# Pillar III Disclosures, ABANCA Corporación Bancaria, S.A. 31st December 2022.

Disclosure date: 23rd June 2023

(Updated on 31st October 2023 – track record of changes in the following page)

| Version | Drafting or modification date | Track record of changes |
| --- | --- | --- |
| First | 23rd June 2023 | - |
| Second | 31st October 2023 | Change of < 1% in LCR ratios in tables LIQ1 and KM1<br>Updated table CQ5 due to mismatch between "Financial activities" and "Real Estate activities" in the English version<br>Updated ESG Template 2 in section 6.5 |

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# 1 GENERAL INFORMATION REQUIREMENTS AND SCOPE

## 1.1.- Introduction

The objective of this report is to comply with the reporting requirements of the Consolidated Group ABANCA Corporación Bancaria S.A. under Part Eight of the Regulation EU 575/2013 (CRR-Capital Requirements Regulation) on prudential requirements for credit institutions. This Regulation constitutes the adaptation to European standards of international law known as Basel III issued by the Committee on Banking Supervision.

This document has been approved by the Board of Directors on May 29, 2023 and disclosed after the corresponding favourable Internal Audit report.

It should be noted that the Board of Directors declares, in relation to the Pillar III Disclosures report, that, in accordance with the methodologies implemented by ABANCA in measuring the risk profile, it is concluded that the overall risk profile is medium-low. The solvency, leverage and liquidity levels are in accordance with the business model and risk appetite defined by the Board of Directors.

## 1.2 Entity subject to report

ABANCA Corporación Bancaria (hereinafter ABANCA CB or ACB, S.A.) is the parent company of the Consolidated Group with the same name.

ABANCA Corporación Bancaria, S.A. is a private credit and savings institution, corporate purpose of which is the performance of all types of activities, transactions and services befitting the banking business in general or directly or indirectly related thereto and which are permitted through current legislation. Including the provision of investment and ancillary services and the performance of insurance mediation activities, as well as the acquisition, holding, enjoyment and disposal of all types of transferable securities.

The Entity was incorporated as a public limited company in Spain, for an indefinite period of time, on September 14, 2011, as a spin-off of the financial activity carried out up to that time by the entity resulting from the merger, in the 2010 financial year, of Caixa de Aforros de Vigo, Ourense e Pontevedra and Caja de Ahorros de Galicia (hereinafter "Novacaixagalicia").

On June 25, 2014, the transfer of the shares in favour of the Spanish company Banesco Holding Financiero 2, S.L.U. was completed (later ABANCA Holding Financiero, S.A.), awarded 88.33% of the Entity through an agreement dated December 18, 2013 by the Steering Committee of the FROB within the framework of the competitive sale process of the Entity.

On December 1, 2014, the Extraordinary General Meeting of Shareholders of the Entity approved to change the name of the entity to ABANCA Corporación Bancaria, S.A. (formerly NCG Banco, S.A.) and the consequential amendment to its articles of association. On June 10, 2019, the ABANCA Regular General Meeting of Shareholders approved the takeover merger of ABANCA Holding Financiero, S.A. (absorbed company) by ABANCA (absorbing company), with termination of the absorbed company and the en-block transfer of its equity, by universal succession, to the latter, with express provision for the payment of a dividend charged to reserves prior to the merger and with an instrumental purpose thereto, in accordance with the terms of the merger project formulated by the respective boards of directors of the aforementioned companies. Once the conditions precedent contained in the agreement were fulfilled and the required authorisations had been received, the merger was submitted and registered in the Companies House on February 18 and 27, 2020, respectively.

On March 13, 2020, the public deed formalizing the merger by absorption between ABANCA (absorbing company) and Banco Caixa Geral, S.A. (absorbed company) was registered in the Registro Mercantil (Spanish Companies House). On the same dates, the technological migration and the change of brand in the branch network was completed.

On September 29, 2020, ABANCA CB and Crédit Agricole signed an agreement by which ABANCA acquired Bankoa after the announcement, in July, of the pre-agreement between both parties. This acquisition was meant to strengthen the position of the ABANCA Group in the Basque Country, strengthen the business areas aimed at providing service to enterprises and asset management, which are considered strategic for the ABANCA Group, and also provide growth potential in other business lines such as commerce, consumer and insurance.

On May 5, 2021, ABANCA closed with Novo Banco S.A. the purchase of the Portuguese bank's business in Spain. With this transaction, the Entity strengthens its position in two priority areas: personal and private banking business and the banking business for enterprises.

Both Bankoa and Novo Banco España are part of the scope of this IRP document.

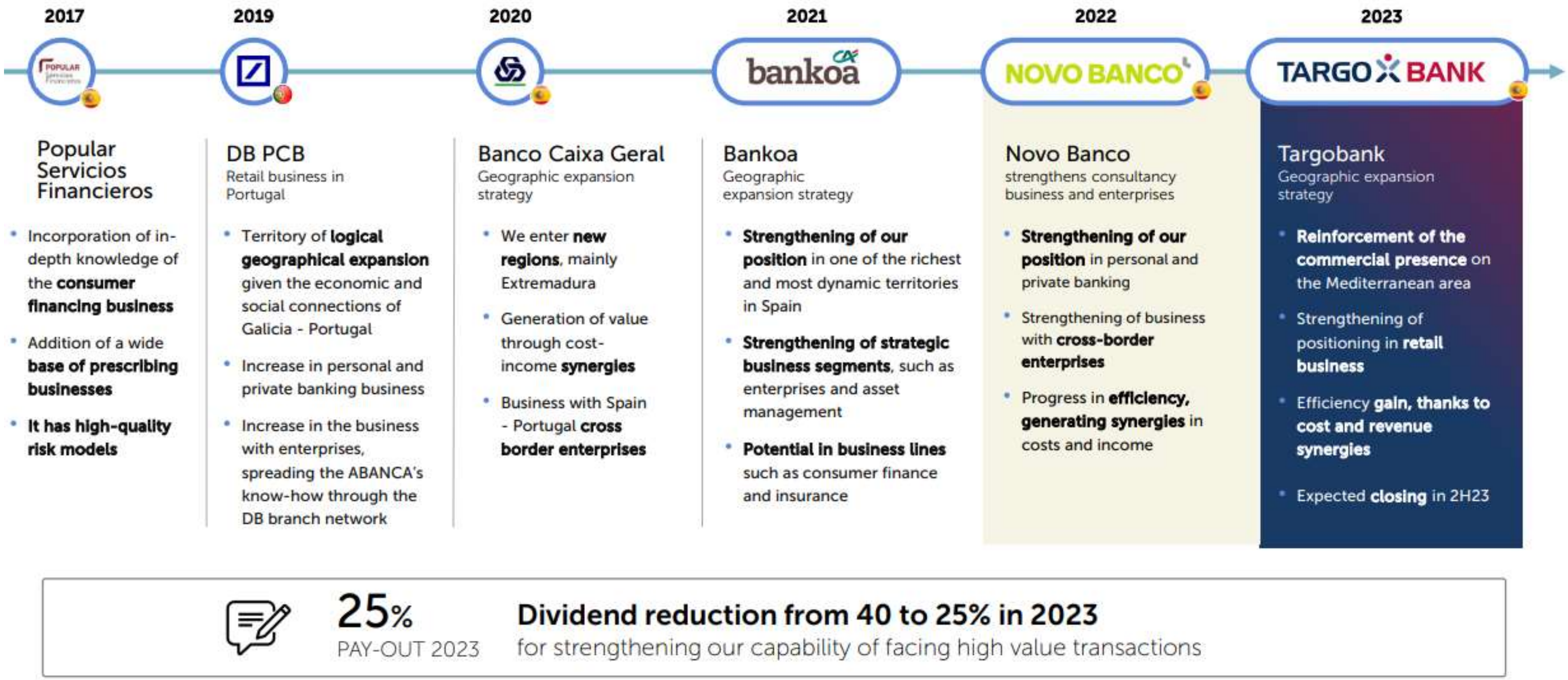
On December 22, 2022, the start of exclusive negotiations between Banque Féderative du Crédit Mutuel and ABANCA Corporación Bancaria, S.A. for the sale of Targobank España by the latter was announced, signing the sale-purchase agreement in February 2023. The transaction, which will be completed throughout 2023, is pending administrative authorisations from the various relevant regulators, and the technological integration will proceed in 2024.

With this purchase, ABANCA consolidates its presence in the Iberian Peninsula with significant growth in Madrid and the Mediterranean coast, with Targobank España having close to 150,000 customers through the 51 branches it has throughout the national territory.

In the following pages there are graphs with key figures of ABANCA that summarise the 2022 milestones, the road map of acquisitions and a management overview.

Graph 1: Key figures

Graph 2: Continuity in the corporate acquisition strategy



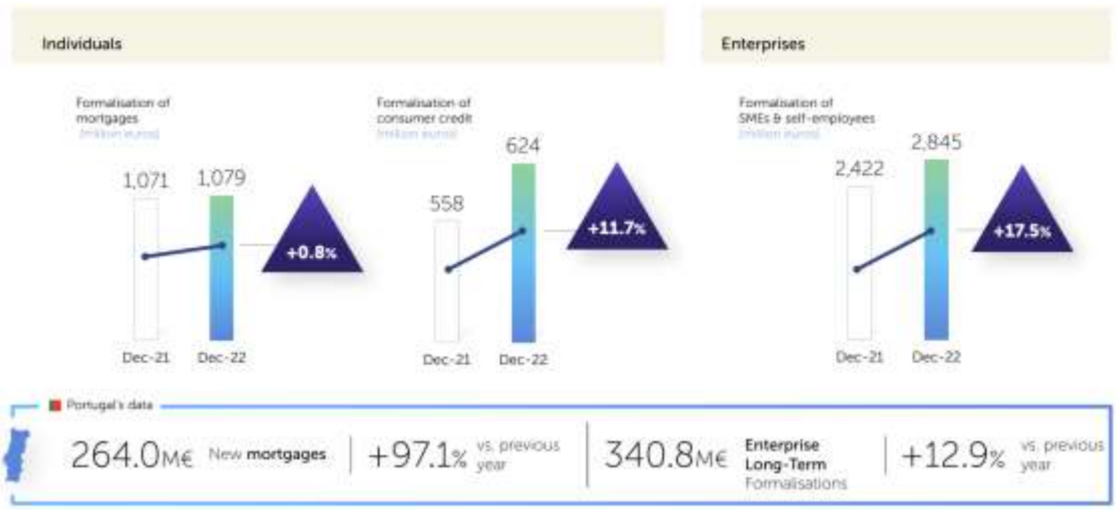
In 2022, the increase in profitability achieved as a combination of the improvement in internal profitability and that obtained through inorganic growth through the integration of Novobanco business are remarkable.

The corporate transactions carried out in recent years have contributed to ABANCA achieving a 33.8% year-on-year improvement in the recurring operating margin at the end of 2022. The recurring contribution improved by 5 bp to 94%.

Graph 3: Evolution of the recurring operating margin 2020-2022


The formalisation of first home mortgages loses traction (+0.8%) but the formalisation of credit to individuals (+11.7%) and the granting to SMEs and the self-employed (+17.5%) are signs of dynamism and recovery of the activity. On the other hand, the good evolution of the activity in Portugal stands out, experiencing year-on-year growth in the formalisation of mortgages of 97.1% and granting of lending to SMEs and the self-employed of 12.9%.

Graph 4: Increase lending to households and enterprises



Finally, the Entity considers it important to highlight its current situation in terms of external ratings. During 2022, ABANCA has once again improved its credit rating levels, thus placing the rating of the four agencies in investment grade.

Graph 5: Improved credit rating

## 1.3 Information disclosure policy

The Entity has a Disclosure Policy of Pillar III Disclosures that allows evaluating the adequacy of the disclosed data and present to customers and market participants a true image of the Entity's risk profile, thus complying with the information disclosure requirements established in Part Eight of the CRR. The last update was on May 23, 2022, adapting it to the entry into force of the latest amendments to Regulation (EU) No. 2019/876 of May 20, 2019 (CRR2) that modifies Regulation 575 /2013 (CRR).

The following aspects are defined in the Policy:

- Scope of the policy: It defines the scope of the policy.
- Governance in the information disclosure process: It contains information on the escalation process, from the department responsible for its preparation to the one ultimately responsible for its approval.
- Data adequacy assessment: Procedure to evaluate that the information presented is adequate.
- Non-material, proprietary or confidential information: Following the definition of these three concepts, the Entity reports on the policy followed to assess whether certain information is susceptible of omission.
- Information submission deadline: Specification of the term in which the submission of the information takes place.
- Disclosure frequency of information: It contains the general disclosure frequency of the information.
- Information to be disclosed more frequently: It contains the minimum data to be disclosed when the information disclosure frequency is greater than a year.
- Verification of disclosures: This section describes the role played by Internal Audit in the control of reported information, as well as the control framework applied for its preparation.
- Disclosure method: The disclosure of information is carried out in a single and comprehensive way, stating the medium, location and disclosure method.

In accordance with the Policy, the Annual Pillar III Disclosures Report is published after being approved by the Board of Directors in its meeting held on May 29, 2023 and after the corresponding Internal Audit Report, without incidents. Likewise, it has been approved by the Remunerations Commission and the Comprehensive Risk Commission, which held meetings on May 29, 2023.

The preparation of the Pillar III Disclosures Report is based on several processes associated with the internal control framework with defined responsibilities both for the review and for the certification of the information contained therein through various levels of the institution.

## 1.4 Disclosure frequency

In recent years, ABANCA has exceeded one of the thresholds laid down in art. 433 of the CRR, after the modification introduced by Regulation (EU) 2019/876 (CRR2), which determine the assessment of the need for disclosing more frequently than annually. In this line, the information required in article 447 of the CRR regarding Key Indicators is disclosed every six months.

Additionally, the suitability of disclosing the information more frequently than annually has been evaluated, as well as the disclosure of additional information. This evaluation has taken into account the scope of the transactions carried out, the type of activities, the presence in the different geographies, the participation in different financial sectors, the participation in international financial markets, the participation in settlement and compensation systems and the variation over time of own funds.

The broad and extensive information included in the Pillar III Disclosures Report shows the internal organisation, the risks faced by the Entity, the market strategy, risk control and the prudential situation in a clear, significant, consistent manner over time and being comparable among institutions. The content of the Report allows compliance with all the information disclosure requirements of Part Eight of the CRR without the need to disclose additional information.

ABANCA is an unlisted entity and is not subject to the requirements set forth in articles 92 bis or 92 ter of the CRR.

## 1.5 Improvements in transparency

ABANCA updates the Pillar 3 Disclosures report every year to comply with the regulations and collect the best practices communicated by international organisations to improve the transparency of the information published in the report.

The information requirements published by the EBA, the Basel Committee and the European Commission related to transparency and communication to the market are included.

During the 2021, a series of improvements had been made that were maintained during 2022, also highlighting the implementation of the requirements contained in the ITS of the EBA on ESG risks.

- In June 2021, the ITS on the publication of the Eighth part of the CRR came into force with the purpose of homogenising the disclosure of Pillar 3. Now the information is presented in a more transparent way, with a mapping between the reporting part and the disclosure part. The mapping update carried out on May 23, 2022 has been taken into consideration.

- In 2020, the EBA published a guide "EBA GLs on reporting and disclosure of exposures subject to measures applied in response to the covid-19 crisis" which includes 3 quantitative templates with information on the scope of moratoriums and public aid. Given that the COVID-19 pandemic has continued to be active during the 2021 and the health and economic impacts continue, in January 2022 the EBA confirmed the continuity in the year in the demand for the related information and disclosure requirements. As of January 1, 2023, the need to make this specific report will be eliminated.

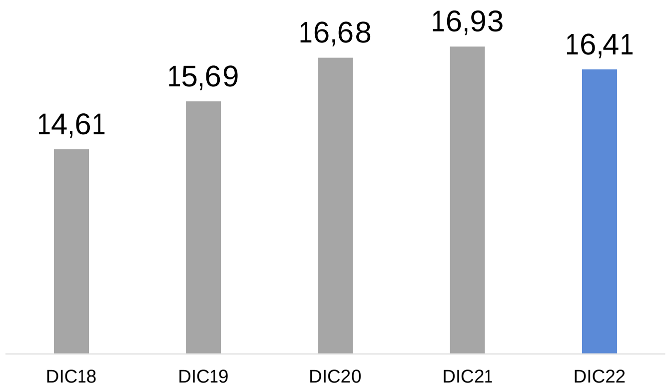
- Detailed information on ESG risks is included. Both from a business perspective and from a control perspective. All the principles to which the Bank adheres are listed in the document. The templates and tables included in the ITS on the disclosure of Pillar 3 of ESG risks and that apply in the transitional period are included. (Implementing Regulation (EU) 2022/2453).

## 1.6 Capital and requirements. Key figures

The amount of own funds has been increasing over the last few years, but to a lesser extent than the risk-weighted exposures derived from inorganic acquisitions that continue to be undertaken. With this, the main capital ratios experienced a slight decrease but continued to be comfortably above the regulatory capital requirements.

Below are the key figures on capital, capital ratios and capital requirements associated with the Entity's main risks.

Graph 6: Evolution of the Total Capital Ratio (Phase in)
(In %)




The growth is linked to the organic generation of capital, as well as the AT1 and T2 issuances carried out. However, as shown in the table below, the integrations carried out result in an increase in RWA and a decrease in the CET1 ratio.

## Table 1: Key figures on capital and solvency ratios
(Thousand € and %)

| | DEC19 | DEC20 | DEC21 | DEC22 |
|---|---|---|---|---|
| Common equity tier1 capital (CET1) | 3.918.962 | 4.087.843 | 4.250.748 | 4.052.394 |
| Tier1 capital | 4.169.040 | 4.337.843 | 4.875.748 | 4.677.394 |
| Total capital | 4.819.864 | 4.988.036 | 5.525.748 | 5.327.394 |
| Total risk exposure amount | 30.720.009 | 29.907.708 | 32.639.224 | 32.467.961 |
| CET1 ratio | **12,76** | **13,67** | **13,02** | **12,48** |
| Tier1 capital ratio | **13,57** | **14,50** | **14,94** | **14,41** |
| Total capital ratio | **15,69** | **16,68** | **16,93** | **16,41** |

## Graph 7: Capital requirement of main risks
(In %)


Credit Risk, as the main exposure of the Entity, concentrates the major part of the capital requirements

Operational Risk, as the second risk exposure, represents 5.78% of the total requirements.

Low impact of Market Risk due to the type of business of the Entity.

## Table 2: EU KM1 - Key indicators template

(Thousand € and %)

| | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | | Dec22 | Sep22 | Jun22 | Mar22 | Dic21 |
| | Available own funds (amounts) | | | | | |
| 1 | CET1 | 4.052.394 | 4.079.590 | 4.117.213 | 4.138.455 | 4.250.748 |
| 2 | Tier1 capital | 4.677.394 | 4.704.590 | 4.742.213 | 4.763.455 | 4.875.748 |
| 3 | Total capital | 5.327.394 | 5.354.590 | 5.392.213 | 5.413.455 | 5.525.748 |
| | Risk-weighted exposure amounts | | | | | |
| 4 | Total risk exposure amount | 32.467.961 | 32.931.975 | 32.966.755 | 32.749.115 | 32.639.224 |
| | Capital ratios (as a percentage of risk-weighted exposure amount) | | | | | |
| 5 | Common equity tier1 capital ratio (%) | 12,48 | 12,39 | 12,49 | 12,64 | 13,02 |
| 6 | Tier1 capital ratio (%) | 14,41 | 14,29 | 14,38 | 14,55 | 14,94 |
| 7 | Total capital ratio (%) | 16,41 | 16,26 | 16,36 | 16,53 | 16,93 |
| | Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount) | | | | | |
| EU 7a | Additional own funds requirements to address risks other than the risk of excessive leverage (%) | 2,00 | 2,00 | 2,00 | 2,00 | 1,75 |
| EU 7b | Of which: to be made up of CET1 capital (percentage points) | 1,13 | 1,13 | 1,13 | 1,13 | 0,98 |
| EU 7c | Of which: to be made up of Tier1 capital (percentage points) | 1,50 | 1,50 | 1,50 | 1,50 | 1,31 |
| EU 7d | Total SREP own funds requirements (%) | 0,00 | 0,00 | 10,00 | 10,00 | 9,75 |
| | Combined buffer requirement (as a percentage of risk-weighted exposure amount) | | | | | |
| 8 | Capital conservation buffer (%) | 2,50 | 2,50 | 2,50 | 2,50 | 2,50 |
| EU 8a | Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%) | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 |
| 9 | Institution specific countercyclical capital buffer (%) | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 |
| EU 9a | Systemic risk buffer (%) | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 |
| 10 | Global systemically important institution buffer (%) | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 |
| EU 10a | Other systemically important institutions buffer (%) | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 |
| 11 | Combined buffer requirement (%) | 2,50 | 2,50 | 2,50 | 2,50 | 2,50 |
| EU 11a | Overall capital requirements (%) | 12,50 | 12,50 | 12,50 | 12,50 | 12,25 |
| 12 | CET1 available after meeting the total SREP own funds requirements (%) | 6,41 | 6,26 | 6,34 | 6,50 | 7,09 |
| | Leverage ratio | | | | | |
| 13 | Total exposure measure | 75.318.110 | 77.947.184 | 80.547.869 | 75.332.448 | 78.588.146 |
| 14 | Leverage ratio (%) | 6,21 | 6,04 | 5,89 | 6,32 | 6,20 |
| | Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure) | | | | | |
| EU 14a | Additional own funds requirements to address the risk of excessive leverage (%) | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 |
| EU 14b | Of which: to be made up of CET1 capital (percentage points) | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 |
| EU 14c | Total SREP leverage ratio requirements (%) | 3,00 | 3,00 | 3,00 | 3,09 | 3,08 |
| | Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure) | | | | | |
| EU 14d | Leverage ratio buffer requirement (%) | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 |
| EU 14e | Overall leverage ratio requirement (%) | 3,00 | 3,00 | 3,00 | 3,09 | 3,08 |
| | Liquidity coverage ratio | | | | | |
| 15 | Total high-quality liquid assets (HQLA) (weighted value -average) | 13.867.760 | 14.250.729 | 14.066.993 | 13.671.122 | 13.149.709 |
| EU 16a | Cash outflows - Total weighted value | 7.024.967 | 7.132.154 | 6.965.943 | 6.593.118 | 6.206.318 |
| EU 16b | Cash inflows - Total weighted value | 1.388.424 | 1.360.623 | 1.283.249 | 1.224.743 | 1.173.758 |
| 16 | Total net cash outflows (adjusted value) | 5.636.544 | 5.771.531 | 5.682.694 | 5.368.375 | 5.032.560 |
| 17 | Liquidity coverage ratio (%) | 246,13 | 247,04 | 247,67 | 255,31 | 262,93 |
| | Net stable funding ratio | | | | | |
| 18 | Total available stable funding | 50.972.012 | 54.820.984 | 56.290.588 | 59.619.596 | 60.473.505 |
| 19 | Total required stable funding | 42.522.923 | 43.201.148 | 43.107.577 | 45.210.627 | 45.828.687 |
| 20 | Net stable funding ratio (%) | 119,87 | 126,90 | 130,58 | 131,87 | 131,96 |

***Thousand €***

Additional own funds requirements to deal with risks other than leverage stand at 2% at the end of December 2022. The total SREP requirements, according to the latest capital decision applicable as of January 1, 2022, is 2%, therefore, the total SREP capital requirement, TSCR, is 10% (8% + 2%).

With regard to capital buffers, only the capital conservation buffer continues to apply for the time being, which stands at 2.5%. Considering this buffer, the total Overall Capital Requirement, OCR, with buffers stands at 12.50% (8% + 2%+ 2.5%).

The leverage ratio, for its part, has experienced an increase throughout 2022 due to the decline in total assets. The ratio stands at 6.21%, well above the regulatory requirement of 3%. No additional requirements have been set to cover the risk of excessive leverage.

Finally, the liquidity measures show the Entity's strength in this area, with an LCR of 246.86% and a NSFR of 119.87%, due to a more pronounced decline in available stable funding than in required stable funding.

## 1.7 Main regulatory developments

The main regulatory developments in 2022 in the Entity's scope of action are detailed below. They are structured as follows:

- Regulatory developments: prudential regulatory framework 2022.
- Regulatory novelties from the BdE.
- Regulatory novelties: ESG scope.
- Regulatory novelties: monitoring of response measures to COVID 19 and Others.

### 1.7.1 2022 Prudential regulatory framework

Credit institutions must meet a set of minimum capital and liquidity requirements. These minimum requirements are regulated in the European Capital Requirements Regulation, better known as CRR, and in the Capital Requirements Directive, CRD, modified in June 2019.

Currently the applicable regulations are CRRII and CRDV. Given that the Directives must be transposed into the national law of the different Member States to be applicable, in the case of Spain during 2021 Royal Decree Law 7/2021 and Royal Decree 970/2021 have been published for this purpose.

In June 2019, the CRRII introduced the minimum requirement for Total Loss Absorbing Capacity, TLAC, applicable only to Global Systemically Important Banks, GSIB.

As modifications of the CRR II applicable from June 2021, the introduction of a minimum requirement of 3% of leverage ratio, the new standard calculation of the EAD for counterparty risk known as SA-CCR, the liquidity ratio at term (NSFR), the new limits on large risks or the requirement of Reporting under the standard approach for market risk.

The CRD V introduces important modifications such as the regulation of P2G ('guidance', orientation of requirements by Pillar 2).

The BRRDII has introduced important changes in the minimum requirement for own funds and eligible liabilities (MREL).

In 2022, progress has been made in the discussions on the new texts of the CRR and CRD, and it is expected that the final proposal for regulations will be approved during 2023. On November 8, 2022, the proposal of the European Council was published, proposing changes that affect the main risk factors, standard credit risk, internal models, output floor and operational risk, among others. It is expected that the new CRR/CRD rules will begin to be applied from January 1, 2025.

On October 25, 2022, the regulation on the prudential treatment of global systemically important banks was published, amending both the CRR and the BRRD with regard to the prudential treatment of global systemically important banks (G-SIBs). ) with a multi point of entry (MPE) resolution strategy, as well as methods for indirect subscription.

### 1.7. 2 Regulatory novelties of the BdE

In 2022, the Banco de España published three circulars on the following subjects:

i) Legal regime of financial credit establishments, highlighting the new liquidity requirements (Circular 1/2022);

ii) Obligations to provide statistical information on payments to the Banco de España by payment service providers and payment system operators (Circular 2/2022), and

iii) Prudential aspects of credit institutions that involve the completion of the transposition of the CRDV into the Spanish legal system, and development of information obligations applicable to revolving credit (Circular 3/2022).

Three circulars are currently being drafted, all on communication of information to the Banco de España, relating to:

i) Guaranteed bonds and other loan mobilization instruments;

ii) Capital structure, and

iii) Remuneration policy, for its alignment with the new EBA models.

### 1.7.3 Regulatory developments: ESG scope

#### ITS on Pillar disclosures on ESG risk (Implementing Regulation (EU) 2022/2453)

Strategic objective to define a single and comprehensive Pillar 3 framework under CRR, integrating all relevant information requirements. It generates disclosure obligations on climate, social and governance risks. Qualitative and quantitative information is differentiated (physical risks and transition risks). The disclosure obligations are set progressively from December 2022 to July 2024.

### ECB Thematic review (Climate Risk Surveillance)

During the first half of 2021, the ECB asked 112 significant institutions to carry out a self-assessment exercise on the alignment of their banking practices with supervisory expectations, as well as to submit their implementation plans to improve such alignment.

As a continuation of this exercise, during 2022 the ECB, in collaboration with eight national competent authorities, carried out a thematic review. The purpose of this review was to check whether banks adequately identify and manage climate-related and environmental risks, as well as to review their governance strategies and frameworks. The main findings of this exercise were published in a report in November 2022, including the following:

- The entities have shown significant progress compared to the situation in 2021. A high percentage of them consider that climate risk has a material impact on their risk profile and business strategy.
- The vast majority of banks have at least half of their baseline practices in place, and some have begun to use their transition plans to improve the resilience of their business models over longer time horizons.
- Some entities have already started working to address environmental risks in a broader sense (loss of biodiversity, increased pollution, etc.).
- On the contrary, in general, banks lack sophisticated methodologies and granular information on climate and environmental risks. Likewise, the ECB shows concern about the execution capacity of the entities, since around half of them have designed practices, but have not implemented them effectively.

In short, the thematic review has revealed that, despite the progress made, banks are still far from adequately managing climate and environmental risks. The ECB communicated individually to the entities the results of the evaluation, describing the main deficiencies identified and setting specific deadlines to correct them, compliance with which will be closely monitored.

In general, the supervisor expects entities to reach, as a minimum, the following milestones:

- As a first step, the ECB expects <u>banks to properly classify climate-related and environmental risks</u>, and to carry out a <u>full assessment of their impact on their activities</u>, no later than <u>March 2023</u>.
- In a second step, and at the latest by the end of 2023, the ECB expects banks to <u>include these risks in their governance, strategy and risk management</u>.
- As a last step, it is expected that, <u>by the end of 2024</u>, banks meet all other supervisory expectations, including their <u>full integration into the internal capital adequacy assessment process and stress tests</u>.

### Publication of Delegated Regulation 2022/1214

The publication of Delegated Regulation 2022/1214 stands out, which incorporates, under certain strict criteria, in which circumstances the activities related to the generation of nuclear energy and the generation of electricity and heat or cold production from fossil gases are considered activities that contribute to climate change mitigation or adaptation and establishes specific disclosure requirements for these activities to ensure transparency. These additional disclosure requirements complete those that already apply since January 2022 to both financial and non-financial companies, being the Green Asset Ratio (percentage of their exposures aligned with environmentally sustainable activities that have been identified and specified in the corresponding Delegated Regulations that land Taxonomy Regulation), the most relevant indicator for the banking industry.

Proposal for a Directive on Corporate Due Diligence on Sustainability. The purpose of this Directive is to ensure that companies operating in the internal market contribute to the transition towards sustainability by identifying, preventing and mitigating, ceasing and minimizing potential or actual adverse impacts on human rights and the environment related to the companies' own transactions, subsidiaries and value chains.

Final document of the Corporate Sustainability Reporting Directive (CSRD). This new directive modernizes and reinforces the obligations of social and environmental disclosure. In addition, the disclosure requirement is extended to a broader group of large companies starting in 2024, as well as to listed SMEs for the year 2025.

Final version of the European Sustainability Reporting Standards (ESRS). They establish information requirements about the impacts, risks and opportunities related to sustainability in the CSRD framework.

### Future prudential treatment

It is worth noting the mandate of the Commission to the EBA to assess whether a specific prudential treatment for environmental and social risks is appropriate. In line with this mandate, during 2022, the EBA issued the first consultation (EBA/DP/2022/02, May 2, 2022) on the role of environmental risks in the prudential framework.

In this regard, in December 2022, the Basel Committee published FAQs (Frequently Asked Questions) to clarify how climate-related financial risks can be captured in existing Pillar 1 standards, specifically as regards which refer to credit, market, operational risks and the liquidity coverage ratio. This list of FAQs may be completed in the future with new additions if the Basel Committee deems it necessary.

## 1.7.4 Regulatory developments

### Monitoring of response measures to COVID 19 and others

The Guidelines on reporting and disclosure of exposures subject to measures applied in response to the Covid crisis have been repealed. As a consequence of the measures applied by the EBA in response to Covid (moratoriums and guarantees given by the government), the Guidelines on notification and disclosure of exposures subject to measures applied in response to the Covid crisis were established in June 2020 (EBA/GL/ 2020/07). The application of these guidelines was extended in January 2022 for another year to ensure the monitoring of exposures and the credit quality of loans with government support measures in those Member States, where they were still relevant. The decreasing relevance of the government support measures led the EBA in December to take the decision to repeal the Guidelines as of January 1, 2023.

Recent market developments have led to substantial increases in energy prices, which in turn have led to increases in the spreads that central counterparties (CCPs) require to hedge their exposures. In response to this problem, in November of this year Delegated Regulation (EU) 2022/2311 was published, which modifies Delegated Regulation (EU) 153/2013, which contains regulatory technical standards relating to the requirements that must be met by CCPs. The new Regulation extends, until November 2023, the catalogue of guarantees that CCPs can accept as admissible collateral.

## 1.85 Preparation of the report

This report has been prepared by the General Management of Corporate Control and Risks following the provisions of Part Eight (articles 431 to 455) of the aforementioned Regulation EU 575/2013 (CRR) and subsequent amendments; and approved by the Board of Directors.

This report is published after the favourable report of the Audit and Compliance Commission, after verification and issuance of a report by Internal Audit along with the information provided by the General Management of Corporate Control and Risk through the Comprehensive Risk Commission and the Remuneration Commission within the scope of its competences.

ABANCA's Board of Directors certifies that the disclosure of Pillar III information has been carried out following the instructions set forth in Part Eight of the CRR and has been prepared in accordance with the "Disclosure Policy of Pillar III Disclosures" and considering the processes, systems and internal controls established in the Entity.

In accordance of such regulations, certain information required by current regulations that shall be included in this report is presented referenced to the 2022 consolidated annual accounts of the ABANCA Corporación Bancaria Group since it is contained therein and is redundant with it. The consolidated financial statements are available on the Bank's corporative website (www.abancacorporacionbanaria.com) and at the Registro Mercantil (Spanish Companies House). Also, this "prudential information" can be found on the aforementioned website of the Bank.

## 1.9 Definitions and description of the Consolidated Group of Credit Institutions of Abanca Corporación Bancaria

In accordance with the provisions of the first and third rules of the Banco de España Circular 4/2017 of 27th November, a "Group of credit institutions" exists when an entity has or may have, directly or indirectly, the control of another or other entities, provided that the parent company is a credit institution or it has as its main activity the holding of investments in one or more subsidiary credit institutions and in those groups that, including one or more credit institutions, its activity is the most important one within the Group.

For this purpose, rule 43 of Banco de España Circular 4/2017 of 27th November, establishes that one entity is deemed to control another when it has the capacity to manage the relevant activities, has the right to variable returns or has the right to use its power in order to influence on the returns of the other.

In particular, it is deemed to exist control, unless proved otherwise, when an entity, qualified as dominant, is related to another entity, qualified as dependent, in any of the following situations:

- It holds the majority of voting rights.
- It has the power to appoint or remove the majority of the members of the Board of Directors.
- It may have, under agreements with other shareholders, the majority of voting rights.

- It has appointed with its votes the majority of Board members whose tenure is taking place at the time when the consolidated statements must be prepared and during the two immediately preceding accounting years. In particular, this shall be expected when the majority of the members of the board of directors or equivalent body in the subsidiary are members of the board or senior executives of the parent company or another dominated by this. This assumption shall not lead to consolidation if the entity, directors of which have been appointed, is linked to another entity other than the one that appoints the directors in any of the cases provided for in the first two points.

The first rule of Circular 4/2017 of the Banco de España, of 27th November, establishes that the consolidable groups of credit institutions are those groups that have to comply with the requirements of own funds, on a consolidated or sub-consolidated basis, provided for in Directive 2013/36 / EU and in Regulation (EU) No. 575/2013, on prudential requirements of credit institutions and investment companies.

In this regard, and as it can be inferred from Regulation (EU) No. 575/2013, consolidation on a prudential basis shall apply to the following entities in the group: Credit institutions, investment companies, financial institutions and auxiliary services companies.

The aforementioned institutions may be exempt from the scope of prudential consolidation if they fulfilled the requirements mentioned in art. 19 of the Regulation; i.e. those companies, total amount of assets and off-balance items of which is less than the lower of the following two amounts:

a) 10 MM€.;

b) 1% of the total amount of assets and off-balance items of the parent company or the company that owns the stake.

The information provided in this report corresponds to the Consolidable Group of Credit Institutions, parent company of which is ABANCA Group (hereinafter the "Consolidable Group").

## 1.10 Consolidation perimeter

The following summarises the major differences regarding the consolidation perimeter as well as the different consolidation methods applied among the Consolidable Group of ABANCA Credit Institutions, for which the information contained in this report is presented, and the Group of ABANCA Credit Institutions defined in accordance with the provisions of the Banco de España Circular 4/2017, section three, third rule, of November 27:

### 1.10.1 Institutions in the scope of consolidation: Overview

#### Subsidiaries

In preparing the consolidated financial statements of the Group of Credit Institutions of ABANCA, all subsidiaries have been consolidated using the global integration approach, regardless of whether they fulfil the requirements to be considered as consolidated according to their business activity.

However, in the consolidated information of the Consolidable Group, for the purpose of applying the solvency requirements, they have only been consolidated using the global integration approach-just as this method of consolidation is defined in Circular 4/2017 of the Banco de España November 27- the subsidiaries that are, in turn, "institutions that can be consolidated by their activity, which make up the prudential consolidation scope as defined in Directive 2013/36/EU and in Regulation (EU) No. 575/2013, on prudential requirements of credit institutions and investment firms”.

According to the “Equity method” definition provided in the Circular 4/2017 Rule 49th of the Banco de España, of 27 November, the entities of the Group that are not consolidable entities have been valued applying such method for preparing the consolidated information of the Consolidated Group.

#### Jointly controlled institutions

As to the preparation of the consolidated financial statements of the Group of Credit Institutions of ABANCA, all companies jointly controlled have been consolidated using the equity method, regardless of whether they fulfil the requirements to be considered as consolidated.

#### Associates

For the preparation of the annual consolidated financial statements of the Group of Credit Institutions of ABANCA, those companies in which the Entity is able to exercise significant influence, but not control or joint control are considered associates. Usually, this influence is reflected in a (direct or indirect) equal or greater than 20% of the voting rights of the investee company. Associates are accounted by the "equity method", as it is defined under the solvency requirements.

## Other institutions

For the purposes of preparation the consolidated annual financial statements of the Group of Credit Institutions of ABANCA, the investments in financial institutions that do not meet the requirements to be considered as subsidiary, jointly-controlled or associate companies, are considered as financial instruments and are accounted in accordance to the criteria set out in the Circular 4/2017 22nd Standard of Banco de España, of November 27.

## Table 3: EU LI1 - Differences between accounting and regulatory scopes of consolidation. Mapping offinancial statement categories with regulatory risk categories

(Thousand €)

| | | Carrying values as reported in published financial statements | Carrying values under the scope of regulatory consolidation | Subject to the credit risk framework | Subject to the CCR framework | Subject to the securitisation framework | Subject to the market risk framework | Not subject to capital requirements or subject to deduction from capital |
|---|---|---|---|---|---|---|---|---|
| | **Assets** | | | | | | | |
| 1 | Cash, cash balances with Central Banks and other demand deposits | 8.581.607 | 8.578.514 | 8.578.514 | - | - | - | - |
| 2 | Financial assets held for trading | 470.919 | 480.805 | - | 470.919 | - | 480.805 | - |
| 3 | Financial assets not intended for trading, which are necessarily valued at fair value through profit or loss | 259.529 | 119.761 | 92.521 | - | - | 27.240 | - |
| 4 | Financial assets designated at fair value through profit or loss | - | - | - | - | - | - | - |
| 5 | Financial assets at fair value with changes in other comprehensive income | 1.940.905 | 852.514 | 852.514 | - | - | - | - |
| 6 | Financial assets at amortised cost | 57.031.022 | 57.171.621 | 56.921.002 | 250.619 | - | - | - |
| 7 | Derivatives - hedge accounting | 870.890 | 870.890 | - | 870.890 | - | - | - |
| 8 | Fair value changes of the hedged items in portfolio hedge of interest rate risk | - | - | - | - | - | - | - |
| 9 | Investments in joint ventures and associates | 162.287 | 625.569 | 625.569 | - | - | - | - |
| 10 | Assets covered by insurance or reinsurance contracts | 5.584 | - | - | - | - | - | - |
| 11 | Tangible assets | 1.190.236 | 1.111.993 | 1.111.993 | - | - | - | - |
| 12 | Intangible assets | 461.361 | 165.538 | 29.218 | - | - | - | 136.320 |
| 13 | Tax assets | 3.527.442 | 3.513.439 | 2.939.176 | - | - | - | 574.263 |
| 14 | Other assets | 241.326 | 243.344 | 226.847 | - | - | - | 16.497 |
| 15 | Non-current assets and disposal groups classified as held for sale | 1.307.664 | 499.685 | 499.685 | - | - | - | - |
| | **Total Assets** | **76.050.772** | **74.233.673** | **71.877.040** | **1.592.428** | | **508.045** | **727.080** |
| | **Liabilities** | | | | | | | |
| 1 | Financial liabilities held for trading | 461.503 | 461.503 | - | 461.503 | - | 461.503 | - |
| 2 | Financial liabilities designated at fair value through profit or loss | - | - | - | - | - | - | - |
| 3 | Financial liabilities at amortised cost | 67.597.076 | 68.187.055 | - | 531.373 | - | - | 67.655.682 |
| 4 | Derivatives - hedge accounting | 523.249 | 523.249 | - | 523.249 | - | - | - |
| 5 | Fair value changes of the hedged items in portfolio hedge of interest rate risk | - | - | - | - | - | - | - |
| 6 | Liabilities under insurance or reinsurance contracts | 1.536.642 | - | - | - | - | - | - |
| 7 | Provisions | 373.288 | 305.252 | 96.033 | - | - | - | 209.219 |
| 8 | Tax liabilities | 151.976 | 58.993 | 44.801 | - | - | - | 14.192 |
| 9 | Other liabilities | 289.656 | 273.885 | - | 0 | - | - | 273.885 |
| 10 | Liabilities included in disposal groups classified as held for sale | 702.029 | - | - | - | - | - | - |
| 11 | **Total Liabilities** | **71.635.419** | **69.809.937** | **140.834** | **1.516.125** | | **461.503** | **68.152.978** |
| | **Equity** | **4.415.353** | **4.423.736** | | | | | |
| | **Total Liabilities and Equity** | **76.050.772** | **74.233.673** | | | | | |

The table above shows the risks to which each of the regulatory balance items are subject to. The differences between the accounting values in the financial statements and the prudential scope of consolidation are reflected. These differences are based on the following reasons: (i) assessment differences, (ii) amounts of off-balance sheet items, (iii) differences due to the consideration of provisions and (iv) differences due to prudential filters.

Note that the same exposure may be subject to several risks at the same time.

Likewise, the table below shows how the prudential scope of consolidation derives from exposures subject to risk for prudential purposes.

### Table 4: EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

(Thousand €)

| | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | | | Items subject to: | | | |
| | | Total | Credit risk framework | Securitisation framework | Counterparty credit risk framework | Market risk framework |
| 1 | **Assets carrying value amount under the scope of prudential consolidation (as per template LI1** | **73.506.593** | 71.877.040 | 0 | 1.592.428 | 508.045 |
| 2 | **Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)** | **1.656.959** | 140.834 | 0 | 1.516.125 | 461.503 |
| 3 | **Total net amount under the regulatory scope of consolidation:** | **71.849.634** | 71.736.205 | 0 | 76.303 | 46.542 |
| 4 | **Off-balance-sheet amounts** | | 13.057.223 | 0 | 0 | |
| 5 | Differences in valuations | | -1.341 | | | |
| 6 | Differences due to different netting rules, other than those already included in row 2 | | | | 6.934 | |
| 7 | Differences due to consideration of provisions | | | | | |
| 8 | Differences due to the use of credit risk mitigation techniques | | -992.344 | | -1.200.505 | |
| 9 | Differences due to credit conversion factors | | -10.053.993 | | | |
| 10 | Differences due to Securitisation with risk transfer | | | | | |
| 11 | Other differences | | -451.390 | | 1.536.046 | |
| 12 | **Exposure amounts considered for regulatory purposes** | | 73.294.361 | 0 | 418.778 | 46.542 |

Table EU LI2 breaks down the differences between the exposure amounts for prudential purposes and the carrying values under prudential consolidation. The main differences are justified by:

- The effect of the prudent valuation adjustments, amounting to -1,341 thousand Euro, both of the exposures of the trading portfolio and the investment portfolio valued at fair value, in accordance with the provisions of part two, title I, chapter 2, article 34, and the part three, title I, chapter 3, article 105, of the CRR in accordance with the applicable accounting framework.

- The impact on the exposure value amounting to -992,344 thousand Euro, in accordance with the scope of prudential consolidation of the application of credit risk reduction techniques, as defined in the CRR.

- The effect of the application of the regulatory CCFs established in article 111 of the CRR for an amount of -10,053,9930thousand Euro.

- Other differences amounting to 32,612 thousand Euro that entail a reduction in exposure for prudential purposes.

### 1.10.2 Institutions in the scope of consolidation: Composition and breakdown

Table LI3 shows all the institutions that make up the scope of consolidation, stating in each case the method of accounting and prudential consolidation of each of them. Below, they are listed separately according to their consolidable group.

## Table 5: LI3 – Outline of the differences in the scopes of consolidation (entity by entity)

| Name of the entity | Method of accounting consolidation (Public perimeter) | Method of regulatory consolidation | | | | | Description of the entity |
|---|---|---|---|---|---|---|---|
| | | Full consolidation | Proportional consolidation | Equity method | Neither consolidated nor deducted | Deducted | |
| BANKOA GESTION SGIIC | I. Global | X | | | | | Gestora de Inversión Colectiva |
| BANKOA KARTERA, SA | I. Global | X | | | | | Cartera |
| BANKOA MEDIACIÓN, S.L. | I. Global | X | | | | | Seguros |
| ABANCA CORPORACIÓN INDUSTRIAL Y EMPRESARIAL,S.L. | I. Global | X | | | | | Cartera |
| ABANCA CORPORACIÓN DIVISION INMOBILIARIA, S.L.U | I. Global | X | | | | | Gestión Inmobiliaria |
| AINVEST SENTIR COMÚN, S.A. DE C.V., SOFOM, E.N.R. | I. Global | X | | | | | Financiación |
| ABANCA SERVICIOS FINANCIEROS E.F.C., S.A. | I. Global | X | | | | | Financiación |
| LABORVANTAGE INVESTIMENTOS INMOBILIARIOS, LDA | I. Global | X | | | | | Inmobiliaria |
| VIBARCO, S.L. | I. Global | X | | | | | Holding - Cartera |
| QUAERE INVESTIMENT,S.L. | I. Global | X | | | | | Cartera |
| ABANCA INVEST, S.L. | I. Global | X | | | | | Cartera |
| TORRES DEL BOULEVAR, S.L. | I. Global | X | | | | | Promoción inmobiliaria |
| INVENTIUM CONSULTORIA DE PROYECTOS, S.L | I. Global | X | | | | | Consultoria |
| IMANTIA CAPITAL, S.A. | I. Global | X | | | | | Gestora de Inversión Colectiva |
| SIMEON SACV MEXICO | I. Global | X | | | | | Financiación |
| SIMEON INVERSIONES CA VENEZUELA | I. Global | X | | | | | Financiación |
| TXSTOCKDATA, S.L. | I. Global | X | | | | | Otros servicios financieros |
| COMPLEJO RESIDENCIAL MARINA ATLÁNTICA, S.L. | I. Global | | | X | | | Inmobiliaria |
| NATUR-HOTEL SPA ALLARIZ, S.A. | I. Global | | | X | | | Hostelería |
| SOGEVINUS, LDA | I. Global | | | X | | | Holding- Bodegas |
| ABANCA MEDIACIÓN, CORREDURÍA DE SEGUROS GENERALES, S.A. | I. Global | | | X | | | Correduría de Seguros |
| ABANCA VIDA Y PENSIONES I, S.A. | I. Global | | | X | | | Seguros |
| ABANCA MEDIACIÓN, OPERADOR BANCA SEGUROS VINCULADO, S.L. | I. Global | | | X | | | Seguros |
| ABANCA GESTIÓN OPERATIVA, S.A. | I. Global | | | X | | | Servicios Operativos |
| CORPORACIÓN EMPRESARIAL DE REPRESENTACIÓN PARTICIPATIVA, S.L. | I. Global | | | X | | | Financiación |
| CORPORACIÓN EMPRESARIAL DE TENECIA DE ACTIVOS, S.L. | I. Global | | | X | | | Servicios |
| CORPORACION EMPRESARIAL Y FINANCIERA DE GALICIA, S.L. | I. Global | | | X | | | Servicios administrativos |
| CORPORACION EMPRESARIAL DE PARTICIPACION EN ORGANIZACIONES DE GALICIA, S.L. | I. Global | | | X | | | Otros servicios financieros |
| ESPACIOS TERMOLUDICOS, S.A. | I. Global | | | X | | | Servicios de Salud y Ocio |
| TORRE DE HÉRCULES INVERSIONES CORPORATIVAS, S.L. | I. Global | | | X | | | Otros servicios financieros |
| JOCAI XXI, S.L. | I. Global | | | X | | | Promoción Inmobiliaria |
| NUEVA PESCANOVA, S.L. | I. Global (*) | | | X | | | Comercio al por mayor |
| REAL CLUB DEPORTIVO DE LA CORUÑA, S.A.D | I. Global (*) | | | X | | | Club Deportivo |
| DESARROLLOS ALBERO S.A. | Multigrupo (no consolidable) | | | X | | | Promoción Inmobiliaria |
| ABANCA GENERALES DE SEGUROS Y REASEGUROS, S.A. | P. Equivalencia | | | X | | | Seguros |
| CIDADE TECNOLÓXICA DE VIGO, S.A. | P. Equivalencia | | | X | | | Infraestructuras |
| CIDADE UNIVERSITARIA, S.A. | P. Equivalencia | | | X | | | Infraestructuras |
| OBENQUE ,S.A. | P. Equivalencia | | | X | | | Inmobiliaria |
| PARQUE TECNOLOGICO DE GALICIA, S.A. | P. Equivalencia | | | X | | | Parque tecnológico |
| RAMINOVA INVERSIONES S.L. | P. Equivalencia | | | X | | | Holding – Cartera |
| AUTOESTRADAS DO SALNÉS SOCIEDAD CONCESIONARIA DA XUNTA DE GALICIA, S.A. | P. Equivalencia | | | X | | | Construcc. Explotación Autopista |
| EMPRESA NAVIERA ELCANO, S.A. | P. Equivalencia | | | X | | | Transportes Marítimos |
| GRUPO EMPRESARIAL COPO, S.A. | P. Equivalencia | | | X | | | Sociedad de Cartera |
| MUESTRALO ORGANIZACIÓN DE EVENTOS FERIALES, S.L. | P. Equivalencia | | | X | | | Organización de eventos |
| PAZO DE CONGRESOS DE VIGO, S.A. | P. Equivalencia | | | X | | | Constructora |
| TRANSMONBÚS, S.L. | P. Equivalencia | | | X | | | Transporte |
| VIÑEDOS Y BODEGAS DOMINIO DE TARES, S.A. | P. Equivalencia | | | X | | | Vitivinícola |
| SOCIEDADE PARA O DESENVOLVEMENTO DE PROXECTOS ESTRATÉXICOS DE GALICIA, S.L. | P. Equivalencia | | | X | | | Holding – Cartera |
| DESARROLLOS INMOBILIARIOS FUENTEAMARGA, S.L. | P. Equivalencia | | | X | | | Transformación Madera |

## Consolidable group companies consolidated by the Full Consolidation method

According to the above criteria, below it is presented in detail the subsidiaries of the Consolidated Group by 31 December 2022, to which have been applied the Global Integration Approach in the process of preparing the consolidated information for solvency purposes.

### Table 6: Consolidable group companies consolidated by the Full Consolidation approach (in %)

| | | | **% Voting rights controlled by the Group** | |
|---|---|---|---|---|
| Company | Address | Activity | Direct | Indirect |
| ABANCA Corporación Industrial y Empresarial, S.L. | A Coruña | Cartera | 100,00% | |
| ABANCA Corporación División Inmobiliaria, S.L.U. | A Coruña | Gestión Inmobiliaria | 100,00% | |
| ABANCA Servicios Financieros, E.F.C., S.A. | A Coruña | Financiación | 87,94% | 12,06% |
| BANKOA Gestión, S.A, S.G.I.I.C. | Donostia | Gestora de Inversión Colectiva | 100,00% | |
| BANKOA KARTERA, SA | Donostia | Cartera | 100,00% | |
| BANKOA Mediación, S.L. | Donostia | Seguros | 100,00% | |
| Inventium Consultoría de Proyectos, S.L | A Coruña | Consultoría | | 51,00% |
| TXSTOCKDATA, S.L. | Pontevedra | Otros servicios financieros | | 70,00% |
| Laborvantage Investimentos Inmobiliarios Lda. | Oporto | Inmobiliaria | 100,00% | |
| AINVEST SENTIR COMÚN, S.A. DE C.V., SOFOM, E.N.R | México | Financiación | 0,00% | 99,99% |
| SIMEON INVERSIONES CA VENEZUELA | Venezuela | Financiación | 100,00% | |
| SIMEON SACV MEXICO | México | Financiación | 99,53% | |
| Quaere Investment, S.L. | A Coruña | Cartera | | 100,00% |
| Vibarco, Sociedad Unipersonal, S.L. | Vigo | Holding - Cartera | | 100,00% |
| ABANCA Invest, S.A. | A Coruña | Cartera | | 100,00% |
| Torres del Boulevar, S.L. | A Coruña | Promoción inmobiliaria | | 100,00% |
| Imantia Capital, S.G.I.I.C., S.A. | Madrid | Gestora de Inversión Colectiva | 38,35% | 61,65% |

## Companies of the group non-consolidable by activity consolidated using the equity method:

Also, according to the above criteria, below it is presented in detail the institutions of the Group non-consolidated by activity as at December 31, 2022, although they are part of Group's investees portfolio to which have been applied the equity method, for their consolidation.

Table 7: Companies of the group non-consolidable by activity consolidated using the equity method:

| Company | Address | Activity | % Voting rights controlled by the Group | |
|---|---|---|---|---|
| | | | Direct | Indirect |
| Complejo Residencial Marina Atlántica, S.L. | A Coruña | Inmobiliaria | 100,00% | |
| Sogevinus S.G.P.S., S.A. | Oporto | Holding- Bodegas | 100,00% | |
| Natur Hotel SPA Allariz, S.A. | Allariz | Hostelería | 94,11% | 5,89% |
| ABANCA Mediación, Correduría de Seguros Generales, S.A. | A Coruña | Correduría de Seguros | | 100,00% |
| Corporación Empresarial de Tenencia de Activos de Galicia, S.L. | A Coruña | Servicios | | 100,00% |
| Espacios Termolúdicos, S.A. | A Coruña | Servicios de Salud y Ocio | | 100,00% |
| ABANCA Mediación, Operador de Banca-Seguros Vinculado, S.A. | A Coruña | Seguros | | 100,00% |
| ABANCA Gestión Operativa, S.A. | A Coruña | Servicios Operativos | | 100,00% |
| Torre de Hércules Participaciones Societarias, S.L. | A Coruña | Otros servicios | | 100,00% |
| Corporación Empresarial y Financiera de Galicia, S.L.U. | A Coruña | Servicios administrativos | | 100,00% |
| Corporación Empresarial de Representación Participativa, S.L. | A Coruña | Financiación | | 100,00% |
| Jocai XXI, S.L. | A Coruña | Promoción Inmobiliaria | | 100,00% |
| Corporación Empresarial de Participación en Organizaciones de Galicia, S.L. | A Coruña | Otros servicios | | 100,00% |
| ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A. | A Coruña | Seguros | | 100,00% |
| Nueva Pescanova, S.L. (1) | Pontevedra | Comercio al por mayor | 97,76% | |
| Real Club Deportivo de La Coruña, S.A.D. (1) | A Coruña | Club Deportivo | 76,66% | |

(1) Recorded under the accounting item of "Non-current assets and disposal groups classified as held for sale".

## Jointly-controlled companies of the group non-consolidable by activity consolidated by the equity method

The investments that the group held as at December 31, 2022 in jointly-controlled companies of the non-consolidable group is presented below broken down by business activity to which the equity method has been applied for consolidation.

Table 8: Companies of the group non-consolidable by activity consolidated using the equity method (in %)

| Company | Address | Activity | % Voting rights controlled by ABANCA | |
|---|---|---|---|---|
| | | | Direct | Indirect |
| Desarrollos Albero S.A. | Sevilla | Promoción Inmobiliaria | - | 50,00% |

## Associates consolidated by the equity method:

Below they are listed in detail the investments in associates of the consolidable group as at December 31, 2022, to which the equity method has been applied for the purposes of the preparation of the consolidated information:

### Table 9: Associates consolidated by the equity method (in %)

| Company | Address | Activity | % Voting rights controlled by ABANCA Direct | Indirect |
|---|---|---|---|---|
| Parque Tecnológico de Galicia, S.A. | Orense | Parque tecnológico | 37,34% | |
| Cidade Universitaria, S.A. | Vigo | Infraestructuras | 32,43% | |
| Cidade Tecnolóxica de Vigo, S.A. | Vigo | Infraestructuras | 25,07% | |
| Obenque, S.A. | Madrid | Inmobiliaria | 26,98% | |
| Raminova Inversiones, S.L. | Pontevedra | Holding – Cartera | 50,00% | |
| Pazo de Congresos de Vigo, S.A. | Vigo | Constructora | - | 22,22% |
| Autoestradas do Salnés, S.C.X.G., S.A. | Ourense | Construcc. Explotación Autopista | - | 30,00% |
| Transmonbús, S.L. | Lugo | Transporte | - | 33,96% |
| Muéstralo Organización de Eventos Feriales, S.L | Vigo | Organización de eventos | - | 25,00% |
| Viñedos y Bodegas Dominio de Tares, S.A. | León | Vitivinícola | - | 41,15% |
| Abanca Generales de Seguros y Reaseguros, S.A. | A Coruña | Seguros | - | 50,00% |
| Empresa Naviera Elcano, S.A. | Madrid | Transportes Marítimos | - | 20,25% |
| Grupo Empresarial COPO, S.A. | Pontevedra | Sociedad de Cartera | - | 35,64% |
| Desarrollos Inmobiliarios Fuenteamarga, S.L. | Madrid | Transformación Madera | - | 33,00% |
| Sociedad para el Desenvolvemento de Proxectos Estratéxicos de Galicia, S.L. | Santiago de Compostela | Holding – Cartera | - | 38,00% |

## Other general information

As at December 31, 2022, there was no material impediment, practical or legal, to the prompt transfer of own funds or liabilities reimbursement among subsidiaries of the Group and the bank, thus there are no grounds to suggest that there may be such impediments in the future.

As at December 31, 2022, there are no institutions belonging to the economic Group and not included in the consolidable Group that were subject to minimum capital requirements at individual level, according to the different regulations that would apply to them. Only the entities of the economic group ABANCA Vida de Pensiones y Seguros y Reaseguros, S.A., and Abanca Seguros are subject to solvency requirements according to DGS regulations.

# 2 RISK MANAGEMENT OBJECTIVES AND POLICIES

Information concerning policies and objectives on risk management that EU Regulation 575/2013 requires to be disclosed to the market can be found in the following notes of the Consolidated Annual Report included in the ABANCA Group Annual Statements for 2022:

- Liquidity risk of financial instruments: Note 45.
- Credit risk: Note 48.
- Interest rate risk: Note 49.
- Operational risk: Note 50.
- Other market risks: Note 51.

Annex I of this report includes detailed information on the Risk Management Policies and Objectives and on the Entity's policies related to all those risks that significantly affect it. This Annex details the following risks:

- Credit risk
- Risks associated with the trading book
- Non-financial risks
- Risks of capital instruments not included in the trading book
- Liquidity risk
- Climatic risk (ESG)
- Other risks

Below there is a brief description of the powers attributed by law and by the Articles of Association, which are bestowed to the bodies responsible of the administration, management, representation and control of the Entity.

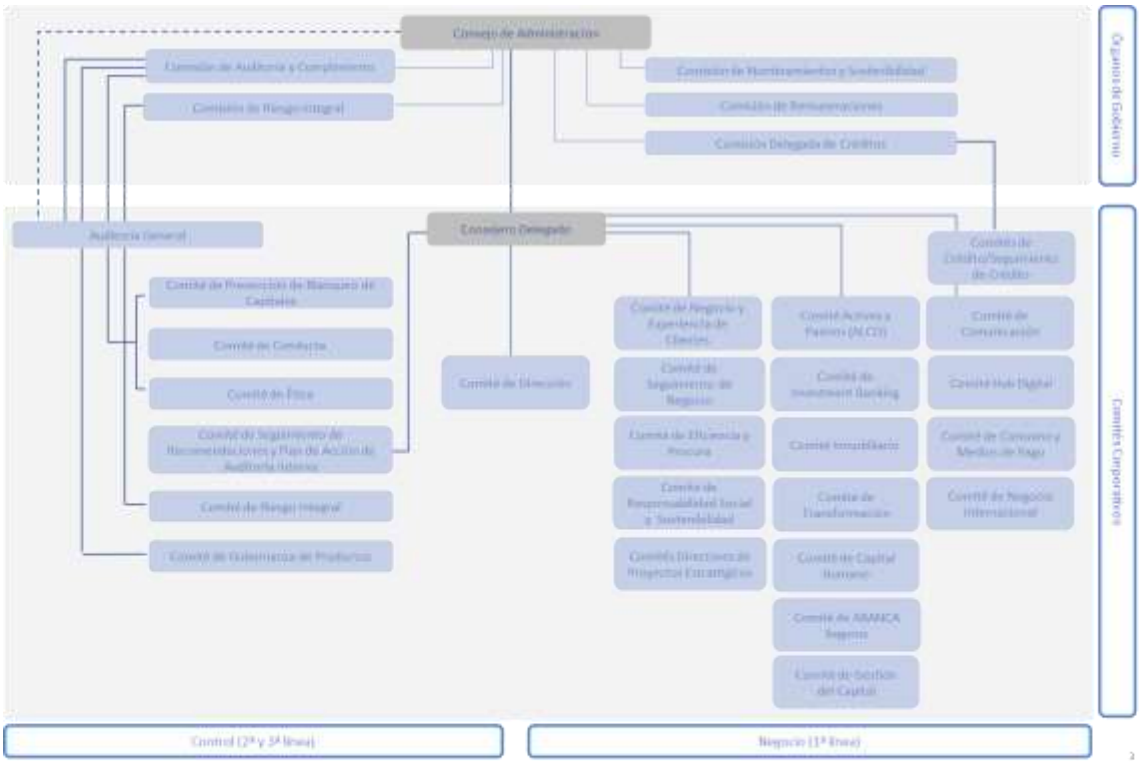
## 2.1 Structure and organisation of the risk management function

The Governing Bodies of ABANCA Corporación Bancaria (ABANCA Group) are its Shareholders' General Meeting and its Board of Directors, both of which hold the powers assigned to them by law and the articles of association, and so are the representative bodies that the Board may designate.

In ABANCA Corporación Bancaria, S.A. the Board has delegated powers to the Executive Credit Commission and the Chief Executive Officer of the Entity. Likewise, the Board of Directors has set up different Commissions and Committees for the different areas of the Entity. The

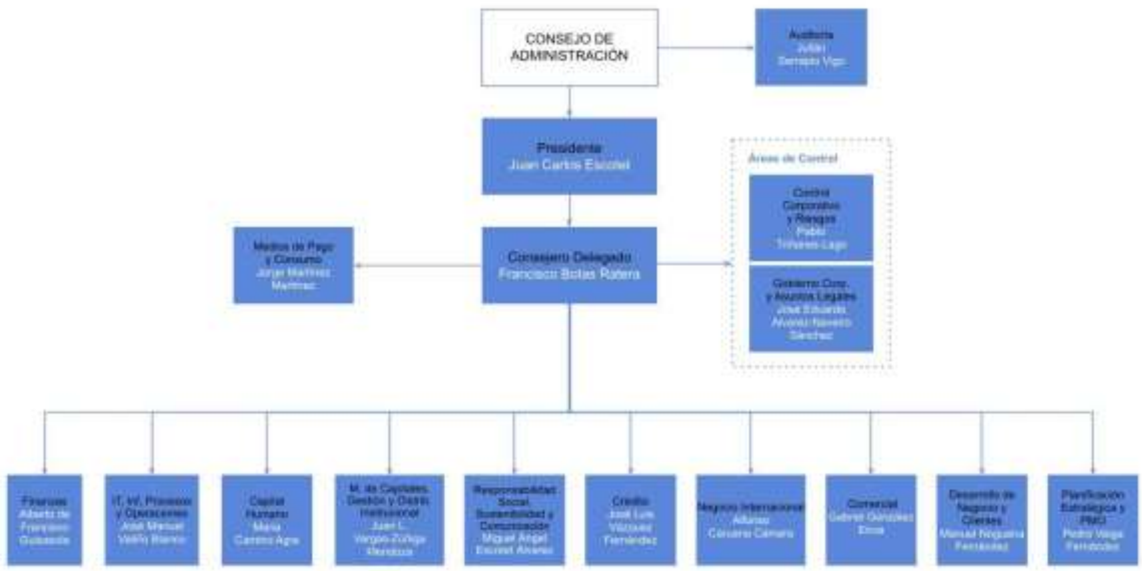
Corporate Governance of ABANCA Corporación Bancaria, S.A., by 2022 year-end was structured into the following bodies:

Graph 8: Bodies




As for the distribution of duties within the organisation, by 2022 year-end the organisational structure in force in ABANCA Corporación Bancaria, S.A. is represented by the following flow chart:

Graph 9: Functional Organisation Chart by 2021 year-end of ABANCA Corporación Bancaria, S.A.




## 2.2 Corporate risk culture: general principles of risk management

Quality in risk management constitutes for the ABANCA Group a priority axis, constituting one of the main pillars of management, supported by an organisational structure that gives independence and power to such function. The Group's risk policy is geared to maintain a medium-low profile concerning all risks, therefore its risk management model constitutes a key factor to achieve the attainment of strategic objectives.

In doing this, the Group has an organisational model aimed at risk control and management, taking into account the guidelines of the Basel Committee on Banking Supervision, through a cross-encompassing risk management throughout the Entity, which is built in three lines of defence:

- First line of defence: management and control functions performed by the Group's units, i.e. the Business Units and the Credit Unit. The primary controls of the activity are in this line. In the field of ESG risk, the Social Responsibility and Sustainability area acts as the first line of defence.

- Second line of defence: control functions conducted independently and in accordance with a comprehensive risk management, through the Corporate Control and Risk General Management and Corporate Governance and Legal Affairs General Management holistically including all types of risk of the Entity. In this line, policies and regulations are submitted to the Governing Bodies for approval and subsequent transfer to the first line of defence for their implementation within the management process. After its implementation, the fulfilment of these policies and regulations is monitored, through the control of the management of the first line of defence, reporting on a recurring basis to the Governing Bodies about their follow-up and, in case of deviation, to put forward the appropriate corrective measures in order to adjust to what was previously defined.

- Third line of defence: functions of supervision carried out by Internal Audit. This line controls the second, and supervises the first line.

Graph 10: Lines of defence of ABANCA Corporación Bancaria S.A.

With this model, the Group seeks to guide the Entity in promoting the best banking practices of risk culture throughout the Organisation by carrying out an comprehensive risk management (credit, market, liquidity, interest rate, non-financial, security and continuity...), with the aim of ensuring the solvency and resilience of the Entity according to the risk profile defined by the Governing Bodies.

In this way, the risk culture is founded on the principles of risk management of the Group and it is spread to all business units and also to the management of the Organisation by relying, among others, on the principles set out below:

- The Unit of Comprehensive Risk Management is independent of the Credit Unit and the Business Units, which in turn, are independent from one another. The independence in their scopes of action guarantees not only independence in decision-making, but it also allows their views and opinions to be taken into account at the different authority levels in which businesses are conducted, as well as to access via the Comprehensive Risk Commission to the Governing Bodies. Twelve meetings of the Commission were held in 2022.

- Involvement of the Governing Bodies and senior management in decision-making. The delegation structure of powers of the Entity requires that a high number of transactions have to be subject to the validation of centralised risk committees of the Entity (Central Committee and Executive Credit Commission). The frequency with which these sanctioning and risk monitoring bodies meet helps to ensure liveliness in deciding about proposals, and also a strong involvement of senior management in the daily management of the various risks of the Entity.

- Active management of the entire life span of risk, from the pre-analysis, going through analysis / granting, monitoring and up to its termination. The main risks are assessed not only at the time of origination or when irregular situations arise in the ordinary process of recovery but analysed continuously on all customers.

- Jointly made decisions than ensure the contrast of opinions. As no personal powers are attributed, this causes the collegiate decision-making bodies to resolve decisions, which entails greater rigour and transparency in said decisions.

- Decentralised decision-making process based on implementation, training and tools available. Conservative criteria apply in the sanctioning process of lending investments, seeking a balance between efficiency and efficacy through decentralisation of decisions based on the delegation and allocation of powers depending on the assumed risk, and based on management and control tools implemented that enable to control this process at all times.

- Clear processes and procedures, which are periodically revised according to the needs of each moment and with well-defined responsibilities and implemented at every level. The Entity has manuals and action policies in relation to risk management, which constitute the basic legal framework through which risk activities and processes are regulated.

- Definition of attributions. Each of the units of acceptance and risk management has clearly defined the types of activities, segments and risks that they may incur and decisions they can take on risk, pursuant to delegated powers or under the framework of risk (limits) set in the policy manuals.

- Planning of Limits The Entity has a system of risk limits that are frequently updated at least annually and covering credit risk and the different market risk exposures such as trading, liquidity and structural. The credit risk management is also powered by management programs such as credit scoring models (individuals, self-employees), rating systems (exposures with companies) and pre-classification procedures (large customers). There are also limits for non-financial risks, as well as ESG risks.

- The creation, implementation and spreading of advanced tools to support the analysis and decision-making process facilitate customer and risk management through the effective use of technology. In particular, we could talk about the building, independent validation and approval of risk models developed according to corporate methodological guidelines. These tools allow the Entity to systematise risk origination processes and their monitoring as well as recovery processes, calculation of the expected loss and capital required and valuation of the trading portfolio.

- Monitoring. The information and risk exposure aggregation systems allow the Entity to carry out the monitoring of exposures, systematically verifying compliance with the approved threshold and adopting, if necessary, appropriate corrective measures. In addition, the Entity has systems of symptomatic and systematic monitoring of transactions that allow anticipation as well as the establishment of action plans. Periodically, a systematic monitoring of the status of the main portfolios of the Entity is carried out.

Additionally, it is worth mentioning the existence of a series of procedures in which the dissemination of risk culture is supported, such as the Risk Appetite Framework (RAF), the training activity, the remuneration and incentives policy, strict compliance of staff with general codes of conduct, and systematic and independent actions of the internal audit services.

These principles are aligned with the strategy and business model of the group and take into account the recommendations of the supervisory and regulatory bodies, as well as the best market practices.

ABANCA has also implemented a comprehensive risk management in which the definition and control of risk appetite is one of the key elements. In the Risk Appetite Framework, the Group sets out in detail the desired and maximum levels of risk (appetite and tolerance) that is willing to take in implementing the business strategy, so that it can maintain its regular activity in the light of unexpected events. Due to the aforementioned, severe scenarios that could have a negative impact on capital levels, liquidity and/or profitability are considered.

