the insurance contracts. Valuing the fixed income securities and aforementioned interest rate swaps separately would have no significant effect on the total assets or own funds on the Group's consolidated balance sheet.

Reclassifications of financial instruments between portfolios

At the close of the financial year, the amounts of financial assets under the treatment set out in IAS 39 reclassified in previous financial years are not significant.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

Revenue and expenses from financial assets and liabilities

The revenue and expenses associated with financial instruments are recognised using the following criteria:

PORTFOLIO		RECOGNISING REVENUE AND EXPENSES
Financial assets	**At amortised cost**	• Accrued interest: in the profit and loss account with the effective interest rate of the transaction on the gross book amount of the transaction. • Other changes in value: revenue or expense when the financial instrument is removed from the balance sheet, is reclassified or there are losses due to impairment or gains from its subsequent reversal.
	At fair value through profit and loss	• Changes in fair value: changes in fair value are recorded directly in the profit and loss account. For instruments that are not derivatives, there is differentiation between the part attributable to the returns accrued from the instrument, which will be recorded as interest or dividends according to their nature, and the rest, which will be recorded as profit or loss from financial transactions in the corresponding item. • Accrued interest: corresponding to debt instruments is calculated by applying the effective interest rate method.
	Available for sale	• Interest or dividends accrued, in the profit and loss account. Interest, as for assets at amortised cost. • Exchange differences in the profit and loss account when they are monetary financial assets. • Debt instruments, losses for impairment or gains for later reversal are through the profit and loss account. • The remaining changes in value are recorded through equity.
Financial liabilities	**At amortised cost**	• Accrued interest: in the profit and loss account with the effective interest rate of the transaction on the gross book amount of the transaction. • Other changes in value: revenue or expense when the financial instrument is removed from the balance sheet, is reclassified.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

The effective interest rate is the discount rate that exactly equates the initial value of a financial instrument to the estimated cash flows for all items until its maturity or cancellation. For financial instruments with a fixed interest rate, the effective interest rate is the same as the contractual interest rate plus, where appropriate, the fees and transaction costs that form part of its financial return. In the event that this fixed interest rate is contingent, the Group includes it in the estimate of the effective interest rate only if the triggering event is highly probable. To calculate the effective interest rate of financial instruments at a variable interest rate, the variable interest rate is taken to be fixed until the next date for review of the benchmark interest rate.

2.4. Offsetting of assets and liabilities

Financial assets and liabilities are offset, and are consequently presented on the balance sheet at their net amount, only when there is the legally enforceable right to offset the amounts of the aforementioned instruments and the intention is to settle the net amount, or realise the asset and pay the liability simultaneously, taking into consideration the following:

- The legally enforceable right to offset the recognised amounts must not depend on a future event and must be legally enforceable in all circumstances, including in the event of non-payment or insolvency of any of the parties.
- Those settlements for which the following conditions are met are treated as equivalent to "settlements for the net amount": virtually all credit and liquidity risk is eliminated; and the liquidation of the asset and liability is carried out in a single settlement process.

The Group has not carried out offsetting operations for financial assets and liabilities in the 2021 and 2020 financial years.

2.5. Derecognition of financial instruments

A financial asset is fully or partially derecognised from the balance sheet when the contractual rights over the cash flows of the financial asset expire or when it is transferred to a third party independent of the entity.

In contrast, the Group does not derecognise financial assets, and recognises a financial liability for an amount equal to the consideration received, in assignments of financial assets where the risks and rewards inherent to their ownership are substantially retained, such as discounted bills, sales of financial assets with repurchase agreements at a fixed price or at the sale price plus interest, and the securitisation of financial assets in which the assigning company retains subordinated financing or any other type of guarantees that substantially absorb all expected losses.

Similarly, financial liabilities will be deregistered from the balance sheet when the obligations arising from the contract have been paid, cancelled or expired.

2.6. Impairment of financial assets

A financial asset is considered impaired when there is objective evidence of a negative impact on the future cash flows estimated at the time of completing the transaction, as a result of the borrower not being able or willing to meet their contractual commitments in a timely and correct manner, or when its book value cannot be fully recovered. The reduction in fair value to below the acquisition cost does not in itself constitute evidence of impairment.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

As a general criterion, the correction of the book value of financial instruments due to their impairment is made with a charge to the "Expenses from tangible fixed assets and investments" heading in the profit and loss account in the period in which the aforementioned impairment occurs. Reversals of previously recorded impairment losses, if any, are recognised under the heading "Revenue from tangible fixed assets and investments" in the profit and loss account for the period in which the impairment is eliminated or reduced.

The accounting policy regarding the recognition of impairment losses for the categories of available-for-sale instruments is described below:

- Debt securities classified as available for sale: the market value of listed debt instruments is considered a reasonable estimate of the present value of their future cash flows.

  When there is objective evidence that the negative differences arising from the valuation of these assets are caused by their impairment, they are no longer presented under the equity heading "Value adjustments - Financial assets available for sale" and the amount considered as cumulative impairment up to that moment is recorded in the profit and loss account. If all or part of the impairment losses are subsequently reversed, their amount is recognised in the profit and loss account for the period in which the reversal takes place.

- Equity instruments classified as available for sale: when there is objective evidence of impairment, such as a 40% decrease in fair value or a situation of continuous loss over a period of more than 18 months, unrealised capital losses are recognised following the criteria for recording impairment losses applied to debt securities classified as available for sale, except for the fact that any reversal of the aforementioned losses that occurs is recognised under the "Value adjustments - Financial assets available for sale" heading in equity.

- Financial assets recorded at amortised cost or maturity:

  The amount of the impairment losses experienced by these instruments coincides with the positive difference between their respective book values and the present values of their expected future cash flows. The reduction in fair value to below the acquisition cost does not in itself constitute evidence of impairment.

  If, in subsequent periods, the amount of the impairment loss decreases, the previously recognised impairment loss is reversed in the profit and loss account.

In determining whether there is impairment, the Group considers whether there are factors in the technological, market, legal or other environment in which the assessed entity operates that could indicate that the cost of the investment might not be recoverable. Similarly, the volatility of each security individually in terms of its price is also taken into account in determining whether it is a percentage recoverable through its sale in the market. These considerations may lead to the existence of thresholds for certain securities or sectors that differ from those mentioned in the previous paragraph.

In particular, with respect to the impairment related to premiums pending collection, the Company provisions these with a charge to the profit and loss account based on the impairment of credits with policyholders. This impairment is calculated at year-end separately for each branch or risk based on the information available about the status of the premium receipts pending collection

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

at that date. The criteria used by the Company are as follows:

- Premiums issued six months ago or more are provisioned at their full amount.
- Premiums issued more than three months ago but less than six months ago are provisioned by applying a coefficient of 50%.
- Premiums less than three months old that have not been claimed in court are provisioned by applying the average cancellation rate for premiums in this situation over the last three years, homogenising this historical series as much as possible.
- For these premiums, when there is not enough experience, a rate of 25% is used.
- Premiums claimed in court are provisioned individually based on the circumstances of each case.

2.7. Tangible assets

Tangible fixed assets for own use

This includes the amount for property, land, furniture, vehicles, computer equipment and other facilities acquired as property or under a lease, as well as assets assigned under operating lease.

Tangible fixed assets for own use is made up of the assets that the Group has for current or future use for administrative purposes or for the production or supply of goods and that are expected to be used for more than one financial year.

Property investments

This includes the net values of the land, buildings and other constructions held to be used on a leasing basis or to obtain a capital gain from them through their sale.

In general, tangible assets are recorded at acquisition cost, net of cumulative depreciation and any impairment resulting from comparing the net value of each item with its corresponding recoverable amount.

Depreciation is calculated by applying the straight-line method to the acquisition cost of the assets less their residual value. An exception to this is land, which is not depreciated because it is estimated to have an indefinite life.

Charges for the depreciation of tangible assets are made with a balancing entry in the profit and loss account, and basically, are equivalent to the following depreciation percentages, determined in keeping with the estimated years of useful life of the different elements:

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

Tangible fixed asset elements	2021 Estimated useful life
Property (excluding land)	50 years
Furniture and installations	Between 3 and 10 years
Transport equipment	In 5 years
Data processing equipment	Between 3 and 10 years
Other tangible fixed assets	Between 4 and 10 years

At each financial year end, the Group analyses whether there are indications that the net value of its tangible asset elements exceeds their corresponding recoverable amount, this being understood as the higher of their fair value less the necessary costs of sale and their value in use.

If it is determined that it is necessary to recognise an impairment loss, this is recorded with a charge to "Expenses from tangible fixed assets and investments" in the profit and loss account, reducing the book value of the assets to their recoverable amount. After recognition of the impairment loss, future depreciation charges are adjusted in proportion to the adjusted book value and its remaining useful life.

Similarly, when it is verified that the value of the assets has recovered, the reversal of the impairment loss recognised in previous periods is recorded and future depreciation charges are adjusted. Under no circumstances can the reversal of the impairment loss on an asset lead to an increase in its book value to an amount higher than would have been recorded had no impairment losses been recognised in previous years.

Similarly, once a year or when indications that this is recommendable are observed, the estimated useful life of fixed assets is reviewed and, if necessary, the charges for depreciation are adjusted in the profit and loss account in future financial years.

Conservation and maintenance expenses, operating expenses and operating revenue from property investments are charged to the profit and loss account depending on their use when they are incurred.

2.8. Intangible fixed assets

Identifiable non-monetary assets that do not have a physical appearance and that arise as a result of an acquisition from third parties or that have been developed internally are considered to be intangible assets.

Goodwill

Goodwill represents the advance payment made by the acquiring entity for the future economic profits from assets that could not be individually identified and recognised separately. Goodwill is only recorded when business combinations are carried out for a consideration.

In business combination processes, goodwill arises as a positive difference between:

- The consideration paid plus, where appropriate, the fair value of the previous equity interests in the capital of the acquired business and the amount of the external partners.
- The net fair value of the identified assets acquired minus the liabilities assumed.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

Goodwill is recorded under the heading “Intangible assets – Goodwill” and is not amortised.

At each year end or when there are indications of impairment, an exercise is performed to identify whether there has been any impairment that reduces recoverable value below the recorded net cost. If this has taken place, it performs its timely write-off with a balancing entry in the “Other technical expenses – change in impairment of fixed assets” heading in the profit and loss account. Impairment losses are not subject to subsequent reversal.

Other intangible assets

This item includes the amount of identifiable intangible assets which are, among other items, intangible assets arising from business combinations and administrative concessions.

Intangible assets have a defined useful life and are amortised over this, applying criteria similar to those adopted for the depreciation of tangible assets.

Similarly, once a year or when indications that this is recommendable are observed, the estimated useful life of fixed assets is reviewed and, if necessary, the charges for depreciation are adjusted in the profit and loss account in future financial years.

Losses that occur in the recorded value of these assets are recognised in the accounts with a balancing entry under the “Other technical expenses - change in impairment of fixed assets” heading in the profit and loss account. The criteria for recognising impairment losses on these assets and, if applicable, reversals of impairment losses recorded in previous years are similar to those applied to tangible assets.

Software

Software is recognised as an intangible asset when, among other requirements, there is the ability to use or sell it, it is also identifiable and its ability to generate economic profits in the future can be demonstrated.

Expenses incurred during the research phase are recognised directly in the profit and loss account in the financial year in which they are incurred. However, they may be subject to subsequent capitalisation when they correspond to individualised projects with a determined cost and well-founded grounds to expect technical success and financial-commercial profitability.

Almost all of the software registered in this heading of the balance sheet has been developed by third parties and is amortised over an average useful life of 10 years.

2.9. Contingent assets

Contingent assets arise from unexpected or unplanned events that give rise to the possibility of an inflow of economic profits. Contingent assets are not recognised in the financial statements unless the inflow of economic profits is practically certain. If the inflow of economic profits is probable, it is reported in the notes on the corresponding contingent asset.

Contingent assets are subject to continuous evaluation to ensure that their evolution is adequately reflected in the financial statements.

2.10. oreign currency transactions

The Group’s functional currency and presentation currency is the euro, with balances and transactions denominated in currencies other than the euro being

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

denominated in foreign currency.

All transactions in foreign currency are recorded at the time of their initial recognition by applying the spot exchange rate between the functional currency and the foreign currency.

At the end of each reporting period, the monetary items in foreign currency are translated into euros using the average exchange rate on the spot foreign exchange market corresponding to the end of each financial year. Non-monetary items valued at historical cost are translated into euros applying the exchange rate on acquisition date and non-monetary items valued at fair value are translated at the exchange rate on the date the fair value is determined.

The exchange rates applied in the translation of foreign currency balances to euros are those published by the European Central Bank (ECB) on 31 December of each financial year.

Any exchange differences produced when translating foreign currency balances to the Group's presentation currency are normally recorded in the profit and loss account. However, exchange variations arising from changes in the value of non-monetary items are recorded under the equity heading "Value adjustments - Financial assets available for sale" in the balance sheet, while the exchange variations produced in financial instruments classified at fair value through profit and loss are recorded in the profit and loss account, without differentiating these from the rest of the variations in their fair value.

Revenue and expenses in foreign currency are translated at the exchange rate at the end of each month.

2.11. Recognising revenue and expenses

Revenue and expenses are generally recognised on an accrual basis, meaning when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. These revenues are measured at the fair value of the consideration received, net of discounts and taxes. In this regard, given that premiums and fees are credited and charged, respectively, in the profit and loss account at the time the corresponding receipt is issued and claims are charged to that account at the time of their payment, at year end it has been necessary to make the required accounting corrections to adapt revenue and expenses to that principle (Note 2.15).

The criteria followed by the Group for the reclassification by purpose, within each activity, of expenses by nature are indicated below:

- The Group has reclassified expenses by nature into expenses by purpose, identifying the activities and tasks performed in each business process and allocating the resources consumed by each of these activities to them. The expenses attributable to benefits basically include the expenses of the staff working in claims management, the amortisation/depreciation of the fixed assets assigned to this activity, as well as the expenses incurred in processing the claims.
- Acquisition expenses basically include fees, staff involved in the production and the amortisation/depreciation of fixed assets related to this activity, study expenses, processing of applications and formalisation of policies, as well as advertising, PR and the sales organisation directly linked to the purchase of insurance contracts.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

- Administrative expenses basically include expenses for services due to contentious matters related to premiums, expenses for portfolio management and premium collection, processing refunds, reinsurance ceded and accepted, including, in particular, the expenses of the staff involved in these functions and the amortisation/depreciation of fixed assets associated with it.
- Expenses attributable to investments basically include both internal and external investment management expenses, including in the latter case the fees, commissions and brokerage costs accruing, the expenses of the staff involved in those functions and the amortisation/depreciation charges.
- The other technical expenses are those that, forming part of the technical account, cannot be attributed to one of the aforementioned purposes by applying the criteria established, fundamentally general management expenses and external services.
- Other non-technical expenses basically include expenses for external services, taxes, staff costs and amortisation/depreciation charges for activities not directly related to the performance of insurance operations

Advance fees and acquisition costs of life insurance activities are capitalised under “Other assets” on the balance sheet for the amount of the fee and acquisition costs technically pending amortisation, provided that they have a future economic forecast and directly allow the future generation of turnover. Recurring expenses that occur in the Group normally in all financial years, or those that are not related to the generation of turnover, are charged to the profit and loss account in the year in which they are incurred.

In general, fees and other capitalised acquisition expenses are amortised over the premium payment period, using a financial-actuarial criterion for the fees. If the contract is cancelled or is totally or partially released from the payment of premiums before the fee and costs are fully amortised, they are amortised in advance in the financial year of its cancellation or release. When this is partial, this circumstance is taken into account.

The Parent Company capitalises the acquisition costs associated with certain new types of pension plans and insurance products. The Parent Company capitalises the amount of these costs and amortises them based on their ability to generate revenue during them, in accordance with the provisions of the recognition and measurement standards (generally over a period of 5 years), taking into account mobilisations and portfolio falls.

Revenue and expenses are presented in profit and loss based on the branches of activity of the insurance operations from which they derive. As a result, the revenue and expenses of the life branch are recorded in the technical life insurance account, including supplementary disability insurance, and the revenue and expenses derived from the rest of the branches are recorded in the technical non-life insurance account.

2.12. Employee benefits

This includes all forms of consideration granted in exchange for the services provided by the Group’s employees or for severance pay. They can be classified into the following categories:

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

Short-term employee benefits

Corresponds to employee benefits, other than severance payments, which are expected to be fully settled within the twelve months following the end of the annual reporting period arising from the services provided by the employees in that period. It includes salaries, wages and contributions to social security; paid annual leave and sick leave; profit sharing and incentives and non-monetary benefits for employees, such as medical care, housing, cars and the gifting of free or partially subsidised goods and services.

The cost of the services provided is recorded in the profit and loss account.

Defined contribution plans

Post-employment commitments maintained with employees are considered defined contribution commitments when contributions of a predetermined nature are made to a separate entity or Pension Fund, without having a legal or effective obligation to make additional contributions if the separate entity or Fund cannot meet the employee compensation related to the services rendered in the current financial year and in previous ones. The contributions made for this item each year are considered staff costs and recorded in the profit and loss account. Post-employment commitments that do not meet the above conditions are considered defined benefit commitments.

Severance payments

The event that gives rise to this obligation is the termination of the employment relationship between the Group and the employee as a result of the Group's decision, the creation of valid expectations for the employee or the decision of an employee to accept benefits through an irrevocable offer from the Group in exchange for terminating the employment contract.

A liability and an expense are recognised from the moment in which the entity can no longer withdraw the offer of these benefits for the employees or from the moment in which it recognises the costs of a restructuring that involves the making of severance payments. These amounts are recorded as a provision under the "Non-technical provisions – Provision for pensions and similar obligations" heading on the balance sheet, until they are settled.

2.13. Leases

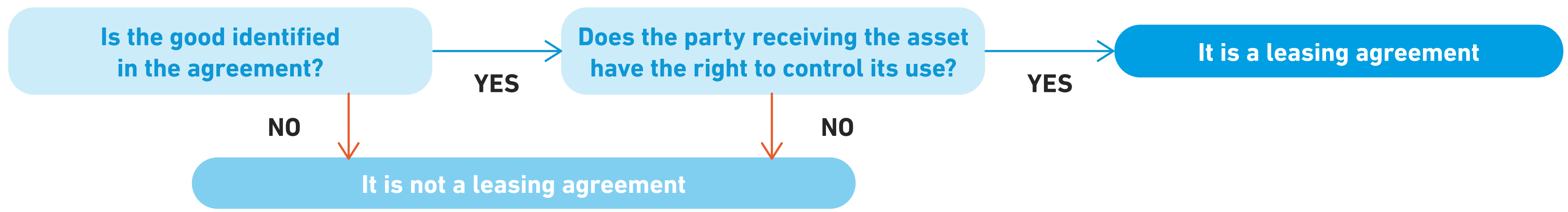
All existing leases are operating leases. These are operations in which, substantially, all the risks and advantages that fall on the asset subject to the lease, and also its ownership, remain with the lessor.

The way to identify and account for the lease operations in which the Group acts as lessee is set out below:

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

Determination of whether the agreement constitutes or contains leasing (*)

At the start or when the conditions of the agreement are modified



(*) The Group accounts for each component of the agreement that constitutes a lease independently from the rest of the components of the agreement that are not leasing. In the event of agreements that have a lease component and one or more additional lease components or other non-lease components, the consideration under the agreement is allocated to each component of the lease on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Accounting as lessor	**Financial leases**	**Operating leases**
	• These are operations in which all the risks and advantages that fall on the asset subject to the lease are substantially **transfered to the lessee.**	• Operations in which, substantially, all the risks and advantages that fall on the asset subject to the lease, and also its ownership, **remain with the lessor.**
	• They are recorded as **financing provided** in the "Financial assets at amortised cost" heading of the balance sheet at the sum of the present value of the payments to be received from the lessee during the term of the lease and any non-guaranteed residual value that corresponds to the lessor. • They include both fixed amounts (minus any payments made to the lessee) and variable amounts determined with reference to an index or rate, as well as the exercise price of the purchase option, if there is reasonable certainty that it will be exercised by the lessee, and the penalties for termination by the lessee, if the term of the lease reflects the exercising of the option to terminate.	• The acquisition cost of the leased assets is recorded under the **"Tangible assets" heading in the balance sheet.**
According to the financial basis of the transaction, regardless of its legal form	• The financial income obtained as lessor is recorded in the profit and loss account under the **"Revenue from interest"** heading.	• They **are depreciated** using the same criteria applied to the other tangible assets for own use. • Revenue is recorded in the **"Other operating revenue"** heading of the profit and loss account.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

<table>
<tr><td rowspan="5">Accounting as lessee</td><td>Agreement term</td><td colspan="4">• Fixed-term agreements with or without the option of early termination for the Company without the permission of the other party (with only insignificant compensation): in general, the lease term coincides with the initial established duration.
• Fixed-term agreements with a renewal option for the Company, without the permission of the other party: the judgment is that this option will be exercised, understanding that there are financial incentives and also considering the past practice of the Company.
• The term of certain lease agreements may be affected as a result of possible restructuring plans undertaken by the Company.</td></tr>
<tr><td rowspan="4">Accounting recording</td><td></td><td></td><td>On the start date of the agreement</td><td>Subsequently</td></tr>
<tr><td rowspan="2">Agreements with a term longer than 12 months or in which the underlying asset is not of low value (set at €6,000)</td><td>Leasing liability (“Other financial liabilities”)</td><td>Valued at the present value of the lease payments that remain to be paid as of that date, using as the discount rate the interest rate that the lessee would have to pay to borrow, with a similar term and guarantee, the funds necessary to obtain an asset of a value similar to the right-of-use asset in an equivalent economic environment, called the “additional financing rate”*.</td><td>Valued at amortised cost using the effective interest rate method and reassessed (with the corresponding adjustment in the related right-of-use asset) when there is a change in future lease payments in the event of renegotiation, changes in an index or rate or in the event of a new assessment of the options in the agreement.</td></tr>
<tr><td>Right-of-use asset (“Tangible assets - land and buildings”)</td><td>Valued at cost and includes the amount of the initial valuation of the lease liability, the payments made on or before the start date, the initial direct costs and those for dismantling or reuse when there is an obligation to pay them.</td><td>Depreciated on a straight-line basis and subject to impairment loss, if any, in accordance with the treatment established for other tangible and intangible assets. In particular, right-of-use assets are included in the bank CGU impairment test together with the corresponding lease liabilities.</td></tr>
<tr><td colspan="2">Other agreements</td><td colspan="2">They are accounted for as operating leases</td></tr>
</table>

(*) The Group has calculated this type of additional financing taking as a reference the debt instruments issued –mortgage bonds and senior debt– weighted according to the issuing capacity of each. A specific rate is used depending on the term of the operation and the business (Spain or Portugal) where the agreements are based.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

2.14. Corporation tax

The corporation tax expense is considered an expense for the financial year and is recognised in the profit and loss account, except when it is the result of a transaction whose results are recorded directly in equity, in which case its corresponding tax effect is also recognised in equity.

The corporation tax expense is calculated as the sum of the current tax for the financial year, which results from applying the tax rate to the taxable base for the financial year, and the change in deferred tax assets and liabilities recognised during the financial year in the profit and loss account. The resulting amount is reduced by the sum of the allowable tax deductions.

Temporary differences, tax losses that can be used to offset future taxes and credits for tax deductions not applied are recorded as deferred tax assets and/or liabilities. These amounts are recorded by applying to them the tax rate at which they are expected to be recovered or settled.

All tax assets are recorded under the “Tax assets” heading on the balance sheet and are shown divided into current, for amounts to be recovered in the next twelve months, and deferred, for amounts to be recovered in subsequent financial years.

Similarly, tax liabilities are recorded under the “Tax liabilities” heading on the balance sheet and are also shown divided between current and deferred. Current consists of the amounts to be paid for taxes in the next twelve months and deferred consists of those expected to be settled in future financial years.

It should be noted that deferred tax liabilities arising from temporary differences associated with investments in subsidiaries, holdings in joint ventures or associates are not recognised when the Group controls the timing of the reversal of the temporary difference and, furthermore, it is probable that it will not reverse it.

Deferred tax assets are only recognised when it is estimated that they are likely to reverse in the foreseeable future and sufficient taxable profits will be available to recover them.

2.15. Technical provisions

The Group applies the requirements established in IFRS 4 - Insurance Contracts to all assets and liabilities in its consolidated financial statements that derive from insurance contracts, in accordance with the definition set forth in the standard itself.

Classification of the contract portfolio

The Group assesses and classifies its portfolio of life and non-life contracts from the direct business (including accepted reinsurance) and the ceded business, taking into consideration the Implementation Guides that accompany IFRS 4 and the non-binding guidelines that were published by the DGSFP on 22 December 2004, through the Framework Document on the Accounting Procedure for Insurance Companies relating to IFRS 4. All contracts are classified as “insurance contracts”.

The Group does not separate any deposit component associated with insurance contracts, with such dissociation being voluntary for it. In turn, it is estimated that the redemption options issued in favour of the insurance contract policyholders have a null fair value or, otherwise, their valuation forms part of the value of the insurance liability.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

Valuation of the assets and liabilities derived from insurance and reinsurance contracts

In accordance with the criteria outlined in the IFRS, insurance companies must carry out an adequacy test, in relation to the contractual commitments assumed, on the insurance contract liabilities recorded in their balance sheet.

Specifically, in accordance with IFRS 4 - Insurance Contracts, the Group carries out the liability adequacy test in order to guarantee the adequacy of the contractual liabilities. With this objective, the Group compares the difference between the book value of the technical provisions, net of any deferred acquisition expense or any intangible asset related to the insurance contracts being assessed, with the amount resulting from considering the estimated present values, applying market interest rates, of all cash flows derived from the insurance contracts with the difference between the market value of the financial instruments related to the previous contracts and their acquisition cost. For the purposes of determining the market value of these liabilities, the interest rate used is the same as that for financial instruments. The valuations of insurance contracts also include the related cash flows, such as those from the implicit options and guarantees.

As of 31 December 2021, the aforementioned liability adequacy test has been carried out, and the adequacy of the established provisions has been demonstrated.

To avoid some of the asymmetries that occur due to the use of different accounting valuation criteria for financial investments, classified mainly in the "Financial assets available for sale" heading, and the liabilities derived from insurance contracts, the Group records, as a larger amount in the "Technical provisions" heading, that part of the unrealised net capital gains or losses, derived from previous investments, expected to be allocated to the insured parties in the future as they materialise, by applying a technical interest rate that is higher than the market interest rate in a manner analogous to the so-called matching adjustment, which the Parent Company generally applies to its regulatory capital statements. This practice is known as "shadow accounting".

Summarised below are the main accounting policies applied by the Group in relation to the technical provisions:

For unearned premiums and ongoing risks

The provision for unearned premiums constitutes the fraction of premiums accrued in the financial year that must be allocated to the period between the closing of each financial year and the end of the policy's coverage period. The Group's insurance companies have calculated this provision for each mode or branch through the "policy by policy" method, using the rate premiums as the basis for the calculation and deducting, where appropriate, the security surcharge; that is, without deducting fees and other acquisition expenses.

