Auditor's Report on ABANCA Corporación Bancaria, S.A. and Subsidiaries

(Together with the financial statements and management report of ABANCA Corporación Bancaria, S.A. and Subsidiaries for the year ended 31 December 2020)

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Independent Auditor's Report on the Consolidated Financial Statements

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of ABANCA Corporación Bancaria, S.A.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of ABANCA Corporación Bancaria, S.A. (the "Bank") and its subsidiaries that, together with the Bank, form the ABANCA Corporación Bancaria Group (the "Group"), which comprise the consolidated balance sheet at 31 December 2020 and the consolidated statement of profit or loss, consolidated statement of recognised income and expense, consolidated statement of total changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated financial statements pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of the loans and advances to other debtors portfolio

See notes 2.10 and 10 to the consolidated financial statements

Key audit matter	*How the matter was addressed in our audit*
The Group's portfolio of loans and advances to other debtors, classified as financial assets at amortised cost, reflects a net balance of Euros 39,100,191 thousand at 31 December 2020, while provisions recognised at that date for impairment total Euros 650,229 thousand. For the purposes of estimating impairment, financial assets measured at amortised cost under IFRS 9 are classified into three categories (Stage 1, 2 or 3) (see note 10.d) according to whether a significant increase in credit risk since their initial recognition has been identified or whether the financial assets are credit-impaired. For the Group, establishing this classification is a relevant process inasmuch as the calculation of the credit risk provision varies depending on the category and location of the different financial assets. Impairment is calculated based on an expected loss model, which the Group estimates on both an individual and a collective basis. This calculation entails a considerable level of judgement as this is a significant and complex estimate. Individual provisions consider estimates of future business performance and the market value of collateral provided for credit transactions. In the case of collective provisions, estimates of expected losses are calculated using internal models that use large databases, different macroeconomic scenarios, parameters to estimate provisions, segmentation criteria and automated processes, which are complex in their design and implementation and require past, present and future information to be considered. The Group regularly conducts recalibrations and tests of its internal models in order to improve their predictive capabilities based on actual historical experience. The COVID-19 pandemic is negatively affecting the economy and business activities, leading to a	Our audit approach in relation to the Group's estimate of impairment of loans and advances to other debtors due to credit risk, classified as financial assets at amortised cost, included an assessment of the relevant controls associated with the processes for estimating impairment, as well as different tests of detail on that estimate, for which we involved our credit risk specialists. Our procedures related to the control environment focused on the following key areas: • Governance: identification of the credit risk management framework and relevant controls. • Accounting policies: assessment of their conformity to applicable accounting regulations. • Classification of financial assets on the basis of their credit risk in accordance with the criteria defined by the Group, particularly the criteria for identifying and classifying refinancing and restructuring transactions. • Testing of the relevant controls relating to the information available for the monitoring of loans outstanding. • Collateral and guarantees: evaluation of the design of the relevant controls over the management and measurement of collateral and guarantees. • Testing on the process for estimating both individual and collective provisions for expected losses. • Databases: evaluation of the integrity, accuracy, quality and updating of the data and of the control and management process in place thereon.

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Impairment of the loans and advances to other debtors portfolio
See notes 2.10 and 10 to the consolidated financial statements

Key audit matter	*How the matter was addressed in our audit*
downturn in the macroeconomic situation. To mitigate the impacts of COVID-19, the Spanish government has launched initiatives to support the most affected sectors and customers through various measures such as the provision of State-backed credit facilities, the deferral of payments without penalties (moratoriums) and flexible financing and liquidity facilities. All of these aspects have an impact on the parameters considered by the Group at 31 December 2020 when quantifying expected losses on financial assets (macroeconomic variables, customer net revenues, value of pledged collateral, probability of default, etc.), thus increasing the uncertainty associated with their estimation. The Group has therefore recognised the adverse effects of the COVID-19 pandemic on the impairment of financial assets in its income statement at 31 December 2020 by supplementing the expected losses, estimated based on historical credit loss data, with certain additional adjustments deemed necessary to reflect the particular characteristics of borrowers, sectors or portfolios. The consideration of this aspect as a key audit matter is based both on the significance for the Group of the loans and advances to other debtors portfolio and on the relevance and complexity of the process for classifying these financial assets for the purpose of estimating impairment thereon and of the calculation of that impairment, while also taking into consideration the situation generated by the COVID-19 pandemic.	Our tests of detail on the estimates of impairment of the loans and advances to other debtors portfolio basically encompassed the following: • With regard to the impairment of individually significant transactions, we evaluated the suitability of the discounted cash flows models used by the Group and selected a sample from the population of significant risks with objective evidence of impairment, and we assessed the adequacy of the provisions recognised. This sample included borrowers from the economic sectors most impacted by COVID-19 and/or those that have received government aid due to the pandemic. • With respect to the impairment provisions estimated collectively, we evaluated the methodology used by the Group, assessing the integrity of the input balances for the process and validating the correct functioning of the calculation engine. We also assessed the quality of the transactional data used to estimate impairment. In carrying out our audit procedures, we took into consideration the impacts of COVID-19 and the government aid on the calculation of expected losses. We also assessed and revised the estimate of the additional adjustments to the expected losses calculated using historical credit loss data. Lastly, we evaluated whether the disclosures in the notes to the consolidated financial statements are appropriate, in accordance with the criteria set out in the financial reporting framework applicable to the Group.