## 2.3 Statement of the suitability of risk management mechanisms

The ABANCA Group has carried out an internal self-assessment exercise on the adequacy of risk management mechanisms. After the analysis carried out, the Board of Directors stated that the risk management of the Entity is adequate.

Under this scope, the Board of Directors stated that:

i) The Group has adequate risk management mechanisms in relation to the profile and strategy of ABANCA.

ii) The risk management department, as shown in the organisation chart, exercises an independent function with regard to the business, positioning itself within the second line of defence.

iii) This function in turn is supervised by the third line of defence, which in turn is independent of the first; i.e. the internal audit department.

iv) There is an active management during the whole life-span of risks.

v) There are established limits for the assumption of risks as well as robust models that support the decisions made.

vi) The risk management in the Group is properly integrated within the Organisation, with a sound governance that involves the entire Organisation.

## 2.4 Risk appetite statement

As a fundamental element in Risk management, the Bank has defined a Risk Appetite Framework (RAF), through which the Governing Bodies of the Group explicitly define the desired levels and maximum risk (appetite and tolerance) that they are willing to assume, based on the strategic plan of the Entity.

This exercise was carried out both at the global risk level and for each of the relevant risks to which the Group is exposed as a result of its activity. In the conception of the Bank's RAF, the highest representatives of the Entity and its Governing Bodies intervene. The Comprehensive Risk Management unit, Dependent on the General Directorate of Risks and Corporate Control, is responsible for defining and proposing the RAF for approval by the Bank's governing bodies and based on of the strategy defined by the latter. Once the RAF has been defined, monitoring and control reports are made, with the frequency required by the Governing Bodies.

Specifically, the Board of Directors approve the document, with the prior approval of the Comprehensive Risk Commission.

The definition of appetite and tolerance is carried out by selecting the set of both qualitative and quantitative indicators, after calibrating the desired (appetite) and maximum (tolerance) levels.

In the definition of the RAF, all the relevant risks to which the Group is exposed in the development of its activity, as well as in the achievement of its business objectives, have been considered. Therefore, the criteria established in the RAF shall be taken into account at all times within the normal circuits of analysis and approval of transactions. Specifically, the main risks of the activity to monitor are:

- Solvency risk

  It is the probability of incurring losses due to non-compliance with capital solvency ratios and that this may jeopardize the Entity's future feasibility.

- Business risk

  Risk that the entity experiences a substantial reduction in profit derived from adverse business decisions or breaches in the execution of the entity's strategy.

- Credit risk

  It is defined as the probability that the Entity suffers losses due to the counterparty defaulting on its obligations. This risk also includes concentration risk, whether sectoral or individual.

- Liquidity risk

  It is the ability of a bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses.

- Market Risk

  It is the risk of incurring losses, and, therefore, the risk of a negative impact on the results and on the capital of the Group, due to the maintenance of open positions in the financial markets, as a consequence of an adverse movement in the financial variables that determine the market or realization value of these positions, whether with an investment vocation or derived from trading portfolios. Market Risk also includes the interest rate risk in the banking portfolio (IRRBB), understood as the risk of incurring losses in terms of intermediation margin and economic value of own resources in the event of adverse movements in the market interest rates.

- Non-financial risk:
  - Operational: is the risk of loss resulting from deficiencies or failures in internal processes, human resources or systems, or derived from external circumstances, including legal risk.
  - ICT risk: is the risk of loss due to a breach of confidentiality, a lack of integrity of systems and data, an inappropriate or unavailability of systems and data, or an inability to change ICT within a reasonable time and cost when environment or business requirements.
  - Reputational risk: it is linked to the perception of the Group by the different interest groups with which it interacts, both internal and external, in the development of its activity, and which may have an adverse impact on the results or expectations of business development.
  - Conduct risk: is the current or future risk that the Entity incurs losses arising from an inadequate performance of financial services, including intentional or negligent cases (internal fraud is included).

The Risk Appetite Framework is made up of three main elements:

- Declaration of Risk Appetite and Tolerance.
- Control and monitoring mechanisms.
- System of powers and responsibilities.

In relation to the target thresholds provided in the RAF, the Senior Management ensures that there is a harmony between its business strategy and target risk profile. Therefore, the risk target thresholds are established in accordance with the Business Model and shall be consistent with the objectives set by the Entity's strategy, ensuring that the initiatives planned in the baseline scenario are compatible with the achievement of the target thresholds. In this sense, the strategic plan and the Business Model mark the assumptions of the baseline scenario, which is used as a starting point for the stress tests performed during the capital assessment process. This baseline scenario takes into account the Entity's strategy planning in a business-as-usual environment, and ensures the alignment of the objectives set in the strategy and the RAF target thresholds, in order to ensure that the target risk profile is maintained.

The thresholds of alerts and limits of the risks established in the RAF are calibrated using the results of the stress tests of the capital self-assessment process as inputs, since they mark the impact of various macroeconomic factors, exceptional but plausible, and also idiosyncratic variables. In this way, consistency between the ICAAP and the RAF is ensured and integrated into the management through the use of stress tests.

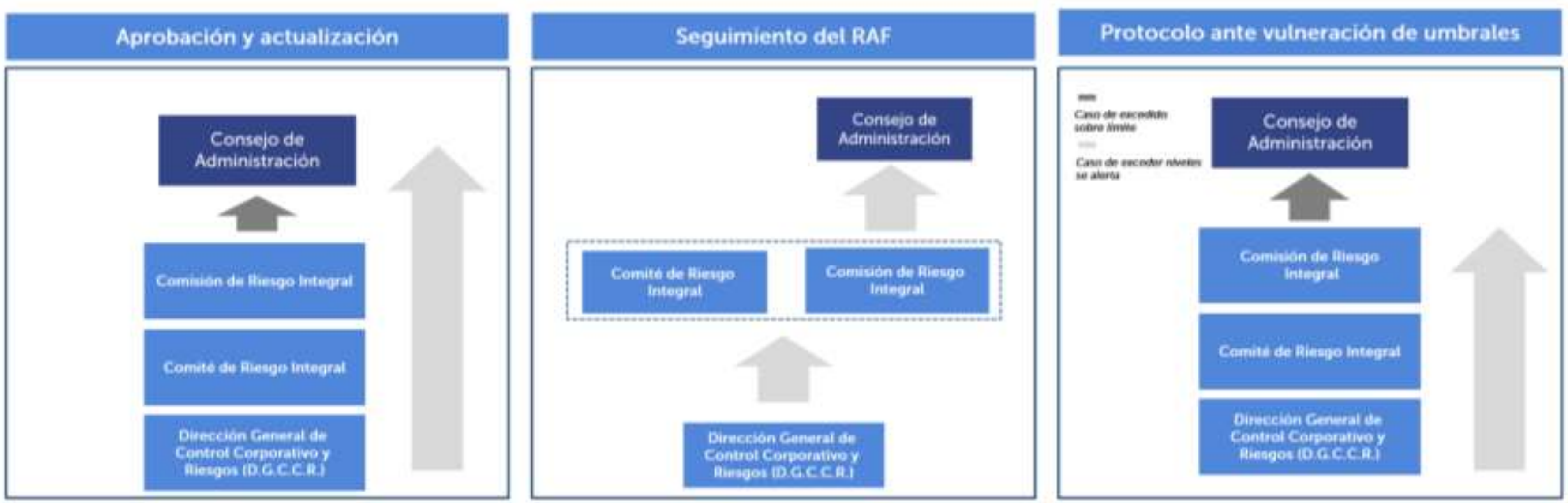
The RAF keeps the spirit of a necessary and continuous updating process, which is periodically adapted to the strategy defined by the Entity at all times. This updating process applies to the tools and models available and rules of supervisory bodies and, therefore, every year it is reviewed and updated with the amendments derived from this adaptation. The follow-up of the RAF includes monitoring the deviations in the strategic plan in order to determine the cause of said unexpected evolution and its impact.

Report on the recent incorporation in the RAF of specific metrics for monitoring ESG risks.

With regard to governance and the process of supervision and control of the RAF, in accordance with the best market practices, the Regulators' recommendations and, above all, with the Organisation's own culture, governance is based on a consensus and jointly decision-making process through a structure of committees and areas, thus avoiding making decisions in a personal or individual way.

The governance that accompanies the RAF can be disaggregated into three clearly identifiable stages:

Graph 11: Governance stages of ABANCA Corporación Bancaria S.A.



### a) Approval and updating

- The Comprehensive Risk Committee is the link between the General Management of Corporate Control and Risks and the other areas of the Entity. In the meetings of the Committee, the evolution of the risk profile of the Entity is discussed and decisions on measures are reached jointly that are subsequently submitted to a superior level.

- The General Management of Corporate Control and Risk submits the RAF to the Comprehensive Risk Commission for its assessment. The Comprehensive Risk Commission analyses the management and control of risks to ensure the content, integrity and effectiveness of the RAF, and therefore this Commission advices to the Board.

- The Board of Directors of ABANCA Corporación Bancaria approves the RAF after consulting the Comprehensive Risk Commission.

### b) Monitoring

- The regular monitoring of the Risk Appetite Framework is carried out by means of a monthly report submitted to the Comprehensive Risk Committee and to the Comprehensive Risk Commission. The General Manager of Corporate Control and Risks shall be responsible for the submission of these reports.

- The Corporate Control and Risks Department submits reports on level compliance of the Risk Appetite Framework to the Board of Directors through the Comprehensive Risk Commission.

### c) Protocol for infringement of thresholds

- In case of breach of limits, the Board of Directors, the Comprehensive Risk Commission and the Comprehensive Risk Committee shall be informed immediately. It is the responsibility of the General Management of Corporate Control and Risks to escalate that excess and the Comprehensive Risk Committee is responsible to submit the measures that shall be eventually approved by the Board of Directors.

- In the event of excess over the alert level, the General Management of Corporate Control and Risks shall inform the Comprehensive Risk Committee and the Comprehensive Risk Commission pursuant to the regular risk appetite supervision framework, and the Comprehensive Risk Committee is the body responsible for approving the action to be taken.

The main risks and associated capital consumption are shown throughout the document, showing the evolution and situation of each risk. Among the main lines, highlight the following aspects:

- ABANCA develops a business model clearly focused on retail commercial banking, focused on providing financial and pension services to individuals and companies (mainly SMEs and the self-employed), who receive individual and specialised attention in those cases in which their profile thus require it. The management of non-performing assets is another activity for which personalised management is offered, with action policies designed under the premise of maximising the value of these assets. In addition, ABANCA operates in the financial markets as a diversifying source of recurring income and to contribute to the optimisation of resources and risks. One of the pillars on which ABANCA's business model rests is to maintain ownership of a large part of the financial services businesses it provides (insurance, cards, funds, plans, payment management, real estate servicing, etc.), with the objective of retaining the value generated within the Entity and guaranteeing high levels of customer experience through control of the value chain. This strategy also aims to be a source of diversification and generation of recurring income, as well as a potential lever for capital generation.

- Regarding Solvency, ABANCA closed the 2022 financial year with a CET1% ratio of 12.48%, and with €2,081M of excess capital over CET1 regulatory requirements addressed in the SREP. The current capital situation is aligned with the Entity's internal objectives, and it also presents a comfortable situation with respect to the tolerance levels established in the Risk Appetite Framework.
- The leverage ratio of 6.21% phase in ABANCA also has a very comfortable position with respect to the minimum leverage requirements of 3% and internal tolerance levels.
- Regarding the Entity's liquidity, it shows great strength, with ratios LCR of 246.85% and NSFR of 119.87%. The funding structure remains clearly based on retail deposits, which place the LTD in the 92.4%. All the ratios are significantly above the risk tolerance levels established in the Risk Appetite Framework.

## 2.5 Novelties with regard to ESG

ABANCA has made significant progress in understanding, monitoring and measuring the risks and opportunities of climate change during 2022.

The Bank considers the risks and opportunities of climate change in particular, and ESG in general, as a new risk that comes from factors of traditional risks. The Entity has adopted this approach taking into account the ECB Guide on climate-related and environmental risks addressed to credit institutions, dated November 2020, together with the document of the EBA on the management and supervision of ESG risks for credit institutions and investment firms, of June 2021.

ABANCA's objective, in addition to complying with regulatory and supervisory requirements, is to **progressively integrate ESG risks and opportunities** into its daily activities. It is a dynamic process in which the Entity is working in a transversal and coordinated manner, mainly in five areas: materiality, strategy and business model, governance and risk appetite, risk management and disclosure of information.

In Annex I, section 6, the information about the progress made in this area in the last year is expanded, as well as compliance with the disclosure requirements provided for in the Implementing Regulation (EU) 2022/2453 of the Commission in the ESG field.

# 3 ELIGIBLE OWN RESOURCES AND OWN FUNDS

## 3.1 Main characteristics and conditions of items recorded as own funds CET1, AT1 and T2.

With regard to the calculation of the minimum capital requirements, the Group considers as own funds belonging to Common Equity Tier 1 (CET1) those items defined as such in Articles 26 and following of the EU Regulation 575/2013, taking into account their corresponding deductions.

CET1 elements are elements of own funds that can be used immediately and without restrictions to cover risks or losses as soon as these may occur; amount of which is registered free of any foreseeable tax charge at the moment of the calculation. These elements show a priori a higher stability and permanence in time than that of other elements of own funds that are explained below. As stated below, the Common Equity Tier 1 capital of the Group as at December 31, 20212 was basically made up by the paid-up capital, issue premium, reserves, minority interests and provisional profits, with the relevant adjustments set by regulations in force.

Additional Tier 1 items (AT1) are those defined in Article 51 and on of EU Regulation 575/2013, in accordance with the limits and deductions established. These own funds, although they coincide with the definition of own funds laid down in the regulations, they are characterised, a priori, by having volatility or lesser degree of permanence than the elements accounted as CET1.

As detailed in this section, as at December 31, 2022, ABANCA presents in phase-in 625 million €. This computable amount for prudential purposes comes from the 250 MM€ issued on October 2, 2018 and the 375 MM € issued on January 20, 2021.

Also, the Tier 2 items considered are those defined in Article 62 and on of EU Regulation 575/2013. As explained below, as at December 31, 2022, the amount of Tier 2 capital continues to be determined mainly by two issuances of computable instruments for an amount of 350 MM€ and 300 MM€, issued respectively on January 18, 2019 and October 7, 2019.

## 3.2 Amount of own funds

Below it is presented, in compliance with the EU Implementing Regulation 637/2021, the detail of the elements that make up computable own funds as at December 31, 2022:

### TABLE 10_ EU CC1 – Composition of regulatory own funds

(Thousand € and %)

| | | Amounts | Source based on balance sheet reference numbers or letters in the regulatory scope of consolidation |
|---|---|---|---|
| | **Common Equity Tier 1 capital: Instruments and reserves** | | |
| 1 | Capital instruments and the related share premium accounts | 2.677.580 | c1+c2 (1) |
| | Of which: Type of instrument 1 | - | |
| | Of which: Type of instrument 2 | - | |
| | Of which: Type of instrument 3 | - | |
| 2 | Retained earnings | -1.103 | |
| 3 | Accumulated other comprehensive income (and other reserves) | 1.532.024 | c3+c4+c5+c6+c9+c10 (1) |
| EU -3a | Funds for general banking risk. | 0 | |
| 4 | Amount of items referred to in article 484 (3) of the CRR and the corresponding share premium accounts subject to phase out from Common Equity Tier 1 capital | 0 | |
| 5 | Minority interests (amount allowed in consolidated CET1) | 0 | |
| EU-5 a | Independently reviewed interim profits net of any foreseeable charge or dividend | 129.008 | c7+c8 (1) |
| **6** | **Common equity tier 1 capital before regulatory adjustments** | **4.337.509** | |
| | **Common equity tier 1capital: regulatory adjustments** | | |
| 7 | Additional value adjustments (negative amount). | -1.341 | |
| 8 | Intangible Assets (net of related tax liability) (negative amount). | -178.997 | a12 (2) |
| 10 | Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) of CRR are met) (negative amount). | -574.263 | |
| 11 | Reserves at fair value related to gains or losses on cash flow hedges of financial instruments not measured at fair value | 346.037 | a13 (3) |
| 12 | Negative amounts resulting from the calculation of expected loss amounts. | 0 | |
| 13 | Any increase in equity that results from securitised assets (negative amount). | 0 | |
| 14 | Gains or losses on liabilities valued at fair value resulting from changes in own credit standing. | 0 | |
| 15 | Defined-benefit pension fund assets (negative amount). | -16.497 | |
| 16 | Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount). | -12.984 | |
| 17 | Direct, indirect and synthetic holdings of own CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount). | 0 | |
| 18 | Direct, indirect and synthetic holdings of own CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount) | 0 | |
| 19 | Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount) | 0 | |
| EU -20a | Exposure amount of the following items which qualify for a RW of 250 %, where the institution opts for the deduction alternative | 0 | |
| EU-20b | Of which: qualifying holdings outside the financial sector (negative amount) | 0 | |
| EU-20c | Of which: securitisation positions (negative amount) | 0 | |
| EU-20d | Of which: free deliveries (negative amount) | 0 | |
| 21 | Deferred tax assets arising from temporary differences (amount above 10 % threshold, net of related tax liability where the conditions in Article 38 (3) of CRR are met) (negative amount) | 0 | |
| 22 | Amount exceeding the 17.65 % threshold (negative amount) | 0 | |
| 23 | of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities. | 0 | |
| 25 | Of which: deferred tax assets arising from temporary differences | 0 | |
| EU-25 a | Losses for the current financial year (negative amount) | 0 | |
| EU-25b | Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount). | 0 | |
| 27 | Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount) | 0 | |
| 27a | Other regulatory adjustments. | 152.930 | |
| **28** | **Total regulatory adjustments to Common Equity Tier 1 (CET1)** | **-285.115** | |
| **29** | **CET1** | **4.052.394** | |

| | | Amounts | Source based on balance sheet reference numbers or letters in the regulatory scope of consolidation |
|---|---|---|---|
| | **Additional Tier 1 (AT1) capital: instruments** | | |
| 30 | Capital instruments and the related share premium accounts | 625.000 | |
| 31 | Of which: classified as equity under applicable accounting standards | 0 | |
| 32 | Of which: classified as liabilities under applicable accounting standards | 0 | |
| 33 | Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1. | 0 | |
| EU -33a | Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1 | 0 | |
| EU-33b | Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1. | 0 | |
| 34 | Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties. | 0 | |
| 35 | Of which: instruments issued by subsidiaries subject to phase out. | 0 | |
| **36** | **Additional Tier 1 (AT1) capital before regulatory adjustments** | **625.000** | |
| | **Additional Tier 1 (AT1) capital: regulatory adjustments** | | |
| 37 | Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount). | 0 | |
| 38 | Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount). | 0 | |
| 39 | Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount). | 0 | |
| 40 | Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount). | 0 | |
| 42 | Qualifying T2 deductions that exceed the T2 items of the institution (negative amount). | 0 | |
| 42a | Other regulatory adjustments to AT1 capital | 0 | |
| **43** | **Total regulatory adjustments to Additional Tier 1 (AT1) capital** | **0** | |
| **44** | **Tier 1** | **625.000** | |
| **45** | **Tier 1 capital (T1 = CET1 + AT1)** | **4.677.394** | |
| | **Tier 2 (T2) capital: instruments** | | |
| 46 | Capital instruments and the related share premium accounts | 650.000 | |
| 47 | Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR. | 0 | |
| EU -47a | Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2. | 0 | |
| EU-47b | Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2. | 0 | |
| 48 | Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties | 0 | |
| 49 | Of which: instruments issued by subsidiaries subject to phase out. | 0 | |
| 50 | Credit risk adjustments | 0 | |
| **51** | **Tier 2 (T2) capital before regulatory adjustments** | **650.000** | |
| | **Tier 2 (T2) capital: regulatory adjustments** | | |
| 52 | Direct, indirect and synthetic holdings by an institution of own T2 instruments (negative amount) | 0 | |
| 53 | Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount). | 0 | |
| 54 | Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount). | 0 | |
| 55 | Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount). | 0 | |
| EU -56a | Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount). | 0 | |
| EU-56b | Other regulatory adjustments to T2 capital. | 0 | |
| **57** | **Total regulatory adjustments to Tier 2 (T2) capital** | **0** | |
| **58** | **Tier 2** | **650.000** | |
| **59** | **Total Capital (TC = T1 + T2)** | **5.327.394** | |
| **60** | **Total amount of risk exposure** | **32.467.961** | |

| | | Amounts | Source based on balance sheet reference numbers or letters in the regulatory scope of consolidation |
|---|---|---|---|
| | **Capital ratios and buffers** | | |
| 61 | Common equity tier1 capital | 12,48 | |
| 62 | Tier1 capital | 14,41 | |
| 63 | Total capital | 16,41 | |
| 64 | Institution CET1 overall capital requirement. | 8,13 | |
| 65 | Of which: capital conservation buffer requirement. | 2,50 | |
| 66 | Of which: countercyclical buffer requirement. | 0,00 | |
| 67 | Of which: systemic risk buffer requirement. | 0,00 | |
| EU -67a | Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer. | 0,00 | |
| EU-67b | Of which: additional own funds requirements to address risks other than the risk of excessive leverage (%). | 1,13 | |
| **68** | **Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)** | **6,41** | |
| | **Amounts below the thresholds for deduction (before risk weighting)** | | |
| 72 | Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions). | 21.550 | |
| 73 | Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65 % threshold and net of eligible short positions) | 335.374 | |
| 75 | Deferred tax assets arising from temporary differences (amount below 17.65 % threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met). | 225.747 | |
| | **Applicable caps on the inclusion of provisions in Tier 2** | | |
| 76 | Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap). | 0 | |
| 77 | Cap on inclusion of credit risk adjustments in T2 under standardised approach. | 378.538 | |
| 78 | Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap). | 0 | |
| 79 | Cap on inclusion of credit risk adjustments in T2 under internal ratings-based approach. | 0 | |
| | **Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)** | | |
| 80 | Current cap on CET1 instruments subject to phase out arrangements. | 0 | |
| 81 | Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities). | 0 | |
| 82 | Current cap on AT1 instruments subject to phase out arrangements. | 0 | |
| 83 | Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities). | 0 | |
| 84 | Current cap on T2 instruments subject to phase out arrangements. | 0 | |
| 85 | Amount excluded from T2 due to cap (excess over cap after redemptions and maturities). | 0 | |

(1) The differences generated with respect to the CC2 statement correspond mainly to deductions linked to repurchases of CET1 and other regulatory deductions applicable to the calculation of the prudential result.

(2) The deduction of intangible assets is higher than that shown in statement CC2 due to the deductibility of the goodwill implicit in the value of the investees.

(3) The deduction is significantly lower than the balance that appears on the balance sheet, given that most of the deferred tax assets have the feature of consolidable convertible into a payable credit from the Tax Administration in accordance with Act 48/2015 of October 29 of general state budgets.

As at December 31, 2022, the main differences between the phase-in and fully loaded capital ratios stem from the temporary treatment of certain capital elements. Mainly the transitory adjustment applicable to DTAs originating prior to 2014; the impact of IFRS9 according to article 473a bis of the CRR, and the transitory treatment of unrealised profit and loss valued at fair value with changes in other comprehensive income in accordance with the modification of article 468 of the CRR. ABANCA has voluntarily acceded to the use of these last two transitory provisions.

## 3.3 Features of the computable instruments

Likewise, in compliance with the aforementioned regulation, the characteristics of the main computable items of the group are as follows.

### TABLE 11_ EU CCA Main features of regulatory own funds instruments and eligible liabilities instruments

(Thousand € and %)

| | | Shares of Abanca Corporacion Bancaria | AT1 Issue | AT1 Issue | T2 Issue | T2 Issue |
|---|---|---|---|---|---|---|
| 1 | **Issuer** | ABANCA Corporacion Bancaria, S.A. | ABANCA Corporación Bancaria, S.A. | ABANCA Corporación Bancaria, S.A. | ABANCA Corporación Bancaria, S.A. | ABANCA Corporación Bancaria, S.A. |
| 2 | **Unique Identifier (e.g. CUSIP, ISIN, or Bloomberg identifier for private placement)** | ISIN ES0165936008 | ES0865936001 | ES0865936019 | ES0265936007 | ES0265936015 |
| 2a | **Public or private placement** | Private Banking | Public | Public | Public | Public |
| 3 | **Governing law(s) of the instrument** | Spanish Law | Spanish Law | Spanish Law | Spanish Law | Spanish Law |
| 3a | **Contractual recognition of write down and conversion powers of resolution authorities.** | No | No | No | No | No |
| | ***Regulatory treatment*** | | | | | |
| 4 | Current treatment taking into account, where applicable, transitional CRR rules. | Common Equity Tier 1 Capital | Additional Tier 1 Capital | Additional Tier 1 Capital | Tier 2 Capital | Tier 2 Capital |
| 5 | Post-transitional CRR rules | Common Equity Tier 1 Capital | Additional Tier 1 Capital | Additional Tier 1 Capital | Tier 2 Capital | Tier 2 Capital |
| 6 | Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated | Individual and Consolidated | Individual and Consolidated | Individual and Consolidated | Individual and Consolidated | Individual and Consolidated |
| 7 | Instrument type (types to be specified by each jurisdiction) | Capital instrument - Common Actions | Preferred shares | Preferred shares | Subordinated debt | Subordinated debt |
| 8 | **Amount recognised in regulatory capital or eligible liabilities (currency in thousand, as of most recent reporting date).** | 2.476.209 | 250.000 | 375.000 | 350.000 | 300.000 |
| 9 | **Nominal amount of instrument** | 2.476.209 | 250.000 | 375.000 | 350.000 | 300.000 |
| 9a | **Issue price (%)** | 100 | 100 | 100 | 100 | 100 |
| 9b | **Redemption price** | n/a | n/a | n/a | 1 | 1 |
| 10 | **Accounting classification** | Equity | Obligation - amortised cost | Obligation - amortised cost | Obligation - amortised cost | Obligation - amortised cost |
| 11 | **Original date of issuance** | 14-09-2011 | 02-10-2018 | 20-01-2021 | 18-01-2019 | 07-10-2019 |
| 12 | **Perpetual or dated** | Perpetual | | Perpetual | Established | Established |
| 13 | Original maturity date | No maturity | No maturity | No maturity | 47.136 | 47.580 |
| 14 | **Issuer call subject to prior supervisory approval** | No | Yes | Yes | Yes | Yes |

| | | Shares of Abanca Corporacion Bancaria | AT1 Issue | AT1 Issue | T2 Issue | T2 Issue |
|---|---|---|---|---|---|---|
| 15 | Optional call date, contingent call dates and redemption amount | n/a | On 02/10/2023 and quarterly since then, at the Issuer's choice, for the entire issue for tax reasons or a capital event (conditions 7.3 and 7.4) and with the prior consent of the supervisor | On 20/01/2026 and quarterly since then, at the Issuer's choice, for the entire issue for tax reasons or a capital event (conditions 7.3 and 7.4) and with the prior consent of the supervisor | On 01/18/2025 and at any time since then, at the Issuer's choice, for the entire issue. Additionally for tax reasons or a capital event and prior consent of the supervisor | On 07/04/2025 and at any time since then, at the Issuer's choice, for the entire issue. Additionally for tax reasons or a capital event and prior consent of the supervisor |
| 16 | Subsequent call dates, if applicable | n/a | Quarterly | Quarterly | Any time after the fifth year | Any time after the fifth year |
| | ***Coupons / dividends*** | | | | | |
| 17 | **Fixed or floating dividend/coupon** | Variable | Revisable fixed | Revisable fixed | Revisable fixed | Revisable fixed |
| 18 | **Coupon rate and any related index** | n/a | 7.5% until 10/02/2023 when it is updated to 5-year mid-swap + 732.6 bps and then every 5 years from that date | 6.00% until 20/07/2026 when it is updated to 5-year mid-swap + 657 bps and then every 5 years from that date | 6.125% until 18/01/2025 when it is updated to 5-year mid-swap + 592.7 bps and then every 5 years from that date | 4.625% until 07/04/2025 when it is updated to 5-year mid-swap + 501.4 bps and then every 5 years from that date |
| 19 | **Existence of a dividend stopper** | n/a | n/a | n/a | n/a | n/a |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Fully discretionary | Fully discretionary | Fully discretionary | Required | Required |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Fully discretionary | Fully discretionary | Fully discretionary | Required | Required |
| 21 | Existence of step up or other incentive to redeem | No | No | No | No | No |
| 22 | Cumulative or non-cumulative | No | No | No | No | No |
| 23 | **Convertible or non-convertible** | No | Non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible, conversion trigger(s). | n/a | n/a | n/a | n/a | n/a |
| 25 | If convertible, fully or partially | n/a | n/a | n/a | n/a | n/a |
| 26 | If convertible, conversion rate | n/a | n/a | n/a | n/a | n/a |
| 27 | If convertible, mandatory or optional conversion | n/a | n/a | n/a | n/a | n/a |
| 28 | If convertible, specify instrument type convertible into | n/a | n/a | n/a | n/a | n/a |
| 29 | If convertible, specify issuer of instrument it converts into | n/a | n/a | n/a | n/a | n/a |
| 30 | **Write-down features** | No | A depreciation of the instruments is provided for as they decrease below the Trigger Event. | A depreciation of the instruments is provided for as they decrease below the Trigger Event. | n/a | n/a |
| 31 | If write-down, write-down trigger(s) | n/a | This instrument depreciates when the Common Equity Tier 1 Capital falls below 5.125% at both the individual and consolidated levels of ABANCA Corporación Bancaria | This instrument depreciates when the Common Equity Tier 1 Capital falls below 5.125% at both the individual and consolidated levels of ABANCA Corporación Bancaria | n/a | n/a |

| | | Shares of Abanca Corporacion Bancaria | AT1 Issue | AT1 Issue | T2 Issue | T2 Issue |
|---|---|---|---|---|---|---|
| 32 | If write-down, full or partial | n/a | The lower of: i) the necessary amount determined by ABANCA to restore its capital position at any of the consolidation levels above 5.125%; ii) the amount necessary to reduce the value of each of the shares to € 0.01 | The lower of: i) the necessary amount determined by ABANCA to restore its capital position at any of the consolidation levels above 5.125%; ii) the amount necessary to reduce the value of each of the shares to € 0.01 | n/a | n/a |
| 33 | If write-down, permanent or temporary | n/a | Temporary | Temporary | n/a | n/a |
| 34 | If temporary write-down, description of write-up mechanism | n/a | If under certain circumstances, with a positive Net Result of ABANCA Corporación Bancaria both individually and consolidated, the Entity may, at its discretion and with prior authorisation from the Competent Authority, use it to reprice the instruments. | If under certain circumstances, with a positive Net Result of ABANCA Corporación Bancaria both individually and consolidated, the Entity may, at its discretion and with prior authorisation from the Competent Authority, use it to reprice the instruments. | n/a | n/a |
| EU - 34a | **Type of subordination (only for eligible liabilities).** | | | n/a | | |
| EU-34b | **Ranking of the instrument in normal insolvency proceedings.** | 1 | 2 | 2 | 3 | 3 |
| 35 | **Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)** | Not subordinated | After Tier 2 capital instruments | Immediately subordinated to Tier 2 | Senior bonds other than the parity values of the next higher rank | Senior bonds other than the parity values of the next higher rank |
| 36 | **Non-compliant transitioned features** | No | No | No | No | No |
| 37 | **If yes, specify non-compliant features** | n/a | n/a | n/a | n/a | n/a |
| 37-a | **Link to the full term and conditions of the instrument (signposting).** | n/a | https://www.abancacorporacionbancaria.com/files/documents/perpetual-non-cumulative-at1-preferred-securities-en.pdf | https://www.abancacorporacionbancaria.com/files/documents/perpetual-non-cumulative-at1-preferred-securities-jan-21-es.pdf | https://www.abancacorporacionbancaria.com/files/documents/fixed-rate-reset-subordinated-notes-due-2019-en.pdf | https://www.abancacorporacionbancaria.com/files/documents/fixed-rate-reset-subordinated-notes-due-2030-en.pdf |

## 3.4 Reconciliation of regulatory- accounting own funds

A reconciliation between own funds for accounting purposes and own funds for regulatory purposes, showing how the latter are obtained from equity:

### Table 12: EU CC2 – Reconciliation of regulatory own funds to balance sheet in the audited financial statements

(Thousand €)

| Reconciliation of regulatory own funds to balance sheet in the audited financial statements June 2022 | Balance sheet as in published financial statements | Under regulatory scope of consolidation | Reference |
|---|---|---|---|
| **ASSETS** | | | |
| Cash, cash balances with Central Banks and other demand deposits | 8.581.607 | 8.578.514 | a 1 |
| Financial assets held for trading | 470.919 | 480.805 | a 2 |
| Financial assets not intended for trading, which are necessarily valued at fair value through profit or loss | 259.529 | 119.761 | a 3 |
| Financial assets designated at fair value through profit or loss | - | - | a 4 |
| Financial assets at fair value with changes in other comprehensive income | 1.940.905 | 852.514 | a 5 |
| Financial assets at amortised cost | 57.031.022 | 57.171.621 | a 6 |
| Derivatives - hedge accounting | 870.890 | 870.890 | a 7 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | - | - | a 8 |
| Investments in joint ventures and associates | 162.287 | 625.569 | a 9 |
| Assets covered by insurance or reinsurance contracts | 5.584 | - | a 10 |
| Tangible assets | 1.190.236 | 1.111.993 | a 11 |
| Intangible assets | 461.361 | 165.538 | a 12 |
| Tax assets | 3.527.442 | 3.513.439 | a 13 |
| Other assets | 241.326 | 243.344 | a 14 |
| Non-current assets and disposal groups classified as held for sale | 1.307.664 | 499.685 | a 15 |
| **Total assets** | **76.050.772** | **74.233.673** | |
| **LIABILITIES** | | | |
| Financial liabilities held for trading | 461.503 | 461.503 | b 1 |
| Financial liabilities designated at fair value through profit or loss | - | - | b 2 |
| Financial liabilities at amortised cost | 67.597.076 | 68.187.055 | b 3 |
| Derivatives - hedge accounting | 523.249 | 523.249 | b 4 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | - | - | b 5 |
| Liabilities under insurance or reinsurance contracts | 1.536.642 | - | b 6 |
| Provisions | 373.288 | 305.252 | b 7 |
| Tax liabilities | 151.976 | 58.993 | b 8 |
| Other liabilities | 289.656 | 273.885 | b 9 |
| Liabilities included in disposal groups classified as held for sale | 702.029 | - | b 10 |
| **Total Liabilities** | **71.635.419** | **69.809.937** | |
| **EQUITY** | | | |
| **OWN FUNDS** | **4.793.972** | **4.793.972** | |
| Capital or endowment fund | 2.476.209 | 2.476.209 | c 1 |
| Share premium | 208.791 | 208.791 | c 2 |
| Reserves and retained earnings | 1.970.984 | 1.970.984 | c 3 |
| Other capital instruments | - | - | c 5 |
| Minus: Own securities | (20.404) | (20.404) | c 6 |
| Profit attributable to the owners of the parent | 215.013 | 215.013 | c 7 |
| Minus: Dividends and remuneration | (56.621) | (56.621) | c 8 |
| **VALUATION ADJUSTMENTS** | **(374.589)** | **(374.589)** | **c 9** |
| **MINORITY INTERESTS and OTHER** | **(4.030)** | **4.353** | **c 10** |
| **Total equity** | **4.415.353** | **4.423.736** | |

A reconciliation of public financial statements and regulatory own funds is provided below, starting from the financial or prudential statements and adding deductions and other prudential treatments.

Table 13 EU CC2-A – Reconciliation of regulatory own funds to balance sheet in the audited financial statements. Breakdown of regulatory capital
(Thousand €)

| **Reconciliation of regulatory own funds to balance sheet in the audited financial statements. June 2022** | Balance sheet as in published financial statements | Perimeter differences | Under regulatory scope of consolidation |
|---|---|---|---|
| EQUITY | | | |
| **OWN FUNDS** | **4.793.972** | **-** | **4.793.972** |
| Capital or endowment fund | 2.476.209 | - | 2.476.209 |
| Share premium | 208.791 | - | 208.791 |
| Reserves and retained earnings | 1.970.984 | - | 1.970.984 |
| Other capital instruments | - | - | - |
| Minus: Own securities | (20.404) | - | (20.404) |
| Profit attributable to the owners of the parent | 215.013 | - | 215.013 |
| Minus: Dividends and remuneration | (56.621) | - | (56.621) |
| **VALUATION ADJUSTMENTS** | **(374.589)** | **-** | **(374.589)** |
| **MINORITY INTERESTS** | **(4.030)** | **8.383** | **4.353** |
| **TOTAL EQUITY** | **4.415.353** | **8.383** | **4.423.736** |
| Non-eligible accounting result | | | - |
| Additional dividends not eligible | | | (30.487) |
| Adjustments for regulatory deductions | | | - |
| Valuation adjustments not eligible | | | (3.367) |
| Exposures with direct deduction in capital | | | (61.004) |
| Limitation on deducting minority interests | | | (4.353) |
| Transitional adjustments due to additional minority interests | | | - |
| Adjustments of common equity tier 1 due to prudential filters | | | 344.696 |
| Goodwill | | | (68.353) |
| Other intangible assets | | | (110.644) |
| Defined-benefit pension fund assets (negative amount) | | | (16.497) |
| Insufficient coverage of non-performing exposures | | | (581) |
| Excess of the items deducted from the additional Tier 1 (AT1) capital | | | - |
| Securitisation positions that can be alternately to 1 250 % | | | - |
| Deductible deferred tax assets | | | (574.263) |
| Instruments of CET1 of entities of the financial industry in which the entity has an IS | | | - |
| Amount over the threshold of 17.65% | | | - |
| Other transitory adjustments of Common Equity Tier 1 (CET1) | | | 177.357 |
| Additional capital deductions from CET1 (supervisory expectation) | | | (23.847) |
| **Common Equity Tier 1 capital (Total Net Equity plus Adjustments)** | | | **4.052.394** |
| Capital instruments recognised in additional Tier 1 capital | | | 625.000 |
| Instruments issued by subsidiaries recognised in additional Tier 1 capital | | | - |
| **Tier 1** | | | **625.000** |
| Capital instruments recognised in Tier 2 capital | | | 650.000 |
| Instruments issued by subsidiaries recognised in the capital of level 2 | | | - |
| Transitory adjustments for recognition in the Tier 2 capital of instruments issued by subsidiaries | | | - |
| Adjustments for general credit risk by the standard method | | | - |
| Other transitory adjustments of Equity Tier 2 (CET1) | | | - |
| **Tier 2** | | | **650.000** |
| **TOTAL REGULATORY CAPITAL** | | | **5.327.394** |

The entity incorporates as a regulatory deduction from CET1 the additional valuation adjustments (AVA) linked to the prudent valuation of the assets recorded at fair value. To do this, the entity uses the simplified method.

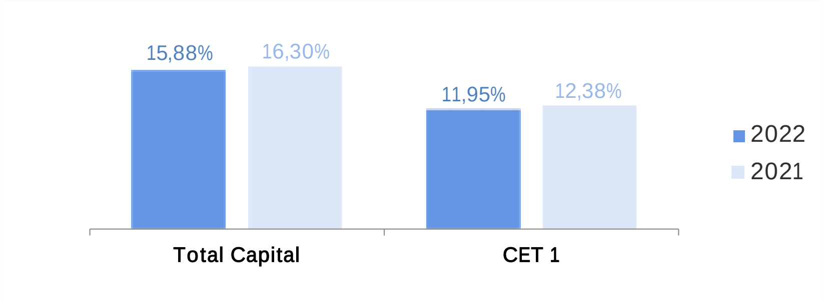
Table 14: EU PV1 — Prudent valuation adjustments (PVA)
(Thousand €)

| | Risk category | | | | | Category level AVA - | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Category level AVA | Equity | Interest rates | Foreign exchange | Credit | Commodities | Unearned credit spreads AVA | Investment and funding costs AVA | **Total category level post-diversification** | Of which: Total core approach in the trading book | Of which: Total core approach in the banking book |
| Market price uncertainty | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Set not applicable | | | | | | 0 | 0 | | | |
| Close-out cost | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Concentrated positions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Early termination | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Model risk | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Operational risk | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Set not applicable | | | | | | | | | | |
| Set not applicable | | | | | | | | | | |
| Future administrative costs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Set not applicable | | | | | | | | | | |
| **Total additional valuation adjustments** | | | | | | | | **1.341** | **0** | **0** |

## 3.5 Own funds (Fully Loaded)

In Fully Loaded terms, CET1% stands at 11.95%, with a Tier1 ratio of 13.88% and a Total Capital ratio of 15.88% in the same terms.

Graph 12: Evolution of own funds (Fully Loaded)
(Thousand €)




## 3.6 Transitional period to mitigate the impact of IFRS 9 and the temporary treatment in accordance with art. 468 of the CRR

Regulation (EU) 2020/873 published in response to the COVID-19 pandemic modifies article 473 bis of the CRR, which determines the treatment of transitory provisions on the application of IFRS9, limiting the negative effect it may have on the capital of the institutions an eventual increase in the provisions for expected credit losses.

It also establishes, in line with what is set out in article 468 of the CRR and on a temporary basis, a prudential filter on exposures to sovereign bonds, aimed at mitigating the consequences of volatility in financial markets on the solvency of institutions.

The Entity has accepted the application of the transitory measures described in the two preceding paragraphs. It should be noted that the prudential filter on non-performing exposures to sovereign bonds will expire as of December 2022.

Regarding the disclosure requirements, Regulation (EU) 2020/873 establishes that those institutions that decide to apply the previous transitional provisions shall disclose specific information on the levels and ratios of capital and leverage if such treatments had not been applied.

The EBA has published the EBA / GL / 2020/12 guidelines that amend the EBA / GL / 2018/01 guidelines in order to specify the uniform formats that institutions shall use to disclose the information required in articles 473 bis and 468 of the CRR. According to these guidelines, the comparative template on capital and leverage ratios with and without the application of the aforementioned transitory provisions is presented:

## TABLE 15: Template NIIF 9 and 468: Comparison of own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS9 and with and without the application of the temporary treatment in accordance with article 468 of the CRR of the Group (Thousand €)

| | DEC22 | DEC21 |
|---|---|---|
| **Available capital** | | |
| Common Equity Tier 1 (CET1) | 4.052.394 | 4.250.748 |
| Common Equity Tier 1 (CET1) without IFRS9 transitional adjustments | 4.012.251 | 4.150.972 |
| Common Equity Tier 1 (CET1) if the temporary treatment of the unrealised gains and losses of the assets measured at fair value with changes in other comprehensive income had not been applied in accordance with article 468 of the CRR | 4.030.033 | 4.267.881 |
| Tier 1 | 4.677.394 | 4.875.748 |
| Tier 1 without IFRS9 transitional adjustments | 4.637.251 | 4.775.972 |
| Tier 1 if the temporary treatment of the unrealised gains and losses of the assets measured at fair value with changes in other comprehensive income had not been applied in accordance with article 468 of the CRR | 4.655.033 | 4.892.881 |
| Total capital | 5.327.394 | 5.525.748 |
| Total capital without IFRS9 transitional adjustments | 5.287.251 | 5.425.972 |
| Total capital if the temporary treatment of the unrealised gains and losses of the assets measured at fair value with changes in other comprehensive income had not been applied in accordance with article 468 of the CRR | 5.305.033 | 5.542.881 |
| **Risk-weighted assets** | | |
| Total risk-weighted assets | 32.467.961 | 32.639.224 |
| Total risk-weighted assets without IFRS9 transitional adjustments | 32.427.817 | 32.539.447 |
| Total risk-weighted assets if the temporary treatment of the unrealised gains and losses of the assets measured at fair value with changes in other comprehensive income had not been applied in accordance with article 468 of the CRR | 32.467.961 | 32.639.224 |
| **Capital ratios** | | |
| Common Equity Tier 1 (CET1) | 12,48% | 13,02% |
| Common Equity Tier 1 (CET1) without IFRS9 transitional adjustments | 12,37% | 12,76% |
| Common Equity Tier 1 (CET1) if the temporary treatment of the unrealised gains and losses of the assets measured at fair value with changes in other comprehensive income had not been applied in accordance with article 468 of the CRR | 12,41% | 13,08% |
| Tier 1 | 14,41% | 14,94% |
| Tier 1 without IFRS9 transitional adjustments | 14,30% | 14,68% |
| Tier 1 if the temporary treatment of the unrealised gains and losses of the assets measured at fair value with changes in other comprehensive income had not been applied in accordance with article 468 of the CRR | 14,34% | 14,99% |
| Total capital | 16,41% | 16,93% |
| Total capital without IFRS9 transitional adjustments | 16,30% | 16,68% |
| Total capital if the temporary treatment of the unrealised gains and losses of the assets measured at fair value with changes in other comprehensive income had not been applied in accordance with article 468 of the CRR | 16,34% | 16,98% |
| **Leverage ratio** | | |
| Total exposure corresponding to leverage ratio | 75.318.110 | 78.588.146 |
| Leverage ratio | 6,21% | 6,20% |
| Leverage ratio without IFRS9 transitional adjustments | 6,16% | 6,08% |
| Leverage ratio if the temporary treatment of the unrealised gains and losses of the assets measured at fair value with changes in other comprehensive income had not been applied in accordance with article 468 of the CRR | 6,18% | 6,23% |

# 4 MINIMUM OWN FUNDS REQUIREMENTS

## 4.1 Total own funds requirements

The following is the amount of the minimum own funds requirements of the Consolidable Group by type of risk as at December 31, 2022. Likewise, 2020 is presented in a comparative way:

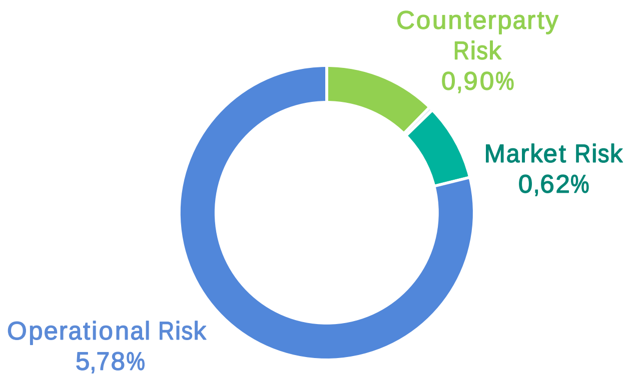
### TABLE 16: EU OV1 – Overview of risk weighted exposure amounts

(Thousand €)

| | | Risk weighted exposure amounts (RWEAs) | | Total own funds requirements |
|---|---|---|---|---|
| | | a | b | c |
| | | DEC22 | DEC21 | DEC22. |
| 1 | **Credit risk (excluding CCR)** | **30.089.361** | **30.433.527** | **2.407.149** |
| 2 | Of which: the standardised approach | 30.089.361 | 30.433.527 | 2.407.149 |
| 3 | Of which: the foundation IRB (FIRB) approach | 0 | 0 | 0 |
| 4 | Of which: slotting approach | 0 | 0 | 0 |
| EU 4a | Of which: equities under the simple risk weighted approach | 0 | 0 | 0 |
| 5 | Of which: the advanced IRB (AIRB) approach | 0 | 0 | 0 |
| 6 | **Counterparty credit risk (CCR)** | **292.263** | **297.249** | **23.381** |
| 7 | Of which: the standardised approach | 175.488 | 211.564 | 14.039 |
| 8 | Of which: internal model method (IMM) | 0 | 0 | 0 |
| EU 8a | Of which: exposures to a CCP | 1.430 | 17.301 | 114 |
| EU 8b | Of which: credit valuation adjustment (CVA): | 98.559 | 80.965 | 7.885 |
| 9 | Of which: other counterparty risk | 16.785 | -12.581 | 1.343 |
| 15 | **Settlement risk** | **10.116** | **6.321** | **809** |
| 16 | Securitisation exposures in the non-trading book (after the cap) | 0 | 0 | 0 |
| 17 | Of which SEC-IRBA approach | 0 | 0 | 0 |
| 18 | Of which SEC-ERBA (including IAA) | 0 | 0 | 0 |
| 19 | Of which SEC-SA approach | 0 | 0 | 0 |
| EU 19a | Of which: 1250%/ deduction | 0 | 0 | 0 |
| 20 | **Position, foreign exchange and commodities risks (market risk)** | **200.496** | **118.000** | **16.040** |
| 21 | Of which: the standardised approach | 200.496 | 118.000 | 16.040 |
| 22 | Of which: internal model method (IMM) | 0 | 0 | 0 |
| EU 22a | Large exposures | 0 | 0 | 0 |
| 23 | **Operational risk** | **1.875.724** | **1.784.126** | **150.058** |
| EU 23a | Of which: basic indicator approach | 1.875.724 | 1.784.126 | 150.058 |
| EU 23b | Of which: the standardised approach | 0 | 0 | 0 |
| EU 23c | Of which: advanced measurement approach | 0 | 0 | 0 |
| 24 | Amounts below the thresholds for deduction (subject to 250% risk weight) | 1.402.802 | 1.485.521 | 112.224 |
| 29 | **TOTAL** | **32.467.961** | **32.639.224** | **2.597.437** |

Credit risk continues to be by far the risk that concentrates the highest total own funds requirements, accounting for 92.67% of the total at the end of 2022. If we analyse the other risks without taking credit risk into account, the remaining 7.33% of the requirements would be distributed as follows:

Graph 13: Distribution of total own funds requirements without considering credit risk.
(In %)




The amount of the minimum own funds requirements of the Consolidated Group due to credit risk as at December 31, 2022, is calculated for each of the categories to which the standardised approach has been applied as the 8% of the risk weighted exposures. By the date of this report, the Consolidable Group had not calculated minimum own funds requirements based on internal ratings-based approach.

It is important to mention that, as at December 31, 2022, the Consolidable Group had no own funds requirements for gold positions nor due to foreign-exchange rate risk.

## 4.2 Procedures applied for assessing the adequacy of internal capital

According to EU Directive 36/2013 (CRD IV), the Consolidable Group applies a series of procedures for identification, assessment and aggregation of risks that, in addition to the maintenance of own funds requirements that have been stated previously in this section, allow establishing and keeping an appropriate level of own funds. This assessment is known as Capital Adequacy Assessment Process (Pillar II) and it comprises a set of strategies and sound and comprehensive procedures to assess and maintain on an ongoing basis the amounts, types and distribution of the internal capital and own funds considered adequate to be covered, according to their nature and level, from all risks to which the Group is or might be exposed to.

This process results in the establishment of an objective and strategy for own funds suitable for risk, and in doing this, in addition to the assessment of current risks, the institutions shall conduct stress scenarios to identify events or changes in market conditions where they operate that may adversely affect their future solvency.

Following market good practices, ABANCA structures its Internal Capital Adequacy Assessment Procedure (hereinafter ICAAP) in ten sections, eight of which are qualitative and two of them quantitative (sections 4 and 5).

The Internal Capital Adequacy Assessment Process, ICAAP, involves an exhaustive review as well as processes of internal assessment of the adequacy of capital and is required both in the

Supervisory Review and Evaluation Process (SREP) carried out by the Single Supervisory Mechanism (hereinafter SSM), and in Directive 2013/36 / EU of the European Parliament and of the Council (hereinafter CRD IV). The main objective of the Entity throughout this process is the definition of strategies and processes to identify and quantify the capital needed to cover the risks to which the Group is exposed to, and therefore having the appropriate assessment of the adequacy of capital.

Table 17: Sections of 2022 ICAAP

| Sections of 2022 ICAAP |
|---|
| 1. Overview of Abanca Group |
| 2. Business Plan |
| 3. Risk Identification |
| 4. Stress Plan |
| 5. Capital Planning |
| 6. Governance |
| 7. ICAAP monitoring |
| 8. Process coherence |
| 9. Data traceability and information Systems |
| 10. Communication |

For its preparation, the Entity implements a self-critical position and challenge the level of improvement of its risk management system and its governance for determining the risk profile objectively, bearing in mind these qualitative and quantitative assessments of the magnitude and critical analysis of the risks to which it is exposed to. The ultimate goal of developing the Internal Adequacy Assessment Report from the results obtained is establishing the appropriate correction or improvement measures of unwanted situations or weaknesses identified in the process.

In the Internal Capital Adequacy Assessment Process report in its capital planning section collects information contained in the Entity's Business Plan, where the macro environment is set as the basis for drawing up the ICAAP. Specifically, in the area of capital planning, there is full coordination between the General Management of Strategic Planning and PMO and General Management of Corporate Control and Risk.

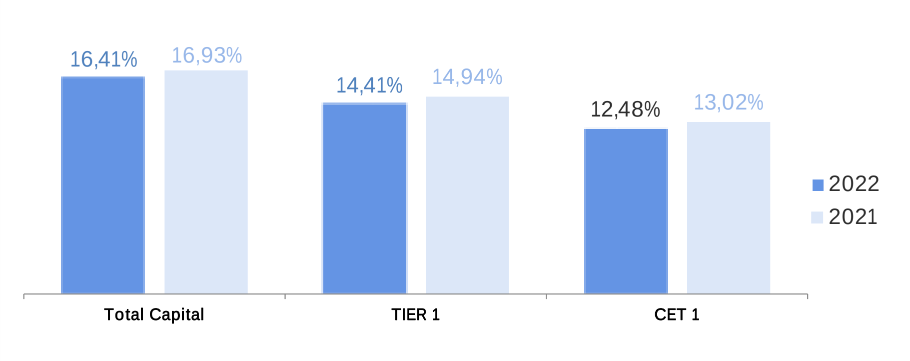
The responsible of the drafting of the Business Plan of the Entity is the General Management of Strategic Planning and PMO, and in that drafting, all General Management departments of the Entity are involved, since it must be agreed and validated by all of them, and subsequently approved by the Governing Bodies.

The Business Plan sets out plans and metrics with the aim of achieving the targets set for a period of three years, implementing them in one baseline and two adverse scenarios.

The ABANCA Group takes into account the market vision when defining its capital objectives, systematically assessing the capital position compared to that of the comparison group, maintaining permanent contact with other market agents and regularly publishing information on the situation of its own resources and its capital requirements both internally and to its reference stakeholders.

The breakdown of the structure of Ratios as at December 31, 2022 of ABANCA Group is as follows: Solvency ratio 16.41%, TIER I 14.41%, and CET1 of 12.48%. In the following graphs, the values of the ratios of risk-weighted assets (RWA) are shown.

Graph 14: ABANCA Group Solvency Ratios
(Thousand €)




The minimum ratios required by Pillar I are the following: Solvency ratio 8.00%, TIER I 6.00%, and CET1 4.50%. On this basis, the ratios presented by the Entity comply easily with the legally required minimum. The level of capital is consistent with the objective of risk profile and covers all risks considered material, even in scenarios of great weakness.

Besides, the capital requirement decision established by the European Central Bank as part of the SREP process (Supervisory Review and Evaluation Process) for ABANCA Group was 12.50% of total capital at the close of 2022 financial year. This ratio includes:

i) The minimum required by Pillar I of 4.50% of CET1 and 8.00% for Total Capital

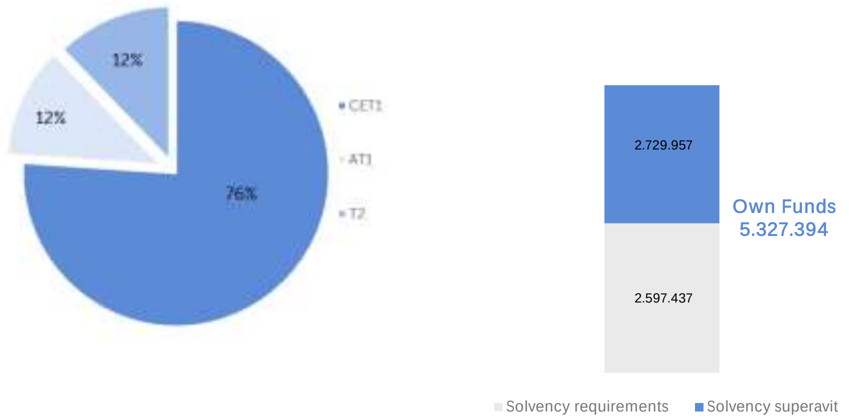
ii) A Pillar II requirement of 2%, to be covered with CET1/AT1 and TIER2 instruments

iii) The 2.5% Capital Conservation Buffer, made up entirely of CET1

The Pillar II requirement communicated for 2023 and applicable as of January 1, 2023 is 2% and the Capital Conservation buffer will be 2.5%.

The own funds surplus on minimum capital needs under current regulations exceeds 51.2% and the distribution between Tier 1 and Tier 2 is 76%/ 12%/12%. The following graphs show the structure of the capital base.

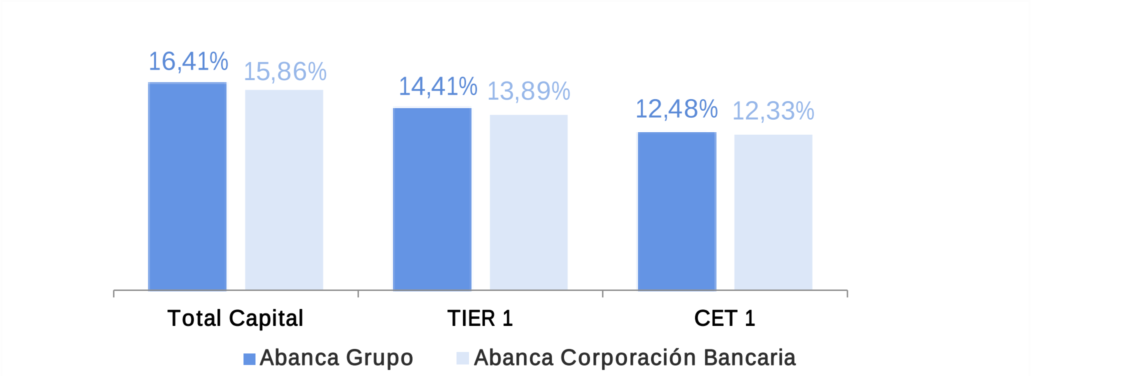
Graph 15: Computable funds of the ABANCA Group in 2022. (calculated on the 8% capital requirement)
(Thousand € and %)




With regard to the individual solvency ratios of ABANCA Corporación Bancaria, S.A., as at December 31, 2022, they are as follows: Solvency ratio 15.86%, TIER I 13.89%, and CET1 of 12.33%.

The following graph shows the solvency ratios of ABANCA Corporación Bancaria, S.A. together with the ratios of ABANCA Group, so that the difference between both institutions is shown.

Graph 16: Solvency ratios 2022 ABANCA Corporación Bancaria, S.A. and ABANCA Group (%)




The difference between these levels of solvency is due to the implications of the accounting consolidation process has on the determination of the own funds of the Group and, consequently, on consolidated own funds.

Therefore, for the preparation of the ICAAP 2022, ABANCA has carried out an analysis of all the risk assumptions listed by the competent authority or identified in an internal evaluation process. All these risks have been assessed taking into account the idiosyncrasy and Business Model of the Entity. ABANCA considers the process of risk identification as a continuous process that aims to adapt to the new regulatory framework as well as the appearance of new risks and sub-risks arising from the new scenarios that it faces, and that are integrated as part of its strategic definition and Comprehensive Risk Control Framework.

The total necessary capital of the Group was calculated through the aggregation of the capital needs related to all risks.

The Group has performed a macro stress test in which it was considered a general impairment in economic activity. As a result, the Entity stressed the different groups of the balance sheet in areas such as new lending formalisations, and evolution of balances at default, acquisition of external funds as well as expected loss and interest rates. The solvency situation resulting from the application of the stress scenarios is the result of the aforementioned impacts mitigated by the funds created by the Entity.

## 4.3 Other requirements: leverage ratio

### 4.3.1 General criteria on leveraging

One of the main novelties introduced by Basel III was the establishment of limitations on the level of leverage of institutions. In doing this, the leverage ratio was introduced, which relates Tier 1 Capital to total risk exposure.

It is a ratio with a lower level of sophistication than the usual solvency ratios, and therefore, more transparent and less susceptible to incurring distortions derived from the methodologies used for its calculation.

It is a ratio that tries to relate capital to total exposure without weighting for risk. This ratio is calculated as the ratio between Tier 1 and the leverage exposure, which is calculated as the sum of the following elements:

- Accounting assets, without derivatives and without elements considered as deductions in Tier 1
- Memorandum accounts (unused lines of credit that can be unconditionally cancelled, guarantees or documentary credits granted, etc.)
- Net value of the derivatives together with a surcharge for the potential future exposure.
- A surcharge for the exposure of securities financing transactions.
- A surcharge for the non-covered part of the risk of credit derivatives (CDS).

During 2017, BCBS revised the definition of the leverage ratio, in particular, a series of technical adjustments were made in the method for calculating total exposure, mainly in relation to derivative exposures and the treatment of off-balance sheet exposures.

With the publication of CRR II (Regulation 2019/876), the final calibration of the leverage ratio has been set at 3% for all institutions. In addition, amendments are included in its calculation, including the exclusion of certain exposures from the total exposure measure: public loans, transfer loans and officially guaranteed export credits.

The implementation of the final definition of the leverage ratio came into force in June 2021.

The leverage ratio is affected by Regulation (EU) 2020/873 (Quick Fix) which introduced temporary changes in the calculation of the ratio, as well as the postponement until January 1, 2023, of the enforceability of the expected buffers on this indicator for systemic entities.

Among the main changes introduced by this Regulation in relation to the leverage ratio, the advancement of the possibility of temporarily excluding certain exposures to central banks from the calculation of the total exposure measure stands out. This change, entry into force of which was scheduled for June 2021, was brought forward to mitigate the impacts derived from COVID19 and has been applied throughout 2021 and the exception ended in March 2022.

As established in the CRR, institutions could exclude exposures to central banks when the entity's competent authority had determined that there were exceptional circumstances that justify exclusion in order to facilitate the application of monetary policies, and had so publicly communicated it. In this sense, Decision (EU) 2020/1306 of the ECB, of September 16, 2020, determined that there were exceptional circumstances that justified the exclusion of exposures to the aforementioned central banks from the exposure measure. In line with what has been said, this exceptional measure was applied up to March 2022. The ECB published on 2022 that there were no circumstances that justified the continuation of the temporary exclusion of certain exposures to the central banks of the Eurosystem in the calculation of the leverage ratio.

A requirement for excessive leverage risks was introduced in the SREP. In accordance with the SREP 2022 decision, effective on January 1, 2023, ABANCA is not subject to any requirement to cover the risk of excessive leverage.

### 4.3.2 Leverage ratio as at December 2022

The CRR in its article 92.1.d sets out a 3% leverage ratio after a period of definition and calibration has elapsed in which institutions have been obliged to publish it and send information related to the ratio to the supervisor, which based on the obtained results, made the appropriate adaptations for its entry into force. Below there is the reconciliation of the total exposure measure on the relevant information contained in the published financial statements, understood as the consolidated annual accounts of Grupo ABANCA Corporación Bancaria, S.A. as at 31.12.2022.

Table 18: EU-LR1 – LRSum: Summary of the reconciliation of accounting assets and exposures corresponding to the leverage ratio
(Thousand €)

| | | Relevant amount |
|---|---|---|
| 1 | Total assets as per published financial statements | 76.050.772 |
| 2 | Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation | -1.817.099 |
| 3 | (Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference) | 0 |
| 4 | (Adjustment for exemption of exposures to central bank, (if applicable)) | 0 |
| 5 | (Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) of the CRR) | 0 |
| 6 | Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting | 0 |
| 7 | Adjustment for eligible cash pooling transactions | 0 |
| 8 | Adjustment for derivative financial instruments | -993.278 |
| 9 | Adjustment for securities financing transactions | 0 |
| 10 | Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures) | 3.432.781 |
| 11 | (Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital) | 0 |
| EU -11a | (Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR) | 0 |
| EU-11b | (Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) of the CRR | 0 |
| 12 | Other adjustments | -1.355.065 |
| **13** | **Total exposure measure** | **75.318.110** |

ABANCA has temporarily excluded certain exposures to central banks from the total exposure measure to mitigate the effects of the COVID19 pandemic. However, from June to December 2022 the exclusion is no longer reflected.

The Leverage Ratio is calculated as follows:

Table 19: EU-LR2 – LRCom: Leverage ratio common disclosure (Thousand €)

| | | Exposure corresponding to leverage ratio RRC | |
|---|---|---|---|
| | | a | b |
| | | DEC22 | DEC21 |
| | **On-balance sheet exposures (excluding derivatives and securities financing transactions)** | | |
| 1 | On-balance sheet items (excluding derivatives, SFTs, but including collateral) | 71.091.329 | 73.879.505 |
| 2 | Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework | 981 | 663 |
| 3 | (Deductions of receivables assets for cash variation margin provided in derivatives transactions) | -251 | -252 |
| 4 | (Adjustment for securities received under securities financing transactions that are recognised as an asset) | 0 | 0 |
| 5 | (General credit risk adjustments to on-balance sheet items) | 0 | 0 |
| 6 | (Asset amounts deducted in determining Tier 1 capital) | -50.869 | 24.917 |
| 7 | **Total on-balance sheet exposures (excluding derivatives and SFTs)** | **71.041.191** | **73.904.832** |
| | **Derivatives exposures** | | |
| 8 | Replacement cost associated with SA-CCR transactions (i.e. net of eligible cash variation margin) | 107.047 | 986.995 |
| EU -8a | Derogation for derivatives: replacement costs contribution under the simplified standardised approach | 0 | 0 |
| 9 | Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions | 241.484 | 186.006 |
| EU -9a | Derogation for derivatives: potential future exposure contribution under the simplified standardised approach | 0 | 0 |
| EU-9b | Exposure determined under the original exposure method | 0 | 0 |
| 10 | (Exempted CCP leg of client-cleared trade exposures) (SA-CCR) | 0 | -830.711 |
| EU -10a | (Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach) | 0 | 0 |
| EU-10b | (Exempted CCP leg of client-cleared trade exposures) (original exposure method) | 0 | 0 |
| 11 | Adjusted effective notional amount of written credit derivatives | 0 | 0 |
| 12 | (Adjusted effective notional offsets and add-on deductions for written credit derivatives) | 0 | 0 |
| 13 | **Total credit derivatives exposures** | **348.531** | **342.290** |
| | **Exposures to securities financing transactions** | | |
| 14 | Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions | 495.608 | 500.690 |
| 15 | (Netted amounts of cash payables and cash receivables of gross SFT assets) | 0 | 0 |
| 16 | Counterparty credit risk exposure for SFT assets | 0 | 0 |
| EU -16a | Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 of the CRR | 0 | 0 |
| 17 | Agent transaction exposures | 0 | 0 |
| EU -17a | (Exempted CCP leg of client-cleared SFT exposures) | 0 | 0 |
| 18 | **Total securities financing transactions exposures** | **495.608** | **500.690** |

| | | Exposure corresponding to leverage ratio RRC | |
|---|---|---|---|
| | | a | b |
| | | DEC22 | DEC21 |
| | **Other off-balance sheet exposures** | | |
| 19 | Off-balance sheet exposures at gross notional amount | 12.783.876 | 13.643.101 |
| 20 | (Adjustments for conversion to credit equivalent amounts) | -9.351.095 | -9.802.767 |
| 21 | (General provisions deducted in determining tier 1 capital and specific provisions associated with off-balance sheet exposures) | 0 | 0 |
| 22 | **Off-balance sheet exposures** | **3.432.781** | **3.840.333** |
| | **Exposures excluded** | | |
| EU -22a | (Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)) | 0 | 0 |
| EU-22b | (Exposures exempted in accordance with point (j) of Article 429a(1) of the CRR (on- and off- balance sheet)) | 0 | 0 |
| EU-22c | (Excluded exposures of public development banks, or units, - Public sector investments) | 0 | 0 |
| EU-22d | (Excluded exposures of public development banks, or units, - Promotional loans) | 0 | 0 |
| EU-22e | (Excluded passing-through promotional loan exposures by non-public development banks (or units): | 0 | 0 |
| EU-22f | (Excluded guaranteed parts of exposures arising from export credits) | 0 | 0 |
| EU-22g | (Excluded excess collateral deposited at triparty agents) | 0 | 0 |
| EU-22h | (Excluded CSD related services of CSD/institutions in accordance with Article 429a(1)(o) of the CRR) | 0 | 0 |
| EU-22i | (Excluded CSD related services of designated institutions in accordance with Article 429a(1)(p) of the CRR) | 0 | 0 |
| EU-22j | (Reduction of the exposure value of pre-financing or intermediate loans) | 0 | 0 |
| EU-22k | **(Total excluded exposures)** | **0** | **0** |
| | **Capital and total exposure measure** | | |
| 23 | **Tier1 capital** | 4.677.394 | 4.875.748 |
| 24 | **Total exposure measure** | **75.318.110** | **78.588.146** |
| | **Leverage ratio** | | |
| 25 | Leverage ratio (%) | 6,21 | 6,20 |
| EU-25 | Leverage ratio (without the impact due to excluded exposures of central governments and promotional loans) (%) | 6,21 | 6,20 |
| 25a | Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%) | 6,21 | 5,98 |
| 26 | Regulatory minimum leverage ratio requirement (%) | 3,00 | 3,08 |
| EU -26a | Additional own funds requirements to address the risk of excessive leverage (%) | 0,00 | 0,00 |
| EU-26b | Of which: to be made up of CET1 capital | 0,00 | 0,00 |
| 27 | Leverage ratio buffer requirement (%) | 0,00 | 0,00 |
| EU -27a | Overall leverage ratio requirement (%) | 3,00 | 3,08 |
| | **Choice on transitional arrangements and relevant exposures** | | |
| EU-27b | Choice of transitional provisions for the definition of the capital measure | SI | SI |

| | | Exposure corresponding to leverage ratio RRC | |
|---|---|---|---|
| | | a | b |
| | | DEC22 | DEC21 |
| | **Disclosure of mean values** | | |
| 28 | Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable | 495.608 | 500.690 |
| 29 | Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables | 495.608 | 500.690 |
| 30 | Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables) | 75.318.110 | 78.588.146 |
| 30a | Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables) | 75.318.110 | 81.567.445 |
| 31 | Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables) | 6,21 | 6,20 |
| 31a | Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables) | 6,21 | 5,98 |

The total on-balance sheet exposures, shown below, are mainly concentrated in the categories of Exposures assimilated to exposures to sovereign issuers (36%), Secured by mortgages on real estate (21%) and Companies (23%).