The fees and other acquisition expenses corresponding to the premiums issued are recognised as an expense with the same criterion used to recognised as income the premiums corresponding to valid insurance contracts and the part of fees and other acquisition expenses corresponding to the unearned coverage period of the valid insurance contracts, which is recorded under the "Other assets-Accruals/deferrals" heading of the balance sheet.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

The ongoing risks provision aims to complement the unearned premiums provision insofar as its amount is not enough to reflect the valuation of all the risks and expenses to be covered, which correspond to the coverage period not elapsed at the end of the financial year. Where applicable, this provision is allocated in accordance with the calculation established by the Regulations, considering the technical earnings by year of occurrence together with those of the closing year itself and the previous year or those of the previous three years, according to the branch or commercial product in question. It has not been necessary to allocate any amount for this concept during this financial year.

Provision for life insurance:

This provision is mainly made up of the mathematical provisions of the insurance contracts, as well as the unearned premiums of the insurance contracts with a coverage period equal to or less than one year. The mathematical provisions represent the excess of the actuarial present value of the future obligations of the Companies over that of the premiums that the policyholder must pay and they are calculated for each policy using an individual capitalisation system, taking as a basis the inventory premium accrued during the financial year in accordance with the updated Technical Notes of each branch.

In relation to the interest rate, the Parent Company manages assets and liabilities in such a way that flows are immunised and their proper matching is verified in terms of duration and cash flows. This is performed in a way analogous to the matching adjustment for the regulatory capital statements.

In this way, the Parent Company calculates the life insurance provisions, in general, applying the interest rate for the premium, verifying its adequacy through asset-liability procedures, also considering the impacts of shadow accounting on the life insurance provision.

With regard to the biometric assumptions, the Parent Company uses leading biometric tables to calculate the life insurance provision consistent with the pricing of the products. Similarly, the adequacy of the tables used is tested by looking at the real behaviour of the insured group based on the Partial Internal Longevity and Mortality Model according to the established methodology duly approved by the General Directorate of Insurance and Pension Funds.

Based on that set out in the previous paragraphs, the Parent Company holds an overall provision for the adaptation to the mortality and survival tables under the Partial Internal Longevity and Mortality Model in its latest calibration, VCMF19_1oS, as a leading table that includes the entire estimated technical surcharge to a VaR confidence level of 75%.

The Company determines as the provision for mortality tables the difference between the value of the Technical Provisions calculated with the biometric tables used to calculate the premium and the value of the Technical Provisions calculated by applying the VCMF19C_1oS tables, all this under conditions of the original technical interest rate used to calculate the premium, having fully adapted to the requirements of the Resolution of 17 December 2020 regarding the mortality and survival tables to be used.

The Parent Company has maintained the system for calculating life insurance contracts entered into before 1 January 2016. It had been calculating these

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

under the provisions of sections 1.a).2 and 1.b).2 of article 33 of ROSSP (Spanish Regulation on the Ordination and Supervision of Private Insurance).

The Parent Company has not availed itself of the option of the fifth additional provision of ROSSEAR (Regulations for the Ordination, Supervision and Solvency of Insurance and Reinsurance Companies) to adapt to the time structure of risk-free interest rates, but may subsequently avail itself of this within a maximum period of ten years from 31 December 2015.

Those relating to life insurance where the investment risk is assumed by the policyholder

For presentation purposes, the technical provisions corresponding to those insurance policies where the policyholder assumes the risk of the investment are included under the "Technical provisions - life insurance" heading of liabilities. The corresponding technical provisions are determined based on the indexes or assets set as a reference to determine the financial value of the policyholder's rights.

Those relating to benefits

This includes the total amount of obligations pending derived from the claims that occurred prior to the closing date of the financial year. The Group calculates this provision as the difference between the total estimated or true cost of claims that have occurred and are pending declaration, settlement or payment and the total amounts already paid as a result of these claims.

Claims pending settlement or payment

This includes the total amount of obligations pending derived from the claims that occurred prior to the closing date of the financial year. The Group calculates this provision as the difference between the estimated or true total cost of claims pending settlement or payment and the total amounts already paid as a result of these claims. This provision is calculated individually for claims pending settlement or payment and includes both the external and internal costs to manage and process the records, regardless of their origin, produced and to be produced, until the claim is fully settled and paid.

Claims pending declaration

The Group's insurance companies that operate in Spain are authorised by the DGSyFP to use global statistical methods to calculate the provision for claims pending declaration in the different branches in which it operates. Since then, this provision has been calculated according to the generally accepted statistical methods from different groups of methods, and the highest of the results obtained is established as the provision amount.

For the different branches, the provision has been calculated according to the best estimate provided by the internal actuarial calculations based on generally accepted deterministic techniques. Detailed below are the methodology and main assumptions used to calculate these provisions as of 31 December 2021:

- Statistical methods used: Chain Ladder and Cape Cod approved by the General Directorate of Insurance and Pension Funds.
- In order to determine the confidence level established, no effect due to inflation or financial discounting over time has been considered. Peak claims, defined as those whose estimated cost exceeds a certain amount depending on the branch, may be excluded from the application of these methods if they are considered outliers.
- The payments calculated have been considered net of recoveries.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

The Group verifies the goodness of fit of the calculations made on an annual basis by comparing them with experience. Each claim is also subject to an individual valuation, independently to the use of the statistical methods.

For the purposes of the tax deductibility of the provision for benefits calculated using statistical methods, calculations have been made to consider the minimum amount of the provision, in accordance with the requirements established by Additional Provision Three of Royal Decree 239-2007, of 16 February, amending the ROSSP. The differences between the endowments made and those considered as tax deductible expenses in the financial year have been treated as temporary differences.

Internal expenses for the settlement of claims

The provision for benefits includes an estimate for internal expenses to manage and process files in order to cover the internal expenses of the Parent Company necessary for the total completion of the claims that must be included in the provision for benefits of both direct insurance and accepted reinsurance.

Provisions for profit sharing and rebates

This provision includes the amount of profit accrued in favour of insured parties or beneficiaries not yet allocated on the closing date. It does not include the effect of allocating part of the unrealised capital gains from the investments portfolio in favour of policyholders, which is included in the "Technical provisions" sub-heading.

Recovery of claims

Credits for claims recoveries are generally only accounted for when their realisation is sufficiently guaranteed.

The amount of estimated recoveries net of the reinsurance share is recorded in the "Loans and receivables - Other credits" heading on the consolidated balance sheet.

Reinsurance

The reinsurance contracts entered into by the Group's insurance companies with other insurance companies aim to pass on part of the insurance risk to the reinsurance companies with which they have entered into the contract.

2.16. Non-technical provisions and contingencies

Provisions cover current obligations at the date of formulation of the annual accounts arising as a result of past events that may give rise to damage to its assets where their occurrence is considered likely; they are specific with respect to their nature but indeterminate with respect to their amount and/or maturity.

The annual accounts contain all the significant provisions where it is considered more likely than not that the obligation will have to be settled. The provisions are recorded on the liabilities side of the balance sheet based on the covered obligations.

The provisions, which are quantified taking into consideration the best information available on the consequences of the event from which they arise and are re-estimated at each year end, are used to meet the specific obligations for which they were originally recognised. They are reversed, totally or partially, when these obligations cease to exist or decrease.

The policy regarding tax contingencies is to provision the inspection decisions of the Tax Inspection Authorities in relation to the main taxes applicable to it, whether or not they have been appealed, plus the corresponding default

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

interest. As for legal proceedings in progress, provision is made for those whose probability of loss is estimated to exceed 50%.

When there is a present obligation but it is not probable that there will be an outflow of resources, it is recorded under contingent liabilities. Contingent liabilities may evolve in a different way to that initially expected, so they are subject to continuous review to determine whether the need for a resource outflow has become probable. If it is confirmed that the outflow of resources is more likely than not to occur, the corresponding provision is recognised in the balance sheet.

Provisions are recorded in the “Non-technical provisions” heading on the liabilities side of the balance sheet based on the covered obligations.

2.17. Managed capital

Managed pension funds are not recorded on the Group’s balance sheet because their assets are owned by third parties. The fees accruing in the financial year for this activity are recorded in the “Other income – Income from pension fund management” heading of the non-technical profit and loss account. The fees corresponding to this activity are recorded in the “Other expenses – Expenses from pension fund management” heading of the non-technical profit and loss account.

2.18. Statement of changes in equity. Part A) Statement of recognised revenue and expenses

This statement contains the revenue and expenses recognised as a result of the Group’s activity during the financial year, distinguishing between those recorded as earnings in the profit and loss account and the other revenue and expenses recognised directly in equity.

2.19. Statement of changes in equity. Part B) Total statement of changes in equity

This statement contains all the changes in the Group’s equity, including those originating from changes in the accounting criteria and error corrections. The statement presents a reconciliation of the book value at the beginning and at the end of the financial year for all the items that make up equity, grouping the movements according to their nature:

- Adjustments for changes in accounting criteria and error corrections: includes changes in equity that arise as a result of the retrospective re-expression of the balances in the financial statements, distinguishing between those that originate from changes in accounting criteria and those that correspond to error corrections.
- Total recognised revenue and expenses: includes, in an aggregate form, the total of the entries recorded in the statement of changes in equity, part A) Recognised Revenue and Expenses, indicated above.
- Other changes in equity: includes the rest of the entries recorded in equity, such as capital increases or reductions, distribution of earnings, operations with own capital instruments, payments with own capital instruments, transfers between equity items and any other increase or decrease in equity.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

2.20. Cash flow statement

The concepts used in the presentation of the cash flow statement are as follows:

- Cash flows: inputs and outputs of money in cash and its equivalents; in other words, short-term investments with high liquidity and low risk of changes in their value.
- Operating activities: the indirect method is used for the presentation of cash flows from operating activities, which reflects the flow from the typical activities of insurance companies, as well as other activities that cannot be classified as investment or financing.
- Investment activities: the acquisition, transfer or disposal through other means of long-term assets and other investments not included in cash and its equivalents.
- Financing activities: activities that cause changes to the composition of equity and liabilities that do not form part of the operating activities, such as financial liabilities.

3. RISK MANAGEMENT

3.1. Environment and risk factors

From the perspective of the VidaCaixa Group, for the 2021 financial year, the following factors can be highlighted as having had a significant impact on risk management, both due to their occurrence in the year and their long-term implications:

• **Macroeconomic environment**

- Global economy

After the historic recession seen in 2020 (3.1% reduction in global GDP), as a result of Covid-19 and the enormous restrictions on activity imposed to contain it, the world economy posted a strong recovery in 2021, with growth at around 6%. The rapid and robust economic policies that began in 2020 and continued throughout 2021, together with the gradual withdrawal of many of the restrictions, supported the recovery in the year.

All in all, the recovery has varied significantly from country to country. Strictly speaking this is nothing new, since while it was a global shock, it was also felt to different local degrees in the early stages of the pandemic in 2020 and in subsequent waves, depending on the sectors playing the greatest role in the economy, the strictness of the lockdown policies and, finally, the scale of the economic stimulus adopted. If we can talk about a global shock with a local impact, we are seeing a similar pattern with the recovery. The key factors that have defined 2021 have been the degree to which the population is vaccinated, the fiscal and monetary capacity to continue supporting the economy, the different variants, which have spread in very different vaccination conditions, and the disruption of global supply chains. On the one hand we have China, which did not shrink in the annual calculation for 2020 (+2.3%) and is expected to grow by around 8% in 2021, and the US, which had already returned to pre-pandemic GDP levels by 2Q21 (–3.4% in 2020 and a forecast 5.4% in 2021); and on the other we have the eurozone which will not reach these pre-Covid-19 levels until mid-2022 (–6.5% in 2020 and around 5% in 2021).

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

Looking ahead to the coming quarters, the global economic recovery will continue, although at a slower pace. Likewise, there are non-negligible risks of a greater weakening in the growth rate. Specifically, at the global level, we can highlight the impact of new variants and the global supply chain disruptions, which in turn are further fuelling inflation concerns in many countries (such as the US). This has intensified pressure on the Fed to raise interest rates and it is expected to impose up to three hikes in 2022. At a more regional level, the crisis engulfing the Chinese property company Evergrande is worrying. Although the risk of international financial contagion is limited, the main risk comes from contagion in the domestic property sector, which would negatively affect the Asian giant's growth rate.

In short, the forecasts for the 2022 financial year will reflect the increased volatility in the financial markets resulting from the higher geopolitical risk, the evolution of inflation and the actions of the Central Banks.

- Eurozone

In the eurozone, after a notable recovery in activity in the second and third quarters of 2021, the latest indicators show a weaker performance in the fourth quarter. Specifically, activity has been negatively affected by the shortage of supplies, which is having a substantial impact on countries such as Germany, given its high exposure to the industrial sector (especially the automotive industry which is highly integrated into global value chains). Similarly, the increase in Covid-19 cases in central and northern European countries has also led to new restrictions on mobility, with clear effects on the economy. Even so, it is estimated that the GDP of the eurozone will have grown by around 5% in 2021. For 2022, annual growth will fall back to around 4.0% with clear differences between countries: from higher rates to lower ones in Italy and France; and from lower rates to higher ones in Germany and Spain. The main countries in the eurozone will recover the levels of GDP lost around mid-2022, except Spain.

- Spain and Portugal

In 2021, the Spanish economy recorded strong recovery in activity and, above all, in employment, which returned to pre-pandemic levels. However, the evolution over the year was characterised by ups and downs. After a slow start to the year due to the effects of the third wave of the pandemic and the poor weather, activity resumed its path of recovery in the second quarter, thanks to the widespread rollout of vaccinations and the consequent containment of infections and hospital pressure. This, in turn, allowed for a recovery in tourism and household spending, especially in activities that require more social interaction and that were more affected by the previous restrictive measures, such as restaurants, leisure and tourism. These are of great importance to our economy.

In the final part of the year, activity continued with its expansionary trend, albeit at a more moderate pace, in a context of a sharp rise in inflation caused by higher energy prices and difficulties in some supplies due to bottlenecks in the chains supply. In 2021 as a whole, the estimate is for an increase in GDP of 4.8%, meaning that at the end of the year it is expected to still be 4.6% below pre-crisis levels (4Q 2019).

In 2022, the economic recovery is expected to be consolidated and GDP growth will accelerate to 5.5%, meaning that GDP will reach the pre-crisis 4Q 2019 level in the final quarter of 2022. The pandemic may still generate

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

new waves, but its impact on the health system is expected to be limited thanks to progress with vaccines and it will not be necessary to re-introduce severe lockdown measures. Growth in 2022 will be based mainly on three factors: the recovery of the tourism sector, the impact of European funds and pent-up demand. Even so, 2022 will not be without its uncertainty. First, the energy crisis being experienced in Europe has led to sharp increases in energy prices that reduce the purchasing power of households and put pressure on business margins. The impact of this crisis, while acute, should be temporary and its effects should moderate once the winter is over. Second, disruptions in the global supply chains will continue to hamper the capacity for recovery in the industrial sector, especially during the first half of 2022. All in all, the energy crisis and logistics problems are expected to end up having a relatively contained impact compared to the scale of the growth drivers. While it cannot be ruled out that new waves or variants of the virus will emerge, it is thought that the impact on the economy will be increasingly limited, thanks to the effectiveness of the vaccines in preventing the most serious cases of the disease. As a result, the expectation is that it will not be necessary to re-implement activity restriction measures.

In 2021, the Portuguese economy registered a sharp recovery, although performance was uneven throughout the year. After a weak start to the year marked by a new wave of the pandemic, from March which saw the gradual withdrawal of the measures restricting activity and mobility, after which the economy showed clear dynamism, with quarter-on-quarter GDP growth of 4.5% in Q2 and 2.9% in Q3. This recovery was underpinned by the success of the vaccination plan which saw nearly 88% of the population fully vaccinated. This put Portugal at the top of the global vaccination ranking, which contributed to a good performance by tourism in the summer months. In the final quarter of the year, the pace of GDP growth is expected to have slowed down reflecting, on the one hand, the return of activity to a period of greater normality, but, on the other, some uncertainty factors, such as the increase in Covid-19 infections, the early elections scheduled for the end of January 2022, bottlenecks in production chains and rising energy prices. In 2021 as a whole, an increase in GDP of 4.3% is estimated, cutting its distance from the level seen in 2019 to 2.9%.

For 2022, taking into account the implementation of possible restrictions to control the pandemic, which could be more pronounced in the early months of the year, GDP growth of 4.9% is expected. The recovery of tourism, the receipt of European funds and accumulated savings will be the engines of growth in 2022 and will be stronger than the factors that could hinder growth (energy crisis and bottlenecks). However, the scenario is still subject to some uncertainty that could be unfavourable if the negative factors persist for longer than expected, or favourable if they dissipate more quickly.

- **Regulatory environment**

The regulatory system on which VidaCaixa Group's business model is based is fundamental to its development, in relation to both management and methodological processes. As a result, regulatory analysis represents an important point on the Parent Company's agenda.

Among the proposals for legislative and regulatory changes, as well as new legislation and regulations approved in 2021, we can highlight:

- Covid-19 crisis:

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

Measures and publications that impact on the exposures benefiting from support measures to deal with the Covid-19 pandemic and their classification, in particular:

· Spanish Royal Decree-Law (RDL) 5/2021 of 12 March, on extraordinary measures to support business solvency in response to the Covid-19 pandemic, as well as the Spanish Code of Good Practices for the renegotiation framework with customers with financing guaranteed by the Spanish Official Credit Institute (Instituto de Crédito Oficial, ICO), provided for in Spanish RDL 5/2021.

· Spanish Royal Decree-Law 27/2021, of 23 November, which extends certain economic measures to support the recovery.

· Resolution of 30 November 2021, of the Spanish Secretary of State for the Economy and Business Support, publishing the Agreement of the Council of Ministers of 30 November 2021, adapting the conditions and extending the application deadlines for the guarantees regulated by Spanish Royal Decree-Laws 8/2020, of 17 March, and 25/2020, of 3 July, and modifying the Code of Good Practices for the renegotiation framework for customers with guaranteed financing provided for in Spanish Royal Decree-Law 5/2021, of 12 March.

· Recommendations of the DGSyFP and EIOPA regarding capital management and distribution of dividends in view of the impact of Covid-19 on the economy.

- Sustainable finance and environmental, social and governance (ESG) factors:

· Legislative and regulatory proposals under discussion: i) the proposed Regulation on a European sustainable bond standard; ii) the proposed Corporate Sustainability Reporting Directive (CSRD).

· Legislative and regulatory texts finalised and published and in the implementation phase: i) the Delegated Acts amending MiFID II, IDD (Insurance Distribution Directive), AIFMD (Alternative Investment Managers Directive), UCITS (Undertakings for the Collective Investment in Transferable Securities) and Solvency II for the integration of sustainability factors, risks and preferences; ii) the Delegated Act on the Climate Taxonomy (activities contributing to climate change mitigation and adaptation goals); iii) the Delegated Act on Art. 8 of the Taxonomy Regulation on the degree of alignment of the activities of companies required to disclose under the NFRD with the Climate Taxonomy.

· Legislative and regulatory texts that entered into force/application: the Sustainable Finance Disclosure Regulation (SFDR), despite the lack of level two developments.

· Other important texts and milestones: i) the European Climate Law, which makes legally binding the European Union's commitment to achieve climate neutrality by 2050 and the goal of reducing net greenhouse gas emissions by 55% by 2030 compared to 1990 levels; ii) establishment of a global and a European standard setter for non-financial information; iii) Spanish Law 7/2021, of 20 May, on climate change and energy transition;

- Prudential and solvency regulation:

· Legislative proposal amending the Solvency II Directive (Directive 2009/138/EC), communication on the revision of the Solvency II Directive and legislative proposal for a new Directive on restructuring and resolution in the insurance sector.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

· Approval of International Financial Reporting Standard 17 on Insurance Contracts (IFRS 17).

· Circular 1/2021, of 17 June, of the Spanish General Directorate of Insurance and Pension Funds, regarding quantitative and qualitative aspects necessary to guarantee the adequacy of the biometric assumptions used in the calculation of premium rates, technical accounting provisions and technical solvency provisions; and modification of Circular 1/2018, of 17 April, which implements the report models, the action guidelines and the frequency of the scope of the special review report of the report on the financial position and solvency, individual and of groups, and the party responsible for its preparation.

· EIOPA methodological principles for designing stress test exercises.

· Implementing Regulation 2021/178 of the European Commission, of 8 February 2021, laying down technical information for the calculation of technical provisions and basic own funds for reporting with reference dates from 31 December 2020 until 30 March 2021 in accordance with Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance.

- Insurance business

· Spanish Royal Decree 287/2021, of 20 April, on training and statistical-accounting reporting of insurance or reinsurance distributors, and the Resolution of 3 June 2021, of the Spanish General Directorate of Insurance and Pension Funds, establishing the basic principles of training courses and programmes for insurance and reinsurance distributors, which complete the transposition of the Insurance Distribution Directive (IDD).

· Spanish Royal Decree 288/2021, of 20 April, which modifies Spanish Royal Decree 1060/2015, of 20 November, on the organisation, supervision and solvency of insurance and reinsurance entities; new wording is given to article 34 of the Spanish Regulations for the Organisation and Supervision of Private Insurance, approved by Spanish Royal Decree 2486/1998, of 20 November; and the Resolution of 2 June 2021, of the Spanish General Directorate of Insurance and Pension Funds, which declares the admissibility of biometric tables in the field of private insurance, provided for in the Spanish Resolution of 17 December 2020, relating to the mortality and survival tables to be used by insurance and reinsurance companies, and approving the technical guide regarding supervision criteria in relation to biometric tables, and on certain recommendations to promote the preparation of sector-based biometric statistics.

- Pensions business

· Commission Delegated Regulation (EU) 2021/473 of 18 December 2020 supplementing Regulation (EU) 2019/1238 of the European Parliament and of the Council with regard to regulatory technical standards specifying the requirements on information documents, on the costs and fees included in the cost cap and on risk-mitigation techniques for the pan-European Personal Pension Product.

· Preliminary draft of the Regulation Law for the promotion of employment pension plans, which modifies the consolidated text of the Law of Regulation of pension plans and funds, approved by Spanish Royal Legislative Decree 1/2002, of 29 November.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

- In the digital area:
  - Modification of the eIDAS Regulation (electronic identification and trust services), for the creation of the European digital identity that will incorporate attributes to identify oneself (including information from financial institutions), authenticate oneself in a secure manner and sign documents in an official manner.
- Markets and bank insurance:
  - Consultation for the EC Retail Investor Strategy with the aim of promoting the greater participation of retail investors in capital markets.
  - Publication of the proposal for the review of the Consumer Credit Directive and public consultation for the review of the Mortgage Credit Directive.
- Anti-money laundering and combating the financing of terrorism (AML/CFT):
  - Publication of a package of 4 legislative proposals: i) Regulation creating the new European AML/CFT Supervisory Authority (AMLA); ii) the AML/CFT Obligations Regulation; iii) the 6th AML/CFT Directive (amends the 5th repealing the 4th); and iv) the Fund Transfer Regulations.
  - Spanish RDL 7/2021 on the transposition of Directives, among which the 5th Money Laundering Directive was transposed with the aim of improving the transparency and availability of information on the beneficial owner.

• **Strategic events**

Strategic events are the most important events that could have a significant impact for the VidaCaixa Group in the medium-long term. It includes only those events that have not yet materialised and do not form part of the Catalogue but to which the Parent Company's strategy is exposed due to external causes, although the severity of the possible impact of those events may be mitigated with management. In the event of the materialisation of a strategic event, the impact could apply to one or more risks in the Catalogue at the same time.

The most important strategic events currently identified are listed with the aim of being able to anticipate and manage their effects:

- Shocks derived from the geopolitical and macroeconomic environment

  Pronounced and persistent deterioration in the macroeconomic outlook and an increase in risk aversion in the financial markets. It could be, for example, the result of: a prolongation of the pandemic, global geopolitical shocks, domestic political factors (such as regional tensions, populist governments or social protests) or the reappearance of tensions within the eurozone that increase the risk of fragmentation.

  Mitigating factors: VidaCaixa Group understands that these risks are sufficiently managed through the Parent Company's capital and liquidity levels, validated by compliance with the stress tests and disclosed in the annual own risk and solvency assessment process (ORSA).

- New competitors and application of new technologies

  An increase in competition from new entrants is expected, such as Insurtechs, Bigtechs and other players with disruptive proposals or technologies. This event could lead to the separation and elimination of intermediaries in part of the value chain, which could have an impact on margins and cross-selling, on competing with more agile, flexible entities that generally have low-cost proposals for the consumer. All this could be exacerbated if the regulatory requirements applicable to these new

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

competitors and services are not equivalent to those currently applied to insurance companies and pension fund managers.

Additionally, the race between competitors to develop and apply new technologies, such as Artificial Intelligence and Blockchain, could lead to a competitive disadvantage in certain circumstances where they are required should there be a lack of momentum or low adoption across the VidaCaixa Group.

Mitigating factors: the Parent Company considers new entrants to be a potential threat and, at the same time, an opportunity as a source of collaboration, learning and encouragement to meet the targets for the digitalisation and transformation of the business established in the Strategic Plan. This is the reason for the periodic monitoring of the performance of the leading new entrants and the BigTech developments in the industry.

- Cybercrime and data protection

Cybercrime involves continually changing criminal plans as they continue trying to profit through different types of attacks. This constant evolution of criminal targets and techniques leads to pressure on the Vidacaixa Group to constantly reassess its model for the prevention, management and response to cyber-attacks and fraud in order to be able to respond effectively to emerging risks.

The phishing campaigns imitating different companies and official bodies and the accelerated deployment of teleworking to maintain productivity during the pandemic have allowed cybercriminals to carry out different cybersecurity attacks on many organisations. In parallel, the regulators and supervisors in the financial and insurance sector have moved this topic up their agendas to make it more of a priority. Taking into account the existing cybersecurity threats and the recent attacks on other institutions, the presence of such events in the VidaCaixa Group's digital environment could have serious impacts of different kinds such as the mass corruption of data, the unavailability of critical services (eg ransomware) and the leaking of confidential information. There could also be impacts in terms of serious sanctions by the competent bodies and potential reputational damage for the Parent Company.

Mitigating factors: The VidaCaixa Group is also very aware of the importance and level of the threat that exists at this time, which is why it performs a constant review of the technological environment and applications in relation to information integrity and confidentiality, as well as the availability of systems and business continuity. Additionally, through the CaixaBank Group's corporate processes, security protocols and mechanisms are kept updated to adapt them to the threats that arise in the current context, continuously monitoring emerging risks.

- Evolution of the legal, regulatory and supervisory framework

The risk of increased pressure from the legal, regulatory or supervisory environment is one of the risks identified in the risk self-assessment exercise as potentially having a greater impact in the short-medium term. Specifically, there is a need to continue performing constant monitoring of new regulatory proposals and their implementation, given the greater activity of legislators and regulators in the financial sector.

Mitigating factors: the control and monitoring of regulations performed by the different areas of the Parent Company and its control over the effective implementation of regulations.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

- Pandemics and other extreme events

  We do not know the potential impact of extreme events, such as future pandemics or events of an environmental nature, on each of the risks in the Catalogue. This will depend on future events and developments that are uncertain and that would be met with actions to contain or handle the event and mitigate its impact on the economies of the affected countries.

  Mitigating factors: capacity to effectively implement management initiatives, to mitigate the effect on the risk profile of a deterioration in the economic environment and monitoring mechanisms to carry out constant monitoring of the actuarial risk, in the event of an extreme operational event, such as the specific case of Covid-19.

- Operational and technological integration of the Bankia business

  The VidaCaixa Group could have difficulties integrating Bankia's business from an operational perspective.

  Mitigating factors: successful track record of the Parent Company in previous mergers in which it has managed to produce the forecast savings and synergies. Additionally, the compatibility of the business models of the two institutions and a shared origin and corporate values, as well as solid financial strength in terms of solvency and asset quality, allow the risks of the merger to be faced by a comfortable margin.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

3.2. Risk governance, management and control

To provide a complete overview of risk management and control, the following core elements of the risk management framework are described below:

INTERNAL CONTROL FRAMEWORK cbased on the three levels of control model that provides a reasonable degree of certainty about the achievement of objectives.

Governance and Organisation

Implemented through internal policies, rules and procedures that ensure adequate supervision by the governing bodies and management committees, as well as the specialisation of the staff.

Risk culture

The risk culture is developed through training and communication, among other factors.

Strategic riskmanagement processes

Identification and assessment of risks: Risk Assessment

Half-yearly self-assessment of the risk profile. Its aim is to assess the inherent risk situation and its trend, its management and control and the result of its governance for each of the risks in the Catalogue. It includes a process for identifying strategic events that affect one or more risks which, due to their potential medium or long term impact, should be specifically monitored.

Taxonomy and definition of risks: Risk catalogue

List and description of the material risks identified through the risk assessment process and reviewed each year. It supports the monitoring and reporting, internal and external, of the risks.

Risk monitoring: Risk Appetite Framework (RAF

Comprehensive and forward-looking tool used by the Board of Directors to determine, for all the risks in the Catalogue, the type and thresholds it is willing to accept to achieve the strategic objectives.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

3.2.1. Internal control framework

The internal control framework is the set of strategies, policies, systems and procedures that exist in the Parent Company to ensure the prudent management of the business and an effective and efficient operation. It is carried out through:

- an appropriate identification, measurement and mitigation of the risks to which Parent Company is or may be exposed,
- the existence of complete, relevant, reliable and timely financial and non-financial information,
- the adoption of sound administrative and accounting procedures, and
- compliance with the regulations and supervisory requirements, Codes of Conduct and internal policies, processes and standards.

It is integrated into the internal governance system of the Parent Company, aligned with the business model and follows both the regulations applicable to insurance companies and pension fund managers and the Guidelines established at the corporate level by the CaixaBank Group.

The guidelines for the internal control framework are included in the Internal Control Policy and are organised into a model with three levels of control, in line with the guidelines of the regulators and the best practices of the sector based on the “three lines of defence model”.

First level of control

Formed by the business areas (along with the areas that provide them with support) which generate the Parent Company’s exposure to risks in the exercising of their activity. They are therefore responsible for developing and implementing control processes and mechanisms to ensure that the main risks arising from their activities are identified, managed, measured, controlled, mitigated and reported.

Second level of control

The functions integrated into the second level of control act independently from the business units and include:

- The establishment of risk management and control policies, in coordination with the first level of control, evaluating their subsequent compliance.
- The identification, measurement and monitoring of the risks (including emerging ones), contributing to the definition and implementation of risk indicators aligned with the RAF, as well as controls that allow compliance with external and internal regulations in the scope of risk management and control.
- Periodic monitoring of the effectiveness of the indicators and controls at the first level of control, as well as of the indicators and controls at the second level of control.
- Monitoring identified control weaknesses, as well as establishing and implementing action plans to remedy them.

The issuance of an opinion, through Risk Assessment, on the suitability of the risk control environment. The second level of control is split between the Risk Management Function, the Actuarial Function and the Regulatory Compliance Function, which carry out their activities in accordance with the provisions of the Solvency II regulations for the insurance business. Additionally, the Risk Management Function includes in its scope the activity of managing pension funds in accordance with IORP II.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

Third level of control

Formed by the Internal Audit Function, both in the insurance area and in the activity of managing pension funds, it acts as a third level of control, supervising the actions of the first and second levels.

To establish and preserve the independence of the function, the Internal Audit Department reports functionally to the Chair of the Board of Directors' Audit and Control Committee, notwithstanding that it must report to the Chairman of the Board of Directors for proper fulfilment of its functions.

Internal Audit has an Internal Audit Policy, approved by the Board of Directors, which establishes that it is an independent and objective function providing assurance and consultation designed to add value and improve activities. Its objective is to provide reasonable security to Senior Management and the Governing Bodies regarding:

- The effectiveness and efficiency of the internal control systems to mitigate the risks associated with VidaCaixa Group's activities.
- Compliance with the current legislation, with special attention to requests from the supervisory bodies and the proper application of the defined Global Risk Management and Appetite Frameworks.
- Compliance with the internal policies and regulations, and alignment with the best practices and good sectoral customs, for suitable internal governance.
- The reliability and integrity of the financial and operational information, including the effectiveness of the established control systems, including those referring to both financial and non-financial information.

In this sense, the main areas of supervision refer to:

- The suitability, effectiveness and implementation of policies, standards and procedures.
- The effectiveness of controls.
- The adequate measurement and monitoring of indicators at the first and second levels of control.
- The existence and correct implementation of action plans to remedy control weaknesses.
- The validation, monitoring and assessment of the control environment created by the second level of control.

Its functions also include:

i) The preparation of the Annual Audit Plan with a multi-year vision based on risk assessments, which includes the requirements of the regulators and those tasks or projects requested by Senior Management/Management Committee and the Audit and Control Committee.

ii)The periodic reporting of the conclusions of the work carried out and the weaknesses detected to the Governing Bodies, senior management, external auditors, supervisors and the rest of the corresponding control and management environments.

iii) The contribution of value through the formulation of recommendations to resolve the weaknesses detected in the reviews and the monitoring of their proper implementation by the responsible centres.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

3.2.2. Governance and Organisation

The organisational system for risk management governance in the Parent Company is shown below:

Directors

Board of Directors (BoD)

Highest decision making body. Establishes and monitors the business model and responsible for implementing a risk governance framework in line with the risk appetite. Includes the dissemination of the strong and diligent risk culture, the setting of the risk appetite laid down in the Risk Appetite Framework and the Risk Catalogue. Monitors the results of the risk assessment process, establishes and is responsible for the internal governance polities, the management and control of risks, overseeing the organisation to ensure these are implemented and monitored.

Risk Committee

Advises the BoD about the global risk strategy and appetite, reports on the RAF and proposes risk policies to the Board.

Audit and Control Committee (ACC)

Supervises internal control, internal audit and the risk management systems. Supervises the process for drawing up and presenting the financial information.

Appointments, Remuneration and Sustainability Committee

Advises the BoD on the selection, assessment of skills, knowledge and experience of the members of the BoD and key personnel. Supervises sustainability actions.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

Senior Management

Management Committee (MC)

Chaired by the Managing Director of VidaCaixa who is a member of the Board of Directors and is also Director of Insurance at CaixaBank, taking part in different CaixaBank Group committees such as the Management Committee and the Global Risk Committee.
The Director of the Actuarial and Risk Function is a member of the Management Committee, with full access to the governing bodies.

Global Risk Committee (GRC)

Under the chairmanship of the Director of the Actuarial and Risk Function, the GRC globally manages, controls and monitors the risks included in the Risk Catalogue, as well as the implications for liquidity, solvency and capital consumption management.

Investment Committee

General management of investments and in charge of monitoring and controlling the evolution of the entity's investments and their associated risks.

Transformation and Service Committee

It ensures the control and correct provision of resources, controls quality levels and promotes efficiency in operations.

Production and Distribution Committee

New products, ensuring their proper marketing.

Efficiency committee

Control and monitoring of budget planning, promoting and monitoring efficiency improvements.

Talent Committee

Talent management and development to guarantee a meritocracy, transparency and diversity.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

3.2.3. Strategic risk management processes

As part of the internal control framework and in accordance with the provisions of the Global Risk Management Policy, the VidaCaixa Group has a risk management framework that allows it to make well-founded decisions on whether to accept risk.

This risk management framework allows the Parent Company to understand and communicate its risk profile, ensure that risks remain at acceptable levels, assess their probable evolution as a result of new activities or changes in the operating environment, and contribute to the rapid recovery after a risk event. All of this is necessarily based on a sound risk culture and governance structure which, together with the strategic risk processes, make up the pillars of the risk management framework.

In this way, the objective of the strategic risk management processes is the identification, measurement, monitoring, control and reporting of risks. To this end, the processes include three fundamental elements that are set out below: risk assessment (identification and evaluation), risk catalogue (taxonomy and definition) and risk appetite framework (monitoring).

The result of the strategic processes is reported, at least annually, to the Global Risk Committee first and to the Risk Committee second, to be finally approved by the Board of Directors.

Risk Assessment

The Parent Company carries out a risk self-assessment exercise on a half-yearly basis in order to:

- Identify and assess the inherent risks adopted given the environment and business model.
- Perform a self-assessment of the risk management, control and governance capabilities, as an explicit instrument that helps detect best practices and relative weaknesses in any of the risks.

Risk Assessment is one of the main ways we can identify:

- Emerging risks: risks whose materiality or importance is increasing in such a way that could result in them being explicitly included in the risk catalogue.
- Strategic events: the most relevant events that could have a significant impact in the medium-long term. It includes only those events that have not yet materialised and do not form part of the Catalogue but to which the company's strategy is exposed due to external causes, although the severity of the possible impact of those events may be mitigated with management.

Risk Catalogue

The Risk Catalogue is the list of material risks. It covers both the definition of the material risks to which the institution is exposed and the definition of emerging risks and strategic events. It facilitates internal and external monitoring and reporting and is subject to periodic review, at least annually. In this updating process, the materiality of the emerging risks previously identified in the Risk Assessment process is also evaluated.

All of the risks and their associated definitions are presented below:

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

RISKS		DESCRIPTION
Business model risks	Profitability of the business	Obtaining results below expectations or targets that ultimately prevent it from reaching a level of sustainable profitability higher than the cost of capital.
	Own resources/ solvency	Restriction of the ability to adapt its volume of own resources to regulatory requirements or a change in its risk profile.
	Liquidity	Insufficient liquid assets to meet the contractual maturities of its liabilities, any regulatory requirements or its investment needs.
Specific risks for the financial and insurance activity	Actuarial	Risk of loss or adverse change to the value of the commitments taken on by virtue of insurance or pension contracts with customers or employees as a result of a difference between the estimate for the actuarial variables used in pricing and reserves and their actual level.
	Credit	Losses of value of assets vis-à-vis a customer or counterparty, due to the impairment of the ability of that customer or counterparty to meet its commitments.
	Market	Loss of value, with an impact on earnings or solvency, of a portfolio (set of assets and liabilities) due to unfavourable movements in market prices or rates.
	Structural for rates	Negative effect on the financial value of balance sheet items or their financial margin due to changes in the time structure of interest rates and their impact on the assets, liabilities and off-balance sheet instruments.

RISKS		DESCRIPTION
Operational and reputational risks	Conduct and compliance	Application of performance criteria contrary to the interests of its customers or other stakeholders, or actions or omissions not in keeping with the legal and regulatory framework or the internal policies, standards or procedures or codes of conduct, ethical standards or best practices.
	Legal/ Regulatory	Potential losses or reduction in profitability as a result of changes to the current legislation, incorrect implementation of that legislation in the processes, improper interpretation of this in the different transactions, incorrect management of legal or administrative requests or any lawsuits or claims received.
	Technological	Losses due to the inadequacy or failure of the hardware or software used in the technological infrastructures, due to cyber attacks or other circumstances, which may compromise the availability, integrity, accessibility and security of the infrastructures and the data.
	Information reliability	Deficiencies in the accuracy, integrity and criteria for preparing the data and information necessary to assess the financial situation and assets, as well as the information made available to stakeholders and published to the market that offers a holistic view of its positioning in terms of sustainability with the environment and that is directly related to the environmental, social and governance aspects (ESG principles).
	Model	Possible adverse consequences that could originate from decisions based mainly on the results of the internal longevity and mortality model, due to errors in its construction, application or use.
	Other operational risks	Losses or damages caused by errors or failures in processes, due to external events or the accidental or malicious actions of unrelated third parties. It includes, among other factors, risks related to outsourcing, custody of securities or external fraud.
	Reputational	Weakening of the competitive position due to deterioration of trust among some of its stakeholders.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

The most important modifications from this year's review are:

- Integrating the risk of impairment of other assets as part of the credit risk.
- Regarding ESG (sustainability) risk: it remains a candidate to emerge in the Catalogue during the year 2022, given its growing importance. It is currently included in the Catalogue as a cross-cutting factor in several of its risks (credit and reputation, mainly).

Risk Appetite Framework

The Risk Appetite Framework (RAF) is a comprehensive and prospective tool with which the Board of Directors determines the risk type and thresholds (risk appetite) it is willing to accept to achieve VidaCaixa Group's strategic objectives. These objectives are formalised through the qualitative statements relating to the risk appetite, expressed by the Board of Directors, and the metrics and thresholds that allow the monitoring of the development of the activity for the different risks.

3.2.4. Risk culture

The risk culture in the Vidacaixa Group is made up of employee behaviour and attitudes towards risk and its management, which reflect the values, objectives and practices shared by the Company and is integrated into the management through its policies, communication and staff training.

This culture influences the decisions made by the management and employees in their daily activity, with the aim of avoiding conduct that could inadvertently increase risks or lead to unacceptable risks. It is based on a high level of awareness about risk and its management, a solid governance structure, an open and critical dialogue in the organisation and the absence of incentives for unjustified risk taking.

In this way, the actions and decisions that involve an acceptance of risk are:

- Aligned with the corporate values and basic principles of action.
- Aligned with the risk appetite and strategy.
- Based on exhaustive knowledge of the risks involved and how to manage them, including environmental, social and governance factors.

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

Responsibility

The Parent Company's Board of Directors is responsible for establishing and supervising the implementation of a solid and diligent risk culture in the organisation that promotes behaviour consistent with the identification and mitigation of risks. They will consider the impact of that culture on the financial stability, risk profile and proper governance of the institution and will make changes where necessary.

All employees must be fully aware of their responsibility for risk management. This management does not belong solely to the risk experts or internal control functions, since the business units are mainly responsible for the daily management of risks.

Communication

The management of the Parent Company assists the governing bodies in establishing and communicating the risk culture to the rest of the organisation, ensuring that all members of the organisation are aware of the fundamental values and associated expectations in risk management. This is an essential element in maintaining a robust and consistent framework aligned with the risk profile.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

In this regard, the Risk Culture project, with the aim of raising awareness about the importance of all employees in risk management in order to be a solid and sustainable group, has been a turning point in the dissemination of the risk culture to the entire Vidacaixa Group. Within the framework of this project, different actions have been carried out to disseminate the risk culture. These have been aimed at all VidaCaixa Group employees through the publication on the intranet, among others, of any news related to risk projects.

Training

Training represents a fundamental mechanism in VidaCaixa Group for internalising the risk culture and ensuring that employees have the appropriate skills to perform their duties with full awareness of their responsibility when taking on risks to achieve objectives. To this end, the VidaCaixa Group provides regular training tailored to functions and profiles, in accordance with the business strategy, which allows employees to become familiar with the institution's risk management policies, procedures and processes and which includes the study of changes introduced in the applicable legal and regulatory frameworks.

In the specific area of the Risk activity, the training content is defined both in the support functions for the Board of Directors/Senior Management, with specific content that facilitates decision-making at the highest level, and in the rest of the organisation's functions. All this is done with the aim of facilitating the rollout of the RAF to the entire organisation, the decentralisation of decision-making, the refreshing of risk analysis skills and the optimisation of risk quality.

The VidaCaixa Group channels its training mainly through the Risks School. In this way, training is considered to be a strategic tool aimed at providing support to the business areas while at the same time being the channel for transmitting the Group's risk culture and policies, offering training, information and tools for all professionals.

3.3. Business model risks

3.3.1. Business profitability risk

Business profitability risk refers to obtaining earnings that are lower than forecast or fail to meet the Parent Company's targets and that ultimately prevent it from reaching a level of sustainable profitability which exceeds the cost of capital.

The profitability targets, supported by a financial planning and monitoring process, are defined in the Strategic Plan, for a three-year horizon, and are specified annually in the budget.

The VidaCaixa Group has a Business Profitability Risk Management Policy that establishes the principles that will govern any actions to control and manage that risk, including prudence in forecasting earnings in keeping with the risk and the integration of solvency strategies, the strategic plan and risk management.

The business profitability risk management strategy is closely integrated with the solvency management strategy and is supported by the strategic risk processes (Risk Catalogue, Risk Assessment and RAF).

3.3.2. Own funds and solvency risk

The own funds and solvency risk is the potential restriction of the ability to adapt its volume of own funds to regulatory requirements or a change in its risk profile.

The VidaCaixa Group, in line with the CaixaBank Group, aims to maintain

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

a medium-low risk profile and a comfortable capital adequacy, in order to strengthen its position.

In this area, the Parent Company has an Own Funds and Solvency Risk Management Policy whose purpose is to establish the principles on which its capital targets are determined, aligned with the objectives at the CaixaBank Group level, as well as establish common guidelines in relation to the monitoring, control and management of own funds that allow, among other things, the mitigation of this risk.

3.3.3. Liquidity risk

Liquidity risk is referred to in the Risk Catalogue as having insufficient liquid assets to meet the contractual maturities of its liabilities, any regulatory requirements or its investment needs.

The liquidity risk in VidaCaixa Group associated with the option to turn financial investments into cash is insignificant given that they are generally listed in markets, and the objective of the insurance activity is to hold them in its portfolio as long as the acquired commitment derived from the insurance contracts exists. Additionally:

- the ALM (Asset Liability Management) analysis performed on Life portfolios allows this risk to be managed and mitigated;
- VidaCaixa has a collateral position, a framework agreement for financial operations, with the CaixaBank Group.

To ensure its cash flow and be able to meet all payment commitments arising from its operations, it has the cash flow shown its balance sheet.

The VidaCaixa Group has a Liquidity Risk Management Policy whose purpose is to establish the strategy for managing liquidity risk, based, among other aspects, on having sufficient assets to meet the obligations to the insured parties, including in situations of severe stress.

Residual term of the transactions

Below is a breakdown by contractual maturity term of the financial instruments classified in the different portfolios:

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

RESIDUAL TERM OF THE TRANSACTIONS
(Thousands of euros)

	DEMAND	<1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	> 5 YEARS	TOTAL
Financial assets available for sale	-	790,589	148,608	1,040,796	10,376,231	45,874,545	58,230,769
Other financial assets at fair value through profit and loss	3,483	128,162	372,584	1,738,848	2,249,319	718,206	5,210,602
Loans and receivables	8	91,800	5,880	36,134	38,588	22,423	194,833
TOTAL ASSETS	**3,491**	**1,010,551**	**527,072**	**2,815,778**	**12,664,138**	**46,615,174**	**63,636,204**
Of which: Investments by life policyholders who assume the risk of the investment	3,483	103,155	247,667	1,607,238	2,248,363	717,913	4,927,819
	DEMAND	**<1 MONTH**	**1-3 MONTHS**	**3-12 MONTHS**	**1-5 YEARS**	**> 5 YEARS**	**TOTAL**
Liabilities covered by insurance contracts	1,000	619,418	947,798	4,874,390	14,799,478	55,731,917	76,974,001
TOTAL LIABILITIES	**1,000**	**619,418**	**947,798**	**4,874,390**	**14,799,478**	**55,731,917**	**76,974,001**

3.4. Financial-actuarial risks

3.4.1. Actuarial risk

General description

The European regulatory framework for insurance companies, known as Solvency II, has been transposed to the Spanish legal system through Law 20/2015 and Royal Decree 1060/2015, known in Spanish, respectively, as LOSSEAR and ROSSEAR. This framework is supplemented by the technical standards approved by the European Commission (ITS), which are directly applicable, and the guidelines published by EIOPA (European Insurance and Occupational Pensions Authority), which have been adopted by the DGSyFP as its own.

In line with the European Solvency II Directive, actuarial risk is defined in the Risk Catalogue as the risk of loss or adverse change in the value of the commitments taken on by virtue of insurance or pension contracts with customers as a result of a difference between the estimate for the actuarial variables used in pricing and reserves and their actual development. In this area, the processes followed in performing the activity are differentiated according to the following risks that make up the actuarial risk:

- Mortality risk: risk of loss or adverse adjustment to the value of the commitments taken on through life insurance or pension contracts, due

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

to changes in the level, trend or volatility of mortality rates, in those cases where an increase in the mortality rate generates an increase in the value of the commitments taken on.

- Longevity risk: risk of loss or adverse adjustment to the value of the commitments taken on through life insurance or pension contracts, due to changes in the level, trend or volatility of mortality rates, in those cases where a decrease in the mortality rate generates an increase in the value of the commitments taken on.
- Disability and morbidity risk: risk of loss or adverse adjustment to the value of the commitments taken on through life insurance or pension contracts, due to changes in the level, trend or volatility of disability, illness and morbidity rates.
- Downside risk: risk of loss or adverse adjustment to the value of expected future profits or an increase in expected loses due to changes in the level, trend or volatility of the real cancellation, renewal and redemption rates among policyholders of the insurance contracts compared to the downside assumptions used.
- Expense risk: risk of loss or adverse adjustment to the value of the commitments taken on through insurance contracts, due to changes in the level, trend or volatility of the expenses for executing the insurance or reinsurance contracts compared to the surcharges foreseen in the pricing and constitution of provisions for the products.
- Catastrophic risk: risk of loss or adverse adjustment to the value of the commitments taken on through life insurance or pension contracts, due to significant uncertainty in the pricing assumptions and the constitution of provisions corresponding to extreme or extraordinary events.

The purpose of managing this risk is to maintain the ability to pay the commitments to policyholders, optimise the technical margin and preserve the economic value of the balance sheet within the limits established in the Risk Appetite Framework.

Actuarial risk cycle

<u>Monitoring and measurement of actuarial risk</u>

The actuarial risks taken on as a result of the underwriting of life insurance contracts are managed jointly with the inherent risks arising from the financial assets acquired for their coverage.

To ensure proper management of the actuarial risk, the Parent Company has an Underwriting and Constitution of Reserves Policy and a Reinsurance Policy, updated at least once a year, in which the strategy and general principles, the governance framework, the control framework and the information framework for each area are established.

The actuarial risk management established in these Policies is designed to ensure the long-term stability of the actuarial factors that affect the technical evolution of the insurance products underwritten. In the specific area of mortality and longevity risks, the Parent Company incorporates in its management and for the calculation of the Solvency II Solvency Capital Requirement (SCR) for mortality and longevity risks, an internal model partially complying with the regulations established in the Solvency II Directive and presented annually to the Regulatory Body. The model is based on data from historical experience that provide it with an accurate view of the real behaviour of the insured parties as a whole.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

The underwriting and constitution of reserves policy identifies for each business line the different parameters used for the acceptance of risks, their management, measurement, pricing and finally the valuation and constitution of the reserves for the policies constituted under the underwriting process. The general operating procedures used for underwriting and for the constitution of reserves are also identified.

The actuarial risk measurement systems perform the quantification and evaluation of the adequacy of the technical provisions policy by policy. In this way, production operations, whatever the channel, are recorded in the systems through the different applications for contracting, benefits management and provision calculation (such as TAV for individual insurance and ACO or Avanti for collective insurance).

Within the framework of these integrated and automated systems, there is a series of applications that carry out management support tasks. We can mention those for data processing and that are responsible for preparing information for reporting and risk management. Similarly, it has a risk and solvency Datamart, as a support tool for compliance with all the requirements established by the Solvency II Directive.

In response to the Covid-19 pandemic, the Parent Company has implemented monitoring mechanisms, which allow constant tracking of the actuarial risk in order to retain the target risk profile.

Mitigation of actuarial risk

One of the tools available to the Parent Company to mitigate the actuarial risk taken on is to transfer some of the risk to other institutions, through reinsurance contracts. For this, the aforementioned Reinsurance Policy identifies the risk transfer level, considering the risk profile of the direct insurance contracts, as well as the type, suitability and operation of the different reinsurance agreements.

In this regard, the Parent Company establishes tolerance limits based on the criteria that must govern the selection of the reinsurance companies and the maximum retained risk.

By using reinsurance, an insurer can reduce risk, stabilise solvency, use available capital more efficiently and expand its underwriting capacity. However, regardless of the reinsurance obtained, the insurer remains contractually liable to pay all claims to policyholders.

3.4.2. Credit risk

Credit risk corresponds to the loss of value of the VidaCaixa Group's assets vis-à-vis a customer or counterparty, due to the impairment of the ability of that customer or counterparty to meet its commitments to the Group.

The VidaCaixa Group has an Investment Risk Management Policy that establishes that the principles guiding decision-making will ensure that it operates following prudent investment management practices and establishing quantitative limits on assets and exposures, so that managed assets behave in a balanced and stable manner in the long term, even under adverse market conditions.

In relation to the credit risk associated with financial instruments, rating scales are defined, minimum levels of credit quality and diversification are established, seeking a high level of diversification in sectors and issuers, with maximum risk

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

limits per issuer. Additionally, socially responsible investment criteria are taken into consideration in investment management.

In general, the VidaCaixa Group holds its cash and equivalent liquid assets in financial institutions with high credit ratings. For balances pending collection from insurance policyholders, there is no significant concentration of credit risk with third parties.

The VidaCaixa Group's credit risk management is determined by internal compliance with the action approved by the Board of Directors. In this context, a set of values is established consistent with the corporate guidelines established in the CaixaBank Group, adapted to the investment management structure and focus in the VidaCaixa Group in relation to the long-term nature of the investment and the need for liquidity.