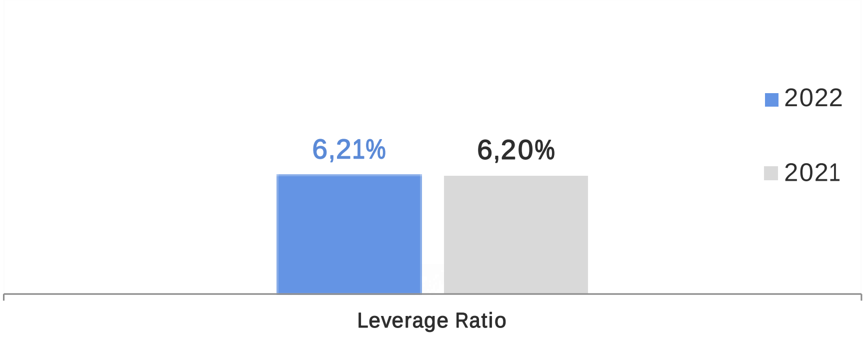
Table 20: LR3 – LRSpl: Split-up of on balance sheet exposures (excluding derivatives, securities financing transactions and exempted exposures)

| | | a |
|---|---|---|
| | | **Exposure corresponding to leverage ratio RRC** |
| **EU-1** | **Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:** | **71.092.059** |
| EU-2 | Trading book exposures | 123.144 |
| EU-3 | Banking book exposures, of which: | 70.968.915 |
| EU-4 | Covered bonds | 39.259 |
| EU-5 | Exposures treated as sovereigns | 25.561.628 |
| EU-6 | Exposures to regional governments, multilateral development banks, international organisations and public sector entities not treated as sovereigns | 298.731 |
| EU-7 | Institutions | 1.197.230 |
| EU-8 | Secured by mortgages of immovable properties | 14.970.305 |
| EU-9 | Retail exposures | 5.866.485 |
| EU-10 | Enterprises | 16.256.819 |
| EU-11 | Exposures in default | 451.385 |
| EU-12 | Other exposures (e.g. equity, securitisations, and other non-credit obligation assets) | 6.327.073 |

### Evolution of the leverage ratio

The evolution of the leverage ratio in 2022 remained stable compared to the previous year. The decrease in Tier 1 capital (-€198 million) has been offset by the sharp drop in total exposure (-€3,270 million).

Graph 17: Evolution of the leverage ratio (Phase-in ABANCA Group)




## 4.3.3 Management of excessive leverage

The procedures applied to register the risk of excessive leverage are included in the Risk Appetite Framework exercise carried out annually. The leverage ratio is monitored as one of the RAF indicators, in which the Entity sets an annual objective, as well as the Limits and Early Warning Levels (EWI).

In addition, the Leverage has been estimated for a 3 year-period based both in baseline and in adverse scenarios, as part of the planning process framed in the ICAAP.

In accordance with the SREP 2022 decision, effective on January 1, 2023, ABANCA is not subject to any requirement to cover the risk of excessive leverage.

## 4.4 Other requirements: leverage ratio

Throughout 2022, the Entity maintained a high LCR ratio, well above the regulatory and management limits, as can be seen in the evolution reflected in the following table, generated as the simple averages of the month-end observations for the twelve months prior to the end of each quarter of 2022:

## Table 21: EU LIQ1 – Quantitative information of liquidity coverage ratio
(Thousand € and %)

| | | Total unweighed value (average) | | | | Total weighted value (average) | | | |
|---|---|---|---|---|---|---|---|---|---|
| EU 1a | Quarter ending on (30 06 2022) | DEC22 | SEP22 | JUN22 | MAR22 | DEC22 | SEP22 | JUN22 | MAR22 |
| EU 1b | Number of data points used in the calculation of averages | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| HIGH-QUALITY LIQUID ASSETS | | | | | | | | | |
| 1 | Total high-quality liquid assets (HQLA) | | | | | 13.867.760 | 14.250.729 | 14.066.993 | 13.671.122 |
| CASH OUTFLOWS | | | | | | | | | |
| 2 | Retail deposits and deposits from small business customers, of which: | 38.467.033 | 38.142.223 | 37.553.844 | 36.935.243 | 2.348.528 | 2.320.366 | 2.280.016 | 2.238.459 |
| 3 | *Stable deposits* | 30.712.111 | 30.570.314 | 30.064.806 | 29.515.983 | 1.535.606 | 1.528.516 | 1.503.240 | 1.475.799 |
| 4 | *Less stable deposits* | 7.754.922 | 7.555.856 | 7.420.823 | 7.288.449 | 812.922 | 791.850 | 776.775 | 762.660 |
| 5 | Unsecured wholesale funding | 10.987.469 | 11.308.085 | 11.030.485 | 10.229.808 | 4.063.532 | 4.196.185 | 4.071.778 | 3.745.756 |
| 6 | *Operational deposits (all counterparties) and deposits in networks of cooperative banks* | 3.789.621 | 4.090.761 | 4.213.789 | 4.198.213 | 923.886 | 999.098 | 1.034.481 | 1.036.653 |
| 7 | *Non-operational deposits (all counterparties)* | 7.179.093 | 7.209.290 | 6.809.054 | 6.027.104 | 3.120.890 | 3.189.054 | 3.029.655 | 2.704.612 |
| 8 | *Unsecured debt* | 18.756 | 8.034 | 7.642 | 4.491 | 18.756 | 8.034 | 7.642 | 4.491 |
| 9 | *Secured wholesale funding* | | | | | 31.466 | 22.619 | 12.198 | 1.741 |
| 10 | Additional requirements | 4.283.653 | 4.426.809 | 4.491.171 | 4.589.548 | 408.222 | 424.759 | 432.367 | 445.429 |
| 11 | *Outflows related to derivative exposures and other collateral requirements* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12 | *Outflows related to loss of funding on debt products* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 13 | *Credit and liquidity facilities* | 4.283.653 | 4.426.809 | 4.491.171 | 4.589.548 | 408.222 | 424.759 | 432.367 | 445.429 |
| 14 | Other contractual funding obligations | 0 | 69 | 69 | 69 | 0 | 69 | 69 | 69 |
| 15 | Other contingent funding obligations | 3.831.756 | 3.771.495 | 3.733.592 | 3.797.356 | 173.219 | 168.156 | 169.515 | 161.665 |
| 16 | TOTAL CASH OUTFLOWS | | | | | 7.024.967 | 7.132.154 | 6.965.943 | 6.593.118 |
| CASH INFLOWS | | | | | | | | | |
| 17 | Secured lending (e.g. reverse repos) | 6.362 | 2.090 | 2.090 | 1.541 | 0 | 0 | 0 | 0 |
| 18 | Inflows from fully performing exposures | 2.796.168 | 2.739.237 | 2.552.021 | 2.385.374 | 1.371.660 | 1.340.778 | 1.262.377 | 1.206.987 |
| 19 | Other cash inflows | 16.764 | 19.845 | 20.872 | 17.756 | 16.764 | 19.845 | 20.872 | 17.756 |
| EU 19a | (Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies) | | | | | 0 | 0 | 0 | 0 |
| EU 19b | (Excess inflows from a related specialised credit institution) | | | | | 0 | 0 | 0 | 0 |
| 20 | TOTAL CASH INFLOWS | 2.819.294 | 2.761.172 | 2.574.983 | 2.404.671 | 1.388.424 | 1.360.623 | 1.283.249 | 1.224.743 |
| EU 20a | ***Fully exempt inflows*** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EU-20b | ***Inflows subject to 90% cap*** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EU 20c | ***Inflows subject to 75% cap*** | 2.819.294 | 2.761.172 | 2.574.983 | 2.404.671 | 1.388.424 | 1.360.623 | 1.283.249 | 1.224.743 |
| TOTAL ADJUSTED VALUE | | | | | | | | | |
| EU 21 | LIQUIDITY BUFFER | | | | | 13.867.760 | 14.250.729 | 14.066.993 | 13.671.122 |
| 22 | TOTAL NET CASH OUTFLOWS | | | | | 5.636.544 | 5.771.531 | 5.682.694 | 5.368.375 |
| 23 | LIQUIDITY COVERAGE RATIO | | | | | 246,13 | 247,04 | 247,67 | 255,31 |

## Table 22: EU LIQ2 Net stable funding ratio
(Thousand € and %)

| | | DEC22 | | | | |
|---|---|---|---|---|---|---|
| | | Unweighed value by residual maturity | | | | Weighted value |
| | | No maturity | < 6 months | 6 months to < 1yr | ≥ 1yr | |
| Available stable funding (ASF) Items | | | | | | |
| 1 | Capital items and instruments | **4.677.394** | **0** | **0** | **650.000** | **5.327.394** |
| 2 | *Own funds* | 4.677.394 | 0 | 0 | 650.000 | 5.327.394 |
| 3 | *Other capital instruments* | | 0 | 0 | 0 | 0 |
| 4 | Retail deposits | | **36.132.429** | **2.534.480** | **158.784** | **36.492.040** |
| 5 | *Stable deposits* | | 29.104.777 | 1.555.974 | 76.529 | 29.204.243 |
| 6 | *Less stable deposits* | | 7.027.652 | 978.506 | 82.255 | 7.287.797 |
| 7 | Wholesaler funding: | | **22.439.840** | **633.809** | **4.334.616** | **9.131.077** |
| 8 | *Operational deposits* | | 3.012.239 | 249 | 0 | 129.334 |
| 9 | *Other wholesale funding* | | 19.427.601 | 633.560 | 4.334.616 | 9.001.743 |
| 10 | Interdependent liabilities | | **0** | **0** | **0** | **0** |
| 11 | Other liabilities: | **610.345** | **648.178** | **0** | **21.502** | **21.502** |
| 12 | *NSFR derivative liabilities* | 610.345 | | | | |
| 13 | *All other liabilities and capital instruments not included in the above categories* | | 648.178 | 0 | 21.502 | 21.502 |
| **14** | **Total available stable funding** | | | | | **50.972.012** |
| Required stable funding (RSF) Items | | | | | | |
| 15 | Total high-quality liquid assets (HQLA) | | | | | **773.030** |
| EU -15a | Assets encumbered for more than 12m in cover pool | | **0** | **0** | **0** | **0** |
| 16 | Deposits held at other financial institutions for operational purposes | | **0** | **0** | **0** | **0** |
| 17 | Performing loans and securities: | | **6.236.641** | **1.386.289** | **39.322.506** | **33.968.888** |
| 18 | ***Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*** | | 41.593 | 0 | 0 | 0 |
| 19 | ***Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*** | | 835.099 | 65.022 | 705.216 | 798.542 |
| 20 | ***Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*** | | 3.351.378 | 1.179.908 | 22.633.758 | 32.180.375 |
| 21 | ***With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*** | | ***145.896*** | ***119.832*** | ***10.227.555*** | ***18.593.103*** |
| 22 | ***Performing residential mortgages, of which:*** | | 24.707 | 30.543 | 15.132.975 | 0 |
| 23 | ***With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*** | | ***14.525*** | ***17.049*** | ***14.174.106*** | ***0*** |
| 24 | ***Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*** | | 1.983.863 | 110.817 | 850.557 | 989.971 |
| 25 | Interdependent assets | | **0** | **0** | **0** | **0** |
| 26 | Other assets | | **1.429.174** | **0** | **5.822.929** | **7.053.636** |
| 27 | ***Physical traded commodities*** | | | | 0 | 0 |
| 28 | ***Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*** | | 1.000 | 0 | 332.827 | 283.753 |
| 29 | ***NSFR derivative assets*** | | ***1.046.110*** | | | 1.046.110 |
| 30 | ***NSFR derivative liabilities before deduction of variation margin posted*** | | ***78.708*** | | | 3.935 |
| 31 | ***All other assets not included in the above categories*** | | 303.357 | 0 | 5.490.102 | 5.719.838 |
| 32 | Off-balance sheet items | | **4.044.709** | **4.833.630** | **2.182.153** | **727.368** |
| **33** | **Total required stable funding** | | | | | **42.522.923** |
| **34** | **Net stable funding ratio (%)** | | | | | **119,86949** |

## SEP22

| | | Unweighed value by residual maturity | | | | Weighted value |
|---|---|---|---|---|---|---|
| | | No maturity | < 6 months | 6 months to < 1yr | ≥ 1yr | |
| **Available stable funding (ASF) Items** | | | | | | |
| 1 | Capital items and instruments | **4.704.590** | **0** | **0** | **650.000** | **5.354.590** |
| 2 | *Own funds* | 4.704.590 | 0 | 0 | 650.000 | 5.354.590 |
| 3 | *Other capital instruments* | | 0 | 0 | 0 | 0 |
| 4 | Retail deposits | | **36.133.546** | **2.483.811** | **226.480** | **36.517.722** |
| 5 | *Stable deposits* | | 29.182.063 | 1.530.333 | 98.171 | 29.274.947 |
| 6 | *Less stable deposits* | | 6.951.483 | 953.479 | 128.309 | 7.242.774 |
| 7 | Wholesaler funding: | | **17.364.631** | **7.953.301** | **4.521.924** | **12.948.672** |
| 8 | *Operational deposits* | | 3.148.848 | 0 | 250 | 125.874 |
| 9 | *Other wholesale funding* | | 14.215.783 | 7.953.301 | 4.521.674 | 12.822.798 |
| 10 | Interdependent liabilities | | **0** | **0** | **0** | **0** |
| 11 | Other liabilities: | **587.644** | **641.511** | **0** | **0** | **0** |
| 12 | *NSFR derivative liabilities* | 587.644 | | | | |
| 13 | *All other liabilities and capital instruments not included in the above categories* | | 641.511 | 0 | 0 | 0 |
| **14** | **Total available stable funding** | | | | | **54.820.984** |
| **Required stable funding (RSF) Items** | | | | | | |
| 15 | Total high-quality liquid assets (HQLA) | | | | | **857.753** |
| EU -15a | Assets encumbered for more than 12m in cover pool | | **0** | **0** | **0** | **0** |
| 16 | Deposits held at other financial institutions for operational purposes | | **0** | **0** | **0** | **0** |
| 17 | Performing loans and securities: | | **5.991.784** | **1.550.167** | **40.425.260** | **34.711.038** |
| 18 | ***Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*** | | 0 | 0 | 0 | 0 |
| 19 | ***Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*** | | 810.391 | 56.160 | 724.733 | 985.524 |
| 20 | ***Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*** | | 3.280.603 | 1.362.182 | 23.433.407 | 32.744.055 |
| 21 | ***With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*** | | ***437.300*** | ***57.674*** | ***10.979.492*** | ***19.266.799*** |
| 22 | ***Performing residential mortgages, of which:*** | | 23.587 | 34.943 | 15.399.713 | 0 |
| 23 | ***With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*** | | ***14.974*** | ***26.155*** | ***14.535.483*** | ***0*** |
| 24 | ***Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*** | | 1.877.203 | 96.882 | 867.407 | 981.458 |
| 25 | Interdependent assets | | **0** | **0** | **0** | **0** |
| 26 | Other assets | | **1.266.807** | **0** | **5.773.021** | **6.926.231** |
| 27 | ***Physical traded commodities*** | | | | 0 | 0 |
| 28 | ***Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*** | | 1.000 | 0 | 317.813 | 270.991 |
| 29 | ***NSFR derivative assets*** | | ***986.385*** | | | 986.385 |
| 30 | ***NSFR derivative liabilities before deduction of variation margin posted*** | | ***23.516*** | | | 1.176 |
| 31 | ***All other assets not included in the above categories*** | | 255.905 | 0 | 5.455.208 | 5.667.678 |
| 32 | Off-balance sheet items | | **3.636.552** | **5.911.078** | **1.540.596** | **706.126** |
| **33** | **Total required stable funding** | | | | | **43.201.148** |
| **34** | **Net stable funding ratio (%)** | | | | | **126,897** |

| | | JUN22 | | | | |
|---|---|---|---|---|---|---|
| | | Unweighed value by residual maturity | | | | Weighted value |
| | | No maturity | < 6 months | 6 months to < 1yr | ≥ 1yr | |
| Available stable funding (ASF) Items | | | | | | |
| 1 | Capital items and instruments | **4.742.213** | **0** | **0** | **650.000** | **5.392.213** |
| 2 | *Own funds* | 4.742.213 | 0 | 0 | 650.000 | 5.392.213 |
| 3 | *Other capital instruments* | | 0 | 0 | 0 | 0 |
| 4 | Retail deposits | | **36.507.228** | **2.436.987** | **204.849** | **36.817.739** |
| 5 | *Stable deposits* | | 29.627.323 | 1.634.611 | 110.654 | 29.809.491 |
| 6 | *Less stable deposits* | | 6.879.905 | 802.376 | 94.195 | 7.008.248 |
| 7 | Wholesaler funding: | | **19.730.467** | **8.693.049** | **4.097.007** | **14.080.637** |
| 8 | *Operational deposits* | | 4.227.458 | 0 | 0 | 409.042 |
| 9 | *Other wholesale funding* | | 15.503.009 | 8.693.049 | 4.097.007 | 13.671.595 |
| 10 | Interdependent liabilities | | **0** | **0** | **0** | **0** |
| 11 | Other liabilities: | **187.654** | **680.680** | **0** | **0** | **0** |
| 12 | *NSFR derivative liabilities* | 187.654 | | | | |
| 13 | *All other liabilities and capital instruments not included in the above categories* | | 680.680 | 0 | 0 | 0 |
| **14** | **Total available stable funding** | | | | | **56.290.588** |
| Required stable funding (RSF) Items | | | | | | |
| 15 | Total high-quality liquid assets (HQLA) | | | | | **1.388.846** |
| EU -15a | Assets encumbered for more than 12m in cover pool | | **0** | **0** | **0** | **0** |
| 16 | Deposits held at other financial institutions for operational purposes | | **0** | **0** | **0** | **0** |
| 17 | Performing loans and securities: | | **6.114.627** | **1.689.853** | **41.022.027** | **34.226.464** |
| 18 | ***Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*** | | 0 | 0 | 0 | 0 |
| 19 | ***Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*** | | 723.346 | 86.072 | 730.281 | 820.610 |
| 20 | ***Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*** | | 3.719.576 | 1.489.125 | 23.778.161 | 32.411.161 |
| 21 | ***With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*** | | ***346.164*** | ***164.801*** | ***11.290.579*** | ***18.618.743*** |
| 22 | ***Performing residential mortgages, of which:*** | | 22.865 | 35.830 | 15.583.707 | 0 |
| 23 | ***With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*** | | ***14.458*** | ***29.041*** | ***14.629.291*** | ***0*** |
| 24 | ***Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*** | | 1.648.840 | 78.825 | 929.877 | 994.692 |
| 25 | Interdependent assets | | **0** | **0** | **0** | **0** |
| 26 | Other assets | | **1.202.759** | **0** | **5.939.458** | **6.798.735** |
| 27 | ***Physical traded commodities*** | | | | 0 | 0 |
| 28 | ***Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*** | | 2.576 | 0 | 321.263 | 275.263 |
| 29 | ***NSFR derivative assets*** | | ***671.815*** | | | 671.815 |
| 30 | ***NSFR derivative liabilities before deduction of variation margin posted*** | | ***256.512*** | | | 12.826 |
| 31 | ***All other assets not included in the above categories*** | | 271.856 | 0 | 5.618.195 | 5.838.832 |
| 32 | Off-balance sheet items | | **3.600.873** | **4.963.332** | **2.102.644** | **693.532** |
| **33** | **Total required stable funding** | | | | | **43.107.577** |
| **34** | **Net stable funding ratio (%)** | | | | | **130,582** |

| | | MAR22 | | | | |
|---|---|---|---|---|---|---|
| | | Unweighed value by residual maturity | | | | Weighted value |
| | | No maturity | < 6 months | 6 months to < 1yr | ≥ 1yr | |
| Available stable funding (ASF) Items | | | | | | |
| 1 | Capital items and instruments | **0** | **0** | **0** | **0** | **0** |
| 2 | *Own funds* | 4.763.455 | 0 | 0 | 650.000 | 5.413.455 |
| 3 | *Other capital instruments* | 4.763.455 | 0 | 0 | 650.000 | 5.413.455 |
| 4 | Retail deposits | | **0** | **0** | **0** | **0** |
| 5 | *Stable deposits* | | 35.175.121 | 2.613.808 | 229.916 | 35.762.728 |
| 6 | *Less stable deposits* | | 28.594.330 | 1.861.183 | 120.862 | 29.053.600 |
| 7 | Wholesaler funding: | | **6.580.791** | **752.625** | **109.054** | **6.709.128** |
| 8 | *Operational deposits* | | 16.259.032 | 3.381.083 | 11.540.662 | 18.443.414 |
| 9 | *Other wholesale funding* | | 3.798.627 | 0 | 0 | 169.601 |
| 10 | Interdependent liabilities | | **12.460.405** | **3.381.083** | **11.540.662** | **18.273.812** |
| 11 | Other liabilities: | | **0** | **0** | **0** | **0** |
| 12 | *NSFR derivative liabilities* | 138.694 | 794.630 | 0 | 0 | 0 |
| 13 | *All other liabilities and capital instruments not included in the above categories* | 138.694 | | | | |
| 14 | **Total available stable funding** | | **794.630** | **0** | **0** | **0** |
| Required stable funding (RSF) Items | | | | | | |
| 15 | Total high-quality liquid assets (HQLA) | | | | | **1.361.075** |
| EU -15a | Assets encumbered for more than 12m in cover pool | | **0** | **0** | **0** | **0** |
| 16 | Deposits held at other financial institutions for operational purposes | | **0** | **0** | **0** | **0** |
| 17 | Performing loans and securities: | | **5.209.024** | **1.473.403** | **40.989.105** | **36.380.407** |
| 18 | ***Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*** | | 0 | 0 | 0 | 0 |
| 19 | ***Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*** | | 816.327 | 72.892 | 745.127 | 838.163 |
| 20 | ***Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*** | | 2.855.556 | 1.323.377 | 23.629.294 | 34.566.784 |
| 21 | ***With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*** | | ***124.202*** | ***425.035*** | ***10.701.836*** | ***20.753.024*** |
| 22 | ***Performing residential mortgages, of which:*** | | 26.671 | 31.162 | 15.673.237 | 0 |
| 23 | ***With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*** | | ***15.570*** | ***21.847*** | ***14.689.617*** | ***0*** |
| 24 | ***Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*** | | 1.510.471 | 45.972 | 941.448 | 975.460 |
| 25 | Interdependent assets | | **0** | **0** | **0** | **0** |
| 26 | Other assets | | **985.620** | **0** | **6.146.847** | **6.746.164** |
| 27 | ***Physical traded commodities*** | | | | 0 | 0 |
| 28 | ***Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*** | | 3.080 | 0 | 120.584 | 105.114 |
| 29 | ***NSFR derivative assets*** | | ***412.137*** | | | 412.137 |
| 30 | ***NSFR derivative liabilities before deduction of variation margin posted*** | | ***351.860*** | | | 17.593 |
| 31 | ***All other assets not included in the above categories*** | | 218.543 | 0 | 6.026.263 | 6.211.319 |
| 32 | Off-balance sheet items | | **3.493.995** | **4.687.953** | **2.719.065** | **722.981** |
| 33 | **Total required stable funding** | | | | | **45.210.627** |
| 34 | **Net stable funding ratio (%)** | | | | | **131,871** |

## 4.5 Other requirements: capital buffers

The establishment of the so-called capital buffers has been another of the latest measures included by the Basel III regulations through the Directive 2013/36 and the Act 10/2014. They are the following:

- Capital conservation buffer.
- Institution-specific countercyclical capital buffer
- Global systemically important institution buffer (G-SII)
- Other systemically important institution buffer (O-SII)
- Systemic risk buffer.

On January 1, 2016, the capital conservation buffer came into force, with a final requirement of 2.5% capital, which is applied in stages, being 0.625% in 2016; 1.25% in 2017; 1.875% in 2018 and finally 2.5% in 2019. This buffer is included within the 12.50% that makes up Total Capital decision.

With regard to specific-institution countercyclical capital buffer, it will be focused on the exposures presented by each entity in each of the territories. ABANCA has most of of its credit exposures in Spain. The Banco de España has required a 0% buffer for all Spanish institutions for 2022 (press releases published by the Banco de España on June 29, September 30 and December 14, 2022).

The following shows the exposures for the calculation of the countercyclical capital buffer, as required by Commission Delegated Regulation EU 2015/1555 of 28 May, 2015.

Table 23: EU CCyB2 – Amount of institution-specific countercyclical capital buffer (Thousand € and %)

| | | a |
|---|---|---|
| 1 | Total risk exposure amount | 32.467.961 |
| 2 | Institution specific countercyclical capital buffer percentage | 0 |
| 3 | Institution specific countercyclical capital buffer requirement | 0 |

ABANCA does not register any requirement for countercyclical or systemic buffer.

Table 24: EU CCyB1 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer (Thousand €)

| | a | b | c | d | e | f |
|---|---|---|---|---|---|---|
| | General credit exposures | | Relevant credit risk exposures – Market risk | | Securitisation exposures Exposure value for non-trading book | Total exposure value |
| | Exposure value under the standardised approach | Exposure value under the IRB approach | Sum of long and short positions of trading book exposures for SA | Value of trading book exposures for internal models | | |
| **Breakdown by country:** | | | | | | |
| ES | 37.662.539 | 0 | 102.544 | 0 | 0 | 37.765.083 |
| PT | 3.016.989 | 0 | 0 | 0 | 0 | 3.016.989 |
| **Total** | 40.679.528 | 0 | 102.544 | 0 | 0 | 40.782.073 |

| | g | h | i | j | k | l | m |
|---|---|---|---|---|---|---|---|
| | Own funds requirements | | | | Risk-weighted exposure amounts | Own fund requirements weights (%) | Countercyclical buffer rate (%) |
| | Relevant credit risk exposures – Credit risk | Relevant credit risk exposures – Market risk | Relevant credit exposures – Securitisation positions in the non-trading book | Total | | | |
| **Breakdown by country:** | | | | | | | |
| ES | 2.192.555 | 2.346 | 0 | 2.194.901 | 27.436.263 | 94 | 0 |
| PT | 147.669 | 0 | 0 | 147.669 | 1.845.861 | 6 | 0 |
| **Total** | 2.340.223 | 2.346 | 0 | 2.342.570 | 29.282.124 | 100 | 0 |

Remarks: Due to its immateriality, exposures that do not exceed 2% are reported as Spain.

# 5 INFORMATION ON CREDIT RISK AND DILUTION RISK

## 5.1 Accounting definitions and description of the methods used for determining the corrections by impairment

A financial asset is deemed impaired and, consequently, its book value is corrected in order to state the effect of its impairment when there is objective evidence that there have been events that result in:

1. A negative effect on the future cash flows that were estimated at the time a transactions is formalised, in the case of debt instruments (credits and debt securities).

2. Not being able to recover its full value in books, in the case of equity instruments.

As a general criterion, the correction of the book value of financial instruments due to their impairment is charged to the consolidated income statement for the year in which such impairment occurs. Reversals of previously recorded impairment losses, if any, are recognised in the consolidated profit and loss account for the year in which such impairment is eliminated or reduced.

When the recovery of any amount recorded is considered remote, it is eliminated from the consolidated balance sheet, without prejudice to the actions that the Group may carry out to try to collect them until their rights have been definitively extinguished; whether by prescription, condonation or other causes.

The criteria applied by the Group to determine the possible impairment losses existing in each of the different categories of financial instruments, as well as the method applied to calculate the coverages accounted for by said impairment, are presented below.

### A) Debt instruments valued at amortised cost

The "expected losses" impairment model of "expected losses" is applied to financial assets measured at amortised cost and financial assets at fair value with changes in other accumulated comprehensive income, except for investments in equity instruments; and the financial guarantee contracts and loan commitments unilaterally revocable by the Group.

Financial instruments measured at fair value through profit or loss are not included in the impairment model.

The Group understands credit loss as the difference between all the contractual cash flows that are due to the Entity in accordance with the financial asset contract and all the cash flows that it expects to receive, discounted at the original effective interest rate or, for those financial assets purchased or originated with credit impairment, at the effective interest rate adjusted for credit quality.

The Group will classify its credit exposures, based on credit risk, in one of the categories listed below, following the existing classification criteria:

- Performing exposure (Stage 1). This category includes those transactions for which their credit risk has not increased significantly since its initial recognition. The impairment coverage will be equal to the credit losses expected in twelve months. Interest income shall be calculated by applying the effective interest rate to the gross carrying amount of the transaction.

- Performing exposure under special monitoring (Stage 2). This category includes all transactions credit risk of which has increased significantly since their initial recognition, but do not present any default event. The impairment coverage shall be equal to the expected credit losses in the life of the transaction. Interest income shall be calculated by applying the effective interest rate to the gross carrying amount of the transaction.

- Non-performing exposure (Stage 3). This category includes those transactions with credit impairment, that is, due to default. In its initial recognition, credit-impaired transactions purchased or originated, such as those purchased at a significant discount reflecting credit losses, shall be included as part of this category.

  The coverage shall be equal to the estimated credit losses. Notwithstanding the foregoing, when a transaction is purchased or originated with credit impairment, the value correction shall be equal to the cumulative amount of changes in expected credit losses since initial recognition; the expected credit loss on the acquisition or origination of these assets shall not be part of the impairment correction, nor of the gross carrying amount on initial recognition.

  Interest income shall be calculated by applying the effective interest rate to the amortised cost (that is, adjusted for any impairment correction) of the financial asset.

- Total write-off. This category includes transactions in which the possibility of recovery is considered remote. Classification in this category entails the full cancellation of the gross carrying amount of the transaction and its total derecognition from assets.

When calculating the expected credit loss, a series of distinctions are taken into account depending on the category assigned:

- For transactions classified in the first category (performing risk), the twelve-month expected credit loss is recorded.

- For transactions classified in the second and third categories (performing risk under special monitoring and non-performing risk) the loss is recorded for the entire life of the transaction.

IFRS 9 differentiates between the following concepts of expected loss:

- Expected 12-month loss: part of the expected credit losses during the life of the transaction that corresponds to the expected credit losses resulting from the default events that may occur in the transaction in the twelve months following the reference date; and

- Expected loss throughout the entire life of the transaction: these are the expected credit losses resulting from all possible default events during the entire expected life of the transaction.

All of this requires considerable sense, both in modelling for estimating expected losses and in forecasts, on how economic factors affect these losses, which must be carried out on a probability-weighted basis. In relation to the granting of support measures to families and households to mitigate the effects of the COVID-19 pandemic, the following considerations should be highlighted:

- Regarding default of more than 90 days, the granting of the moratorium implies that the calculation of days of non-payment is carried out in accordance with the new payment schedule resulting after its application. For this reason, the amounts suspended due to public moratoriums are not considered due and therefore not due for the purpose of increasing the calculation of days of non-payment of said balances, therefore they do not generate new classifications in the Phase 3 category - non-performing risk during the moratorium for default of more than 90 days.

- Regarding the existence of reasonable doubts about the total reimbursement of the asset, in those cases in which relief measures have been granted -moratoriums and lines of guarantees-, the Group continues to apply the general criteria contained in the monitoring policies to assess the borrower's ability to pay. This analysis is intended to identify those situations in which temporary problems are highly likely to develop into longer-term difficulties, ultimately leading to the inability of the borrower to meet its contractual obligations.

The Group has taken into consideration the following definitions:

### Default

The Group has applied a definition of default for financial instruments that is consistent with that used in the internal management of credit risk, as well as with the indicators set forth in the regulations applicable on the date of entry into force of IFRS 9. Both qualitative and quantitative indicators have been considered.

Pursuant to IFRS 9, a 90-day default is a presumption that can be refuted in those cases in which the entity considers that, based on reasonable and documented information, it is appropriate to use a longer term.

### Significant increase of credit risk

The objective of the impairment requirements is to recognise expected credit losses throughout the whole life for financial instruments in which there have been significant increases in credit risk since initial recognition considering all reasonable and documented information, including prospective information.

The Group has designed a system for detecting the significant increase in credit risk that has a dual approach that is comprehensively applied:

- Quantitative Element: identification of the increase in the expected probability of current default throughout the life of the transactions from the origination to the assessment date.
- Qualitative element: the indicators for detecting the significant increase in risk that are included in the Group have changes in the internal monitoring policies at the customer level, via rating and scoring systems or macroeconomic scenarios.

Additionally, when any of the following circumstances occur, instruments are considered "Stage 2":

- 30-day default: pursuant to IFRS 9, a 30-day default is a presumption that can be refuted in those cases in which the entity considers that, based on reasonable and supporting information, such default does not represent a significant increase in risk.
- Under special monitoring: This category includes all transactions credit risk of which has increased significantly since their initial recognition, but do not present any default event.
- Forborne exposures that does not show evidence of impairment.

Although the standard introduces a series of operational simplifications / practical solutions for the analysis of the significant increase in risk, the Group does not use them as a general rule. However, for high-quality assets, mainly related to certain institutions or public bodies, the possibility provided by the regulations of directly considering that their credit risk has not increased significantly is used because they have a low credit risk at the date of presentation.

### Methodology for calculating expected losses

According to Circular 4/2017 and subsequent amendments, the estimate of expected losses shall reflect:

A weighted and unbiased amount, determined by evaluating a series of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue effort or cost and that reflects both current conditions and future predictions about conditions.

Expected losses are estimated both individually and collectively. The objective of the individual Entity estimate is to estimate the expected losses for significant risks impaired or classified in Stage 2. In these cases, the amount of credit losses is calculated as the difference between the expected cash flows discounted at the effective interest rate of the transaction and the book value of the instrument.

Circular 4/2017 and subsequent amendments, sets out as a requirement for the calculation of collective provisions the segmentation into homogeneous risk groups. Therefore, the process of separating groups or segmenting the portfolio is one of the first procedures to be carried out before estimating risk parameters. Likewise, establishing an adequate segmentation is important, since it allows obtaining a more precise calculation of the expected losses by increasing the discrimination of the risk parameters, as well as collecting the differences in the average maturities in the defined groups.

The estimated losses result from the following parameters:

- PD: estimate of the probability of default in each period. The entity has tools for predicting the probability of default of each borrower that covers a large part of the credit portfolio.

  In this context, the entity has behavioural tools that are used to granulate the segments subject to 12-month PD modelling and lifetime at different risk levels.

  The entity has a behavioural model for evaluating individuals, which consists of a score based on internal behaviour variables of the customer in the Entity. The score was built using the logistic regression technique and is calibrated annually to the internal behaviour of customers in the Entity. This tool evaluates customers who have a minimum relationship (liabilities or liabilities and assets) and seniority (> 3 months). The evaluation is at customer level, assessing all its positions. The predictive capability is very high for the main customer segments. Highly integrated into management due to its high predictive capability (customers have been rated since 2008, they have been used in admission circuits since 2013 for consumer financing transactions, the score is part of the variables that feed internal monitoring policies, and is used for prioritisation in recovery strategies).

  There are two scorecards, both of which use information on the performance of products owned by customers to obtain a score. The higher the rating, the better credit quality. They are follow-up models, although they are also used in admission.

  On the other hand, the rating models rate the entire spectrum of the Entity's companies from the segments of Micro-enterprises, Small Enterprises, Medium-sized Enterprises and Large Enterprises, granting a score to both Clients and Non-Clients. The rating models are score cards built from the logistic regression methodology that grant the credit quality of the counterparty based on discriminating risk variables. The models include variables of different profiles that allow scoring the customer based on different aspects to be valued in an Enterprise, specifically: Economic Financial, Saving capability, Product bundling, Internal negative information, External negative information. In order to discriminate the risk by Enterprise size, a total of three different models have been built for the following segments: Microenterprises, Small Enterprises, Medium Enterprises and Large Enterprises. This distinction of the models makes it possible to collect different groups of variables and weights depending on the size of the Enterprise.

  These models have good predictive power for the entire population (greater than 65% in the three segments) and by relevant subpopulation of the business portfolio (i.e. customers, non-customers, liability holdings, by year of the time window, etc.), so they are suitable for use in the different processes of the Entity.

- EAD: estimate of the exposure at default in each future period, taking into account the changes in the exposure after the date of presentation of the financial statements. The EAD includes the CCF and Prepaid parameters

- LGD: estimate of the loss given default, as the difference between the contractual cash flows and those expected to be received, including guarantees.

The Bank establishes that the risk parameters used for the collective estimates shall include future projections considering possible macroeconomic conditions (such as GDP, the unemployment rate, interest rates, etc.). In order to incorporate the possible macroeconomic conditions into the model, multiple scenarios are considered, each one weighted by the probability of occurrence.

As at December 31, 2022, the estimation of the macroeconomic variables applied has been revised with respect to those applied as at December 31, 2021, as a consequence of the macroeconomic effects produced by the continuation of the war in Ukraine, inflation and the rate increase.

In order to calculate an ECL without biases that includes a range of possible results, the Entity has methodologies that make it possible to sensitize the risk parameters (PD and LGD) to the following macroeconomic scenarios:

- Base scenario: it is an average scenario that reflects the expected result of macroeconomic factors in the coming years. It is characterised by being a scenario consistent with the development of business and internal management of the Entity (i.e. budgets, capital planning, pricing of operations, etc.).

- Adverse scenario: it is an extreme scenario that includes negative projections of macroeconomic factors in the coming years. This is used within the ECL estimates as a "possible" scenario, but since it is not a very representative scenario, its probability of occurrence will be low compared to the baseline scenario.

- Optimal scenario: it is an extreme scenario that includes positive projections of macroeconomic factors in the coming years. This is used within the ECL estimates as a "possible" scenario, but since it is not a very representative scenario, its probability of occurrence will be low compared to the baseline scenario.

Using these three scenarios, the ECL is calculated as the weighted average of the credit losses calculated for each of the scenarios evaluated. As a weighting factor, the probability of occurrence of each of the scenarios is considered:

$$ECL(t) = ECL_{Base}(t) \cdot p_{base} + ECL_{Adv}(t) \cdot p_{Adv} + ECL_{Opt.}(t) \cdot p_{Opt.}$$

Where,

- $ECL_{Base}$, is the ECL calculated in a baseline scenario.
- $ECL_{Adv}$, is the ECL calculated in an adverse scenario.
- $ECL_{Opt}$, is the ECL calculated in an optimal scenario.
- $p_{base}$ is the probability of occurrence of the baseline scenario (81.00%).
- $p_{Adv}$ is the probability of occurrence of the adverse scenario (7.80%).
- $p_{Opt.}$ is the probability of occurrence of the optimal scenario (11.20%).

The scenarios developed for the main projected variables are detailed below:

| | Average of the two first proyections years | | |
|---|---|---|---|
| **Escenarios:** | **PIB** | **Unemployment** | **Housing price** |
| Base | 2,69 | 13,13 | 2,37 |
| Adverse | 2,31 | 14,64 | -0,1 |
| Optimistic | 3,45 | 12,3 | 3,74 |

The entity applies a series of additional adjustments to the results of the credit risk models, called post model adjustments (PMAs) or overlays, in order to cover situations in which the results of said models are not sufficiently sensitive to the uncertainty of the macroeconomic environment. These adjustments are temporary in nature and are maintained until the reasons that motivated them disappear. The implementation of these adjustments is subject to the entity's governance principles. In particular, as at December 2022, additional provisions to expected losses have been recorded to include different aspects, including the macroeconomic environment of rising interest rates and inflation, which amount to 42.6 MM €. As at December 31, 2021, the additional adjustments to the expected losses recognised by the Bank amounted to 73.2 MM € and were intended to reflect the particular characteristics of borrowers, industries or portfolios that may not be identified in the general calculation process of the expected losses.

To estimate the ECL in transactions subject to collective provision, the expected loss of each contract has been calculated depending on the Stage in which the transaction is.

These ECLs are obtained from collective parameters estimated with historical information of the entity from statistical models (the automatic outputs of these models are applied homogeneously to all transactions evaluated by collective methodology). For the estimation and assignment of these parameters, the segmentation of portfolios or homogeneous groups is applied, as well as the subsegments used to discriminate the risk of the parameters.

Three types of ECL are distinguished based on the classification in Stages.

For Stage 1 transactions: The 12-month expected loss of the contract is calculated. This will be done using the following formula:

$$ECL = PD_{t=0}^{Marg} \cdot LGD \cdot EAD$$

Where,

- $PD_{t=0}^{Marg}$ *: it is the one-year probability of marginal default (it corresponds to a one-year PD Point in time)*
- $LGD$ *: it corresponds to the percentage loss of the contract in the event that it incurs in default*
- $EAD$ *: it corresponds with the exposure that the contract would have if the default situation occurred.*

For Stage 2 transactions: Lifetime ECLs or Lifetime Expected Losses are calculated according to the following formula:

$$\boldsymbol{ECL} = \sum_{\boldsymbol{t}} PD_t^{Marg} \cdot LGD_t \cdot EAD_t \cdot factor\ descuento_t$$

Where,

- $PD_t^{Marg}$ *: it is the probability of marginal default that applies throughout the life of the transaction.*
- $LGD_t$ *: it corresponds to the percentage loss of the contract in the event that it incurs in default.*
- $EAD_t$ *it corresponds to the exposure that the Entity may lose during the life of the transaction (considering prepayments for non-line products, and Credit Conversion Factors for Line products). The marginal flows of the contract are calculated based on their loan repayment schedule.*
- $factor\ descuento_t$ *: it is the discount factor that is applied to bring the ECL to present*
- *value (reporting date). For this, the Effective Interest Rate on the date of formalisation*
- *of the contract is used:*

$$factor\ descuento_t = \frac{1}{(1+TIE)^{(t-t_0)/365}}:$$

Where $t_0$ is the reporting date.

For this, the future cash flows of the contract will be taken into account. In the event that the contract has a residual maturity of less than one year, the ECL will be calculated in the same way as it is done for transactions that are in Stage 1 since this is a way to ensure that the ECLs of Stage 2 are more conservative than those of Stage 1

For Stage 3 transactions: The expected loss of the contract is calculated based on the time it has been in default. This will be done using the following formula:

$$ECL = LGD_{BE} \cdot EAD$$

Where,

- $LGD_{BE}$*: it is the best estimate LGD associated with the contract based on the time it has been in default.*
- $EAD$*: corresponds to the balance on the balance sheet on the reporting date (balance in default).*

Given the above points, the procedure designed is designed to verify that the ECL of Stage 1 is less than the ECL of Stage 2 and, this, in turn, is less than the ECL of Stage 3.

### Use of present and past information and future forecasts

IFRS 9 requires the incorporation of present, past and future information both for the detection of the significant increase in risk and for the measurement of the expected losses.

When estimating expected losses, the standard does not require identifying all possible scenarios.

The Group establishes that the risk parameters used for the collective estimates shall include future projections considering possible macroeconomic conditions (such as GDP, the unemployment rate, interest rates, etc.). In order to incorporate the possible macroeconomic conditions into the model, multiple scenarios are considered, each one weighted by the probability of occurrence.

As at December 31, 2022, the estimation of the macroeconomic variables applied has been revised with respect to those applied as at December 31, 2021, as a consequence of the macroeconomic effects produced by the continuation of the war in Ukraine, inflation and the rate increase.

## B) Debt instruments classified as financial assets at fair value with changes in other comprehensive income

The impairment loss of the debt securities included in the portfolio of financial assets at fair value with changes in other comprehensive income is equivalent, where appropriate, to the positive difference between their acquisition cost (net of any principal amortisation) and its fair value; once any impairment loss previously recognised in the consolidated profit and loss account has been deducted.

When there is objective evidence that the negative differences arising from the valuation of these assets have their origin in their impairment, they are no longer presented under the heading "Other accumulated comprehensive income - Items that can be reclassified into income - Changes in the fair value of debt instruments measured at fair value with changes in other comprehensive income" of the net equity of the consolidated balance sheet, recording the amount accumulated until then in the profit and loss account. Impairment losses that are subsequently reversed are recognised in the consolidated profit and loss account for the year in which such reversal occurs.

In the case of debt instruments that shall be classified as "Non-current assets and disposal groups classified as held for sale", the losses previously recorded within equity shall be considered realised and, consequently, shall be recognised in the consolidated profit and loss account on the date of their classification as non-current assets and disposal groups classified as held for sale.

## C) Equity instruments classified as financial assets at fair value with changes in other comprehensive income

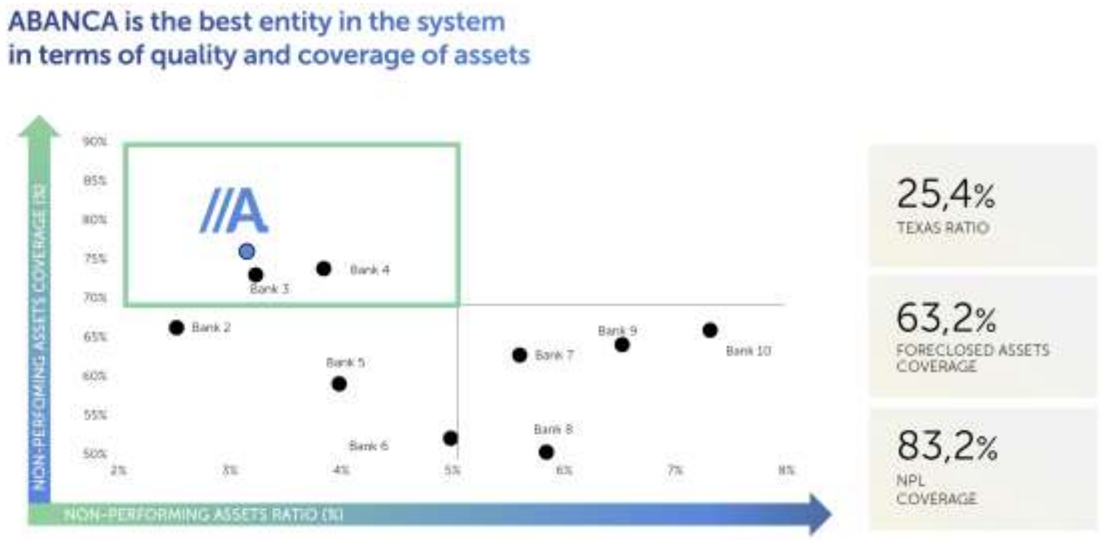
In the case of equity instruments measured at fair value and included in the "Financial assets with changes in other comprehensive income" portfolio, the impairment loss is calculated as the difference between their acquisition cost and their fair value less impairment losses previously recognised. This will be recorded under the heading "Other accumulated comprehensive income - Items that will not be reclassified to results" until it is removed from the balance sheet, at which time it will be reclassified to the Group's reserves.

## Focus on risk management

ABANCA continued to deepen its risk management policy in 2022, which has led to maintaining an improvement in the quality of assets and remaining a leader in the industry. Despite the greater demands derived from the implementation of IFRS9, the evolution of ICO credits and the end of moratoriums, the default rate has stood at 2.%, compared to the 3% average for the industry. The NPL balance is reduced -5.4% year on year.

Graph 18: Evolution of non-performing balance and NPL ratio
(million € and %)

Graph 19: Quality and Coverage of assets.
(%)




The bank's prudence in providing for risk is also reflected in the coverage of problematic assets, which is above 76%, leading coverage in the system. Foreclosed assets maintain a coverage percentage of 63.2%.

ABANCA's solid financial profile makes it one of the soundest institutions in the Spanish industry.

## 5.2 Exposure to credit risk as at December 31, 2022

As at December 31, 2022, the total value of credit exposures of the ABANCA Group amounted to a total of 85,653,407 thousand €. Once the value corrections for impairment of assets and provisions are considered, 84,759,475 thousand Euro of exposure is obtained.

From the exposure net of value adjustments for impairment of assets and provisions, once considered as adequate both a collateral or a personal guarantee by the Regulator in favour of the Group and after implementing consumption measures of own funds applicable to off-balance accounts, an exposure amounting to 73,713,139 thousand € is obtained.

Table 25: Exposure to Credit and Counterparty Risk
(Thousand € and %)

| Exposure category | Original exposure | Provisions | Exposure net of provisions | On balance exposure after mitigation techniques | Off balance exposure after mitigation techniques | Fully adjusted exposure value | EAD | RWA | RWA Density |
|---|---|---|---|---|---|---|---|---|---|
| Central governments and central banks | 15.942.296 | - | 15.942.296 | 20.505.220 | 288.372 | 20.831.772 | 20.677.114 | 11 | 0% |
| Regional government and local authorities | 10.401.564 | (11) | 10.401.553 | 9.149.147 | 1.262.258 | 10.412.217 | 9.421.788 | 1.004 | 0% |
| Public sector entities and other public institutions | 1.173.446 | (1.928) | 1.171.518 | 836.588 | 334.252 | 1.170.840 | 967.062 | 153.146 | 16% |
| Multilateral Development Banks | - | - | - | 55.492 | - | 55.492 | 55.492 | - | - |
| International organisations | - | - | - | - | - | - | - | - | - |
| Institutions | 2.571.098 | (88) | 2.571.010 | 1.723.964 | 747.474 | 2.635.511 | 1.912.154 | 876.110 | 46% |
| Enterprises | 23.363.129 | (271.256) | 23.091.873 | 11.679.625 | 6.405.037 | 18.299.711 | 13.402.120 | 12.161.121 | 91% |
| Retail exposures | 9.027.786 | (53.865) | 8.973.920 | 4.865.167 | 2.969.065 | 7.834.896 | 5.248.130 | 3.684.383 | 70% |
| Exposures secured by mortgages on real estate | 15.134.090 | (20.930) | 15.113.161 | 14.988.725 | 111.856 | 15.100.581 | 15.035.141 | 5.295.862 | 35% |
| Exposures in default | 950.350 | (490.117) | 460.234 | 407.455 | 8.686 | 416.141 | 407.455 | 446.167 | 110% |
| Exposures associated with particularly high risk | 1.422.645 | (42.868) | 1.379.777 | 768.937 | 586.899 | 1.355.835 | 1.002.523 | 1.503.785 | 150% |
| Covered bonds | 39.259 | - | 39.259 | 39.259 | - | 39.259 | 39.259 | 3.926 | 10% |
| Exposures to institutions and companies with short-term credit assessment | 174.803 | (45) | 174.758 | 104.782 | 69.976 | 174.758 | 104.782 | 80.662 | 77% |
| Collective investment undertakings | 18.392 | - | 18.392 | 18.392 | - | 18.392 | 18.392 | 20.484 | 111% |
| Stock portfolio | 837.942 | - | 837.942 | 837.942 | - | 837.942 | 837.942 | 1.341.000 | - |
| Other exposures | 4.596.606 | (12.823) | 4.583.783 | 4.583.783 | - | 4.583.783 | 4.583.783 | 4.715.403 | 103% |
| **Total standardised method** | **85.653.407** | **(893.931)** | **84.759.475** | **70.564.477** | **12.783.876** | **83.767.131** | **73.713.139** | **30.283.065** | **41%** |

### 5.2.1 Geographical distribution and sectorisation of exposures

Below is the detail of the ABANCA Group's credit risk exposures as at December 31, 2022, broken down by geographical area.

Information on the credit quality of loans and advances to non-financial corporations by industry is also included.

## Table 26: EU CQ4: Quality of non-performing exposures by geography
(Thousand €)

| | | a | b | c | d | e | f | g |
|---|---|---|---|---|---|---|---|---|
| | | Gross carrying amount/nominal amount | | | | Accumulated impairment | Provisions on off-balance sheet commitments and financial guarantee given | Accumulated negative changes in fair value due to credit risk on non-performing exposures |
| | | | Of which: non-performing | | Of which: subject to impairment | | | |
| | | | | Of which: defaulted | | | | |
| **010** | ***Exposiciones en balance*** | ***58.808.604*** | | ***942.024*** | | ***-783.470*** | | ***0*** |
| 020 | ES | 46.080.552 | | 880.868 | | -730.189 | | 0 |
| 030 | IT | 5.309.177 | | 555 | | -586 | | 0 |
| 040 | PT | 3.009.330 | | 46.091 | | -39.642 | | 0 |
| 050 | LU | 794.821 | | 0 | | -2.354 | | 0 |
| 060 | US | 778.284 | | 412 | | -2.179 | | 0 |
| 070 | DE | 613.051 | | 4 | | -135 | | 0 |
| 080 | CH | 391.039 | | 4.222 | | -1.204 | | 0 |
| 090 | NL | 303.882 | | 0 | | -1.520 | | 0 |
| 100 | MX | 318.828 | | 619 | | -720 | | 0 |
| 110 | Other countries | 1.209.640 | | 9.251 | | -4.940 | | 0 |
| **120** | ***Exposiciones fuera de balance*** | ***13.057.223*** | | ***128.614*** | | | ***96.031*** | |
| 130 | ES | 10.844.902 | | 121.637 | | | 89.439 | |
| 140 | PT | 392.881 | | 5.429 | | | 3.998 | |
| 150 | US | 373.880 | | 0 | | | 10 | |
| 160 | CH | 260.700 | | 0 | | | 8 | |
| 170 | CN | 154.613 | | 0 | | | 12 | |
| 180 | QA | 50.681 | | 0 | | | 1 | |
| 190 | NL | 86.427 | | 0 | | | 229 | |
| 200 | SA | 82.162 | | 0 | | | 53 | |
| 210 | AE | 48.922 | | 0 | | | 1 | |
| 220 | Other countries | 762.054 | | 1.548 | | | 2.280 | |
| 230 | **Total** | **71.865.826** | | **1.070.638** | | **-783.470** | **96.031** | **0** |

## Table 27: EU CQ5: Credit quality of loans and advances to non-financial corporations by industry (Thousand €)

| | | a | b | c | d | e | f |
|---|---|---|---|---|---|---|---|
| | | Gross carrying amount | | | | | |
| | | | Of which: non-performing | | Of which: loans and advances subject to impairment | Accumulated impairment | Accumulated negative changes in fair value due to credit risk on non-performing exposures |
| | | | | Of which: defaulted | | | |
| 010 | Agriculture, livestock farming, forestry and fishing | 482.253 | 20.705 | 20.705 | 482.253 | -19.994 | 0 |
| 020 | Mining and quarrying | 74.869 | 11.055 | 11.055 | 74.869 | -8.434 | 0 |
| 030 | Manufacturing | 2.652.078 | 159.384 | 159.384 | 2.652.078 | -111.635 | 0 |
| 040 | Electricity, gas, steam and air conditioning supply | 1.094.544 | 1.668 | 1.668 | 1.094.544 | -9.430 | 0 |
| 050 | Water supply | 87.308 | 1.103 | 1.103 | 87.308 | -946 | 0 |
| 060 | Construction | 1.322.240 | 82.435 | 82.435 | 1.322.240 | -60.017 | 0 |
| 070 | Wholesale and retail trade | 2.165.849 | 112.552 | 112.552 | 2.165.849 | -88.753 | 0 |
| 080 | Transport and storage | 1.833.219 | 36.554 | 36.554 | 1.833.219 | -36.251 | 0 |
| 090 | Accommodation and food service activities | 999.549 | 49.962 | 49.962 | 999.549 | -36.072 | 0 |
| 100 | Information and communication | 343.173 | 15.232 | 15.232 | 343.173 | -12.445 | 0 |
| 110 | Financial and insurance activities | 1.805.374 | 17.569 | 17.569 | 1.805.374 | -25.728 | 0 |
| 120 | Real estate activities | 1.582.612 | 31.297 | 31.297 | 1.582.612 | -31.884 | 0 |
| 130 | Professional, scientific and technical activities | 1.446.320 | 43.343 | 43.343 | 1.446.320 | -31.271 | 0 |
| 140 | Administrative and support service activities | 396.615 | 17.031 | 17.031 | 396.615 | -14.358 | 0 |
| 150 | Public administration and defence; compulsory social security | 0 | 0 | 0 | 0 | 0 | 0 |
| 160 | Education | 54.248 | 1.790 | 1.790 | 54.248 | -1.470 | 0 |
| 170 | Human health services and social work activities | 251.421 | 3.161 | 3.161 | 251.421 | -3.887 | 0 |
| 180 | Arts, recreation and entertainment activities | 127.968 | 5.736 | 5.736 | 127.968 | -6.219 | 0 |
| 190 | Other services | 547.946 | 14.109 | 14.109 | 547.946 | -70.736 | 0 |
| 200 | **Total** | **17.267.586** | **624.686** | **624.686** | **17.267.586** | **-569.530** | **0** |

***Thousand €***

## 5.3 Exposures related to measures applied in response to the impact of COVID-19

In order to minimise the medium and long-term impacts of the COVID-19 pandemic and contain the economic effects derived from it, the authorities have implemented a set of measures to support the productive and social fabric, to minimise the negative impact and sustain a base on which to maximise economic activity.

Among the measures implemented, the public guarantees program and the establishment of legislative and non-legislative moratoriums stand out.

In compliance with the provisions of the EBA Guidelines on disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07), the information as at December 31, 2022 is presented below on legislative and non-legislative moratoria with the templates laid down in the aforementioned disclosure guidelines. Table 28 is presented without amounts since there are no longer loans and advances subject to legislative and non-legislative moratoria. In line with the provisions of section 1.11 of the Entity's December 2022 Annual Accounts, the 13,320 customers under moratoriums had a current amount of 52.9 MM€ as at December 2021. However, as at December 31, 2022, all the moratoria have already ended.

## Table 28: Template 1_ Information regarding loans and advances subject to legislative and non-legislative moratoria (Thousand €)

| | | a | b | c | d | e | f | g | h | i | j | k | l | m | n | o |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Gross carrying amount | | | | | | | Accumulated value impairment, accumulated adverse fair value changes arising from credit risk | | | | | | | Gross carrying amount |
| | | | Performing | | | NPLs | | | | Performing | | | NPLs | | | |
| | | | | Of which: exposures with forbearance measures (restructuring or refinancing) | Of which: Instruments with a significant increase in credit risk subsequent to initial recognition, but not credit impaired (Stage 2) | | Of which: exposures with forbearance measures (restructuring or refinancing) | Of which: with unlikely repayment but not past due or past due <= 90 days | | | Of which: exposures with forbearance measures (restructuring or refinancing) | Of which: Instruments with a significant increase in credit risk subsequent to initial recognition, but not creditimpaired (Stage 2) | | Of which: exposures with forbearance measures (restructuring or refinancing) | Of which: with unlikely repayment but not past due or past due <= 90 days | Additions to non-performing exposures |
| 1 | **Loans and advances under moratoria** | **0** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2 | **of which: Individuals** | **0** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *3* | *of which: Secured by residential properties* | **0** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4 | **of which: Non-financial corporations** | **0** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *5* | *of which: Small and medium-sized enterprises* | **0** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *6* | *of which: Secured by commercial properties* | **0** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Table 29: Template 2_ Breakdown of loans and advances subject to legislative and non-legislative moratoria based on the residual maturity of the moratoria
(Thousand €)

| | | Number of obligor | Gross carrying amount | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Of which: Legislative moratoria | Of which: matured | Residual maturity of moratoria | | | | |
| | | | | | | <= 3 months | > 3 months <= 6 months | > 6 months <= 9 months | > 9 months <= 12 months | > 1 year |
| 1 | Loans and advances for which a moratoria has been offered | 15.204 | 1.263.499 | | | | | | | |
| 2 | Loans and advances under moratoria (granted) | 13.320 | 1.034.177 | 730.109 | 1.034.177 | - | - | - | - | - |
| 3 | of which: Individuals | | 758.847 | 476.674 | 758.847 | - | - | - | - | - |
| *4* | ***of which: Secured by residential properties*** | | 694.271 | 442.566 | 694.271 | - | - | - | - | - |
| 5 | of which: Non-financial corporations | | 275.330 | 253.435 | 275.330 | - | - | - | - | - |
| *6* | ***of which: Small and medium-sized enterprises*** | | 149.741 | 140.728 | 149.741 | - | - | - | - | - |
| *7* | ***of which: Secured by commercial properties*** | | 128.088 | 121.585 | 128.088 | - | - | - | - | - |

The upper tables have been made following both the provisions of the regulations set forth in Royal Decrees Law 8/2020, 11/2020, 25/2020 and 26/2020 as well as the guidelines and sector agreements.

Of the legislative moratoria formalised by the Entity, as at December 31, 2022, the outstanding risk amounts to 730,109 thousand €.

With regard to non-legislative moratoria, as at December 31, 2022, the outstanding risk amounts to 304,068 thousand €.

The Entity has granted new transactions backed by public support measures to companies and the self-employed introduced in response to the COVID-19 crisis. The table below includes information as at December 31, 2022 on these transactions.

Table 30: Template 3_ Information regarding new loans and advances subject to public guarantee programs introduced in response to the COVID-19 crisis
(Thousand €)

| | | Gross carrying amount | | Maximum amount of the guarantee that can be considered | Gross carrying amount |
|---|---|---|---|---|---|
| | | | Of which: forborne | Public guarantees received | Additions to non-perfoming exposures |
| 1 | **New loans and advances subject to public guarantee schemes** | 2.483.526 | 109.662 | 1.847.301 | 82.085 |
| 2 | of which: Individuals | 161.463 | | | 6.373 |
| 3 | of which: Secured by residential properties | - | | | - |
| 4 | of which: Non-financial corporations | 2.322.063 | 107.654 | 1.719.632 | 75.712 |
| 5 | of which: Small and medium-sized enterprises | 1.314.598 | | | 61.487 |
| 6 | of which: Secured by commercial properties | 713 | | | - |

## 5.4 Non-performing and forborne exposures

In accordance with the guidelines of the European Banking Authority (EBA) that are addressed to the competent authorities as defined in article 4, paragraph 2, subparagraph i) of Regulation (EU) No. 1093 / 2010 and to credit institutions as defined in article 4, paragraph 1, of Regulation (EU) No. 575/2013, information to the market on non-performing exposures (NPE), forborne exposures (FBE) and foreclosed assets is detailed.

## Table 31: EU CR1: Performing and non-performing exposures and related provisions.

(Thousand €)

| | | Gross carrying amount/nominal amount | | | | | | due to credit risk and provisions | | | | | | Accumulated partial write-off | guarantees received | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Performing exposures | | | Non-performing exposures | | | Performing exposures: accumulated value impairment and provisions | | | Non-performing exposures: accumulated value impairment, accumulated adverse fair value changes arising from credit risk and provisions | | | | On performing exposures | On non-performing exposures |
| | | | Of which: stage 1 | Of which: stage 2 | | Of which: stage 2 | Of which: stage 3 | | Of which: stage 1 | Of which: stage 2 | | Of which: stage 2 | Of which: stage 3 | | | |
| 005 | Cash, cash balances with Central Banks and other demand deposits | 8.395.432 | 8.395.432 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 010 | Loans and advances | 46.135.434 | 43.728.988 | 2.406.446 | 942.024 | 0 | 942.024 | -271.274 | -155.985 | -115.288 | -512.197 | 0 | -512.197 | 0 | 21.574.362 | 231.653 |
| 020 | *Central banks* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |
| 030 | *Public administrations* | *9.117.110* | *9.116.925* | *185* | *83* | *0* | *83* | *0* | *0* | *0* | *-52* | *0* | *-52* | *0* | *24* | *7* |
| 040 | *Credit institutions* | *985.041* | *985.041* | *0* | *926* | *0* | *926* | *0* | *0* | *0* | *-3* | *0* | *-3* | *0* | *0* | *0* |
| 050 | *Other financial corporations* | *519.554* | *503.265* | *16.289* | *575* | *0* | *575* | *-4.781* | *-3.585* | *-1.196* | *-392* | *0* | *-392* | *0* | *192.919* | *173* |
| 060 | *Non-financial corporations* | *16.642.900* | *14.995.562* | *1.647.338* | *624.686* | *0* | *624.686* | *-203.648* | *-124.897* | *-78.751* | *-365.882* | *0* | *-365.882* | *0* | *6.020.848* | *89.619* |
| 070 | *Of which: SMEs* | *7.279.239* | *6.466.619* | *812.620* | *410.726* | *0* | *410.726* | *-133.982* | *-95.653* | *-38.329* | *-253.588* | *0* | *-253.588* | *0* | *3.721.168* | *76.107* |
| 080 | *Individuals* | *18.870.829* | *18.128.195* | *742.634* | *315.754* | *0* | *315.754* | *-62.845* | *-27.503* | *-35.341* | *-145.868* | *0* | *-145.868* | *0* | *15.360.571* | *141.854* |
| 090 | Debt securities | 11.731.146 | 11.730.147 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 100 | *Central banks* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |
| 110 | *Public administrations* | *10.593.220* | *10.593.220* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |
| 120 | *Credit institutions* | *580.259* | *580.259* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |
| 130 | *Other financial corporations* | *53.513* | *52.629* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |
| 140 | *Non-financial corporations* | *504.154* | *504.039* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |
| 150 | Off-balance sheet exposures | *12.928.608* | *12.724.034* | *204.574* | *128.614* | *0* | *128.614* | *26.962* | *18.651* | *8.311* | *69.070* | *0* | *69.070* | *0* | *818.030* | *4.279* |
| 160 | *Central banks* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |
| 170 | *Public administrations* | *1.542.275* | *1.542.275* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *1.516* | *0* |
| 180 | *Credit institutions* | *800.437* | *800.437* | *0* | *0* | *0* | *0* | *74* | *74* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |
| 190 | *Other financial corporations* | *57.979* | *57.975* | *4* | *1* | *0* | *1* | *76* | *76* | *0* | *1* | *0* | *1* | *0* | *7.809* | *0* |
| 200 | *Non-financial corporations* | *8.472.372* | *8.279.089* | *193.283* | *125.157* | *0* | *125.157* | *25.583* | *17.506* | *8.077* | *67.812* | *0* | *67.812* | *0* | *656.058* | *4.104* |
| 210 | *Individuals* | *2.055.545* | *2.044.258* | *11.287* | *3.456* | *0* | *3.456* | *1.229* | *995* | *234* | *1.257* | *0* | *1.257* | *0* | *152.647* | *175* |
| **220** | ***Total*** | ***79.190.620*** | ***76.578.601*** | ***2.611.020*** | ***1.070.638*** | ***0*** | ***1.070.638*** | ***-244.312*** | ***-137.334*** | ***-106.977*** | ***-443.127*** | ***0*** | ***-443.127*** | ***0*** | ***22.392.392*** | ***235.932*** |

Table 32: EU CR1-A: Maturity of exposures
(Thousand Euro)

The net exposure value of loans and advances is shown below.

| | Net exposure value | | | | | |
|---|---|---|---|---|---|---|
| | On demand | ≤ 1 yr | > 1 yr ≤ 5 yrs | > 5 yrs | No set maturity | **Total** |
| Loans and advances | 511.043 | 4.803.616 | 8.229.758 | 32.050.056 | 699.515 | 46.293.988 |
| Debt securities | 0 | 61.360 | 3.643.446 | 8.036.579 | 0 | 11.741.385 |
| ***Total*** | ***511.043*** | ***4.864.976*** | ***11.873.204*** | ***40.086.635*** | ***699.515*** | ***58.035.373*** |

The following table shows the changes in the value of non-performing loans and advances that occurred between January 1, 2022 and December 31, 2022.

Table 33: EU CR2: Changes in the stock of non-performing loans and advances
(Thousand €)

| | Gross carrying amount |
|---|---|
| ***Initial stock of non-performing loans and advances*** | ***995.771*** |
| Inflows to non-performing portfolios | 272.219 |
| Outflows from non-performing portfolios | -325.966 |
| Outflows due to write-offs | -93.093 |
| Outflow due to other situations | -232.873 |
| ***Final stock of non-performing loans and advances*** | ***942.024*** |

Table 34: EU CQ1_ Credit quality of forborne exposures
(Thousand €)

| | Gross carrying amount/ Nominal amount of exposures with forbearance measures | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | Collaterals received and financial guarantees received on forborne exposures | |
|---|---|---|---|---|---|---|---|---|
| | Performing forborne | Non-performing forborne | | | On performing forborne exposures | On non-performing forborne exposures | | Of which: collaterals received and financial guarantees received on forborne exposures |
| | | | Of which: defaulted | Of which: impaired | | | | |
| Cash, cash balances with Central Banks and other demand deposits | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and advances | 603.247 | 377.116 | 377.116 | 377.116 | -29.826 | -229.992 | 527.486 | 90.347 |
| ***Central banks*** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ***Public administrations*** | 178 | 83 | 83 | 83 | 0 | -52 | 30 | 18 |
| ***Credit institutions*** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ***Other financial corporations*** | 14.715 | 257 | 257 | 257 | -1.179 | -111 | 197 | 146 |
| ***Non-financial corporations*** | 339.031 | 290.007 | 290.007 | 290.007 | -19.650 | -186.213 | 280.109 | 50.087 |
| ***Individuals*** | 249.323 | 86.769 | 86.769 | 86.769 | -8.997 | -43.616 | 247.150 | 40.096 |
| Debt securities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loan commitments granted | 10.109 | 150 | 150 | 150 | 247 | 491 | 1.947 | 0 |
| **Total** | **613.356** | **377.266** | **377.266** | **377.266** | **-29.579** | **-229.501** | **529.433** | **90.347** |

## Table 35: EU CQ3_Credit quality of performing and non-performing exposures by past due days (Thousand €)

| | Gross carrying amount/nominal amount | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Performing exposures | | | Non-performing exposures | | | | | | | | |
| | | Not past due o past due ≤ 30 days | Past due > 30 days ≤ 90 days | | Unlikely to pay that are not past-due or past-due ≤ 90 | Past due > 90 days ≤ 180 days | Past due > 180 days ≤ 1 year | Past due > 1 days ≤ 2 years | Past due > 2 years ≤ 5 years | Past due > 5 years ≤ 7 years | Past due > 7 years | Of which: defaulted |
| Cash, cash balances with Central Banks and other demand deposits | **8.395.432** | 8.395.432 | 0 | **0** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and advances | **46.135.434** | 46.067.319 | 68.115 | **942.024** | 360.085 | 43.750 | 66.962 | 128.958 | 250.679 | 40.490 | 51.100 | 942.024 |
| ***Central banks*** | **0** | 0 | 0 | **0** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ***Public administrations*** | **9.117.110** | 9.117.109 | 1 | **83** | 83 | 0 | 0 | 0 | 0 | 0 | 0 | 83 |
| ***Credit institutions*** | **985.041** | 972.381 | 12.660 | **926** | 0 | 0 | 795 | 131 | 0 | 0 | 0 | 926 |
| ***Other financial corporations*** | **519.554** | 504.822 | 14.732 | **575** | 135 | 0 | 0 | 0 | 257 | 69 | 114 | 575 |
| ***Non-financial corporations*** | **16.642.900** | 16.623.561 | 19.339 | **624.686** | 269.841 | 19.502 | 40.726 | 94.748 | 162.208 | 18.425 | 19.236 | 624.686 |
| ***Of which SMEs*** | **7.279.239** | 7.271.868 | 7.371 | **410.726** | 134.175 | 16.493 | 31.636 | 47.802 | 143.190 | 18.417 | 19.013 | 410.726 |
| ***Individuals*** | **18.870.829** | 18.849.446 | 21.383 | **315.754** | 90.026 | 24.248 | 25.441 | 34.079 | 88.214 | 21.996 | 31.750 | 315.754 |
| Debt securities | **11.731.146** | 11.731.146 | 0 | **0** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ***Central banks*** | **0** | 0 | 0 | **0** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ***Public administrations*** | **10.593.220** | 10.593.220 | 0 | **0** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ***Credit institutions*** | **580.259** | 580.259 | 0 | **0** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ***Other financial corporations*** | **53.513** | 53.513 | 0 | **0** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ***Non-financial corporations*** | **504.154** | 504.154 | 0 | **0** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Off-balance sheet exposures | **12.928.608** | 0 | 0 | **128.614** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 128.614 |
| ***Central banks*** | **0** | 0 | 0 | **0** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ***Public administrations*** | **1.542.275** | 0 | 0 | **0** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ***Credit institutions*** | **800.437** | 0 | 0 | **0** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ***Other financial corporations*** | **57.979** | 0 | 0 | **1** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| ***Non-financial corporations*** | **8.472.372** | 0 | 0 | **125.157** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 125.157 |
| ***Individuals*** | **2.055.545** | 0 | 0 | **3.456** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3.456 |
| ***Total*** | **79.190.620** | 66.193.897 | 68.115 | **1.070.638** | 360.085 | 43.750 | 66.962 | 128.958 | 250.679 | 40.490 | 51.100 | 1.070.638 |

Table 36: EU CQ7: Collateral obtained by taking possession and execution processes (Thousand €)

| | Collaterals obtained through possession | |
|---|---|---|
| | Value at initial recognition | Accumulated negative changes |
| Property, plants and equipment | 0 | 0 |
| Other than property, plants and equipment | 522.334 | -329.997 |
| *Residential immovable property* | 306.158 | -184.607 |
| *Non residential* | 216.176 | -145.390 |
| *Movable property (auto, shipping, etc.)* | 0 | 0 |
| *Equity and debt instruments* | 0 | 0 |
| *Other collateral* | 0 | 0 |
| ***Total*** | **522.334** | **-329.997** |

# 6 CREDIT AND COUNTERPARTY RISK: STANDARDISED APPROACH

## 6.1 Rating agencies

### 6.1.1 Identification of external credit rating institutions

ABANCA has appointed the following external rating agencies (ECAI) to determine the risk weights applicable to its exposures: Fitch, S&P and DBRS.

The Entity applies the ECAI credit ratings to the regulatory categories of (i) Central Government or central banks, (ii) Regional Governments or local authorities, (iii) public sector entities, (iv) Institutions, (v) Corporates, (vi) Exposures to institutions and corporates with a short-term credit assessment and (vii) covered bonds.

In those cases in which there are ratings for a counterparty by different ECAIs, the Entity follows the procedure established in article 138 of the solvency regulations, which elaborates the order of priority to be used in assigning ratings. When two different credit ratings made by the indicated ECAIs are available for a rated exposure, the highest risk weight will be applied to the exposure. However, where there are more than two credit ratings for the same rated exposure, the two credit ratings that produce the lowest risk weights will be used. If the two lowest risk weights match, that weight will be applied; if they do not match, the higher of the two will apply.

In any case, the Entity complies with the provisions of articles 135 to 141 of the CRR. It has been considered that an exposure has rating whether it presents issuer rating and issue rating.

The correspondence between the alphanumeric scale of each agency used and the risk categories used by the Group are those defined in the Final Draft ITS on the mapping of ECAIs' credit assessment under Article 136(1) and (3) of Regulation (EU) No 575/2013 of June 2021, in compliance with the provisions of article 136 of the CRR.

### 6.1.2 Description of the process of assigning credit ratings of public issues of securities to comparable assets

The Group does not perform any process of assigning credit ratings of public issues of securities to comparable assets not included in the trading book.

### 9.1.3 Description of the process for assigning credit ratings to items outside the trading book

Within the scope of external rating, ABANCA uses ratings assigned by Fitch, S&P and DBRS. In accordance with the provisions of article 138 of EU Regulation 575/2013 (CRR) when for a rated exposure there are:

- A single credit rating made by one of the external agencies that will be used to determine the risk weight of the referred exposure.
- Two credit ratings issued by external agencies and these ratings correspond to two different risk weights, the highest risk weight (worst rating) will be applied to the exposure.
- When there are more than two credit ratings by designated external agencies for the same rated item, the two ratings that produce the lowest risk weights will be used. If the two lower risk weights do not match, the higher of the two will be assigned. If the two lowest risk weights match, that weight will be applied.

## 6.2 Effect on risk exposures of applying risk reduction techniques

A breakdown of the credit risk exposures is presented below, to which the standardised approach has been applied; showing for each Risk Category the net exposures of value adjustments and corrections due to impairments.

## Table 37: EU CR5.2 — Standardised approach NET exposure. Original minus provisions (Thousand €)

| Exposure classes | Risk weight | | | | | | | | | | | | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 0% | 2% | 4% | 10% | 20% | 35% | 50% | 70% | 75% | 100% | 150% | 250% | 370% | 1250% | Other items | |
| Central governments or central banks | 15.922.324 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 19.971 | 0 | 0 | 0 | 0 | 0 | 15.942.296 |
| Regional government or local authorities | 10.396.533 | 0 | 0 | 0 | 5.019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10.401.553 |
| Public sector entities | 787.609 | 0 | 0 | 0 | 30.046 | 0 | 353.736 | 0 | 0 | 127 | 0 | 0 | 0 | 0 | 0 | 1.171.518 |
| Multilateral development banks | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| International organisations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Institutions | 0 | 71.510 | 0 | 0 | 1.038.750 | 0 | 721.917 | 0 | 0 | 738.833 | 0 | 0 | 0 | 0 | 0 | 2.571.010 |
| Enterprises | 0 | 0 | 0 | 0 | 0 | 0 | 431.011 | 0 | 0 | 22.636.037 | 24.825 | 0 | 0 | 0 | 0 | 23.091.873 |
| Retail exposures | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8.973.920 | 0 | 0 | 0 | 0 | 0 | 0 | 8.973.920 |
| Exposures secured by mortgages on immovable property | 0 | 0 | 0 | 0 | 0 | 14.386.192 | 726.969 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 15.113.161 |
| Exposures in default | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 368.458 | 91.776 | 0 | 0 | 0 | 0 | 460.234 |
| Exposures associated with particularly high risk | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1.379.777 | 0 | 0 | 0 | 0 | 1.379.777 |
| Covered bonds | 0 | 0 | 0 | 39.259 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 39.259 |
| Exposures to institutions and companies with short-term credit assessment | 0 | 0 | 0 | 0 | 76.891 | 0 | 220 | 0 | 0 | 97.647 | 0 | 0 | 0 | 0 | 0 | 174.758 |
| Unit or shares in collective investment undertakings | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10.904 | 380 | 0 | 0 | 0 | 7.109 | 18.392 |
| Stock portfolio exposures | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 502.570 | 0 | 335.372 | 0 | 0 | 0 | 837.942 |
| Other items | 183.082 | 0 | 0 | 31 | 1.666 | 0 | 2.342 | 0 | 0 | 4.170.135 | 0 | 216.629 | 0 | 0 | 9.897 | 4.583.783 |
| **TOTAL** | **27.289.549** | **71.510** | **0** | **39.290** | **1.152.373** | **14.386.192** | **2.236.195** | **0** | **8.973.920** | **28.544.683** | **1.496.758** | **552.001** | **0** | **0** | **17.006** | **84.759.475** |

## Table 38: EU CR5.1 — Standardised approach Pre-CCF exposure (Thousand €)

| Exposure classes | Risk weight | | | | | | | | | | | | | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 0% | 2% | 4% | 10% | 20% | 35% | 50% | 70% | 75% | 100% | 150% | 250% | 370% | 1250% | Other items | |
| Central governments or central banks | 20.811.778 | 0 | 0 | 0 | 0 | 0 | 23 | 0 | 0 | 19.971 | 0 | 0 | 0 | 0 | 0 | 20.831.772 |
| Regional government or local authorities | 10.407.197 | 0 | 0 | 0 | 5.019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10.412.217 |
| Public sector entities | 788.918 | 0 | 0 | 0 | 30.046 | 0 | 351.749 | 0 | 0 | 127 | 0 | 0 | 0 | 0 | 0 | 1.170.840 |
| Multilateral development banks | 55.492 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 55.492 |
| International organisations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Institutions | 0 | 71.510 | 0 | 0 | 636.000 | 0 | 1.189.169 | 0 | 0 | 738.833 | 0 | 0 | 0 | 0 | 0 | 2.635.511 |
| Enterprises | 0 | 0 | 0 | 0 | 0 | 0 | 528.362 | 0 | 0 | 17.751.270 | 20.079 | 0 | 0 | 0 | 0 | 18.299.711 |
| Retail exposures | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7.834.896 | 0 | 0 | 0 | 0 | 0 | 0 | 7.834.896 |
| Exposures secured by mortgages on immovable property | 0 | 0 | 0 | 0 | 0 | 14.376.770 | 723.812 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 15.100.581 |
| Exposures in default | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 331.080 | 85.061 | 0 | 0 | 0 | 0 | 416.141 |
| Exposures associated with particularly high risk | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1.355.835 | 0 | 0 | 0 | 0 | 1.355.835 |
| Covered bonds | 0 | 0 | 0 | 39.259 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 39.259 |
| Exposures to institutions and companies with short-term credit assessment | 0 | 0 | 0 | 0 | 76.891 | 0 | 220 | 0 | 0 | 97.647 | 0 | 0 | 0 | 0 | 0 | 174.758 |
| Unit or shares in collective investment undertakings | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10.904 | 380 | 0 | 0 | 0 | 7.109 | 18.392 |
| Stock portfolio exposures | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 502.570 | 0 | 335.372 | 0 | 0 | 0 | 837.942 |
| Other items | 183.082 | 0 | 0 | 31 | 1.666 | 0 | 2.342 | 0 | 0 | 4.170.135 | 0 | 216.629 | 0 | 0 | 9.897 | 4.583.783 |
| **TOTAL** | **32.246.468** | **71.510** | **0** | **39.290** | **749.622** | **14.376.770** | **2.795.677** | **0** | **7.834.896** | **23.622.537** | **1.461.354** | **552.001** | **0** | **0** | **17.006** | **83.767.131** |

## Table 39: EU CR5 — Standardised approach. Post-CCF exposure (Thousand €)

| Exposure classes | Risk weight | | | | | | | | | | | | | | Total | Of which: unrated |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 0% | 2% | 4% | 10% | 20% | 35% | 50% | 70% | 75% | 100% | 150% | 250% | 370% | 1250% | Other items | | |
| Central governments or central banks | 20.638.911 | 0 | 0 | 0 | 0 | 0 | 23 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 20.638.934 | 12.876.785 |
| Regional government or local authorities | 9.415.957 | 0 | 0 | 0 | 5.019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9.420.976 | 2.175.153 |
| Public sector entities | 657.269 | 0 | 0 | 0 | 6.046 | 0 | 303.620 | 0 | 0 | 127 | 0 | 0 | 0 | 0 | 0 | 967.062 | 954.827 |
| Multilateral development banks | 55.492 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 55.492 | 55.492 |
| International organisations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Institutions | 0 | 71.510 | 0 | 0 | 418.161 | 0 | 1.048.441 | 0 | 0 | 209.970 | 0 | 0 | 0 | 0 | 0 | 1.748.081 | 1.102.707 |
| Enterprises | 0 | -71.510 | 0 | 0 | 0 | 0 | 426.767 | 0 | 0 | 12.811.736 | 20.079 | 0 | 0 | 0 | 0 | 13.187.072 | 11.992.910 |
| Retail exposures | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5.247.466 | 0 | 0 | 0 | 0 | 0 | 0 | 5.247.466 | 5.247.466 |
| Exposures secured by mortgages on immovable property | 0 | 0 | 0 | 0 | 0 | 14.316.800 | 718.341 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 15.035.141 | 15.035.141 |
| Exposures in default | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 330.030 | 77.425 | 0 | 0 | 0 | 0 | 407.455 | 407.465 |
| Exposures associated with particularly high risk | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1.002.523 | 0 | 0 | 0 | 0 | 1.002.523 | 1.000.652 |
| Covered bonds | 0 | 0 | 0 | 39.259 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 39.259 | 0 |
| Exposures to institutions and companies with short-term credit assessment | 0 | 0 | 0 | 0 | 30.013 | 0 | 220 | 0 | 0 | 74.549 | 0 | 0 | 0 | 0 | 0 | 104.782 | 0 |
| Unit or shares in collective investment undertakings | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10.904 | 380 | 0 | 0 | 0 | 7.109 | 18.392 | 18.392 |
| Stock portfolio exposures | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 502.570 | 0 | 335.372 | 0 | 0 | 0 | 837.942 | 833.709 |
| Other items | 183.082 | 0 | 0 | 31 | 1.666 | 0 | 2.342 | 0 | 0 | 4.170.135 | 0 | 216.629 | 0 | 0 | 9.897 | 4.583.783 | 4.583.783 |
| **TOTAL** | **30.950.711** | **0** | **0** | **39.290** | **460.906** | **14.316.800** | **2.499.754** | **0** | **5.247.466** | **18.110.020** | **1.100.407** | **552.001** | **0** | **0** | **17.006** | **73.294.361** | **56.284.481** |

The tables above show the total exposures in a disaggregated manner, distinguishing between:

i) Exposures net of value and corrections for impairment

ii) Exposures after applying risk reduction techniques valid for Solvency purposes (these correspond to the consideration of either collaterals or personal guarantees in favour of the Group).

iii) The exposures net of value adjustments and corrections due to impairment, after the application of risk mitigation techniques valid for Solvency purposes and after the application of the conversion factors corresponding to the off-balance accounts included in previous exposures.

It is important to mention the increasing exposure effect in certain categories, due to the consideration of personal guarantees or agreement in favour of the Entity. This mitigation technique works so that part or all of the risk is transferred to a category different from the original. Therefore, this technique assigns the hedged risk to guarantor's category; an example of this are the exposures of corporates and retail hedged by guarantees from central/regional governments or institutions, causing a decline in exposure in corporate/retail categories and an increase in those of governments or institutions.

In particular, the transition between the category of corporate of the first table and the category of Central Governments in the second table is due to the presence of exposures related to bonds issued by Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria, SAREB (Spanish Management Company for Assets Arising from the Banking Sector Reorganisation) and ICO (Instituto de Crédito Oficial) Loans related to COVID-19 guaranteed by Public Administration.

The position before applying the risk reduction techniques amounts to a total of 84,759,475 thousand €, which once considered the application of the mitigation techniques stands at a total of 83,767,131 thousand €, and after applying the corresponding conversion factors to off-balance accounts 73,294,361 miles €.

## 6.3 Information on the Group's counterparty credit risk

Counterparty credit risk is considered the credit risk incurred by the Group in transactions carried out with credit derivatives, transactions with repurchase agreements, securities or commodities lending, long settlement transactions and financing guarantees.

The credit counterparty risk policies are set out in the Manual of Credit Risk Policy, considered one of the cornerstones of the strategy pursued by the Entity, which is developed and approved following the risk principles established in the RAF. Counterparty risk is managed jointly with credit risk, following the same policies.

The methodology for assigning credit limits is measured within the Risk Appetite Framework (RAF) as well as the monitoring of its indicators, among which are the so-called TOPs for individual exposures, as well as the concentration in a group of customers and the potential future exposure calculated using the market valuation method.

Regarding the allocation of internal capital to counterparty risk exposures, given the low exposure on the volume of loan investments regulatory capital requirements (14,039 thousand €) required for this risk, the internal capital assessment for counterparty risk is included within the internal assessment of credit risk capital in the ICAAP capital planning process.

Most of the counterparties on whom financial transactions subject to counterparty risk are carried out have the category of financial institutions, which is why they go through the risk management and control process established in internal policies:

To the extent possible, the Entity contracts its derivatives through qualified Counterparties.

Limits are established in the RAF, and are reviewed annually by the Comprehensive Risk Committee, taking into account factors such as rating among others.

There is an independent specialised unit in charge of adapting the transactions carried out within the limits of the RAF. Any exceedance of the current risk limits shall be submitted to a specific approval process.

The broken down amount of counterparty risk of the Consolidated Group as at December 31, 2022, is indicated below, the figures arise from the methods applied for the assessment of the own funds requirements associated with this risk:

## Table 40: EU CCR1 — Analysis of counterparty credit risk exposure approach

(Thousand €)

| | Replacement cost | Potential future exposure | Effective EPE | Alpha used for computing regulatory exposure value | Exposure value pre-CRM | Exposure value post-CRM | Exposure value | Risk-weighted exposure amount |
|---|---|---|---|---|---|---|---|---|
| EU - Original Exposure Method (for derivatives) | 0 | 0 | 0 | 1.4 | 0 | 0 | 0 | 0 |
| EU - Simplified SA-CCR (for derivatives) | 0 | 0 | 0 | 1.4 | 0 | 0 | 0 | 0 |
| SA-CCR (for derivatives) | 61.445 | 140.669 | 0 | 1.4 | 601.300 | 282.959 | 263.339 | 175.488 |
| IMM (for derivatives and SFTs) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Of which securities financing transactions netting sets* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Of which derivatives and long settlement transactions netting sets* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Of which from contractual cross-product netting sets* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial collateral simple method (for SFTs) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial collateral comprehensive method (for SFTs) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| VaR for SFTs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | 0 | 0 | 0 | 0 | **601.300** | **282.959** | **263.339** | **175.488** |

Table 41: EU CCR2 — Transactions subject to own funds requirements for CVA risk (Thousand €)

| | Exposure value | Risk-weighted exposure amount |
|---|---|---|
| Total transactions subject to the Advanced method | 0 | 0 |
| i) VaR component (including the 3× multiplier) | 0 | 0 |
| ii) stressed VaR component (including the 3× multiplier) | 0 | 0 |
| Transactions subject to the standardised approach | 62.739 | 98.559 |
| Transactions subject to the alternative approach (based on the original exposure method) | 0 | 0 |
| **Total transactions subject to own funds requirements for CVA risk** | **62.739** | **98.559** |

The Entity, has a consumption requirement of own funds of € 7,885 thousand (8% * 98,559) due to Credit Valuation Adjustment risk (CVA). The own funds requirements for Credit Valuation Adjustment risk ARE included in Regulation 575/2013 (CRR), Title VI, Part Three. Credit valuation adjustments or CVA means an adjustment to the mark-to-market valuation of the transactions portfolio with a counterparty. This adjustment will reflect the current market value of the counterparty's credit risk with respect to the Entity, but will not reflect the current market value of the Entity's credit risk with respect to the counterparty. Institutions shall calculate the own funds requirements for CVA risk for all over-the-counter (OTC) derivative instruments in respect of all their activities, with the exception of certain counterparties referred to in Article 382 of the CRR.

## Table 42: EU CCR3 — Standardised approach – CCR exposures by regulatory exposure class and risk weights

| Exposure classes | Risk weight | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | a | b | c | d | e | f | g | h | i | j | k | l |
| | 0% | 2% | 4% | 10% | 20% | 35% | 50% | 70% | 75% | 100% | 150% | Total exposure value |
| Central governments or central banks | 38.180 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 38.180 |
| Regional government or local authorities | 812 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 812 |
| Public sector entities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Multilateral development banks | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| International organisations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Institutions | 0 | 0 | 0 | 0 | 83.929 | 0 | 80.144 | 0 | 0 | 0 | 0 | 164.073 |
| Enterprises | 0 | 71.510 | 0 | 0 | 0 | 0 | 3.793 | 0 | 0 | 139.746 | 0 | 215.049 |
| Retail exposures | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 664 | 0 | 0 | 664 |
| Exposures in default | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Exposures to institutions and corporates with short-term cre | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other items | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total exposure value** | **38.992** | **71.510** | **0** | **0** | **83.929** | **0** | **83.937** | **0** | **664** | **139.746** | **0** | **418.778** |

## Table 43: EU CCR5 — Composition of collateral for exposures to counterparty credit risk

(Thousand €)

| Collateral type | Collateral used in derivative transactions | | | | Collateral used in SFTs | | | |
|---|---|---|---|---|---|---|---|---|
| | Fair value of collateral received | | Fair value of posted collateral | | Fair value of collateral received | | Fair value of posted collateral | |
| | Segregated | Unsegregated | Segregated | Unsegregated | Segregated | Unsegregated | Segregated | Unsegregated |
| Cash – domestic currency | 531.373 | 153.610 | 9.153 | 241.466 | 0 | 0 | 0 | 0 |
| Cash – other currencies | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Domestic sovereign debt | 0 | 0 | 384.516 | 0 | 0 | 0 | 0 | 0 |
| Other sovereign debt | 0 | 0 | 335.207 | 0 | 0 | 0 | 0 | 0 |
| Government agency debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Corporate bonds | 0 | 0 | 11.149 | 0 | 0 | 0 | 0 | 0 |
| Equity securities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other collateral | 0 | 468 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **531.373** | **154.078** | **740.024** | **241.466** | **0** | **0** | **0** | **0** |

The templates EU CCR6 "Credit derivatives exposures" and EU CCR7 " RWEA flow statements of CCR exposures under the IMM" are not included in the document, since the Entity does not have exposure of this typology.

The Entity's exposures subject to counterparty risk with Central Counterparty Institutions are shown below. To a large extent, the most relevant exposures are the initial margins contributed to be members and to operate in clearing-houses.

## Table 44: EU CCR8 — Exposures to CCPs

(Thousand €)

| | Exposure value | Risk-weighted exposure amount |
|---|---|---|
| **Exposures to QCCPs (total)** | | 707 |
| Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which: | 71.510 | 1.430 |
| i) OTC derivatives | 71.500 | 1.430 |
| ii) Exchange-traded derivatives | 10 | 0 |
| iii) Securities funding transactions | 0 | 0 |
| iv) Netting sets where cross-product netting has been approved | 0 | 0 |
| Segregated initial margin | 730.871 | 0 |
| Non-segregated initial margin | 0 | 0 |
| Prefunded default fund contributions | 0 | 0 |
| Unfunded default fund contributions | 1.000 | 0 |
| **Exposures to non-QCCPs (total)** | 0 | 0 |
| Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which: | 0 | 0 |
| i) OTC derivatives | 0 | 0 |
| ii) Exchange-traded derivatives | 0 | 0 |
| iii) Securities funding transactions | 0 | 0 |
| iv) Netting sets where cross-product netting has been approved | 0 | 0 |
| Segregated initial margin | 0 | 0 |
| Non-segregated initial margin | 0 | 0 |
| Prefunded default fund contributions | 0 | 0 |
| Unfunded default fund contributions | 0 | 0 |

The exposure value has been assessed in accordance with the provisions of the rules contained in the EU Regulation 575/2013 Part Three, Title II, VI. As a summary, these exposures are calculated as follows:

By applying the SA-CCR approach, the exposure value is determined by the result of adding the replacement cost of all contracts with positive values (attaching the current market values to the contracts and transactions) and the amount of the potential future credit exposure of each credit instrument or transaction, taking into consideration the particularities contained in this standard.

With regard to the policies established to ensure the effectiveness of collateral, market derivative transactions with all counterparties are signed under netting agreements and collateral contribution due to the increased counterparty risk.

As regards the impact of collateral that the Entity would have to post if a reduction in its credit rating is experimented, a contractual impact would not exist in this Entity.

The CRR separates the risk of adverse correlation (known as the Wrong Way Risk in English), between the "General risk of adverse correlation", when the probability of default of the counterparties is positively correlated with the general market risk factors; and the "Specific adverse correlation risk", when the future exposure to a specific counterparty is surely correlated with the probability of default of the counterparty due to the nature of the transactions with the counterparty. An entity is considered to be exposed to the specific risk of adverse correlation if it is foreseeable that the future exposure to a specific counterparty will be high when the probability of default of the counterparty is also high.

Regarding the specific adverse correlation risk, it is not a risk to which the Entity is currently subject due to the type of transactions it carries out.

### Operations with credit derivatives

The Group had not contracted credit derivatives as at December 31, 2022.

# 7 CREDIT RISK: INTERNAL RATINGS-BASED APPROACH

By the date of this report, the Consolidable Group had not calculated minimum own funds requirements based on internal ratings-based approach.

# 8 SECURITISATION TRANSACTIONS

## 8.1 Overview of securitisation activity

The ABANCA Group carries out asset securitisation transactions basically as a mechanism for obtaining short-term liquidity by mobilising part of its loan book, as well as a mechanism to homogenise heterogeneous assets of its asset portfolio for more efficient management of those assets before third parties or the market.

The ABANCA Group has acted as originator of various asset securitisation transactions in previous years, although during 2020 to 2022 the Group has not carried out any securitisation transactions.

In general, in the aforementioned transactions the ABANCA Group provided coverage of a part of the credit risk associated with the issues carried out by asset securitisation funds through the acquisition of certain subordinate tranches of such issues ("First loss tranches"). It should be noted, however, that the Group also made securitisation transactions of assets in previous years without any credit enhancement and in which no advantage or substantial risk associated with the securitised transactions were maintained. The management of the securitisation funds of which the Group has been the originator is carried out by Haya Titulización S.G.F.T., S.A., by Titulización de Activos, S.G.F.T., S.A., and also by INTERMONEY TITULIZACION, S.G.F.T., S.A. ABANCA had no exposures in such companies at the close of the fiscal year.

On the other hand, investment transactions have also been carried out historically. All the issues in which the Entity invests, according to the Market Risk Manual, which establishes limits based on ratings, have external ratings that are periodically updated by the rating agencies that issue them. The agencies periodically monitor the behaviour of the underlying assets and the structure of the fund and update the ratings of the bonds to reflect the improvement or impairment of their credit risk. In addition to monitoring the bond ratings, additional information on the behaviour of the securitisation structure and the underlying assets is made available to investors by the management companies of each of the securitisation funds, and also the market prices of the positions are followed (the prices incorporate the behaviour of the underlying assets). The key assumptions and methods for the valuation of securitisation positions have not changed from the previous year.

The portfolio that makes up the securitisation can affect the securitisation bonds causing variations such as:

- Its expected average life, which can vary depending on the behaviour of variables such as prepayment, default and recovery rates.
- Their level of credit quality based on the difference between the expected and realised evolution of factors such as default rates, interest rates, prepayment rates and recoveries.

Regarding the use of personal guarantees and hedging to mitigate the risks of securitisation exposures, in general, personal and hedging guarantees are not used to mitigate the risks of securitisation exposures.

In calculating exposures arising from securitisation activities, the Group applies the standardised approach, based on the provisions of the EU Regulation 575/2013 (CRR), Part Three, Title II, chapter V.

In Note 2.8 of the 2022 consolidated annual accounts of the ABANCA Group, the criteria and the key assumptions used to assess the risks and benefits retained in transfers of financial assets are therein described, which determine the accounting treatment applied by the ABANCA Group to such transactions. Those criteria determine the accounting treatment, among others, to the securitisation transactions of financial assets followed by the Group.

The accounting treatment of transfers of financial assets is conditioned by the way in which the risks and benefits associated with the assets that are transferred are transferred to third parties:

- If the risks and profit of the transferred assets are substantially transferred to third parties- as in the case of unconditional sales, sales with a repurchase agreement at fair value on the repurchase date, sales of financial assets with an acquired call or put option issued deeply out of money, asset securitisations in which the transferor does not retain subordinated financing or grant any type of credit enhancement to new holders and other similar cases-, the transferred financial asset is derecognised of the consolidated balance sheet; recognising, simultaneously, any right or obligation retained or created as a consequence of the transfer.

- If the risks and benefits associated with the transferred financial asset are substantially retained - as in the case of sales of financial assets with a repurchase agreement for a fixed price or for the sale price plus interest, securities lending contracts in which the borrower has the obligation to return the same or similar assets, the securitisations of financial assets in which subordinated financing or other types of credit enhancements are maintained that substantially absorb the expected credit losses for the securitised assets and other similar cases -, the financial asset transferred is not removed from the consolidated balance sheet and continues to be valued with the same criteria used before the transfer. On the contrary, they are recognised in the accounting, without netting each other:

  - An associated financial liability for an amount equal to the consideration received; which is subsequently valued at its amortised cost; or, if the requirements indicated above are met for their classification as other financial liabilities at fair value with changes in profit and loss, at their fair value, in accordance with the criteria previously indicated for this category of financial liabilities.

  - Both the income of the financial asset transferred, but not removed from the balance sheet, and the expenses of the new financial liability.

- If the risks and rewards associated with the transferred financial asset are neither transferred nor substantially retained - as in the case of the sale of financial assets with an acquired call option or an issued put option that are neither deeply in nor out of the money, of asset securitisations financial statements in which the transferor assumes subordinated financing or other types of credit enhancements for part of the transferred asset and other similar cases -, a distinction is made between:

- If the transferring entity does not retain control of the transferred financial asset: the transferred asset is removed from the consolidated balance sheet and any right or obligation retained or created as a result of the transfer is recognised.

- If the transferor entity retains control of the transferred financial asset: it continues to recognise it in the consolidated balance sheet for an amount equal to its exposure to changes in value that it may experience and recognises a financial liability associated with the transferred financial asset. If the transferred asset is measured at its amortised cost, the net amount of the transferred asset and the associated liability shall be the amortised cost of the retained rights and obligations, or if the transferred asset is measured by its fair value, it shall be the fair value of the retained rights and obligations.

In accordance with the foregoing, financial assets are only derecognised from the consolidated balance sheet when the cash flows they generate have been extinguished or when the significant risks and benefits that are implicit have been substantially transferred to third parties.

All securitisation transactions performed by the Group are considered traditional securitisation transactions, not having made any transactions of synthetic securitisation during 2021 nor in previous years, nor is there any type of re-securitisation.

ABANCA has not added or substituted underlying positions in its existing issues Since the beginning of its securitisation activity, ABANCA has maintained the same risk management standards for its securitised and non-securitised transactions.

A greater detail of the main characteristics of the securitisations carried out can be found in Note 10c) and in Annex II of the ABANCA Group's Consolidated Annual Accounts Report.

With regard to the risks of the securitised assets, these can be specified in the following:

- **Credit risk**: occurs when customers does not pay the amounts owed in time and in such a way that the underlying assets that have been securitised get impaired.

  Securitisation bonds are issued following a certain order of priority of payments. The structure of the Funds typically contains a specified number of tranches, each with a credit rating. The first set of tranches, called preferred or senior, which comprises the series of bonds with the best credit quality and, therefore, the highest rating, is followed by the so-called intermediate or mezzanine tranches, which are subordinate to the former. At the bottom of the structure are the lower credit quality tranches, called first loss tranches or equity tranches, which meet the first percentage of losses of the securitised portfolio, and which are usually withheld by the originator for the purpose of providing a sufficient level of credit enhancement to the following tranches of the structure, so that they obtain a higher rating and can be placed in a more attractive way (lower cost) in the markets.

- **Liquidity risk**: it is reduced by the securitisation process, which consists of transforming assets, which are in turn non-liquid in debt securities negotiable in organised financial markets.

- **Prepayment risk**: occurs when the underlying assets are amortised early and therefore reduces the income generated by the securitisation, with which the interest on the bonds is paid.

- **Base risk**: occurs when the indexes and repricing terms of the underlying assets do not match those of the securitisation bonds.

- **Exchange rate risk**: occurs when the securitised assets and the securitisation bonds are in different currencies.

With the amendment introduced by EU Regulation 2017/2401, the methods corresponding to the new framework and which replace the methods initially laid down in the CRR, are:

- **IRBA approach** (article 259): when, due to the characteristics of the securitisation, all the information is available on the underlying loans of the securitised portfolio, and, for at least 95% of them, their risk weight is calculated by the IRB credit risk approach.

- **SA approach** (article 261): when information is available on the underlying loans of the securitised portfolio, but the threshold of 95% of the loans under the IRB credit risk approach is not reached.

- **ERBA approach** (article 263): when information on the underlying loans of the securitisation is not known, and it is necessary to use external rating data.

## 8.2 Exposures in securitisation transactions and price of the securitised assets

Below it is presented a breakdown of the positions held in securitisation transactions by the Consolidated Group as at December 31, 2022 to which the Group applies for calculating purposes of its own funds requirements for credit risk the treatment described in Articles 251 and following of EU Regulation 575/2013 (CRR).

All the Entity's securitisations are outside the trading portfolio, with the positions in which the group does not act as originator in the loan investment portfolio. All securitisations are also on residential mortgages. Except for those made on asset securitisation bonds (liability securitisation).

Table 45: Outstanding balance of the underlying assets of securitisations originated by the Entity in which the risk transfer criteria are not met
(Thousand €)

| Asset class | Outstanding balance 2022 | Outstanding balance 2021 |
|---|---|---|
| Commercial and residential mortgages | 1.667.791 | 1.864.315 |
| Credit cards | 0 | 0 |
| Financial lease | 0 | 0 |
| Loans to corporates or SMEs | 0 | 0 |
| Consumer loans | 0 | 0 |
| Collection rights | 0 | 0 |
| Securitisation positions | 0 | 0 |
| Mortgage covered bonds | 0 | 0 |
| Others | 0 | 0 |
| **Total** | **1.667.791** | **1.864.315** |

The following list of tables is not presented in the report because they do not present a balance: (i) SEC1, (ii) SEC2, (iii) SEC3 and (iv) SEC4

Table 46: EU-SEC5 — Exposures securitised by the institution - Exposures in default and specific credit risk adjustments
(Thousand €)

| | Exposures securitised by the institution - Institution acts as originator or as sponsor | | |
|---|---|---|---|
| | Total outstanding nominal amount | | Total amount of specific credit risk adjustments made during the period |
| | | Of which exposures in default | |
| **Total exposures** | 4.339.886 | 24.969 | 0 |
| Retail (total) | 3.100.000 | 24.969 | 0 |
| Residential mortgage | 3.100.000 | 24.969 | 0 |
| Credit cards | 0 | 0 | 0 |
| Other retail exposures | 0 | 0 | 0 |
| re-securitisation | 0 | 0 | 0 |
| Wholesale (total) | 1.239.886 | 0 | 0 |
| Loans to corporates | 0 | 0 | 0 |
| Commercial mortgage | 0 | 0 | 0 |
| Lease and receivables | 0 | 0 | 0 |
| Other wholesale exposures | 1.239.886 | 0 | 0 |
| re-securitisation | 0 | 0 | 0 |

As at December 31, 2022 the Group had not securitised positions corresponding to revolving structures, which mean securitisation transactions whereby customers' outstanding balances are permitted to fluctuate based on their decisions to borrow and repay, up to a limit established.

# 9 CREDIT RISK MITIGATION TECHNIQUES

## 9.1.- Overview

The EU Regulation 575/2013 (CRR), Part Three, Title II, IV deals with the regulation of eligible credit risk mitigation techniques, explaining and detailing the protection and eligible assets, as well as the requirements for application of these techniques.

With respect to policies and netting processes for on- and off-balance sheet items, the Entity currently allows compensation at risk control level in derivative transactions that have been signed a netting agreement, not this compensation involving underestimation of the account balance.

Then again, the policy approved by the Board of ABANCA establishes the requirement of re-appraisal based on the type of property and the accounting classification thereof, according to current regulations.

Besides, in the policy it is specified that whenever significant changes are identified in market conditions and there is evidence of value impairment, a specific process of reassessment for portfolios of specific assets shall be established.

The methodology for assigning credit limits is measured within the Risk Appetite Framework (RAF). Both direct and indirect exposure (in the case of guarantors) are taken into account.

The appraisal upgrade procedure seeks to maintain updating levels that allow the proper measurement of collateralisation levels of the portfolio adjusted to the market and considering in in doing so criteria or reasonableness, efficiency and quality in the process.

Additionally, in relation to the most significant assets, the Entity may conduct a comprehensive assessment of assets serving as collateral, to evaluate circumstances that may not be included in the appraisal value in order to maintain a value as close as possible to the reality of each collateralised asset.

The main types of collateral are pledged deposits, shares in recognised exchanges and markets, bonds, etc. And as to personal ones, guarantees that improve the credit quality of the guaranteed party.

The concession of transactions is based on the payment capability of the applicants, although the Group uses as a fundamental instrument in the management of credit risk seeking that the financial assets acquired or contracted by the Group have real guarantees and another series additional credit enhancements to the debtor's own personal guarantee. The Group's risk analysis and selection policies define, based on the different characteristics of the transactions, such as purpose of the risk, counterparty, term, consumption of own resources, etc. collaterals or credit enhancements that they must have, in addition to the debtor's own collateral, to proceed with their contracting.

The valuation of collateral is made based on the nature of the collateral received. In general, collateral in the form of real estate is valued at its appraisal value, carried out by independent entities in accordance with the regulations established by the Banco de España on this matter this at the time of contracting. In general, and in accordance with the ECO/805/2003 valuation regulation, updated appraisals are required in the case of new mortgage loans, novations/forbearance, asset purchases or in lieu of payment procedures, and asset foreclosing. Collateral in the form of securities listed in active markets are valued at their listed value, adjusted by a percentage to cover possible variations in said market value that could harm risk coverage; guarantees and similar collaterals are measured by the amount guaranteed in said transactions; credit derivatives and similar transactions used as credit risk coverage are valued, in order to determine the coverage achieved, at their nominal value, which is equivalent to the risk covered; for their part, guarantees in the form of pledged deposits are valued at the value of said deposits, and if they are in foreign currency, converted at the exchange rate on each valuation date.

## 9.2 Quantitative information

The following table shows the distribution of the credit risk exposure of the ABANCA Group as at December 31, 2022, breaking it down according to the implementation or not of credit risk mitigation techniques and, where appropriate, of the mitigation technique applied:

Table 47: CR3 – CRM techniques overview: disclosure of the use of credit risk mitigation techniques
(Thousand €)

| | | Unsecured carrying amount | Secured carrying amount | Of which: secured by collateral | Of which: secured by financial guarantees | |
|---|---|---|---|---|---|---|
| | | | | | | Of which: secured by credit derivatives |
| | | a | b | c | d | e |
| 1 | Loans and advances | 32.883.405 | 21.806.015 | 19.330.688 | 2.475.327 | 0 |
| 2 | Debt securities | 11.731.146 | 0 | 0 | 0 | |
| 3 | Total | 44.614.551 | 21.806.015 | 19.330.688 | 2.475.327 | 0 |
| 4 | Of which: non-performing exposures | 198.174 | 231.653 | 192.885 | 38.768 | 0 |
| EU-5 | Of which: defaulted | 198.174 | 231.653 | | | |

### 9.2.1 Standardised approach

Shown is the total value of exposures as at December 31, 2022 before and after applying conversion factors and credit risk reduction. In the reduction of credit risk, both reduction techniques with a substitution effect and reduction techniques with an impact on the amount of the exposure are considered.

In addition, the distribution of exposures covered with personal guarantees and covered with collateral is presented in separate tables.

Table 48: EU CR4 — Standardised approach – Credit risk exposure and CRM effects
(Thousand €)

| Exposure classes | Exposures before CCF and before CRM | | Exposures post CCF and post CRM | | RWAs and RWAs density | |
|---|---|---|---|---|---|---|
| | On-balance sheet exposures | Off-balance sheet exposures | On-balance sheet exposures | Off-balance sheet exposures | RWA | RWA density (%) |
| | a | b | c | d | e | f |
| Central governments or central banks | 15.883.110 | 21.005 | 20.505.220 | 133.713 | 11 | 0,00% |
| Regional government or local authorities | 9.138.982 | 1.261.759 | 9.149.147 | 271.829 | 1.004 | 0,01% |
| Public sector entities | 838.267 | 333.251 | 836.588 | 130.474 | 153.146 | 15,84% |
| Multilateral development banks | 0 | 0 | 55.492 | 0 | 0 | - |
| International organisations | 0 | 0 | 0 | 0 | 0 | - |
| Institutions | 1.268.740 | 726.518 | 1.723.964 | 24.118 | 819.252 | 46,87% |
| Enterprises | 16.154.402 | 6.722.422 | 11.679.625 | 1.507.447 | 12.024.658 | 91,19% |
| Retail | 5.866.520 | 3.106.736 | 4.865.167 | 382.299 | 3.684.000 | 70,21% |
| Secured by mortgages of immovable properties | 15.001.237 | 111.923 | 14.988.725 | 46.416 | 5.295.862 | 35,22% |
| Exposures in default | 451.479 | 8.755 | 407.455 | 0 | 446.167 | 109,50% |
| Exposures associated with particularly high risk | 782.219 | 597.558 | 768.937 | 233.587 | 1.503.785 | 150,00% |
| Covered bonds | 39.259 | 0 | 39.259 | 0 | 3.926 | 10,00% |
| Institutions and corporates with a short-term credit assessment | 104.782 | 69.976 | 104.782 | 0 | 80.662 | 76,98% |
| Collective investment undertakings | 18.392 | 0 | 18.392 | 0 | 20.484 | 111,37% |
| Stock portfolio exposures | 837.942 | 0 | 837.942 | 0 | 1.341.000 | 160,03% |
| Other items | 4.583.783 | 0 | 4.583.783 | 0 | 4.715.403 | 102,87% |
| **TOTAL** | **70.969.115** | **12.959.904** | **70.564.477** | **2.729.884** | **30.089.361** | **41,05%** |

Table 49: Distribution of exposures covered with personal guarantees and credit derivatives by risk category

(Thousand €)

| Risk category | Hedged with personal guarantees | Hedged with credit derivatives | Total |
|---|---|---|---|
| Central governments or central banks | - | - | - |
| Regional government or local authorities | - | - | - |
| Public sector entities | 1.987 | - | 1.987 |
| Multilateral development banks | - | - | - |
| International organisations | - | - | - |
| Institutions | - | - | - |
| Enterprises | 4.473.384 | - | 4.473.384 |
| Retail exposures | 1.012.005 | - | 1.012.005 |
| Exposures secured by mortgages on immovable property | - | - | - |
| Exposures in default | 43.098 | - | 43.098 |
| Items associated with particularly high risk | - | - | - |
| Covered bonds | - | - | - |
| Exposures to institutions and companies with short-term credit assessment | - | - | - |
| Equity investments or shares in entities of collective investment | - | - | - |
| Equity instruments | - | - | - |
| Other items | - | - | - |
| Securitisation positions | - | - | - |
| **TOTAL** | **5.530.474** | **-** | **5.530.474** |

Table 50: Distribution of exposures covered by eligible collateral by risk category

(Thousand €)

| | Hedged with eligible financial guarantees | Hedged with other eligible collateral | Linked to the capital market | Total |
|---|---|---|---|---|
| Central governments or central banks | - | - | - | 0 |
| Regional government or local authorities | - | - | - | 0 |
| Public sector entities | - | - | - | 0 |
| Multilateral development banks | - | - | - | 0 |
| International organisations | - | - | - | 0 |
| Institutions | - | - | 411.679 | 411.679 |
| Enterprises | 416.129 | - | - | 416.129 |
| Retail exposures | 127.019 | - | - | 127.019 |
| Exposures secured by mortgages on immovable property | 12.579 | - | - | 12.579 |
| Exposures in default | 996 | - | - | 996 |
| Items associated with particularly high risk | 23.942 | - | - | 23.942 |
| Covered bonds | - | - | - | 0 |
| Exposures to institutions and companies with short-term credit assessment | - | - | - | 0 |
| Equity investments or shares in entities of collective investment | - | - | - | 0 |
| Equity instruments | - | - | - | 0 |
| Other items | - | - | - | 0 |
| Securitisation positions | - | - | - | 0 |
| **TOTAL** | **580.665** | **-** | **411.679** | **992.344** |

### 9.2.2 Internal ratings-based approach

By the date of this report, the Consolidable Group had not calculated minimum own funds requirements based on internal ratings-based approach.

### 9.2.3 Risk concentration in guarantees

The Group monitors both the direct and indirect risks of the counterparties, ensuring that there is no excessive concentration of risk derived from personal guarantees.

On the other hand, the financial guarantees used to mitigate exposures are of a diverse nature, with no relevant concentrations of risk.

# 10 INFORMATION ON MARKET RISK OF TRADING BOOK

## 10.1.- Overview

For the purposes of calculating the own funds requirements associated with the trading book, the Group considers as such those positions in financial instruments and commodities held with the intention of negotiating or serving as hedge for items of this portfolio. Therefore, the trading book for calculation purposes of the Group's own requirements differs from the trading book defined in accordance with the provisions of the Banco de España Circular 4/2017, of December 27.

- This includes elements that are part of internal hedges made by the Group that are not considered as integral parts of the trading book in terms of accountancy. An "internal hedge", according to the provisions of the Solvency Circular, is considered as that position offsetting a significant risk of a position or set of positions not included in the trading book.

- As noted above, due to the calculation of own funds requirements, there are items included in the trading book that serve to hedge other elements of this portfolio that they are not recorded in the trading book. Those items were acquired without the intention of trading with them; meaning "intention of trading" to hold positions with the purpose of realising them in the short term or getting some profit in the short term from actual or expected differences between the purchase and sale prices or changes in other prices or interest rates.

Below it is presented the amount of own funds requirements associated with the trading book as at December 31, 2022:

Table 51: EU MR1 — Market risk under the standardised approach
(Thousand €)

| | Risk-weighted exposure amount |
|---|---|
| **Outright products** | |
| Interest rate risk (general and specific) | 154.286 |
| Equity risk (general and specific) | 46.210 |
| Foreign exchange risk | 0 |
| Commodity risk | 0 |
| **Options** | 0 |
| Simplified approach | 0 |
| Delta-plus approach | 0 |
| Scenario approach | 0 |
| Securitisation (specific risk) | 0 |
| **Total** | **200.496** |

The amount of risk-weighted exposures related to market risk amounts to 200,496 thousand Euro. Of this amount, 77% is linked to interest rate risk and 23% to equity risk.

## 10.2 Use of internal models

By the date of this report, the Consolidated Group had not calculate minimum own funds requirements based on internal ratings-based approach.

# 11 METHODOLOGY USED IN THE CALCULATION OF OWN FUNDS REQUIREMENTS FOR OPERATIONAL RISK

ABANCA applies the Basic Indicator Approach for determining own funds for operational risk according to the provisions of the EU Regulation 575/2013 (CRR), Part Three, Title III.

Table 52: EU OR1 — Operational risk own funds requirements and risk-weighted exposure amounts (Thousand €)

| Banking activities | Relevant indicator | | | Own funds requirements | Risk exposure amount |
|---|---|---|---|---|---|
| | Year -3 | Year -2 | Last year | | |
| Banking activities subject to basic indicator approach | 974.250 | 953.426 | 1.073.483 | 150.058 | 1.875.724 |
| Banking activities subject to standardised or alternative standardised approaches | 0 | 0 | 0 | 0 | 0 |
| **Transactions subject to standardised approach** | 0 | 0 | 0 | | |
| **Transactions subject to alternative standardised approach** | 0 | 0 | 0 | | |
| Banking activities subject to advanced measurement approaches | 0 | 0 | 0 | 0 | 0 |

# 12 INVESTMENTS AND CAPITAL INSTRUMENTS NOT INCLUDED IN THE TRADING BOOK

## Classification, assessment and accounting criteria

In Note 2 of the consolidated financial statements of the Group for 2022, there is a description of the portfolios in which the investments and capital instruments owned by the Group are classified, together with the accounting recording criteria and valuation applied to each one of them. Said Note also shows the models and assumptions applied to determine the value of the instruments included in each portfolio.

Outside of the trading portfolio, ABANCA maintains equity investments and instruments in non-trading financial assets mandatorily at fair value through profit or loss, in financial assets at fair value through other comprehensive income, in investments and in non-current assets and disposal groups classified as held for sale.

The financial assets represent investments in debt or equity investments of another company that may be sold at any time, while the shares are part of the consolidated group of ABANCA and it is intended to hold them indefinitely.

In addition, as at December 31, 2022, the ABANCA Group maintain investments in companies that have been recorded in the consolidated statements as non-current assets and disposal groups classified as held for sale.

These transactions have been formalised in order to enhance the value of the investee companies through a restructuring plan and, in a short period, sell all or part of the stake.

## Quantitative information

The book value of the investments owned by the Group as at December 31, 2022 in a reserved perimeter, which being financial assets are not included in the trading portfolio, is 1,007,244 thousand €, distributed in non-trading financial assets mandatorily at fair value through profit or loss for an amount of 118,762 thousand €, in investments for a total amount of 625,569 thousand € and in non-current assets and disposal groups classified as held for sale for a total amount of 262,913 thousand €.

There are no significant differences between the book value and the fair value of the shares.

Below it is presented a breakdown of exposures in investments and capital instruments held by the Group as at December 31, 2022, excluding exposures in instruments that are part of the trading book, as it has been defined in the previous section of this report for the purposes of own funds requirements:

Table 53: Capital instruments not included in the trading portfolio
(Thousand €)

| CAPITAL INSTRUMENTS NOT INCLUDED IN THE TRADING PORTFOLIO | 2022 | 2021 |
|---|---|---|
| Capital Instruments listed on organised markets | 44.302 | 25.875 |
| Capital Instruments not listed on organised markets | 962.942 | 968.612 |
| **Total** | **1.007.244** | **994.487** |

If we look at their classification by type and nature, we can classify the equity instruments outside the trading portfolio as follows:

Table 54: Classification of instruments by type and nature
(Thousand €)

| | 2.022 | | |
|---|---|---|---|
| | Standardised method | | Other methods |
| | Non-derivatives | Derivatives | |
| **Financial assets not intended for trading, which are necessarily valued at fair value through profit or loss** | **118.762** | | |
| Quoted | 44.302 | - | - |
| Non-quoted | 74.460 | - | - |
| Other capital instruments | | - | - |
| **Financial assets at fair value with changes in other comprehensive income** | **0** | **-** | **-** |
| Quoted | 0 | | |
| Non-quoted | | | |
| Other capital instruments | | | |
| **Investments in subsidiaries, joint ventures and associates** | **625569** | **-** | **-** |
| Quoted | | - | - |
| Non-quoted | 625.569 | - | - |
| Other capital instruments | | - | - |
| **Non-current assets and disposal groups classified as held for sale** | **262.913** | **-** | **-** |
| Quoted | | - | - |
| Non-quoted | 262.913 | - | - |
| Other capital instruments | | - | - |

The amount of profit recorded by the ABANCA Group in the fiscal year between January 1, 2022 and December 31, 2022 with regard to sales and valuations of financial assets not intended for trading and to the stake investments that are part of the Consolidable Group have amounted to 8,279 thousand €, while the losses recorded in the sale, valuation and liquidation of these financial assets and stake investments have amounted to 25,883 thousand €. The net result amounts to a loss of 17,714 thousand €, which are part of the profit after taxes and therefore are included in CET1.

In addition to what is stated in the previous paragraph, in fiscal year 2022 there have been no unrecorded gains and losses (unrealised gains and/or losses) associated with stake investments in equity instruments that the Entity owns in financial assets at fair value with changes in other comprehensive income.

Table 55: Gains and losses recorded by equities
(Thousand €)

| RECORDED PROFIT AND LOSSES | Registered in Balance | Directly Registered in Equity |
|---|---|---|
| Earnings on Capital Instruments | 8.279 | 0 |
| Losses on Capital Instruments | -25.993 | 0 |
| **Total** | **-17.714** | **0** |

# 13INTEREST RATE RISK IN POSITIONS NOT INCLUDED IN THE TRADING BOOK

## Overview

Interest Rate Risk is defined as the risk that an Entity has of incurring losses in terms of net interest income (short-term perspective) and the economic value of equity (long-term perspective) in the event of adverse movements in interest rates of the market.

This risk is inherent to the banking business given that one of the fundamental characteristics of credit institutions is that a large part of the basic products with which they operate are subject to the rigour of interest rates. However, excessive exposure can result in a threat to the stability of an entity's margin and value.

Interest rate risk, in line with the provisions of the IRRBB Guide of July 19, 2018, originates from three main sources:

- **Repricing and curve risk (Gap Risk)**: associated with the different rhythm with which assets and liabilities renew their interest rate, including level changes in the term structure of rates (level movements) or changes differentiated by nodes (slope movements).
- **Basis Risk**: which arises as a consequence of changes in the correlation of the different curves to which the different elements of the balance sheet are referenced.
- **Option risk:** The options included within the products represent a source of risk. These can mainly affect the return or maturity of the instrument or affect the performance / cost of the transaction.

The Entity's interest rate risk control and management system is based on the continuous observance and monitoring of the regulations issued by the Banco de España / ECB / EC and the best sector practices collected by the Basel Committee on Banking Supervision and by the European Banking Authority (EBA). The Entity has:

- A solid **organisational structure** in relation to the control and management of interest rate risk and therefore with a relevant size, complexity, business model and target risk profile.
- A **functional structure** in which the responsibilities and powers of each of the components of the organisational structure are properly defined with the purpose of coherently meeting the criteria of the overall functional structure, prudent separation of functions and operational efficiency.
- Proven useful **methodological procedures** for the identification, measurement and analysis of the exposure to the interest risk and its potential impact on results and solvency.
- Clear and documented **protocols** for all major operating, technical and control processes involving interest rate risk.

- **A Risk appetite framework**. The Entity defines risk appetite as the amount and type of risks (including interest rate risk) that it considers reasonable (capacity) to assume in the execution of the business strategy, so that it can maintain its regular activity in the face of the occurrence of unexpected events.

The Group manages the interest rate risk in a comprehensive manner for all institutions of the Group with significant positions exposed to this risk. Measurement and analysis by the Group of this risk is carried out considering the following aspects and in accordance with the following premises:

- ABANCA has **documented procedures**, reflected in a Policy Manual for the Management and Control of Interest Rate Risk, which is periodically reviewed to adjust it to the tools available to the Entity at all times, to the evolution of financial instruments and to the current legislation. The Manual is complemented by a Risk Contingency Plan of Structural Interest Rate of Balance that constitute an Action Plan developed in order to meet two objectives: on the one hand, optimising time, cost and shape of Entity's response to situations categorised as high exposure or criticism of interest rate risk and secondly, ensuring minimum disruption and subsequent business continuity during these episodes.

- ABANCA uses a **specialised ALM tool** as a tool for the Management and Control of Interest Rate Risk. This tool is able to incorporate the full balance of the Organisation, position by position, and simulate flows of the different contracts of the balance, depending on the types of instruments covered, and create different interest rate scenarios to simulate the interest rate margin and the economic value of own funds of the Entity from both balance perspectives, static and dynamic.

  The tool feeds on various types of information: Balance Sheet positions (which include the commercial margin); information on market interest rates and their disturbance scenarios; new business generation hypothesis according to the Entity's Strategic Plan (volumes, characteristics, price, etc.); behaviour hypothesis, based on the historical behaviour of some balance sheet items (demand accounts, loan prepayments, etc.).

  In the analysis are included all those positions that are sensitive to interest rate risk, including derivatives on interest rates, both implicit and explicit and excluding the positions that are part of the trading book.

- For the purposes of analysing the **maturity of transactions**, although the contractual maturity is generally considered, there are transactions where other hypothesis regarding maturity are considered either because these exposures do not have true maturity deadlines or because they have a stability behaviour or prepayments prior to maturity that differs significantly from the contractual conditions. Thus, in the analysis of the maturity date of loans, adjustments are included for the estimates of early amortisation of transactions before their maturity, which are based on analysis of historical series, aligned with what is applied in the Entity's Strategic Plan. On the other hand, in the analysis of the maturity date of demand customer deposits, given the historical stability shown by these transactions, maturity terms are considered based on the analysis of the Group's historical experience in different scenarios, having taking into account market standards (Basel Document 2016, EBA Guidelines on interest rate risk management) and the maximum parameters set by them for each type of customer. Based on this, a distribution of maturities over 10 years is applied to said balances with average durations ranging, depending on their type of product, functionality and type of counterparty, from 1 day to 4.1 years.

At the end of the 2022, the maturities established for demand deposits according to the type of counterparty based on the aforementioned modelling were as follows:

Table 56: IRRBB_Ad_Maturities established for demand deposits according to the type of counterparty
(years)

| | | Average repricing maturity (years) | Longest repricing maturity (years) |
|---|---|---|---|
| **Core deposits** | *Retail Transactional* | 4,1 | 10,0 |
| | *Wholesale non-financial* | 3,9 | |
| **Total Stock** | *Retail Transactional* | 3,2 | |
| | *Wholesale non-financial* | 2,0 | |

- Risk measurement and analysis is carried out on a permanent basis. On a monthly basis, interest rate risk information is reported to the Comprehensive Risk Committee, the Comprehensive Risk Commission, and the Assets and Liabilities Committee, for the performance of their respective functions.

- **The effects on the net interest income, on the earning and on the economic value of own funds**, are analysed the different scenarios of disturbance of the market rates, both parallel and movements of slope and base risk as well as disturbance in the hypotheses or optionality, plausible and stress. This impact is analysed both from a regulation perspective, maintaining the balance and structure and from a management perspective incorporating the budgetary balance prospects.

- For the **measurement and control of interest rate risk**, the Entity uses various analysis methodologies: repricing gap; analysis of the duration of balance sheet items and own funds; calculation of the economic value and its sensitivity to different shocks; simulation of net interest income and its sensitivity to different shocks; sensitivity of the economic value and of the interest margin to changes in references of specific rates; monitoring the effects of the impacts of interest rate variations on metrics other than interest income and expenses, income statement and/or equity; monitoring of positions affected by CSRBB.

- The Entity have a series of **limits** established of which main objective is to ensure that the risk of interest rate is controlled according to the risk appetite of the Entity, and does not exceed the parameters set by the heads of the Entity, ensuring a path of stability and growth in net income and equity value. On the other hand, these limits play a regulatory role: to meet the requirements of the Banking Supervisor.

  In determining the structure of limits of Interest Rate Risk, the Entity takes into account:

  - Its risk profile.

  - Resistance level of the Entity/ tolerance to risk.

- Minimum levels of solvency of the Entity.

The limits established by the Entity are based on three concepts: Own funds, net interest income and economic value of the own funds. The Entity uses these terms because they are easy to compare homogeneous definitions with other institutions in the banking sector and regulatory requirement.

The evaluation of the exposure to interest rate risk under the different scenarios and metrics evaluated is taken into account in determining the capital allocation for structural interest rate risk. The established limit structure supposes the establishment of a risk appetite framework for each subtype of interest rate risk (optionality, base, repricing and curve) in addition to what is established for a global level.

- The Entity refers to the Guide "Guidelines on the management of interest rate risk arising from non-trading activities" (EBA / GL / 2018/02), July 2018. The interest rate risk control and management model is adapted to the recommendations of this Guide. In 2023, new EBA IRRBB Guides will come into force, which will likewise be taken into account and implemented in the IRRBB control and management model.

Regarding the structural interest rate risk of the balance sheet and in accordance with best practices, the Board of Directors is responsible for managing this risk, a task that is delegated to the Commission for Comprehensive Risk with regard to the monitoring of compliance control mechanisms and review of the policy, strategies and high level limits of interest rate risk, as well as coordination with other risks of the Entity and the Assets and Liabilities Committee with regard to the implementation of the strategies defined.

The ABANCA Group's annual accounts report for the year 2022 includes information about its level of exposure to interest rate risk, in capital equity and in the profit and loss statement, regarding changes in current interest rates, considering the effects of hedging activities, analysing the result of an increase and decrease in 200 basis points of Euribor, with a market interest rate floor in line with EBA recommendations, as well as certain information on sensitivity to interest rates, and the criteria that served as the basis for making such information, with all relevant hypotheses that have been considered.

The 2022 interest rate risk data reflects:

- The balance sheet interest rate risk assumed by ABANCA has been below all the RAF limits that apply to it throughout 2022, as well as the internal management limits and is expected to remain at similar levels throughout 2023, as evidenced by the RAF objectives of said risk.

- Reduced sensitivity of the main balance sheet groups, deposits and credit investment jointly. Balance with a high rate of customer deposits who fully finance the credit investment and present no very distant durations.

- Active management of wholesale position. Wholesale funding that finances monetary and portfolio assets have traditionally represented the balance sheet items with greater sensitivity to interest rate risk, although management policies applied by the Entity all this time have maintained a reduced sensitivity: TLTRO, fixed income portfolio coverage, issue and financing coverage, as well as loans, etc.

- In short, moderate levels of negative variation in economic value and net interest income due to movements in the interest rate curve, even in stress situations (level, slope, base or optionality).

Changes in the economic value of equity and net interest income calculated in accordance with the six disturbance scenarios defined by the EBA for supervisory purposes are summarised in the following table:

Table 57: IRRBB1_Interest rate risk of non-trading book activities (%)

| Supervisory disturbance scenarios | Change in the economic value | | Change in net interest income (1) | |
|---|---|---|---|---|
| | dic-22 | dic-21 | dic-22 | dic-21 |
| Parallel upward trend | 4,30% | 11,90% | 7,50% | 10,30% |
| Parallel downward trend | -4,30% | -2,60% | -6,40% | -9,70% |
| Positivisation | 2,10% | 4,20% | | |
| flattening | -1,30% | -0,90% | | |
| Short-term interest rate hike | -0,03% | 1,90% | | |
| Short-term interest rate drop | 0,01% | -0,70% | | |

(I) Low balance maintenance scenario and balance sheet structure

# 14ASSET ENCUMBRANCE

## 14.1.- Overview

In accordance with current regulations, article 443 of EU Regulation 575/2013 of the European Parliament and of the Council of June 26 on the prudential requirements of Credit Institutions, refers to the Guidelines published by the EBA on March 3, 2017 under the EBA / RTS / 2017/03 code, and which refer to the disclosure requirements on assets with and without encumbrances.

Assets with encumbrance are within ABANCA Corporción Bancaria, S.A., and refer, if classified by source of charges, mainly to deposits with collateral and deposits with repurchase agreement and if we classify them by type of encumbrance, they are distributed mainly between deposits with collateral and financing from central banks. There have been no significant variations compared to previous years.

In accordance with the regulations, the various information contained in the document is presented.

## 14.2 Amount of assets with and without encumbrances by type of asset

Assets with and without encumbrance are classified among the following categories in the attached table (which do not include those relating to credit investment) by type of asset category (average value of the 4 quarters of 2022 in thousand Euro):

Table 58: EU AE1 - Encumbered and unencumbered assets
(Thousand €)

| | Carrying amount of encumbered assets | | Fair value of encumbered assets | | Carrying amount of unencumbered assets | | Fair value of unencumbered assets | |
|---|---|---|---|---|---|---|---|---|
| | | Of which: notionally eligible EHQLA and HQLA | | Of which: notionally eligible EHQLA and HQLA | | Of which: EHQLA and HQLA | | Of which: EHQLA and HQLA |
| **Assets of the disclosing institution** | 22.568.357 | 6.816.068 | | | 53.948.889 | 14.253.551 | | |
| Equity securities | 0 | 0 | 0 | 0 | 146.320 | 8.128 | 100.822 | 8.128 |
| Debt securities | 6.843.197 | 6.816.068 | 6.482.372 | 6.464.167 | 5.003.518 | 4.177.253 | 4.664.217 | 3.984.298 |
| Of which: covered bonds | 0 | 0 | 0 | 0 | 0 | 0 | 18.997 | 18.997 |
| Of which: securitisations | 0 | 0 | 0 | 0 | 35.075 | 0 | 36.313 | 0 |
| Of which: issued by general governments | 6.802.309 | 6.802.309 | 6.443.472 | 6.443.472 | 3.901.312 | 3.867.161 | 3.727.478 | 3.701.936 |
| Of which: issued by financial companies | 6.652 | 0 | 6.026 | 0 | 604.554 | 39.166 | 513.184 | 38.334 |
| Of which: issued by non-financial companies | 17.300 | 13.759 | 16.344 | 20.695 | 469.577 | 265.706 | 427.123 | 249.534 |
| Other assets | 15.812.039 | 0 | | | 48.532.594 | 9.745.207 | | |

Table 59: EU AE2 — Collateral received and own debt securities issued

(Thousand €)

| | Fair value of encumbered collateral received or own debt securities issued | | Unencumbered: Fair value of collateral received or own debt securities issued available for encumbrance | |
|---|---|---|---|---|
| | | Of which: notionally eligible EHQLA and HQLA | | Of which: EHQLA and HQLA |
| | 010 | 030 | 040 | 060 |
| **Collateral received by the reporting institution** | 0 | 0 | 458.096 | 0 |
| Demand loans | 0 | 0 | 0 | 0 |
| Equity securities | 0 | 0 | 0 | 0 |
| Debt securities | 0 | 0 | 458.096 | 0 |
| Of which: covered bonds | 0 | 0 | 0 | 0 |
| Of which: securitisations | 0 | 0 | 0 | 0 |
| Of which: issued by general governments | 0 | 0 | 0 | 0 |
| Of which: issued by financial companies | 0 | 0 | 458.096 | 0 |
| Of which: issued by non-financial companies | 0 | 0 | 0 | 0 |
| Loans and advances other than demand loans | 0 | 0 | 0 | 0 |
| Other collaterals received | 0 | 0 | 0 | 0 |
| **Own debt securities issued other than own covered bonds or securitisations** | 0 | 0 | 0 | 0 |
| **Own covered bonds and asset-backed securities issued and not yet pledged** | | | 0 | 0 |
| **TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED** | 23.631.415 | 0 | | |

It is important to mention that with respect to table EU AE1, the carrying amount of unencumbered assets, the 5,003,518 thousand € corresponding to debt securities would be subject to encumbrance. However, the 48,532,594 thousand € that appear in the item Other assets can not be subject to encumbrance as they are intangibles and similar assets.

## 14.3 Liabilities assigned to assets and collateral received with encumbrances

The financial liabilities related to encumbered assets and guarantees received are as follows (average value of the 4 quarters of 2022 in thousands Euro):

Table 60: EU AE3_Financial liabilities related to encumbered assets
(Thousand €)

| | Matching liabilities, contingent liabilities or securities lent | Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered |
|---|---|---|
| | 010 | 030 |
| **Carrying amount of selected financial liabilities** | **20.795.542** | **23.631.415** |

## 14.4 Additional information on encumbered assets

Pursuant to the provisions of Template D of Annex II of Delegated Regulation (EU) 2017/2295, it is worth mentioning the following information on assets with and without encumbrances.

There are no differences between the scope of regulatory consolidation used for disclosure purposes on encumbered assets and the liquidity requirements used to define HQLA eligibility.

Following the indications of point 1 of Annex II, all the information in the tables presented above has been calculated as the median of the last four quarters presented. The exposure values reported are market values for those positions of the fixed income or stock portfolio, and book values when required in line with the financial statements (FINREP).

The Entity's main sources generating encumbrances are detailed below:

- TLTRO−III position (Target Long Term Rate Operation). This position produces encumbrances on the assets pledged in the BCE policy, mainly discountable loans, retained securitisations and repurchased bonds, as well as discountable fixed income portfolio positions.

- Positions in repos that produce encumbrances mainly on public debt or debt guaranteed by the State.

- Issues of bonds and securitisations that produce encumbrances on the loans that collateralise said issues, with the relevant overcollateralisations. Part of these issues are repurchased and are in turn used as collateral in financing transactions with the ECB, as mentioned above.

The Entity does not present significant intra-group encumbrances at the close of December 2022.

The encumbrances are mainly in Euro, and there are no encumbrances in other different relevant currencies.

In terms of liquidity management, ABANCA's business model is based mainly on customer deposits and, to a lesser extent, on issuances made on the market. Currently, ABANCA has pledged debt securities to obtain liquidity through the European Central Bank, although the business model is not dependent on this and has a sound financing structure to meet liquidity needs.

# 15INFORMATION ON REMUNERATION

In this section they are listed the quantitative and qualitative aspects of the remuneration policy of the ABANCA Group (hereinafter ABANCA, the Entity, the Company or the Entity) for those categories of personnel whose professional activities have a significant impact on the Entity's risk profile, i.e. the so-called Identified Staff (IS).

We detail below information about remuneration policy and practices conducted in 2022.

## a) Information on the decision-making process followed to establish the remuneration policy

### a.1.) Decision-making process

It is the Board of Directors, following a report and proposal of the Remuneration Commission, the responsible for approving the remuneration policy of the identified staff.

### a.2.1.) Remunerations Commission

**COMPOSITION**

According to sections 1, 2 and 3 of article 4 of the Remuneration Commission Regulations of ABANCA Corporación Bancaria, the Remunerations Commission shall be made up of a minimum of three (3) directors, all of them non-executive. At least a third (or, if greater, two of its members) and, in any case, the chairperson shall be independent.

The members of the Remunerations Commission shall be appointed by the board of directors, based on their knowledge, skills, experience and the duties of the commission.

The Commission will have a secretary and, optionally, a vice-secretary. The deputy secretary shall take over for the secretary's duties in case of absence, inability, or vacancy.

As at December 31, 2022, the Remuneration Commission was formed by the following three (3) directors, two of them independent and Mr López Jácome as other external directors:

- Mrs Carina Szpilka Lázaro (Chairwoman)
- Mr José García Montalvo (Member)
- Mr Pedro Raúl López Jácome (Member)
- Mr José Eduardo Álvarez-Naveiro Sánchez (Non-member Secretary).

The duration of the mandate according to the Board Regulations is 4 years and may be renewed.

The three members of the Commission have been renewed in their position as director by the General Shareholders' Meeting of June 29, 2020 for a new period of 4 years.

During 2022, the Remuneration Commission held nine (6) meetings.

## COMPETENCES AND POWERS

The powers of the Remuneration Commission are regulated in article 5 of the Remunerations Commission Regulations of ABANCA Corporación Bancaria, which, without prejudice to other tasks assigned by the Board, will have, at least, the following functions:

- To propose to the board of directors the remuneration policy for the directors (which shall be submitted to the vote by the general meeting of shareholders, according to Article 24, section 8 of the regulations of the board of directors) and that of the senior managers of the Company as well as the individual remuneration and other contract conditions of the executive directors, ensuring their enforcement;

- To verify the consistency of the Remuneration Policy applicable to the Board, senior management and the rest of the employees with respect to the Entity's general strategies, including those related to sustainability, long-term profitability and risk assumption.

- To supervise directly the remuneration of the managers in charge of risk management with compliance functions;

- To revise periodically the remuneration programmes for its updating and ensure that the remuneration of the directors and the senior management shall conform to moderation and correspondence criteria in connection to the results of the Company and also it shall ensure that the remuneration policies of these directors and other members of the identified staff (as this term is defined under the applicable regulations) do not offer incentives for risk-taking that exceed the level tolerated by the Company, so that they are consistent with and promote sound and effective risk management.

In addition, the remuneration policy of the identified staff shall be subject, at least once a year, to a central and independent internal assessment, in order to verify if the guidelines and procedures for remuneration adopted by the board of directors are being fulfilled; In particular, it will ensure that it is aligned with the situation and the short, medium and long-term strategy of the Entity and with market conditions, also assessing that it contributes to the creation of long-term value and adequate control and management of the risks.

- To ensure that the board is in a position to approve at the beginning of the fiscal year, and in any case prior to its application, the objectives, criteria and metrics of the different remuneration items that have been established for the current fiscal year, in accordance with the Directors 'Remuneration Policy approved by the General Shareholders' Meeting. Likewise, it shall ensure that the Entity is in a position to assess the achievement of the objectives, criteria and metrics established in the previous fiscal year that determine the remuneration accrued by the executive directors;

- To revise the information on the remuneration of the Board that the Company has to disclose.

- To verify the independence of external advisers who may be hired due to their expertise in remuneration matters.

- To ensure transparency of the remuneration policies in the terms envisaged by the applicable regulations and compliance with the remuneration policy established by the Company.

- To assess compliance with the objectives related to remuneration, as well as the need, where appropriate, to apply risk adjustments to such remunerations.
- Any other function provided in these regulations of the Board of Directors or in the applicable law.