As investment criteria, different measures are taken into consideration such as the concentration of risk by credit rating, geographic diversification and diversification across sectors. These are presented below.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

CONCENTRATION BY CREDIT RATING 31-12-2021
(Thousands of euros)

RATING	LOANS AND RECEIVABLES	FA HELD-TO-TRADE	FA AT FV THROUGH PROFIT AND LOSS	FA AVAILABLE FOR SALE	OF WHICH: INVESTMENTS BY LIFE POLICYHOLDERS WHO ASSUME THE RISK OF THE INVESTMENT
AAA/AA+/AA/AA-	14	-	1,270,779	1,323,269	1,125,839
A+/A/A-	25,648	-	2,147,471	50,025,385	2,025,119
BBB+/BBB/BBB-	105,241	-	1,546,220	6,695,601	1,529,703
"INVESTMENT GRADE"	**130,903**	**-**	**4,964,470**	**58,044,255**	**4,680,661**
Valuation changes for impairment losses					
BB+/BB/BB-	-	-	166,926	155,125	166,926
B+/B/B-	-	-	96	-	96
CCC+/CCC/CCC-	-	-	-	-	-
No rating	221,271	150	13,270,108	33,570	6,778,616
"NON-INVESTMENT GRADE"	**221,271**	**150**	**13,437,130**	**188,695**	**6,945,638**
Valuation changes for impairment losses					
TOTAL	**352,174**	**150**	**18,401,600**	**58,232,950**	**11,626,299**

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

CONCENTRATION BY CREDIT RATING 31-12-2020
(Thousands of euros)

RATING	LOANS AND RECEIVABLES	FA HELD-TO-TRADE	FA AT FV THROUGH PROFIT AND LOSS	FA AVAILABLE FOR SALE	OF WHICH: INVESTMENTS BY LIFE POLICYHOLDERS WHO ASSUME THE RISK OF THE INVESTMENT
AAA/AA+/AA/AA-	20	-	992,617	1,069,498	992,617
A+/A/A-	32,147	-	972,537	53,199,044	516,053
BBB+/BBB/BBB-	85,855	-	2,952,519	7,195,157	2,468,828
"INVESTMENT GRADE"	**118,022**	**-**	**4,917,673**	**61,463,699**	**3,977,498**
Valuation changes for impairment losses					
BB+/BB/BB-	-	-	143,003	206995	143,003
B+/B/B-	-	-	-	-	-
CCC+/CCC/CCC-	-	-	-	-	-
No rating	548,670	141	9,391,362	36,450	4,758,314
"NON-INVESTMENT GRADE"	**548,670**	**141**	**9,534,365**	**243,445**	**4,901,317**
Valuation changes for impairment losses					
TOTAL	**666,692**	**141**	**14,452,038**	**61,707,144**	**8,878,815**

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

EXPOSURE TO SOVEREIGN RISK 31-12-2021
(Thousands of euros)

COUNTRY	LOANS AND RECEIVABLES	FA HELD-TO-TRADE	FA AT FV THROUGH PROFIT AND LOSS	FA AVAILABLE FOR SALE	OF WHICH: INVESTMENTS BY LIFE POLICYHOLDERS WHO ASSUME THE RISK OF THE INVESTMENT
Germany	-	-	1,262,930	1,068,739	700,667
Australia	-	-	98	6,558	98
Austria	-	-	4,600	26,097	4,600
Belgium	-	-	24,779	79,804	9,587
Brazil	-	-	-	-	-
Canada	-	-	4,721	9,501	4,622
Curaçao	-	-	2,482	4,217	338
Denmark	-	-	10,000	43,565	10,000
Slovakia	-	-	-	-	-
Spain	197,196	-	2,200,140	45,591,549	2,009,938
United States	590	-	2,602,826	1,053,407	800,695
Finland	-	-	204	67,814	204
France	9	-	1,609,249	1,191,601	1,148,382
Guernsey	-	-	103	-	103
Netherlands	4	-	391,611	803,624	177,715
Ireland	-	-	3,590,125	103,166	2,739,483
Jersey	-	-	10,387	-	4,912
Cayman Islands	-	-	130	-	130

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

cont.

COUNTRY	LOANS AND RECEIVABLES	FA HELD-TO-TRADE	FA AT FV THROUGH PROFIT AND LOSS	FA AVAILABLE FOR SALE	OF WHICH: INVESTMENTS BY LIFE POLICYHOLDERS WHO ASSUME THE RISK OF THE INVESTMENT
Italy	-	-	1,230,267	6,699,519	1,174,320
Japan	-	-	161,038	-	100,235
Luxembourg	-	-	4,544,944	221,758	2,068,499
Mexico	-	-	-	3,477	-
Nigeria	-	-	-	4,072	-
Norway	-	-	5,515	41,112	5,515
Portugal	144,560	150	364,512	460,754	363,274
United Kingdom	9,815	-	297,449	583,968	231,700
Czech Republic	-	-	613	2,312	613
Sweden	-	-	21,216	25,896	19,908
Switzerland	-	-	54,009	140,364	47,974
Venezuela	-	-	-	-	-
Slovenia	-	-	-	-	-
South Korea, Republic of Korea	-	-	1,575	-	1,575
New Zealand	-	-	449	-	449
Iceland	-	-	-	-	-
Angola	-	-	-	76	-
Argentina	-	-	2,804	-	379
Bermudas	-	-	2,824	-	384
TOTAL COUNTRIES	**352,174**	**150**	**18,401,600**	**58,232,950**	**11,626,299**

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

EXPOSURE TO SOVEREIGN RISK 31-12-2020
(Thousands of euros)

COUNTRY	LOANS AND RECEIVABLES	FA HELD-TO-TRADE	FA AT FV THROUGH PROFIT AND LOSS	FA AVAILABLE FOR SALE	OF WHICH: INVESTMENTS BY LIFE POLICYHOLDERS WHO ASSUME THE RISK OF THE INVESTMENT
Germany	-	-	856,114	785,370	575,767
Australia	-	-	407	6,904	407
Austria	-	-	1,308	27,843	1,308
Belgium	-	-	15,171	39,342	10,098
Brazil	-	-	-	-	-
Canada	-	-	11,290	9,479	11,290
Curaçao	-	-	-	4,345	-
Denmark	-	-	12,932	26,976	12,932
Slovakia	-	-	-	-	-
Spain	467,754	-	2,082,546	49,575,212	1,542,883
United States	588	-	1,938,395	880,405	740,846
Finland	-	-	9,086	68,860	9,086
France	14	-	992,550	1,168,230	823,722
Guernsey	-	-	76	-	76
Netherlands	5	-	247,874	931,514	199,425
Ireland	-	-	2,510,700	101,681	1,905,485
Jersey	-	-	2,082	-	2,082
Cayman Islands	-	-	-	5,999	-
Italy	-	-	1,055,092	6,602,183	809,279

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

cont.

COUNTRY	LOANS AND RECEIVABLES	FA HELD-TO-TRADE	FA AT FV THROUGH PROFIT AND LOSS	FA AVAILABLE FOR SALE	OF WHICH: INVESTMENTS BY LIFE POLICYHOLDERS WHO ASSUME THE RISK OF THE INVESTMENT
Japan	-	-	140,380	-	101,527
Luxembourg	-	-	3,604,493	182,252	1,414,125
Mexico	-	-	1,888	26,037	1,888
Nigeria	-	-	-	4,024	-
Norway	-	-	5,468	49,525	5,468
Portugal	187,464	141	564,011	501,432	383,345
United Kingdom	10,867	-	274,209	605,449	207,407
Czech Republic	-	-	-	3,964	-
Sweden	-	-	50,249	19,956	50,249
Switzerland	-	-	67,620	80,086	62,023
Venezuela	-	-	-	-	-
Slovenia	-	-	32	-	32
South Korea	-	-	202	-	202
New Zealand	-	-	7,863	-	7,863
Iceland	-	-	-	-	-
Angola	-	-	-	76	-
TOTAL COUNTRIES	**666,692**	**141**	**14,452,038**	**61,707,144**	**8,878,815**

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

CONCENTRATION BY ECONOMIC SECTOR 31-12-2021
(Thousands of euros)

SECTOR	LOANS AND RECEIVABLES	FA HELD-TO-TRADE	FA AT FV THROUGH PROFIT AND LOSS	FA AVAILABLE FOR SALE	OF WHICH: INVESTMENTS BY LIFE POLICYHOLDERS WHO ASSUME THE RISK OF THE INVESTMENT
Communication	-	-	87,988	843,356	46,211
Non-cyclical consumption	60,000	-	626,684	533,078	268,752
Energy	2,950	-	198,623	268,456	109,326
Finance	181,799	150	11,215,703	(2,101,681)	6,743,957
Public sector	1,645	-	4,238,852	55,585,623	3,956,311
Industrial	26,600	-	411,382	1,290,488	148,562
Raw materials	-	-	173,297	76,962	42,001
Utilities	79,023	-	151,482	1,736,668	66,434
Diversified	-	-	545,178	-	134,289
Technology	-	-	720,243	-	109,400
Others	157	-	32,168	-	1,056
TOTAL	**352,174**	**150**	**18,401,600**	**58,232,950**	**11,626,299**

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

CONCENTRATION BY ECONOMIC SECTOR 31-12-2020
(Thousands of euros)

SECTOR	LOANS AND RECEIVABLES	FA HELD-TO-TRADE	FA AT FV THROUGH PROFIT AND LOSS	FA AVAILABLE FOR SALE	OF WHICH: INVESTMENTS BY LIFE POLICYHOLDERS WHO ASSUME THE RISK OF THE INVESTMENT
Communication	60,000	-	558,999	893,617	196,852
Non-cyclical consumption	7,097	-	848,465	589,564	448,384
Energy	3,000	-	138,665	333,436	100,876
Finance	490,947	141	8,398,949	(1,056,815)	4,776,967
Public sector	2,138	-	3,980,790	57,855,276	3,061,984
Industrial	64,150	-	338,408	1,148,665	197,206
Raw materials	-	-	82,328	61,385	32,949
Utilities	39,360	-	105,434	1,882,016	63,597
TOTAL	**666,692**	**141**	**14,452,038**	**61,707,144**	**8,878,815**

3.4.3. Market Risk

In the Risk Catalogue, the market risk is identified as the loss of value, with an impact on earnings or solvency, of a portfolio (set of assets and liabilities) due to unfavourable movements in market prices or rates. The Parent Company periodically performs different sensitivity analyses of its portfolios in relation to market risk, derived mainly from changes in interest rates. In this regard, among other aspects, the amended durations of the fixed income portfolios associated with the Life business are controlled on a monthly basis.

The management of financial derivatives includes the use of counterparties that, being financial institutions subject to supervision by the supervisory body of the Member States of the Economic European Union, have sufficient solvency. Contractually, the positions have an explicit guarantee in relation to being able to cancel the transaction at any time, either through its settlement or its assignment to third parties. This settlement is guaranteed by a commitment by the counterparties to publish daily strike prices as well as a clear specification of the valuation method used.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

With regard to exchange rate risk, the VidaCaixa Group holds no assets with significant direct exposure in currencies other than the euro and, where appropriate, the necessary hedges are made.

The Investment Risk Management Policy establishes investment management and control frameworks that are carried out through investment management applications. All the applications automatically post in the accounting support applications.

3.4.4. Structural rate risk

This is identified in the Risk Catalogue as the negative effect on the financial value of balance sheet items or their financial margin due to changes in the time structure of interest rates and their impact on the assets, liabilities and off-balance sheet instruments.

The VidaCaixa Group has an Asset and Liability Management Policy whose purpose is to establish the strategy for their management, which is based, among other aspects, on maximising the Group's performance and, in turn, limiting exposure to interest rate risk. In this context, risk exposure is limited through financial immunisation techniques provided for in the provisions of the DGSyFP.

Similarly, the perimeter of the structural interest rate risk in the VidaCaixa Group includes the use of the matching adjustment in the relevant time structure of risk-free interest rates (matching adjustment) in accordance with the guidelines established in the Solvency II Directive. For its application, the Parent Company obtained the necessary authorisation for its application from the General Directorate of Insurance and Pension Funds in 2015.

The redemption value and market value of the assets assigned to the portfolios affected by the cash flow matching adjustment amount to €43,536,435,000 and €49,212,903,000, respectively, as of 31 December 2021.

In relation to the exchange rate risk, the positions in foreign currency are as follows:

FOREIGN CURRENCY POSITIONS
(Thousands of euros)

	31-12-2021	31-12-2020
Cash and equivalent liquid assets	316,638	263,617
Other financial assets at fair value through profit and loss	6,417,667	4,999,296
Financial assets available for sale (includes financial swap flows)	234,740	226,053
Loans and receivables	-	-
TOTAL ASSETS IN FOREIGN CURRENCY	**6,969,045**	**5,488,966**
Of which: linked to investments by life policyholders who assume the risk of the investment(*)	2,736,860	2,187,971
Debits and payables	-	-
Technical provisions	148,234	129,875
Other liabilities	-	-
TOTAL LIABILITIES IN FOREIGN CURRENCY	**148,234**	**129,875**

(*) Corresponds to assets linked to the Unit-Linked product, whose risk is assumed by the policyholders. The changes in the value of the assets of the Unit Linked product are equal to the change in the provision for life insurance of these products, there being no accounting asymmetry that must be corrected separately.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

The breakdown by currency for the years 2021 and 2020 is as follows:

BREAKDOWN BY CURRENCY OF THE MAIN ITEMS ON THE BALANCE SHEET - 31-12-2021
(Thousands of euros)

	LOANS AND RECEIVABLES	FA AT FV THROUGH PROFIT AND LOSS	FA AVAILABLE FOR SALE	CASH	OF WHICH: INVESTMENTS BY LIFE POLICYHOLDERS WHO ASSUME THE RISK OF THE INVESTMENT
US dollars	-	5,793,419	85,114	249,536	2,522,363
Pounds sterling	-	61,053	149,350	19,734	50,543
Swiss francs	-	43,368	-	7,911	35,457
Norwegian krone	-	2,534	-	231	2,303
Danish krone	-	9,906	-	11	9,895
Swedish krona	-	15,505	-	12	15,493
Japanese yen	-	491,834	276	39,203	100,806
Australian dollar	-	48	-	-	-
TOTAL	**-**	**6,417,667**	**234,740**	**316,638**	**2,736,860**

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

BREAKDOWN BY CURRENCY OF THE MAIN ITEMS ON THE BALANCE SHEET - 31-12-2020
(Thousands of euros)

	LOANS AND RECEIVABLES	FA AT FV THROUGH PROFIT AND LOSS	FA AVAILABLE FOR SALE	CASH	OF WHICH: INVESTMENTS BY LIFE POLICYHOLDERS WHO ASSUME THE RISK OF THE INVESTMENT
US dollars	-	4,435,753	88,017	219,027	1,970,529
Pounds sterling	-	47,308	137,670	706	47,308
Swiss francs	-	40,666	-	655	40,666
Norwegian krone	-	2,438	-	619	2,438
Danish krone	-	11,017	-	345	11,017
Swedish krona	-	15,685	-	931	15,685
Japanese yen	-	446,429	366	41,334	100,328
TOTAL	**-**	**4,999,296**	**226,053**	**263,617**	**2,187,971**

3.5. Operational and reputational risks

3.5.1. Operational risk

General description

Operational risk is defined as the possibility of incurring losses due to failures or the inadequacy of processes, personnel, internal systems or external events. Given the heterogeneity of the nature of operational events, the VidaCaixa Group does not include operational risk as a single element in the Risk Catalogue, but rather has included the following risks of an operational nature: legal/regulatory, conduct, technological, reliability of the information, model and other operational risks. The VidaCaixa Group maintains specific management frameworks for each of these risks in the Catalogue, without prejudice to the additional existence of an Operational Risk Management Policy.

Although the method used to calculate the Solvency II capital requirement, SCR, is the standard, the measurement and management of the operational risk of the VidaCaixa Group is based on risk-sensitive policies, processes, tools and methodologies, in accordance with best market practices.

Operational risk measurement includes the following aspects: qualitative measurement (through an annual self-assessment), quantitative measurement (through an internal operational loss registry database) and Operational Risk

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

Indicators (KRIs).

To mitigate operational risk, action plans are defined that involve the nomination of those responsible, the description of the actions to be undertaken to mitigate the risk, the degree of progress that is periodically updated and the final commitment date of the plan.

Finally, an annual operating loss budgeting exercise is carried out that covers the entire management perimeter and allows monthly monitoring to analyse and correct, if necessary, any possible deviations.

Risks of an operational nature

The risks in the Catalogue that are of an operational nature are described below:

Conduct risk - is defined as the risk of applying performance criteria contrary to the interests of its customers or other stakeholders, or actions or omissions by the VidaCaixa Group not in keeping with the legal and regulatory framework or the internal policies, standards or procedures or the codes of conduct, ethical standards or best practices. The objective of the VidaCaixa Group is: i) to minimise the probability of this risk materialising and ii) if it does materialise, to detect, report and resolve the deficiencies quickly.

Legal and regulatory risk - is understood as the potential losses or reduction in the profitability of the Grupo VidaCaixa as a result of changes to the current legislation, incorrect implementation of that legislation in the Group's processes, improper interpretation of it in the different transactions, incorrect management of legal or administrative requests or any lawsuits or claims received.

Technological risk - risk of losses due to the inadequacy or failure of the hardware or software used in the technological infrastructures, due to cyber-attacks or other circumstances, which may compromise the availability, integrity, accessibility and security of the infrastructures and the data. The risk is broken down into five categories that involve ICT (Information and Communication Technologies): i) availability; ii) security of the information; iii) operation and change management; iv) data integrity; and v) governance and strategy.

Risk of reliability of the information - deficiencies in the accuracy, integrity and criteria for preparing the data and information necessary to assess the VidaCaixa Group's financial situation and assets, as well as the information made available to stakeholders and published to the market that offers a holistic view of its positioning in terms of sustainability with the environment and that is directly related to the environmental, social and governance aspects (ESG principles).

Model risk - possible adverse consequences for the VidaCaixa Group that could originate from decisions based mainly on the results of the partial internal longevity and mortality model, due to errors in its construction, application or use.

Other operational risks - losses or damages caused by errors or failures in processes, due to external events or the accidental or malicious actions of third parties unrelated to the VidaCaixa Group.

3.5.2. Reputational risk

Reputational risk is the possible weakening of the competitive capacity that would occur due to a deterioration of trust in the VidaCaixa Group among its stakeholders.
Some risk areas identified by the VidaCaixa Group, in line with the CaixaBank

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

Group, where this trust could deteriorate are, among others, those linked to the design and marketing of products, information systems and security, the need to promote ESG (Environmental, Social and Corporate Governance) aspects in the business, including risks related to climate change, talent development, work-life balance, diversity and occupational health due to their increasing importance.

4. SOLVENCY MANAGEMENT

EC Directive 2009/138 of the Parliament and of the Council, of 25 November 2009, on the taking-up and pursuit of the business of Insurance and Reinsurance, hereinafter the Solvency II Directive, Delegated Regulation (EU) 2015/35 of the Commission, of 10 October 2014, completing the aforementioned Directive, the Spanish Law on the Ordination, Supervision and Solvency of Insurance and Reinsurance Companies (Law 20/2015, of 14 July 2015), together with the Spanish Regulation on the Organisation, Supervision and Solvency of Insurance and Reinsurance Companies (R.D. 1060/2015, of 20 November 2015), constitute the basic legal texts that regulate the requirements of the Solvency II regime. The aforementioned legislation includes, among other aspects, the establishment as of 1 January 2016 of standardised figures for the solvency capital requirement (SCR) and minimum capital requirement (MCR) and the funds for their coverage that are a result of the consideration, for the purposes of that referred to in the regulation as an economic balance sheet, of criteria relating to the recognition and valuation of assets and liabilities (economic balance sheet) that are, as described in the following paragraphs, substantially different to those used to reflect the financial situation and assets of the Parent Company in its attached annual accounts, drawn up in accordance with the regulatory framework of financial reporting applicable to the Parent Company.

The main objective pursued by the Solvency II regulation is to protect the insured party through improved control and measurement of the market, operational, credit and liquidity risks to which insurance companies are exposed, through three pillars or principles:

- Pillar I: Quantitative requirements whose objective is to establish the mandatory solvency capital through the prior determination of an "economic balance sheet" focused on risk and valued at market prices.
- Pillar II: Qualitative requirements with demands on the governance of the entities (supervisory processes) that affect the organisation and management of the entities required to undertake processes to identify, measure and actively manage risks, as well as prospectively assess these risks and the solvency capital.
- Pillar III: Transparency requirements that implement the communication of the information required, on the one hand by the supervisor (DGSyFP) and on the other by the market, and whose objective is to promote market discipline and contribute to transparency and financial stability.

On the closing date of the 2015 financial year, the Parent Company obtained authorisation from the DGSyFP to use the following models, in accordance with EC Directive 2009/138 of the European Parliament and of the Council:

- Authorisation of the use of the matching adjustment in the relevant time structure of risk-free interest rates.
- Use of the partial internal model to calculate the SCR for longevity and mortality risks.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

In accordance with the calendar set forth in the current regulations, VidaCaixa sent DGSyFP, on 8 April 2021, the individual annual reporting for the 2020 financial year and, on 20 May 2021, the consolidated annual reporting for the 2020 financial year, which demonstrated compliance with the required SCR and MCR levels.

The Parent Company has made the notifications referred to in article 69 of Spanish Law 24/1988 and article 85 of Spanish Law 20/2015, of 14 July, on the organisation, supervision and solvency of insurance and reinsurance companies in relation to the acquisition of stakes in investment services companies and in insurance and reinsurance companies, respectively.

5. DISTRIBUTION OF EARNINGS

The distribution of VidaCaixa's profit for the 2021 financial year, which the Board of Directors agrees to propose to the Sole Shareholder for approval, is presented below:

DISTRIBUTION OF EARNINGS 2021
(Thousands of euros)

	2021
Balance for distribution	**538,298**
Distribution:	
To Dividends	538,298
of which: interim dividend	370,000
of which: supplementary dividend	168,298
To reserves	
To legal reserve	-
To voluntary reserve	-
NET PROFIT FOR THE FINANCIAL YEAR	**538,298**

Below is the liquidity statement prepared by the Directors to show the existence of liquidity and sufficient earnings for the distribution of the interim dividends from the earnings in the 2021 financial year approved by the Board of Directors:

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

SUFFICIENCY OF LIQUIDITY AND PROFIT/LOSS OF THE PARENT COMPANY
(Thousands of euros)

	28/02/2021	30/04/2021	30/11/2021
Net profit	76,731	164,391	468,495
Endowment of 10% of the profit to legal reserve	-	-	-
Endowment of 5% of the Goodwill to Unavailable Reserves	-	-	-
EARNINGS TO DISTRIBUTE 2021 FINANCIAL YEAR	**76,731**	**164,391**	**468,495**
Interim dividends paid for 2021 to CaixaBank, S.A.	-	(75,000)	(120,000)
EARNINGS TO DISTRIBUTE (100%)	76,731	89,391	348,495
CASH AND BANKS BALANCE FORECAST AS OF:	March-21	May-21	December-21
CASH AND BANKS BALANCE	449,000	513,000	790,000
Interim dividend	(75,000)	(45,000)	(250,000)
REMAINING LIQUIDITY	**374,000**	**468,000**	**540,000**

The dividend distribution decision adopted is based on an exhaustive and thoughtful analysis of the Parent Company's situation and does not compromise either its future solvency or the protection of the interests of the policyholders or insured parties, and is made within the context of the supervisors' recommendations on this matter. In this regard, the Parent Company, within the framework of the dialogue with the supervisor, has communicated the dividends proposal and has presented the necessary data and analyses to allow the aforementioned aspects to be verified.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

6. SHAREHOLDER REMUNERATION AND PROFIT PER SHARE

6.1. Shareholder remuneration

Dividends distributed during the financial year were as follows:

DIVIDENDS PAID
(Thousands of euros)

	EUROS PER SHARE	AMOUNT PAID IN CASH	ANNOUNCEMENT DATE	PAYMENT DATE
Supplementary dividend from the 2020 financial year	0.76	169,484	29-03-21	31-03-21
1st Interim dividend from the 2021 financial year	0.33	75,000	24-03-21	31-03-21
2nd Interim dividend from the 2021 financial year	0.2	45,000	18-05-21	31-05-21
3rd Interim dividend from the 2021 financial year	1.12	250,000	21-12-21	31-12-21
TOTAL	**2.41**	**539,484**		

7. BUSINESS COMBINATIONS, ACQUISITION AND SALE OF HOLDINGS IN THE CAPITAL OF SUBSIDIARIES

Business combinations and mergers – 2021

Merger with Bankia Pensiones, S.A.U., E.G.F.P.

On 17 September 2020, the Boards of Directors of CaixaBank and Bankia signed a Common Merger Plan for the takeover of Bankia, S.A. (merged company) by CaixaBank, S.A. (merging company). The effective takeover date was 23 March 2021, once all the conditions precedent had been met.

For the purposes of carrying out the merger, on 19 and 20 April 2021, the Boards of Directors of Bankia Pensiones and VidaCaixa signed the Common Merger Plan relating to the takeover, approved by the sole Shareholder on 4 May 2021.

On 4 May 2021, the Sole Shareholder of the Parent Company and Bankia Pensiones, S.A.U., E.G.F.P. (hereinafter Bankia Pensiones) unanimously agreed to the takeover of Bankia Pensiones (merged company) by VidaCaixa (merging company) as part of the process for the reorganisation and integration of the pension fund management and administration business of Bankia, S.A., after the execution of the aforementioned takeover of Bankia, S.A. by CaixaBank, S.A.

On 4 May 2021, the Sole Shareholder of both companies agreed, among others, to approve as merger balance sheets those closed by the companies as of 31 December 2020 and to approve the takeover of Bankia Pensiones by the merging company, strictly in keeping with the Merger Plan.

Once all the pertinent authorisations had been obtained, on 3 December 2021, the

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

merger was registered in the Mercantile Registry of Madrid and the dissolution without liquidation and the transfer en bloc to the merging company of the assets by way of universal succession of the merged company took place. The merging company took over all the rights and obligations of the merged company in general and without any reservation or limitation.

The transaction has benefited from the special tax regime for mergers, spin-offs, contributions of assets and securities swaps established in Chapter VII of Title VII of Spanish Law 27/2014 of 27 November, on Corporation Tax.

Accounting for the merger

These consolidated annual accounts include the registration of the merger. For accounting purposes, the merger has been carried out retrospectively as of 31 March 2021 considering the consolidated accounting balances of the CaixaBank Group, as provided by the applicable accounting regulations. The assets and liabilities that have been incorporated into the Merging Company are detailed below:

BALANCE SHEET AS OF 31-03-2021
(figures in thousands of euros)

ASSETS	31-03-2021
NON-CURRENT ASSETS	**9,102**
Intangible fixed assets	**8,319**
Patents, licences, trademarks and similar	7,765
Computer software	554
Tangible fixed assets	**7**
Technical installations other tangible fixed assets	7
Property investments	**41**
Buildings	41
Long-term investments with group companies and associates	**36**
Other financial assets	36
Long-term financial investments	**-**
Deferred tax assets	**699**
CURRENT ASSETS	**57,906**
Non-current assets held for sale	**-**
Stock	**-**
Trade debtors and other accounts receivable	**9,307**
Customer receivables for sales and services	6,255
Customers, group companies and affiliates	2,485
Miscellaneous receivables	429
Staff	138
Short-term investments with group companies and associates	**-**
Short-term financial investments	**-**
Short-term accruals	**15**
Cash and equivalent liquid assets	**48,584**
Cash and banks	48,584
TOTAL ASSETS	**67,008**

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

EQUITY AND LIABILITIES	31-03-2021
EQUITY	**25,315**
OWN FUNDS	**25,315**
Share capital	**16,669**
Authorised capital	16,669
Issue premium	-
Reserves	**3,334**
Legal and bylaw reserves	3,334
Treasury stock or shares	-
Profit and loss from previous years	-
Other shareholder contributions	-
Profit/loss for the financial year	**5,312**
Interim dividend	-
Other equity instruments	-
VALUE ADJUSTMENTS	-
SUBSIDIES, DONATIONS AND BEQUESTS RECEIVED	-
NON-CURRENT LIABILITIES	-
Long-term provisions	-
Other provisions	-
Long-term debt	-
Long-term debt with group companies and associates	-
Deferred tax liabilities	-
Long-term accruals and deferrals	-
CURRENT LIABILITIES	**41,693**
Liabilities associated with non-current assets held for sale	-
Short-term provisions	**717**
Short-term debt	**21,113**
Other short-term debt	21,113
Short-term debt with group companies and associates	**14,537**
Trade and other payables	**5,326**
Miscellaneous creditors	1,300
Accrued wages and salaries	133
Other debts with Public Administrations	3,893
Short-term accruals	-
TOTAL EQUITY AND LIABILITIES	**67,008**

As a result of considering the consolidated accounting balances of the CaixaBank Group, intangible assets derived from the business combination that meet the identifiability and separability criteria established in IAS 38 have been recognised in the merging company:

- Intangible assets – Customer relationships: the value attributable to customer relationships linked to asset management has been estimated using the multi-period excess earnings method (MPEEM), which bases this value on the cash flow attributable to the intangible asset, eliminating the charges for taxable assets involved in the generation of these operating cash flows. The main assumptions used are the following:

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

ASSUMPTIONS USED AND SENSITIVITY SCENARIOS

(Percentage)

Relationships with customers	ASSUMPTION
Useful life	15 years
Discount rate (*)	10.60%

(*) Calculated based on information from comparable public companies in the sector

This intangible asset was valued in the business combination of Bankia with CaixaBank (by takeover), prior to this merger, maintaining the pre-existing values of the consolidated CaixaBank group in accordance with the applicable accounting standards.

Transactions carried out during the 2020 financial year

Distribution of reserves and other contributions of the shareholders of SegurCaixa Adeslas S.A. de Seguros y Reaseguros

On 16 December 2020, SegurCaixa Adeslas S.A. de Seguros y Reaseguros (hereinafter, “Segurcaixa Adeslas”) proceeded to distribute reserves and other contributions of the shareholders for an amount of €86,544,000. As a result of this distribution, and considering that the stake in this company was 49.9%, VidaCaixa received a total of €43,207,000. Of this amount, the Company considered €19,341,000 as a decrease in the net book value of the stake in SegurCaixa Adeslas. This was due to considering that the balance corresponds to own funds included in the acquisition cost and therefore not generated as profits since that date, so they are not eligible for distribution as a dividend.

8.FINANCIAL INFORMATION BY BUSINESS SEGMENT

The purpose of providing information by business segment is to carry out the supervision and internal management of the Group’s activity and results. It is constructed based on the different lines of business established according to the Group’s structure and organisation. To define and segregate the segments, the inherent risks and management characteristics of each are taken into account, starting from the insurance lines and sub-lines operated by the Group.

In its preparation, the following apply: i) the same presentation principles used in the Group’s management information and ii) the same accounting principles and policies used in the preparation of the annual accounts.

Each insurance company that directly or indirectly forms part of the Group may operate in one or more branches, being associated with a single main segment or more than one. At a consolidated level, the Group is structured into the following business segments:

Life Insurance: includes the results derived from life insurance contracts, which guarantee the coverage of risks that may affect the existence, bodily integrity or health of the insured person.

Non-Life Insurance: covers the results derived from the insurance contracts in the accident and illness, home multi-risk, other damages, motor, death and miscellaneous lines.

Other activities: covers the results of all those operating activities that are different, or unrelated, to the insurance activity itself, including the pension fund management activity.

The criteria for allocating assets, liabilities, revenues and expenses to the Group’s different main and secondary segments will mainly focus on follows principles:

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

- Both the assets and liabilities of the segments and the revenue and expenses have been determined before the eliminations from the consolidation process, except when these balances or transactions have been carried out between companies in the same segment.
- The assets and liabilities of each segment are those corresponding to the activity that the segment consumes to be to provide its services, including those directly attributable and those that can be distributed using reasonable allocation principles.

  The assets of the segment include the stakes consolidated using the equity method, on the basis of their assignment in the 'Investment Book' of each investee over which it has significant influence. The results derived from such investments are included in the ordinary profit and loss of the segment to which the investment is attributed.
- The technical revenue and expenses derived from performing insurance operations are allocated directly to the Life and Non-life segments, respectively, and in the case of the latter, to its different sub-segments, depending on the nature of the operation.
- Financial revenue and expenses are allocated to the Life and Non-life segments depending on the prior allocation made of the assets and liabilities that generate them, which is reflected in the 'Investment Book' of each insurance company and, alternatively, on a reasonable basis for allocation to the segment in question based on the allocation of expenses by functional activity . The financial revenue and expenses are allocated to the different Non-life sub-segments, basically depending on the technical provisions stipulated for each of the weighted branches.
- Revenue and expenses not directly related to the practice of insurance transactions are allocated to the Other Activities segment, as well as, specifically, those derived from operations carried out in the Life and Non-Life segments that should not be included in the previous segments of a technical nature.

The earnings of the Group by business segment are presented below:

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

BREAKDOWN BY BRANCH OF TECHNICAL INCOME AND EXPENSES
(Thousands of euros)

	NON-LIFE				LIFE	
	ACCIDENT		ILLNESS			
	2021	2020	2021	2020	2021	2020
Premiums allocated (Direct and accepted)	**13,428**	**15,612**	**2,860**	**3,144**	**8,547,591**	**7,168,877**
Premiums accruing net of cancellations and rebates	13,352	14,304	2,764	3,000	8,542,340	7,170,937
+/- Variation in provisions for unearned premiums	76	1,308	96	142	4,776	(2,134)
+/- Variation in provisions for ongoing risks	-	-	-	-	-	-
+/- Variation in provisions for premiums pending collection	-	-	-	2	475	74
Reinsurance premiums (Ceded and retroceded)	**(13,651)**	**(15,177)**	**(114)**	**(131)**	**(159,390)**	**(163,938)**
Premiums accruing net of cancellations and rebates	(13,246)	(13,911)	12	25	(159,488)	(163,979)
Variation in provisions for unearned premiums	(405)	(1,266)	(126)	(156)	98	41
A. SUBTOTAL OF PREMIUMS ALLOCATED, NET OF REINSURANCE	**(223)**	**435**	**2,746**	**3,013**	**8,388,201**	**7,004,939**
Loss Rate (Direct and accepted)	**(9,414)**	**(9,765)**	**(465)**	**(2,182)**	**(7,055,995)**	**(6,832,986)**
Benefits and expenses attributable to benefits	(9,707)	(9,660)	(653)	(2,003)	(6,787,680)	(6,594,420)
+/- Variation in technical provisions for benefits	293	(105)	188	(179)	(268,315)	(238,566)
Loss Rate (Direct and retroceded)	**10,173**	**9,761**	**-**	**-**	**87,790**	**88,131**
Benefits and expenses paid	8,772	9,867	-	-	88,514	90,116
+/- Variation in technical provisions for benefits	1,401	(106)	-	-	(724)	(1,985)

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

(cont)

	NON-LIFE				LIFE	
	ACCIDENT		ILLNESS			
	2021	2020	2021	2020	2021	2020
B. SUBTOTAL OF LOSS RATE, NET OF REINSURANCE	**759**	**(4)**	**(465)**	**(2,182)**	**(6,968,205)**	**(6,744,855)**
+/- Variation in other technical provisions net of reinsurance	**-**	**-**	**-**	**-**	**(4,330,454)**	**(1,418,608)**
Sharing in profits and rebates	**(469)**	**(2,043)**	**(104)**	**26**	**(54,058)**	**(85,106)**
Benefits and expenses for sharing in profits	(721)	(781)	-	-	(67,911)	(38,342)
Variation in the provision for sharing in profits and rebates	252	(1,262)	(104)	26	13,853	(46,764)
Profit (loss) from investments	**209,421**	**219,740**	**(10)**	**(3)**	**4,028,735**	**2,233,888**
Revenue from tangible fixed assets and investments	209,498	219,740	-	-	6,095,580	5,454,468
Expenses from tangible fixed assets and investments	(77)	-	(10)	(3)	(2,066,845)	(3,220,580)
Acquisition expenses (Direct and accepted)	**(1,760)**	**(1,894)**	**(338)**	**(83)**	**(271,857)**	**(257,214)**
Administration expenses (Direct and accepted)	**(114)**	**(177)**	**(1)**	**(5)**	**(176,574)**	**(161,306)**
Other technical expenses (Direct and accepted)	**(153)**	**(225)**	**(83)**	**(76)**	**(25,530)**	**(28,855)**
Fees and participations in assigned reinsurance ceded and retroceded (Ceded and retroceded)	**2,236**	**3,632**	**-**	**-**	**111,339**	**120,011**
C. SUBTOTAL OPERATING EXPENSES AND OTHER NET TECHNICAL EXPENSES	**209,161**	**219,033**	**(536)**	**(141)**	**(718,399)**	**402,810**
PROFIT (LOSS) OF THE TECHNICAL ACCOUNTS	**209,697**	**219,464**	**1,745**	**690**	**701,597**	**662,894**

Practically all of the Group's transactions are carried out in Spain, with the contribution made by the business in Portugal not being significant in the terms described in IFRS 8, which is why no information is presented by geographic segmentation.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

9. REMUNERATION OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

9.1. Remuneration of the Board of Directors

The composition and breakdown of the remuneration to the Board of Directors of the Parent Company are presented below:

REMUNERATION OF THE BOARD OF DIRECTORS
(Thousands of euros)

	2021	2020
Remuneration for membership of the Board	2,275	2,491
Fixed remuneration	2,108	2,232
Variable remuneration	167	259
In cash	167	259
Share-based compensation systems	-	-
Other long-term benefits	-	-
Other items *	142	151
of which life insurance premiums	136	151
TOTAL	**2,417**	**2,642**
Composition of the Board of Directors		
Women	*4*	*4*
Men	*11*	*11*

(*) No amounts have been recorded for paying civil liability insurance premiums for the Directors since this insurance is taken out by the Group's parent company, CaixaBank, SA.

During the 2021 financial year, 1 person has joined and 1 person has left the Parent Company's Board of Directors. During the 2020 financial year, 2 people joined and 1 person left the aforementioned Board of Directors.

The Group has not taken on obligations in terms of pension commitments with the former and current members of the Board of Directors due to their status as directors.

There are no severance payments agreed upon in the event of termination of the duties as directors.

9.2 Renumeration of the Senior Management

The composition and breakdown of the remuneration to the Senior Management of the Parent Company are presented below:

RENUMERATION OF THE SENIOR MANAGEMENT
(Thousands of euros)

	2021	2020
Salaries (*)	2,576	2,995
Insurance Premiums	340	363
Severance payments	-	-
Other positions in Group companies	-	-
TOTAL	**2,916**	**3,358**
Composition of the Senior Management		
Women	*3*	*2*
Men	*6*	*7*

(*) This amount includes the total fixed and variable remuneration accrued by the Senior Management, with the exception of the CEO-Managing Director whose remuneration is included within that of the Board of Directors. It includes both cash and shares of the Parent Company's Shareholder, as well as the deferred variable remuneration (cash and shares) to be received in three years.

The employment contracts with the members of the Senior Management do not contain, in any case, clauses on severance pay in the event of dismissal or their early termination.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

9.3. Other information regarding the Board of Directors

Article 26 of the Regulations of VidaCaixa's Board of Directors governs the situations of conflict of interest applicable to all directors, establishing that the director must avoid situations that may entail a conflict of interest between the Company and the Director or their related persons, adopting the necessary measures for this.

The duty to avoid situations of conflict of interest imposes certain obligations on the director such as refraining from: i) directly or indirectly carrying out transactions with VidaCaixa except for ordinary transactions made under standard conditions for all customers and of little relevance; ii) using the Company's name or invoking their status as Director to unduly influence the carrying out of private transactions; iii) using the Company's assets, including its confidential information, or using their position within the Company to obtain a financial advantage or for any private purposes; iv) taking advantage of the Company's business opportunities; v) obtaining advantages or remuneration from third parties other than the Company and its group that are associated with performing their position, unless it is a matter of mere courtesy, and vi) performing activities independently or for another party that in any way place them in a conflict with the interests of the Company.

The aforementioned obligations may be waived in exceptional cases, requiring the approval of the General Meeting in some cases.

At the end of the 2021 financial year, the Directors of the Parent Company have not communicated to the other members of the Board of Directors any conflicts of interest, direct or indirect, that they or persons related to them may have with the Group's interests.

In any case, the directors must notify VidaCaixa's Board of Directors of any conflict of interest, direct or indirect, that they or persons related to them could have with the Parent Company's interests, which will be reported in the annual accounts, as established in article 229.3 of the Spanish Capital Companies Law.

During the 2021 financial year, no director has reported any situation that could place them in a conflict of interest with the Parent Company, although on the following occasions, Directors refrained from intervening and voting in the discussion of matters at the meetings of the Board of Directors:

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

Board Member	Subject
Gual Solé, Jordi	-
Muniesa Arantegui, Tomás	-
Allende Fernández, Víctor Manuel	-
Capella Pifarré, Natividad Pilar	-
Deulofeu Xicoira, Jordi	-
Del Hoyo López, Esperanza	-
Ibarz Alegría, Javier	-
Leal Villalba, José María	-
Rosell Lastortras, Juan	-
Villaseca Marco, Rafael	-
Jiménez Baena, Paloma	-
Valle T-Figueras, Francisco Javier	Abstention from discussing and voting on the agreement regarding the concluding of the targets for the CEO-Managing Director corresponding to the 2020 financial year.
	Abstention from discussing and voting on the agreement regarding the targets for the CEO-Managing Director corresponding to the 2021 financial year.
	Abstention from discussing and voting on the agreement regarding the remuneration of the CEO-Managing Director corresponding to the 2021 financial year.
García-Valdecasas Serra, Francisco	-
Pescador Castrillo, María Dolores	-
García Sanz, Francisco Javier	-

The rest of the Directors with a current position during the 2021 financial year (that is, Gonzalo Gortázar Rotaeche) have declared that during the time of their mandate in 2021 neither they nor persons related to them have had any conflicts with the interests of the Parent Company, either direct or indirect.

Prohibition of competition

In particular, article 229.1.f) of the Capital Companies Law establishes that the members of the Board of Directors must refrain from performing activities on their own behalf or for others that involve effective competition, whether current

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

or potential, with the company or that in any other way put them in a permanent position of having a conflict of interest with the company. Moreover, article 230 of the Capital Companies Law allows directors to be exempt from this prohibition in the event that it is not expected to harm the company or that any harm expected is offset by the profits obtained from the exemption. The exemption must be granted by express and separate agreement of the Sole Shareholder.

In relation to the foregoing, the director Ms María Dolores Pescador Castrillo was appointed by agreement of the Sole Shareholder on 16 July 2019 with the status of independent director. Ms Pescador has been an independent director of Admiral Europe Compañía de Seguros ("AECS") since 2018, a company specialising in the non-life insurance branch, mainly in motor insurance. It is an area that does not compete directly with VidaCaixa's main business, which operates in the life insurance branch and, in a secondary and residual manner, in the field of accident and illness. It cannot therefore currently be considered that Ms Pescador's performing of duties and functions within AECS represents an activity that involves effective competition with VidaCaixa. However, to the extent that the non-life insurance activity in Grupo CaixaBank is performed through the stake that VidaCaixa holds in SegurCaixa Adeslas, it has been considered appropriate to regulate this situation.

Ms Pescador joining the Company's Board of Directors is not expected to cause any harm to VidaCaixa, but rather to bring significant advantages derived from her extensive experience and qualifications in the insurance sector, and more specifically in matters of financial and actuarial analysis, among others, for the purposes of the provisions of article 230 of the Capital Companies Law. This is even in the event that the existence of potential competition could be identified. As a result, on 16 July 2019 the Sole Shareholder agreed to exempt Ms María Dolores Pescador Castrillo from the non-competition obligation established in article 229.1.f) of the Capital Companies Law, allowing her, within the framework of the exemption, to perform duties and functions at AECS, as well as at companies directly or indirectly owned by AECS that derive from the participation or from her performance of duties and functions in AECS.

10. CASH AND EQUIVALENT LIQUID ASSETS

The breakdown of the balances in this heading is as follows:

BREAKDOWN OF CASH AND EQUIVALENT LIQUID ASSETS
(Thousands of euros)

	31-12-2021	31-12-2020
Cash	1,089,096	637,172
Foreign currency current accounts	316,638	263,617
Other demand deposits	-	-
TOTAL	**1,405,734**	**900,789**
Of which: linked to investments by life policyholders who assume the risk of the investment*:	830,773	501,945

(*) Corresponds to assets linked to the Unit-Linked product, whose risk is assumed by the policyholders. The changes in the value of the assets of the Unit Linked product are equal to the change in the provision for life insurance of these products, there being no accounting asymmetry that must be corrected separately.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

11. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

The breakdown of the balances in this heading is as follows:

BREAKDOWN OF OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS
(Thousands of euros)

	31-12-2021	31-12-2020
Equity instruments	**13,139,808**	**9,279,992**
Shares in investment funds	7,036,881	5,549,693
Financial investments in capital	6,102,927	3,730,299
Debt securities	**5,189,918**	**5,127,713**
Spanish public debt	1,933,711	1,825,871
Foreign public debt	2,559,803	2,445,985
Issued by credit institutions	271,911	249,925
Other Spanish issuers	80,209	108,855
Other foreign issuers	344,284	497,077
Derivatives and guarantees	**51,194**	**44,333**
Other	**20,680**	**-**
TOTAL	**18,401,600**	**14,452,038**

	31-12-2021	31-12-2020
Of which: linked to investments by life policyholders who assume the risk of the investment*:	**11,626,299**	**8,878,815**
Equity instruments	6,679,427	4,646,944
Debt securities	4,907,136	4,191,253
Derivatives and guarantees	19,056	40,618
Other	20,680	-

(*) The balance of the "Other financial assets at fair value through profit and loss" heading includes, in addition to the assets linked to the Renta Vitalicia Inversión Flexible (PVI) product, certain assets corresponding to the Unit-Linked product, whose risk is assumed by the policyholders. The changes in the value of the assets of the Unit Linked product are equal to the change in the provision for life insurance of these products, there being no accounting asymmetry that must be corrected separately.

The provision for life insurance when the risk of the investment is assumed by the policyholder stands at €12,410,902,000 as of 31 December 2021.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

11.1. Equity instruments

The breakdown of movements in this heading is as follows:

MOVEMENTS OF EQUITY INSTRUMENTS
(Thousands of euros)

	2021	2020
Adjusted balance, start of the financial year	**9,279,992**	**7,689,657**
Plus:		
Purchases	5,197,237	6,259,792
Less:		
Sales	(2,939,313)	(4,966,292)
Revaluations against earnings	**1,601,892**	**296,835**
BALANCE AT THE CLOSE OF THE FINANCIAL YEAR	**13,139,808**	**9,279,992**

11.2.Debt securities

The breakdown of movements in this heading is as follows:

MOVEMENTS OF DEBT SECURITIES
(Thousands of euros)

	2021	2020
Adjusted balance, start of the financial year	**5,127,713**	**4,387,209**
Plus:		
Purchases	5,325,895	9,629,465
Interest	(21,104)	296,501
Less:		
Sales and amortisations	(5,197,538)	(9,221,865)
Revaluations against earnings	**(45,048)**	**36,403**
BALANCE AT THE CLOSE OF THE FINANCIAL YEAR	**5,189,918**	**5,127,713**

Given that the Group has recorded the changes in the fair value of these assets through the profit and loss account during the 2021 and 2020 financial years symmetrically with changes in the life insurance provision of these insurance policies, there has been no accounting asymmetry that must be corrected separately.

During the 2021 financial year, net unrealised capital gains of €973,213,000 (net capital gains of €213,476,000 in 2020) were obtained due to a change in value of the investments related to the managed portfolio of the Renta Vitalicia Inversión Flexible product, which are recorded in the "Revenue from tangible fixed assets and investments" and "Expenses from tangible fixed assets and investments" headings of the technical-life insurance profit and loss account.

During the period, net unrealised capital gains of €887,005,000 (€245,709,000 in 2020) were obtained from investments related to the Unit Linked product. These are included under the headings "Revenue from investments subject to insurance when the policyholder assumes the risk of the investment" and "Expenses from investments subject to insurance when the policyholder assumes the risk of the investment" of the technical-life insurance profit and loss account.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

12. FINANCIAL ASSETS AVAILABLE FOR SALE

The breakdown of the balances in this heading is as follows:

BREAKDOWN OF FINANCIAL ASSETS AVAILABLE FOR SALE
(Thousands of euros)

	31-12-2021	31-12-2020
Equity instruments	**2,181**	**1,865**
Shares in investment funds	571	418
Financial investments in capital (*)	1,610	1,447
Debt securities	**58,230,769**	**61,705,279**
Spanish public debt	48,736,833	51,033,841
Foreign public debt	6,716,663	6,678,544
Issued by credit institutions	(3,174,273)	(2,237,176)
Other Spanish issuers	2,247,027	2,430,107
Other foreign issuers	3,704,519	3,799,963
TOTAL	**58,232,950**	**61,707,144**

(*) VidaCaixa owns a stake in the company called "Tecnologías de la información y redes para las entidades aseguradoras, S.A." for an amount of €539,000

12.1. Debt securities

The breakdown of movements in this heading is as follows:

MOVEMENTS OF DEBT SECURITIES
(Thousands of euros)

	2021	2020
Adjusted balance, start of the financial year	**61,705,279**	**58,682,546**
Plus:		
Purchases	13,284,252	7,766,892
Interest	255,002	(407,486)
Less:		
Sales and amortisations	(12,563,809)	(6,760,922)
Revaluations against reserves	(14,938)	22,570
Amounts transferred to the profit and loss account	(571,778)	(208,584)
Of which: profit on sale	940,353	253,769
Of which: loss on sale	(369,926)	(51,041)
Revaluations against equity adjustments	(3,863,239)	2,610,263
BALANCE AT THE CLOSE OF THE FINANCIAL YEAR	**58,230,769**	**61,705,279**

Fixed income securities are issued by issuers from OECD member countries, 99.89% issued in euros and the remaining 0.11% in dollars, pounds sterling and yen.

The amount of explicit interest from fixed income accrued and not collected as of 31 December 2021 amounts to €831,436,000 (€783,136,000 at the close

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

of the 2020 financial year) and is recorded in the "Other Assets" heading of the accompanying balance sheet. The remaining balance in this heading mainly corresponds to the interest accrued and not collected from the current accounts that the Parent Company holds with "CaixaBank" (see Note 27) and other institutions, explicit interest from current accounts and fixed income accrued and not collected from Unit Linked, premiums accrued and not written, advance fees and other acquisition costs.

In addition, under the heading "Financial assets available for sale" the Parent Company also includes as of 31 December 2021 financial interest rate swaps with different financial institutions, mainly "CaixaBank"(see Note 27), in order to adapt the flows derived from the investment portfolio to the liquidity needs of the different insurance policies involved, generally receiving fixed and/or determinable amounts from the different counterparties. Their maturity is between 2022 and 2071. The Parent Company has the valuation of these swaps and the bonds with which they are associated, but it registers them jointly.

During the 2021 financial year, Parent Company has recorded earnings of €569,987,000 from the disposal of financial investments classified in the "Financial assets available for sale" heading. Some of these earnings have been generated by sales to respond to the redemption operations requested by customers whose amount was €109,787,000 and some by disposals of financial investments in order to adjust the financial durations of the investments to the durations of its commitments to the insured parties whose amount was €456,024,000. These earnings, for the most part, are recorded in the "Revenue from tangible fixed assets and investments - Profits from the disposal of tangible fixed assets and investments" heading of the technical-life insurance profit and loss account.

The Parent Company has a framework agreement for financial transactions signed with "CaixaBank" on 20 July 2005 (See Note 27). On 15 March 2016, the Parent Company adopted an additional stipulation to that contract with the counterparty, the Parent Company committing to guarantee a quarterly renewable amount. As of 31 December 2021, the amount for guarantees stands at €7,267,335,000 and it consists of financial assets from negotiable public debt issued by the Spanish Government and by Spanish regional debt securities.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

13. LOANS AND RECEIVABLES

The breakdown of the balances in this heading is as follows:

BREAKDOWN OF LOANS AND RECEIVABLES 31-12-2021
(Thousands of euros)

		VALUATION ADJUSTMENTS			
	GROSS BALANCE	PROVISIONS FOR PREMIUMS PENDING COLLECTION/IMPAIRMENT FUND	INTEREST/ACC RUED AND UNWRITTEN PREMIUMS	OTHERS	BALANCE IN BALANCE SHEET
Debt securities	**169,163**	**-**	**-**	**-**	**169,163**
Loans	**12,381**	**-**	**-**	**-**	**12,381**
Policy advances	9,816	-	-	-	9,816
Loans to group companies and associates	2,565	-	-	-	2,565
Deposits in credit institutions	**32,228**	**-**	**-**	**-**	**32,228**
Credits from direct insurance transactions	**24,939**	**(4,239)**	**3,760**	**-**	**24,460**
Policyholders	23,507	(4,239)	3,760	-	23,028
Brokers	1,432	-	-	-	1,432
Credits from reinsurance transactions	**15,811**	**-**	**-**	**-**	**15,811**
Credits from coinsurance transactions	**3,151**	**-**	**-**	**-**	**3,151**
Other credits	**94,980**	**-**	**-**	**-**	**94,980**
Credits with Public Administrations	16,747	-	-	-	16,747
Remaining credits	78,233	-	-	-	78,233
TOTAL	**352,653**	**(4,239)**	**3,760**		**352,174**

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

BREAKDOWN OF LOANS AND RECEIVABLES 31-12-2020
(Thousands of euros)

	GROSS BALANCE	VALUATION ADJUSTMENTS			BALANCE IN BALANCE SHEET
		PROVISIONS FOR PREMIUMS PENDING COLLECTION/IMPAIRMENT FUND	INTEREST/ACC RUED AND UNWRITTEN PREMIUMS	OTHERS	
Debt securities	**188,607**	**-**	**-**	**-**	**188,607**
Loans	**18,757**	**-**	**-**	**-**	**18,757**
Policy advances	10,269	-	-	-	10,269
Loans to group companies and associates	8,488	-	-	-	8,488
Deposits in credit institutions	**37,877**	**-**	**-**	**-**	**37,877**
Credits from direct insurance transactions	**63,942**	**(4,714)**	**3,971**	**-**	**63,199**
Policyholders	26,876	(4,714)	3,971	-	26,133
Brokers	37,066	-	-	-	37,066
Credits from reinsurance transactions	**18,710**	**-**	**-**	**-**	**18,710**
Credits from coinsurance transactions	**228**	**-**	**-**	**-**	**228**
Other credits	**339,314**	**-**	**-**	**-**	**339,314**
Credits with Public Administrations	10,278	-	-	-	10,278
Remaining credits	329,036	-	-	-	329,036
TOTAL	**667,435**	**(4,714)**	**3,971**	**-**	**666,692**

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

13.1. Debt securities

The breakdown of movements in this heading is as follows:

MOVEMENTS OF DEBT SECURITIES
(Thousands of euros)

	2021	2020
Adjusted balance at the start of the financial year	**188,607**	**345,082**
Plus:		
Purchases	582,633	974,036
Interest	6	789
Less:		
Sales and amortisations	(602,083)	(1,131,300)
BALANCE AT THE CLOSE OF THE FINANCIAL YEAR	**169,163**	**188,607**

13.2. Loans

The breakdown of movements in this heading is as follows:

LOAN MOVEMENTS
(Thousands of euros)

	2021	2020
Adjusted balance at the start of the financial year	**8,488**	**6,099**
Plus:		
Purchases	2,581	21,342
Interest	(494)	(3,420)
Less:		
Sales and amortisations	(8,010)	(15,533)
BALANCE AT THE CLOSE OF THE FINANCIAL YEAR	**2,565**	**8,488**

13.3. Deposits in credit institutions

The breakdown of movements in this heading is as follows:

MOVEMENTS OF DEPOSITS IN CREDIT INSTITUTIONS
(Thousands of euros)

	2021	2020
Adjusted balance, start of the financial year	**37,877**	**236,326**
Plus:		
Purchases	-	30,100
Interest	(1,878)	(1,969)
Less:		
Sales and amortisations	(3,771)	(226,580)
BALANCE AT THE CLOSE OF THE FINANCIAL YEAR	**32,228**	**37,877**

13.4. Credits from direct insurance transactions

The breakdown of the movement of the provisions of this heading is as follows:

MOVEMENTS OF THE PROVISION FOR OUTSTANDING PREMIUMS
(Thousands of euros)

	2021	2020
Adjusted balance, start of the financial year	(4,714)	(4,789)
Endowments	(4,239)	(4,714)
Applications	4,714	4,789
TOTAL	**(4,239)**	**(4,714)**

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

13.5. Other credits

The breakdown of the balances in this heading is as follows:

BREAKDOWN OF OTHER CREDITS
(Thousands of euros)

	2021	2020
Credits with Public Administrations	**16,747**	**10,278**
Public Finance VAT receivables	35	16
Public Finance withholding receivables	16,712	10,262
Remaining credits	**78,233**	**329,036**
Receivables from pension fund fees	43,266	33,258
Other miscellaneous receivables	22,866	151,558
Loans to staff	1,524	1,365
Pay advances	-	-
Securities receivables	10,577	12,596
Other Spanish issuers	-	-
Loans to group companies and associates	-	130,259
TOTAL	**94,980**	**339,314**

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

14. Investments in joint ventures and associates

The breakdown of the movement of the balance of this heading for the 2020 and 2021 financial years is as follows:

Company	Thousands of euros				
	Balances 31.12.2019	Entries and exits from consolidation perimeter	Increases from earnings for the financial year	Other changes	Balances 31.12.2021
Grupo SegurCaixa Adeslas, S.A. de Seguros y Reaseguros	983,822	-	209,499	-	1,193,321
Gross total	**983,822**	**-**	**209,499**	**-**	**1,193,321**
Impairment losses	-	-	-	-	-
Net total	**983,822**	**-**	**209,499**	**-**	**1,193,321**

Company	Thousands of euros				
	Balances 31.12.2019	Entries and exits from consolidation perimeter	Increases from earnings for the financial year	Other changes	Balances 31.12.2020
Grupo SegurCaixa Adeslas, S.A. de Seguros y Reaseguros	996,481	-	6,682	(19,341)	983,822
Gross total	**996,481**	**-**	**6,682**	**(19,341)**	**983,822**
Impairment losses	-	-	-	-	-
Net total	**996,481**	**-**	**6,682**	**(19,341)**	**983,822**

Impairment of the portfolio companies

At the end of the financial year there is no financial support agreement or other type of contractual commitment from the parent company or the subsidiaries to the Group's associates and joint ventures that is not recognised in the financial statements. Similarly, at the end of the financial year there is no contingent liability related to these interests.