In 2023, the Internal Audit function has outsourced the review of the remuneration policy for the identified staff, referring to the year 2022, so that the work has been carried out by Deloitte Asesores Tributarios S.L.U., in order to verify:

- They work as intended, in particular that:
  i) They comply with the approved internal policies, procedures and regulations.
  ii) It includes adequate remuneration payments consistent with the Entity's business strategies.
  iii) They adequately reflect the bank's risk profile, long-term objectives and other objectives.
- They comply with national and international regulations, principles and standards.
- They are applied consistently across the group and do not limit the bank's ability to maintain or re-establish a sound capital base.

The contracting was carried out by Internal Audit in accordance with its internal procedures for outsourcing work and the policy of the contracting entity.

In order to better fulfil its duties, the Remunerations Commission may seek advice from external professionals on issues that fall within its competence. In this regard, the Commission shall require external advisers to specify in detail in their proposals for the provision of services all conflicts that directors may have with the Company, where appropriate, or with possible candidates for the positions of chairperson, chief executive officer or director. The Commission shall report on these conflicts in the proposal or report that, where appropriate, on the matter in which the external advisor has participated, submits to the Board, as well as in the annual operating report of the Commission.

### a.2.2.) Main activities carried out by the Remuneration Commission and meetings held during the 2022

The operation and coordination of the Remuneration Commission is regulated in articles 8 and following of the Remuneration Commission Regulations of ABANCA Corporación Bancaria, which establishes that the Commission will meet, ordinarily, every two months and, in addition, how many times is convened by its chairperson, either on their own initiative or at the request of at least one third of its members. It shall also meet whenever the board of directors or its chairperson requests a report or the adoption of proposals.

The Commission shall be validly constituted when the majority of its members attend, present or represented, and will adopt its resolutions by a majority of votes of the attending members, present or represented, with the chairperson having a casting vote (pursuant to Art.11.1 of the Remunerations Commission Regulations).

The members of the Commission may stand proxy by another member of the Commission. The resolutions of the Commission shall be recorded in a minute book, which shall be signed in all meetings by the chairperson and the secretary.

The Chairman of the Commission shall inform the Board of Directors of the matters discussed and the decisions adopted, reporting, at the first subsequent meeting of the Board of Directors, of its activity and the work carried out. Likewise, copies of the minutes of the meetings of the Commission shall be made available to all members of the Board of Directors.

The relevant documents for each meeting (proposed meeting agenda, presentations, minutes of previous meetings, etc.) shall be provided advance enough to the members of the Commission and at least 3 days prior to the meeting, unless such deadline cannot be met due to urgency reasons, in which case the information shall be delivered to the directors as promptly as possible.

It is the responsibility of the secretary, or the deputy secretary, as the case may be, to convene by order of the chairperson of the Remuneration Commission with at least 5 calendar days prior to the scheduled date of the meeting, unless the urgency of the issues to be discussed requires, in the opinion of the chairperson, to an urgent call, which may be made by telephone, e-mail or any other telematic means at least twenty-four hours in advance.

The meetings of the Commission may be hold simultaneously in several rooms, provided that real-time interactivity and inter-communication between them is ensured by audiovisual or telephone means. If that is the case, in the notification of the meeting shall be stated the connection system, and where appropriate, the places where the necessary technical equipment is available in order to attend and participate in the meeting. The resolutions shall be deemed adopted at the place where the majority of Commission members are located and, in the event of an equal division of members, at the registered office.

If no director is opposed thereto, the Commission may be held in writing and without a meeting. In this latter case, the directors may send their votes and opinions they wish to be included in the minutes by email.

Upon invitation from the chairperson of the Commission, executives or other directors, executive or not, may attend to the meeting with no voting rights and exclusively to the items on the agenda to which they were called for.

For the proper fulfilment of its functions, the Remuneration Commission shall maintain regular or occasional contacts with the chairperson of the Board of Directors, the CEO and with the members of the Entity's senior management that it deems necessary.

During 2022, the Remuneration Commission held nine (6) meetings on the following dates:

- 31 January 2022
- 25/02/2022
- 25/03/2022
- 23/05/2022

- 02/11/2022
- 16/12/2022

The main missions of the Remuneration Commission in the meetings above were, among others, the following:

- It received information on the new guidelines published by the EBA on remuneration and standards of fitness, as well as their impact on corporate policies and the expected review schedule.
- It was informed about the 2022-2024 Communication, Awareness and Training Plan on Equality & Diversity of ABANCA.
- It received information regarding the agreements for standardisation of labour conditions of Bankoa and Novobanco, the state of implementation and the analysis of the labour reform.
- It received information on setting treasury stock targets for 2022.
- It submitted a favourable proposal to the Board to request authorization from the ECB to repurchase treasury shares.
- It agreed to submit to the Board of Directors the Activity Report of the Remuneration Commission for 2021.
- It submitted a favourable proposal to the Council for updating the internal policy that defines the criteria for determining the Identified Staff.
- It showed its agreement for the update of the ABANCA Remuneration Policy.
- Together with the Appointments and Sustainability Commission, it reported favourably on the update of the Internal Policy that defines the criteria for determining the Identified Staff.
- It agreed to submit a favourable proposal to the Board to approve the implementation of the CEO's remuneration conditions.
- It agreed to submit a favourable proposal to the Board for the payment of the variable remuneration corresponding to the CEO with the considerations and implications for its payment, provided for in the general regulations and in the ABANCA Group Remuneration Policy for members of the Identified Staff.
- It submitted to the Board a favourable proposal for the approval of the payment of the VRS 2021 corresponding to the workforce, including the members of the Identified Staff.
- It submitted a favourable proposal to the Board regarding salary and extra bonus revisions for 2022.
- It submitted a favourable proposal to the Board for the approval of the 2022 Variable Remuneration Policy for the CEO.

- It submitted a favourable proposal to the Board for the approval of the design of the VRS 2022.

- It reported favourably to the Board of Directors on the 2022 revision of the fitness and repute standards of the members of the "Key Executive Staff" group, excluding the members of the Board of Directors of ABANCA and the independent directors who are members of the Boards of Directors of their investee companies.

- It agreed to report favourably to the Board on the information on remuneration to be included in Note 4 of the Annual Individual and Consolidated Accounts for the year ended 31 December 2021.

- It acknowledged the information received regarding the monitoring of transactions on own capital instruments, delivered to the workers or administrators of the entity and received the report of authorised treasury stock transactions.

- It agreed to submit to the Board, for its approval at the General Meeting of Shareholders an update of the Remuneration Policy of the Board of Directors.

- It agreed to submit to the Board the proposal for exceeding 100% of the variable remuneration over the fixed one, from the General Manager of Human Resources, for its approval by the General Shareholders' Meeting.

- It submitted to the Board of Directors a favourable proposal for the approval of the issuance of Pillar III Information of ABANCA Corporación Bancaria, S.A., with data as at 31 December de 2022.

- It received information on the situation of Equality in ABANCA the framework of the 2021-2025 plan and on the progress made since the last report to this Commission.

- It submitted a favourable report on the Evaluation Report of the 2021 Remuneration Policy - Identified Staff carried out by Ernst & Young Abogados, S.L.P, under the supervision of Internal Audit.

- It was informed of the report on authorised treasury stock transactions between April 1 and September 30, 2022.

- It was informed about the status of collective bargaining for the revision of salaries in the face of inflation, which in this regard includes the Collective Bargaining Agreement of financial entities 2019-2023, in force, and the effect of its application in ABANCA

- It was informed on the revision of the regulations of the Remuneration Commission.

- It was informed about the situation of the status of collective bargaining for the revision of salaries in the face of inflation, compared to the provisions of the Collective Bargaining Agreement of financial entities 2019-2023, in force.

- It agreed to submit a favourable proposal to the Council for the approval of the Protocol for the activation of a Retention Plan for key personnel in case of resolution.

## a.3.) Remuneration paid to the members of the Board of Directors

The total remuneration received by the eleven members who remained on the Board of Directors of ABANCA Corporación Bancaria, S.A. as at December 31, 2022 amounted to 5.311 thousand €. This amount includes attendance at the meetings of the different management bodies of the Entity, and the remuneration, both fixed and variable paid, and retirement premiums in social security instruments, corresponding to the performance of the executive functions of the Chief Executive Officer of ABANCA.

## a.4.) External consultant

The Remuneration Commission and the Board of Directors, in relation to decision-making on remuneration policy, had the advice of external services and the internal services of the Entity during 2022.

The Internal Audit department is responsible to undertake an assessment of the adequacy of the remuneration policy of the Entity to the requirements on remuneration for financial institutions. Within its powers, Internal Audit may have an independent expert to carry out said assessment.

## a.5.) Participation of other stakeholders in the definition of the remuneration policy

The Comprehensive Risk Commission will collaborate with the establishment of rational remuneration practices and policies. To that effect, the Comprehensive Risk Commission shall examine, without prejudice of the functions of the Remunerations Commission, whether the incentives foreseen in the remuneration system take into consideration risks, capital, liquidity and the probability and opportunity of profits.

Since there is a Remuneration Commission and a Comprehensive Risk Committee in ABANCA, in compliance with prudential regulations, the Entity shall ensure that at least one member of each of these committees attends at all meetings of the other commission.

The Appointments and Sustainability Commission and the Audit and Compliance Commission shall collaborate with the Remuneration Commission in activities that may have an impact on the definition and correct operation of the remuneration policies and practices, and shall actively participate in the revision of the remuneration policies and in determining the identified staff to ensure that they are consistent with the Entity's risk management framework and strategy.

In general, the relevant executive functions will actively participate in the review of the Entity's remuneration policies in order to ensure that they are consistent with the Entity's risk management framework and strategy. In addition, they will provide effective information in their field for the budgeting of incentive systems, metrics and criteria for assessing their degree of compliance.

# b) Information on the combination of remuneration of the Identified Staff and results:

## b.1) Description of the different types of employees and executives included in the Identified Staff

To ensure the correct alignment of the remuneration policy and its application with the sustainability and long-term interests of the Entity, the Board of Directors of ABANCA Corporación Bancaria, S.A. approved an internal policy by which they are established the quantitative and qualitative criteria to determine the categories of personnel whose professional activities significantly affect their risk profile in accordance with current regulations. In general, they are included in the identified staff the senior management, risk takers, individuals responsible for the control function, of the Entity and the companies that form part of its consolidation perimeter and constitute a branch of financial activity, and all those whose total remuneration takes them into the same remuneration segment as the senior managers and risk takers and they may lead to a material impact on the Entity's risk profile.

To this end, they are considered senior management those members of the Board of Directors, General Managers and similar those employees who directly report to the Board of Directors or the Chief Executive Officer, including as such employees who, not being General Managers, are part of the Steering Committee, and every employee who has a senior management contract.

Said policy to determine the identified staff was revised and approved by the Board of Directors in 2022, adapting it to the regulations in force, that is, CRD V, which is transposed through Royal Decree-Law 7/2021, of 27 December April, Royal Decree 970/2021 of November 8, and Delegated Regulation (EU) No. 2021/923 of the Commission, of March 25, 2021.

The Identified Staff is assessed at least annually, and as at December 31, 2022, it was made up of the following 67 people:

- Members of the Board of Directors of ABANCA, S.A.,12 people including the Chief Executive Officer,

- General Managers and similar, 13 people responsible of the main areas. It is also reported that for the purposes of this report the data corresponding to the General Manager of ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A. sole proprietorship are excluded, as it does not form part of the same level of consolidation perimeter in 2022.

- Managers in the functions of risk assumption and control, and equivalent salary scale (42 people), as well as members of the Board of Directors of companies within the consolidatable group and that are part of this identified staff.

## b.2) Key features of the remuneration system. Information on the combination of remuneration of the Identified Staff and results:

The Remuneration Policy is approved annually by the Board of Directors, after a favourable report from the Remuneration Commission and the Comprehensive Risk Commission.

Additionally, the Audit and Compliance commissions participate, as well as the Appointments and Sustainability commissions. The policy is compatible with the business strategy, objectives, values and long-term interests of the Entity.

Additionally, this is considered Group policy with respect to the companies that make up the consolidation group of ABANCA. Given that the Group companies are subject to prudential regulation in the same terms as ABANCA, or to a more specific regulation for their activity, they will have their own Remuneration Policy adjusted to the principles and rules established in this policy and approved by their corresponding governing bodies.

These rules apply to all the people who are part of the ABANCA group's workforce, except for the members of its Board of Directors, whose remuneration policy, which includes the same principles and risk adjustment measures, is approved, in compliance with Spanish regulations. , through the General Shareholders' Meeting and published in a separate document.

This policy defines the fundamental characteristics of the variable remuneration system. The fundamental premise is to maintain a sound capital base adjusted to effective risk management.

Every year the Human Resources Department, together with the area of Strategic Planning, Information and Management Control, Corporate Control and Risks, Corporate Governance and Legal Affairs, and other business areas involved, will define the variable remuneration scheme that applies in that year, which shall be approved by the Board of Directors, with the prior approval of the corresponding commissions and which will be communicated to all beneficiary employees.

The remuneration system of the Entity was determined based on the following agreements and standards:

- Collective bargaining agreement,
- Merger labour agreement,
- Document of ABANCA Remuneration Policy (hereinafter the Policy),
- European directives on remuneration policy for credit institutions and, in particular, the standards of Spanish law on the matter.

The guiding principles of the remuneration policy are summarised below:

- Risk management: The remuneration shall be consistent with sound and effective risk management, which should be actively promoted.
- Proportionality: Remuneration policies shall be established in accordance with the principle of proportionality, depending on the size, complexity and type of business of ABANCA.
- Balance: Of variable to fixed remuneration schemes should constitute a balanced and efficient proportion in which the fixed components must represent a sufficiently high proportion of total remuneration.
- Sound capital base: The Entity shall limit the variable remuneration of the total net revenues when it is inconsistent with the maintenance of a sound capital base.

- Sustainable strategy: The targets for achieving the annual variable shall be aligned with the long term strategy of the Entity and shall include specific risk indicators, both quantitative and qualitative.

- Appropriate behaviours: The remuneration systems and incentives will not generate conflicts of interest that result in detriment to the Entity's customers, and will promote responsible business conduct and fair treatment to customers.

- Impartiality and objectivity: The remuneration policy is impartial with respect to gender and any other personal circumstance of each employee, and both its application and decisions on individual remuneration shall be governed by objective criteria, taking into account the internal and market remuneration references that are drawn up, and taking into account the responsibility of the position, the professional experience provided, the commitment to achieve the objectives set and performance.

- Transparency: ABANCA shall comply with the commitment of transparency and disclosure of information to the market. Under the principles of proportionality and confidentiality, proper qualitative and quantitative information regarding the remuneration policy in the relevant disclosure report shall be included: Under the principles of proportionality and confidentiality, the appropriate qualitative and quantitative information regarding the remuneration policy shall be included in the Pillar 3 Disclosures report and on the Entity's website, as stated by the regulations:

    - The information shall be updated annually.

    - The qualitative information is primarily referred to the general policies of the Entity, variable remuneration and its connection with results and risk.

    - Quantitative information shall be provided in an aggregated way and shall refer to the characteristics of the payment schemes of variable remuneration.

- Identified Staff: The Board of Directors also approved a specific policy for the determination of the identified group that includes the identification criteria of the so-called Identified Staff, i.e., those who are part of the senior management, in positions that have a material impact on the risk profile of the Entity, or those responsible for the control of the Entity. The list of people who are part of the identified staff shall be kept constantly updated, and they shall be subject to the regulatory principles in the matter of remuneration, mainly that is variable that apply to this group.

In accordance with the aforementioned principles, ABANCA's remuneration schemes made up of the following items:

**Fixed items:**

- Annual fixed remuneration in cash: The annual fixed remuneration in cash is made up of the remuneration of the agreement, job supplements and personal supplements.

- Social benefits (including social security that may not constitute discretionary pension benefits).

**Variable items:**

- Variable remuneration related to performance.
- Golden hello
- Golden handcuffs
- Short-term incentives.
- Long-term incentives.
- Severance pay due to early termination of contract.
- Discretionary pension benefits.

The following briefly explains the fundamental characteristics of the remuneration of the members of the Board of Directors as well as the executive staff and the rest of the staff.

### Variable remuneration related to performance

Every year the General Management of Human Resources together with the area of Finance, Audit, Corporate Control and Risk Management, Corporate Governance and Legal Affairs and the areas of business involved shall define the variable remuneration scheme applicable that year, which shall be approved by the Board of Directors following a favourable report of the following Commissions: Remuneration, Comprehensive Risk, Audit and Compliance and that it will be communicated to all beneficiary employees. Likewise, every year the reference bonuses for each position shall be approved, except in those cases that have recognised, either contractually or by appointment, a reference bonus higher than that established for their position, in which case the latter shall be applied. In exceptional cases, duly justified, a specific extra bonus may be assigned to certain people / groups, which in the case of affecting members of the Identified Group shall be approved by the Board with prior approval from the Remuneration Committee, and in the rest of the cases, it shall be approved by the Chief Executive Officer following the proposal of the General Management Department of Human Resources.

### Golden hello

Contract bonuses may be implemented according to local market practices, but if used, they shall be included in the contract. All hiring bonuses require assessment by the General Management Department of Human Resources and the CEO's approval. If it is a member of the Identified Staff, their joining terms shall be approved as a whole by the Board following the proposal of the Remuneration Commission.

In any case, in order to use a golden hello bonus, it shall be verified that the following conditions are fulfilled:

- In case of new hirings and exclusively during the first year of employment.
- The bank maintains a sound capital base.

- The employee shall not promote or encourage any practice that may have a negative impact on the risk profile of the Entity.

### Golden handcuffs

In certain circumstances, the Entity may exceptionally decide to assign a permanence or retention premium, which shall be duly justified and contractually documented. These premiums shall require, in any case, the revision by the General Management Department of Human Resources and the CEO's approval. In the event that it affects any member of the Identified Staff, it shall be approved by the Board following the proposal of the Remuneration Commission.

In any case, in order to use a golden handcuffs bonus, it shall be verified that the Entity maintains a sound capital base.

The golden handcuffs bonus shall will be considered as variable remuneration for all purposes.

### Short-term incentives.

The Entity may design and implement incentive plans for specific campaigns for products or services such as, for example, the sale of insurance and pension plans or the sale of real estate, in accordance with the criteria established by the Entity and pursuant to current regulations. These incentives may be paid in cash or in kind, being subject to the same requirements and limitations as the rest of variable remuneration.

Any incentive plan or modification of existing ones shall be approved by the ABANCA Human Resources Committee and shall comply with the ESMA regulations regarding products regulated through the MiFID directive, as well as the provisions included in the IDD directive regarding insurance distribution, and those included in the IORP II directive regarding pension plans and funds.

### Long-term incentives

The Entity may design and implement long-term incentive plans linked to the achievement of strategic plans and the generation of value in a long-term sustainable manner. These incentives shall be considered variable remuneration and shall be subject to the same ex ante and ex post adjustment measures defined in ABANCA's Remuneration Policy for the rest of the incentive schemes.

In addition, in the event that they are extensible to a member of the Board of Directors or are linked to the Entity's shares or their value, they shall require the approval of the General Shareholders' Meeting.

Following the agreements of the General Shareholders' Meeting and the Board of Directors on June 28, 2021, a "Long-Term Incentive 2017-2024" was established linked to compliance of the 2021-2024 Strategic Plan. This Plan is based on the allocation to the beneficiaries of a number of representative units of the right to receive in the future a ABANCA share subject to Restricted Stock Units of the fixed salary of the beneficiaries, of the valuation of the Entity's shares in a certain moment and the level of compliance with the established objectives, which will all serve as the basis for the calculation of the ABANCA shares that would be provided to them, if applicable, once the fulfilment of the objectives of the 2021-2024 Strategic Plan had been verified. The details of the Plan are available on the Entity's corporate website (www.abancacorporacionbancaria.com)

## I. Remuneration of Board Members

The remuneration of the directors shall consist of a fixed annual amount and attendance allowances, without detriment to the reimbursement of the expenses for attending meetings of the board of directors and its commissions, provided they are previously justified. The amount of the remunerations that the Company may pay to the directors for those purposes shall not exceed the amount determined by the general meeting of shareholders. The amount thus fixed shall be maintained until it is amended by a new resolution adopted at the general meeting of shareholders.

The Board of Directors, following a proposal from the Remuneration Commission, which will take into account the duties and liabilities assigned to each director, their membership of board commissions and other objective circumstances deemed relevant, shall be responsible for the establishment of the exact amount to be paid within that limit, its distribution among the different directors (which may differ from one to another), and the frequency of payment.

In accordance with the procedure required by Spanish commercial regulations, the remuneration policy corresponding to the members of the Board of Directors is approved by the General Shareholders' Meeting and is available on the Entity's website.

### Remuneration of the Chief Executive Officer (CEO)

The Chief Executive Officer does not receive any remuneration for his status as a member of the Board of Directors.

The remuneration of the Chief Executive Officer for his executive functions follows the same scheme as the rest of the executive staff and consists of a fixed amount in cash, adapted to the services and responsibilities assumed; a variable portion, related to an indicator or indicators of the performance of the CEO and/or the Entity; and access to certain social benefits, which will include complementary social security scheme and insurance.

Additionally, the Chief Executive Officer shall be entitled to compensation in case of separation or any other form of termination of the legal relationship with the Entity not due to a breach of contract attributable to him, and a paid post-contractual non-competition clause.

## II. Remuneration of executive staff

The remuneration of executive staff consists of a fixed amount, adapted to the services and responsibilities assumed; a variable part, related to indicators of performance of the executive and/or the Entity, and remuneration in kind and social benefits applicable to all employees.

Within the remuneration policy of ABANCA, the items that may have a variable nature are described, such as variable remuneration for their performance, golden hello bonus, golden handcuffs bonus, short-term and long-term incentives and severance pay due to early termination of contract, as well as discretionary pension benefits.

### Criteria and payment of the variable remuneration for the identified staff, adjusted to current legislation

The calculation of the variable remuneration shall be based on the achievement of quantitative targets and a qualitative assessment that are established by the Board of Directors following a proposal of the Remuneration Commission.

The amount of the variable remuneration of the identified staff shall be determined by the following factors:

- Financial performance of the Group. The Entity's corporate objectives for 2022 fall into four areas: Profitability, Efficiency, Customers and Risk Quality. Each of these areas has business and management ratios that contribute a specific weight in determining the variable remuneration.
- Results of the specific area and its superior unit.
- Results of non-financial or qualitative criteria.
- The weight of these results, both those of the Group and those of the General Management Department, ranges between 20% and 40%, while the qualitative results weigh between 20% and 30%.
- The variable remuneration of management positions, has been designed favouring their independence or with a reduced influence of the results of the business areas they manage and they have the necessary authority to carry out their duties. The Board of Directors shall take particular care to preserve such independence and shall specifically approve the individual remuneration of the top managers of these functions within the Entity.
- In any case, in the total remuneration of the identified staff, fixed and variable items are appropriately balanced and the fixed component is sufficient to allow policies to be designed with flexibility on the items of variable remuneration.
- ABANCA complies with the provisions of the LOSS (Act 10/2014 of June 26 on Regulation, Supervision and Solvency of Credit Institutions) regarding the terms of ex-post adjustment, including in its remuneration policy the possibility of applying both malus and clawback clauses. On the one hand, the malus clause only allows the deferred variable remuneration be paid if it is coherent to the situation of the Entity as a whole, and justified according to the results of the Entity, business unit and the employee in question. On the other hand, the clawback clause envisages that, even having received the variable remuneration, the Entity may recover it (under specific circumstances) in the event that the payment had been generated based on misleading, false or seriously inaccurate information or in the case of proven fraud. Additionally, at the meeting of February 4, 2019, the Board of Directors approved a detailed procedure for the application of these clauses.
- According to the remuneration policy of ABANCA, deferred variable remuneration shall be paid only if it is coherent to the financial situation of ABANCA as a whole and justified according to the performance of the Entity, the business unit and the employee in question. In any case, before proceeding to pay the deferred part of the variable remuneration, the General Management Department of Human Resources subjects different areas of the Entity to the evaluation of the conditions established in the ABANCA Remuneration Policy, which may give rise to the reduction of deferred

variable remuneration. If any of the areas reveals that there may be any circumstance, the "Procedure for the application of clauses for reduction or recovery of variable remuneration" shall be started.

- In accordance with the foregoing, and the 2022 annual accounts closed, the Entity's governing bodies approved the payment of the variable remuneration corresponding to 2022 as well as the deferred parts corresponding to previous years according to the applicable regulations.
- Taking into account the proportionality criterion, the Remuneration Policy differentiates between a set of measures that are applicable to all members of the Identified Staff, and those that will be applicable only to members who receive significant variable remuneration, defined as greater than € 50,000 per year or that which exceeds 50% of their annual fixed remuneration and those who belong, in any case, to senior management, understood as Executive Officers, General Managers and similar.

Those measures are described below:

### Implications applicable to all members of the Identified Staff

- **As in the rest of the staff, the process of determining the variable remuneration is aligned with the interests of shareholders and with prudent risk management by incorporating the following additional factors:**

  At Group-level it is established a trigger so that if the Entity results are not satisfactory, the payment of the variable remuneration is void.

  The establishment of caps of variable remuneration, especially the limitation of a maximum variable remuneration percentage on the fixed remuneration, prevent from making decisions that might jeopardize the Entity.

- **"Ex ante" risk management measures in remuneration**

  The establishment of the variable items of the remuneration of the Identified Staff shall abide by the following principles:

  - The allocation of variable items shall take into account all types of current and future risks. Specifically, according to the ABANCA Group's remuneration policy, the process of aligning remuneration with risk includes three fundamental stages: the process of planning and assigning the reference remuneration and the objectives to which the variable items are linked to; the process of calculating and assessing the attainment levels achieved at the different levels of measurement; and the process of payment of remuneration. In each of these stages, the General Management Department of Human Resources requests the involvement of certain functional areas to ensure that the adjustments are made for all present and future risks assumed. The Entity uses a combination of quantitative and qualitative criteria in the form of absolute and relative criteria to ensure that all identified risks, profit and risk adjustments are reflected.

- When remuneration is linked to performance, its total amount shall be based on an assessment on the combined results of the individual, valued according to both financial and non-financial criteria, of the business unit involved and the results of the Entity.

- Assessment of results shall be included in a multi-year framework to ensure that the assessment process is based on long-term results, and that the actual payment of remuneration components based on results is staggered over a period that considers the underlying business cycle of the Entity and its business risks.

- Also, when assessing performance with a view to calculating variable remuneration items, an adjustment for all types of current and future risks shall be made, and the cost of capital and liquidity necessary shall be taken into account.

- Total variable remuneration shall not limit the capability of the Entity to reinforce the strength of its capital base.

- Guaranteed variable remuneration is not consistent with sound risk management nor with the principle of rewarding performance, and shall not be part of any remuneration schemes. When it is essential for the development of business, this type of remuneration shall be always exceptional and shall be performed only when hiring new staff and when the Entity has a sound and solid capital base and shall be limited to the first year of employment.

▪ **There shall be a limitation of variable remuneration to 100 percent of the fixed one.**

  The variable item shall not exceed 100 percent of the fixed component of the total remuneration of each individual that is part of the Identified Staff.

  This percentage can only be exceeded up to 200 per cent of the fixed component of the total remuneration of the staff member upon the previous annual approval of the general meeting of shareholders and the Banco de España, following the approval process regulated by EU Directive 2013/36/ Article 94, paragraph g), sub-paragraph ii) of the European Parliament and of the Council of 26 June 2013, and Act 10/2014 of 26 June on Management, Supervision and Solvency of Credit Institutions. The fact shall be communicated in the Shareholders' Meeting stating the reasons, the scope and the number of people affected as well as their positions. Also, the expected effect on the requirement to maintain a solid capital base shall be reported, subsequently justifying before the competent authority that the highest percentage proposed does not affect the obligations of the Entity as far as its own funds are concerned.

  In accordance with this procedure, the General Shareholders' Meeting approved that certain persons of the identified staff may exceed this percentage. The breakdown of such information is available on the corporate website of the Bank.

▪ **Clause for the recovery of the variable remuneration paid (clawback clause):**

This clause would apply when the variable remuneration already paid, whether deferred or not, paid in cash or by means of instruments, shall be recovered, in whole or in part, by the Entity, in case that during the three years immediately after payment, any of the circumstances established by the Board of Directors such as if as a consequence of the employee's management any of the following circumstances occurred: serious damage to the Entity, either due to fault or negligence, a breach of legally established capital and liquidity ratios, significant negative changes in the Entity's risk profile due to actions carried out outside the policies and limits approved by the Board of Directors, negative profit, fraudulent actions and sanctions, among others.

Clawback cases may be modified, extended or adapted according to the regulation that the prudential supervisor may establish at any time or if it is deemed appropriate by the Board of Directors.

### Implications applicable to those members who receive significant variable remuneration

**One part is paid immediately, and another part is deferred:**

At least 40 per cent of each item of variable remuneration shall be deferred for a period not less than five years and in any case it shall be determined taking into account the financial cycle, the nature of the business, its risks and the particular activities of each person of the group subject thereto.

This percentage shall rise to 60% for cases variable remuneration of which consists of a particularly high amount, i.e., amount that significantly exceeds the average amount of variable remuneration in the sector for that position and in any case for variable remuneration exceeding € 500,000.

Deferred payments of variable remuneration elements shall not occur faster than if they were distributed proportionally throughout the period of deferral.

- **Deferred variable remuneration reduction clause:**

This clause would apply when the deferred variable remuneration that is pending payment, either in cash or in instruments, shall be reduced or cancelled by the Entity, if during the period until payment, any of the circumstances established by the Entity's Board of Directors occurred, such as a rewording of the annual accounts that did come from a regulatory change, a significant deterioration in the Entity's profit or solvency (i.e. non-compliance with the legally established capital ratios, non-compliance with the short-term liquidity ratio, if there were significant negative changes in the Entity's risk profile; in case gross margin and profit before and after taxes be negative once the amounts of variable remuneration due were deducted; if operating costs of the Entity were not covered due to significant impairment of financial margins, among others), fraudulent actions and appropriate disciplinary dismissals, among others.

- **The payment of at least 50%, whether deferred or not, shall be made in shares of the Entity and shall have a retention period**

  At least 50 per cent of any payment of variable remuneration, deferred or not, shall be done through shares of the Entity. Valuation of these shares is subject to the evolution of results of the Entity and may be reduced in the event that capital ratios and solvency deteriorate. Shares shall have a mandatory holding period of at least one year from their transfer, in line with the long-term interests of the Entity.

  The specific measures related to the payment of part of the variable remuneration in shares of ABANCA are part of the Regulations for the payment of variable remuneration in shares, approved by the Entity's Board of Directors on June 27, 2016. These Regulations include issues such as the valuation for the purposes of the Plan as long as the Entity's shares are not listed on an organised secondary market, which shall be carried out at the theoretical value resulting from the last approved balance sheet, provided that it has been subject to revision and verification and the audit report be favourable. The transfer of the shares that shall be made directly by the Entity, with the maximum number of treasury shares available for transfer to the beneficiaries.

  The individual allocation of the number of shares to be delivered to each of the beneficiaries of the Plan shall be made by the Board of Directors at the proposal of the Remuneration Commission.

  This individualised allocation shall be made by applying the percentage established in the Remuneration Policy for the payment in shares as part of the variable remuneration on the total variable remuneration that corresponds to be paid in the year in question.

  Personal coverage or insurance strategies shall not be used to minimise the effects of alignment with proper risk management. In this way, the Entity shall ensure that the members of the identified staff do not transfer the risks of lower variable remuneration through hedging, financial transactions or insurance. The obligation to comply with this prohibition is included in the payment letters of the variable remuneration and in the certificates of delivery of shares in payment of the variable remuneration, which are signed by all the members of the identified group at the time of payment of each remuneration.

## c) Criteria applied in the evaluation of the results and their adjustment according to risk

In ABANCA, the process of aligning remuneration with risk includes three fundamental stages: the process of planning and assigning the reference remuneration and the objectives to which the variable items are linked to; the process of calculating and assessing the attainment levels achieved at the different levels of measurement; and the process of payment of remuneration. In each of these stages, the General Management Department of Human Resources requests the participation of the necessary functional areas (such as the Appointments and Sustainability Commission and the Audit and Compliance Commission, as well as the Remunerations

Commission) to ensure that the adjustments are made for all present and future risks assumed. The Entity uses a combination of quantitative and qualitative criteria in the form of absolute and relative criteria to ensure that all identified risks, profit and risk adjustments are reflected.

The performance assessment system that serves as the basis for determining the variable items of the remuneration or the funds to pay these items shall be based on metrics and adjustments to all types of risks derived from the Entity's risk management model, including credit and counterparty, residual, concentration, securitisation, market, interest rate, operational, liquidity, excessive leverage and sustainability risks, in line with the indicators defined in the management model.

Within the variable remuneration scheme, a double general trigger was included, which may void the amount of payment of said remuneration in the event of exceeding the previously set thresholds. These triggers are linked to the Group's results, as well as the risk-adjusted profit on Regulatory Capital adjusted for credit risk. In this way, if the overall performance were lower than expected, the entire workforce would not receive variable remuneration.

On the other hand, minimum limits of quantitative and qualitative results were established at the individual level to be able to have the right to collect the variable remuneration.

Additionally, on an individual basis, criteria were established that from the point of view of internal or labour audit may cancel the collection of variable remuneration in the event of performances derived from malpractice on the part of employees.

Especially in the case of the staff identified annually, clawback and malus clauses are established that include the general criteria to be able to collect the variable remuneration accrued in previous years or the cases in which they had to return amounts previously collected as described in the previous section.

As explained in section b), a part of the identified staff is also subject to deferred payment, payment in shares with holding obligations and prohibition of hedging.

## d) Ratios between fixed and variable remuneration established in accordance with article 94, paragraph 1, letter g) of Directive 2013/36 / EU

As stated in ABANCA's Remuneration Policy, an appropriate ratio shall be established between the fixed and variable components of total remuneration.

i) The variable component shall not exceed 100 per cent of the fixed component of the total remuneration of the staff member belonging to the Identified Staff.

This percentage may only be exceeded up to 200 per cent of the fixed component of the total remuneration of a staff member upon the annual approval in advance by the general meeting of shareholders and the Banco de España, following the approval process regulated by EU Directive 2013/36/ Article 94, paragraph g), sub-paragraph ii) of the European Parliament and of the Council of 26 June 2013, and Act 10/2014 of 26 June on Management, Supervision and Solvency of Credit Institutions. The fact shall be communicated in the Shareholders' Meeting stating the reasons, the scope and the number of people affected as well as their positions.

Also, the expected effect on the requirement to maintain a solid capital base shall be reported, subsequently justifying before the competent authority that the highest percentage proposed does not affect the obligations of the Entity as far as its own funds are concerned.

## e) Aggregate quantitative information on the remuneration of the identified staff in 2022

Below is the aggregate quantitative information on the remuneration of the ABANCA Group's identified staff during the 2022, who remained in the entity as at 12/31/2022, broken down by senior managers and employees with an impact on the entity's risk profile, stating:

i) the amounts of remuneration for the financial year, divided into fixed and variable remuneration, and the number of beneficiaries,

ii) the amounts and the form of the variable remuneration, divided into cash benefits, shares, instruments linked to shares and others,

iii) the amounts of deferred remuneration pending payment, by attributed and unattributed parts,

iv) the amounts of deferred remuneration granted during the financial year, paid and reduced through profit adjustments,

v) payments for new hiring and severance payments made during the financial year, and the number of beneficiaries of said payments,

vi) the amounts of severance payments granted during the financial year, the number of beneficiaries and the maximum amount of this type of payment paid to a single person;

### Quantitative information on the Identified Staff

Table 61: EU REM1 — Remuneration awarded for the financial year
(Thousand €)

| | | Management body supervisory function | Management body management function | Other senior management | Other identified staff |
|---|---|---|---|---|---|
| Fixed remuneration | Number of identified staff | 11 | 1 | 13 | 42 |
| | Total fixed remuneration | 2.463 | 1.469 | 3.789 | 6.274 |
| | Of which: cash-based | 2.463 | 1.400 | 3.733 | 6.144 |
| | (Non applicable in the UE) | 0 | 0 | 0 | 0 |
| | Of which: shares or equivalent ownership interests | 0 | 0 | 0 | 0 |
| | Of which: share-linked instruments or equivalent non-cash instruments | 0 | 0 | 0 | 0 |
| | Of which: other instruments | 0 | 0 | 0 | 0 |
| | (Non applicable in the UE) | 0 | 0 | 0 | 0 |
| | Of which: other forms | 0 | 69 | 56 | 130 |
| | (Non applicable in the UE) | 0 | 0 | 0 | 0 |
| Variable remuneration | Number of identified staff | 0 | 1 | 13 | 39 |
| | Total variable remuneration | 0 | 1.400 | 1.386 | 1.790 |
| | Of which: cash-based | 0 | 700 | 693 | 1.171 |
| | Of which: deferred | 0 | 420 | 277 | 248 |
| | Of which: shares or equivalent ownership interests | 0 | 700 | 693 | 619 |
| | Of which: deferred | 0 | 420 | 277 | 248 |
| | Of which: share-linked instruments or equivalent non-cash instruments | 0 | 0 | 0 | 0 |
| | Of which: deferred | 0 | 0 | 0 | 0 |
| | Of which: other instruments | 0 | 0 | 0 | 0 |
| | Of which: deferred | 0 | 0 | 0 | 0 |
| | Of which: other forms | 0 | 0 | 0 | 0 |
| | Of which: deferred | 0 | 0 | 0 | 0 |
| Total remuneration (2 + 10) | | 2.463 | 2.869 | 5.175 | 8.064 |

Remarks:
"Number of identified staff members" refers to the number of people who are part of the active workforce that have been identified in the last revision of said group as at 12/31/2022.
"Variable remuneration" includes accrued, deferred and non-deferred variable remuneration, corresponding to 2022, broken down into amounts in cash, shares and other instruments.

Remarks:

1. With regard to the item "Incentive to Long Term 2021-2024", linked to compliance with the 2021-2024 Strategic Plan, it was decided, after the Shareholders' General Meeting of June 28, 2021, that the maximum amount of € 6,500 * thousand, which will be payable in its entirety in Entity shares, prior compliance with the conditions of the Plan, being paid thereafter in the manner determined by the Board of Directors upon the proposal of the Remuneration Commission.

* Maximum amounts, which may be reduced or cancelled in their entirety if the Entity does not achieve certain objectives of the 2021-2024 Strategic Plan

2. The Entity benefits from one of the exceptions established in article 94(3), of the CRD, as laid down in article 450(1), point k), of the CRR. Specifically in point b) of article 94(3) of the CRD. That is, a member of staff whose annual variable remuneration does not exceed EUR 50,000 and does not represent more than one third of the total annual remuneration of that member of staff.

The number of employees who benefit from one of the exceptions established in article 94(3) of the CRD, amounts to 23 people and their total remuneration, broken down into fixed and variable remuneration, is as follows:

Table 62: EU REM6 — Number of employees benefiting from one of the exceptions set out in Article 94(3) and their total remuneration

| | |
|---|---|
| Number of identified staff | 23 |
| Total remuneration of identified staff | 3.484 |
| Of which: variable remuneration | 552 |
| Of which: fixed remuneration | 2.932 |

## Severance pay

During the financial year 2022 there were two severance payments, amount of which amounted to € 939,045. Being the maximum amount of this type of payment paid to a single person €495,253.

Additionally, there has been a termination of the employment relationship due to early retirement of a person belonging to the Identified Staff under the collective agreement called "Act of completion with agreement in the negotiation period provided for in the Fifth Additional Provision of the Collective Agreement of Savings Banks and Financial Institutions" of December 9, 2021, receiving total compensation for this reason of 335 thousand €, to be received in the form of monthly rent in the period from May 2022 to October 2027, both inclusive. Said compensation, under the collective agreement, although it is considered variable remuneration for all purposes, is not taken into account for the purposes of calculating the ratio between fixed and variable, the application of deferral and payment in instruments for the Identified Staff in accordance with the ABANCA Group's Remuneration Policy.

## Guaranteed payments for new hires

In 2022, no person from the identified staff received payments corresponding to new hires.

Table 63: EU REM 2- Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

| | Management body supervisory function | Management body management function | Other senior management | Other identified staff |
|---|---|---|---|---|
| Guaranteed variable remuneration awards | | | | |
| Guaranteed variable remuneration awards - Number of identified staff | 0 | 0 | 0 | 0 |
| Guaranteed variable remuneration awards - Total amount | 0 | 0 | 0 | 0 |
| Of which: guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap | 0 | 0 | 0 | 0 |
| Severance payments awarded in previous periods, that have been paid out during the financial year | | | | |
| Severance payments awarded in previous periods, that have been paid out during the financial year- Number of identified staff | 0 | 0 | 0 | 0 |
| Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount | 0 | 0 | 0 | 0 |
| Severance payments awarded during the financial year | | | | |
| Severance payments awarded out during the financial year- Number of identified staff | 0 | 0 | 1 | 1 |
| Severance payments awarded out during the financial year - Total amount | 0 | 0 | 495 | 444 |
| Of which: paid during the financial year | 0 | 0 | 248 | 402 |
| Of which: deferred | 0 | 0 | 248 | 42 |
| Of which: Severance pay paid during the financial year, that are not taken into account in the bonus cap | 0 | 0 | 0 | 0 |
| Highest payment that has been awarded to a single person | 0 | 0 | 495 | 444 |

## Table 64: EU REM3 — Deferred remuneration
(Thousand €)

| Deferred and withhold remuneration | Total amount of deferred remuneration awarded for previous performance periods | Of which: vested in the financial year | Of which: vesting in subsequent financial years | Amount of performance adjustment to deferred remuneration that was due to vest in the financial year | Amount of performance adjustment to deferred remuneration that was due to vest in future performance years | Total amount of ex post implicit adjustments during the financial year (i.e. changes of value of deferred remuneration due to the changes of prices of instruments) | Total amount of deferred remuneration paid out in the financial year | Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods |
|---|---|---|---|---|---|---|---|---|
| Management body supervisory function | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Cash-based | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Shares or equivalent ownership interests | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Share-linked instruments or equivalent non-cash instruments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other instruments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other forms | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Management body management function | 1.710 | 580 | 1.130 | 0 | 0 | 0 | 580 | 565 |
| Cash-based | 855 | 290 | 565 | 0 | 0 | 0 | 290 | 0 |
| Shares or equivalent ownership interests | 855 | 290 | 565 | 0 | 0 | 0 | 290 | 282 |
| Share-linked instruments or equivalent non-cash instruments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other instruments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other forms | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other senior management | 1.088 | 464 | 622 | 0 | 0 | 0 | 464 | 311 |
| Cash-based | 544 | 232 | 311 | 0 | 0 | 0 | 232 | 0 |
| Shares or equivalent ownership interests | 544 | 232 | 311 | 0 | 0 | 0 | 232 | 311 |
| Share-linked instruments or equivalent non-cash instruments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other instruments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other forms | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other identified staff | 198 | 40 | 158 | 0 | 0 | 0 | 40 | 79 |
| Cash-based | 99 | 20 | 79 | 0 | 0 | 0 | 20 | 0 |
| Shares or equivalent ownership interests | 99 | 20 | 79 | 0 | 0 | 0 | 20 | 79 |
| Share-linked instruments or equivalent non-cash instruments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other instruments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other forms | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total amount** | **2.996** | **1.084** | **1.910** | **0** | **0** | **0** | **1.084** | **955** |

## Table 65: EU REM5 — Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)
(Thousand €)

| | Management body remuneration | | | | Business areas | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Management body supervisory function | Management body management function | Total management body | | Investment banking | Retail banking | Asset management | Corporate functions | Independent internal control functions | All others | **Total** |
| Total number of identified staff | 11 | 1 | 12 | 0 | 7 | 27 | 0 | 11 | 7 | 3 | 67 |
| Of which: members of the management body | 11 | 1 | 12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 12 |
| Of which: other senior management | 0 | 0 | 0 | 0 | 1 | 4 | 0 | 5 | 3 | 0 | 13 |
| Of which: other identified staff | 0 | 0 | 0 | 0 | 6 | 23 | 0 | 6 | 4 | 3 | 42 |
| Total remuneration of identified staff | 2.463 | 2.869 | 5.332 | 0 | 1.631 | 6.969 | 0 | 2.841 | 1.715 | 84 | 18.572 |
| Of which: variable remuneration | 0 | 1.400 | 1.400 | 0 | 494 | 1.737 | 0 | 591 | 354 | 0 | 4.576 |
| Of which: fixed remuneration | 2.463 | 1.469 | 3.932 | 0 | 1.137 | 5.232 | 0 | 2.250 | 1.361 | 84 | 13.996 |

## f) People who receive remunerations of more than 1 MM€

In 2022, there is only one person in ABANCA who would have received a remuneration equal to or greater than 1 million Euro and it is in the range of 2.5 MM € to 3 MM €. This information corresponds to table EU REM4 – Remuneration of 1 million EUR or more per year.

Table 66: EU REM4 – Remuneration of 1 million EUR or more per year. (Nº of people)

| EUR | Identified staff with high remuneration according to article 450, letter i) of the CRR |
|---|---|
| 1 000 000 to less than 1 500 000 | |
| 1 500 000 to less than 2 000 000 | |
| 2 000 000 to less than 2 500 000 | |
| 2 500 000 to less than 3 000 000 | 1 |
| 3 000 000 to less than 3 500 000 | |
| 3 500 000 to less than 4 000 000 | |
| 4 000 000 to less than 4 500 000 | |
| 4 500 000 to less than 5 000 000 | |
| 5 000 000 to less than 6 000 000 | |
| 6 000 000 to less than 7 000 000 | |
| 7 000 000 to less than 8 000 000 | |

## g) Selection and diversity policies related to the Board of Directors

- The Board of Directors of ABANCA has approved the Selection and Continuous Assessment Policy of the Fit and Proper of ABANCA Directors as the set of criteria and performance guidelines that shall ensure the models and schemes for appointments, ratification and re-election of ABANCA Directors are compatible with the Entity's business strategy, objectives, values and long-term interests and with adequate and effective risk management, avoiding conflicts of interest. The provisions therein shall apply exclusively to the appointments, ratifications, re-elections, fit and proper assessment and correct qualification of the directors who are members of the Board of Directors of ABANCA.

- The process for selecting and appointing ABANCA directors guarantees that they have the training, skills and key working experiences to achieve the Entity's medium and long-term objectives. The combination of strategic and operational skill and their international experience is evidenced in the respective curricula vitae available on the corporate website. (http://www.abancacorporacionbancaria.com/)

- The Policy regulates the functions that correspond to each body regarding the appointment of directors of the Entity, as well as the procedures to be followed and the information that in this matter must be included in the annual report or that by any other circumstance should be disclosed.

- Likewise, it regulates the general requirements that shall be met in order to be appointed director, their obligation to defend the interests of the Entity, understood as the achievement of a profitable and sustainable business in the long term, which promotes its continuity and the maximisation of the economic value of the Company. In pursuit of the Entity's interests, in addition to respecting laws and regulations and behaviour based on good faith, ethics and respect for commonly accepted practices and good practices, they will seek to reconcile its own interests with , as appropriate, the legitimate interests of employees, suppliers, customers and those of the other stakeholders that may be affected, as well as the impact of the Entity's activities on the community as a whole and on the environment. They shall carry out their functions effectively, objectively and independently.

- The appointment of a director shall be guided by the principle of professionalism in management and according to which all members of the Board of Directors shall be people of recognised commercial and professional honour and with adequate knowledge and experience, and shall be in a position to exercise good government of the Entity, and shall not incur any cause of incompatibility or prohibition and the express prohibition of carrying out transactions that imply or may imply conflicts of interest with the Entity, in the terms of the applicable legislation at any time.

- A prominent aspect of the Policy is the regulation of the suitability of a director, which in accordance with Law 10/2014, of June 26, on the organisation, supervision and solvency of credit institutions, shall have recognised commercial and professional good repute, have adequate knowledge and experience to perform their duties and be in a position to exercise good governance of the Entity.

- The Policy states that the general composition of the Board of Directors as a whole shall have sufficient knowledge, skills and experience to perform their duties in the governance of credit institutions as well as to adequately understand the Entity's activities, including its main risks and ensure the effective capacity of the Board of Directors to make decisions independently and autonomously for the benefit of the Entity. In any case, it shall ensure that the board member selection procedures promote a diversity of experience, age and knowledge, facilitate the selection of female board members and, generally, are free from implicit bias that may entail any degree of discrimination.

# 1- Information regarding the contracting policy for the selection of the members of the management body and their knowledge, skills and experience.

**SELECTION POLICY AND CONTINUOUS ASSESSMENT OF THE SUITABILITY AND QUALIFICATION CONDITIONS OF DIRECTORS OF ABANCA CORPORACIÓN BANCARIA, S.A.**

The appointment of a director shall be guided by the principle of professionalism in management and according to which all members of the Board of Directors shall be people of recognised commercial and professional honour and with adequate knowledge and experience, and shall be in a position to exercise good government of the Entity, and shall not incur any cause of incompatibility or prohibition."

In accordance with Act 10/2014, of June 26, on the organisation, supervision and solvency of credit institutions, the members of the Board of Directors shall have recognised commercial and professional good repute, have adequate knowledge and experience to perform their duties and be in a position to exercise good governance of the Entity.

The general composition of the Board of Directors as a whole shall have sufficient knowledge, skills and experience to perform their duties in the governance of credit institutions as well as to adequately understand the Entity's activities, including its main risks and ensure the effective capacity of the Board of Directors to make decisions independently and autonomously for the benefit of the Entity. (...)

They have adequate knowledge and experience to carry out their functions in credit institutions who have training of the appropriate level and profile, particularly in the areas of banking and financial services, and practical experience derived from their previous occupations for sufficient periods of time."

"The fit and proper assessment of each director to allow their appointment must positively conclude that they have the appropriate knowledge and experience to hold the position of director of the Entity, and that they are in a position to exercise good governance of the Entity, after having assessed the content and validity of the honorability and good governance questionnaire completed by the person assessed on the occasion of their appointment, the responsible declaration on related persons and positions, their professional record and the fit and proper report issued by the General Management of Corporate Governance and Legal Affairs , through the Management of Governing Bodies, Regulatory Compliance and Prevention of Money Laundering."

### "Proposals for the appointment of Directors.

The Appointments and Sustainability Commission is responsible for submitting proposals and reports to the Shareholders' Meeting or to the Board of Directors, as the case may be, on the appointment of directors.

Such proposals and reports must be prepared according to the criteria of legality and opportunity, in order to ensure compliance with the legal and statutory requirements that are required of the candidates.

For the analysis of compliance with such criteria, at the time of the appointment of the director in question or its review at a later time for any supervening reason, in the annual review that must be carried out of each director, the Appointments and Sustainability Commission must receive a reasoned proposal from the General Management of Corporate Governance and Legal Affairs, through the Management department of Governing Bodies, Regulatory Compliance and Prevention of Money Laundering, on the competence, knowledge and experience that the proposed person has and that make them suitable to occupy the position, which will be accompanied by their "curriculum vitae" and a statement thereof stating that they do not incur in any cause of incompatibility or prohibition, and that they do not carry out transactions that imply or may imply conflicts of interest with the entity.

A report from the Management department of Governing Bodies, Regulatory Compliance and Prevention of Money Laundering on the suitability of the Director in question, under the terms of this Policy, will be attached to the file to be submitted to the Appointments and Sustainability Commission.

The Appointments and Sustainability Commission will adopt the appropriate agreement, based on the proposal received as well as the fit and proper report, and taking into account the opportunity and convenience of the appointment from the point of view of the function to be performed by the candidate and the needs of the entity, and of the guidelines contained in the regulations governing credit institutions and in the best corporate governance practices."

## 2- Information on the diversity policy with respect to the members of the management body

**SELECTION POLICY AND CONTINUOUS ASSESSMENT OF THE SUITABILITY AND QUALIFICATION CONDITIONS OF DIRECTORS OF ABANCA CORPORACIÓN BANCARIA, S.A.**

"ABANCA will deliberately seek and include among the potential candidates women who meet the appropriate professional profile, in order to achieve at least 40% representation of female directors out of the total number of members of the Board of Directors in accordance with recommendation 15 of the Good Governance Code of listed companies."

"Despite not being a listed company, ABANCA maintains a 33.33% female representation, with the voluntarily adopted commitment to reach 40%, the same as listed companies, which although it was not reached in 2022 due to the joining of male director with an excellent profile continues to be a priority for the Entity and is thus included in the Board Succession Plan, which establishes that ABANCA shall make its best efforts to achieve it."

"In any case, it shall ensure that the board member selection procedures promote a diversity of experience, age and knowledge, facilitate the selection of female board members and, generally, are free from implicit bias that may entail any degree of discrimination."

"Likewise, in order to promote gender diversity, the Appointments and Sustainability Commission shall propose measures that encourage the Company to have a significant number of senior female managers."

"For these purposes, equality, impartiality and non-discrimination with respect to gender or any other personal circumstance will be essential management principles that must be applied and be applied by the Board of Directors of the bank."

# ANNEX I POLICIES AND RISK MANAGEMENT OBJECTIVES

Under section 2 of this document, this appendix includes detailed information on the management objectives and policies of the Group relating to risks that significantly affect to it:

## 1. Credit risk

Credit risk occurs in the event that one of the parties of a contract for a financial instrument fails to meet its payment obligations and produces a financial loss to the other part.

In managing credit risk, the Group distinguishes between different types of credit risk:

- **Credit risk:** It is defined as the probability that the Entity suffers losses due to the counterparty defaulting on its obligations.

- **Country risk:** Risk of sovereign actions or impacts that may substantially deteriorate the solvency of borrowers, through an event that affects the entire country and entails the default of a large group of debtors concentrated in said territory.

- **Foreign currency loan risk:** Risk derived from foreign currency loan exposures to borrowers with unhedged positions, whose income flow is in a currency other than that of loan repayment payment flows.

- **Concentration risk**: within the concentration risk there are different subtypes, which are described below:

  - Sectoral concentration risk: This risk is defined as the possibility of material losses occurring, which may threaten the future viability of an Entity, as a consequence of the concentration of risk in a small group of borrowers whose primary source of income comes from the same sector.

  - Individual concentration risk: This risk is defined as the possibility that material losses may occur, which may threaten the future viability of an Entity, as a consequence of the concentration of risk in a private economic group considered to be highly exposed (which may be made up of several borrowers).

  - Geographical concentration risk: This risk is defined as the possibility of material losses that may threaten the future viability of an Entity due to the concentration of risk in a geographical area.

  - Collateral concentration risk: It is defined as the possibility of an increase or undervaluation of the credit risk associated with the collateralised exposures, due to a significant loss or deterioration associated with a high concentration of value of the guarantees recorded as collateral.

- **Migration risk:** This is the risk associated with the change in the external credit rating of the counterparties of an Entity.
- **Securitisation risk:** The securitisation risk is a credit risk associated with the loss produced by impairment of the underlying instruments of the securitisations.
- **Counterparty risk:** Counterparty risk (CCR) is defined as the risk that the counterparty in a transaction may default before the final settlement of the cash flows of that transaction.

**The objectives pursued by the Management team of the ABANCA Group** in credit risk management are the following:

- To rigorously comply at all times with the requirements established by the applicable regulations on transactions, restrictions on risk concentration, accounting treatment and their coverage.
- To establish processes and procedures and provide the Group with the tools that allow having the necessary information on exposure to default, analysis of transactions, risk monitoring and risk concentration, as well as having the business units with the necessary powers and capabilities for making appropriate decisions, allowing to carry out an effective and coordinated risk management. All these measures shall ensure the optimal risk management and maximising the profitability level of risk associated with the Group.
- To keep under control emerging risks that may arise in this area, including ESG risk.

**To achieve these objectives, the Group follows these policies:**

- Homogeneous risk selection criteria are applied in all Group units and in all Group companies.
- Approval of limits on counterparty risk of the Group is carried out in a joint and coordinated manner by the Group as a whole.
- All risks considered by the Group shall follow in any case, the analysis procedures and meet the approval criteria set out by the Group, not admitting any exception in this regard.
- The measurement of the concentration levels of risk is performed at consolidated level and grouping those borrowers that, according to the criteria of belonging to the same economic group, both from a legal or economic perspective, shall be considered in a joint manner.
- A policy of maximum prudence is applied, according to a sustainability and long-term positioning approach.
- Active management of the entire life span of risk, from the pre-analysis, going through analysis / granting, monitoring and up to its termination.

Regarding the strategies that the Group is currently following related to credit risk management, it is important to mention the following:

- To decrease risk concentration levels in certain sectors, seeking sector diversification, limiting the concentration in certain sectors and promoting the business in other less exploited.
- To improvement risk measurement and scoring systems of the Group, developing specific models adapted to each type of transactions to be analysed.
- To improve systems of monitoring alerts that make the decision-making process easier and agile in the event of signs of impairment with regard to the financial situation of borrowers.
- To promote the development of measurement systems and guarantee realisations in case of foreclosing transactions, seeking diversification of mechanisms as far as the types of guarantees are concerned.
- To promote the development of techniques of credit risk reduction, individually or through cooperation with other organisations and entities.

The function of the credit risk management of the ABANCA Group is implemented through the existence of different independent units acting jointly, according to the procedures established by the Group. The independence in their scopes of action guarantees independence in decision making process and allows their views and opinions to be taken into account at the different authority levels in which businesses are conducted.

In relation to the analysis of the different risks in general and credit risk in particular (represents >92% of the total), ABANCA Stress Testing Policy under which the Entity carries out stress tests, and has a direct impact on various internal processes as well as on various areas, committees and departments of the Entity.

On a continuous basis, the Entity performs various stress tests, with different objectives, scopes, frequencies, etc. Comprehensive stress tests are carried out, including those carried out within the framework of the ICAAP or ILAAP as well as others with more specific approaches and higher frequencies. The Entity also regularly participates in EBA stress testing exercises.

The result of the stress tests allows the Entity to identify the material risks to which it is subject as well as to establish RAF metrics for monitoring the Entity's risk profile.

What follows is a description of the different **units of the Group with powers and responsibilities in the management of credit risk**, together with a description of their responsibilities:

I. General Management of Corporate Control and Risks

- The Group has a General Management of Corporate Control and Risks, which reports directly to the CEO, thus guaranteeing the independence of Risk Control. The mission of this General Management is to promote a risk culture throughout the Bank, constituting the second line of defence of ABANCA by means of comprehensive risk management (credit, market, liquidity, interest rate, operational, reputational, security and continuity ...), ensuring the soundness and resilience of the Bank pursuant to the Risk Profile defined by the Governing Bodies, and guiding the Bank towards best practices in risk culture.

- Adequate Credit Risk Control within this General Management department is guaranteed through the Comprehensive Risk Management Area, which is made up of the following departments: Capital and Solvency, Credit Risk Control, Policies and Regulations, Risk Methodologies, Market Risk, Risk of Liquidity and Interests, Operational and Reputational Risk and Strategic Regulatory Risk Projects.

- This General Management is in charge of defining the policies and procedures for risk management based on the definition of the target risk profile. It permanently revises the policies to adjust them to the legislation and the Group's strategy. Depending on the risk profile set by the Group and the economic situation, the strategies, policies for setting limits and risk products to be marketed are adapted.

- With the aim of providing risk assessment models for all portfolios of the Group, this Comprehensive Risk Management department provides scoring and rating models for all portfolios according to their weight and assessment of the expected loss of the portfolio in question. It should be noted that ABANCA adopted IFRS9 accounting standards in January 2018 and developed internal credit risk impairment assessment models in accordance with IFRS9.

- On the other hand, this unit through the implementation of statistical models -by means of obtaining operation by operation metrics, and customer by customer- seeks to minimize the possibility of future losses by default occurred in the granting of operations and to predict the establishment of effective recovery and tracking systems of the informational behaviour credit risk profile of the Group. Also, it is conducted the proposal for implementing Credit Risk policies based on models and systems of automated risk rating.

- Also, this unit is responsible for ensuring compliance with the Regulation 575/2013 and Directive 2013/36/EU of the European Parliament and the Council (CRR/CRD IV) which came into force on January 1, 2014, which is on which the calculation engines of capital requirements are based.

- In relation to this point, it should be noted that the Group, as one of its strategic lines, continues to advance in the process of migrating to IRB models, for which means and a specific monitoring line have been allocated by Senior Management.

- Also, this unit is responsible for the implementation of the optimisation of the profitability/risk ratio (using RAROC methodologies), allowing a better pricing and a more efficient allocation of own funds consumption.

- In the field of capital planning, ESG risks are considered a risk factor (driver) for all traditional risk types. In this sense, already in the ICAAP 2022 climate risk has been incorporated into the different risk categories, being considered in their materiality analysis. For the 2023, the same line is being followed, delving into the quantification methodologies thereof.

- The Comprehensive Risk Management unit, within the reference General Management department, is responsible for defining and proposing the "Risk Appetite Framework" (hereinafter RAF) for approval by the Group's governing bodies and based on of the strategy defined by the latter. The Group includes, as part of its set of RAF indicators, a series of indicators in order to monitor ESG risk in different areas, including credit risk, monitoring them following the governance established in the appetite framework.
- Once the RAF has been defined, from this unit, monitoring and control reports are made, with the frequency required by the Governing Bodies.
- It is an essential requirement for the effectiveness of the RAF that this General Management department submit reports on risk appetite to the Board of Directors, previously passing through the Comprehensive Risk Commission and the Comprehensive Risk Committee.
- Reports are made on a monthly basis, with said frequency being presented to the Comprehensive Risk Committee and to the Comprehensive Risk Commission.
- Said reports shall include at least the following characteristics:

i) Monitoring metrics exposure within the RAF to compare the risk profile at all times with respect to risk appetite, so it can be highlighted any rift from what was defined by the Group and propose appropriate corrective measures.

ii) Further breakdown (by portfolios, geographies, product type...) for those metrics of which trend developments, without touching any of the alerts defined, can anticipate a different behaviour expected.

The Comprehensive Risk Management is the interlocutor on risk matters - control, monitoring, supervision and evolution- with the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores, CNMV), the Banco de España, the European Central Bank, the European Banking Authority, Rating Agencies and External Audit.

Finally, it should be noted that the responsibility of the General Management includes the coordination function in the preparation of the ICAAP, the ILAAP, the Recovery and the Resolution Plan.

This General Management carries out coordination tasks with the General Management of IT, Information, Processes and Operations, thus guaranteeing that the different automated systems and work procedures and credit risk management are aligned with the Group's strategy in this matter.

Given that the ABANCA Group has incorporated climate and environmental risk management as an emerging risk that in turn declines as a factor of traditional risks, the functions of the control area, which correspond to the second line of defence, and which encompass the control activities carried out independently and in accordance with comprehensive risk management, also consider climate and environmental risk.

To achieve this, each Area of the General Management of Corporate Risk Control manages, evaluates and mitigates the impact of climate risk as a risk driver in the traditional risk in which it is specialised, thus ensuring the Entity that a review is carried out complete and effective assessment of the impact generated by climate and environmental risk in the Entity.

II. General Management of Credit

The ABANCA Group carries out active risk management throughout its entire life. The risk, in this sense, is managed in stages, which depend on events occurring during the term of the transactions.

The General Management of The General Management of Credit has an effective segregation of functions corresponding to the risk life cycle, which is modulated through independent units with differentiated objectives and monitored through the corporate objective control process and subject to the policies and procedures established by the second line of defence along with reviews of its processes by Internal Audit.

In the admission stage of credit investment a conservative criteria must be applied, seeking a balance between efficiency and efficacy by means of the decentralisation of the decision-making process, which is based on the delegation and allocation of powers depending on the risk involved, and supported by the available management and control tools that enable at all times to control the process pursuant to policies and regulations in force.

The Company puts special emphasis on the analysis stage of applications by defining and clearly specifying policies, circuits, processes and procedures applicable in each case depending on the circumstances and characteristics of the application. In this regard, objective and uniform criteria shall be applied in order to minimise the transactions approved outside established channels and facilitate their traceability.

In the approval process of transactions, it shall be fundamental to assess the borrowers' capacity to generate cash flows, so that they are enough to meet the acquired commitments.

In the monitoring stage, the Group's primary objective is the early detection of default risk by customers / groups, in such a way that the Entity could execute specific action plans to avoid such circumstance.

Finally, the recovery stage of impaired assets in this economic environment is one of the main areas of action. Therefore, special care to the restructuring of these assets is provided, as well as the promotion of actions to minimise material loss and facilitate recovery. Similarly, along with the recovery of impaired individual assets, balance restructuring alternatives including en bloc sales of assets of any segment of the portfolio are assessed.

This General Management has the support of the areas of Admission and Risk Assessment, Asset Products, Credit Monitoring and Recovery, to fulfil its mission.

III. Commercial General Management

This General Management is responsible for the process of generating credit investment in the Commercial Network in Spain of Individual Retail Banking, Corporate Banking, Enterprises, SMEs and Sectoral Banking and Corporate and Specialised Banking.

IV. V. General Management of Capital Markets, Management and Institutional Distribution.

This General Management is responsible for managing the Group's wholesale markets, assuming responsibility related to the admission and administration of Treasury transactions and Equity and Fixed Income portfolios, and the task of sanctioning shall correspond to the committees and the corresponding established bodies. The Institutional Banking area reports to this General Management.

V. International Business General Management

This General Management is responsible for the process of generating credit investment in the International Branch Network, which includes representative offices abroad.

VI. General Management of IT, Information, Processes and Operations

This General Directorate is responsible for the Entity's process and technology architecture, which supports the Entity's transactions, and is therefore responsible for implementing controls to ensure that transactions are formalised in accordance with the criteria approved by the corresponding committees.

The **power allocation levels** for risk management and control are set out below:

Each of these levels has a threshold level of delegated powers for risk-taking by means of jointly made decisions on approvals under the protection of Risk Committees created in each level.

Table 67: Power levels

| Niveles de atribución |
|---|
| Comité de Oficina |
| Comité CAR |
| Comité Zona |
| Comité Territorial |
| Comité Central |
| Comisión Delegada de Crédito |
| Consejo de Administración |

As for **measurement systems** applied by the Group in credit risk management, it should be noted that:

- In all processes of credit risk management it is essential to make a proper measurement and allocation of credit risk associated with each transactions. For this reason, in the measurement of risk, the Group takes into account both the borrowers' specific factors (financial and liquidity condition, financial structure, business industry, etc.), and specific factors of each transaction (guarantees, deadlines, expected return, ESG impact, etc.).

- The Group has a control and permanent monitoring system of credit risk that enables the Entity to have an assessment of risk quality at the borrower level and for all risks classified by different attributes. Thus, special monitoring mechanisms can be established regarding the evolution of certain customers and transactions, seeking to anticipate possible difficulties with preventive measures on those ongoing risks. The objective of this system is to have high-quality risk assets. In this process of monitoring and tracking are measured and assess both quantitative and qualitative variables.

- The Group policies, designed to be extremely prudent, consistent with a vision of sustainability and long-term positioning, set the steps for each transaction analysed based on the results of this assessment.

- The Group has various tools through which centralises all information regarding credit risk assumed. Monthly, scoreboards for the different units involved in risk management are made so that they are able to make the necessary decisions. These reports include the corresponding alerts to detect potentially problematic situations or transactions for the Group prior to a possible insolvency of borrowers, both individually and at high level risk groups, in order to enable the relevant department to properly manage these risks.

Each of the units of acceptance and risk management has clearly defined the types of activities, segments and risks that they may incur and decisions they can take on risk, pursuant to delegated powers or under the framework of risk (limits) provided for in the policies of the Entity.

The ABANCA Group has clear processes and procedures, which are periodically revised according to the needs of each moment and with well-defined responsibilities and implemented at every level. There are manuals and action policies in relation to risk management, which constitute the basic legal framework through which risk activities and processes are regulated.

In this area, it should be noted that the ABANCA Group has a Financing Policy for entities or related parties where responsibility is allocated in terms of preparation, review, approval, monitoring and control over this type of transactions in order to guarantee a framework of transparency, control and monitoring thereof. Likewise, since 2020 it also has an Environmental and Climate Risk Management Policy that seeks to limit and mitigate the impact of climate change and the potential harmful effects on the environment derived from the admission of credit.

Note 43 of the Annual Report presents the balances originating from transactions carried out with related parties recorded in the consolidated balance sheet and in the consolidated profit and loss statement.

## 2. Risks associated with the trading book

The Group considers as trading book that defined as such in the Circular 4/2017 of the Banco de España, with the differences stated in section 10 of this document.

The purpose of trading activity of ABANCA is to obtain a recurring return for the Bank and its customers, operating and taking advantage of market opportunities according to the risk profile of the Entity or the customer.

The risk of the trading book is the risk that the Group is subject to due to the effect on the profit and loss statement of variations in the value of its trading book. These variations may originate within the following risks, which determine, in turn, the own funds requirements associated with it:

- Price risk of fixed income instruments, shares and stake investments included in the trading book.
- Price risk of investments in commodities.
- Settlement and delivery risk.
- Credit and counterparty risk associated with the trading book.
- Exchange rate risk of the investments held in the trading book.
- Interest rate risk associated with the trading derivative book.
- Inflation rate risk of the investments linked to this instrument
- Other risks: correlation, volatility, dividends, market liquidity, prepayment or cancellation and underwriting.

In the risk assessment of share price are also considered two components: the general risk due to general movements that occur in the market and the specific risk associated with each risk.

The Group uses a combination of methods, including sensitivity analysis, value at risk (VaR) methods, techniques of stress testing and measurement of own funds consumption in the management of market risk of the trading book, being the application of VaR methodology the main tool used for the purpose of measuring this risk.

The limits and objectives of the Group associated with its trading book are approved by the Board of Directors, upon favourable proposal of the Comprehensive Risk Commission based on the business strategies of the General Management of Capital Markets, Institutional Management and Distribution and the risk appetite of the Group.

The limits and other criteria adopted by the Group for managing the trading book are communicated after approval to lower-level units that are responsible for operational management of this portfolio; existing continuous monitoring mechanisms in order to verify the application of these limits, these mechanisms are based on the use of IT tools and supervision and approval techniques as well as the segregation of duties in the management of transactions.

The methodology used by the Group for the market risk management of the trading book is consistent with the methods used for determining the own funds requirements associated with this risk.

Regarding the portfolio hedging strategy, the Entity manages the global interest rate risk of the balance sheet through continuous management of the duration of the Fixed Income portfolio.

As an instrument for market risk reduction, financial derivatives that limit and reduce the risk associated with these investments at the maximum levels established by the Management are used. Likewise, in order to limit exposure to counterparty risk, there are collateral agreements (GMRAs and CSAs) with the main financial counterparties and the contracting of financial derivatives through Clearing Houses is encouraged.

The limits and objectives of this portfolio are defined in accordance with the Risk Appetite Framework defined by the Entity.