For the purposes of analysing the recoverable value of the interests in associates and joint ventures, the Group periodically monitors the impairment indicators for

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

its investees. In particular, the following elements are considered, among others: i) business performance; and ii) the target prices published by independent analysts of recognised prestige.

The methodology for determining the recoverable value of interests is based on dividend discount models (DDM).

The assumption ranges and testing sensitivity ranges used are summarised below:

ASSUMPTIONS USED AND SENSITIVITY SCENARIOS
(Percentage)

	SEGURCAIXA ADESLAS	
	31-12-2021	31-12-2020
Forecast periods	5 years	5 years
Discount rate (1)	7.68%	8.24%
Growth rate (2)	1.5%	1.5%
Sensitivity	[7 - 9%; 1 - 2%]	[7.5 - 10%; 1 - 2%]

(1) Calculated on the interest rate of the 10-year Spanish bond, plus a risk premium
(2) Corresponds to the growth rate of the normalised flow, used to calculate the residual value

Financial information on associates

Selected information on significant interests in companies accounted for using the equity method is presented below, in addition to that presented in Appendix 2:

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

SELECTED INFORMATION ON ASSOCIATES

	SEGURCAIXA ADESLAS
Description of the nature of the activities	Strategic alliance with Mutua Madrileña for the development, marketing and distribution of general non-life insurance policies.
Country of incorporation and countries where it carries out its activity	Spain
Restriction on the payment of dividends	Restrictions on the distribution of dividends are based on the company's solvency level to ensure compliance with existing regulatory and contractual requirements

15. TANGIBLE FIXED ASSETS AND PROPERTY INVESTMENTS

The breakdown of the movement of the balance of this heading, practically all of which is related to corporate activity in Spain and Portugal, is as follows:

MOVEMENTS OF TANGIBLE FIXED ASSETS AND PROPERTY INVESTMENTS
(Thousands of euros)

	2021			2020		
	LAND AND BUILDINGS	FIXTURES, INSTALLATIONS AND OTHER	Total	LAND AND BUILDINGS	FIXTURES, INSTALLATIONS AND OTHER	Total
Cost						
Balance at the start of the financial year	17,839	16,330	34,169	17,839	13,906	31,745
Additions	-	863	863	-	1,335	1,335
Removals	-	(2,409)	(2,409)	-	(27)	(27)
Transfers	-	1,356	1,356	-	3,039	3,039

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

(Cont.)

	2021 LAND AND BUILDINGS	2021 FIXTURES, INSTALLATIONS AND OTHER	2021 Total	2020 LAND AND BUILDINGS	2020 FIXTURES, INSTALLATIONS AND OTHER	2020 Total
BALANCE AT THE CLOSE OF THE FINANCIAL YEAR	**17,839**	**16,140**	**33,979**	**17,839**	**18,253**	**36,092**
Cumulative depreciation						
Balance at the start of the financial year	(2,848)	(10,149)	(12,997)	(2,576)	(8,391)	(10,967)
Additions	(271)	(1,478)	(1,749)	(272)	(1,555)	(1,827)
Removals	-	2,196	2,196	-	22	22
Transfers	-	-	-	-	(224)	(224)
BALANCE AT THE CLOSE OF THE FINANCIAL YEAR	**(3,119)**	**(9,431)**	**(12,550)**	**(2,848)**	**(10,148)**	**(12,996)**
Impairment fund						
Balance at the start of the financial year	-	-	-	-	-	-
Endowments	-	-	-	-	-	-
Availabilities	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
BALANCE AT THE CLOSE OF THE FINANCIAL YEAR	**-**	**-**	**-**	**-**	**-**	**-**
TANGIBLE FIXED ASSETS	**14,720**	**6,709**	**21,429**	**14,991**	**8,105**	**23,096**
Cost						
Balance at the start of the financial year	802	-	802	802	-	802
Additions due to business combinations	168	-	168	-	-	-
Additions	-	-	-	-	-	-
Removals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

(Cont.)

	2021 LAND AND BUILDINGS	2021 FIXTURES, INSTALLATIONS AND OTHER	2021 Total	2020 LAND AND BUILDINGS	2020 FIXTURES, INSTALLATIONS AND OTHER	2020 Total
BALANCE AT THE CLOSE OF THE FINANCIAL YEAR	**970**	**-**	**970**	**802**	**-**	**802**
Cumulative depreciation						
Balance at the start of the financial year	(40)	-	(40)	(38)	-	(38)
Additions due to business combinations	(127)	-	(127)	-	-	-
Additions	(5)	-	(5)	(2)	-	(2)
Removals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
BALANCE AT THE CLOSE OF THE FINANCIAL YEAR	**(172)**	**-**	**(172)**	**(40)**	**-**	**(40)**
TANGIBLE FIXED ASSETS	**14,720**	**6,709**	**21,429**	**14,991**	**8,105**	**23,096**
Cost						
Balance at the start of the financial year	(13)	-	(13)	(21)	-	(21)
Endowments	-	-	-	-	-	-
Availabilities	-	-	-	-	-	-
Uses	-	-	-	-	-	-
Transfers	-	-	-	8	-	8
BALANCE AT THE CLOSE OF THE FINANCIAL YEAR	**(13)**	**-**	**(13)**	**(13)**	**-**	**(13)**
PROPERTY INVESTMENTS	**785**	**-**	**785**	**749**	**-**	**749**

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

Below is selected information in relation to fixed assets for own use:

OTHER INFORMATION ON TANGIBLE FIXED ASSETS AND PROPERTY INVESTMENTS
(Thousands of euros)

	31-12-2021	31-12-2020
Fully amortised/depreciated assets in use	2,687	1,843
- Furniture and installations	2,329	-
- Computer equipment	358	1,843
Commitments to acquire tangible assets	Not significant	Not significant
Assets with ownership restrictions	Not significant	Not significant
Assets covered by insurance policies	100%	100%

During the 2021 financial year, the Group has not accrued revenue within the non-technical profit and loss account under the sub-heading "Revenue from property investments" of the "Revenue from tangible fixed assets and investments" heading.

16. INTANGIBLE ASSETS

The breakdown of the movements of this heading, all of which is related to corporate activity, is as follows:

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

BREAKDOWN OF INTANGIBLE ASSETS (*)
(Thousands of euros)

	CGU	REMAINING USEFUL LIFE	31/12/2021	31/12/2020
Goodwill			**583,577**	**583,577**
Acquisition of la Caixa Gestión de Pensiones, E.G.F.P., S.A.U.	Life and Pensions	Permanent	3,408	3,408
Acquisition of Fortis (2008)	Life and Pensions	Permanent	330,929	330,929
Acquisition of Banca Cívica (2013)	Life and Pensions	Permanent	249,240	249,240
Other intangible assets			**200,544**	**103,546**
Software (**)		1 to 15 years	84,334	64,590
Other intangible assets			116,210	38,956
Vidacaixa y Bankia Pensiones (2021)		14 years	92,150	-
Banca Cívica Vida y Pensiones		< 1 year	5,570	12,994
CajaSol Vida y Pensiones		1 year	1,739	3,130
CajaCanarias Vida y Pensiones		1 year	1,071	1,928
Caja Guadalajara		2 years	186	276
Banco Valencia Funds		2 years	354	518
Barclays Vida y Pensiones – Pension funds	4.5 years	3,600	4,410	
Barclays Vida y Pensiones – Risk Portfolio	5 years	6,191	7,472	
Mediterráneo Vida Funds		8 years	247	279
BPI Vida			4,162	6,984
Acquisition expenses			-	-
Other (***)		39 years	940	965
Rights of use for leases		5 –10 years	-	-
TOTAL			**784,121**	**687,123**

(*) See Appendices 3 and 4 for the breakdown of the movements of intangible assets for the financial years 2021 and 2020, respectively.

(**) Estimated average life of 10 years.

(***) Corresponds to the right to use a part of the land, owned by Barcelona City Council, on which “Edificio Torre Sur” is located, purchased in the 2010 financial year.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

The breakdown of goodwill, based on the companies in which it originates and its nature, is as follows:

	Thousands of euros	
Goodwill	**31.12.2021**	**31.12.2020**
la Caixa Gestión de Pensiones, E.G.F.P., S.A.U.	3,408	3,408
Value of Fortis' stake	330,929	330,929
Insurance Companies of Banca Cívica	249,240	249,240
TOTAL	**583,577**	**583,577**

Selected information regarding other intangible assets is presented below:

	31.12.2021	31.12.20120
Fully amortised/depreciated assets in use	3	3
- Computer software	3	3
Commitments to acquire intangible assets	-	-
Assets with ownership restrictions	-	-

Impairment test of the Life and Pensions CGU

To analyse the recoverable value of the Life and Pensions CGU, the Group makes an estimate of the recoverable value of the cash-generating unit to determine the possible existence of impairment.

The recoverable value is determined based on the value in use, which has been determined by means of a model discounting the expected dividends in the medium term obtained from the budgetary forecast over a 4-year time horizon and taking into consideration the minimum regulatory capital. Additionally, every six months an exercise is carried out to update the forecasts to include possible deviations in the model.

The forecasts use assumptions based on the macroeconomic data applicable to the activity, tested against external sources of recognised prestige and the internal information from the companies themselves. The assumption ranges and testing sensitivity ranges used are summarised below:

The assumption ranges and testing sensitivity ranges used are summarised below:

ASSUMPTIONS USED AND SENSITIVITY SCENARIOS FOR INSURANCE CGU
(Percentage)

	31-12-2021	31-12-2020	SENSITIVITY
Discount rate (base: 10-year German bond)	8.71%	8.81%	7.5% - 10%
Growth rate *	1.5%	1.5%	0.5% - 2.5%

(*) Corresponds to the growth rate of the normalised flow, used to calculate the residual value.

At the close of the financial year, it was confirmed that the forecasts used in the previous test and the real situation had not affected the conclusions of the previous analysis. Similarly, the sensitivity exercises have not revealed the need to make provisions at the end of the year.

Additionally, a specific analysis is carried out for the asset arising from the business combination with Banca Cívica Vida y Pensiones, not showing signs of impairment.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

17. OTHER NON-TECHNICAL PROVISIONS

Non-technical provisions are intended to cover current obligations arising from past events, whose cancellation is likely to cause an outflow of resources, but where these are uncertain as to their amount and/or timing.

Non-technical provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account the information available on the event and its consequences. Adjustments due to updating these provisions are recognised as a financial expense as they accrue.

The balance corresponding to the 2021 financial year is justified to deal with legal and employment contingencies arising from the merger of the Parent Company with Bankia Pensiones.

18. DEBITS AND PAYABLES

The breakdown of the balances in this heading is as follows:

BREAKDOWN OF DEBTS AND PAYABLES
(Thousands of euros)

	2021	2020
Subordinated liabilities	**-**	**-**
Deposits received from receded reinsurance	**1,280**	**1611**
Debts from insurance transactions	**8,471**	**51,504**
1. Debts with insured parties	236	825
2. Debts with brokers	7,755	50,337
3. Conditional debts	480	342
Debts from reinsurance transactions	**5,398**	**3,945**
Debts from coinsurance transactions	**1,172**	**1,701**
Bonds and other negotiable securities	**-**	**-**
Debts with credit institutions	**-**	**-**
Debts from preparatory operations for insurance contracts	**159**	**157**
Other debt	**531,479**	**640,170**
1. Debt with Public Administrations	24,078	26,718
2. Other debts with Group companies and associates	311,165	494,139
3. Rest of other debt	196,236	119,313
TOTAL	**547,959**	**699,088**

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

The breakdown of the balances in this heading is as follows:

DETALLE DE OTRAS DEUDAS
(Miles de euros)

	31-12-2021	31-12-2020
Debt with Public Administrations	**24,078**	**26,718**
Public Finance VAT payable	276	639
Public Finance withholdings payable	20,719	23,758
Social Security Bodies	874	803
Other Public Administrations	2,209	1,518
Other debts with Group companies and associates	**311,165**	**494,139**
Debts with CaixaBank for CT fiscal consolidation	204,629	248,979
Other debt	106,536	55,160
- Of which: linked to the marketing commission to be paid to CaixaBank	-	14,236
Interim dividend	-	190,000
Rest of other debt	**196,236**	**119,313**
Deposits received	**25**	**25**
Other debt	**196,211**	**119,288**
- Of which: linked to investments by life policyholders who assume the risk of the investment	-	-
TOTAL	**531,479**	**640,170**

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

19. TECHNICAL PROVISIONS

The breakdown of the movement in this heading is as follows:

MOVEMENT OF TECHNICAL PROVISIONS OF DIRECT BUSINESS AND REINSURANCE ACCEPTED
(Thousands of euros)

	31-12-2019	ENDOWMENTS	APPLICATIONS	31-12-2020	ENDOWMENTS	APPLICATIONS	31-12-2021
Provision for unearned premiums	3,434	1,984	(3,434)	1,984	1,812	(1,984)	1,812
Provision for ongoing risks	-	-	-	-	-	-	-
Provision for life insurance(*)							
- Provision for unearned premiums	60,309	62,462	(60,309)	62,462	57,702	(62,462)	57,702
Provision for ongoing risks	-	-	-	-	-	-	-
Mathematical provision (**) (***)	63,268,178	65,729,612	(63,268,178)	65,729,612	63,174,334	(65,729,612)	63,174,334
- Provision for life insurance when the risk of the investment is assumed by the policyholder	7,859,395	9,334,331	(7,859,395)	9,334,331	12,410,902	(9,334,331)	12,410,902
Provision for benefits (****)	720,767	988,332	(720,767)	988,332	1,256,167	(988,332)	1,256,167
Provisions for profit sharing and rebates	39,086	87,086	(39,086)	87,086	73,084	(87,086)	73,084
Other provisions	60	92	(60)	92	-	(92)	-
TOTAL	**71,951,229**	**76,203,899**	**(71,951,229)**	**76,203,899**	**76,974,001**	**(76,203,899)**	**76,974,001**

Of which: As of 31 December 2021, the difference in the value of the technical provisions calculated with the biometric tables used to calculate the premium and the value of the technical provisions calculated applying the VCMF19C_1oS tables to original interest rate conditions amounts to €732 million (€683 million in 2020).

The effect of the annual updating of the biometric assumptions of the Partial Internal Longevity and Mortality Model, including all technical surcharges, has led to a variation of €9 million at the close of the 2021 financial year for this item (**)

Of which: Mathematical provision supplementary to the maximum DGSyFP rate amounts to €18 million in 2021 and 2020 (***)

(*) The changes in the fair value of the assets linked to the life insurance provision are symmetrical with its variation, there being no accounting asymmetry.
(**) Includes the supplementary provision for adaptation to real profitability and the internal longevity model in force in each year for commitments assumed prior to the ROSSP.
(***) In accordance with article 33.1 of the ROSSP, the maximum rate established as of 31 December 2021 and 2020 is 0.54% and 0.59%, respectively.
(****) The payments made by the Parent Company during the 2021 financial year for claims opened in 2020 or previous years amount to €1,280,000. The provision for benefits constituted at the close of 2020 has been sufficient.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

MOVEMENT OF THE SHARE OF THE REINSURANCE IN THE TECHNICAL PROVISIONS
(Thousands of euros)

	31-12-2019	ENDOWMENTS	APPLICATIONS	31-12-2020	ENDOWMENTS	APPLICATIONS	31-12-2021
Provision for unearned premiums	(2,753)	(1,373)	2,753	(1,373)	(940)	1,373	(940)
Provision for life insurance	(151,164)	(111,098)	151,164	(111,098)	(96,196)	111,098	(96,196)
Provision for benefits	(20,399)	(18,359)	20,399	(18,359)	(19,429)	18,359	(19,429)
Other provisions	-	(235)	-	(235)	(1,114)	235	(1,114)
TOTAL	**(174,316)**	**(131,065)**	**174,316**	**(131,065)**	**(117,679)**	**131,065**	**(117,679)**

The Group annually performs a liability adequacy test in order to identify any deficit in provisions and make the corresponding endowment.

The liability adequacy test consists of assessing liabilities from insurance contracts based on the most updated estimates of future cash flows from its contracts, adapted to the updated redemption and longevity assumptions in relation to the assets which they cover. To do this, it discounts the estimated future flows derived from the insurance contracts and those derived from financial assets subject to an interest rate curve of high credit quality assets. To estimate the future cash flows derived from insurance contracts, the redemptions observed in the portfolio are taken into account based on the average over the last five years.

A sensitivity analysis is also carried out on the discount curve used. This sensitivity analysis consists of introducing a fall in the interest rate of 100, 150 and 200 basis points in the discount curve used, as well as an increase of 80, 100 and 200 basis points. The result of the liability adequacy test reveals in all cases the adequacy of the provisions established by the Group.

The breakdown of the balance of the "Premiums allocated to the financial year, net of reinsurance" heading of the accompanying profit and loss accounts together with the corresponding technical provisions is presented below:

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

BREAKDOWN OF NET PREMIUMS AND TECHNICAL PROVISIONS
(Thousands of euros)

	2021			2020		
	NON-LIFE TECHNICAL ACCOUNT	LIFE TECHNICAL ACCOUNT	TOTAL	NON-LIFE TECHNICAL ACCOUNT	LIFE TECHNICAL ACCOUNT	TOTAL
Net premiums:						
Direct Insurance Premiums	16,116	8,542,340	8,558,456	17,304	7,170,797	7,188,101
Accepted Reinsurance Premiums	-	-	-	-	139	139
Ceded Reinsurance Premiums	(13,234)	(159,488)	(172,722)	(13,886)	(163,979)	(177,865)
TOTAL	**2,882**	**8,382,852**	**8,385,734**	**3,418**	**7,006,957**	**7,010,375**
Provision for unearned premiums and ongoing risks						
Provision for the Financial Year, Direct Insurance*	1,812	57,702	59,514	1,984	62,462	64,446
Provision for the Financial Year, Accepted Reinsurance	-	-	-	-	-	-
Provision for the Financial Year, Ceded Reinsurance	(800)	(139)	(939)	(1,331)	(41)	(1,372)
Mathematical provision, of benefits and other techniques						
Provision for the Financial Year, Direct Insurance*	15,654	76,898,833	76,914,487	16,913	76,122,037	76,138,950
Provision for the Financial Year, Accepted Reinsurance	-	-	-	-	503	503
Provision for the Financial Year, Ceded Reinsurance	(13,780)	(102,960)	(116,740)	(12,378)	(117,315)	(129,693)
TOTAL	**2,886**	**76,853,436**	**76,856,322**	**5,188**	**76,067,646**	**76,072,834**

(*) Includes the provision for life insurance when the risk of the investment is assumed by the policyholder

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

19.1. Life insurance

The breakdown of the balances of direct life insurance premiums accrued in the technical life account is as follows:

BREAKDOWN OF THE DIRECT LIFE INSURANCE PREMIUMS
(Thousands of euros)

	2021	2020
By type of contract	**8,542,340**	**7,170,797**
Premiums for individual contracts	5,824,095	6,134,616
Premiums for group insurance contracts	2,718,245	1,036,181
By type of premium payment	**8,542,340**	**7,170,797**
Regular premiums	1,962,874	2,441,912
Single premiums	6,579,466	4,728,885
By type of profit sharing	**8,542,340**	**7,170,797**
Premiums from contracts without profit sharing	5,984,001	5,214,460
Premiums from contracts with profit sharing	307,364	100,829
Premiums from contracts in which the investment risk lies with the policyholders	2,250,975	1,855,508
TOTAL	**8,542,340**	**7,170,797**

The main technical conditions of the different types of life insurance in force that represent more than 5% of the premiums or provisions of the life branch are set out below:

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

(Thousands of euros)

TYPE	AVERAGE TECHNICAL INTEREST RATE	BIOMETRIC TABLES	SHARE OF PROFITS AND DISTRIBUTION METHOD	PREMIUMS	MATHEMATICAL PROVISION*	PROFIT SHARING PROVISION
Life annuities - PVI	1.78%	Depending on the different forms, the GR-80, GR-80 minus two years, GR-95 and GK-95 tables are used. Since 21/12/2012, depending on the type, the PASEM 2010 Unisex (sector mix), GR-95 Unisex (company mix, savings portfolio), PER2000P Unisex (company mix, savings portfolio) and PER2000P Women (from 70 years of age) tables have been used. Since 01/01/2021, depending on the type, the PASEM2020 VIDACAIXA NO RELACIONADOS (UNISEX) or PER2020 Individuales 1er orden (Unisex) tables have been used.	No	1,932,560	27,121,991	-
Life annuities - Pension 2000	6.80%	GR-80, GK-80, GR-95 and GK-95. Since 21/12/2012, the GR-95 Unisex (company mix, savings portfolio) tables have been used. Since 01/01/2021 the PER2020 Individuales 1er orden (Unisex) tables have been used.	Yes, Mathematical provision	33,756	4,898,411	-
PAA/PIAS	0.10%	Depending on the types, the GR-80 minus two years, GR-95 and GK-95 tables are used. For new production since 21/12/2012, the PASEM 2010 Unisex (sector mix) tables have been used. Since 01/01/2021 the PASEM2020 VidaCaixa NO (Unisex) tables have been used.	No	889,514	4,999,241	-
Collective Insurance	Variable	Depending on the different types, the GR-80, GR-80 minus two, GR-70, GR-95 and PER2000P tables are used. Since 21/12/2012, depending on the type, the PER2000P Unisex or PASEM2010 Unisex tables have been used. Since 01/01/2021, the PER2020 Colectivos 1er orden (differentiating between sexes), and depending on the type, PER2020 Colectivos 1er orden (Unisex), tables have been used.	Yes, Benefits	2,574,583	11,094,321	71,675
Unit Link	-	Depending on the different types, the GK-80, GK-95 and INE 2005 tables are used. Since 21/12/2012, the PASEM 2010 Unisex (mix sector) tables have been used. Since 01/01/2021 the PASEM2020 VIDACAIXA NO RELACIONADOS (Unisex and with an adjustment for age criteria) tables have been used.	No	2,251,908	9,514,235	-

(*) The biometric tables specified in the Technical Notes are indicated, as well as the mathematical provision derived from the application of these tables.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

Following the guidelines of Internal Inspection Instruction 9/2009 published by the Spanish Directorate of Insurance and Pension Funds on the interpretation of the concept of actual profitability for the purposes of article 33 and the second transitory provision of the Regulation on the Organisation and Supervision of Private Insurance, approved by Spanish Royal Decree 2486/1998, of 20 November (maintained in force by additional provision 5 of the ROSSEAR), the financial duration of the Company's assets (excluding property) and liabilities as of 31 December 2021 and 2020 for these cases is detailed below (in thousands of euros):

FINANCIAL DURATION AND ACTUAL PROFITABILITY OF THE ASSETS
(Thousands of euros)

	BOOK VALUE		ACTUAL RETURN (%)		FINANCIAL DURATION (YEARS)		% EXCLUDED *	
	2021	2020	2021	2020	2021	2020	2021	2020
Portfolio prior to 1 January 1999. (Second transitory provision of ROSSP).	6,620,346	6,913,979	5.35%	5.49%	13.02	14.17	-	-
Immunised portfolio. (Art. 33.2 ROSSP).	31,821,120	30,471,755	3.06%	3.23%	10.09	11.06	-	-
Portfolio after 1 January 1999. (Art. 33,1 ROSSP).	6,122,382	6,599,992	0.74%	2.05%	2.77	2.56	-	-

(*) % of the value of the asset portfolio for which it is not possible to calculate the financial duration (investments in equity instruments).

FINANCIAL DURATION AND ACTUAL PROFITABILITY OF THE LIABILITIES
(Thousands of euros)

	BOOK VALUE		ACTUAL RETURN (%)		FINANCIAL DURATION (YEARS)	
	2021	2020	2021	2020	2021	2020
Portfolio prior to 1 January 1999. (Second transitory provision of ROSSP).	7,018,374	7,080,778	5.09%	5.11%	13.49	14.45
Immunised portfolio. (Art. 33.2 ROSSP)	31,178,328	29,986,653	1.92%	2.18%	10.13	11.17
Portfolio after 1 January 1999. (Art. 33.1 ROSSP).	6,361,091	6,609,198	0.31%	1.49%	2.00	2.14

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

The adjustments for each type of life insurance that the Company has registered to correct the accounting asymmetries produced due to the method for valuing financial instruments are detailed below:

UNREALISED CAPITAL GAINS ON FINANCIAL ASSETS AVAILABLE FOR SALE
(Thousands of euros)

	31-12-2021	31-12-2020
Balance Start of the Financial Year	**15,724,908**	**13,329,578**
Net movement due to allocation of net unrealised capital gains charged to equity	(4,406,462)	2,395,330
Balance End of the Financial Year	**11,318,446**	**15,724,908**

20. EQUITY

20.1. Own funds

Share Capital

The following is selected information about the figures and nature of the share capital:

	Percentage Shareholding
CaixaBank, S.A. (direct shareholding)	100%

SHARE CAPITAL INFORMATION

	31-12-2021	31-12-2020
Number of subscribed and paid-up shares (units) (*)	224,203,300	224,203,300
Par value per share (euros)	6.01	6.01

(*) All the shares are represented by book entries and they are all equal in terms of rights

Reserves

The breakdown of the balances in this heading is as follows:

BREAKDOWN OF RESERVES
(Thousands of euros)

	2021	2020
Reserves attributed to the parent company of the Group		
Legal reserve (*)	269,492	269,492
Voluntary reserve (**)	1,507,325	1,382,933
Other unavailable reserves	5	21
Other Consolidation reserves assigned to the Parent Company	-	-
Reserves in companies consolidated through the full integration method	10,937	11,159
Reserves in companies consolidated for using the equity method	227,876	221,194
TOTAL	**2,015,635**	**1,884,799**

(*) At the end of the 2021 and 2020 financial years, the legal reserve reached the minimum required by the Spanish Capital Companies Law.
(**) Includes the reserve for business combination from Bankia Pensiones amounting to €87,387,000.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

Reserves in Consolidated Companies

The breakdown by entity of the balances of this account on the consolidated balance sheet as of 31 December 2021 and 2020, after considering the effect of consolidation adjustments, is indicated below (thousands of euros):

RESERVES OF FULLY CONSOLIDATED COMPANIES
(Thousands of euros)

Reserves of fully consolidated companies	VidaCaixa Mediación	BPI Vida e Pensoes	TOTAL
Balances as of 31.12.2020	**2,003**	**9,156**	**11,159**
Distribution of the profit from the 2020 financial year	258	3,568	3,826
Interim dividends from 2020 earnings	(2,000)	-	(2,000)
Reclassification to Parent Company	-	-	-
Consolidation adjustments	-	(2,048)	(2,048)
De-registrations for sales and dissolution	-	-	-
Balances as of 31.12.2021	**261**	**10,676**	**10,937**

RESERVES OF THE COMPANY ACCOUNTED FOR USING THE EQUITY METHOD
(Thousands of euros)

Reserves of companies accounted for using the equity method	SegurCaixa Adeslas
Balances as of 31.12.2020	**221,194**
Distribution of the profit from the 2020 financial year	219,740
Interim dividends from 2020 earnings	(213,058)
Supplementary dividend from 2019 earnings	-
Variation of shareholdings	-
Consolidation reserves accounted for using the equity method	-
Balances as of 31.12.2021	**227,876**

20.2. AValue adjustments

The movement of the heading is included in the statement of recognised income and expenses.

21. TAX SITUATION

21.1. Tax consolidation

The tax consolidation group for Corporation Tax includes CaixaBank, S.A., as the parent company, and as subsidiaries those Spanish entities in the business group that meet the requirements demanded for this purpose by the regulations, where the parent company and its subsidiaries with registered offices in Spain are included.

The rest of the companies in the business group file their returns in accordance with the applicable tax regulations.

21.2. Financial years subject to tax

During the 2020 financial year, the verification actions for the 2013 to 2015 financial years of the tax group to which the Parent Company belongs were completed. The certificates signed to express disagreement by the tax group are pending resolution, but no material impact is expected for the Parent Company. As in previous inspections, the disagreement is limited to the accounting treatment by the Parent Company of the intangible assets derived from the acquisition of the company "La Caixa Gestión de Pensiones, E.G.F.P., S.A.U.".

The Parent company has the financial years 2016 and later open for inspection for Corporation Tax; and the financial years 2017 and later for the rest of the main taxes that are applicable to it.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

As of 31 December 2021 and 2020, there were no legal cases in progress that, in the opinion of the Directors of the Parent Company, could have a significant impact on the Group's financial position.

21.3. Reconciliation between the accounting profit and loss and the tax expense

The reconciliation between the accounting profit and loss and the tax expense for the Group is shown below:

RECONCILIATION BETWEEN THE ACCOUNTING PROFIT AND LOSS AND TAX EXPENSE
(Thousands of euros)

	2021	2020
Pre-tax profit/loss	**1,034,552**	**1,111,790**
Increases/decreases for permanent differences		
Accounting amortisation of goodwill	23,398	23,398
Dividends and capital gains without tax (including earn-out)	-	(350,263)
Other increases	13,494	10,948
Other decreases	(4,390)	(1)
Result with taxation		
Tax payable by the CaixaBank Tax Group	(245,332)	(228,985)
Tax payable by BPI Vida	(3,655)	(1,183)
Deductions and allowances	8,033	4,667
Corporation tax payable for the financial year	-	-
Tax adjustments	229	1,644
Tax adjustments expenses recognised in reserve accounts	-	-
Corporation tax CaixaBank Tax Group	**(237,070)**	**(222,674)**
Corporation tax BPI Vida	**(3,655)**	**(1,183)**
PROFIT/LOSS AFTER TAX	**793,827**	**887,933**

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

21.4. Deferred tax assets and liabilities

The following shows the movement of the balance of these headings during the 2021 and 2020 financial years, respectively:

MOVEMENT OF DEFERRED TAX ASSETS - 2021
(Thousands of euros)

	31/12/2020	ADJUSTMENTS	ADDITIONS DUE TO BUSINESS COMBINATIONS	ADDITIONS DUE MOVEMENTS IN THE FINANCIAL YEAR	WITHDRAWALS DUE TO MOVEMENTS IN THE FINANCIAL YEAR	31/12/2021
Deduction for reinvestment earn-out SegurCaixa Adeslas (SCA)	65,839	-	-	-	-	65,839
Deduction for internal double taxation of capital gains on sale of shares	15,449	-	-	-	(113)	15,336
Deduction for double internal taxation of dividends (SCA)	72,387	-	-	-	(429)	71,958
Business combination with Morgan Stanley Gestión, SGIIC, SA	1,120	-	-	-	-	1,120
Business combination with Bankia Pensiones	-	-	814	-	-	814
Amortisation/depreciation of assets (RDL 16/2012)	404	-	-	-	(86)	318
Assets at fair value through changes in equity	11,491	-	-	651,501	(654,675)	8,317
Tax losses pending offsetting	13,949	-	-	-	-	13,949
SAREB losses	5,159	-	-	-	-	5,159
Deduction for R&D (Art. 35 Corporation Tax Law)	1,672	-	-	-	-	1,672
Others	40,888	660	756	5	(29,987)	12,322
Standardisation of technical provisions	11,249	-	-	-	(1,220)	10,029
TOTAL	**239,607**	**660**	**1,570**	**651,506**	**(686,510)**	**206,833**

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

MOVEMENT OF DEFERRED TAX ASSETS - 2020
(Thousands of euros)

	31/12/2019	ADJUSTMENTS	ADDITIONS DUE TO MOVEMENTS IN THE FINANCIAL YEAR	WITHDRAWALS DUE TO MOVEMENTS IN THE FINANCIAL YEAR	31/12/2020
Deduction for reinvestment earn-out SegurCaixa Adeslas (SCA)	65,839	-	-	-	65,839
Deduction for internal double taxation of capital gains on sale of shares	18,580	-	-	(3,131)	15,449
Deduction for double internal taxation of dividends (SCA)	79,066	-	-	(6,679)	72,387
Business combination with Morgan Stanley Gestión, SGIIC, SA	749	-	371	-	1,120
Amortisation/depreciation of assets (RDL 16/2012)	528	-	-	(124)	404
Assets at fair value through changes in equity	8,836	-	2,681	(26)	11,491
Tax losses pending offsetting	13,949	-	-	-	13,949
SAREB losses	4,600	559	-	-	5,159
Deduction for R&D (Art. 35 Corporation Tax Law)	-	1,672	-	-	1,672
Others	10,215	-	35,343	(4,670)	40,888
Standardisation of technical provisions	12,472	-	-	(1,223)	11,249
TOTAL	**214,834**	**2,231**	**38,395**	**(15,853)**	**239,607**

The Group does not have any material deferred tax assets not recognised on the balance sheet.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

MOVEMENT OF DEFERRED TAX LIABILITIES-2021
(Thousands of euros)

	31/12/2020	ADJUSTMENTS	ADDITIONS DUE TO MOVEMENTS IN THE FINANCIAL YEAR		WITHDRAWALS DUE TO MOVEMENTS IN THE FINANCIAL YEAR	31/12/2021
Amortisation of intangible assets	(11,001)	-	(27,645)	-	1,849	(36,797)
Assets at fair value through changes in equity	(22,033)	-	-	(996,869)	1,000,111	(18,791)
Standardisation of technical provisions	(217,246)	-	-	5,487	-	(211,759)
Others	(14,656)	-	-	-	(1,338)	(15,994)
TOTAL	**(264,936)**	**-**	**(27,645)**	**(991,382)**	**1,000,622**	**(283,341)**

MOVEMENT OF DEFERRED TAX LIABILITIES-2020
(Thousands of euros)

	31/12/2019	ADJUSTMENTS	ADDITIONS DUE TO MOVEMENTS IN THE FINANCIAL YEAR	WITHDRAWALS DUE TO MOVEMENTS IN THE FINANCIAL YEAR	31/12/2020
Amortisation of intangible assets	(12,851)	-	-	1,850	(11,001)
Assets at fair value through changes in equity	(19,443)	-	(2,590)	-	(22,033)
Standardisation of technical provisions	(217,678)	-	432	-	(217,246)
Others	(13,314)	-	-	(1,342)	(14,656)
TOTAL	**(263,286)**	**-**	**(2,158)**	**508**	**(264,936)**

Almost all deferred tax assets and liabilities have arisen in Spain, with the contribution from the business in Portugal not being significant. That is why no breakdown by origin is provided.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

22. GUARANTEES AND CONTINGENT COMMITMENTS AWARDED AND GRANTED

The Parent Company has no significant guarantees awarded outside the framework agreement for financial transactions entered into with CaixaBank, S.A. (See Note 12).

As of 31 December 2021 and 2020, the Group has no significant contingent commitments awarded or granted.

23. REVENUE FROM TANGIBLE FIXED ASSETS AND INVESTMENTS

The breakdown of revenue from tangible fixed assets and investments in the profit and loss accounts for the 2021 and 2020 financial years is as follows (thousands of euros):

BREAKDOWN OF REVENUE FROM TANGIBLE FIXED ASSETS AND INVESTMENTS (*)
(Thousands of euros)

	2021			2020		
	NON-LIFE TECHNICAL ACCOUNT	LIFE TECHNICAL ACCOUNT	NON TECHNICAL ACCOUNT	NON-LIFE TECHNICAL ACCOUNT	LIFE TECHNICAL ACCOUNT	NON TECHNICAL NO TÉCNICA
Revenue from property investments	**-**	**-**	**-**	**-**	**-**	**10**
Revenue from financial investments	**-**	**1,730,448**	**13,262**	**-**	**1,556,712**	**11,226**
Yield on equity instruments	-	-	-	-	(4,450)	-
Yield on debt instruments	-	1,730,448	13,262	-	1,560,380	11,226
Other yields	-	-	-	-	782	-
Applications of value corrections for impairment of tangible fixed assets and investments	**-**	**-**	**-**	**-**	**-**	**8**
From tangible fixed assets and property investments	-	-	-	-	-	8
From financial investments	-	-	-	-	-	-
Profits from the disposal of tangible fixed assets and investments	209,498	2,749,481	36,525	219,740	2,298,842	140,073
From tangible fixed assets and property investments	-	-	-	-	-	- -
From financial investments	209,498	2,749,481	36,525	219,740	2,298,842	140,073
TOTAL	**209,498**	**4,479,929**	**49,787**		**219,740**	**3,855,554**

(*) This does not include the revenue derived from the Unit Linked operations that are recorded in the "Revenue from investments subject to insurance in which the policyholder assumes the risk of the investment" chapter of the technical life account of the profit and loss account.
(**) The amount of €209,498,000 in 2021 (€219,740,000 in 2020) recognised in the non-life technical account corresponds to the earnings of entities accounted for using the equity method (Note 14).

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

Below is the average effective interest rate for the different categories of financial assets of debt instruments in the "Revenue from tangible fixed assets and investments - Revenue from financial investments" headings (including, where appropriate, financial swaps).

AVERAGE RETURN ON THE PARENT COMPANY'S ASSETS
(Percentage)

	2021	2020
Cash and equivalent liquid assets		
Financial assets held to trade - Debt securities		
Financial assets at fair value through profit and loss - Debt securities		
Financial assets available for sale - Debt securities	3.19%	2.79%
Loans and receivables		
Valores representativos de deuda	6,13%	-
Depósitos en entidades de crédito	5,14%	5,42%

24. GEXPENSES FROM TANGIBLE FIXED ASSETS AND INVESTMENTS AND LEASES

24.1. Expenses from tangible fixed assets and investments

The breakdown of expenses from fixed assets and investments in the profit and loss accounts for the 2021 and 2020 financial years is as follows (thousands of euros):

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

BREAKDOWN OF EXPENSES FROM TANGIBLE FIXED ASSETS AND INVESTMENTS (*)
(Thousands of euros)

	2021			2020		
	NON-LIFE TECHNICAL ACCOUNT	LIFE TECHNICAL ACCOUNT	NON TECHNICAL ACCOUNT	NON-LIFE TECHNICAL ACCOUNT	LIFE TECHNICAL ACCOUNT	NON TECHNICAL
Management expenses from tangible fixed assets and investments	**86**	**160,848**	**1,187**	**3**	**354,150**	**1,032**
Expenses from tangible fixed assets and property investments	-	-	-	-	-	-
Expenses from investments and financial accounts	86	160,848	1,187	3	354,150	1,032
Value corrections for tangible fixed assets and investments	**-**	**420**	**-**	**-**	**335**	**-**
Depreciation of tangible fixed assets and property investments	-	420	-	-	335	-
Impairment of tangible fixed assets and property investments	-	-	-	-	-	-
Impairment of financial investments	-	-	-	-	-	-
Losses from the disposal of tangible fixed assets and investments	**1**	**1,176,931**	**28,494**	**-**	**1,512,890**	**370**
From tangible fixed assets and property investments	1	-	213	-	-	5
From financial investments	-	1,176,931	28,281	-	1,512,890	365
TOTAL	**87**	**1,338,199**	**29,681**	**3**	**1,867,375**	**1,402**

(*) This does not include the expenses derived from the Unit Linked operations that are recorded in the "Expenses from investments subject to insurance in which the policyholder assumes the risk of the investment" heading of the technical life account of the profit and loss account.

24.2. Leases

The Group as lessor

At the close of the 2021 and 2020 financial years, the main lease agreement that the Group had entered into in the role of lessor was as follows:

- Lease of various parking spaces situated in the underground floors of Edificio Torre Sur located in calle Juan Gris 2-8 in Barcelona. During the 2021 financial year, no revenues have been recorded for this concept, while in the 2020 financial year these amounted to €10,000.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

The Group as lessee

At the close of the 2021 and 2020 financial years, the main lease agreements that the Parent Company had entered into in its role as lessee were as follows:

- Lease of the 1st floor of the office located in Paseo de la Castellana 51 in Madrid. As of August 2019, the Parent Company entered into a new lease agreement for that floor. The amounts paid for rent during the 2021 and 2020 financial years for these offices amounted to €508,000 and €543,000, respectively.

Additionally, in BPI Vida, at the close of the 2021 and 2020 financial years, the Group has entered into the following operating lease agreement as lessee:

- BPI Vida is primarily a lessee of the offices located in Rua Braamcamp, 11- 6ª planta in Lisbon. This lease is perpetual. The amounts paid for rent during the 2021 and 2020 financial years amounted to €295,000 and €225,000, respectively.

As of 31 December 2021 and 2020, the Parent Company had committed with lessors to the following minimum lease payments, in accordance with the current contracts in force, without taking into account the impact of common expenses, future increases through CPI or future increases in rents contractually agreed:

OPERATING LEASES
(Thousands of euros)

OPERATING LEASES Minimum Payments	2021	2020
Less than 1 year	202	65
Between 1 and 5 years	1,009	2,749
More than 5 years	-	-
TOTAL	**1,211**	**2,814**

The amount of the operating lease and sublease payments recognised as expenses and income respectively during the 2021 and 2020 financial years is as follows:

OPERATING LEASE AND SUBLEASE PAYMENTS
(Thousands of euros)

	2021	2020
Lease payments	572	797
(Sublease payments)	-	-
TOTAL	**572**	**797**

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

25. STAFF COSTS

The breakdown of staff costs included in the different headings of the accompanying profit and loss accounts, classified according to their nature-purpose, is as follows:

STAFF COSTS
(Thousands of euros)

	2021				2020			
	NON-LIFE TECHNICAL ACCOUNT	LIFE TECHNICAL ACCOUNT	NON-TECHNICAL ACCOUNT	TOTAL	NON-LIFE TECHNICAL ACCOUNT	LIFE TECHNICAL ACCOUNT	NON-TECHNICAL ACCOUNT	TOTAL
Wages and salaries	268	30,504	10,128	**40,900**	450	29,649	8,531	**38,630**
Compensation	-	-	1,235	**1,235**	4	263	83	**350**
Social Security	68	6,584	2,277	**8,929**	102	6,581	1,948	**8,631**
Contributions to pension plans	14	204	489	**707**	20	207	379	**606**
Life insurance premiums paid	-	1,090	-	**1,090**	-	1,017	-	**1,017**
Other staff costs	37	3,526	1,139	**4,702**	59	3,559	1,110	**4,728**
TOTAL	**387**	**41,908**	**15,268**	**57,563**	**635**	**41,276**	**12,051**	**53,962**
Of which:	**387**	**41,908**	**15,268**	**57,563**	**635**	**41,276**	**12,051**	**53,962**
Allocated to benefits	45	3,892	-	**3,937**	153	3,902	-	**4,055**
Of acquisition	129	11,576	-	**11,705**	142	10,828	-	**10,970**
Of administration	51	10,186	37	**10,274**	129	9,724	32	**9,885**
Allocated to investments	19	2,811	-	**2,830**	2	3,159	-	**3,161**
Other technical expenses	143	13,443	-	**13,586**	209	13,663	-	**13,872**
Non-technical expenses	-	-	15,231	**15,231**	-	-	12,019	**12,019**

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

The following is the composition of the workforce, on average, by professional category and gender:

AVERAGE WORKFORCE
(Number of employees)

	2021			2020		
	MEN	WOMEN	OF WHICH: WITH DISABILITY ≥ 33%	MEN	WOMEN	OF WHICH: WITH DISABILITY ≥ 33%
Managers	13	12	-		14	8 -
Middle management	43	34	-		45	36 -
Agents	251	310	1		239	306 1
TOTAL	**307**	**356**	**1**	**298**	**350**	**1**

26. INFORMATION ON FAIR VALUE

26.1. Fair value of financial assets and liabilities

All financial instruments are classified into one of the following levels based on the methodology used to obtain their fair value:

- Level 1: the price that would be paid for them in an organised, transparent and deep market ("the listing price" or "market price") is used. This level generally includes debt securities with a liquid market, listed capital instruments and derivatives traded on organised markets, as well as the investment funds.
- Level 2: valuation techniques in which the assumptions considered correspond to directly or indirectly observable market data or prices quoted in active markets are used.

With respect to those instruments classified as Level 2 for which there is no market price, their fair value is estimated using recently quoted prices for similar instruments and sufficiently tested valuation models accepted by the international financial community, considering the specific features of the instrument to be valued and, especially, the different types of risk associated with it.

- Level 3: valuation techniques in which some of the significant assumptions are not supported by data directly observable in the market are used.

To obtain the fair value of the rest of the financial instruments classified in Level 3, for whose valuation there are no directly observable data in the market, alternative techniques are used. These include requesting prices from the promoter or the use of market parameters corresponding to instruments with a risk profile that is easily comparable to the instrument being valued, adjusted with the aim of including the different intrinsic risks.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

With regard to unlisted capital instruments, classified in Level 3, their acquisition cost minus any impairment obtained based on available information is considered to be the best estimate of their fair value.

Set out below is the fair value of the financial instruments recorded on the balance sheet together with their breakdown by level and the associated book value:registrados en balance junto con su desglose por niveles y el valor en libros asociado:

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES ALLOCATED TO THE INSURANCE BUSINESS
(Thousands of euros)

	31-12-2021				31-12-2020			
	FAIR VALUE				FAIR VALUE			
	TOTAL	LEVEL 1	LEVEL 2*	LEVEL 3	TOTAL	LEVEL1	LEVEL 2*	LEVEL 3
Other financial assets at fair value through profit and loss	**18,401,600**	**18,293,651**	**35,937**	**72,012**	**14,452,038**	**14,231,078**	**135,966**	**84,994**
Equity instruments	6,460,381	6,460,381	-	-	4,633,048	4,629,355	-	3,693
Debt securities	282,782	282,741	41	-	936,460	936,414	46	-
Investments by life policyholders who assume the risk of the investment	11,626,299	11,519,417	34,870	72,012	8,878,815	8,665,309	132,205	81,301
Other	32,138	31,112	1,026	-	3,715	-	3,715	-
Financial assets available for sale	**58,232,950**	**63,962,050**	**(5,774,361)**	**45,261**	**61,707,144**	**65,616,267**	**(3,957,552)**	**48,429**
Equity instruments	2,181	1,071	1,110	-	1,865	929	936	-
Debt securities	58,230,769	63,960,979	(5,775,471)	45,261	61,705,279	65,615,338	(3,958,488)	48,429
FINANCIAL LIABILITIES								
Other financial liabilities at fair value through profit and loss	**20,161**	**20,161**	**-**	**-**	**905**	**905**	**-**	**-**

(*) Corresponds, mainly, to the valuation of financial swaps of certain and/or predetermined flows, associated with fixed income securities that the Company jointly accounts for.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

The main valuation methods, assumptions and inputs used in estimating the fair value for levels 2 and 3 according to the type of financial instrument in question are presented below

TYPE OF INSTRUMENT		VALUATION TECHNIQUES	OBSERVABLE INPUTS	NON-OBSERVABLE INPUTS
Derivatives	Swaps	• Present Value Method	• Interest rate curves	
	Exchange rate options	• Black & Scholes model	• Interest rate curves • Price of quoted options • Implied volatility surface	
	Interest rate options	• Black Normal model	• Interest rate curves • Price of quoted options • Implied volatility surface	
	Stock and index options	• Black-Scholes model	• Price of quoted options • Correlations • Dividends. • Implied volatility surface	
	Inflation rate options	• Black Normal model	• Interest rate curves • Inflation curves • Implied volatility surface	
Debt securities		• Present Value Method	• Interest rate curves • Risk premiums • Market comparables • Observable market prices	• Risk premiums
Loans and receivables		• Present Value Method	• Interest rate curves	
Equity and Investment Funds		• Underlying book value	• Observable market prices	
Private equity		• N.A.	• Manager Prices	

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

Movements between levels

During the 2021 and 2020 financial years there have been no significant transfers between levels for instruments recorded at fair value.

Significant inputs used for financial instruments valued at fair value classified in Level 2

- Dividends: future dividends on equity on stock and index options are derived from estimated future dividends and prices of dividend futures.
- Correlations: these are used as input in the valuation of options on baskets of shares and are extracted from the historical closing prices of the different components of each basket.

Movement and transfers of financial instruments in Level 3

During the years 2021 and 2020 financial years there have been no significant movements or transfers between the instruments recorded at fair value in Level 3.

26.2. Fair value of property assets

Below is a breakdown of the land and buildings owned by the Group, all of which are assigned to the Life segment (Note 15):

<table>
<tr><th>LOCATION</th><th>CLASSIFICATION</th><th>GROSS BOOK VALUE</th><th>CUMULATIVE AMORTISATION /DEPRECIATION</th><th>IMPAIRMENT FUND</th><th>LAST VALUATION DATE</th><th>VALUATION COMPANY</th><th>VALUATION (*)</th><th>CAPITAL GAIN</th></tr>
<tr><td>Sainz de Baranda 57 piso 7 28009 Madrid</td><td>Property investment</td><td>489</td><td>(43)</td><td>(13)</td><td>19/10/20</td><td>Gesvalt</td><td>436</td><td>3</td></tr>
<tr><td>Parcela 318-03, Teguise (Las Palmas)</td><td>Property investment</td><td rowspan="2">313</td><td>-</td><td>-</td><td>5/10/20</td><td>Euroval</td><td>976</td><td rowspan="2">1,639</td></tr>
<tr><td>Parcela 318-04, Teguise (Las Palmas)</td><td>Property investment</td><td>-</td><td>-</td><td>5/10/20</td><td>Euroval</td><td>976</td></tr>
<tr><td>Juan Gris 2-8 CP 08014 Barcelona</td><td>Tangible fixed assets</td><td>17,839</td><td>(3,119)</td><td>-</td><td>5/10/20</td><td>TINSA</td><td>18,116</td><td>3,394</td></tr>
<tr><td>Avda Blasco Ibañez-8 (Valencia)</td><td>Property investment</td><td>168</td><td>(129)</td><td>-</td><td>Not Available</td><td>Not Available</td><td>-</td><td>-</td></tr>
</table>

(*) Valuation provided by the valuation companies authorised for the valuation of properties in the mortgage market in accordance with that established in Order ECC/371/2013, of 4 March, amending Order ECO/ 805/2003, of 27 March, on property valuation rules and certain rights for certain financial purposes. For the property associated with the merger with Bankia Pensiones, the valuation will take place during the 2022 financial year.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

27. RELATED PARTY TRANSACTIONS

The Board of Directors of the Parent Company is the body that has the authority and responsibility to plan, direct and control the activities of the Company, directly or indirectly. Due to their positions, each of the people who make up this body is considered a "related party".

The most significant balances between the VidaCaixa Group and its related parties are broken down below. These supplement the rest of the balances in this report.