# 3. Non-financial risks

ABANCA Group develops a comprehensive system of non-financial risk management that seeks to fulfil the guidelines set by the following rules:

- EU Regulation 575/2013: In this document, the obligation of allocating own funds for Operational Risk, calculation methods and the general principles governing the use of the different models are established.
- Directive EU2013/36/ of the European Parliament and the Council, of June 26, 2013, on the capital adequacy of investment firms and credit institutions.

## 3.1 Objectives and policies

The low tolerance for risk exposure guides policies on non-financial risks. The risk management following the previous regulations and recommendations issued by BIS and both national and European regulators, and also incorporating industry best practices shared in the CERO Group (Consorcio Español de Riesgo Operacional), affects the entire organisation at all levels, being the Senior Management and the Governing Bodies responsible for its designing and dissemination.

Currently the entity performs the calculation of regulatory capital applying the Basic Indicator Approach. As of 2025, the calculation method will be the SMA (Standardised Measurement Approach), as stated in the regulations "Basel III: Finalising post-crisis reforms" of December 2017 and subsequent published updates. These actions are intended to further promote the involvement of the Organization in the various stages of non-financial risks management, pursue the development of an information system intended for business lines and support, as well as for senior management, to continue the supply of the loss database and automation of data capture, in particular those related to events of high frequency and low impact and have a fully documented management system.

The ABANCA Group continues intensively with the implementation of the comprehensive management framework, ensuring its total implementation into the management both at ABANCA Corporación Bancaria and at the other ABANCA Group companies.

In addition, a correct implementation of the comprehensive risk management framework is ensured in all the integrations carried out.

## 3.2 Structure and organisation

The Bank follows a decentralised model, where the final responsibility for the management of Non-Financial Risks falls on the business and support units, as owners of the processes they manage and the associated risks. For its governance, the following supervisory bodies and general responsibility lines are established:

**Board of Directors** This governing body provides the following main functions in managing non-financial risks:

- To approve the operational risk management policy applicable to the ABANCA Group's activity, as well as its implementing regulations, which are set out in the Operational Risk Management Policies and Functions Manual.
- To create the necessary Commissions in the ABANCA Group for an adequate management of Non-Financial Risks, as well as the definition of the functions and appointment of their members.
- To appoint the representatives or interlocutors before the Group's supervisory bodies, in accordance with current legislation.
- Delegate to the Director of Corporate Control and Risks, the approval of updates or modifications of a functional nature in this policy manual.

**Comprehensive Risk Commission:** Governing body that assumes, among its responsibilities, knowledge of the Group's risk control systems and, among them, the monitoring of the effective exercise of the Non-Financial Risk Management function, with the following tasks and functions:

- To ensure that the Group adopts a Non-Financial Risk Management Policy appropriate to its activity, observing that it includes the principles that govern the actions of managers and employees, and describes the processes for the correct management of Risks Non-financial, based on the risk profile established in the Risk Appetite Framework.
- To supervise the appropriate procedures and measures established for the correct implementation of the guidelines derived from the Non-Financial Risk Policies.
- To promote a culture of non-financial risks management in the Group.
- To carry out periodic monitoring of the management of non-financial risks, based on the reports received from the Operational Risk unit, transferring the actions carried out to the Steering Committee.
- To supervise the degree of compliance with the Operational Risk Policies and Management Manual.
- Approve risk management transfer procedures and systems (insurance, guarantees, outsourcing...) in order to mitigate operational risks based on the entity's risk profile, at the proposal of the Operational Risk unit, within the General Management of Corporate Control and Risks.

**Steering Committee and General Management of Corporate Control and Risks:** This governing body provides the following main functions in managing non-financial risks:

- To promote a culture of operational risk management in the Group.

- To guarantee the development of the operational risk management policy and establish the principles by which it should be governed.
- To formally follow up the key issues arisen, and ensure compliance with the operational risk management policy throughout the organisation.

The Chief Risk Officer is responsible for presenting the relevant information through internal management reports on aspects such as:

- Exposure and evolution of non-financial risks.
- Analysis of relevant losses by types of event.
- Action plans carried out to reduce and mitigate operational risk.
- Improvements developed in the Non-Financial Risk Management System.
- New policies, procedures and management practices.
- Report to the Comprehensive Risk Commission at least annually on the evolution of Non-Financial Risks.

Comprehensive Risk Committee: This governing body provides the following main functions in managing non-financial risks:

- To carry out periodic monitoring of the management of non-financial risks, reporting on the actions carried out to the Steering Committee.
- To analyse the information received from the Group's Operational Risk Unit on the management of Non-Financial Risks.
- To promote the implementation of operational risk control in the Group.
- To supervise the degree of compliance with the Operational Risk Policies and Management Manual.
- To approve the procedures for managing the Group's operational risk, as well as the periodicities and thresholds required for their implementation.

Operational Risk Committee: It reports to the Comprehensive Risk Committee (to which it shall submit its proposals as well as a summary of its performance). This committee, represented by the managers of the main areas in charge of the management and control of Non-Financial Risks, periodically monitors the operational risk situation in the Group, as well as designs and promotes risk mitigation measures. The objectives of this Committee are mainly the following:

- To disclose and disseminate the policy of Operational Risk Management approved by the Governance Bodies.
- To analyse the most significant losses and their evolution.

- To analyse the most relevant risks identified and their evolution.
- To propose new action plans and track those already in progress.
- To monitor the control framework implementation
- Follow-up of the raised requirements and resolution of the replanning/withdrawal proposals.
- To inform the Comprehensive Risk Committee on the main findings as well as the aspects that need approval or ratification.

**Operational and Reputational Risk Unit:** This unit reports to the General Management of Corporate Control and Risk, the Operational and Reputation Risk Unit performs the following main functions:

- To develop policies, models and procedures on which the Operational Risk Management system is based.
- To design and coordinate the implementation of the items that make up the stages of the management cycle (identification and analysis, assessment, control and mitigation, monitoring and reporting), which will be applied in the control of operational risk of the main processes, systems, products, services, third parties, projects, etc.
- To design and implement measurement methodologies of operational risk and identify internal and external factors that can affect this risk.
- To monitor, and where appropriate, coordinate the measures aimed at mitigating Non-Financial Risk.
- To design an information system on Non-Financial Risk that ensures the quality and consistency of the reports, adapting it to the needs of the different recipients (Senior Management, supervisory and market bodies, and business and support units).
- To collaborate, as an adviser on comprehensive risk, with the different units of the organisation offering support in the management of resources and tools for the management of operational risk in the organisation.
- To coordinate and manage the necessary processes to ensure the adequate identification, recording and assessment of the operational events taking place in the ABANCA Group in accordance with the criteria established by Basel regulations.
- To set out the methodologies and strategies necessary for the definition and implementation of risk indicators that serve as alerts for Non-Financial Risk management.
- To develop models, methodologies and techniques to calculate regulatory capital allocations for Non-Financial Risk.
- To implement a continuous improvement culture sensitive to Non-Financial Risk.

Business and support unit: With the following functions:

- To manage operational risks of the unit and, in particular, the identification, assessment, control, monitoring, assessment and mitigation of operational risks on which it has capacity to act.
- To record and report operational losses produced in the course of its activity.
- To participate in the definition and implementation of risk indicators that serve as alerts for non-financial risks management in its area.
- The study, definition, prioritisation and funding of mitigation plans of non-financial risks under its management.
- Report to the Operational Risk Unit on the findings obtained in the performance of its duties.
- Maintenance and testing of business continuity plans in charge of this business unit.

In the first line of defence, the business units/support are the owners of the processes they manage as well as the associated risks. Therefore, they shall know in detail the processes they develop, from the beginning to the end, understanding the needs and expectations of customers in the process, taking responsibility for their performance and for adequate risk management.

In order to reinforce this model of risk management, ABANCA Group has defined a functional structure where two key figures shall be present with responsibilities in risk management: i) the Chief Comprehensive Risk Officer; who is the basic key figure responsible for the implementation and monitoring of the management cycle of operational risk in the processes taking place in their area of responsibility and ii) the Master Chief Comprehensive Risk Officer; coordinator of the first and responsible for ensuring compliance with the application of the methodology for Risk Management in their areas of competence.

Those responsible for risk management in the areas will have the help of a Comprehensive Risk Consultant, which is a professional in the area of Comprehensive Risk Management, who provides advice and support in managing resources and tools for risk management in the organisation.

## 3.3 Management model

The mission of non-financial risks management has the primary responsibility to promote and coordinate, throughout the organisation the implementation of procedures and tools needed to carry out each of the stages that make up the cycle of non-financial risks management.

Under this model, the ABANCA Group encourages the implementation of the following basic processes supported by specialised tools and methodologies:

- Identification of latent non-financial risks and controls applied.

  This process aims to develop and maintain a comprehensive risk map that records and controls all material exposures to non-financial risks.

- Assessment of non-financial risks.

  This process aims to assess periodically the inherent and residual risk from business and support units.

- Capture of operational risk events.

  The Entity has a Loss Database that contains events recorded in the source entities since 2004.

  The supply of the Loss Database is provided by a combination of manual and automated processes that use as sources of information accounting statements, other applications of the Entity and information provided by the business and support units.

- Analysis of the causes of the events produced in the Group and the results of risk mapping and controls that will be performing in the Group.

  In connection with the events recorded in the Loss Database, regularly analyses of its evolution complemented by benchmarking processes are carried out.

- Mitigation of non-financial risks.

  As a result of the above process, and depending on the results obtained, improvement proposals and action plans that reduce the residual risk and losses materialisation are established.

- Creating information systems based on the non-financial risks to enable the reporting of basic management information and use of corporate channels for transmission of such information within the Group.

In this sense, the Group has already consolidated the Business Process Management model, which includes, among other things:

- Disclosure of the DNA of Processes and Technology.
- Process documentation.
- Appointment and training of "owners" of processes.
- Proactive risk management.
- The implementation of the process of design, delivery and operation of products.
- The optimisation of key processes of the company.
- Preparation of the operational risk analysis of each process by the process owner in their role as Comprehensive Risk Delegates, with the collaboration and approval of the Comprehensive Risk Consultants.

## 3.4 Scope and nature of information systems

Tools have been developed and implemented for the effective non-financial risks management, which aim to meet the requirements of solvency regulations, the risk management recommendations issued by national or international organisations and industry best practices. These tools are based on a quantitative and qualitative approach, depending on the nature of the information used:

- The qualitative analysis is based on the use of tools for identifying, measuring and monitoring non-financial risks. The aim is to detect the risk exposure and how to mitigate it in advance, so that it will not affect the Entity adversely.

  The main aspects on which the qualitative evaluation focuses are the analysis of business processes, third parties, products, projects, etc., identifying risks inherent therein, the existing controls to mitigate them, establishing systems for continuous improvement of operational processes and in the structure of existing controls.

- The quantitative analysis is largely based on the supply of a database of operational events of own development. In this sense, a historical database of risk operational events has been created, which is continuously updated as information on losses and recoveries are received, both for management of the Entity and the coverage of insurance policies. Every loss event is defined through a decision tree to a third level of detail that assigns the type that best fits to the root cause of the operational event.

This information is useful both to understand the causes of the losses, to be able to overcome and mitigate them, and to test the consistency of qualitative assessments and estimates of potential losses, both in terms of frequency and severity.

In particular, the actions carried out in relation to IT risk and business continuity risk stand out, where the technological infrastructure and current processes and procedures mitigate operational risks (mostly automated controls and procedures), including all the new processes that involve re-engineering with the supervision of operational risk.

In recent years, the integration of ESG (Environmental, Social and Good Governance) factors has gained special relevance and attention, which, since the ABANCA Group's origins have been basic elements of concern for our entity, are progressively being incorporated into the management dynamics of non-financial risks.

The monitoring of climatic-physical risks is based on the assessment of the impacts on material assets, incidents in the business and failures in the systems due to floods, droughts, environmental degradation (air, water and land pollution), water stress, loss of biodiversity, deforestation, etc. Likewise, there are carbon footprint monitoring systems and systems for monitoring compliance with ESG aspects in our supply chain in a clear commitment to the environment. In the operational sphere of internal processes, measures continue to be implemented for the more efficient and sustainable management of resources, such as monitoring the use of paper in contractual documents, prioritizing digital, cleaner and more sustainable media.

If we focus on the climatic risks of transition and its possible legal risks, the ABANCA Group dedicates all efforts to achieve full compliance with regulations and regulatory expectations, implementing control, monitoring and reporting systems to detect possible breaches such as greenwashing or the discontent of our main stakeholders.

## 4. Risk of capital instruments not included in the trading book

The Group holds investments in capital instruments not included in the trading book.

Among those, there are investments in companies not included in the Consolidated Group, associates and jointly controlled companies, which are held, in general, for strategic purposes for the Group, participating in their management and actively contributing these institutions with their activities to the business activities of the Group.

The Group also holds equity investments not included in the trading book where the Entity does not actively participate in their management and that are held due to their contribution or that which is expected to make to the Entity's results. Most of these investments correspond to listed shares and similar investments on organised secondary markets and investments in not listed shares.

The assessment carried out by the Group of the risk to which it is exposed by the investments held in the shares mentioned in the previous paragraph is carried out through the use of sensitivity analysis, by measuring variations in general market prices and in those specific of the investments held.

The Board of the Group sets maximum risk levels to be taken on these investments. The Market Risk Control unit monitors the compliance with these levels as well as compliance with other requirements and policies established in the management of these elements. Within the management process of these instruments, the Group also uses financial derivative instruments that are intended for hedging the market risk to which it is exposed.

The limits and objectives of this portfolio are defined in accordance with the Risk Appetite Framework set out by the Entity.

Information on these instruments is included in section 12 of this document.

## 5. Liquidity risk

The Basel Committee on Banking Supervision defines liquidity as "Liquidity is the ability of a bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses." In this sense, liquidity risk can be expressed as the probability of incurring losses due to not having sufficient liquid resources to comply with the payment obligations committed in a given time horizon, and once the possibility of the entity achieving liquidate its assets under reasonable conditions of time and price.

Changes in the economic, financial and regulatory context and their consequences on credit institutions have substantially modified the standards for the Management of Entity Assets and Liabilities, and especially for the management of liquidity risk. Years ago, such management hardly encountered restrictions in terms of access to markets, diversification of instruments, transaction costs, capital consumption or legal limits. At present, the restrictions are binding on the performance and even on the survival of credit institutions.

In order to face these challenges, the efficient use of available resources as well as the implementation of effective methodologies for the identification, measurement, management and control of risks are of utmost importance. The ABANCA Group has been performing the liquidity risk management and control function for years with satisfactory results. Since its inception, the implementation of the Entity's liquidity risk management and control system has been based on continuous observance and monitoring of the regulations issued by the Banco de España / European Central Bank / EC and the best sector practices of the Basel Committee on Banking Supervision and by the European Banking Authority (EBA). Over the years, the components of the liquidity risk management and control system have gradually evolved towards convergence with these "best practices".

The position of liquid assets available at the close of 2022 places ABANCA in a comfortable liquidity position, with a balance sheet structure characterised by a position of customer deposits that exceeds the level of credit investment.

## 5.1 Management and evolution of liquidity risk

The Entity has a high LCR ratio, supported by a buffer of liquid assets materialised mainly in public debt assets of the highest quality and liquidity, as well as a large retail customer base. ABANCA has a clear retail character, with a very high position of customer deposits, well above the lending investment balances. Likewise, the Entity has highly product-attached customers and high coverage of the Deposit Guarantee Fund, which confers high stability to its customer deposit balances.

The Entity's retail nature, together with a balance sheet structure characterised by a balance of deposits above lending investment, allow it to present a low concentration of financing.

The bank's available liquid asset buffer was concentrated at the end of 2022 mainly in the balance deposited in the Banco de España account, more than 59% of the liquid asset buffer. The rest materialised mainly in Public Debt of European countries and Debt guaranteed by the State, with corporate debt or debt of financial companies being very insignificant.

As regards the LCR ratio, in 2022, it fell slightly to 237%, in line with expectations, remaining at levels well above regulatory and management limits. The decrease in the ratio is explained by the decrease in the Entity's HQLA, by the decrease in the Liquidity Buffer and the effect of the first maturities of TLTRO III. On the contrary, part of this decrease was offset by a more stable structure of customer deposits, in which the balance of retail deposits increased, while the balance of wholesale deposits, worse treated in the indicator, fell, which allowed reduce net departures to 30 days.

The Entity does not present material balances in non-euro currencies.

## 5.2. Qualitative aspects of liquidity risk management

### 5.2.1 Liquidity risk management strategies and processes

The Entity applies the following principles in managing liquidity risk:

- Availability of a stock of high quality assets.
- Diversification of financing sources and terms.
- Analysis of the negotiation or possibility of using them as collateral.
- Analysis of liabilities: it is about optimising the use of the different instruments that it has to maximise the opportunity-cost combination of financial resources, maintaining the balance of maturities of wholesale issues, as well as the availability of alternative financing sources that guarantee at all times the commitments acquired and the investment opportunities undertaken by the Entity.
- Analysis of access to capital markets.
- To pursue a loan investment portfolio that can serve as collateral in future issues.
- To control commitments according to assets available.

### 5.2.2 Structure and organisation of the risk management function

The Entity currently has:

- A solid organizational structure in relation to the control and management of liquidity risk and aligned with its size, complexity, business model and objective risk profile.
- A functional structure in which the responsibilities and powers of each of the components of the organisational structure are properly defined with the purpose of meeting coherently the criteria of the overall functional structure, prudent separation of functions and operational efficiency.
- Proven usefulness methodological procedures for the identification, measurement and analysis of the structural liquidity position, exposure to the associated risks and their potential impact on results and solvency.
- Clear and documented protocols for all major operating, technical and control processes involving liquidity risk.
- Risk appetite framework. The Entity defines risk appetite as the amount and type of risks (including liquidity risk) that it considers reasonable (capacity) to assume in the execution of the business strategy, so that it can maintain its regular activity in the face of the occurrence of unexpected events.

With respect to liquidity risk and in accordance with best practices, the Board of Directors is responsible for managing this risk, a task that is delegated to the Comprehensive Risk

Commission in order to monitor the compliance control mechanisms and revision of the policy, strategies and high level limits of liquidity risk, as well as the alignment with other risks of the Entity and to the Assets and Liabilities Committee in order to implement of the strategies set out.

### 5.2.3 Description of the degree of centralisation of liquidity management and of the interaction between the units of the group

ABANCA Corporación Bancaria, S.A. centralises liquidity management at Group level. The Capital Markets Management and Distribution area is in charge of liquidity management, the Liquidity and Interest Rate Risk area is in charge of liquidity risk control, all under the policies issued by the Board of Directors of the Entity and the various Commissions and Committees to which it delegates its functions.

### 5.2.4 Coverage and nature of the risk measurement systems and submission of the corresponding information

The methodological framework defined by the Entity to control structural liquidity risk is based on a series of elements that will ensure compliance with the principles and policies set by Senior Management in relation to this risk. The elements that make up the methodological framework for the measurement and control of liquidity risk and that are defined taking into account the risk appetite framework are summarised in:

- Liquidity Contingency Plan: This plan defines and coordinate ex-ante the necessary actions to prevent, and if necessary, mitigate the effects of a liquidity crisis.
- Financing and Business Plan: This plan allows identifying the anticipated financing needs.
- Risk indicators: Indicators that allow analysing and class the liquidity situation.
- Stress tests: They are based in scenarios that combine the occurrence of idiosyncratic and systemic events.
- Early warnings: Indicators that inform in advance of potential risk situations.
- Intraday liquidity control: In line with the recommendations of the supervisory bodies, the Entity has an intraday liquidity management and control system and periodically carries out reports on said risk.

### 5.2.5 Hedging policies and risk reduction

The Entity uses hedges, whether fixed-income portfolio, issue financing or lending investment, to control its exposure. Likewise, periodic monitoring of the effectiveness of said hedges is carried out.

The Bank uses hedges, whether fixed-income portfolio, issue financing or lending investment, to control its exposure. Likewise, periodic monitoring of the effectiveness of said hedges is carried out. In relation to exposures to derivatives and possible requests for guarantees, given the orientation of the entity towards the business and especially the retail business, there are no material exposures in this type.

### 5.2.6 Diagram of the bank's contingency financing plans

The Liquidity Contingency Plan constitutes the first element of the framework for liquidity risk management defined by ABANCA. This Plan aims to ex-ante define and coordinate the necessary actions to prevent, and if necessary, mitigate the effects of a possible liquidity crisis. The Entity's Contingency Plan documents, quantifies and orders, based on their feasibility, the measures to be implemented in a risk situation, as well as establishes the governance processes to be followed in a risk situation.

### 5.2.7 Stress tests

In line with the recommendations of the supervisory bodies, ABANCA regularly conducts liquidity stress tests, even on a daily basis, based on scenarios that combine the occurrence of idiosyncratic and systemic events. Said analysis allows the analysis of the Entity's vulnerabilities, calibration of liquidity buffers by terms, typologies, asset quality and analysis of the sufficiency of the Contingency Plan.

The ABANCA Group carries out, as part of the ILAAP, a self-assessment exercise of the adequacy of the Entity's liquidity situation, taking into account the evolution of the liquidity position and the projections expected under the Entity's Strategic Plan for the coming years. The Entity's Senior Management and the Board of Directors are involved in this exercise. The latter makes a statement regarding ILAAP, in which it is made clear that the Entity has an adequate and robust liquidity control and management model, and that the current levels of liquidity maintained by ABANCA on a consolidated basis are adequate, both at the reference date and taking into account the impacts and estimates established by the Strategic Plan in the current market environment. The Board of Directors states that:

- The Entity maintains a liquidity position above regulatory requirements, as well as above the internal limits established by the Entity, with levels of LCR at the end of the year of 237%, NSFR of 120% and LtD of 91%, as well as a liquidity buffer (1st + 2nd lines) of more than 14 billion €, mainly deposited in the Banco de España Account and European Public Debt.

- The level of liquidity is consistent with the Entity's business model focused on commercial and retail banking. Said level of liquidity is consistent with the Entity's objective risk profile.

- The ABANCA Group has a buffer of liquid assets and the capacity to generate additional funds (issuance capacity) sufficient to face severe liquidity stress situations of various kinds (systemic, idiosyncratic and a combination of both).

- Liquidity projections are at levels above the limits approved by the Board in the Risk Appetite Framework under a budget baseline scenario and above the regulatory minimums. The Entity's Business and Financing Plan, on which these projections are based, includes a prudent perspective, both from the point of view of retail, wholesale and capital markets, in accordance with the reality of the Entity and its risk profile and according to the current situation of the financial markets.

The Entity's liquidity management is properly integrated within the institution, with solid governance involving the institution as a whole and adequate documentation that describes in detail each of the key items: i) Organisation; ii) Identification of risks, methodologies and indicators; iii) Inputs and information systems; iv) information outputs; v) Decision-making and governance processes; vi) actions in situations of risk; vii) limits. The Board of Directors has approved both the Liquidity Risk Manual and the Contingency Plan, where said items are described and which are updated at least annually.

# 6. Climatic risk (ESG)

The Group ABANCA has made significant progress in understanding, monitoring and measuring the risks and opportunities of climate change in 2022. It has also made progress on the rest of the environmental, social and governance (ESG) risks.

ABANCA's objective in this area is not only complying with regulatory and supervisory requirements, but also seeks to progressively integrate ESG risks and opportunities into its daily activities. It is a dynamic and progressive process in which the Entity is working in a transversal and coordinated manner, mainly in five areas: materiality, strategy and business model, governance and risk appetite, risk management and disclosure of information.

## MAIN ADVANCES MADE

As a synthesis, the following are the main advances made last year in terms of sustainability:

### Sustainable finances

- In 2022, in terms of financing projects that promote a transition to an economy with low intensity of CO2 emissions, these exceeded €899 million (of this total, €830.9 million contributed to the environmental objectives of the EU Taxonomy).
- In terms of sustainable investing, more than 87% of the AUM (a figure that exceeded €1 billion in 2022) laid down in strategies classified as article 8 according to the SFDR and more than 95% of the underlying funds of the GDC strategies, including those that do not meet the SFDR criteria, such as Alpha Cíclica, are funds classified as article 8 and article 9 of the aforementioned regulation.
- As part of its support for the local productive fabric, ABANCA maintains its stake in three companies that operate a total of four wind farms with a total power of 112.06 MW.

- Within its SDG bond issuance framework, ABANCA has successfully placed its second Senior Preferred green bond issue for an amount of €500 million.
- In 2022, ABANCA published its first Green Bond Report corresponding to the Senior Preferred issue made in 2021 for an amount of €500 million. The report was submitted to an external audit process, with the result of a favourable opinion on the consistency in the calculation of the non-financial impact indicators included. According to the impact calculation: the emissions avoided amount to 290,884.46 tCO2eq/year and an annual generation of 1,584.41 GWh.
- As part of its objective of expanding the product catalogue, in 2023 ABANCA has launched a financial solution for efficient homes (with an A or B energy rating), which is added to the aforementioned and also to loans for the purchase of ecological cars and financing products linked to the Next Generation EU program, such as advance payments of Plan Moves III aid, solutions for the rehabilitation of buildings aimed at owners associations or financing lines for renewable energies.
- Following one of the general objectives of the sustainability plan, in 2023 ABANCA launched a new specialised unit, ABANCA Energy, with the aim of promoting the development of energy projects by companies and households that want to develop projects related to generation, distribution, marketing and consumption of renewable energy, both in Spain and abroad.

## Carbon footprint

- Since 2019, ABANCA has calculated and verified annually its scope 1, 2 and 3 carbon footprint, under an operational control approach. In addition, it has the "Calculo" seal of the Spanish Office for Climate Change dependent on MITECO for the footprints of 2019, 2020 and 2021. And "Compenso" for the footprints of 2020 and 2021. In 2023, the Entity will apply for registration of both seals and that of "Reduzco".
- The Entity has anticipated the climate neutrality objective included in its 2021-2024 Plan, since the entity has been carbon neutral since 2020. Since the aforementioned year, the CO2 emissions that have not been able to be reduced have been offset through environmental restoration projects and sustainable forest management (based on absorption projects registered with the Spanish Office for Climate Change), contributing to the recovery of the forest.
- Progress continues in the Global Energy Efficiency Plan, which seeks to reduce the energy consumption generated, such as the new branch model, which allows for the optimisation of electricity consumption through automated remote management of lighting and air conditioning.
- In 2022, 99.78% of the energy demand of branches and premises in Spain and Portugal was covered from energy of 100% renewable origin acquired through the purchase of renewable energy with certificate of origin guarantee (GDOs). .
- ABANCA has implemented an energy management system based on ISO 50,001:2018 that allows monitoring of energy performance by monitoring consumption baselines and establishing KPIs (Lb kWh/m2).

- As for other environmental certificates, ABANCA obtained the LEED Gold certificate in 2022 for its Espacio Serrano premises in Madrid, which is added to the BREEAM Muy Bueno certificate at another of its premises.

### Strategy

- In December 2022, ABANCA defined the decarbonisation path within the scope of its financed footprint, establishing the first objectives for four sectors. Likewise, during 2023 objectives will be defined for another 4 sectors, to finally, during the first quarter of 2024, establish objectives for the three remaining sectors.

- Once the first objectives have been defined, during the first half of 2023 the entity has approved its first sector credit risk policies, which include exclusion and restriction criteria.
- Progress was made in the strategic customer matrix, classifying customers based on the need to transition and considering their strategic weight.
- Likewise, metrics have been established in the bank's BSC (Balanced Scorecard) for all the Bank's business units, as mentioned above.

### Governance

- The Entity has made progress in the ESG risk governance model, defining the responsibilities of the Governing Bodies (Remuneration and Sustainability Commission, Comprehensive Risk Commission, Executive Risk Commission,...).
- Since 2021, the Entity has followed an action plan defined as a roadmap in order to adequately understand, measure and manage risks in this area, following the guidelines of the European Central Bank on climate and environmental risks in relation to supervisory expectations in management matters The plan was approved by the Board of Directors the same year, and currently has no deviations.

### Risk Management

- ABANCA has made progress in the inclusion of climatic and environmental risks, including this as a risk factor for traditional risks.
- The Entity has established a Climate Risk Stress Test Framework in order to establish climate resistance tests that allow understanding, measuring and managing the impact that climate change risks have as traditional risk factors, as well as the Entity's resilience in the short, medium and long term.
- The Risk Appetite Framework has C&E indicators for various risk categories (business, credit and market), which are monitored following the RAF governance, having established vulnerability thresholds for the metrics that have historical records.

- Progress continues in the integration of climatic and environmental risks in management, advancing in the incorporation of standardised tools for the retail portfolio and specific reports for the main clients in the admission processes.
- In the field of prices, a higher price will be passed on to those customers with a greater transition risk, and whose transactions are not aimed at the transition.

Disclosure and sectoral frameworks

- The necessary progress has been made to enable compliance with regulatory reporting obligations and best practices in matters of disclosure of financial and non-financial information, especially with regard to climate and environmental risk.

  In this sense, we continue to work and actively participate in projects at the sectoral level for the harmonisation of disclosure frameworks that allow standardisation of the criteria in this area (financed emissions and decarbonisation objectives, recommendations of TCFD, TNFD, among others), and with the objective of obtaining the necessary quantitative information for the different reports, and learning the best practices in the market on the integration of climatic risks in management.

Commitments

- Within the commitment to climate action and the objective of increasing its alliances and improving the relationship with stakeholders, which is a key element of the strategy and corporate culture, the following stand out in 2022: accession to the global alliance PCAF (Partnership for Carbon Accounting Financials), which aims to establish an international methodology to measure and disclose greenhouse gas emissions financed by banks and investors. And in Galicia, the joining to the Alianza Galega polo Clima.

Change management

- In 2020, ABANCA launched the Sustainable Finance Change Management Plan for the entire workforce, which consists of a series of training pills that is completed with specific training based on sustainability management categories. In 2022, the Entity launched specific training plans (with continuity in 2023) in order to incorporate the necessary knowledge for effective management, among others: ESG risks and opportunities, Taxonomy, mandatory training linked to the GREEN MiFID regulations. The objective within the Responsible and Sustainable Banking Plan is to achieve 100% of the workforce trained in this area.
- A training plan has been carried out to provide the teams with the necessary skills in the climate and environmental field.

## 6.1 Business Model and Strategy

The incorporation of climate risk and ESG principles in the planning process and business model of the ABANCA GROUP is being gradual, in accordance with the recent nature of these requirements and the process of clarifying the regulations and the implementation of the taxonomy.

Since 2021, ABANCA has been immersed in its strategic plan to continue advancing in the integration of ESG criteria, and in its commitment to economic and social progress and the well-being of people, through its sustainability strategy.

The work approach is progressive, following criteria endorsed by the regulator, supervisor and the market, which incorporates national and international responsibility practices and standards, in the search to meet the needs of interest groups, and which goes further beyond legal requirements, to manage change in the most efficient and inclusive way possible.

### 2021-2024 action plan for Responsible and Sustainable Banking

In 2021, ABANCA's sustainability plan was launched, a responsible and sustainable banking action plan in order to integrate sustainability criteria into management, business and risk models, and into the decision-making process. In addition, ABANCA has the objective of accompanying customers in the transition towards a new economic model based on sustainability, in coherence with our business model focused on people and small and medium-sized companies.

The plan includes a roadmap up to 2024, coinciding with the entity's global strategic plan. The entity has established three main lines of action to achieve the objectives established in the plan:

1. **The environmental line (E):** as a response to the concern about the climate emergency and contribution to the protection of biodiversity. The target is to achieve zero net carbon emissions by 2050 through the definition of de-carbonisation objectives and measures, and to maintain the operational carbon footprint neutral.
2. **The socio-economic line (S)**: deals the recovery and transformation of the economy towards a sustainable model and inclusive growth. Support for education and internal talent is essential. About the social action and the executing arm that is Afundación, the Obra Social ABANCA.
3. **Good governance line (G)**: a responsible management model focused on providing an agile response to the line of needs of stakeholders and with special attention to new risks.

ABANCA has set itself the goal of becoming a carbon neutral entity in 2024 in its internal transactions, and reaching zero emissions attributable to the portfolio according to the objectives of the Paris Agreement in 2050. As first steps, the bank has started calculating its carbon footprint and has set annual targets to reduce its emissions; In addition, it has a Global Energy Efficiency Plan. Since 2020, all the energy consumed is renewable and it offsets its emissions through support for reforestation projects in areas degraded by natural disasters.

Table 68: Monitoring of environmental actions

| ENVIRONMENTAL | 2020 | 2021 | 2022 |
|---|---|---|---|
| Reduction of water consumption | 31,430 $m^3$ | 28,003 $m^3$ | 29,217 $m^3$ |
| Reduction of paper consumption | 303.93 t | 215.06 t | 132.16 t |
| Reduction in electricity consumption | 6 % base 2019 | 5.5 % base 2020 | 0.7 % base 2021 |
| Emissions avoided by reusing electronic waste | 33.6 t $CO_2$ | 77.4 t $CO_2$ | 24.0 t $CO_2$ |
| Emissions avoided by using 100 % renewable energy | 2,717.12 t $CO_2$ | 5,305.87 t $CO_2$ | 5,953.3 t $CO_2$ |
| Generation of renewable energy in proprietary photovoltaic plants | 391.82 Gj | 392.97 Gj | 725.59 Gj |
| Hours dedicated to environmental volunteering | 921 h | 3,617 h | 1,973 h |
| Number of trees planted in volunteering actions | 300 | 600 | 250 |
| Number of head offices with Zero Waste measures implemented | 3 | 6 | 7 |
| Establishment of the decarbonisation pathway of our portfolio (more information in the section on "Partnerships") | | | 4 intermediate objectives in 2023 |
| Support in the transition through the financing of renewable energy projects (following EU Taxonomy criteria) | €700.0 M | €736.4 M | €830.9 M |
| Issue of green bonds to finance wind and solar energy projects | | €500 M (1st issuance) | €500 M (2nd issuance) |

The environmental footprint plan is being strengthened, which serves as a roadmap and management mechanism at the environmental level, and encompasses all actions to establish monitoring and measurement of progress. These actions are:

- Strategic energy efficiency plan 2021-2024: fundamental tool to advance in the de-carbonisation of the company through the reduction of energy consumption. Within this framework, various actions have been implemented: measures that seek to reduce the energy consumption generated, such as the new branch model, which makes it possible to optimize the cost of electrical energy through automated remote management of lighting and air conditioning. Obsolescence plan: intended to replace obsolete and low-efficiency refrigeration equipment in branches and premises, minimising its carbon footprint by reducing energy consumption and fugitive emissions.

- 100% renewable energy consumption: ABANCA, through the Agreement signed with ENDESA in 2021, has managed to certify 99.76% of the electricity supply with guarantees of origin.

- Waste management and minimisation: in September 2020, ABANCA launched the Zero Waste project in order to improve waste management. In 2021, the first milestone of the project was reached with the obtaining of the AENOR Zero Waste certificate for the premises of A Coruña and Madrid. In that same year, it also obtained the certificate for its headquarters, ABANCA Seguros in A Coruña. In 2022 the zero waste measures were extended to new locations and the three certifications were renewed and additionally the AENOR Zero Waste seal was obtained in the Serrano premises in Madrid, all of them being above the 90?% required to obtain this environmental seal. Of the total waste generated (32,543 kg), 95% was destined for recovery, while only 5% was sent to landfill. In 2023, it is planned to expand the Zero Waste measures to 4 new headquarters (which would add up to a total of 11) and advance the Zero Waste goal.

- During 2022, Revertia removed more than 31 tons of electronic waste from our facilities. Thanks to the reuse and recycling processes, the emission of 24 tons of $CO_2$ has been avoided, which is equivalent to 119,390 km travelled by a vehicle or the energy consumption of 29 homes for one year.

- Carbon footprint: the bank has the "Calculo" seal from the Spanish Office for Climate Change for the footprints of 2019, 2020 and 2021.

Table 69: Issuances

Emisiones

| | 2022 |
|---|---|
| Alcance 1 (t $CO_2$ eq)[1] | 871,41 |
| Alcance 2 (t $CO_2$ eq) | 16,41 |
| Alcance 3 (t $CO_2$ eq)[2] | 1.884,46 |
| Total | 2.772,28 |
| Intensidad emisiones de la plantilla (t $CO_2$ eq) | 0,48 |

[1] Emisiones directas derivadas del consumo de gases refrigerantes y combustible.
[2] Emisiones directas asociadas a los viajes de negocio, las pérdidas en la transmisión y distribución de electricidad; y la extracción, producción y transporte de los combustibles consumidos.

- Offsets: ABANCA has obtained the "Compenso" seal from the Spanish Office for Climate Change, by offsetting 100% of its 2020 carbon footprint through absorption projects that have included the planting of native species such as Quercus suber, Pinus pinaster and the Fraxinus excelsior in mountains located in the Galician provinces. To this end, the bank has formalised a collaboration agreement with the ARUME Foundation and the Galician Forestry Association, for the restoration of these areas by a team of experts, and allows progress in the de-carbonisation goal, offsetting the emissions that it has not been able to reduce internally, based on absorption projects registered with the Spanish Office for Climate Change.

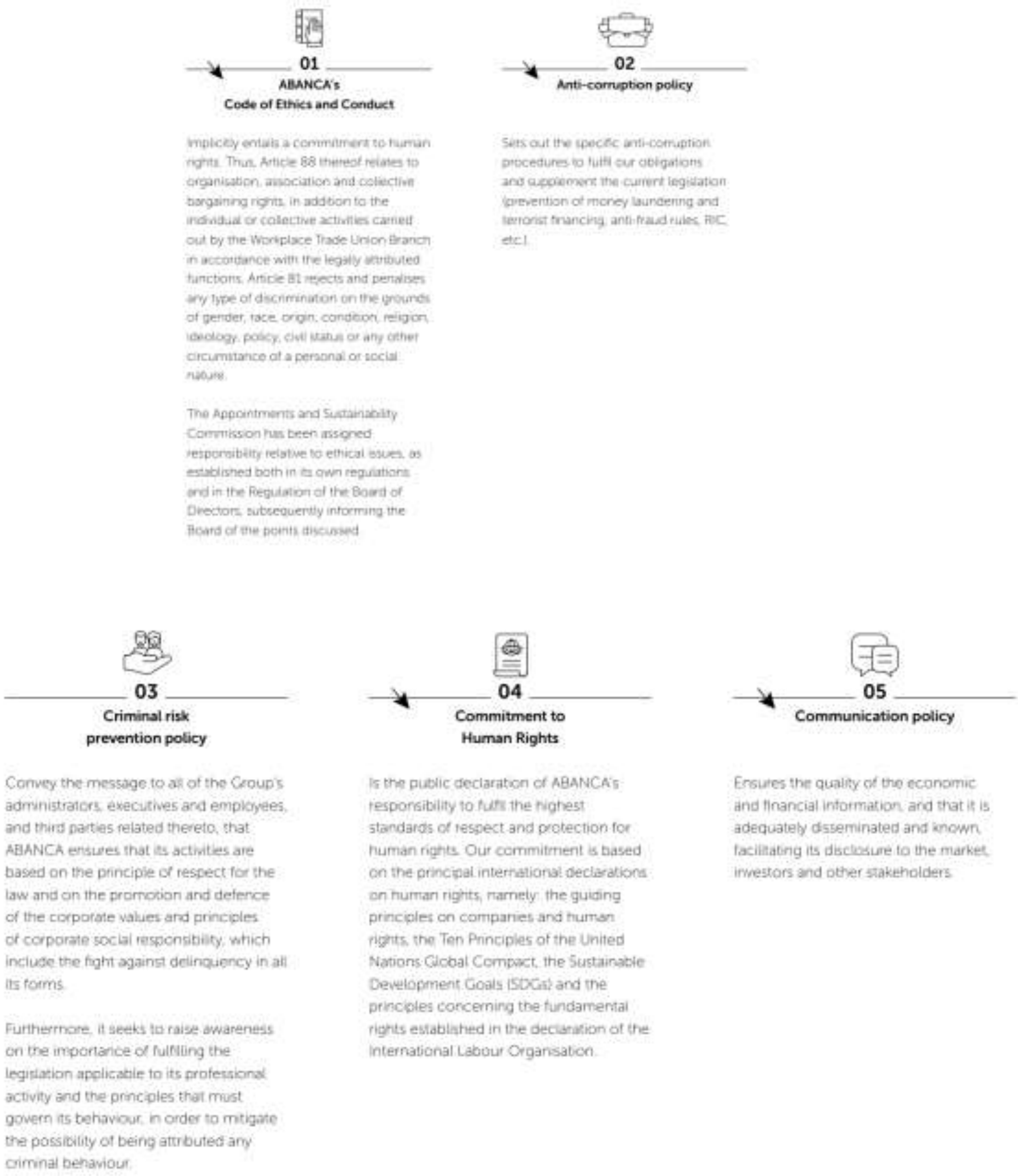
Corporate framework

From the beginning, the Entity works within a corporate framework, which establishes principles, functions and responsibilities, and defines the processes and appropriate governance to achieve the commitment to responsible and sustainable banking.

This framework permeates the entire entity and the entire ABANCA Group through a common Sustainability Policy, which tries to bring together the principles of action and basic and strategic commitments aimed at promoting sustainability and evaluating its strategic impact, and promoting and managing initiatives designed to respond to the challenges posed by climate change from an environmental, social and governance point of view.

In addition to other mandatory policies, rules and procedures that ensure the development of responsible behaviour throughout our scope of action.

Graph 20: Policies, standards and procedures that ensure the development of responsible behaviours.



**06**
**Commercial communication policy**

It includes rules, principles, criteria, procedures and controls aimed at minimising the risks related to advertising activity and that ensure that it fulfils the applicable legislation in force at any given time.

**07**
**Sustainability policy**

Aims to set out the Entity's strategy, basic action principles and commitments in this connection; asses their strategic impact and promote initiatives designed to address the challenges posed by climate change from the environmental, social and governance viewpoint.

**08**
**Responsible investment and incorporation of sustainability risks policy**

Sets out the strategy and basic voluntary and aspirational action principles in this connection, with the aim of obtaining return on investment consistent with its customers' objectives, while seeking to maximise social well-being. To this end, they are included in financial metrics and social, environmental and governance aspects (SEG).

**09**
**Energy and environmental policy**

Provides a common reference framework to establish objectives and carry out actions, based on ABANCA's commitment to efficiently consume energy, reduce its greenhouse gas emissions and establish appropriate environmental mechanisms.

**10**
**Product governance policy**

Applicable to different banking products and services: finance and savings, investment, payment methods, insurance and any other financial and non-financial service for which the Bank has administrative authorisation.

It envisages both the design, creation, launch and distribution of a product or service and the subsequent monitoring thereof once placed on the market, with the aim of minimising ABANCA's exposure to behavioural, operating and reputational risks arising from creation and distribution, thereby ensuring that the products are adequately distributed in the target market identified for them.

## Training

The new needs in the face of changes in society and in the objectives of companies make it important to undertake re-skilling and training processes to provide people with new knowledge to meet the new requirements.

The training on the regulations that regulate our activity has a relevant weight in the total training dedication of the ABANCA staff, and its purpose is to guarantee rigorous compliance with the regulatory framework in their professional performance. In this way, every year a specific training plan is established in regulatory matters, in which each person is assigned the training they have to carry out to comply with their obligations in this area.

In 2022, the sustainable finance-training plan has been reinforced with a series of specific modules on the introduction of ESG factors in risk management, required by the regulations that have entered into force on the matter. To support it, a specific training plan has been prepared with training on governance, taxonomy, reporting, the management of these risks or their impact on business development. This plan has been addressed to the managers and specialists of the units in charge of managing these issues, as well as to senior management regarding their governance.

The plan is continuous with its extension to the sales force to train in the internal procedures developed for the management of these risks in ABANCA.

### ESG commitment:

Since the launch of the 2030 Agenda, the bank has been working to align its global strategy with its commitment to the The United Nations Sustainable Development Goals (SDGs), as well as the Paris Agreement, and to guarantee its contribution as a provider of financial services and part of the community.

Every year the entity tries to increase its alliances and the relationship with interest groups, which is a key element of the corporate strategy and culture, which allows us to provide solutions, actions and forums that seek sustainable development and contribute to progress.

In addition to adhering to the following commitments, it implies ABANCA's participation in the corresponding working groups, whose objective is to plan and implement a set of measures, which they will take in permanent dialogue with their customers and their interest groups.

ABANCA is part of the main collective initiatives promoted at the national and international level for climate action. Joining these types of spaces allows the exchange of ideas to work together in the search for answers to the challenges of climate change and represents a further step in their commitment to sustainability and environmental protection.

The main initiatives and alliances, and the advances in collaboration, at a local and international level, are:

- Global Compact Principles

  In 2015, ABANCA was constituted and joined the Spanish Global Compact Network as a member. Since 2019, ABANCA has been a member of the Global Network of the Global Compact and participates in the actions and initiatives that the alliance launches at a national and international level.

  This commitment also involves reporting on the performance and evolution in the implementation of the 10 principles through a progress report. In this way, we reinforce ABANCA's strategy and learn about our progress in achieving the goal of achieving excellence in social responsibility.

- Principles for Responsible Banking

  In 2019 ABANCA became one of the founding banks of the Principles of Responsible Banking as founding signatories within the framework of the United Nations General Assembly.

  The United Nations Environment Program Finance Initiative (UNEP FI), together with a group of banks, has developed the principles.

  This initiative aims to align the actions of banks with the achievement of the United Nations Sustainable Development Goals and the Paris Agreement on climate change.

  The six Principles for Responsible Banking define the commitment and responsibilities of the financial sector to contribute to a sustainable future, in line with the The United Nations Sustainable Development Goals (SDGs) and the Paris Agreement, setting a global standard on what it means to be a responsible bank. The principles constitute a basic pillar of action of the Sustainability Policy of ABANCA and the progress of these is reflected in a summarised way in the annual update of the document.

- Principles for Responsible Investment

In May 2020, ABANCA was the first Spanish bank to adhere to the Principles for Responsible Investment, promoted by UNEP FI. Subscribing the Principles of Responsible Investment represents a further step in ABANCA's sustainability strategy, which through its activity promotes a model that contributes to the economic, social and environmental balance of its environment.

Adherence to these principles has led ABANCA to develop a Sustainable Investment Policy and integration of sustainability risks, revised in 2021 to adapt it to the new requirements of the regulations and approved by the Board of Directors. The policy establishes how ABANCA undertakes to guide its actions based on the development of the six Principles of Responsible Investment (PRI).

- Sustainable Ocean Principles

In June 2020, ABANCA signed the United Nations Principles for a Sustainable Ocean, becoming the first Spanish financial institution to adhere to these principles. The nine Principles for a Sustainable Ocean, developed by the United Nations Global Compact Network, were launched on October 22, 2019 and complement the ten Global Compact Principles.

With this action, ABANCA recognises the urgency and importance of implementing measures on a global scale that promote the well-being of the ocean, in order to conserve its wealth today and in the future, and commits itself to work in this regard within its sphere of action. The bank thus joins a coalition of companies from around the world, from different sectors of the economy that share this concern.

- Net-Zero Banking Alliance

In May 2021, ABANCA reinforced its commitment to the emission reduction objective set in the Paris Agreement with the adhesion to the Net-Zero Banking Alliance, a project promoted by the Financial Initiative of the United Nations program for the environment as part of the Glasgow Financial Alliance for Net Zero (GFANZ).

The alliance brings together banks from around the world in order to fulfil the ambition of the banking sector to align its climate commitments with the objectives of the Paris Agreement through collaboration, rigour and transparency.

In this way, ABANCA has committed to transitioning all operational emissions and emissions attributable to the loan and investment portfolio to align them with the Net-Zero routes by 2050, in line with a maximum increase in temperature of 1.5 °C above pre-industrial levels by 2100.

- Alianza Galega polo Clima

In 2022, ABANCA, together with its Obra Social, Afundación, and the Universidad Intercontinental de la Empresa (UIE), joined the Alianza Galega polo Clima, an initiative launched by the Regional Council of Environment, Territory and Housing of the Xunta de Galicia to advocate for a commitment to climate action, define and prioritise strategies to solve the main environmental problems of the community and involve the Galician business fabric in the fight against climate change.

By joining this initiative, which is part of the Galician Strategy for Climate Change and Energy 2050, ABANCA joins forces with the entire Galician society to protect the natural environment of Galicia and stop global warming. It is also intended to promote improvements in the sustainability practices of organizations and offer tools to small and medium-sized companies and local entities so that they can join this alliance.

- Partnership for Carbon Accounting Financials (PCAF)

ABANCA has accessed to the commitment of the global alliance PCAF (Partnership for Carbon Accounting Financials), which aims to establish an international methodology to measure and disclose greenhouse gas emissions financed by banks and investors. In addition, it addresses the urgent challenge of climate change and the de-carbonisation of the economy.

- Diversity Chart

In 2023, ABANCA has signed the 'Diversity Charter', a voluntary adherence code that is part of the anti-discrimination directives promoted by the European Commission in the year 2000 and that both companies and institutions can sign to support, promote and extend diversity and non-discrimination. The ultimate goal of the initiative is to enhance the quality of life and work of people in their work environment.

With the signing of the 'Diversity Charter', ABANCA assumes the 10 basic principles on diversity and inclusion contained in the initiative.

### Sustainability PIPE

ABANCA gives a priority role to the strategic planning process through the so-called PIPE (Comprehensive Process of Strategic Planning). It is a participative strategic planning procedure, where the entire organisation is involved in its implementation, with a vision of long-term transformation, and with a more tactical management perspective in the short term. The objective is to prioritize, focus efforts and achieve the alignment of the entire organisation in achieving the objectives based on a clear and shared roadmap that, among other things, will materialise in a portfolio of projects that will provide the necessary capabilities for the achievement of strategic objectives, including the ESG field. Specifically, the development of the necessary systems and databases are a priority within the sustainability PIPE. At the same time, to ensure the response to regulatory or supervisory requirements in a timely manner, in coordination with Sustainability, Risk Control and Regulatory Compliance departments.

The focus of attention on implementation is achieved by the Implementation Control of the Strategic Plan (CEPE by its acronym in Spanish), which seeks to maintain the intensity and priority on strategies that ensure key business results. During this process, the plans of the units (which are aligned with the Bank) are monitored, which allows decisions to be made on compliance with the strategic premises, reorient the strategy if necessary, and prepare the actions to correct the deviations from the stated objectives. In this quarterly monitoring, each significant deviation from an objective must be accompanied by a gap-closing plan to guarantee compliance with the goal at the end of the year. At the same time, the PMO (Project Management Office) establishes close monitoring of implementation, compliance with deadlines, cost and investment budget and value promise of the project portfolio, which are key to providing the bank with the necessary capacities to achieve the objectives goals. The process of planning and control is based on the methodology of Balanced Scorecard (BSC).

### Strategic Customers Matrix

At the strategy level, it is worth noting that the Entity has begun to include the climate dimension in its definition of strategic customer, with the aim of integrating this risk into the Entity's business strategy. To this end, in 2022 ABANCA designed a strategic matrix with the following priorities:

- The **strategic relevance** of customers or the sector of activity in which they operate;
- Their status as an intensive sector/customer in carbon emissions and their ability to transit.

ABANCA segmented customers from specific sectors in this matrix to determine the line of action in relation to the positioning of the Entity in terms of supporting their transition, thus focusing the effort of the Entity on accompanying its customers in the development of new technologies less intensive in emissions, helping them in their transformation processes and improvement of efficiency.

This matrix is currently being deepened, which will serve as a starting point to establish KPIs related to climate-related risks for our exposures and for the establishment of sector policies.

As soon as it is considered that the degree of maturity of this segmentation is acceptable, this will be the basis for establishing specific ESG criteria in the Entity's risk policies (increase, reduce or maintain), in any case taking into account the customers' strategic profile.

Related to this, and in compliance with the commitments undertaken (Net Zero Banking Alliance), in the last quarter of 2022, the definition of our de-carbonisation path began. ABANCA published its de-carbonisation objectives for 2030 in four of the sectors considered to be the most intensive in terms of $CO_2$ emissions (steel, aviation, cement and coal), which represents further progress in the Responsible and Sustainable Banking Action Plan 2021-2024 and in its commitment to continue supporting its clients in the sustainable transition.

### De-carbonisation goals

ABANCA committed itself to stop financing carbon by 2030 and has agreed that between 2021 and 2030 it will reduce the carbon intensity emissions of its credit portfolio by 37% in aviation; 25% in steel production; and 20% in cement production.

The entity's highest governing body, the Board of Directors, which monitors progress, at least annually, has approved this path of de-carbonisation. In addition, work will be done to establish sectoral policies consistent with these reduction goals.

The reduction targets follow emissions intensity metrics per unit of production, with a starting point in 2021 and a target by 2030 for all four sectors. These metrics follow the Sectoral De-carbonisation Approach methodology, which takes into account certain elements of PACTA (Paris Agreement Capital Transition Assessment).

Likewise, the 1.5ºC scenarios have been taken as a reference, specifically the net zero emissions scenario of the International Energy Agency and the calculation methodology developed by the Partnership for Carbon Accounting Financials. (PCAF).

Additionally, work continues to extend the path of de-carbonisation for the rest of the sectors considered a priority by the NZBA.

## Climate and Environmental Sector Policy

During the first half of 2023, and after defining the decarbonisation path at the end of 2022, ABANCA has established a climate and environmental policy for credit risk, aimed at guiding its portfolio towards meeting the established objectives. In this way, this policy, based on management tools, serves as an instrument to identify the activities in which the Entity has decided to limit financing due to negative impact.

The grounds of this policy is based on ABANCA's general objective of accompanying and supporting its customers in their transition, offering them financing adapted to their needs, with the ultimate objective of reducing the intensity of their greenhouse gas emissions.

The Entity has carried out an exercise to define the sectors most sensitive to the transition and, therefore, those that it considers could have a greater adverse impact at the environmental level and that require a specific decision-making process.

For this reason, ABANCA has worked on the definition of the Group's strategic matrix, developed based on the emissions-intensive nature and the transit capacity of the companies, together with the strategic relevance of the sector/customer, and determines the treatment of customers and therefore, it directs the management towards the fulfilment of the objectives.

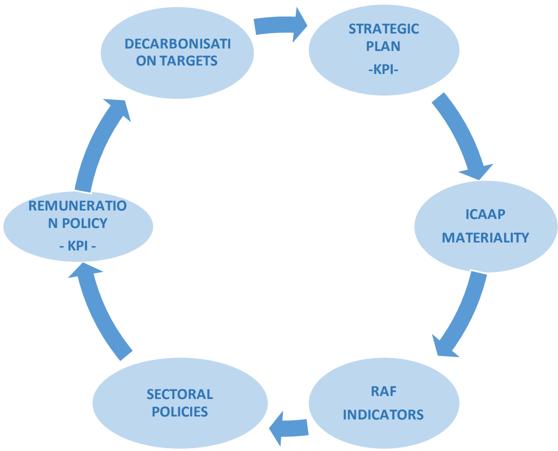
Finally, it is important to highlight that this policy allows for continuous monitoring of the objectives and even establishing intermediate objectives towards the achievement of the NETZero 2050 target, since it allows the new admission to be focused on the financing of projects and companies that collaborate in the development of a sustainable economy low in emissions.

## KPIs and Balanced Scorecard (BSC) Metrics. Strategy.

Within the framework of the Implementation Control of the Strategic Plan (CEPE) and with the aim of managing ESG parameters, ESG objectives and KPIs have been incorporated or reinforced, whether supporting or business ones, for all areas of the bank to reflect their level of compliance. These indicators will allow us to monitor aspects of a different nature, in terms of exposure, energy certifications, reduction of emissions, etc...

It should be noted that, in the definition and integration of metrics in different areas, coherence and consistency have been sought, with the aim of guaranteeing maximum robustness to the process of implementing ESG risks in the Entity.

Graph 21: ESG Incorporation




The incorporation of climate risk and ESG principles in the planning process is being progressive, in accordance with the recent nature of these requirements and the process of clarifying the regulations and the deployment of the taxonomy.

Likewise, ABANCA Group has several indicators in the Risk Appetite Framework, in the field of business, credit and market risk, which allow monitoring of the evolution of climate risk. It should be noted that part of these indicators, to a large extent, are linked to the sectors most sensitive to the transition, which guarantees exhaustive monitoring of these customers from the three perspectives (business, credit and market).

Initially, these indicators were incorporated into the appetite framework for monitoring purposes, although, in 2023, vulnerability thresholds have been incorporated into the indicators that were followed during 2022, applying the same governance as for the other types of risks. This meant establishing early warning levels and limits for these metrics. Likewise, during the definition of risk appetite for 2023, new ESG metrics have been introduced for monitoring purposes.

Within the framework of the Implementation Control of the Strategic Plan (CEPE) and with the aim of managing ESG parameters, ESG objectives and KPIs have been incorporated, whether supporting or business ones, for all areas of the bank to reflect their level of compliance.

Finally, it should be noted that in the Bank's objectives panel that conditions the Entity's VRS, 2 KPIs linked to ESG have been incorporated with a weight of 10%. One of them is a synthetic indicator that is made up of metrics aligned with RAF, with strategic objectives and with compliance with the signed agreements.

Below is the list of KPIs that apply to the entire Entity:

Table 70: List of KPIs linked to ESG that apply to the entire Entity

| Scope | KPI | Periodicity |
|---|---|---|
| Bank dashboard | NPS in value customers | Monthly |
| | Synthetic indicator: 40% financing to less sensitive sectors, 30% Milestones contemplated in the signed agreements, 30% new sectors with decarbonisation targets | Quarterly |
| Total Entity BSC | % Completion of ESG labels and questionnaires | Quarterly |
| | % of financing to less sensitive sectors-stock | Quarterly |
| | Non-solicited ESG rating | Annually |
| | Business volume growth based on ESG criteria | Quarterly |
| | Being among the leading entities in sustainability | Annually |
| | Degree of progress ECB expectations | Quarterly |
| | Carbon footprint % emission reduction | Annually |
| Others | %% Aligned portfolio over amount issued Green Bond | Quarterly |
| | Exposure in sectors with decarbonisation targets | Quarterly |

### Remuneration Policy - VRS Metrics

ABANCA Remuneration Policy has taken into account the risks associated with sustainability since March 2021. Specifically, it details the elements of variable remuneration and the requirements that these variable components must meet:

a) The performance assessment system that serves as the basis for determining the variable items of the remuneration or the funds to pay these items shall be based on metrics and adjustments to all types of risks derived from the Entity's risk management model, including credit and counterparty, residual, concentration, securitisation, market, interest rate, operational, liquidity, excessive leverage and sustainability risks, in line with the indicators defined in the management model.

b) The allocation of variable remuneration components must also take into account current and future risks, and will incorporate adjustment measures to the total amount of variable remuneration and individual allocations in line with said risks.

   - The entity will annually establish the switches and general modifiers to the variable remuneration system (VRS), applicable to all participants, whether or not they are members of the identified staff. These switches will be linked to the Group's main profitability and sustainability metrics, and will allow the amount of variable remuneration to be reduced until it is cancelled.
   - The switches will include specific metrics that reflect the economic impact of managing all types of risk on the entity's results and solvency (for example, DAR-Desempeño Ajustado al Riesgo or Risk Adjusted Performance).
   - The switches will also include the specific control measures of the internal regulations on conduct in markets, conflicts of interest and separate areas, which will be applicable at both the individual, team and hierarchical level.

As previously stated, in 2023, ABANCA has included the ESG dimension in the VRS panel (Variable Remuneration System), incorporating ESG indicators to determine compliance with the bank's objectives and consequently the adjustment base of the VRS of reference of each employee. For this, a synthetic KPI has been considered that takes into account compliance with the agreements to which the Entity committed with, the de-carbonisation goals, as well as aspects of sectoral distribution of the portfolio.

ABANCA continues to work on being a local catalyst for sustainability in its scope of action, supporting the transition to a sustainable economy, continuing with a progressive and incremental approach that pays attention to the new requirements of the supervisor in terms of disclosure and the new needs that arise from the adaptation of our economic activity to the taxonomy of the European Union. Through its 2021-2024 Responsible and Sustainable Banking Plan.

### Green Bond issuance

The bank's financing model draws for the most part from its customer base, but it continues to take a chance on wholesale financing through the capital markets, to correctly articulate the transition to the new economy.

In 2022, we updated the Framework for Issuance with Sustainable Development Goals, developed in accordance with the 2021 Green Bond Principles, 2021 Social Bond Principles and 2021 Sustainability Bond Principles published by the International Capital Market Association. Within this Framework, ABANCA has successfully placed its second issue of Senior Preferred green bonds for an amount of 500 million Euro, the first issue was made in 2021 for the same amount.

## 6.2 Governance

Quality in risk management constitutes for the ABANCA Group a priority axis, constituting one of the main pillars of management, supported by an organisational structure that gives independence and power to such function. The Group's risk policy is geared to maintain a medium-low profile concerning all risks, therefore its risk management model constitutes a key factor to achieve the attainment of strategic objectives, including ESG risks.

In this risk management framework, ESG risk management is included, having integrated it as a risk factor within the traditional risk structure.

### Lines of defence from ESG scope:

The ESG risk governance and organisation model is in a period of constant evolution, adapting to the needs that arise in the environment of sustainable finance.

The Group ABANCA has adapted its organisational model for control and risk management, considering ESG risks in the governance model, allowing, through cross-sectional risk management, to integrate ESG risks in a coordinated and progressive manner, following the organisational control and management model established by the Bank, which encompasses the entire organisation, and which is specified in three lines of defence:

- First line of defence: management and control functions performed by the Group's units, i.e. the Business Units and the Credit Unit. These units are responsible for managing and monitoring, always complying with the Entity's risk strategy, established through risk policies and regulations, with the aim of adjusting to risk appetite and authorised risk limits. Therefore, the primary controls of the activity are in this line. In the field of ESG risks, Social Responsibility, Sustainability and Communication acts as the first line of defence, together with Admission and Risk Analysis (specifically, the area of Admission Procedures and ESG Credit Risk).

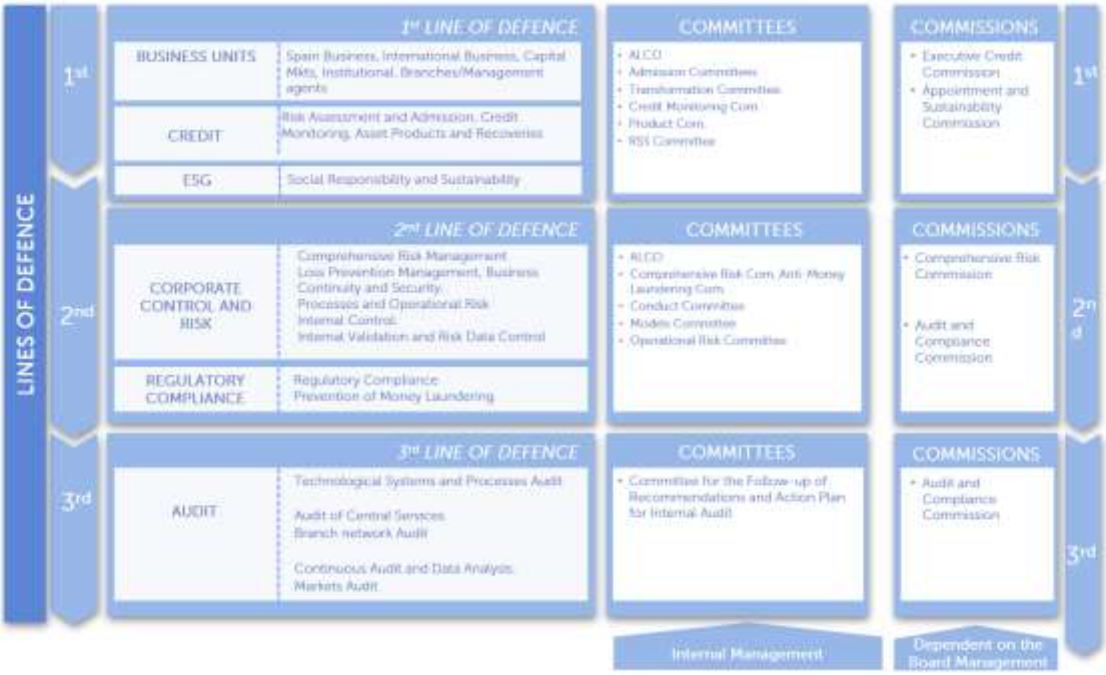
- Second line of defence: control functions conducted independently and in accordance with a comprehensive risk management, through the Corporate Control and Risk General Management and Corporate Governance and Legal Affairs General Management holistically including all types of risk of the Entity. In this line, policies and regulations are submitted to the Governing Bodies for approval and subsequent transfer to the first line of defence for their implementation within the management process. After its implementation, the fulfilment of these policies and regulations is monitored, through the control of the management of the first line of defence, reporting on a recurring basis to the Governing Bodies about their follow-up and, in case of deviation, to put forward the appropriate corrective measures in order to adjust to what was previously defined.

  Specifically, in the area of ESG risk, given its transversal nature, the General Management of Corporate Control and Risk is in charge of coordinating the integration of climate and environmental risks into the Group's risk management framework (since ESG risk is managed through the control frameworks of the different types of risk), being responsible for the definition of policies, regulations and methodologies, taking into account the best market practices and supervisory requirements, as well as the definition of the appetite for risk and compliance monitoring.

  For its part, the General Management of Corporate Governance and Legal Affairs includes supervisory regulations related to ESG risks (such as the ECB Guidelines on climate and environmental risks) among those regulatory areas on which to exercise intensive supervision.

- Third line of defence: Internal Audit carries out supervision functions. This line controls the second, and supervises the first line. The review of climate and environmental risk management have been integrated into its work plan.

Graph 22: Lines of defence




Specifically, in the ESG field, the management of these risks through the three lines of defence is reinforced with the constitution of the ESG Steering Committee (here in after the SteerCo), which acts under the Social Responsibility and Sustainability Committee and reports to it. In this SteerCo, the priority and strategic lines of the Group in the ESG field are established. To this end, this Committee is made up of the Bank's main departments in charge of promoting, enliven and integrating the ESG field in the Entity and has the participation of the CEO, as well as the different General Departments, its members being:

- The CEO (Chairman)
- General Manager of Social Responsibility, Sustainability and Communication,
- Manager of Social Responsibility and Sustainability
- General Manager of Corporate Control and Risk
- Manager of Control of Credit Risk, Policies and Regulations
- General Manager of Credit
- Manager of ESG Credit Risk and Admission Procedures
- Executive Manager of Customer and Business Development
- General Manager of Strategic Planning and PMO

In this way, the Business units in charge of origination in the Entity work on the identification of sustainable transactions, collecting the established data and analysing the proposals from an ESG point of view, to the extent that the entity's tools allow it.

On the other hand, the ESG admission team identifies and analyses the ESG risk in the origination of asset transactions with credit risk (currently focusing on larger-volume transactions and one-off customers/transactions). The Entity has strengthened the General Management of Credit, and specifically the Admission and Risk Analysis Management, with the creation of the ESG Credit Risk and Admission Procedures Management, which is in charge of evaluating and analysing transactions with credit risk in the field of sustainability, framed within ABANCA's environmental goals, and implementing improvements in the processes and activities of the Admissions department from an approach in accordance with the principles of sustainability.

The Business and Customer Development Department, which is in charge of adapting and/or defining the product catalogue, has a transversal role.

Along the same lines, the role of the General Management of Strategic Planning and PMO stands out, which guarantees the integration of the ESG field into the Bank's strategy, or in other words, within the Comprehensive Strategic Planning Process (PIPE), defining metrics and KPIs to guarantee their follow-up.

Additionally, the Social Responsibility and Sustainability Department is in charge of providing transversal coordination, monitoring the implementation of the actions and commitments acquired that respond to the objectives of the sustainability plan and strategy and of the management, together with the PMO, of the PIPE project on Sustainability. In fact, this department is in charge of monitoring the global plan and the sustainability and social responsibility strategy and provides support in the integration of ESG factors.

For this, the Social Responsibility and Sustainability Department relies on transversal working groups for the agreement and alignment of actions on the environment and climate change, adaptation to ESG regulatory requirements, sustainable finance and among others, the following stand out:

- The ESG operational working group has the objective of showing progress and solid positioning, and supporting business units, generic consulting on ESG aspects, among others.

- The energy and environmental efficiency working group has the function of coordinating the necessary environmental actions and ensuring compliance with the energy and environmental policy.

It should also be noted that the functions in the ESG field of the General Directorate of Corporate Control and Risks have been strengthened. From the perspective of risks, the General Management of Corporate Control and Risks through the Management of Comprehensive Risk Management, and specifically, the Credit Risk Control, Policies and Regulations Management, proposes the Risk Appetite Framework to the Governing Bodies of the Entity, being responsible for reporting its follow-up to the Comprehensive Risk Committee and for carrying out coordination tasks among the information-generating units. Additionally, it is also in charge of proposing and defining policies and regulations that make it possible to adjust to the defined risk profile from all points of view, including environmental and climate risk, and guarantee their integration into the Bank's Management through their issuance, dissemination and resolution.

Given the consideration of ESG risk as a risk factor for traditional risks, there is no specific category of risks in ABANCA's corporate risk list, which is managed through the different General Management departments specialised in each of the traditional risks (risk of credit, market, liquidity, operational,...) and incorporated into their policy manuals. Therefore, this is also fully managed from the Comprehensive Risk Management Department, belonging to Corporate Control and Risks Department.

In the same way, the General Management of Corporate Governance and Legal Affairs includes ESG risks as an additional risk within its traditional control departments, and especially in the field of Regulatory Compliance. In this sense, the Responsible Investment and Integration of Sustainability Risks policy aims to inform about how sustainability risks are integrated into investment and advisory decision-making processes. The Compliance function contributes to the integration of these risks in decision-making applicable to the savings-investment products and services offered by ABANCA.

Lastly, it is worth mentioning the role of the General Audit Department, as the third line of defence, which includes ESG risks in its review planning for the different exercises.

This information is completed in the following section, detailing the role of government bodies in the ESG field.

### Governing Bodies:

The Governing Bodies involved in ESG risk management are:

#### Board of Directors:

In accordance with article 4.4.21 of the Regulations of the Board of Directors, the Board of Directors, in its general supervisory role, is responsible for approving a sustainability strategy aimed at creating value, as well as monitoring it, evaluating its degree of compliance and application in the Company.

Also, in accordance with article 14.5.5. of the aforementioned Regulation, the Board, through its Appointments and Sustainability Commission, periodically evaluates and reviews the Company's sustainability strategy, so that it fulfils its mission of promoting the corporate interest and takes into account, according to appropriate, the legitimate interests of the remaining interest groups. It supervises that the Company's practices in terms of sustainability conform to the established strategy and policies.

This body is also in charge of establishing the general guidelines on the governance of risk management through the Corporate Risk Framework, the latest version of which was approved in May 2023.

On the other hand, it is worth mentioning that in 2023 it approved the decarbonisation objectives established for 2030, as well as the established appetite for ESG risk.