	SIGNIFICANT CAIXABANK SHAREHOLDERS (1)		SOLE SHAREHOLDER AND COMPANIES GRUPO (2)		DIRECTORS AND SENIOR MANAGEMENT (3)		OTHER RELATED PARTIES (4)	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020	31-12-2021	31-12-2020	31-12-2021	31-12-2020
ASSETS								
Cash and banks	-	-	469,503	632,926	-	-	-	-
Equity instruments								
Financial investments in capital	-	-	895,398	895,256	-	-	-	-
Deposits and repos in credit institutions	-	-	202,612	175,265	-	-	-	-
Other receivables with group companies and associates	-	-	-	130,259	-	-	-	-
TOTAL	**-**	**-**	**1,567,513**	**1,833,706**	**-**	**-**	**-**	**-**
LIABILITIES								
Debt securities	-	-	5,704,946	4,887,736	-	-	-	-
Insurance policies	62,458	55,164	2,750,254	2,689,837	4,404	4,238	2,205	2,458
Hedge derivatives			7,667	12,090	-	-	-	-
Insurance operations			21,724	14,447	-	-	-	-

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

RELATED-PARTY TRANSACTIONS
(Thousands of euros)

	SIGNIFICANT CAIXABANK SHAREHOLDERS (1)		SOLE SHAREHOLDER AND COMPANIES GRUPO (2)		DIRECTORS AND SENIOR MANAGEMENT (3)		OTHER RELATED PARTIES (4)	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020	31-12-2021	31-12-2020	31-12-2021	31-12-2020
Group receivables and payables	-	-	207,422	255,952	-	-	-	-
Corporation tax	-	-	204,732	249,089	-	-	-	-
TOTAL	**62,458**	**55,164**	**8,896,745**	**8,109,151**	**4,404**	**4,238**	**2,205**	**2,458**
PROFIT AND LOSS								
Income from sales made	-	-	289,920	365	-	-	-	-
Expenses from sales made	-	-	(354,445)	(2)	-	-	-	-
Operating expenses			(5,065)	(28,776)	-	-	-	-
Financial income/expenses	-	-	(638,553)	11,898	-	-	-	-
Dividends and other profits	-	-	-	215,059	-	-	-	-
Reinsurance income	-	-	11,331	13,176	-	-	-	-
Reinsurance expenses	-	-	(13,244)	(13,910)	-	-	-	-
Other Expenses	(3,649)	(2,443)	(489,932)	(416,175)	(145)	(99)	(92)	(161)
Other Income	9,352	1,071	1,588,359	280,679	994	490	236	79
TOTAL	**5,703**	**(1,372)**	**388,371**	**62,314**	**849**	**391**	**144**	**(82)**
OTHERS								
Guarantees and collateral received	-	-	(2,488,325)	(3,011,141)	-	-	-	-
TOTAL	**-**	**-**	**(2,488,325)**	**(3,011,141)**	**-**	**-**	**-**	**-**

(1) Corresponds to the amounts with the significant Shareholders: BFA, Frob, FBLC, Criteria
(2) Corresponds to the amounts with CaixaBank and its subsidiaries and with associates and their subsidiaries
(3) Corresponds to the amounts with the Senior Management of the CaixaBank Group and directors of Vidacaixa
(4) Corresponds to the amounts with relatives and companies related to the Senior Management of the Caixabank Group

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

Transactions between group companies form part of the ordinary business and are carried out under market conditions.

As of 31 December 2021, the contracts held with the Sole Shareholder are as follows:

- Framework agreement for the provision of services.
- Agency contract for the distribution of insurance.
- Marketing contract for benefit plans.
- Marketing contract for pension plans.
- Framework agreement for financial operations in which the agreement for assignments as guarantees is drawn up.
- Securities loan contract.
- Global Repurchase Framework Agreement.

Similarly, within the Company's usual operations, as of 31 December 2021, it holds various insurance policies whose policyholder is CaixaBank, S.A.

In addition, BPI Vida e Pensões has an agency contract with Banco BPI, S.A. for the marketing of its products.

Finally, the Company also has insurance agency contracts linked to CaixaBank Payments & Consumer, E.F.C., E.P., S.A.U. (a subsidiary of the CaixaBank Group), among others with third parties.

28. OTHER INFORMATION REQUIREMENTS

28.1. Environment

There is no significant environmental risk due to the Group's activity and, therefore, it is not necessary to include any specific breakdown in the environmental information document (Spanish Ministry of Justice Order JUS/471/2017). Additionally, there are no significant amounts in the Group's tangible fixed assets affected by any environmental aspect.

The Group integrates the commitment to respect and protect the environment into the management of the business, its projects, products and services (see the corresponding section in the attached Management Report).

In 2021, the Group has not been subject to any material fines or sanctions related to compliance with environmental regulations.

28.2. Customer service

The Group is affiliated with the CaixaBank, S.A. customer service, which provides services to the Companies in the CaixaBank Group.

The Customer Service Department is in charge of dealing with and resolving customer complaints and claims. It is a separate service from sales and acts independently in terms of being aware of and following the criteria of the customer protection regulations.

In the event that the claimant does not obtain a satisfactory resolution or a period of two months passes without them obtaining a response, they can contact the Complaints Services of the supervisory bodies. Decisions are not binding and the Company being complained about must decide whether to rectify the issue.

The following are also functions of the customer service team: preparing submissions to send to the complaints services of the supervisory bodies; decisions about any raids by these bodies and the way in which the supervisors' reports are complied with (rectifications); the implementation of judgements; the detection of legal and operational risks based on complaints and improvement proposals to mitigate the risks detected; control of the proper functioning of the complaints system and the reporting of information on the management of complaints to the management bodies of the Parent Company and the supervisory authorities.

The customer service team, known internally as the SAC, is complemented by the Customer Contact Center (CCC) team, reporting to CaixaBank's General Business Department. Among its functions are dealing with requests for information, managing complaints received by phone and written complaints related to aspects of quality of service and aspects of a reputational nature from the corporate point of view. They are also in charge of offering support to the regions so that they can prevent and resolve situations that give rise to disputes with customers, share the reasons for complaints with other departments and

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

subsidiaries in order to detect processes to be corrected and help implement improvements that result in a reduction of potential customer complaints.

The information regarding the Customer Service and Ombudsman for Unitholders of the Group for the financial year 2021 is presented below:

Subject of the claims	Ombudsman for Unitholders and Associates	Customer Service (CS)	Total
Passive Operations	-	-	-
Active Operations	-	-	-
Collection and Payment Services	-	-	-
Insurance and Pension Funds	111	1,062	1,173
Pending processing	6	63	69
Admitted	68	810	878
Not admitted	37	189	226
Total for 2021	**111**	**1,062**	**1,173**

The number of reports and decisions issued by customer services and the supervisors' complaints services are as follows:

Type of resolution	Ombudsman for Unitholders and Associates	Customer Service (CS)	Total
Inadmissible	49	209	258
Upheld	1	339	340
Rejected	29	358	387
Partially in favour of the customer	2	86	88
Agreement/Negotiation	-	1	1
Acceptance by the entity	24	-	24
Withdrawn by the customer	-	6	6
Pending resolution	6	63	69
Total for 2021	**111**	**1,062**	**1,173**

The decision criteria used by the Service are mainly extracted from the decisions in the judgements issued by the Spanish General Directorate of Insurance and Pension Funds in similar cases. In the cases where this reference does not exist, the response is issued with the advice of the Parent Company's Legal Department on the basis of the specific circumstances leading to the claim.

28.3. Fees for the external auditor

The fees and expenses paid to the auditor, excluding the corresponding VAT, are set out below:

FEES FOR THE EXTERNAL AUDITOR (*)
(Thousands of euros)

	2021	2020
Audit (PwC)	**644**	**401**
Audits	562	329
Limited review	82	72
Other audit-related fees	**276**	**231**
Information on the financial position and solvency of VidaCaixa	240	198
Other reports on procedures agreed with VidaCiaxa and sub-group	36	33
TOTAL	**920**	**632**

(*) The services purchased from our auditors comply with the independence requirements set out in the Audit Law and under no circumstances do they include the performance of tasks incompatible with the audit function.

ANNUAL REPORT FOR THE 2021 FINANCIAL YEAR

28.4. Information on the average time taken to pay suppliers

Below is a breakdown of the information required in relation to payments made and pending payment on the closing date of the balance sheet:

PAYMENTS MADE AND OUTSTANDING ON THE CLOSING DATE OF THE BALANCE SHEET (Thousands of euros)

	2021
Total payments made	108,554
Total payments pending	883
TOTAL PAYMENTS FOR THE FINANCIAL YEAR	**109,437**

AVERAGE PAYMENT TIME AND RATIOS FOR SUPPLIERS (Days)

	2021
Average term for payment to suppliers	29.44
Figure for transactions paid	29.47
Figure for transactions pending payment	36.52

In accordance with the second transitional provision of Spanish Law 15/2010, the maximum legal term is generally 30 days but this can be extended to a period of no more than 60 days by agreement between the parties.

28.5. Internal structure and distribution systems

The Parent Company administers and manages its stake in the share capital of other companies through the corresponding organisation of human and material resources. When the stake in the capital of these companies so allows, the Parent Company exercises management and control over them by belonging to their corporate management bodies or by providing management and administration services to these companies.

In relation to the brokerage channels, the Group markets its products mainly through the CaixaBank distribution network, as well as through other companies in the CaixaBank Group (see Note 27). In addition, the Parent Company has an agency agreement in free provision of services with BMW Bank GmbH Sucursal en España, as well as contracts consisting of the provision of services for the distribution of insurance products of other insurance companies, under their responsibility, through its CaixaBank distribution network. The marketing of products is also carried out through the insurance brokerage activity of insurance brokers and other related insurance agents.

The brokerage channels for the products marketed by BPI Vida are through the distribution network of credit institution Banco BPI, S.A.

The Parent company, through VidaCaixa Mediación, also has contracts consisting of the provision of services for the distribution of insurance products from other insurance companies, under their responsibility, through its distribution network.

APPENDIX

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE FINANCIAL YEAR ENDING 31 DECEMBER 2021

APPENDIX 1 – HOLDINGS IN SUBSIDIARIES, ASSOCIATES AND ASSETS HELD FOR SALE, OF VIDACAIXA

List of subsidiaries, associates and assets held for sale as of 31.12.2021 (thousands of euros):

HOLDINGS IN GROUP AND MULTIGROUP COMPANIES AND ASSETS HELD FOR SALE
(Thousands of euros)

			% Holding		Summarised financial information		
Company name	**Address**	**Activity**	**Direct**	**Indirect**	**Equity**	**Earnings**	**Book Value**
GROUP COMPANIES:							
VIDACAIXA MEDIACION, SOCIEDAD DE AGENCIA DE SEGUROS VINCULADOS	P.º Recoletos 37, 3ª.Madrid	Private insurance agent as related insurance agency company	100.00%	-	3,757	219	3.277
BPI VIDA Y PENSIONES	Rua Braamcamp, 11- 6º 1250-049 LISBOA	Insurance company	100.00%	-	155,313	9,924	135.,104
GEROCAIXA PYME EPSV DE EMPLEO	Gran Vía López de Haro, 38. Bilbao	Occupational Voluntary Retirement Savings Provider	100.00%	-	42,096	3,420	90
GEROCAIXA EPSV INDIVIDUAL	Gran Vía López de Haro, 38. Bilbao	Individual Voluntary Retirement Savings Provider	100.00%	-	824,094	70,225	850
GEROCAIXA PRIVADA PENSIONES EPSV ASOCIADA	Gran Vía López de Haro, 38. Bilbao	Association Voluntary Retirement Savings Provider	100.00%	-	11,402	50	50
CAIXABANK	Pintor Sorolla, 2-4, Valencia	Banking	0.00%	-	35,425,124	5,225,624	5

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE FINANCIAL YEAR ENDING 31 DECEMBER 2021

APPENDIX 2 – HOLDINGS IN ASSOCIATES OF VIDACAIXA

HOLDINGS IN ASSOCIATES
(Thousands of euros)

			% Holding		Summarised financial information		
Company name	**Address**	**Activity**	**Direct**	**Indirect**	**Equity**	**Earnings**	**Book Value**
ASSOCIATED COMPANIES:							
SEGURCAIXA ADESLAS	Paseo de la Castellana 259-C de Madrid	Insurance company	49.92%	-	1,604,311	421,392	1,193,321

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE FINANCIAL YEAR ENDING 31 DECEMBER 2021

APPENDIX 3: MOVEMENT OF INTANGIBLE FIXED ASSETS FOR THE 2021 FINANCIAL YEAR

(Thousands of euros)

	Thousands of euros												
	Goodwill			Other intangible fixed assets									
	Consolidated goodwill	Merger goodwill	Economic rights derived from the portfolio of policies acquired from brokers	Consolidated intangible assets	Merger intangible assets	Brand	Customer portfolio	Concessions	Computer software	Pension fund expenses	Expen-ses from marketing other non-life insurance policies	Other expen-ses from the acquisition of pension funds and life insurance contracts	Total intangible fixed assets
Cost at 31 December 2020	**-**	**583,577**	**-**	**15,306**	**216,560**	**-**	**-**	**1,220**	**80,759**	**-**	**278,048**	**679**	**1,176,149**
Cumulative amortisation at 31 December 2019	**-**	**-**	**-**	**(8,322)**	**(185,553)**	**-**	**-**	**(255)**	**(16,169)**	**-**	**(278,048)**	**(679)**	**(489,026)**
Net book value at 31 December 2020	**-**	**583,577**	**-**	**6,984**	**31,007**	**-**	**-**	**965**	**64,590**	**-**	**-**	**-**	**687,123**
Additions	-	-	-	-	-	-	-	-	28,485	-	-	-	28,485
Withdrawals	-	-	-	-	-	-	-	-	(86)	-	-	-	(86)
Reclassifications and transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortisation for the financial year	-	-	-	(2,822)	80,101	-	-	(25)	(8,655)	-	-	-	68,599
Changes in the consolidation method (amortisation)	-	-	-	-	-	-	-	-	-	-	-	-	-
Withdrawals in amortisation	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment losses/applications	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost at 31 December 2021	**-**	**583,577**	**-**	**15,306**	**216,560**	**-**	**-**	**1,220**	**109,158**	**-**	**278,048**	**679**	**1,204,548**
Cumulative amortisation at 31 December 2021	**-**	**-**	**-**	**(11,144)**	**(105,452)**	**-**	**-**	**(280)**	**(24,824)**	**-**	**(278,048)**	**(679)**	**(420,427)**
Net book value at 31 December 2021	**-**	**583,577**	**-**	**4,162**	**111,108**	**-**	**-**	**940**	**84,334**	**-**	**-**	**-**	**784,121**

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE FINANCIAL YEAR ENDING 31 DECEMBER 2021

APPENDIX 4: MOVEMENT OF INTANGIBLE FIXED ASSETS FOR THE 2020 FINANCIAL YEAR

(Thousands of euros)

	Thousands of euros												
	Goodwill			Other intangible fixed assets									
	Consolidated goodwill	Merger goodwill	Economic rights derived from the portfolio of policies acquired from brokers	Consolidated intangible assets	Merger intangible assets	Brand	Customer portfolio	Concessions	Computer software	Pension fund expenses	Expen-ses from marketing other non-life insurance policies	Other expen-ses from the acquisition of pension funds and life insurance contracts	Total intangible fixed assets
Cost at 31 December 2019	**-**	**583,577**	**-**	**15.,306**	**216,560**	**-**	**-**	**1,220**	**57,862**	**-**	**346,799**	**4,064**	**1,225,388**
Cumulative amortisation at 31 December 2019	**-**	**-**	**-**	**(5,500)**	**(173,206)**	**-**	**-**	**(231)**	**(8,758)**	**-**	**(278,048)**	**(679)**	**(466,422)**
Net book value at 31 December 2019	**-**	**583,577**	**-**	**9,806**	**43,354**	**-**	**-**	**989**	**49,104**	**-**	**68,751**	**3,385**	**758,966**
Additions	-	-	-	-	-	-	-	-	22,913	-	-	-	22,913
Withdrawals	-	-	-	-	-	-	-	-	(16)	-	-	-	(16)
Reclassifications and transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortisation for the financial year	-	-	-	(2,822)	(12,347)	-	-	(24)	(7,411)	-	-	-	(22,604)
Changes in the consolidation method (amortisation)	-	-	-	-	-	-	-	-	-	-	-	-	-
Withdrawals in amortisation	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-	-	(68,751)	(3,385)	(72,136)
Impairment losses/applications	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost at 31 December 2020	**-**	**583,577**	**-**	**15,306**	**216,560**	**-**	**-**	**1,220**	**80,759**	**-**	**278,048**	**679**	**1,176,149**
Cumulative amortisation at 31 December 2020	**-**	**-**	**-**	**(8,322)**	**(185,553)**	**-**	**-**	**(255)**	**(16,169)**	**-**	**(278,048)**	**(679)**	**(489,026)**
Net book value at 31 December 2020	**-**	**583,577**	**-**	**6,984**	**31,007**	**-**	**-**	**965**	**64,590**	**-**	**-**	**-**	**687,123**

APPENDIX

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS CORRESPONDING TO THE FINANCIAL YEAR ENDING 31 DECEMBER 2021

APPENDIX 5 – DEPRECIABLE ASSETS INCORPORATED INTO VIDACAIXA'S BALANCE SHEET BASED ON THEIR YEAR OF ACQUISITION

DEPRECIABLE ASSETS FROM BANKIA PENSIONES
(Thousands of euros)

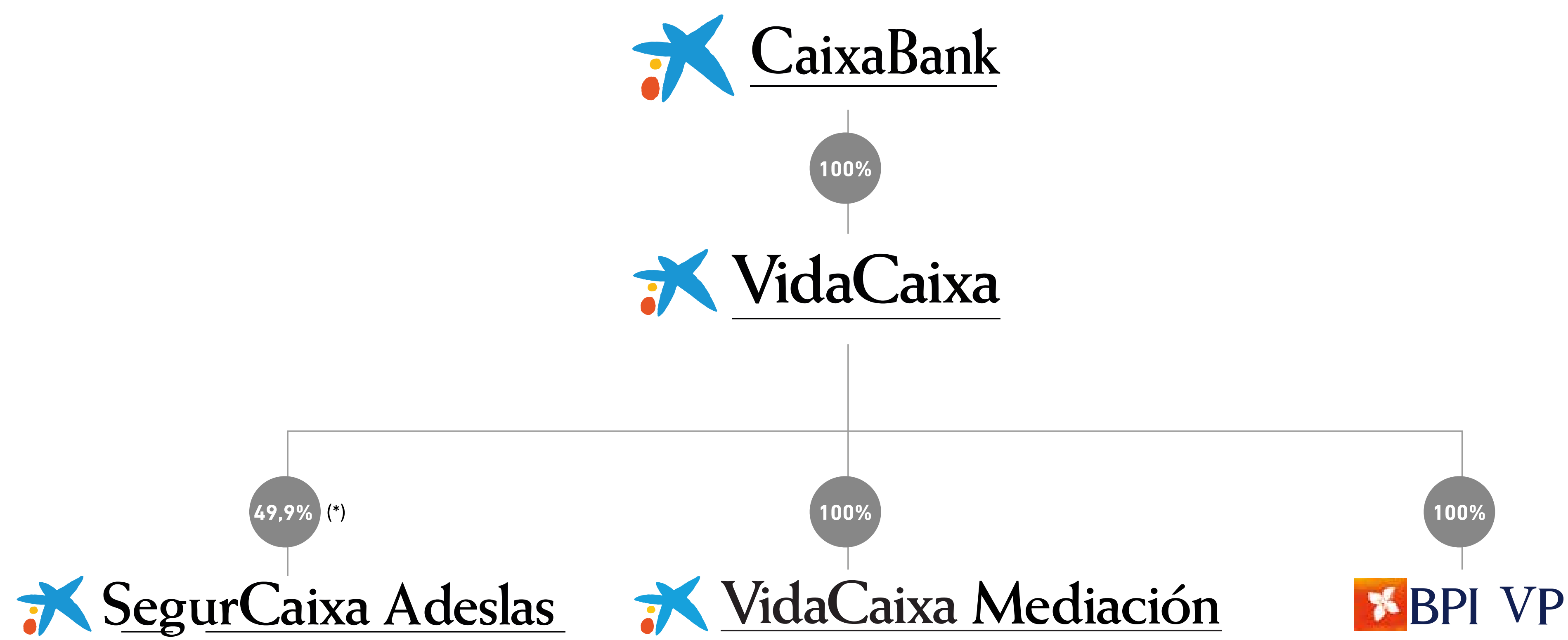
ACQUISITION YEAR	ACQUISITION COST	CUMULATIVE DEPRECIATION	ADJUSTMENTS TO FAIR VALUE	NET BOOK VALUE
2013 (Bankia Offices)	168	127	-	41
TOTAL	**168**	**127**	**-**	**41**

These are offices located at Avenida Blasco Ibañez, 8 (Valencia) that were incorporated into Bankia Pensiones as a result of a partial spin-off operation registered on 31 December 2013

MANAGEMENT REPORT FOR THE 2021 FINANCIAL YEAR

VidaCaixa, belonging to the "CaixaBank" Insurance Group, is the company that handles the life insurance business and manages pension funds for private customers, SMEs and the self-employed, and large companies and groups.

As of 31 December 2021, the Group has the following structure:



(*) There is 0.08% held by minority shareholders

MANAGEMENT REPORT FOR THE 2021 FINANCIAL YEAR

In the 2021 financial year, the VidaCaixa Group earned a consolidated profit of €794 million, due to the excellent performance of all the businesses in which it operates.

Premiums and contributions sold registered an increase of 17.5%, standing at €11,294 million. The great strength of the business based on portfolio management is what has allowed us to maintain the net profit.

ACTIVITY: PREMIUMS, CONTRIBUTIONS AND MANAGED FUNDS

Total VidaCaixa Group

	Millions of euros	4Q 2020	4Q 2021	Variance
Premiums and Contributions	Life-Risk and Accidents	1,070	1,076	0.5%
	Risk (Individual + Company) Sub-total	1,070	1,076	0.5%
	Life-Savings Insurance	6,604	8,433	27.7%
	Pension Plans	1,935	1,785	-7.7%
	Savings (Individual + Company) Sub-total	8,539	10,218	19.7%
	Total Risk and Savings (Individual + Company)	**9,609**	**11,294**	**17.5%**
Managed Funds	Life Insurance	61,164	66,371	8.5%
	Pension Plans and EPSV	35,303	47,639	34.9%
	Total Customer Funds Managed (Individual + Company)	**96,467**	**114,009**	**18.2%**
	Consolidated Net Profit/(Loss) of the VidaCaixa Group	**888**	**794**	**-10.6%**

MANAGEMENT REPORT FOR THE 2021 FINANCIAL YEAR

In 2021, the Group managed a volume of resources totalling €114,009 million, a figure that has grown by 18.2% compared to the previous year which was affected by the commercial stagnation seen in the hardest months of the pandemic. Of this figure, €47,639 million corresponds to pension plans and EPSV, with a 34.9% increase.

The rest, €66,371 million, corresponds to life insurance policies, with an 8.5% increase compared to the same period in the previous year.

We can also highlight the business contributed in 2021 by the merger of VidaCaixa with Bankia Pensiones. The resources contributed in that merger by Bankia Pensiones stood at €8,500 million.

In total, the insurance group has more than 5.7 million customers in Spain and Portugal who are mainly individuals, in addition to a large part of the business sector that includes both large companies and collectives as well as SMEs and self-employed customers. VidaCaixa continues to be a leader in the insurance sector in Spain with a total market share of premiums of 13.78%.

In Portugal, BPI Vida is the third largest entity in pension plans and life insurance, with a market share of 14.1% and 12.8%, respectively.

Moreover, the Vidacaixa Group had a workforce of 690 employees at the end of the financial year.

The Group complies with the Order of the Ministry of Justice dated 8 October 2001 regarding environmental information, and the directors have made a declaration that there is no item that should be included in the document apart from environmental information. In parallel, as part of its Corporate Responsibility strategy, the Parent Company carries out various projects in the field of reducing waste generated and energy consumption. In line with the environmental commitment, the Parent Company forms part of "Climate Action 100+", an initiative promoted by the PRI that seeks to halt climate change and promote the transition to clean energy.

For more than 15 years, the Group has incorporated environmental, social and governance (ESG) factors into its investment decisions to better manage the risks and generate long-term sustainable returns. Currently, 100% of assets are analysed under these criteria to guarantee the sustainability of the assets it manages.

In addition to supervising all its investments using this perspective in real time, as a pension fund manager, the Parent Company seeks to positively influence the companies in which it invests, engaging with them and undertaking collective actions to promote the fight against climate change and encourage greater transparency and an improvement in terms of equality in them, thereby enhancing its commitment to sustainable development. VidaCaixa has voted in more than 494 General Shareholders' Meetings throughout the year, positioning itself in favour of implementing improvements in the management and disclosure of ESG aspects. The Company's increasingly active management through responsible investment has led to excellent results.

100% of the assets managed by the Parent Company include sustainability risks in that environmental, social and governance criteria are taken into account when making investment decisions. The objective is to align the investment strategy with the corporate values and those of our customers, improve risk management and contribute over the long term to greater economic and social progress. Going one step beyond the integration of these risks, 47% of the assets in pension plans, EPSV and Unit Linked managed by VidaCaixa promote environmental and/or social aspects (art. 8) or have specific sustainability objectives (art. 9).

These products promoting sustainability and including targets for it are considered "sustainable" products according to the Regulation on Sustainability-related disclosure in the financial services sector (SFDR). In other words, they are classified at the most demanding level of the Regulation in terms of transparency.

Note 3 of the attached Report details the Group's Risk Management and includes the Catalogue of Risks that affect it, as well as the Internal Control systems implemented.

In relation to non-financial information and diversity, it has taken into account Spanish Law 11/2018, of 28 December, amending the Commercial Code, the consolidated text of the Capital Companies Law approved by Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on Auditing of Accounts. Making use of the dispensation included in the regulations mentioned above,

MANAGEMENT REPORT FOR THE 2021 FINANCIAL YEAR

the Group presents the non-financial information corresponding to it in the CaixaBank Group's Consolidated Management Report which is available in the CaixaBank Group's Consolidated Annual Accounts for the financial year ended on 31 December 2021, and which will be filed with the Mercantile Registry of Valencia.

During the current financial year, the Parent Company has not held any treasury shares. All of the Parent Company's shares are owned by the Sole Shareholder, CaixaBank, S.A.

During the 2021 financial year the Parent Company has reduced the number of CaixaBank, S.A. shares by 5,549 shares amounting to €16,000. As of 31 December 2021, VidaCaixa owns 1,679 shares in CaixaBank, S.A., whose amount totals €5,000 and whose acquisition is intended to remunerate the Company's Senior Management.

Regarding research and development, it is worth noting that the Group continues its digital transformation process, which has become one of its main challenges. The aim is for this transformation to cover everything from the first steps in saving money to the definition of retirement targets and their monitoring. Thanks to digitalisation, the Group's customers can have access to channels that facilitate or promote saving.

As indicated in Note 4 of the attached report, the regulations related to Solvency II entered into force on 1 January 2016. This note contains an explanation of all the work carried out by the Group to comply with the aforementioned regulations.

The Group's average period for payment to suppliers in the 2021 financial year was 29.44 days.

In the future, the Group plans to retain its current strategy of providing coverage for the benefit and savings needs of families, through life-risk insurance policies, life-saving insurance policies and pension plans, included in Grupo VidaCaixa's product range, as well as continuing to develop the offer in the area of saving for retirement. The Group will also retain its spirit of continuous improvement in the quality of the service provided which has been one of its hallmarks since the beginning, and it hopes to increase its levels of sales activity by entering new customer segments and markets through the Group's different distribution channels.

Since the end of the financial year on 31 December 2021 until the date of drawing up this consolidated management report, there have been no subsequent events of special relevance that have not been disclosed in the attached report.

During the 2021 financial year, 1 person joined and 1 person left the Parent Company's Board of Directors. The composition on the date of drawing up these consolidated annual accounts is as follows:

Chairman:	Jordi Gual Solé
Vice Chairman:	Tomás Muniesa Arantegui
CEO - Managing director:	Francisco Javier Valle T-Figueras
Members:	Víctor Manuel Allende Fernández
	Natividad Capella Pifarré
	Esperanza del Hoyo López
	Jordi Deulofeu Xicoira
	Francisco Javier García Sanz
	Francisco García-Valdecasas Serra
	Xavier Ibarz Alegría
	Paloma Jiménez Baena
	José María Leal Villalba
	María Dolores Pescador Castrillo
	Juan Rosell Lastortras
	Rafael Villaseca Marco
Secretary (non-director):	Óscar Figueres Fortuna
Vice-secretary (non-director):	Pablo Pernía Martín