#### Comprehensive Risk Commission:

One of the functions of the Comprehensive Risk Commission monitors the implementation of the Entity's relevant risk management strategies, including ESG risks, in order to assess their adequacy with the approved risk strategy and risk appetite. To this end, this Committee systematically reviews the exposures with the main types of risk, including the underlying climatic and environmental risk factors in each case, and analyses and evaluates the proposals on risk management control strategies and policies.

In terms of risk management, as in the rest of risk types, it will also correspond to ABANCA's Comprehensive Risk Commission to advise the Board of Directors on the global risk appetite (including environmental and climate risks), current and future, of the Company and its strategy in this area, and support it in monitoring the implementation of that strategy. This also implies the definition of risk appetite, policies and methodologies in the ESG field.

Regarding the issues dealt with in the ESG field, it should be noted that this body carries out, on a monthly basis, a follow-up of the main advances of the ESG Project in the field of risks (which is the roadmap to follow for compliance with the ECB Guidance on climate-related and environmental risks).

### Appointment and Sustainability Commission

The following functions have been added to this body relating to: periodically assessing and reviewing the Company's sustainability strategy, so that they fulfil their mission of promoting the corporate interest and taking into account, as appropriate, the legitimate interests of the other stakeholders. It supervises that the Company's practices in terms of sustainability conform to the established strategy and policies.

The powers of the Appointments and Sustainability Commission are regulated in article 5 of the Regulations of the Commission that, without prejudice to other tasks assigned to it by the Board, it has, at least, the following functions related to ESG risk:

1. To establish a representation objective for the least represented gender on the Board of Directors and draw up guidelines on how to achieve said objective; In order to promote gender diversity, the Commission shall propose measures that encourage the Company to have a significant number of senior female managers.
2. To periodically evaluate and review the Company's corporate governance system, so that it fulfils its mission of promoting the corporate interest and takes into account, as appropriate, the legitimate interests of the other stakeholders.
3. To periodically assess and review the Company's sustainability strategy, so that it fulfils its mission of promoting the corporate interest and takes into account, as appropriate, the legitimate interests of the other stakeholders. It supervises that the Company's practices in terms of sustainability conform to the established strategy and policies.

### Comprehensive Risk Committee:

This Committee shall analyse current and future global risk appetite of the Bank and its strategy in this area, including ESG risk.

The Committee shall actively participate in developing the risk strategy of the Bank as well as in all major risk management decisions (definition of policies, proposals for limits…). This includes the risk appetite framework proposal of the Bank, which will be further forwarded to the Board of Directors as well as the monitoring of indicators included in the risk appetite framework of the Bank, including ESG risk.

The Committee shall provide a complete picture of the full range of risks to which the entity is exposed, including ESG risk.

This Committee reports directly to the Comprehensive Risk Commission.

### Social Responsibility and Sustainability Committee

The organisational structure regarding the information cycle in environmental risk management originates mainly in the Social Responsibility and Sustainability department, which reports the corresponding information to the Social Responsibility and Sustainability Committee. Said Committee submits the matters dealt with in its sessions to the Appointments and Sustainability Commission and the Comprehensive Risk Committee, which, finally, inform the Board of both decision-making and informative matters for the purposes of its timely action.

The functions of the Social Responsibility and Sustainability Committee are detailed below:

- To evaluate, implement and disseminate in the Bank the best practices in terms of Social Responsibility and Sustainability, generating change processes in the different units in order to increase competitiveness, integrate ESG criteria and strengthen the image and reputation of the organisation.
- To coordinate the action strategies of the Bank in accordance with policies and guidelines established by the Board of Directors in questions of Social Responsibility and Sustainability.
- To monitor the implementation of strategies and plans for Social Responsibility and Sustainability.
- To evaluate, validate and monitor the classification of eligible assets, for the correct identification, quantification and reporting of transactions, branches of activity or sectors for the correct development of the ESG framework.
- To monitor the reporting necessary to meet the regulatory and operational needs of the bank in the ESG field.
- To monitor the commitments acquired by accessing forums, initiatives or projects.
- To assess and approve positioning strategies that contribute towards the targets of the organisation in this area, and provide differentiation and strengthening thereof.

The corporate Committee of Social Responsibility and Sustainability shall meet at least every two months, and shall be made up of the CEO as chairman, by managers as members of the following general departments: Human Resources, Corporate Governance and Legal Affairs, Social Responsibility, Communication and Sustainability, Business Development and Customers, and also by the Executive Director of the Open Digital Product Platform and the Managing Director of Afundación.

It is important to highlight the incorporation of the Corporate Control and Risk Department as a member of this committee, in order to guarantee coordination between the main risk functions in the ESG field.

Additionally, as previously mentioned, it is worth noting the creation of the ESG Steering Committee, which reports to the Social Responsibility and Sustainable Committee, which aims to advance the integration of ESG aspects in management and risks, and which is made up of representatives of the different units. The Steering Committee meets once a month

In line with the above, among other functions this committee, through a working group, provides internal support for the introduction of the information in the bank's systems that is required for the integration of ESG criteria, it provides support in the transition of the catalogue of suitable products to Taxonomy criteria, training in the field of sustainability and progress in regulatory expectations among other functions.

The ESG Steering Committee shall submit for its approval the progress of the work carried out in the Social Responsibility and Sustainability Committee every two months, and shall report to the Appointments and Sustainability Commission every two months, although in general it is done monthly. In addition, it shall report to the Comprehensive Risk Commission and the Board of Directors every month.

Therefore, ABANCA has full integration taking into account the periodic information report that the Board of Directors in terms of sustainability, particularly through the Appointments and Sustainability Commission, and the Comprehensive Risk Commission with regard to ESG risks.

### Executive Credit Commission:

The Executive Credit Commission has delegated the powers, to the greatest extent necessary, that correspond to the Board of Directors concerning granting and monitoring financial transactions of any nature, even those concerning the improvement, recognition, modification, extension, anticipation of maturity, termination, extinguishment, renewal and, in general, whatsoever powers applicable with regard to the acts, contracts or transactions of bank institutions within the scope of their financing transactions.

In relation to ESG risks, it should be noted that currently and, in general terms, the transactions that are presented to this body are accompanied by an individualised analysis, carried out by an "expert" analyst and independent from the business area that generates the transaction. This analysis consists of an assessment (which can be at the customer or transaction level) of the eligibility according to the EU Green Taxonomy, a first approach of alignment (substantial contribution, DNSH and MSS) as well as an analysis of the physical and transition risk.

### ALCO Committee:

The Assets and Liabilities Committee is the body responsible for establishing the necessary steps for the implementation of the general principles of action and ensuring compliance with the Policy for Responsible Investment and Integration of Sustainability Risks, in coordination with the different General Departments of ABANCA in this area.

### Product Governance Committee

Finally, it is important to mention the role of the Product Governance Committee, which incorporates the ESG framework in each of its functions.

## 6.3 Risk Management

ABANCA carries out transversal risk management that encompasses the entire organisation, in which social, environmental and governance (ESG) aspects are considered key in risk analysis processes and in decision-making in our ordinary activity. For this reason, for each of the risks that are behind the acronyms (E)nvironmental, (S)ocial and (G)overnance, initiatives, follow-up and monitoring strategies are defined, as detailed below.

### ENVIRONMENTAL RISK

At ABANCA, climate and environmental risk is defined as the risk in which the Group does not assess, analyse, prevent and mitigate the negative impacts of its decisions and activities on the environment, with special focus on climate change.

Climate change and environmental degradation are sources of structural changes that affect economic activity and, in turn, the financial system. Climate change risk presents financial risks for banks, insurers and the financial system in general. In this way, it is relevant for the financial stability, safety and soundness of ABANCA's balance sheet, since climate change presents financial risks through two subtypes of events:

- **Physical risks**, which refer to the financial impact of a changing climate, including more frequent extreme weather events and gradual changes in climate, as well as environmental degradation, such as air, water and land pollution, water stress, loss of biodiversity and deforestation.

  The physical risk is classified, therefore, as "acute" when it derives from extreme climatic events among which we can distinguish climatic risks such as river floods, coastal floods, and fires and environmental risks such as volcanic activity and seismic activity, and as "chronic" when it derives from progressive changes, such as the increase in temperatures that may lead to desertification.

  These events severely damage physical assets and other infrastructure, disrupt business supply chains, affect agricultural production, and can lead to loss of life and migration more broadly. This reduces asset values, translates into lower profitability for companies, hurts public finances and increases the cost of liquidating underwriting losses for insurers. Indirect effects on the macroeconomic environment, such as lower production and productivity, exacerbate these direct impacts.

- **Transition risks**, which refers to the financial losses of an entity that may result directly or indirectly from the process of adjusting to a lower carbon and more environmentally sustainable economy.

  These changes will cause a revaluation of a wide range of asset values, a change in energy prices, and a drop in income and creditworthiness for some borrowers. In turn, this implies credit losses for lenders and market losses for investors. The transition to a carbon neutral economy also presents some opportunities for the financial sector, for example financing investments in energy efficient construction, renewable energy and carbon neutral transport.

Consequently, physical and transition risks are factors of existing risk (through which it materialises), in particular credit risk, non-financial risk, market risk and liquidity risk. In addition, climate-related and environmental risks can simultaneously be factors in several existing risk categories and subcategories. It is worth noting the growing importance of concern for the defence of the environment for ABANCA, since the entity is aware of the growing concern for it among the different interest groups and especially for everything that has an impact on climate change. In this way, "environmental risk" and more particularly "climate change risk" are becoming increasingly important, so that they are risks with specific management in the bank.

Therefore, and in accordance with the ECB Guide and the EBA Document, transition and physical risks must be assessed as drivers of existing financial risks. In this way, transmission channels are defined as "the causal chains that explain how ESG risk factors impact institutions through their counterparties and investment assets".

Currently, there is a system for identifying and evaluating transmission channels that connect climate and environmental risks with financial risks. In this way, all those transmission channels that materially affect are identified, understanding material as those that can impact financial assets, balance sheets, or the profit and loss account, the financial risks of the Entity, taking into account their portfolio profile and its sectoral and geographical distribution.

For illustrative purposes, the transmission channels identified as possible events that may have some capacity to impact traditional risks are:

Table 71: Transmission channels identified as possible events with the capacity to impact risks

| Risk Type | | Group | | Risk Event |
|---|---|---|---|---|
| Environmental Risks | Transition Risks | Normative and legal | | GHG emissions price increase |
| | | | | Increase in the regulatory requeriments and/or ban on certain materials |
| | | | | Disputes |
| | | | | Reduction Policies on CO2 emisions |
| | | Technology | | Transition cost toward a technilogy with less emisions |
| | | Market / Reputational | | Changes in the behaviour of clients |
| | | | | Increase of costs of raw materials and other production costs |
| | | | | Changes in the behaviour of providers or employees |
| | | | | Changes in the behaviour of investors, banks and funds. |
| | Physical Risks | Acute | Environmental and climate Risks | extreme weather events (floods, droughts, storms, hurricanes,..) |
| | | Chronic | Climate Risk | reduction of soil productivity and/or change in precipitation patterns |
| | | | Other Environmental Risk | Resource overexploitation( overfishing, excessive fertilization,...) |

## Materiality Analysis

The identification of risks is a key process within the management framework of ABANCA's risks and an essential input for the ICAAP/ ILAAP. The objective of this process is to identify and assess the risks the Institution may be exposed to, distinguishing those that are more relevant for the Bank due to their materiality and/or occurrence probability.

This process begins with the identification of the long list of risks and continues with an individual analysis of them, in order to declare them material or non-material. During this process, which is part of the ICAAP/ ILAAP preparation exercise, the Entity assesses the probability of occurrence and the severity of the loss, should it materialize. This risk materiality assessment process follows an ordered process, defined by the Entity, with the aim of analysing all the risks to which it is potentially exposed.

Specifically, as mentioned before, given the cross-sectional nature that characterizes ESG risk, in order to determine its materiality, the Bank has included climate and environmental risk management as a specific risk factor that has an impact on other traditional risks, in such a way that each Area of the General Management of Corporate Risk Control manages, evaluates and mitigates the impact of climate risk as risk driver in the traditional risk in which it is specialised, thus ensuring that a complete and effective review of the impact generated by climate and environmental risk is carried out in the Bank.

Specifically, in this process the risks of climate change are considered as a new risk that declines as a factor of traditional risks. In addition, an analysis of its materiality is carried out. After having carried out an initial impact analysis on all types of risk, to date, both a quantitative and qualitative assessment of physical and transition risks has been carried out and how they affect credit, market, operational, conduct, reputational, business and strategic risks.

Table 72: Risks affected by ESG risk

| | ESG risk |
|---|---|
| Credit Risk | ✓ |
| Market Risk | ✓ |
| Non-financial Risks | ✓ |
| Business Risk | ✓ |
| Liquidity Risk | ✓ |

As a summary, the climatic and environmental risk events considered when evaluating the different risks are represented in the following matrix, which combines the traditional risk categories and the different risk events:

Table 73: Combination matrix between the traditional risk categories and the different risk events

| | Physical Risks | | Transitional Risk | | | |
|---|---|---|---|---|---|---|
| | Acute | Chronic | Legal | Technological | Market | Reputational |
| Credit Risk | x | x | x | x | x | |
| Market Risk | x | | x | | x | |
| Liquidity Risk | | | x | | x | x |
| Non-financial risks | x | x | x | x | x | x |
| Business Risk | x | x | x | x | x | |

In this way, a greater analysis of the impact of climatic risks has been carried out on all risks, presenting below a summary of the analysis carried out in each of the risk blocks:

For the impact of climate risk in **credit risk**, the Entity has carried out an internal exercise that will be perfected in the coming years and that has been contrasted with the perspective of the EBA based on the climate ST 2022.

The application of the Climate Adverse Scenarios (carried out on the perimeter: Corporates Non SME, Corporates SME and Retail SME) returns a total impact on the CoR (Cost of Risk) both due to transition risk and physical risk (in this case considering wave of heat and drought).

This exercise has been completed with two additional stress exercises, on the one hand, through a transition risk event in the portfolio of companies; and on the other, through physical, climatic and environmental risks in the mortgage portfolio.

The **Market Risk** analysis, ABANCA considers the risks associated with climate change (transition and physical) as an additional factor that affects the risk categories already identified, and which are managed and monitored from a comprehensive approach.

Environmental and climate risk management in ABANCA starts from the risk planning process established by the risk appetite framework.

In the field of market risk, ABANCA considers climate risk from a double perspective:

- From the perspective of the direct impacts of climate risk, mainly from the point of view of transition risk.
- From the perspective of market price formation and the difficulties in allocating financing and investment, derived from the fact that the market considers that ABANCA is not well positioned in the sustainable segment.

In this sense, the Bank analyses its materiality by classifying the portfolio assets, both fixed income and variable income, according to whether they are considered "activities less sensitive to transition risk" or "activities more sensitive to transition risk", with the purpose of minimising the impact of a strong variation in the prices of assets "activities most sensitive to transition risk" in the event of a change in market trend.

In the case of **non-financial risk**, for each of the risks that are behind the acronyms (E)nvironmental, (S)ocial and (G)overnance, initiatives, follow-up and monitoring strategies are defined. For the analysis of the impact of ESG risk on non-financial risks, the ABANCA Group evaluates said impact through conduct risk, legal risk, model risk, operational risk, ICT risk and reputational risk.

The monitoring of climatic-physical risks is based on the assessment of the impacts on material assets, incidents in the business and failures in the systems due to floods, droughts, environmental degradation (air, water and land pollution), water stress, loss of biodiversity, deforestation, etc. Likewise, there are carbon footprint monitoring systems and systems for monitoring compliance with ESG aspects in our supply chain in a clear commitment to the environment. In the operational sphere of internal processes, measures continue to be implemented for the more efficient and sustainable management of resources, such as monitoring the use of paper in contractual documents, prioritizing digital, cleaner and more sustainable media.

If we focus on the climatic risks of transition and its possible legal risks, the ABANCA Group dedicates all efforts to achieve full compliance with regulations and regulatory expectations, implementing control, monitoring and reporting systems to detect possible breaches such as greenwashing or the discontent of our main stakeholders.

Finally, for **Business Risk**, the entity has evaluated the effect of climate risk on the ability to generate income in the future or the impact that reputational deterioration would have via underwriting risk if the entity did not meet market expectations and the different stakeholders regarding compliance with ESG criteria.

For the impact of climate risk on business risks, ABANCA has evaluated said impact through business risk. A preliminary analysis of the impact of ESG risk on investee risk has also been carried out.

ESG Risk continues to be considered as a transversal risk and with a potential impact on traditional risks. This year, its evaluation has been extended to **liquidity risk** (ILAAP), in addition to the evaluation that has been carried out since last year to credit, market, operational and business risk.

Specifically, the ILAAP establishes that ABANCA may be exposed to **Liquidity Risk** related to weather factors. In this sense, two perspectives have been considered:

- One of materialisation of Climate risk: climate risk can have an impact on different aspects that directly affect the Bank's liquidity: decrease in the market value of the portfolio position, increase in the haircuts of fixed income positions penalised by said risk, cash outflows/loss of deposits, etc.
- And another related to the greater difficulties in obtaining financing, both in the capital markets, as well as in the money markets and in customer deposit markets, in the event of breaches or deviations in the expectations of the market or the supervisor in relation to ESG risk (or worse positioning/benchmarking than the Sector).

## CONCLUSIONS OF MATERIALITY ASSESSMENT:

In this way, the analysis process carried out and its conclusions go through:

1.- Consider ESG risk as a risk driver for traditional risks, considering and applying different transmission channels identified.

2.- Carry out an assessment of the impact of climatic and environmental risks, through different exercises, with different time horizons, but calculating its impact in the horizon established in ICAAP/ILAAP.

3.- It is determined that the impact of this risk is not material, so it can be concluded that their impact does not imply a change in the consideration of materiality of risks in ABANCA.

4.- Following usual practice, given that the impact of these risks is not considered material, economic capital associated specifically with ESG risks has not been allocated.

5.- In the internal climatic stress test exercises (time horizon 2050), it is observed that as the time horizon is extended, the levels of climatic and environmental risks increase, mainly in credit risk, without reaching levels of high materiality.

### Risk strategy: RAF indicators, credit and operational risk dashboards

The Bank has included climate and environmental risk management as a specific risk factor that has an impact on other traditional risks, in such a way that each area of the General Management of Corporate Risk Control manages, evaluates and mitigates the impact of climate risk as risk driver in the traditional risk in which it is specialised, thus ensuring that a complete and effective review of the impact generated by climate and environmental risk is carried out in the Bank.

The Comprehensive Risk Management unit, within the Corporate Control and Risk General Management department, is responsible for defining and proposing the "Risk Appetite Framework" (hereinafter RAF) for approval by the Group's governing bodies (Board of Directors of ABANCA) and based on of the strategy defined by the latter. The Group includes, as part of its set of RAF indicators, a series of indicators in order to monitor ESG risk in different areas (business, credit and market risk), monitoring them following the governance established in the appetite framework.

Based on that, it has been considered to include specific indicators in the ESG field in different types of risks (Business Risk, Credit Risk and Market Risk). Specifically, in 2022, the first specific metrics for climate risk management were established, for which it has been necessary to identify through the NACE the transactions that are considered less sensitive and those that are considered sensitive to transition risk. In this sense, it is a set of progressive indicators, understanding that their calculation will improve as progress is made in ESG risk management, in order to achieve a greater degree of detail and depth. Similarly, ESG indicators have been integrated into traditional risk management dashboards.

After monitoring the climate and environmental indicators established in 2022 for a full year, they have had objectives and vulnerability thresholds (alert levels and limits) since the approval of the RAF 2023, and in case of exceeding thresholds, they will be applied the same governance as that established for other risk indicators.

These indicators follow the business, credit and market risk, and are specified in:

Table 74: ESG RAF indicators by type of risk

| Risk | RAF ESG Indicator | Periodicity |
|---|---|---|
| Business Risk | % of income from sectors of intensive activity in GHG | Quarterly |
| Credit Risk | % of financing of sensitive transition - stock activities | Quarterly |
| | % of financing of less sensitive - stocks | Quarterly |
| | % energy certificates A+B+C | Quarterly |
| Market Risk | % fixed income from issuers sensitive to transition | Quarterly |
| | % equity from issuers sensitive to transition | Quarterly |

Likewise, in this last RAF another 3 new ESG indicators have been incorporated in the field of credit risk, taking as a reference the provisions of the ECB publication "Towards climate-related statistical indicators", of January 2023. These indicators will be monitored during this exercise and, once they are considered reliable and representative, vulnerability thresholds will be established.

The RAF is monitored monthly by the Comprehensive Risk Commission, after passing through the Comprehensive Risk Committee, to subsequently submit itself to the Entity's Board of Directors.

In order to guarantee the correct monitoring of risks, in addition to what is included in the RAF, ESG variables will be incorporated into the dashboards of the different risks, which are reported to the Entity's Governing Bodies.

#### Recurring Reports to the Committee and the Comprehensive Risk Commission

ABANCA also has other indicators that are monitored as part of the Entity's risk control panel. This information is reported monthly to the Comprehensive Risk Commission, after passing through the Comprehensive Risk Committee.

ABANCA has a highly diversified portfolio of assets, with a greater focus on the retail field, which allows for exhaustive knowledge of customers and makes it easier to engage with them to help them during the transition process, which contributes to mitigating the impact of these risks.

### Management integration

ABANCA continues to make progress in the integration of climate and environmental risks in management, with the aim of adapting to the expectations of the Guide on risks related to climate and the environment.

### Transactions identification process:

The entity is developing a system of electronic labels, with which those transactions that meet the conditions established in the EU Taxonomy on ESG risks are identified. Currently it is possible to identify, through these labels, the financing of electricity production facilities of renewable origin and the acquisition or reform of buildings and vehicles that are likely to be considered 'green'. The scope of these labels will be extended to other types of transactions that are aligned with the EU Taxonomy.

### Analysis of transactions with climatic and environmental aspects:

The Entity has defined two differentiated processes depending on the type of customer/transaction:

#### Admission Questionnaire:

Progress has been made in the implementation of questionnaires that make it possible to obtain relevant information on the transition risk and physical risk of customers that will be incorporated into the analysis in the process of negotiation and admission of transactions. After these first months of monitoring and calibration, work is being done on the standardisation and refinement of criteria.

These questionnaires are carried out for the sectors most sensitive to the transition. Given that the questionnaires have both a customer and a transaction focus, they will also make it possible to identify to what extent the financing is directed to projects or actions that support the transition towards de-carbonisation and contribute to reducing the climate impact of the customer's activity.

#### Reports of the Executive Credit Commission:

Transactions from customers/groups with a higher level of risk have a specific ESG report, carried out by an area independent from the originator:

Since the end of 2022, the transactions submitted to the Executive Credit Commission incorporate an analysis of their eligibility in accordance with the EU Taxonomy (Regulation 2020/852 of the European Parliament and of the Council) as well as a first approach of alignment (compliance with Screening Criteria for the objectives of Mitigation and Adaptation to climate change in accordance with Delegated Regulation 2021/2139 of the Commission), the analysis of the alignment for the rest of the environmental objectives will be incorporated to the extent that the Regulations that develop them are published. In addition, the physical and transition risks of the financed activity are also evaluated.

### ESG Standards and Preclassifications:

ABANCA has had an Environmental and Climate Risk Management Policy since 2022, integrated into the Credit Risk Policies Manual, and whose objective is to limit and mitigate the impact of ESG risk (climate change) and the potential harmful effects on the environment that derive from the activity of granting credit to customers.

In this way, the Entity is gradually incorporating the evaluation of ESG risks in the credit risk admission processes. In 2021, the Bank established a Master Plan as a roadmap with the aim of properly understanding, measuring and managing these risks, following and complying with the European Central Bank Guide on climate-related and environmental risks, in relation to supervisory expectations in terms of risk management and reporting.

Taking into account that some sectors in which we operate could have a significant social and environmental impact, and within the framework of an ethical, responsible decision-making process committed to the environment and to society as a whole, the Bank considers essential to identify, understand, measure, assess and manage the environmental and climatic risk linked to these exposures. For this reason, the Entity defined a criterion for classifying activity sectors based on their environmental impact, which will allow capital flows to be channelled towards sustainable activities. These are:

- **Sectors 'more sensitive to transition risk'.** They are those linked to the activities most sensitive to transition risk.
- **'Less sensitive' sectors.** Sectors with a low level of environmental and/or climate risk are considered less sensitive.
- **'Neutral' sectors**. These are the sectors that are not included in either of the two previous categories.

For these sectors, ABANCA analyses, transactions and customers, the climatic and environmental variable based on an admission questionnaire (mentioned before) focused on identifying physical and transition risks. On the other hand, in order to obtain a rating of this risk not only for newly admitted transactions but also in the bulk of the historical portfolio, ABANCA is working on integrating an automatic ESG risk rating tool.

Additionally, the entity's current policy considers a more flexible admission circuit in pre-classified destination groups linked to adaptation/mitigation of climate change.

In this way, ABANCA also carries out continuous training actions to raise awareness and train the staff aimed at supporting change management and the implementation of new tools in the admission process.

Finally, it should be noted that sectoral policies consistent with the intensity reduction objectives are being defined in the 4 published sectors (coal, aviation, steel and cement) and an annual monitoring of customers affected by this commitment will be carried out.

### Effects on Pricing:

In this area, progress has been made in different areas:

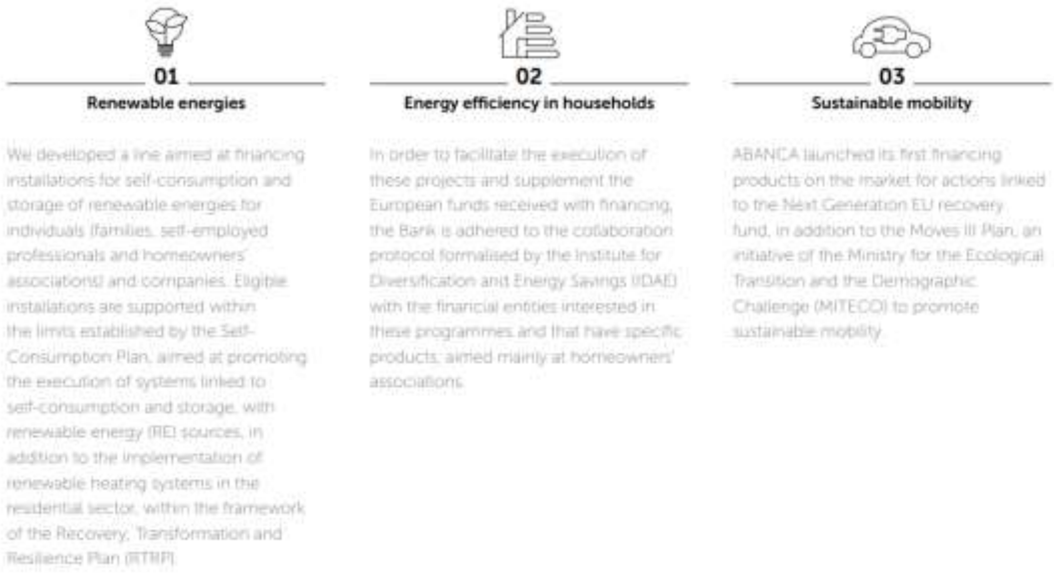
- During 2023, the entity has begun to work in the field of RAROC, focusing, in this first stage, on working on the main transactions, in such a way that the effect of climate risk will be seen on transactions of the Executive Credit Commission, based on the individual report made by the expert and independent analyst of the business area that proposes the transaction in question.
- Clauses with KPIs linked to compliance with ESG criteria will continue to be progressively introduced in the minutes of Corporate transactions, in such a way that the price of said transactions is conditioned on compliance with these KPIs.
- The next steps will be based on continuing to advance in work with the RAROC, as well as establishing specific rates for those transactions proposed by Companies that operate in sectors Sensitive to transition/High impact and in which the financing is not directed to reduce the intensity of emissions and favour their transition towards de-carbonisation.
- Likewise, as next steps, mortgages with good energy certifications will begin to apply discounts.

### Product catalogue:

The bank continues to adapt its portfolio of products and services to offer a sustainable alternative, always from a progressive, incremental and complementary point of view that is useful to support the efforts of our customers in the transition towards business models that are more respectful of the environment. A deployment that is accompanied by plans for the management of internal change that establishes the levels of information and training and defines the training mechanisms necessary before the effective commercialisation of each product.

The bank markets various products aimed at both individuals and the self-employed, SMEs, companies and owners associations, which promote sustainability characteristics.

Graph 23: Products that have associated sustainability characteristics




<u>Specialised business</u>

With regard to the work of the specialised business teams focus on supporting the primary sector and business models that are more respectful of the environment by disseminating information on aid for improvement plans in their business model and support in processing those aid schemes, ranging from the financial inclusion of professionals in the sector, the advance of subsidies and financing for the reduction of environmental impact to investment in projects in the social welfare.

<u>Responsible Investment</u>

ABANCA's Alpha 360 investment model integrates certain ESG factors as a relevant variable in the from decision-making process.

The Alpha model offers various DPM (Discretionary Portfolio Management) strategies, 3 of the 4 (Alpha Exponential Future Portfolio, Responsible Alpha and ABANCA 360 Portfolio) are classified as an article 8 product under the EU Sustainability Finance Disclosure Regulation or SFDR.

Regarding ABANCA's sustainable investment funds, we have various funds, which are included in the advisory lists, which present a sustainable investment objective in accordance with the SFDR Regulation, classified as article 8 or article 9.

## SOCIAL RISK

In line with what is stated in the previous section and in the following, ABANCA as a provider of financial services and a member of the community, tries to guide its strategy towards the achievement of the SDGs and the Paris Agreement and/or other commitments it subscribes to in this in this regard, such as the Principles of Responsible Banking. The annual analysis of the contribution to the priority SDGs and the progress of commitments is included in the Corporate and Social Responsibility Report.

### Table 75: Monitoring of social actions

| SOCIAL | 2020 | 2021 | 2022 |
|---|---|---|---|
| Number of employees with internal promotion | 454 | 336 | 494 |
| Number of employees whose performance was evaluated | 96 % | 94 % | 96 % |
| Investment in training | €1.5 M | €1.6 M | €1.9 M |
| Percentage of employees with training in sustainable finance | | 15 % | 46.7 % |
| Increase in digital contracts | 162.1 % | 5.8 % | 1.5 % |
| Number of dwellings intended for social housing | 436 | 440 | 397 |
| Number of customers over 65 who participate in person in the financial, digital and fraud prevention education training programmes (mobile banking, electronic banking, ATMs) | | 1,895 | 2,440 |
| Number of collaboration agreements with fisheries industry agents | 90 | 91 | 92 |
| Number of participants in Afundación education projects | 183,609 | 185,862 | 222,161 |
| Number of participants in plastic and performing arts | 157,696 | 351,793 | 450,964 |
| Beneficiaries of the financial education programme | 92,273 | 123,170 | 139,475 |
| Number of participants in the Afundación active ageing programme | 22,554 | 49,126 | 32,441 |

The objective is to integrate social risks into decision-making and management, as has been deepened with environmental risk.

Regarding the governance of social risks, it is part of the model established in the Governance section.

Collaboration agreement and agreements for economic and social development

In 2022, 320 agreements were signed with public and private organisations: town halls, councils, autonomous regions, professional associations, business areas, trade associations and small businesses, among others.

ABANCA kept the "ICO COVID Guarantees Line" active, which provides financing for companies and the self-employed to alleviate the economic effects of COVID-19, guaranteeing liquidity and covering the working capital needs of the self-employed. In October of the same year, the bank acceded to another agreement with the ICO (Official Credit Institute) "ICO Guarantee Line Ukraine", regulated by Royal Decree-Law 6/2022, of March 29, which adopts urgent measures within the framework of the National Plan for Response to the Economic and Social Consequences of the War in Ukraine, in order to support the economy of European states in connection with the economic and social consequences of the aggression against Ukraine by Russia. We also support the self-employed, entrepreneurs and companies (within and outside the national territory) that have an SGR (Mutual Guarantee Societies) or SAECA (State Agrarian Surety Company) guarantee, through the "SGR Line". This is an initiative sponsored by CERSA with the collaboration of the Ministry of Industry and Commerce (MINCOTUR). The program is funded with Next Generation funds.

ABANCA signed the collaboration agreement with the EIF (European Investment Fund) to support the growth and development of Spanish small and medium-sized enterprises (SMEs) affected by the economic crisis caused by COVID-19. Under the agreement, the EIF provides a guarantee (70% of the principal) that allows the bank to offer more favourable financing to SMEs and small and mid-caps in those sectors particularly exposed to the COVID-19 pandemic, supporting the recovery of its liquidity and the preservation of employment in the country.

ABANCA and its Obra Social, Afundación, also renewed the collaboration agreement they had with the Asociación Gallega de la Empresa Familiar AGEF (Galician Family Business Association) to carry out associative and training activities to disseminate the importance of the family business fabric and its social and economic role, and to promote entrepreneurship with an educational program in secondary education and vocational training centres. The agreement gives special relevance to the objectives of strengthening and continuing family businesses, improving their legal and tax environment and promoting entrepreneurship.

Additionally, ABANCA shares projects and opinions through different associations to try to agree on the position of the sector, without prejudice to the fact that, in specific cases, its own messages are transmitted directly to regulators and public authorities. ABANCA participates in various industry associations, such as the Asociación Española de Banca AEB (Spanish Banking Association), the Confederación Española de Cajas de Ahorros CECA (Spanish Confederation of Savings Banks) and the Asociación Hipotecaria Española (Spanish Mortgage Association). Likewise, the bank has appointed representatives in foundations and sectoral entities that contribute to the development of the agro-livestock and forestry, fishing and industrial industries, as well as non-profit or institutional entities throughout our sphere of action, to promote sustainability in the different sectors and offer solutions to the main demands of each of the groups.

Housing management

Since 2016, ABANCA has had the Housing Management Unit, where communication is centralised and cross-sectional management of all proposals for action is guaranteed in response to possible new regulations, or needs, for the protection of mortgage debtors, ensuring the correct resolution of situations of special social vulnerability.

The Mortgage Debtors Protection Policy is structured around three main areas: the Código de Buenas Prácticas, CBP (Code of Good Practices), the Comité de Situaciones de Especial Vulnerabilidad y Reputacional, CSEVR (Committee for Situations of Special Vulnerability and Reputational) and the Fondo Social de Vivienda, FSV (Social Housing Fund). ABANCA has signed agreements with the Social Housing Fund (FSV), promoted by the Government of Spain, and with the Instituto Galego de Vivenda e Solo IGVS (Galician Institute of Housing and Land) of the Xunta de Galicia, with the aim of providing housing to accommodate, under a social rental regime, people in a situation of social vulnerability. Of the total number of homes contributed, as at December 31, 2022, more than 90% are rented.

Since 2015, ABANCA has had a Special Vulnerability Situations Committee (CSEV) that has powers to evaluate and sanction situations in which debtors are classified as in a situation of special vulnerability, which incorporates the assessment of different perspectives of the entity. In 2022, the CSEV has received 72 cases considered to be of special vulnerability.

Commitment to human rights

As a main point, the bank strives to promote respect for and protection of human rights, transparency and professional ethics, in a manner supported by the principles and values that govern the behaviour of the entire workforce, raise awareness on this matter and have a human rights due diligence and management process.

Therefore, in its corporate framework it has a Commitment to Human Rights and Anti-Corruption Policy, as annexes to the Code of Ethics and Conduct. This commitment is based on the main international statements on human rights, especially: the Guiding Principles on Business and Human Rights, the Ten Principles of the United Nations Global Compact, the Sustainable Development Goals (SDG) and the principles concerning fundamental rights established a the Declaration of the International Labour Organisation. It is applicable to the people who make up the governing bodies, management team and other employees of the bank, as well as to those people or entities involved in the provision of services by third parties to which, in the opinion and under the responsibility of the corresponding Committees of Contracting, it is relevant to demand their commitment to it. All of them shall learn and comply with it.

Afundación, Obra Social

ABANCA has a management model that ensures a the socio-economic development of the locations where it operates. As the only patron of Afundación, its Social Welfare Projects, ABANCA promotes and supports programs that contribute to educational, social and cultural development, especially in the promotion and financial inclusion, whose goal is to contribute to the improvement in the management and mitigation of these risks.

The total investment of ABANCA in Afundación since 2014 amounts to 110 MM €, invested in the execution of the social, educational and cultural programs that Afundación develops and that annually have more than one million beneficiaries. To the direct investment made during these years, we must add the institutional and organizational support that ABANCA offers to Afundación on a permanent basis. With the new agreement in 2022, ABANCA continues the challenge it took on in 2014 to give stability to the activity carried out by Afundación. For more information, see the chapter "Sustainable - social awareness" of the 2022 Corporate and Social Responsibility Report.

Transparent and responsible marketing

Providing the best and most complete service to customers is the main pillar of the ABANCA's activity to create a new value offer in its transition and transformation towards a sustainable business model with a specific approach on retail business, trying to reach the highest satisfaction level in each of our products and services. These principles shall apply always acting responsibly and transparently, with products adapted to their needs and information in accordance with current laws so that it is considered transparent, impartial and clear. ABANCA has policies, as well as relevant procedures, committees and internal controls so that the products meet the customers' needs and have information on their characteristics.

Product governance: impact and risk assessment in product development

ABANCA has a Product Governance Committee, created by agreement of the Board of Directors. The committee is chaired by the CEO, its members are general managers of the bank and its secretary is the director of business development. The purpose is to procure and promote the adequate development of the business, guaranteeing a balance between the fulfilment of the objectives and the best satisfaction of customers, within the ABANCA's good governance policies.

In addition, it has the Product Governance Policy applicable to banking products and services for financing and savings, investment, means of payment, insurance and any other financial and non-financial service for which the bank has administrative authorisation.

Culture of quality

ABANCA has a quality policy, which shows our commitment to continuous improvement and the promotion of best practices in management systems, a commitment to excellence in service. In this sense, it has continued its commitment to the certification of quality management systems as a means that allows us to organise our commercial, management and customer experience processes and that serves as a lever to tend towards excellence in services provided.

ABANCA stands out for being the first and only financial institution in Spanish and European banking to carry out an effort to guarantee the transparency and quality of its products through Service Letters. These documents, deliverable to customers when contracting products and services, explain in writing and clearly what the specific quality commitments are, the obligations and rights that assist them, the agreed compensation measures and the channels of suggestion and listening to their disposal. The Service Letters incorporate quantifiable objectives and indicators associated with the commitments whose measurement and degree of compliance is verified and publicly communicated.

Customer experience

During 2022, the main focus of the Customer Experience Department has been to improve the measurement of all interactions with our customers through any channel to generate positive perceptions and emotions based on a unique and differentiating ABANCA style.

Dialogue with our customers is permanent and, therefore, at ABANCA we continue to take a chance on it with the Comunidad ABANCA Colabora, to find out first-hand what they want, what they are looking for and what they miss, including their opinion in full. We continue working so that customers perceive that we are close to them in all channels, creating an ABANCA style based on the RUTA protocol that helps us to differentiate ourselves from competitors and generate positive emotions in our customers. Because for ABANCA, proximity does not imply physical presence, but availability.

Responsible behaviour of suppliers

The Procurement function, integrated into the General Management of Finance through the Efficiency and Procurement Department, is governed by the Standard of Procurement, which was updated in February 2022.

ABANCA, through the Procurement area, maintains an updated list of suppliers on the purchasing platform. Through the approval process, the suitability of the supplier to provide services or supply goods to the ABANCA group is comprehensively evaluated. This approval is reviewed periodically.

Suppliers are required to commit to and behave in a manner consistent with those of ABANCA, with practices that are also based on ethics and transparency, compliance with the law and their commitment to good practices and principles established by ABANCA in its Anti-Corruption Policy and in its Supplier Code of Ethics and Conduct, which guarantees compliance with the Global Compact Principles.

ABANCA is sensitive to social demands, consequently developing a wide range of services and activities in the field of sustainability. To be coherent with this approach, ABANCA demands from its suppliers, as top level collaborators, a responsible business behaviour and commitment to its environment. The criteria used to assess this parameter are based on the accreditation of the degree of involvement in sustainability activities.

Claims management

The protection of the financial customer is an essential element to preserve confidence and promote the stability of the financial system. Entities are required to have a Customer Service Department (SAC), purpose of which is to deal with and resolve complaints and claims submitted by their customers.

Additionally, the bank has a complaints channel that allows the employees of the different companies of the ABANCA Group and suppliers and their employees related to ABANCA to communicate possible risks or breaches derived from actions or behaviours that may be contrary to the law or those principles or internal regulations that the entity has included in its codes of conduct or in any of its internal regulations or protocols.

For more information, see the chapter "Sustainable awareness" of the 2022 Corporate and Social Responsibility Report.

## GOVERNANCE RISK

ABANCA's activity is based on mandatory policies, standards and procedures that ensure the development of responsible behaviour in all our sphere of action. In the initial section on "Business Model and Strategy", the corporate model and the main policies in this field of action are mentioned.

The objective is to integrate social risks into decision-making and management, as has been deepened with environmental risk.

Governance of this type of risk is part of the model established in the Governance section.

The Sustainability Policy and the Code of Ethics and Conduct guide and mark the principles and commitments regarding internal and external relations with the main interest groups and, in general, with society. The principles of the Policy are aligned with the organisational culture, included in the ABANCA Code of Ethics, which promotes respect for human rights, transparency and professional ethics, and is based on the four values that govern internal behaviour: responsibility, reliability, quality and innovation.

In addition to the mentioned corporate framework, the entity is guided by standards, sectoral recommendations, to develop it.

Exclusions

In line with the values of ABANCA, exclusions are made to companies that violate the ten Principles of the United Nations Global Compact and/or are considered to be exposed to controversial activities detailed in the Policy for Responsible Investment and Integration of Sustainability Risks and in the SDG Emission Framework. More information on how the integration and management is carried out in the mentioned policies.

Transparency and accountability

On the part of the entity, the role of the highest government body in the presentation of non-financial information is essential. The 2022 Corporate and Social Responsibility Report, which contains the Consolidated Non-Financial Information Statement (EINF by its acronym in Spanish), is raised and approved annually by the Board of Directors of ABANCA Corporación Bancaria S.A. The EINF included in it is verified by an independent external auditor.

One of the priority elements of ABANCA is the maintenance of a fluid and permanent dialogue with all stakeholders through different communication channels, which allow identifying, within the framework of their social responsibility, its material aspects and the associated risks and opportunities. The groups consulted have been: employees, customers, shareholders and investors, suppliers and society. ABANCA has a wide range of consultation tools, where opinion and dialogue with stakeholders are valued. ABANCA has a wide range of tools for consultation and dialogue with stakeholders. We measure our performance and report to our stakeholders proactively and regularly. In this sense, it has carried out the materiality analysis that allows it to identify the relevant issues in terms of sustainability of the entity. The main objective of this analysis is to be able to report on these issues and define strategies and initiatives that respond to the needs and expectations of interest groups.

ABANCA has a communication policy that supports the achievement of strategic sustainability objectives and strives for information on sustainability to be public, complete, understandable, accurate, timely, and accessible.

As established in article 449 of the CRR, Entities shall disclose quantitative information on environmental, social and governance (ESG) risks, including physical and transition risks. For this reason, the requirements for disclosure of quantitative information on environmental, social and governance risks are detailed below.

## 6.4 Climate Change transition risk: Credit quality of exposures by sector, issues and residual maturity

The risk indicators of exposures to non-financial corporations that operate in sectors related to carbon are shown below, as well as the credit quality of said exposures as at December 31, 2022:

The following template reports on exposures to non-financial companies that operate in sectors that significantly contribute to climate change, including information on the credit quality of the exposures, their maturity, and information related to the financed issues.

The calculation of the issues financed for the portfolios as a whole is carried out at an active level, and has been based on the methodology developed within the framework of a sectoral project together with an external collaborator, adapting the calculation methodology provided by PCAF ("Partnership for Carbon Accounting Financials"). This methodology is a reference in the sector and its purpose is to establish a harmonised and robust approach for the measurement of financed emissions that facilitates the establishment of emission reduction targets.

Allows the calculation of Scope 1, Scope 2 and Scope 3 emissions of the Entity's counterparts, and is based on information and methodology from the main international institutions and organisations and on the most relevant reports on Carbon Footprint calculations. and emissions.

The PCAF methodology is initially based on the classification of the entity's assets and investments into a series of portfolios and sectors, combining the calculation of emissions based on the actual data of the counterparties, if they have published them, with sectoral averages by NACE, based on previously mentioned international standards such as PCAF and the level of income or size of customers.

To estimate the issues related to the financing and investment portfolio within the scope of this template, the Entity has weighted the value of its gross exposure in relation to the total financing information of each of the counterparties, in accordance with a concept called attribution factor, which corresponds to the percentage of financing granted by ABANCA to the counterparty over the total own funds plus the debt of the counterparty.

# Table 76: ESG 1 - Banking book - Climate change transition risk: Credit quality of exposures by sector, issues and residual maturity.

(million euro)

| Sector or subsector | Gross carrying amount (EUR million) | | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions(EUR million) | | | GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent) | | GHG financed emissions (column i): percentage derived from company specific reporting | <= 5 years | > 5 years<= 10 years | > 10 years<= 20 years | > 20 years | Average weighted maturity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Of which: exposures vs. companies excluded from EU reference indices aligned with the Paris Agreement in accordance with article 12.1(d) to (g), and section 2 of the Regulation (EU) 2020/1818 | Of which: environmentally sustainable (CCM) | Of which: stage 2 exposures | Of which: non-performing exposures | | Of which: stage 2 exposures | Of which: non-performing exposures | | Of which: scope 3 financed emissions | | | | | | |
| Exposures towards sectors that highly contribute to climate change | 13.279,58 | **519,18** | 0,00 | 1.372,39 | **522,28** | -404,62 | -68,22 | **-289,20** | 5.014.623,56 | 3.423.238,44 | **0,10** | 7.518,51 | 2.946,25 | **2.006,02** | 808,80 | 5,28 |
| A - Agriculture, livestock farming, forestry and fishing | 482,54 | 0,00 | 0,00 | 39,16 | 20,71 | -20,10 | -1,97 | -16,58 | 306.553,25 | 82.594,27 | 0,00 | 247,25 | 157,95 | 57,74 | 19,61 | 5,23 |
| B - Mining and quarrying | 74,52 | 28,50 | 0,00 | 4,87 | 11,06 | -8,48 | -0,20 | -8,11 | 26.640,92 | 7.459,72 | 0,00 | 65,78 | 4,16 | 3,96 | 0,62 | 1,91 |
| B.05 - Mining of coal and lignite | 0,12 | 0,12 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 154,03 | 16,95 | 0,00 | 0,12 | 0,00 | 0,00 | 0,00 | -0,25 |
| B.06 - Extraction of crude petroleum and natural gas | 0,28 | 0,28 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 3.424,02 | 442,75 | 0,00 | 0,00 | 0,28 | 0,00 | 0,00 | 7,69 |
| B.07 - Mining of metal ores | 3,00 | 0,00 | 0,00 | 0,00 | 0,28 | -0,08 | 0,00 | -0,07 | 2.183,09 | 1.258,17 | 0,00 | 3,00 | 0,00 | 0,00 | 0,00 | 1,86 |
| B.08 - Other mining and quarrying | 42,90 | 0,00 | 0,00 | 4,77 | 10,76 | -8,34 | -0,19 | -8,01 | 20.619,62 | 5.658,11 | 0,00 | 34,46 | 3,88 | 3,96 | 0,59 | 2,93 |
| B.09 - Mining support service activities | 28,22 | 28,09 | 0,00 | 0,10 | 0,02 | -0,06 | 0,00 | -0,02 | 260,17 | 83,75 | 0,00 | 28,19 | 0,00 | 0,00 | 0,03 | 0,34 |
| C - Manufacturing | 3.274,82 | 170,80 | 0,00 | 287,23 | 160,62 | -109,66 | -15,88 | -84,94 | 2.730.471,70 | 2.098.464,47 | 0,27 | 2.502,42 | 548,12 | 90,30 | 133,98 | 2,78 |
| C.10 - Manufacture of food products | 934,10 | 0,00 | 0,00 | 58,23 | 9,21 | -10,64 | -2,71 | -5,30 | 689.197,73 | 594.360,83 | 0,00 | 676,63 | 199,14 | 31,54 | 26,79 | 2,80 |
| C.11 - Manufacture of beverages | 142,99 | 0,00 | 0,00 | 21,50 | 6,87 | -4,39 | -1,05 | -2,70 | 22.527,35 | 16.325,02 | 0,00 | 74,95 | 58,43 | 5,97 | 3,64 | 4,18 |
| C.12 - Manufacture of tobacco products | 1,56 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 588,80 | 301,43 | 0,00 | 0,78 | 0,79 | 0,00 | 0,00 | 3,46 |
| C.13 - Manufacture of textiles | 37,12 | 0,00 | 0,00 | 3,89 | 4,70 | -2,24 | -0,12 | -1,95 | 11.772,44 | 9.156,52 | 0,00 | 27,86 | 3,63 | 4,56 | 1,08 | 3,98 |
| C.14 - Manufacture of wearing apparel | 214,00 | 0,00 | 0,00 | 13,43 | 5,08 | -3,41 | -0,34 | -2,66 | 113.363,44 | 107.060,43 | 0,01 | 199,96 | 5,89 | 2,42 | 5,72 | 0,90 |
| C.15 - Manufacture of leather and related products | 11,09 | 0,00 | 0,00 | 0,67 | 0,39 | -0,43 | -0,02 | -0,33 | 4.806,06 | 3.923,74 | 0,00 | 5,80 | 4,80 | 0,00 | 0,49 | 3,56 |
| C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufa | 111,64 | 0,00 | 0,00 | 22,81 | 3,23 | -2,74 | -0,72 | -1,67 | 61.775,22 | 33.159,41 | 0,00 | 72,03 | 10,67 | 2,40 | 26,55 | 2,48 |
| C.17 - Manufacture of pulp, paper and paperboard | 57,83 | 0,00 | 0,00 | 5,55 | 5,97 | -2,80 | -0,11 | -2,60 | 25.943,10 | 14.723,29 | 0,00 | 35,08 | 20,32 | 1,15 | 1,27 | 4,04 |
| C.18 - Printing and service activities related to printing | 29,36 | 0,00 | 0,00 | 4,01 | 2,56 | -1,11 | -0,19 | -0,77 | 5.451,13 | 3.717,83 | 0,00 | 19,01 | 6,53 | 2,44 | 1,39 | 3,81 |
| C.19 - Manufacture of coke oven products | 170,80 | 170,80 | 0,00 | 0,00 | 0,00 | -0,13 | 0,00 | 0,00 | 748.005,16 | 690.075,59 | 0,82 | 170,74 | 0,06 | 0,00 | 0,00 | 2,93 |
| C.20 - Production of chemicals | 103,12 | 0,00 | 0,00 | 22,94 | 2,59 | -6,69 | -4,31 | -2,12 | 44.464,75 | 23.671,77 | 0,00 | 66,63 | 31,67 | 1,90 | 2,92 | 3,50 |
| C.21 - Manufacture of pharmaceutical preparations | 23,72 | 0,00 | 0,00 | 3,54 | 0,48 | -0,85 | -0,41 | -0,37 | 7.726,74 | 4.787,39 | 0,00 | 18,65 | 4,64 | 0,18 | 0,26 | 3,94 |
| C.22 - Manufacture of rubber products | 111,62 | 0,00 | 0,00 | 7,57 | 5,17 | -3,46 | -0,30 | -2,76 | 48.801,17 | 38.758,87 | 0,00 | 81,69 | 15,82 | 2,57 | 11,55 | 2,84 |
| C.23 - Manufacture of other non-metallic mineral products | 183,80 | 0,00 | 0,00 | 5,63 | 7,05 | -6,35 | -0,15 | -5,93 | 277.128,65 | 88.392,48 | 0,00 | 134,61 | 24,61 | 17,73 | 6,84 | 3,37 |
| C.24 - Manufacture of basic metals | 304,86 | 0,00 | 0,00 | 15,94 | 41,75 | -17,83 | -1,24 | -15,98 | 318.477,65 | 191.510,31 | 0,07 | 280,50 | 15,54 | 1,11 | 7,71 | 1,69 |
| C.25 - Manufacture of fabricated metal products, except machinery and equipment | 361,44 | 0,00 | 0,00 | 48,76 | 26,47 | -20,27 | -2,04 | -17,03 | 179.493,44 | 147.300,82 | 0,00 | 276,96 | 56,99 | 9,13 | 18,36 | 2,92 |
| C.26 - Manufacture of computer, electronic and optical products | 22,71 | 0,00 | 0,00 | 0,72 | 3,34 | -0,97 | -0,02 | -0,87 | 10.222,03 | 7.206,17 | 0,00 | 18,63 | 1,92 | 0,06 | 2,10 | 1,71 |
| C.27 - Manufacture of electrical equipment | 51,03 | 0,00 | 0,00 | 7,69 | 3,67 | -2,69 | -0,12 | -2,40 | 32.219,01 | 26.493,26 | 0,00 | 41,90 | 5,56 | 0,93 | 2,64 | 2,02 |
| C.28 - Manufacture of machinery and equipment n.e.c. | 117,43 | 0,00 | 0,00 | 11,02 | 11,35 | -8,06 | -0,62 | -7,05 | 36.608,66 | 29.085,61 | 0,00 | 88,25 | 19,92 | 2,03 | 7,23 | 2,63 |
| C.29 - Manufacture of motor vehicles, trailers and semi-trailers | 144,84 | 0,00 | 0,00 | 7,32 | 12,77 | -7,42 | -0,63 | -6,52 | 36.430,28 | 31.157,08 | 0,00 | 109,65 | 34,33 | 0,00 | 0,87 | 3,59 |
| C.30 - Manufacture of other transport equipment | 43,79 | 0,00 | 0,00 | 5,47 | 0,25 | -0,49 | -0,31 | -0,09 | 12.657,75 | 10.128,03 | 0,00 | 38,72 | 3,05 | 1,03 | 0,98 | 2,65 |
| C.31 - Manufacture of furniture | 33,19 | 0,00 | 0,00 | 8,36 | 3,81 | -3,52 | -0,25 | -3,17 | 15.955,55 | 8.792,91 | 0,00 | 20,65 | 9,62 | 1,34 | 1,58 | 3,74 |
| C.32 - Other manufacturing | 26,33 | 0,00 | 0,00 | 1,67 | 1,79 | -1,61 | -0,03 | -1,45 | 8.773,51 | 5.385,01 | 0,00 | 19,32 | 4,48 | 0,44 | 2,08 | 2,30 |
| C.33 - Repair and installation of machinery and equipment | 36,45 | 0,00 | 0,00 | 10,52 | 2,11 | -1,54 | -0,19 | -1,24 | 18.082,06 | 12.990,67 | 0,00 | 23,42 | 9,72 | 1,38 | 1,92 | 3,66 |
| D - Electricity, gas, steam and air conditioning supply | 1.099,53 | 319,89 | 0,00 | 19,85 | 1,67 | -9,48 | -1,93 | -0,95 | 666.760,13 | 409.567,86 | 0,00 | 442,77 | 91,35 | 556,75 | 8,66 | 8,65 |
| D35.1 - Electric power generation, transmission and distribution | 902,76 | 123,21 | 0,00 | 19,85 | 1,67 | -9,45 | -1,93 | -0,95 | 235.523,96 | 56.194,51 | 0,00 | 255,22 | 82,55 | 556,75 | 8,24 | 10,33 |
| D35.11 - Production of electricity | 801,96 | 22,58 | 0,00 | 17,56 | 0,71 | -8,97 | -1,91 | -0,63 | 157.939,66 | 37.980,72 | 0,00 | 159,93 | 80,63 | 553,36 | 8,03 | 10,24 |
| D35.2 - Manufacture of gas; distribution of gaseous fuels through mains | 196,68 | 196,68 | 0,00 | 0,00 | 0,00 | -0,03 | 0,00 | 0,00 | 431.166,74 | 353.353,46 | 0,00 | 187,51 | 8,76 | 0,00 | 0,41 | 0,87 |
| D35.3 - Steam and air conditioning supply | 0,09 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 69,42 | 19,89 | 0,00 | 0,04 | 0,04 | 0,00 | 0,01 | 3,48 |
| E - Water supply; sewerage, waste management and remediation activities | 87,26 | 0,00 | 0,00 | 11,88 | 1,18 | -0,96 | -0,09 | -0,68 | 54.202,12 | 19.100,44 | 0,00 | 44,54 | 19,27 | 21,83 | 1,61 | 6,51 |
| F - Construction | 1.357,23 | 0,00 | 0,00 | 100,30 | 90,00 | -63,34 | -4,01 | -54,33 | 345.872,41 | 291.453,22 | 0,00 | 718,04 | 184,49 | 213,09 | 241,61 | 8,07 |
| F.41 - Construction of buildings | 738,79 | 0,00 | 0,00 | 39,68 | 43,28 | -30,07 | -1,16 | -26,07 | 143.846,28 | 121.932,11 | 0,00 | 309,59 | 89,67 | 137,16 | 202,36 | 11,37 |
| F.42 - Civil engineering | 214,72 | 0,00 | 0,00 | 26,08 | 9,55 | -7,13 | -0,61 | -5,74 | 41.649,50 | 35.438,85 | 0,00 | 126,47 | 26,51 | 52,63 | 9,11 | 5,06 |
| F.43 - Specialised construction activities | 403,71 | 0,00 | 0,00 | 34,54 | 37,17 | -26,14 | -2,24 | -22,52 | 160.376,62 | 134.082,25 | 0,00 | 281,98 | 68,31 | 23,29 | 30,13 | 3,48 |
| G - Wholesale and retail trade; repair of motor vehicles and motorcycles | 2.172,87 | 0,00 | 0,00 | 219,92 | 116,00 | -87,86 | -8,33 | -72,59 | 325.103,63 | 225.558,07 | 0,00 | 1.612,37 | 280,20 | 105,42 | 174,88 | 2,69 |
| H - Transportation and storage | 1.847,73 | 0,00 | 0,00 | 183,34 | 38,89 | -36,06 | -5,67 | -23,88 | 460.285,97 | 209.950,48 | 0,19 | 879,35 | 601,50 | 228,93 | 137,96 | 5,44 |
| H.49 - Land transport and transport via pipelines | 722,01 | 0,00 | 0,00 | 124,44 | 14,26 | -15,46 | -4,60 | -7,94 | 86.664,33 | 74.491,88 | 0,00 | 215,48 | 396,09 | 101,33 | 9,11 | 5,80 |
| H.50 - Water transport | 172,55 | 0,00 | 0,00 | 30,07 | 7,44 | -7,78 | -0,33 | -7,28 | 218.475,71 | 40.302,37 | 0,00 | 55,10 | 56,56 | 57,93 | 2,96 | 7,38 |
| H.51 - Air transport | 74,91 | 0,00 | 0,00 | 18,12 | 0,86 | -1,17 | -0,41 | -0,70 | 57.531,04 | 5.259,96 | 0,26 | 73,84 | 1,05 | 0,00 | 0,02 | 1,92 |
| H.52 - Warehousing and support activities for transportation | 874,60 | 0,00 | 0,00 | 10,51 | 16,31 | -11,63 | -0,33 | -7,94 | 97.098,71 | 89.461,99 | 0,38 | 532,80 | 147,30 | 69,68 | 124,83 | 5,02 |
| H.53 - Postal and courier activities | 3,66 | 0,00 | 0,00 | 0,20 | 0,03 | -0,03 | 0,00 | -0,01 | 516,16 | 434,29 | 0,00 | 2,14 | 0,49 | 0,00 | 1,04 | 2,80 |
| I - Accommodation and food service activities | 1.066,43 | 0,00 | 0,00 | 338,99 | 50,85 | -36,54 | -21,15 | -11,90 | 75.292,88 | 60.168,36 | 0,10 | 347,01 | 475,45 | 218,95 | 25,02 | 6,77 |
| L - Real estate activities | 1.816,64 | 0,00 | 0,00 | 166,85 | 31,30 | -32,12 | -9,00 | -15,24 | 23.440,56 | 18.921,55 | 0,00 | 658,98 | 583,76 | 509,04 | 64,86 | 7,81 |
| Exposures towards sectors other than those that highly contribute to climate change* | 4.413,66 | 0,00 | 0,00 | 271,67 | 110,13 | -99,22 | -11,00 | -72,62 | 0,00 | 0,00 | 0,00 | 2.917,56 | 744,64 | 283,83 | 456,17 | 4,08 |
| K - Financial and insurance activities | 2.341,10 | 0,00 | 0,00 | 25,24 | 17,57 | -26,07 | -0,53 | -16,46 | 0,00 | 0,00 | 0,00 | 1.592,26 | 333,02 | 77,01 | 338,81 | 3,90 |
| Exposures to other sectors (NACE codes J, M - U) | 2.072,56 | **0,00** | 0,00 | 246,43 | **92,56** | -73,15 | -10,48 | **-56,16** | 0,00 | 0,00 | **0,00** | 1.325,30 | 411,62 | **206,82** | 117,35 | 4,30 |
| **TOTAL** | 17.693,24 | **519,18** | 0,00 | 1.644,06 | **632,42** | -503,84 | -79,22 | **-361,82** | 0,00 | 0,00 | **0,00** | 10.436,07 | 3.690,88 | **2.289,85** | 1.264,96 | 4,99 |

As at December 31, 2022, the estimate of emissions related to the financing and investment portfolio, including Scope 1, 2 and 3 emissions, represents an amount of 5,014.6 thousand tons of CO2 in the sectors that contribute to the climate change, of which 68% are Scope 3 emissions. **If we limit ourselves solely to the emissions related to the financing and investment portfolio of Scope 1 and 2, the emission estimate reaches an amount of 1,554 thousand tons of CO2.**

The template also requires identification of exposures excluded from Paris Agreement-aligned benchmarks. To this end, sections d) to g) of article 12.1 and article 12.2 of Delegated Regulation (EU) 2020/1818 of the Commission have been applied. Companies are identified based on the following criteria:

- At least 1% of its income comes from prospecting, mining, extraction and distribution or refining of anthracite, hard coal and lignite.
- At least 10% of its income comes from the exploration, extraction, distribution or refining of liquid fuels. At least 50% of its income comes from the exploration, extraction, production or distribution of gaseous fuels.
- At least 50% of its income comes from the production of electricity with an intensity of GHG emissions greater than 100 g of CO2 equivalent/kWh.

In order to apply these criteria to the Entity's portfolio, a review of the exposures in the aforementioned sectors of activity has been carried out, verifying the characteristics of the different counterparties. In this sense, as of December 2022, the Entity accumulated €519 million in this area in companies, activity of which is related to these sectors. The distribution of the total amount excluded from the Paris Agreement among these sectors is shown in the following table:

Table 77: Distribution of the total amount excluded from the Paris Agreement by sector

| Sector | Amount (MM€) |
|---|---|
| Mining and quarrying | 28,50 |
| Manufacture of coke oven products and oil refining | 170,80 |
| Electric power generation, transmission and distribution | 123,21 |
| Manufacture of gas; distribution of gaseous fuels through mains | 196,68 |
| TOTAL | 519,18 |

Likewise, in order to manage any repercussions of exposures linked to climate change, among other considerations, the Entity has approved in 2022 a series of policies aimed at managing the different types of traditional financial risks: credit, market liquidity and operational. Specifically, the Sustainability Integration Policy in liquidity, market and operational risks, and in relation to credit risk, due to its importance, a specific policy has been defined for it, "Policy for the integration of credit risk management sustainability factors".

## 6.5 Climate change transition risk: Loans secured by immovable property - Energy efficiency of the collateral

The following template classifies the portfolio collateralised by residential or commercial real estate, as well as real guarantees awarded, in terms of energy efficiency certificates (EPC) and energy consumption expressed in kWh/m2 as at December 31, 2022. These certificates indicate different levels of energy performance of a building or home. Since the entry into force of this Directive, properties that are sold or rented must be accompanied by their energy certificate.

The template reports the total portfolio at a consolidated level, including risks of the subsidiaries in Portugal, Switzerland, USA and Mexico. Both the data from energy efficiency certificates and the estimates are only available for assets located in Spain.

The information on the energy performance of the collaterals that guarantee the bank's mortgage portfolio is important in the management of transition risks, which is why work is being done to gather as much information as possible on the energy certificates of commercial or residential real estate.

Work has been carried out to identify or estimate the energy rating of assets located in Spain, having established 2 ways to obtain the data:

- They are mostly obtained through an external provider. The data provided by the external provider has 3 levels of accuracy:
    - Obtaining the data directly through the search for the specific property in the public databases of Energy Efficiency Certifications (EEC) of the Autonomous Regions in Spain.
    - Obtain the data of the property by similarity to other properties that do have the EEC in the same building.
    - Data obtained through an estimation model developed an estimation model based on the score of certain characteristics obtained from the information of the land registries, all of this, in accordance with the "Methodological Note for the Location/Estimation of the Energy Efficiency Rating of Real Estate"
- Additionally, these data are complemented with the collection of the EECs by the management agents directly in the processing of transactions.

## Table 78: ESG 2 - Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral

(million euro)

| | a | b | c | d | e | f | g | h | i | j | k | l | m | n | o | p |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Counterparty sector | Total gross carrying amount amount (in MEUR) | | | | | | | | | | | | | | | |
| | | Level of energy efficiency (EP score in kWh/m² of collateral) | | | | | | Level of energy efficiency (EPC label of collateral) | | | | | | | Without EPC label of collateral | |
| | | 0;<=100 | > 100;<=200 | > 200;<=300 | > 300;<=400 | > 400;<=500 | > 500 | A | B | C | D | E | F | G | | Of which: level of energy efficiency estimated* |
| **Total EU area** | **17.908,66** | **1.711,66** | **5.444,30** | **3.175,72** | **975,58** | **219,82** | **177,01** | **196,34** | **255,70** | **261,80** | **543,78** | **2.037,04** | **397,95** | **598,89** | **13.617,17** | **55,03** |
| Of which: Loans collateralised by commercial immovable property | 2.215,42 | 144,38 | 271,95 | 172,11 | 64,19 | 29,05 | 26,34 | 39,23 | 109,79 | 101,27 | 116,40 | 129,31 | 23,18 | 27,85 | 1.668,39 | 9,75 |
| Of which: Loans collateralised by residential immovable property | 15.406,68 | 1.560,06 | 5.096,60 | 2.944,80 | 884,58 | 182,27 | 148,04 | 157,11 | 145,45 | 155,88 | 413,81 | 1.876,38 | 362,38 | 552,84 | 11.742,83 | 61,63 |
| Of which: Collateral obtained by taking possession: residential and commercial immovable properties | 286,56 | 7,22 | 75,75 | 58,81 | 26,81 | 8,49 | 2,63 | 0,00 | 0,46 | 4,66 | 13,57 | 31,35 | 12,39 | 18,20 | 205,95 | 47,37 |
| Of which: Level of energy efficiency (EP score in kWh/m² of collateral) estimated | 7.468,22 | 923,90 | 3.799,60 | 1.909,37 | 599,60 | 116,77 | 111,01 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 7.468,22 | 99,87 |
| **Total non-EU area** | **625,10** | **0,00** | **0,25** | **0,66** | **0,00** | **0,00** | **0,00** | **0,00** | **0,00** | **0,00** | **0,53** | **0,00** | **0,00** | **0,13** | **624,44** | **0,04** |
| Of which: Loans collateralised by commercial immovable property | 159,26 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 159,26 | 0,00 |
| Of which: Loans collateralised by residential immovable property | 452,44 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 452,44 | 0,00 |
| Of which: Collateral obtained by taking possession: residential and commercial immovable properties | 13,40 | 0,00 | 0,25 | 0,66 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,53 | 0,00 | 0,00 | 0,13 | 12,74 | 1,97 |
| Of which: Level of energy efficiency (EP score in kWh/m² of collateral) estimated | 0,25 | 0,00 | 0,25 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,25 | 100,00 |

Most of the collaterals in the European Union area for which real energy certificate data is available are concentrated in letter E (47%). The guarantees with the highest energy efficiency (A+B+C) represent 17%.

For the guarantees of the European Union area for which the actual energy certification data is not available, for 54.78% there is an estimate.

## 6.6 Potential climate change transition risk: alignment metrics

Below is a summary table with the de-carbonisation objectives published by the Entity at the end of 2022 for the four sectors mentioned above:

Table 79: ESG 3_Banking book - Climate change transition risk: alignment metrics

| a | b | c | d | e | f |
|---|---|---|---|---|---|
| Sector | Scope of Emisions | Alignment metric | Scenario of reference | Year of reference (2021) | Target (year of reference + 3 years) |
| Steel | 1+2 | tCO2e/t-acero | IEA Net Zero 2050 | 0,832 | 0,624-(25%) |
| Aviation | 1 | KgCO2/Revenue Tor | IEA Net Zero 2050 | 1,269 | 0,800 (-37%) |
| Coal | 1 | tICO2e | Plan de salida de financiación en 2030 | 0,000 | Plan de salida de financiación en 2030 (-100%) |
| Cement | 1+2 | tCO2e/t-cemento | IEA Net Zero 2050 | 0,707 | 0,566 (-20%) |

It is important to bear in mind that the list of NACEs that have been taken into account in this publication for the configuration of these four sectors differs slightly from that indicated in template 3 of Pillar III.

The objectives were set in emission intensity metrics per unit of production, with a starting point in 2021 and a target for 2030 for the four sectors, following the Sectoral Decarbonisation Approach methodology, which takes into account certain elements of PACTA (Paris Agreement Capital Transition Assessment). In this first disclosure, the fixed/variable income portfolio and the investment portfolio were not taken into account.

The 1.5ºC scenarios have been taken as a reference, specifically the net zero emissions scenario of the International Energy Agency and the calculation methodology developed by the Partnership for Carbon Accounting Financials (PCAF). This initiative aims to establish an international methodology to measure and disclose greenhouse gas emissions financed by banks and investors.

These de-carbonisation paths will be revised as more companies disclose their carbon footprint data and the methodologies taken as a reference are refined. Additionally, throughout 2023, the bank will establish decarbonisation targets for three new sectors that are intensive in greenhouse gas emissions.

## 6.7 Climate change transition risk: Exposures to the top 20 carbon intensive companies

To inform template 4, the positions in the Entity's investment portfolio have been contrasted with the 20 companies considered the biggest polluters in the world according to the study carried out by the Climate Accountability Institute (accumulated up to 2018). It is verified that the entity does not maintain any investment with these counterparties.

### Template 80: ESG 4_Banking book - Climate change transition risk: Exposures to the top 20 carbon intensive companies

| | a | b | c | d | e |
|---|---|---|---|---|---|
| | Gross carrying amount (aggregate) | Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)* | Of which: environmentally sustainable (CCM) | Weighted average maturity | Number of top 20 polluting firms included |
| 1 | | | | | |

*For counterparties among the top 20 carbon emitting companies in the world

## 6.8 Climate Change physical risk: Exposures subject to physical risk

The following table shows the portfolio exposures as at December 31, 2022, on non-financial corporations, on loans secured with real estate and foreclosed assets exposed to chronic and acute weather-related risks, with a breakdown by sector economic activity and geographic location of the counterparty.

The template must state which exposures are sensitive to the impact of physical risks, although without defining a specific methodology or the types of events to consider.

ABANCA, through an external provider (SOTASA), has identified the information corresponding to the physical risks related to the properties that make up the mortgage guarantees and the following types of physical risks have been considered and classified as acute or chronic risks:

**Acute risks:** Acute risks are those whose effects are more apparent in the short term and both climatic and environmental risks are taken into account.

Climatic risks are those caused by extreme weather events whose frequency and intensity would increase due to global warming:

- **River flood risk.** Measures the percentage of the population that is expected to be affected by a river flood in the average year, taking into account existing flood protection regulations. Higher values indicate that a larger proportion of the population is expected to be affected by riverine flooding on average.
- **Risk of coastal flooding.** Measures the percentage of the population that is expected to be affected by coastal flooding in the average year, taking into account existing flood

protection regulations. Higher values indicate that a larger proportion of the population is expected to be affected by coastal flooding on average.

- **Risk of fire.** Measures the probability of forest fires occurring in a given location. Higher values are indicative of a higher probability of forest fires.

**Chronic Risks:** They are those that result from a change in the medium and long term in the behaviour of the climate, especially due to the general increase in temperatures, whose effects are manifested in the medium or long term.

- **Desertification risk:** It tells us where chronic droughts are likely to occur and the vulnerability of people and assets to adverse effects. Higher values indicate a higher risk of drought.

An internal methodology has been defined to determine the exposure to physical risks of our portfolio, which includes:

- Following a criterion of prudence and transparency, all physical events for which information is available, both climatic and environmental, are considered.
- Based on the data provided by the external provider, the different risks are classified on a sensitivity scale with five levels: Low, Medium Low, Medium, Medium High, and High.
- Based on the previous scale and following a conservative criterion, risks with a collateral with a High level of sensitivity are considered sensitive to the impact of acute or chronic risks in any of the events considered in each category.
- In order to inform on the sensitivity to physical risks of exposures without collateral, an extrapolation work by postal code and province has been carried out, based on data at the collateral level, to determine the sensitivity or not of exposures based on the location of the registered office of information on the counterparty, since the entity currently does not have information on the location of the production centres of its counterparties.

## Table 81: ESG 5_Banking book - Climate change physical risk: Exposures subject to physical risk

| | a | b | c | d | e | f | g | h | i | j | k | l | m | n | o |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Gross carrying amount (EUR million) | | | | | | | | | | | | | |
| | | | of which exposures sensitive to impact from climate change physical events | | | | | | | | | | | | |
| | | | Breakdown by maturity bucket | | | | | Of which: exposures sensitive to impact from chronic climate change events | Of which: exposures sensitive to impact from acute climate change events | exposures sensitive to impact both from chronic and acute climate change events | Of which: stage 2 exposures | Of which: non-performing exposures | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | |
| | | | <= 5 years | > 5 years<= 10 years | > 10 years<= 20 years | > 20 years | Weighted average maturity | | | | | | | Of which: stage 2 exposures | Of which: non-performing exposures |
| 1 | A - Agriculture, forestry and fishing | 404,92 | 12,05 | 3,99 | 0,35 | 0,44 | 4,23 | 0,55 | 16,27 | 0,01 | 1,11 | 0,47 | -0,16 | -0,03 | -0,06 |
| 2 | B - Mining and quarrying | 45,58 | 6,65 | 0,56 | 0,00 | 0,09 | 3,31 | 0,00 | 7,30 | 0,00 | 0,58 | 0,00 | -0,04 | 0,00 | 0,00 |
| 3 | C - Manufacturing | 2.819,67 | 157,61 | 14,34 | 1,98 | 7,76 | 1,74 | 41,74 | 134,05 | 5,91 | 12,36 | 10,14 | -6,84 | -0,25 | -5,99 |
| 4 | D - Electricity, gas, steam and air conditioning supply | 1.033,15 | 1,90 | 0,23 | 12,79 | 0,19 | 12,76 | 0,00 | 15,11 | 0,00 | 0,40 | 0,30 | -0,32 | 0,00 | -0,23 |
| 5 | E - Water supply; sewerage, waste management and remediation activities | 85,56 | 7,37 | 15,05 | 0,00 | 0,01 | 6,49 | 0,00 | 22,44 | 0,00 | 0,00 | 0,15 | -0,04 | 0,00 | -0,01 |
| 6 | F - Construction | 1.240,35 | 73,04 | 4,32 | 1,55 | 6,05 | 3,96 | 2,56 | 82,40 | 0,00 | 3,24 | 6,06 | -3,79 | -0,08 | -3,54 |
| 7 | G - Wholesale and retail trade; repair of motor vehicles and motorcycles | 1.942,09 | 158,11 | 8,33 | 1,41 | 12,13 | 1,60 | 18,17 | 155,09 | 6,73 | 19,82 | 12,53 | -10,07 | -0,68 | -8,85 |
| 8 | H - Transportation and storage | 1.700,79 | 52,76 | 44,20 | 1,28 | 1,89 | 3,89 | 2,69 | 96,95 | 0,49 | 5,66 | 2,22 | -1,66 | -0,34 | -1,17 |
| 9 | L - Real estate activities | 1.145,86 | 11,62 | 18,32 | 13,48 | 0,06 | 7,34 | 16,48 | 26,97 | 0,03 | 2,39 | 1,02 | -0,85 | -0,04 | -0,49 |
| 10 | Loans collateralised by residential immovable property | 11.169,59 | 15,12 | 64,79 | 408,80 | 504,02 | 20,00 | 90,17 | 885,77 | 16,79 | 78,89 | 19,42 | -9,82 | -2,68 | -6,28 |
| 11 | Loans collateralised by commercial immovable property | 1.664,71 | 29,25 | 35,47 | 88,71 | 9,48 | 10,72 | 5,51 | 103,14 | 54,26 | 7,70 | 11,07 | -8,99 | -0,52 | -7,24 |
| 12 | Repossessed colalterals | 326,77 | 0,00 | 0,00 | 0,00 | 74,11 | 0,00 | 5,91 | 67,69 | 0,52 | 0,00 | 0,00 | -55,15 | 0,00 | 0,00 |
| 13 | Other relevant sectors (breakdown below where relevant) | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 |

Of all the physical risks evaluated, the seismic risk is the one that affects a greater percentage of the exposure.

In the case of the corporate portfolio, 0.8% of the exposure would be sensitive to chronic physical risks and 5.3% to acute risks. The percentage of sensitive exposure to both types of risk is immaterial.

Regarding the exposure guaranteed by real estate, the affectation by physical risk is 1.1% in the case of chronic risks and 14.1% in the case of acute risks. The residential and commercial portfolio are affected by both risks in similar percentages, less than 1% sensitive to chronic risks and around 7% sensitive to physical risks.

The residential and commercial portfolio are affected by both risks in similar percentages, less than 1% sensitive to chronic risks and around 7% sensitive to physical risks.

In the portfolio of recovered guarantees, the percentage of the portfolio sensitive to chronic risks is 1.81% and 20.71% is sensitive to acute risks. It should be noted that 85% of the portfolio sensitive to acute risks is explained by sensitivity to systemic risk.

## 6.9 Other Mitigation Measures

ABANCA continues to work on being a local catalyst for sustainability in its scope of action, supporting the transition to a sustainable economy, continuing with a progressive and incremental approach that pays attention to adaptation of its portfolio products and services to offer a sustainable alternative within its catalogue. Within this framework, it is considered crucial to increase exposure and channel financing and investments towards projects with the potential to transform the traditional economy, introducing sustainable lines that, in addition to being effective, respect the adaptation times of each customer.

The following template shows, as at December 31, 2022, the counterparty exposures that do not meet the criteria established in Taxonomy Regulation (EU) 2020/852, including two types of financial instruments: green bonds, bonds Sustainability Linked to Climate Change Issues or Sustainability Related Bonds Linked to Climate Change Issues; and green loans, sustainability-related loans linked to climate change aspects or sustainability-related loans linked to climate change aspects.

## Table 82: ESG 10_ Other climate change mitigation actions not covered in the EU taxonomy

| | a | b | c | d | e | f |
|---|---|---|---|---|---|---|
| | Type of financial instrument | Type of counterparty | Gross carrying amount (million EUR) | Type of risk mitigated (Climate change transition ris | Type of risk mitigated (Climate change physical risk) | Qualitative information on the nature of the mitigating actions |
| 1 | Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards) | Financial corporations | 100,16 | SI | | Bons vinculated to Green Bond Principles |
| 2 | | Non-financial corporations | | | | |
| 3 | | Of which Loans collateralised by commercial immovable property | | | | |
| 4 | | Other counterparties | | | | |
| 5 | Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards) | Financial corporations | 9,20 | SI | | Loans clasified as Sustainability Linked Loans |
| 6 | | Non-financial corporations | 131,75 | SI | | Loans clasified as Sustainability Linked Loans |
| 7 | | Of which Loans collateralised by commercial immovable property | | | | |
| 8 | | Households | | | | |
| 9 | | Of which Loans collateralised by residential immovable property | | | | |
| 10 | | Of which building renovation loans | | | | |
| 11 | | Other counterparties | | | | |

For the completion of the template, the EBA guidelines have been followed, where ABANCA has opted for a conservative approach, including the following financial instruments:

- Those bonds aligned with the Green Bond Principles have been identified, a standard defined by the International Capital Market Association (ICMA), which considers activities that contribute to the mitigation of climate change. Specifically, in this case, renewable energy projects are financed, such as the generation of photovoltaic energy, among others.

- Loans classified as Sustainability Linked Loans financed under the Sustainability Linked Loan Principles defined by the Loan Market Association have been identified, which have key performance indicators (at least 2 per loan) and are related to climate mitigation and/or adaptation objectives to climate change, such as the reduction of CO2 emissions, the increase in the consumption of renewable energy, among others. Additionally, the selected transactions inform about the preparation of a follow-up report or Second Party Opinion that analyses the alignment with the Sustainability Linked Loan Principles and/or validates that the selected indicators are relevant for the sector, customers in their strategy of progress towards sustainability and are established in the long term.

Taking into account the objectives and indicators linked to financing, the risk that is mitigated in this type of transactions is of transition linked to climate change.

# 7. Other risks

As at December 31, 2022, the Group analysed the potential impact on other risks in its regular business activity, understanding that all of them will be reasonably covered without significantly affecting the normal development of the Group's activities in the coming years.

# ANNEX II: Improvements in transparency. Regulatory requirements

## Implementing Regulation (EU) 2021/637_ Guidelines on disclosure requirements under Part Eight of the CRR_

| Identificación | Tipo | Nombre | Localización |
|---|---|---|---|
| **Anexo I** | | **Plantillas de divulgación de información general** | |
| **Anexo II** | | **Instrucciones para las plantillas de divulgación de información general** | |
| EU OV1 | Plantilla | Resumen de los importes totales de exposición al riesgo | 4.1 |
| EU KM1 | Plantilla | Plantilla de indicadores clave | 1.6 |
| EU INS1 | Plantilla | Participaciones en seguros | N/A |
| EU INS2 | Plantilla | Conglomerados financieros – Información sobre fondos propios y coeficiente de adecuación del capital | N/A |
| EU OVC | Tabla | Información del ICAAP | 4.2 |
| **Anexo III** | | **Divulgación de los objetivos y las políticas de gestión del riesgo** | |
| **Anexo IV** | | **Instrucciones para las plantilals de los objetivos y las políticas de gestión del riesgo** | |
| EU OVA | Tabla | Método de gestión del riesgo de las instituciones | 2/Anexo I/9.1 |
| EU OVB | Tabla | Información sobre los mecanismos de gobernanza | 15.e/15.1/15.2/9.1/2 |
| **Anexo V** | | **Divulgación de información sobre el ámbito de aplicación** | |
| **Anexo VI** | | **Instrucciones para la divulgación de información sobre el ámbito de aplicación del marco reglamentario** | |
| EU LI1 | Plantilla | Diferencias entre el ámbito de consolidación contable y el ámbito de consolidación prudencial y correspondencia de las categorías de estados financieros con las categorías de riesgo reglamentario | 1.10.1 |
| EU LI2 | Plantilla | Principales fuentes de discrepancias entre las cuantías de las exposiciones con fines reguladores y los valores contables en los estados financieros | 1.10.1 |
| EU LI3 | Plantilla | Esquema de las diferencias en los ámbitos de consolidación (ente por ente) | 1.10.2 |
| EU LIA | Tabla | Explicaciones de las discrepancias entre los importes de la exposición contable y la exposición con fines reguladores | 1.10 |
| EU LIB | Tabla | Otras informaciones cualitativas sobre el ámbito de aplicación | 1.10 |
| EU PV1 | Plantilla | Ajustes de valoración prudente (AVA) | 3.5 |
| **Anexo VII** | | **Divulgación de información sobre los fondos propios** | |
| **Anexo VIII** | | **Instrucciones para las plantillas de divulgación de información sobre fondos propios** | |
| EU CC1 | Plantilla | Composición de los fondos propios reglamentarios | 3.2 |
| EU CC2 | Plantilla | Conciliación de los fondos propios reglamentarios con el balance en los estados financieros auditados | 3.4 |
| EU CCA | Tabla | Principales características de los instrumentos reglamentarios de fondos propios y los instrumentos de pasivos admisibles | 3.3 |

| Identificación | Tipo | Nombre | Localización |
|---|---|---|---|
| **Anexo IX** | | **Divulgación de información sobre los colchones de capital anticíclicos** | |
| **Anexo X** | | **Instrucciones para la divulgación de información sobre los colchones de capital anticíclicos** | |
| EU CCyB1 | Plantilla | Distribución geográfica de las exposiciones crediticias pertinentes para el cálculo del colchón de capital anticíclico | 4.5 |
| EU CCyB2 | Plantilla | Importe del colchón de capital anticíclico específico de cada entidad | 4.5 |
| **Anexo XI** | | **Divulgación de información sobre la ratio de apalancamiento** | |
| **Anexo XII** | | **Instrucciones para la divulgación de información sobre la ratio de apalancamiento** | |
| EU LR1 | Plantilla | LRSum: Resumen de la conciliación de los activos contables y las exposiciones correspondientes a la ratio de apalancamiento | 4.3.2 |
| EU LR2 | Plantilla | LRCom: Cuadro divulgativo común de la ratio de apalancamiento | 4.3.2 |
| EU LR3 | Plantilla | LRSpl: Desglose de exposiciones dentro de balance (excluidos derivados, operaciones de financiación de valores y exposiciones exclui | 4.3.2 |
| EU LRA | Tabla | Divulgación de información cualitativa de la ratio de apalancamiento | 4.3 |
| **Anexo XIII** | | **Divulgación de los requisitos de liquidez** | |
| **Anexo XIV** | | **Instrucciones para las plantillas sobre requisitos de liquidez** | |
| EU LIQA | Tabla | Gestión del riesgo de liquidez | 2 / Anexo I.5 |
| EU LIQ1 | Plantilla | Información cuantitativa de la ratio de cobertura de liquidez | 4.4 |
| EU LIQB | Tabla | Sobre información cualitativa sobre la ratio de cobertura de liquidez, que complementa la plantilla EU LIQ1 | Anexo I.5 |
| EU LIQ2 | Plantilla | Ratio de financiación estable neta | 4.4 |
| **Anexo XV** | | **Divulgación de información sobre la calidad del riesgo de crédito** | |
| **Anexo XVI** | | **Instrucciones para la divulgación de las políticas y objetivos de gestión del riesgo, las exposiciones al riesgo de crédito, el riesgo de dilución y la calidad cred** | |
| EU CRA | Tabla | Cuadro EU CRA: Información cualitativa general sobre el riesgo de crédito | 2.4/2.3/5/Anexo I |
| EU CRB | Tabla | Divulgación adicional relativa a la calidad crediticia de los activos | 5 |
| EU CR1 | Plantilla | Exposiciones no dudosas y dudosas y provisiones conexas | 5.4 |
| EU CR1-A | Plantilla | Vencimiento de las exposiciones | 5.4 |
| EU CR2 | Plantilla | Variaciones del volumen de préstamos y anticipos dudosos | 5.4 |
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Remarks: Justification of the Tables/Templates not included in the document in the list above:

- EU INS1: The Entity does consider article 49 and insurers are treated as entities of the financial sector for the purpose of calculating the capital deduction.
- EU INS2: ABANCA is not part of any financial conglomerate
- EU CR2a: It is not reported as the Bank's NPL ratio does not exceed 5%, in line with the provisions of Annex XVI of these Regulations.
- EU CQ2: It is not reported as the Bank's NPL ratio does not exceed 5%, in line with the provisions of Annex XVI of these Regulations.
- EU CQ6: It is not reported as the Bank's NPL ratio does not exceed 5%, in line with the provisions of Annex XVI of these Regulations.
- EU CQ8: It is not reported as the Bank's NPL ratio does not exceed 5%, in line with the provisions of Annex XVI of these Regulations.
- EU CRE: As at December 31, 2022, the Entity does not apply IRB approach to any of its portfolios.
- EU CR6: As at December 31, 2022, the Entity does not apply IRB approach to any of its portfolios.
- EU CR6-A: As at December 31, 2022, the Entity does not apply IRB approach to any of its portfolios.

- EU CR7: As at December 31, 2022, the Entity does not apply IRB approach to any of its portfolios.
- EU CR7-A: As at December 31, 2022, the Entity does not apply IRB approach to any of its portfolios.
- EU CR8: As at December 31, 2022, the Entity does not apply IRB approach to any of its portfolios.
- EU CR9: As at December 31, 2022, the Entity does not apply IRB approach to any of its portfolios.
- EU CR9.1: As at December 31, 2022, the Entity does not apply IRB approach to any of its portfolios.
- EU CR10: As at December 31, 2022, the Entity does not apply specialised lending.
- EU CCR4: As at December 31, 2022, the Entity does not apply IRB approach to any of its portfolios.
- EU CCR6: As at December 31, 2022, the Entity has no credit derivatives exposures.
- EU CCR7: As at December 31, 2022, the Entity has no credit derivatives exposures.
- EU SEC1: It is not included because there is no balance.
- EU SEC2: It is not included because there is no balance.
- EU SEC3: It is not included because there is no balance.
- EU SEC4: It is not included because there is no balance.
- EU MRB: The standardised approach for market risk is used.
- EU-MR2-A: The standardised approach for market risk is used.
- EU-MR2-B: The standardised approach for market risk is used.
- EU-MR3 – IMA: The standardised approach for market risk is used.
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| 431.2 | La autorización por las autoridades competentes de los instrumentos y metodologías contemplados en el título III se supeditará a la divulgación por las entidades de la forma allí establecida. | N/A_ No utilización de IRB | |
| 431.3 | Las entidades adoptarán una política formal relativa a la frecuencia de divulgación, su verificación, alcance y adecuación | Apartado 1.3 | |
| 431.4 | Datos cuantitativos acompañados de descripción cualitativa para su comprensión. Se señalará todo cambio significativo de cualquier dato divulgado en comparación con la información previamente divulgada. | General | |
| 431.5 | Las entidades deberán explicar, si se les solicita, sus decisiones de calificación a las pymes y otras empresas solicitantes de préstamos, proporcionando una explicación por escrito cuando se les pida. Los costes administrativos de la explicación deberán ser proporcionados a la cuantía del préstamo. | - | |
| **432. Información no significativa, reservada o confidencial** | | | |
| 432.1 | Las entidades podrán omitir información considerada como no significativa bajo ciertas condiciones. | Apartado 1.3 | |
| 432.2 | Las entidades podrán omitir información considerada como reservada o confidencial bajo ciertas condiciones. | Apartado 1.3 | |
| 432.3 | Cuando sea de aplicación el apartado 2 del art. 432, la entidad lo hará constar en sus desgloses de información y deberá publicar información general sobre el aspecto a que se refiera el requisito de divulgación. | Apartado 1.3 | |
| **433. Frecuencia y alcance de la divulgación** | | | |
| 433 | Las entidades publicarán la información exigida en virtud de los títulos II y III según lo establecido en los artículos 433 bis, 433 ter y 433 quater. | Apartados 1.3 / 1.4 | |
| **433 bis. Divulgación de información de entidades de gran tamaño** | | | |
| 433 bis | Las entidades de gran tamaño divulgarán la información expuesta a continuación con la frecuencia que se indica | Apartado 1.4 | |
| **433 ter. Divulgación de información por las entidades pequeñas y no complejas** | | | |
| 433 ter | Las entidades pequeñas y no complejas divulgarán la información expuesta a continuación con la frecuencia que se indica | N/A | |
| **433 quarter. Divulgación de información por otras entidades** | | | |
| 433 quarter | Las entidades de gran tamaño divulgarán la información expuesta ça continuación con la frecuencia que se indica | N/A | |
| **434. Medio de divulgación** | | | |
| 434.1 | Las entidades divulgarán toda la información exigida en virtud de los títulos II y III en formato electrónico y en un único medio o lugar. | Apartado 1.8 | |
| 434.2 | Las entidades publicarán en su sitio web | Apartado 1.8 | |
| **434 bis. Formatos uniformes de divulgación de información** | | | |
| 434 bis | La ABE elaborará proyectos de normas técnicas de ejecución para especificar los formatos uniformes de divulgación de información, así como las instrucciones correspondientes con arreglo a las cuales deberá hacerse pública la información exigida en los títulos II y III. | N/A | |

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| TÍTULO II : CRITERIOS TÉCNICOS SOBRE TRANSPARENCIA Y DIVULGACIÓN DE INFORMACIÓN | | | |
| 435. Divulgación de los objetivos y las políticas de gestión del riesgo | | | |
| 435.1 | Las entidades divulgarán información sobre cada categoría de riesgo: | | |
| 435.1.a | Las estrategias y los procesos de gestión de dichos riesgos | Apartado 2 / Anexo I | |
| 435.1.b | La estructura y organización de la función de gestión del riesgo correspondiente. | Apartado 2 / Anexo I | |
| 435.1.c | Sistemas de transmisión de información y de medición del riesgo. | Apartado 2.4 / Anexo I | |
| 435.1.d | Cobertura y reducción del riesgo - políticas, estrategias y procesos | Apartados 2 y 9.1 / Anexo I | |
| 435.1.e | Declaración aprobada por el órgano de dirección sobre la adecuación de los mecanismos de gestión de riesgos de la entidad | Apartados 2.3 / 2.4 | |
| 435.1.f | Breve declaración sobre riesgos aprobada por el órgano de dirección. | Apartados 2.3 / 2.4 / Anexo I.1 | |
| 435.2 | Información sobre el sistema de gobierno corporativo, incluyendo información acerca de la composición del consejo y su contratación, y los comités de riesgo. | | |
| 435.2.a | Miembros del consejo que ostentan a su vez un cargo directivo en la entidad. | Apartado 15.e | |
| 435.2.b | La política de selección de los miembros del órgano de dirección y sus conocimientos, competencias y experiencia. | Apartado 15.1 | |
| 435.2.c | La política en materia de diversidad, sus objetivos, y grado de cumplimiento. | Apartado 15.2 | |
| 435.2.d | Si se ha creado un comité de riesgos dedicado específicamente a esta cuestión y el número de veces que se ha reunido. | Apartado 2,2 | |
| 435.2.e | La descripción del flujo de información sobre riesgos al órgano de dirección. | Apartado 2,4 | |
| 436. información sobre el ámbito de aplicación | | | |
| 436 | Las entidades divulgarán la siguiente información sobre el ámbito de aplicación del presente Reglamento | | |
| 436.a | El nombre de la entidad a la que se aplica el presente Reglamento; | Apartado 1.2 | |
| 436.b | Un resumen de las diferencias en la base de consolidación a efectos contables y prudenciales, con una breve descripción de las entidades incluidas, explicando si están: i) consolidadas íntegramente, ii) consolidadas proporcionalmente, iii) deducidas de los fondos propios, iv) ni consolidadas ni deducidas. | Apartado 1.10 | LI1, LI2, LI3 y Tablas 6,7,8 y 9 |
| 436.c | Un desglose de los activos y los pasivos de los estados financieros consolidados elaborados de conformidad con los requisitos sobre consolidación regulatoria con arreglo a la parte primera, título II, secciones 2 y 3, por tipo de riesgos | Apartado 1.10 | LI1 |
| 436.d | Una conciliación en la que se expongan las principales fuentes de diferencias entre los importes de valor contable de los estados financieros de conformidad con el ámbito de consolidación regulatoria que se define en la parte primera, título II, secciones 2 y 3, y el importe de la exposición empleado a fines regulatorios; dicha conciliación podrá complementarse con información cualitativa sobre dichas fuentes de diferencias | Apartado 1.10 | LI1 y LI2 |
| 436.e | Desglose de los importes de los componentes del ajuste de valoración prudente de una entidad, por tipo de riesgo, y el total de los componentes correspondientes a las posiciones de las carteras de negociación y de inversión por separado | Apartado 3.4 | PV1 |
| 436.f | Impedimentos para la transferencia rápida de fondos propios entre la empresa matriz y sus filiales. | Apartado 1.10.2 | |
| 436.g | El importe total por el que los fondos propios reales son inferiores a los exigidos en todas las filiales no incluidas en la consolidación. | Apartado 1.10.2 | |
| 436.h | Si aplica, la circunstancia en que se utiliza excepción del artículo 7 o método consolidación individual del art. 9 | N/A | |

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| 437. Fondos Propios | | | |
| 437 | Las entidades harán pública la siguiente información sobre sus fondos propios: | | |
| 437.1.a | Una conciliación completa de los elementos del capital de nivel 1 ordinario, los elementos del capital de nivel 1 adicional, los elementos del capital de nivel 2 y los filtros y deducciones aplicados de conformidad con los artículos 32 a 35, 36, 56, 66 y 79 con los fondos propios de la entidad y el balance en los estados financieros auditados de la entidad. | Apartado 3 | CC2 y CCA |
| 437.1.b | Una descripción de las principales características de los instrumentos del capital de nivel 1 ordinario y del capital de nivel 1 adicional, así como de los instrumentos del capital de nivel 2, emitidos por la entidad. | Apartado 3.3 | CCA |
| 437.1.c | Los términos y condiciones de la totalidad de los instrumentos del capital de nivel 1 ordinario, capital de nivel 1 adicional y capital de nivel 2. | Apartado 3.3 | CCA |
| 437.1.d | La indicación, por separado, de la naturaleza y la cuantía de: | | |
| 437.1.d.i | Los filtros prudenciales aplicados de conformidad con los artículos 32 a 35. | Apartado 3.2 | CC1 |
| 437.1.d.ii | Los elementos deducidos con arreglo a los artículos 36, 56 y 66 | Apartado 3.2 | CC1 |
| 437.1.d.iii | Los elementos no deducidos de conformidad con los artículos 47, 48, 56, 66 y 79; | Apartado 3.2 | CC1 |
| 437.1.e | Descripción de todas las restricciones aplicadas al cálculo de los fondos propios de conformidad con el presente Reglamento y los instrumentos, filtros prudenciales y deducciones a los que dichas restricciones se aplican; | Apartado 3.2 | CC1 |
| 437.1.f | una explicación exhaustiva de la base utilizada para calcular las ratios de capital cuando se calculen a partir de elementos de los fondos propios determinados sobre una base distinta de la prevista en el presente Reglamento. | N/A | |
| 437 bis. Información sobre los fondos propios y los pasivos admisibles | | | |
| 437 bis | Las entidades sujetas a los artículos 92 bis o 92 ter divulgarán la siguiente información sobre sus fondos propios y pasivos admisibles: | N/A | |
| 438 Requisitos de Capital | | | |
| 438 | Las entidades divulgarán la siguiente información sobre su cumplimiento del artículo 92 del presente Reglamento y de los requisitos establecidos en el artículo 73 y en el artículo 104, apartado 1, letra a), de la Directiva 2013/36/UE: | | |
| 438.a | Resumen del método que utilizan para evaluar si su capital interno resulta adecuado para cubrir sus actividades presentes y futuras; | Apartado 4.2 | |
| 438.b | Requisitos de fondos propios adicionales sobre la base del procedimiento de revisión supervisora a que se refiere el artículo 104, apartado 1, letra a), de la Directiva 2013/36/UE, así como su composición en términos de instrumentos de capital ordinario de nivel 1, e capital de nivel 1 adicional y de capital de nivel 2 | Apartado 1.6 y 4.2 | KM1 |
| 438.c | A petición de la autoridad competente pertinente, el resultado del proceso de evaluación de la adecuación del capital interno (ICAAP). | Apartado 4.2 | |
| 438.d | APR y el correspondiente requisito total de fondos propios, determinado de acuerdo con el artículo 92, desglosado por las diferentes categorías de riesgo establecidas en la parte tercera y, cuando proceda, una explicación del efecto en el cálculo de los fondos | Apartado 4.1 | OV1 |
| 438.e | Exposiciones dentro y fuera de balance, los APR y las pérdidas esperadas asociadas para cada una de las categorías de financiación especializada a que se hace referencia en el cuadro 1 del artículo 153, apartado 5, y las exposiciones dentro y fuera de balance y los importes ponderados por riesgo de la exposición para las categorías de exposiciones de renta variable establecidas en el artículo 155, apartado 2; | N/A | |
| 438.f | Valor de exposición y APR de los instrumentos de fondos propios mantenidos en cualquier empresa de seguros, empresa de reaseguros o sociedad de cartera de seguros que las entidades no deduzcan de sus fondos propios; | N/A | |
| 438.g | Los requisitos de fondos propios adicionales y la ratio de adecuación del capital del conglomerado financiero | N/A | |
| 438.h | Las variaciones registradas en los APR en el actual período de divulgación de información respecto al período de divulgación inmediatamente anterior, resultantes de la utilización de modelos internos, así como un resumen de los principales factores que expliquen tales variaciones. | N/A | |

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| 439 Las entidades harán pública la siguiente información | | | |
| 439 | Las entidades divulgarán la siguiente información sobre su exposición al riesgo de crédito de contraparte | | |
| 439.a | Descripción del método utilizado para asignar límites de crédito y capital internos a las exposiciones al riesgo de crédito de contraparte, incluidos los métodos para asignar esos límites a las exposiciones frente a entidades de contrapartida central; | Apartado 6.3 | |
| 439.b | Descripción de las políticas relativas a las garantías y otras técnicas de reducción del riesgo de crédito, como las políticas para asegurar garantías reales y establecer reservas crediticias; | Apartado 6.3 y 9 | |
| 439.c | Descripción de las políticas con respecto al riesgo general de correlación adversa y al riesgo específico de correlación adversa, tal como se define en el artículo 291 | Apartado 6.3 | |
| 439.d | Garantías reales que la entidad tendría que proporcionar si se rebajara su calificación crediticia | Apartado 6.3 | |
| 439.e | Importe de las garantías reales segregadas y no segregadas recibidas y aportadas, por tipo de garantía real, distinguiendo también entre las garantías reales utilizadas para operaciones de financiación de valores y con derivados | Apartado 6.3 | CCR5 |
| 439.f | Operaciones con derivados, los valores de exposición antes y después del efecto de la reducción del riesgo de crédito, determinado de conformidad con los métodos establecidos en la parte tercera, título II, capítulo 6, secciones 3 a 6, independientemente del método que sea aplicable, y los importes por riesgo de exposición asociados, desglosados por método aplicable; | Apartado 6.3 | CCR1 |
| 439.g | Para las operaciones de financiación de valores, los valores de exposición antes y después del efecto de la reducción del riesgo de crédito, determinado de conformidad con los métodos establecidos en la parte tercera, título II, capítulos 4 y 6, independientemente del método utilizado, y los importes por riesgo de exposición asociados, desglosados por método aplicable; | Apartado 6.3 | CCR1 |
| 439.h | Valores de la exposición después de los efectos de la reducción del riesgo de crédito y las exposiciones a riesgo asociadas correspondientes a la exigencia de capital por riesgo de ajuste de valoración del crédito, por separado para cada método | Apartado 6.3 | CCR2 |
| 439.i | Valor de la exposición frente a una entidad de contrapartida central y las exposiciones a riesgo asociadas que entren en el ámbito de aplicación de la parte tercera, título II, capítulo 6, sección 9, por separado para las entidades de contrapartida central cualificadas y no cualificadas, y desglosadas por tipos de exposición; | Apartado 6.3 | CCR8 |
| 439.j | Importes nocionales y el valor razonable de las operaciones con derivados de crédito; las operaciones con derivados de crédito se desglosarán por tipo de producto; dentro de cada tipo de producto, las operaciones con derivados de crédito se desglosarán también por cobertura de riesgo de crédito comprada y vendida | Apartado 6.3 | |
| 439.k | Estimación de alfa cuando la entidad haya recibido la autorización de las autoridades competentes para utilizar su propia estimación de alfa, de conformidad con el artículo 284, apartado 9; | N/A | CCR1 |
| 439.l | Por separado, la información que se ha de divulgar mencionada en el artículo 444, letra e) | Apartado 6.3 | CCR5 |
| 439.m | En el caso de las entidades que utilicen los métodos establecidos en la parte tercera, título II, capítulo 6, secciones 4 y 5, el volumen de sus operaciones con derivados dentro y fuera de balance, calculado con arreglo al artículo 273 bis, apartados 1 o 2, según proceda | Apartado 6.3 | CCR1 |
| 440 Colchones de Capital | | | |
| 440 | Las entidades harán pública la siguiente información en relación con su cumplimiento del requisito de disponer de un colchón de capital anticíclico, de conformidad con el Título VII, Capítulo 4, de la Directiva 36/2013/UE: | | |
| 440.a | Distribución geográfica de sus exposiciones crediticias pertinentes para calcular su colchón de capital anticíclico. | Apartado 4.5 | CCyB1 |
| 440.b | La cuantía del colchón específico de capital anticíclico. | Apartado 4.5 | CCyB2 |
| 441 Indicadores de importancia sistémica global | | | |
| 441 | Divulgación de los indicadores de importancia sistémica | N/A | |

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| 442 Información sobre las exposiciones al riesgo decrédito y al riesgo de dilución | | | |
| 442 | Las entidades divulgarán la siguiente información sobre sus exposiciones al riesgo de crédito y al riesgo de dilución | | |
| 442.a | Ambito de aplicación y las definiciones de exposiciones «en mora» y «deterioradas» que utilicen a efectos contables, así como las diferencias, de haberlas, entre las definiciones de «en mora» y de «impago» a efectos contables y regulatorios | Apartado 5.1 | |
| 442.b | Descripción de los planteamientos y métodos adoptados para determinar los ajustes por riesgo de crédito general y específico; | Apartado 5.1 | Tabla 25 |
| 442.c | Importe y la calidad de las exposiciones sin incumplimientos, con incumplimientos y reestructuradas o refinanciadas correspondientes a créditos, valores de deuda y exposiciones fuera de balance, con inclusión del deterioro de valor acumulado correspondiente, provisiones y variaciones negativas del valor razonable debidas al riesgo de crédito e importes de garantías reales y financieras recibidas | Apartado 5.2 y 5.4 | CQ5, CQ4, CQ1, CR1, CQ7 |
| 442.d | Análisis por antigüedad de las exposiciones en mora en la contabilidad; | Apartado 5.4 | CQ3 |
| 442.e | Valores contables brutos de las exposiciones con impago y sin impago, el importe acumulado de los ajustes por riesgo de crédito general y específico, el importe acumulado de las bajas en cuentas realizadas en relación con esas exposiciones y los valores contables neto y su distribución por zona geográfica y por tipo de sector y por créditos, valores de deuda y exposiciones fuera de balance | Apartado 5.2 y 5.4 | CR1, CQ5, CQ4 |
| 442.f | Cualquier cambio en el importe bruto de las exposiciones en situación de impago dentro y fuera de balance, con inclusión, como mínimo, de información sobre los saldos de apertura y de cierre de dichas exposiciones, el importe bruto de cualquiera de esas posiciones cuya situación de impago se haya revertido o que hayan sido objeto de baja en cuentas | Apartado 5.4 | CR2 |
| 442.g | Desglose de los préstamos y títulos de deuda por vencimiento residual | Apartado 5.4 | CR1-A |
| 443 Divulgación de información sobre los activos con cargas y sin cargas | | | |
| 443 | Las entidades divulgarán información en relación con sus activos con cargas y sin cargas. A estos efectos utilizarán el valor contable para cada categoría de exposición, desglosando según la calidad de los activos y valor contable total con cargas y sin cargas. La información divulgada sobre los activos con cargas y sin cargas no revelará la provisión urgente de liquidez por parte de los bancos centrales. | Apartado 14 | AE1, AE2 y AE3 |
| 444 Divulgación de información sobre la utilización del método estándar | | | |
| 444 | Para las entidades que calculen las exposiciones ponderadas por riesgo de conformidad con la Parte Tercera, Título II, Capítulo 2, se hará pública la siguiente información en relación con cada una de las categorías de exposición que figuran en el artículo 112: | | |
| 444.a | ECAIs y agencias de crédito a la exportación designadas y las razones de cualquier cambio que se produzca en esas designaciones durante el período de divulgación de información | Apartado 6.1 | |
| 444.b | Categorías de exposición para las que se utilice cada ECAI o agencia de crédito a la exportación; | Apartado 6.1 | |
| 444.c | Proceso utilizado para trasladar las calificaciones crediticias de las emisiones y los emisores a elementos que no figuren en la cartera de negociación | Apartado 6.1 | |
| 444.d | Asociación de la ECAIS o agencia de crédito a la exportación designada con las ponderaciones por riesgo correspondientes a los niveles de calidad crediticia establecidos en la CRR | Apartado 6.1 | |
| 444.e | Valores de exposición y los valores de exposición tras la reducción del riesgo de crédito asociados a cada nivel de calidad crediticia según lo establecido en el Reglamento | Apartado 3.2, 6.2 y 9.2.1, | CC1, CR4 y CR5 |
| 445 Información sobre las exposiciones al riesgo de mercado | | | |
| 445 | Divulgación del riesgo de posición, los grandes riesgos que superen los límites especificados, el riesgo de tipo de cambio, el riesgo de liquidación y el riesgo de materias primas. | Apartado 10.1 | MR1 |
| 446 Información sobre la gestión del riesgo operativo | | | |
| 446 | Proceso utilizado para trasladar las calificaciones crediticias de las emisiones y los emisores a elementos que no figuren en la cartera de negociación | | |
| 446.a | Métodos para evaluar los requisitos de fondos propios correspondientes al riesgo operativo utilizados por la entidad de crédito | Apartado 11 | OR1 |
| 446.b | Descripción del método a que se refiere el artículo 312, apartado 2, con inclusión de una exposición de los factores externos e internos pertinentes considerados en el método de medición avanzada de la entidad | N/A | OR1 |
| 446.c | En el caso de utilización parcial, el alcance y la cobertura de los distintos métodos utilizados | N/A | OR1 |

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| **447 Información sobre los indicadores clave** | | | |
| 447 | Las entidades divulgarán, en forma de cuadro, los siguientes indicadores clave: | | |
| 447.a | Composición de sus fondos propios y sus requisitos de fondos propios calculados de conformidad con el artículo 92; | Apartado 1.6 | KM1 |
| 447.b | Importe total de la exposición al riesgo calculado de conformidad con el artículo 92, apartado 3 | Apartado 1.6 | KM1 |
| 447.c | Importe y la composición de los fondos propios adicionales que las entidades deban mantener con arreglo al artículo 104, apartado 1, letra a), de la Directiva 2013/36/UE | Apartado 1.6 | KM1 |
| 447.d | Los requisitos combinados de colchón | Apartado 1.6 | KM1 |
| 447.e | Ratio de apalancamiento y la medida de la exposición total de la ratio de apalancamiento | Apartado 1.6 | KM1 |
| 447.f | Información en relación con su ratio de cobertura de liquidez | Apartado 1.6 | KM1 |
| 447.g | Información en relación con los requisitos de información estable neta | Apartado 1.6 | KM1 |
| 447.h | Ratios de fondos propios y pasivos admisibles y sus componentes, su numerador y su denominador, calculados de conformidad con los artículos 92 bis y 92 ter | N/A | |
| **448 Información sobre las exposiciones al riesgo de tipo de interés en relación con posiciones no mantenidas en la cartera de negociación** | | | |
| 448.1 | 1.A partir del 28 de junio de 2021, las entidades divulgarán la siguiente información cuantitativa y cualitativa sobre los riesgos derivados de posibles variaciones de los tipos de interés que incidan tanto en el valor económico del patrimonio neto como en los ingresos netos por intereses procedentes de sus actividades ajenas a la cartera de negociación a que se hace referencia en el artículo 84 y en el artículo 98, apartado 5, de la Directiva 2013/36/UE: | | |
| 448.a | Los cambios en el valor económico del patrimonio neto calculado con arreglo a las seis hipótesis de perturbación a efectos de supervisión a que se hace referencia en el artículo 98, apartado 5, de la Directiva 2013/36/UE durante los períodos previo y actual de divulgación de información; | Apartado 13 | IRRBB1 |
| 448.b | Los cambios en los ingresos netos por intereses calculados con arreglo a las dos hipótesis de perturbación a efectos de supervisión a que se hace referencia en el artículo 98, apartado 5, de la Directiva 2013/36/UE durante los períodos previo y actual de divulgación de información; | Apartado 13 | IRRBB1 |
| 448.c | Descripción de las hipótesis de modelización y paramétricas clave, distintas de las mencionadas en el artículo 98, apartado 5 bis, letras b) y c), de la Directiva 2013/36/UE utilizadas para calcular los cambios del valor económico del patrimonio neto y de los ingresos netos por intereses según lo exigido en las letras a) y b) del presente apartado; | N/A | |
| 448.d | Explicación de la importancia de las medidas de riesgo divulgadas en virtud de las letras a) y b) del presente apartado, así como de cualquier variación significativa de esas medidas desde la anterior fecha de referencia de divulgación de información; | Apartado 13 | |
| 448.e | Descripción de la manera en que las entidades definen, miden, reducen y controlan los riesgos de tipo de interés de las actividades de su cartera de inversión a efectos de la revisión encomendada a las autoridades competentes de conformidad con el artículo 84 de la Directiva 2013/36/UE, en particular | | |
| 448.e.i | Descripción de las medidas específicas de riesgo que utilicen las entidades para evaluar los cambios del valor económico de su patrimonio neto y de sus ingresos netos por intereses | N/A | |
| 448.e.ii | Descripción de las hipótesis de modelización y paramétricas clave utilizadas en los sistemas internos de medición de las entidades que puedan diferir de las hipótesis de modelización y paramétricas comunes | N/A | |
| 448.e.iii | Descripción de las hipótesis de perturbación del tipo de interés que las entidades utilicen para estimar el riesgo de tipo de interés | N/A | |
| 448.e.iv | Reconocimiento del efecto de las coberturas frente a esos riesgos de tipo de interés, incluidas las coberturas internas | N/A | |
| 448.e.v | Resumen de la frecuencia con que se lleve a cabo la evaluación del riesgo de tipo de interés | Apartado 13 | |
| 448.f | Descripción de las estrategias globales de gestión y reducción de dichos riesgos; | Apartado 13 | |
| 448.g | Período medio y el más largo del vencimiento para la revisión de intereses asignados a los depósitos sin vencimiento | Apartado 13 | IRRBB_Ad |
| 448.2 | El apartado 1 del presente artículo, los requisitos establecidos en su letra c) y en su letra e), incisos i) a iv), del presente artículo, no serán aplicables a las entidades que apliquen el método estándar o el método estándar simplificado | N/A | |

| Artículo | Descripción resumen | Localización | Tablas |
|---|---|---|---|
| TÍTULO II : CRITERIOS TÉCNICOS SOBRE TRANSPARENCIA Y DIVULGACIÓN DE INFORMACIÓN | | | |
| 449 Información sobre las exposiciones a posiciones de titulización | | | |
| 449 | Las entidades que calculen los importes ponderados por riesgo de las exposiciones de conformidad con la parte tercera, título II, capítulo 5, o los requisitos de fondos propios de conformidad con los artículos 337 o 338, divulgarán la siguiente información | | |
| 449.a | Descripción de las actividades de titulización y de retitulización, también de sus objetivos de inversión y de gestión de riesgos en el marco de tales actividades, su papel en las operaciones de titulización y de retitulización, si utilizan la titulización simple, transparente y normalizada (STS) y la medida en que utilizan las operaciones de titulización para transferir el riesgo de crédito de las exposiciones titulizadas a terceros, junto con, si procede, una descripción por separado de su política de transferencia del riesgo de la titulización sintética | Apartado 8 | |
| 449.b | El tipo de riesgos a los que estén expuestas en sus actividades de titulización y de retitulización por nivel de prelación de las posiciones de titulización pertinentes, distinguiendo entre posiciones STS y no STS, y: i) riesgo retenido en operaciones originadas por la propia entidad, ii) riesgo asumido en relación con operaciones originadas por terceros; | Apartado 8 | |
| 449.c | Métodos para el cálculo de los importes ponderados por riesgo de las exposiciones que las entidades apliquen a sus actividades de titulización, especificando los tipos de posiciones de titulización a los que se aplique cada método, y distinguiendo entre posiciones STS y no STS; | Apartado 8 | |
| 449.d | Una lista de los vehículos especializados en titulizaciones que pertenezcan a cualquiera de las categorías siguientes, con una descripción de sus tipos de exposiciones frente a tales vehículos, incluidos los contratos de derivados: i) vehículos especializados en titulizaciones que adquieran exposiciones originadas por las entidades, ii) vehículos especializados en titulizaciones patrocinados por las entidades, iii) vehículos especializados en titulizaciones y otras entidades jurídicas a las que las entidades presten servicios relacionados con la titulización, como servicios de asesoramiento, de administración de activos o de gestión, iv) vehículos especializados en titulizaciones incluidos en el ámbito de consolidación regulatoria de las entidades; | N/A | |
| 449.e | Una lista de todas las entidades jurídicas en relación con las cuales las entidades hayan divulgado haber prestado apoyo de conformidad con la parte tercera, título II, capítulo 5; | N/A | |
| 449.f | Una lista de las entidades jurídicas asociadas a las entidades y que inviertan en titulizaciones reguladas por ellas o en posiciones de titulización emitidas por vehículos especializados en titulizaciones que ellas patrocinen; | N/A | |
| 449.g | Resumen de sus políticas contables respecto a la actividad de titulización, distinguiendo, cuando proceda, entre las posiciones de titulización y de retitulización | Apartado 8 | |
| 449.h | ECAIs empleadas para las titulizaciones y los tipos de exposición para los que se emplee cada agencia; | N/A | |
| 449.i | Cuando proceda, una descripción del método de evaluación interna, especificando la estructura el proceso de evaluación interna y la relación entre la evaluación interna y las calificaciones xternas de la agencia pertinente indicada de conformidad con la letra h), | N/A | |
| 449.J | Por separado para la cartera de negociación y la cartera de inversión, el valor contable de las exposiciones de titulización, con información sobre si las entidades han transferido una parte significativa del riesgo de crédito | Apartado 8 | |
| 449.K | Para las actividades de la cartera de inversión, la siguiente información:<br>i) el importe agregado de las posiciones de titulización cuando las entidades actúen como entidad originadora o patrocinadora y los correspondientes activos ponderados por riesgo y los requisitos de capital por método de reglamentación,<br>ii) el importe agregado de las posiciones de titulización cuando las entidades actúen como inversor y los correspondientes activos ponderados por riesgo y requisitos de capital por método de reglamentación | N/A | |
| 449.l | Para las exposiciones que haya titulizado la entidad, el número de exposiciones en situación de impago y el número de ajustes por riesgo de crédito específico efectuado por la entidad durante el período en curso, en ambos casos desglosados por tipo de exposición. | Apartado 8.2 | SEC5 |
| 449 bis Información sobre riesgos ambientales, sociales y de gobernanza (riesgos ASG) | | | |
| 449 bis | A partir del 28 de junio de 2022, las entidades de gran tamaño que hayan emitido valores admitidos a negociación en un mercado regulado de algún Estado miembro, tal como se define en el artículo 4, artado 1, punto 21, de la Directiva 2014/65/UE, divulgarán información sobre riesgos ASG, incluidos los riesgos físicos y los de transición, | Apartados 2.5 y Anexo I.6 | |

| Artículo | Descripción resumen | Localización | Tablas |
|---|---|---|---|
| TÍTULO II : CRITERIOS TÉCNICOS SOBRE TRANSPARENCIA Y DIVULGACIÓN DE INFORMACIÓN | | | |
| 450 Información sobre la política de remuneración | | | |
| 450.1 | Las entidades harán pública la siguiente información sobre su política y sus prácticas de remuneración | | |
| 450.1.a | Proceso decisorio seguido para establecer la política de remuneración, así como el número de reuniones que haya mantenido el órgano principal que supervise la remuneración durante el ejercicio, portando, en su caso, información sobre la composición y el mandato de un comité de remuneración, el consultor externo a cuyos servicios se haya recurrido para determinar dicha política y el papel desempeñado por los interesados | Apartado 15.a | |
| 450.1.b | Conexión entre remuneración del personal y sus resultados | Apartado 15.b y 15.c | |
| 450.1.c | Características más importantes de la concepción del sistema de remuneración, especificando la información sobre los criterios aplicados en la evaluación de los resultados y su ajuste en función del riesgo, la política de aplazamiento y los criterios de consolidación de derechos | Apartado 15.c | |
| 450.1.d | Ratios entre remuneración fija y variable | Apartado 15.d | |
| 450.1.e | Criterios en materia de resultados en que se base el derecho a acciones, a opciones o a los componentes variables de la remuneración | Apartado 15.e | |
| 450.1.f | Principales parámetros y la motivación de los posibles planes de remuneración variable y otras ventajas no pecuniarias | Apartado 15.b | REM1, REM3 |
| 450.1.g | Información cuantitativa agregada sobre las remuneraciones, desglosada por ámbito de actividad | Apartado 15.e | REM5 |
| 450.1.h | información cuantitativa agregada sobre las remuneraciones, desglosada por altos directivos y empleados cuyas actividades profesionales inciden de manera importante en el perfil de riesgo de las entidades | Apartado 15.e | REM1, REM2 y REM3 |
| 450.1.i | Nº de personas que hayan percibido una remuneración de 1 millón de euros o más por ejercicio financiero, desglosado por escalones de 500 000 euros por lo que respecta a las remuneraciones de entre 1 millón de euros y 5 millones de euros, y desglosado por escalones de 1 millón de euros por lo que respecta a las remuneraciones iguales o superiores a 5 millones de euros | Apartado 15.f | REM4 |
| 450.1.j | A petición del Estado miembro o de la autoridad competente, la remuneración total de cada miembro del órgano de dirección o de la alta dirección | N/A | |
| 450.1.k | Información sobre si la entidad se beneficia de alguna de las excepciones establecidas en el artículo 94 | Apartado 15.e | REM6 |
| 450.2 | En el caso de las entidades de gran tamaño, también se hará pública la información cuantitativa sobre la remuneración del órgano de dirección en su conjunto que se menciona en el presente artículo, diferenciando entre miembros ejecutivos y no ejecutivos. | Apartado 15.e | REM1, REM3, REM5 |
| 451 información sobre la ratio de apalancamiento | | | |
| 451.1 | Información sobre su ratio de apalancamiento, calculada de conformidad con el artículo 429, y su gestión del riesgo de apalancamiento excesivo: | | |
| 451.1.a | Ratio de apalancamiento y el modo en que la entidad aplica el artículo 499, apartado 2 | Apartado 4.3.2 | LR2 |
| 451.1.b | Desglose de la medida de la exposición total, así como la conciliación entre esa medida y la información pertinente divulgada en los estados financieros publicados | Apartado 4.3.2 | LR1, LR2, LR3 |
| 451.1.c | El importe de las exposiciones y la ratio de apalancamiento ajustada | Apartado 4.3.2 | LR2 |
| 451.1.d | Descripción de los procedimientos aplicados para gestionar el riesgo de apalancamiento excesivo | Apartado 4.3.3 | |
| 451.1.e | Descripción de los factores que hayan incidido en la ratio de apalancamiento durante el período a que se refiere la ratio de apalancamiento divulgada. | Apartado 4.3.2 | |
| 451.2 | Las entidades públicas de crédito al desarrollo definidas en el artículo 429 bis, apartado 2, divulgarán la ratio de apalancamiento sin el ajuste de la medida de la exposición total determinada de conformidad con el artículo 429 bis, apartado 1, letra d). | N/A | |
| 451.3 | Las entidades de gran tamaño divulgarán información sobre la ratio de apalancamiento y el desglose de la medida de la exposición total a que se refiere el artículo 429, apartado 4, a partir de promedios que se calcularán de conformidad con el acto de ejecución a que se hace referencia en el artículo 430, apartado 7 | Apartado 4 | LR2 |

| Artículo | Descripción resumen | Localización | Tablas |
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| TÍTULO II : CRITERIOS TÉCNICOS SOBRE TRANSPARENCIA Y DIVULGACIÓN DE INFORMACIÓN | | | |
| 451 bis Requisitos de Liquidez | | | |
| 451. bis 1 | Las entidades sujetas a la parte sexta divulgarán información sobre su ratio de cobertura de liquidez, su ratio de financiación estable neta y su gestión del riesgo de liquidez de conformidad con el presente artículo | Anexo I.5 y Apartado 4.4 | LIQ1, LIQ2 |
| 451. bis 2 | Las entidades divulgarán la siguiente información en relación con su LCR: | | |
| 451. bis 2.a | El promedio o los promedios, según proceda, de su ratio de cobertura de liquidez | Anexo I.5 y Apartado 4.4 | LIQ1 |
| 451. bis 2.b | El promedio o los promedios, según proceda, de los activos líquidos totales, una vez aplicados los recortes | Anexo I.5 y Apartado 4.4 | LIQ1 |
| 451. bis 2.c | Los promedios de sus salidas de liquidez, sus entradas de liquidez y sus salidas netas de liquidez | Anexo I.5 y Apartado 4.4 | LIQ1 |
| 451. bis 3 | Las entidades divulgarán información en relación con su ratio de financiación estable neta | Anexo I.5 y Apartado 4.4 | LIQ2 |
| 451. bis 4 | Divulgarán información sobre los dispositivos, sistemas, procedimientos y estrategias establecidos para la determinación, medición, gestión y seguimiento de su riesgo de liquidez | Anexo I.5 | |
| TITULO III : CRITERIOS DE SELECCIÓN PARA EL USO DE INSTRUMENTOS OMÉTODOS PARTICULARES | | | |
| 452 Divulgación de información sobre la aplicación del método IRB al riesgo de crédito | | | |
| 452 | Las entidades que calculen los importes ponderados por riesgo de las exposiciones de conformidad con el método IRB | N/A | |
| 453 información sobre el uso de técnicas de reduccióndel riesgo de crédito | | | |
| 453 | Las entidades que apliquen técnicas de reducción del riesgo de crédito harán pública la siguiente información | | |
| 453.a | Compensación de partidas dentro y fuera de balance. | Apartados 5.2, 6.2 y 9.1 | |
| 453.b | Gestión y valoración de garantías reales. | Apartados 5.2, 6.2 y 9.1 | |
| 453.c | Descripción de los principales tipos de garantías reales aceptados por la entidad. | Apartados 5.2, 6.2 y 9.1 | |
| 453.d | Principales tipos de garantes y contrapartes de derivados de crédito, así como su solvencia. | Apartado 6,3 y 9.2 | |
| 453.e | Concentraciones de riesgo de mercado o de crédito dentro de la reducción de crédito aplicada. | Apartado 9.2.3 | CR4 |
| 453.f | Las entidades que calculen los importes ponderados por riesgo de las exposiciones con arreglo al método estándar o IRB el valor total de exposición no cubierto por ninguna cobertura del riesgo de crédito admisible y el valor total de exposición cubierto por coberturas del riesgo de crédito admisibles tras aplicar los ajustes de volatilidad; la información indicada en esta letra se divulgará por separado para los préstamos y los títulos de deuda, e incluirá un desglose de las exposiciones en situación de impago; | Apartado 9.2 | CR3 |
| 453.g | El factor de conversión correspondiente y la reducción del riesgo de crédito asociada a la exposición y la incidencia de las técnicas de reducción del riesgo de crédito con y sin efecto de sustitución | Apartado 9.2.1 | CR4 y Tabla 25 |
| 453.h | Para las entidades que calculen los importes ponderados por riesgo de las exposiciones con arreglo al método estándar, los valores de exposición dentro y fuera de balance por categoría de exposición antes y después de la aplicación de los factores de conversión y de cualquier medida de reducción del riesgo de crédito asociada | Apartado 9.2.1 | CR4 |
| 453.i | Para las entidades que calculen los importes ponderados por riesgo de las exposiciones con arreglo al método estándar, el importe ponderado por riesgo de la exposición y la ratio entre dicho importe y el valor de exposición después de aplicar el factor de conversión correspondiente y la reducción del riesgo de crédito asociada a la exposición; la información indicada en esta letra se divulgará por separado para cada categoría de exposición | Apartado 9.2.1 | CR4 |
| 453.j | Para las entidades que calculen los importes ponderados por riesgo de las exposiciones con arreglo al método basado en calificaciones internas, | N/A | |
| 454 Información sobre la aplicación de los métodos avanzados de cálculo al riesgo operativo | | | |
| 454 | Descripción del uso de seguros y otros mecanismos de transferencia del riesgo para mitigar el riesgo operacional | N/A | |
| 455 Aplicación de modelos internos al riesgo de mercado | | | |
| 455 | Las entidades que calculen sus requisitos de fondos propios de conformidad con el artículo 363 harán pública la siguiente información: | N/A | |

# ANNEX V: Glossary

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| **ABE** | Autoridad Bancaria Europea. Véase EBA |
| **ALM** | Asset Liability Management (por sus siglas en inglés) Mecanismo para gestionar el riesgo estructural de balance por posibles desequilibrios entre los activos y pasivos por diferentes tipos de factores (tipo de interés, tipo de cambio, liquidez, etc.) |
| **ANCV** | Activo No Corriente mantenido para la Venta |
| **Apetito de Riesgo** | El apetito de riesgo se define como la cuantía y tipología de los riesgos que se considera razonable asumir en la ejecución de su estrategia de negocio, de modo que el Grupo pueda mantener su actividad ordinaria frente a la ocurrencia de eventos inesperados. Para ello se consideran escenarios severos, que pudiesen tener un impacto negativo en sus niveles de capital, liquidez, rentabilidad y/o en el precio de su acción. |
| **APR** | Activos Ponderados por Riesgo. Exposición al riesgo (EAD) de la entidad ponderada por un porcentaje de acuerdo a la CRR |
| **ASG** | Ambientales, sociales y gobierno corporativo. Véase ESG |
| **AT1** | Aditional Tier 1. Capital. Emisiones híbridas con elementos de deuda y capital. Su principal característica es que puede llegar a convertirse en acciones si el ratio de capital CET1 desciende por debajo de un nivel determinado. |
| **AVA** | Ajustes de Valor Adicional. Ajustes de valoración regulatorios que deducen del numerador de capital |
| **AVC** | Ajuste de Valoración de Crédito. Véase CVA |
| **Basilea III** | Conjunto de medidas acordadas internacionalmente que el Comité de Supervisión Bancaria de Basilea ha desarrollado en respuesta a la crisis financiera de 2007-09. El objetivo de dichas medidas es reforzar la regulación, la supervisión y la gestión del riesgo de los bancos. |
| **BCBS** | Comité de Supervisión Bancaria de Basilea. Organización mundial que reúne a las autoridades de supervisión bancaria, cuya función es fortalecer la solidez de los sistemas financieros. |
| **BCE** | Banco Central Europeo. Banco central de los países de la Unión Europea que tienen en común el euro como moneda |
| **BRRD** | Bank Recovery and Resolution Directive (por sus siglas en inglés). Normativa sobre la reestructuración y la resolución de entidades de crédito y empresas de inversión |
| **CCA** | Colchón de capital anticíclico. Véase CCB |
| **CCB** | CounterCyclical Buffer (por sus siglas en inglés). Colchón de Conservación Contracíclico. Herramienta macroprudencial para ayudar a contrarrestar la prociclicidad del sistema financiero |
| **CCF** | Credit Conversion Factor (por sus siglas en inglés). Cociente entre el importe actual disponible de un compromiso que podría ser utilizado, y por lo tanto, quedaría pendiente en el momento del impago y el importe actual disponible del compromiso |

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| CDC | Comisión Delegada de Crédito. Órgano de mayor rango en la Entidad para la sanción de operaciones de crédito |
| CET1 | Common Equity Tier 1 (por sus siglas en inglés). Capital de mayor nivel de la entidad |
| CNAE | Código Nacional de Actividad Económica. |
| COREP | Common Report (por sus siglas en inglés). Conjunto de reportes prudenciales enviados a la Autoridad Bancaria Europea |
| CRD | CRR y la CRD, la BRRD |
| CRD-IV | Capital Requirements Directive (por sus siglas en inglés). Directiva 2013/36/UE del Parlamento Europeo y del Consejo |
| CRD-VI | Capital Requirements Directive (por sus siglas en inglés). Directiva 2019/878/UE del Parlamento Europeo y del Consejo |
| CRI | Comité de Riesgo Integral. Comité a nivel de Dirección en el ámbito de riesgos. |
| CRM | Credit Risk Mitigation (pos sus siglas en inglés). Conjunto de medidas de mitigación de la exposición de riesgo, principalmente garantías personales y garantías financieras. |
| CRO | Chierf Risk Officer (por sus siglas en inglés). Director General de Riesgos en el Grupo Abanca. |
| CRR | Reglamento (UE) n.º 575/2013 del Parlamento Europeo y del Consejo, de 26 de junio de 2013 , sobre los requisitos prudenciales de las entidades de crédito y las empresas de inversión |
| CRR-II | Reglamento (UE) 2019/876 del Parlamento Europeo y del Consejo, de 20 de mayo de 2019, por el que se modifica el Reglamento (UE) n.º 575/2013 en lo que se refiere a la ratio de apalancamiento, la ratio de financiación estable neta, los requisitos de fondos propios y pasivos admisibles, el riesgo de crédito de contraparte, el riesgo de mercado, las exposiciones a entidades de contrapartida central, las exposiciones a organismos de inversión colectiva, las grandes exposiciones y los requisitos de presentación y divulgación de información. |
| CVA | Credit Value Adjustment (por sus siglas en inglés). Ajuste de Valoración de Crédito asociado al riesgo de contrapartida |
| EAD | Exposure At Default (por sus siglas en inglés). Exposición sujeta a riesgo que será ponderada por un RW para llegar al APR |
| EBA | European Banking Authority (por sus siglas en inglés). Autoridad independiente de la UE que trabaja para garantizar un nivel efectivo y coherente de regulación y supervisión prudencial en todo el sector bancario europeo |
| ECAI | External Credit Assessment Institutions (por sus siglas en inglés). Agencia Externa de Calificación Crediticia designada por la entidad |
| ECC | Entidad de Contrapartida Central. Persona jurídica que intermedia entre las contrapartes de los contratos negociados en uno o varios mercados financieros, actuando como compradora frente a todo vendedor y como vendedora frente a todo comprador. |
| ECCC | Entidad de Contrapartida Central Cualificada. Implica que la ECC ha sido autorizada por la ESMA para considerarse Cualificada conforme a la CRR. |
| ECL | Expected Credit Loss (por sus siglas en inglés). Pérdida Esperada. |
| EISM | Entidad de Importancia Sistémica Mundial. Ver GSIB |

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| **ESG** | Environmental, Social and Governance (por sus siglas en inglés). Criterios medio ambientales, sociales y de buen gobierno corporativo, cuyo principal objetivo es contribuir al desarrollo sostenible. |
| **EU/UE** | Unión Europea |
| **FBE** | Federación Bancaria Europea. |
| **FRTB** | Fundamental Review of the Trading Book (por sus siglas en inglés). Reformas propuestas por el BCBS sobre el marco de riesgo de mercado |
| **FSB** | Financial Stability Board (por sus siglas en inglés). Comité de Estabilidad Financiera. Organismo que realiza recomendaciones sobre el sistema financiero global |
| **GAR** | Green Asset Ratio |
| **GSIB** | Global Systemically Important Bank (por sus siglas en inglés). Banco, una compañía de seguros u otra institución financiera cuya quiebra podría desencadenar una crisis financiera |
| **HQLA** | High Quality Liquid Assets (por sus siglas en inglés). Activos con la máxima liquidez |
| **ICAAP** | Internal Capital Adecuacy Assesment Process (por sus siglas en inglés). Procedimiento de evaluación de la adecuación del Capital Interno en el que se define, entre otros, el Capital Económico y la planificación en términos de capital. |
| **ICO** | Instituto de Crédito Oficial. En el contexto del IRP hace referencia a que dicha Institución fue la que avaló los préstamos vinculados al COVID en España |
| **IFRS9** | International Financial Reporting Standards nº 9 (por sus siglas en inglés). Normas internacionales sobre Reporting Financiero. La norma nº9 hace referencia al Riesgo de Crédito |
| **ILAAP** | Internal Liquidity Adecuacy Assesment Process (por sus siglas en inglés). Procedimiento de evaluación de la adecuación del Liquidez Interno en el que se evalúa la suficiencia de la liquidez de la Entidad así como durante el horizonte de planificación |
| **Información confidencial** | La información se considerará confidencial cuando las entidades estén obligadas, en virtud de sus relaciones con los clientes u otras contrapartes, a preservar la confidencialidad de la misma. |
| **Información reservada** | Cuando la publicación de la información pueda socavar su posición competitiva. La información reservada podrá incluir información sobre los productos o sistemas que restaría valor a las inversiones de las entidades en los mismos de ser compartida con los competidores. |
| **IRB** | Internal Rating-Based approach (por sus siglas en inglés). Método de Modelos Internos para el cálculo de la exposición originada por riesgo de crédito, basado en calificaciones internas. |
| **IRP** | Informe con Relevancia Prudencial. |
| **IRRBB** | Interest Rate Risk in Banking Book (por sus siglas en inglés). Riesgo de tipo de interés en la cartera de inversión |
| **ITS** | Implementation Technical Standards (por sus siglas en inglés). Normas técnicas de implementación que desarrollan la Normativa y establecen criterios detallados sobre su aplicación |

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| LCR | Liquidity Coverage Ratio (por sus siglas en inglés). Ratio de liquidez como cociente entre el total de activos líquidos por las obligaciones de pago a corto plazo. La ratio nos indica si el banco tiene suficientes activos líquidos para hacer frente a salidas potenciales de efectivo a corto plazo. |
| LR | Leverage Ratio (por sus siglas en inglés). Ratio de Apalancamiento |
| MDA | Maximum Distributable Amount (por sus siglas en inglés). Importe máximo distribuible en términos de dividendos o pago de de cupons AT1 o remuneración variable teniendo en cuenta el cumplimiento de los requerimientos de capital. |
| MPE | Multiple Point of Entry (por sus iglas en inglés). Concepto utilizado en resolución cuando la resolución puede comenzar por varias subsidiarias y/o jurisdicciones. |
| MREL | Minimum Required Eligible Liabilities (por sus siglas en inglés). Requerimiento mínimo de capital y pasivos elegibles para hacer frente a una resolución. |
| MUS | Mecanismo Único de Supervisión. Ver SSM |
| NFRD | Directiva de Información No Financiera |
| NPL | Non Performing Loans (por sus siglas en inglés). Préstamos sujetos a un reembolso tardío o que es poco probable que el prestatario lo reembolse en su totalidad |
| NSFR | Net Stable Fund Ratio (por sus siglas en inglés). Ratio de liquidezcomo cociente entre la cantidad de financiación estable disponible y la cantidad de financiación estable requerida |
| OCI | Other Comprehensive Income (por sus siglas en inglés). Otro Resultado Integral que comprende la valoración de los instrumentos a valor razonable. |
| OTC | Over The Counter (por sus siglas en inglés). Mercados extrabursátiles donde se negocian distintos instrumentos financieros (bonos, acciones, swaps, divisas...) en contrato bilateral con las condiciones acordadas |
| P2G | Pilar 2 Guidance (por sus siglas en inglés). Orientación de capital por Pilar 2 comunicada en la decisión SREP. |
| P2R | Pilar 2 Requirement (por sus siglas en inglés). Requerimiento de capital por Pilar 2 comunicada en la decisión SREP. |
| RAF | Risk Appetite Framework. Marco de Apetito al riesgo que contiene las métricas |
| RTS | Regulatory Technical Standards (por sus siglas en inglés). Set de estándares técnicos para el cumplimiento y que deber ser cumplidas por las Entidades una vez aprobadas por la Comisión Europea. |
| RW | Risk Weight (por sus siglas en inglés). Ponderador de acuerdo al método Estándar o IRB aplicable a la EAD para llegar al APR. |
| RWA | Risk Weighted Asset (por sus siglas en inglés). Activos ponderados por riesgo resultantes de multiplicar la EAD por el RW. |
| SA-CCR | Standardised approach for measuring counterparty credit risk (por sus siglas en inglés). Método estándar para el cálculo de riesgo de contraparte. |

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| SGD | Sistemas de Garantía de Depósitos (SGD). Sistema que garantiza un importe limitado de los depósitos de clientes. |
| SRB | Single Resolution Board (por sus siglas en inglés). Sistema de supervisión bancaria europea integrado por el Banco Central Europeo y por las autoridades de supervisión nacionales de los países participantes |
| SREP | Supervisory Reviews and Evaluation Process (por sus siglas en inglés). Proceso mediante el cual se evalúa el perfil de riesgo de las entidades. |
| SSM | Single Supervisory Mechanism (por sus siglas en inglés). |
| T2 | Tier 2 Capital. Emisiones principalmente subordinadas e instrumentos híbridos, que absorberán pérdidas cuando la entidad no sea viable |
| TCFD | Task Force on Climate-related Financial Disclosures (por sus siglas en inglés). Grupo de Trabajo sobre Divulgaciones Financieras relacionadas con el Clima |
| TIER1 | Capital de Nivel 1. Capital compuesto de los instrumentos que son capaces de absorber pérdidas cuando la entidad está en funcionamiento. Se compone del CET1 y el AT1 |
| TIER2 | Capital de Nivel 2 adicional. Capital adicional compuesto de instrumentos principalmente subordinados e instrumentos híbridos, que absorberán pérdidas cuando la entidad no sea viable |
| TLAC | Total Loss Absorbing Capacity (por sus siglas en inglés). Requerimiento adicional a los requerimientos mínimos de capital donde computan instrumentos adicionales. |
| TSCR | Total SREP Capital Requirement (por sus siglas en inglés). Requerimiento de Capital Total compuesto por los requerimientos por Pilar I y el P2R. |
| VaR | Value at Risk (por sus siglas en inglés). Medida estadística que cuantifica las potenciales pérdidas teniendo en cuenta una probabilidad y un horizonte temporal determinado. |