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Recoverability of deferred tax assets
See notes 2.14 and 28 to the consolidated financial statements

Key audit matter	*How the matter was addressed in our audit*
At 31 December 2020, the Group held deferred tax assets on the balance sheet amounting to Euros 3,435,356 thousand, of which the recovery of Euros 737,845 thousand is not guaranteed through the monetisation mechanisms established in Royal Decree-Law 14/2013 and article 130 of the Spanish Corporate Income Tax Law, as their recovery is dependent on obtaining future taxable profits. The recognition of deferred tax assets entails a high level of judgement in assessing the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and tax planning opportunities. The Group evaluates the Group's ability to recover the deferred tax assets based on the estimates of future taxable profit prepared on the basis of the financial projections and business plans of the Group which include the effects deriving from the COVID-19 pandemic, and taking into account the applicable tax legislation at any given time. Due to the significance of the balance of deferred tax assets and the uncertainty associated with the recovery thereof, and given the additional rise in this uncertainty due to the aforementioned situation derived from the COVID-19 pandemic, we have considered this a key audit matter.	Our audit procedures mainly include the following: • Analysing and evaluating the control environment of the process for recognising and assessing the recoverability of deferred tax assets. • Evaluating, with the involvement of our valuation and tax specialists, the methodology and key assumptions considered by the Group to estimate the recovery period for the deferred tax assets. We analysed the main economic, financial and tax assumptions used by the Group to estimate future profits, taking into consideration those assumptions that have been adjusted due to the impacts of COVID-19. • Contrasting the profit and loss forecasts used as a basis for recognising the deferred tax assets in prior years against the actual results obtained by the Group. • Analysing the sensitivity of the results obtained by the Group. We analysed whether the disclosures in the notes to the consolidated financial statements are appropriate, in accordance with the criteria set out in the financial reporting framework applicable to the Group.

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Risks associated with information technology	
Key audit matter	*How the matter was addressed in our audit*
The Group has a complex technological operating environment. In light of the Group's heavy reliance on IT systems, it is critical to evaluate the controls over the main technological risks. The continuity of the Group's business processes is highly dependent on its technological infrastructure and the controls in place. Employees are granted rights of access to the different systems to enable them to execute their remit and responsibilities. These access rights are relevant, inasmuch as they are designed to ensure that any changes made to the applications are duly authorised and appropriately monitored and implemented. As such, they are key controls aimed at mitigating the potential risk of fraud or error resulting from changes made to applications.	In accordance with our audit methodology, our assessment of the information technology systems encompassed two areas: IT general controls and automated controls over key processes. We were assisted in this task by our IT specialists. Our assessment of IT general controls encompassed the evaluation of general controls in place over technological platforms, notably applications. During the audit we performed control tests on the relevant applications associated with the critical areas of our work. In this phase of our evaluation of the general controls we assessed, among others, controls related to the following activities: access to programs and data; management of program changes; management of program development; and management of operations in the production environment. In relation to the automated controls over key processes, during our audit we analysed the threats and vulnerabilities associated with the integrity and availability of information in certain processes, and identified and tested the operating effectiveness of the controls implemented.

Other Information: Consolidated Management Report

Other information solely comprises the 2020 consolidated management report, the preparation of which is the responsibility of the Bank's Directors and which does not form an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not encompass the consolidated management report. Our responsibility regarding the information contained in the consolidated management report is defined in the legislation regulating the audit of accounts, as follows:

a) Determine, solely, whether the consolidated non-financial information statement has been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.

b) Assess and report on the consistency of the rest of the information included in the consolidated management report with the consolidated financial statements, based on knowledge of the Group obtained during the audit of the aforementioned consolidated financial statements. Also, assess and report on whether the content and presentation of this part of the consolidated management report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the consolidated management report is consistent with that disclosed in the consolidated financial statements for 2020, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit and Compliance Committee's Responsibilities for the Consolidated Financial Statements

The Bank's Directors are responsible for the preparation of the accompanying consolidated financial statements in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Bank's audit and compliance committee is responsible for overseeing the preparation and presentation of the consolidated financial statements.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Bank's Directors.

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

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

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

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

We also provide the Bank's audit and compliance committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Bank's audit and compliance committee, we determine those that were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Bank's Audit and Compliance Committee__________

The opinion expressed in this report is consistent with our additional report to the Bank's audit and compliance committee dated in 29 March 2021.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Contract Period

We were appointed as auditor of the Group by the shareholders at the ordinary general meeting on 29 June 2020 for a period of three years, beginning after the year ended 31 December 2019.

Previously, we had been appointed for a period of three years, by consensus of the shareholders at their general meeting, and have been auditing the financial statements since the year ended 31 December 2014.

KPMG Auditores, S.L.
On the Spanish Official Register of Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

Julio Álvaro Esteban
On the Spanish Official Register of Auditors ("ROAC") with No. 1,661

29 March 2021

ABANCA Corporación Bancaria, S.A. and subsidiaries

Consolidated Financial Statements
31 December 2020

Consolidated Management Report
Financial year 2020

ABANCA CORPORACIÓN BANCARIA GROUP

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2020 AND 2019
(EUR thousand)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

ASSETS	Note	2020	2019 (*)
Cash, cash balances with central banks and other demand deposits	6	7.155.805	3.136.568
Financial assets held for trading			
Derivatives	11	142.507	117.674
Debt securities	8	20.981	76.981
		163.488	194.655
Non-trading financial assets mandatorily at fair value through profit or loss			
Equity instruments	9	201.223	285.224
Debt securities	8	27.475	29.314
Loans and advances			
Customers	10	-	-
		228.698	314.538
Financial assets designated at fair value through profit or loss			
Debt securities	8	-	-
		-	-
Financial assets at fair value through other comprehensive income			
Equity instruments	9	23.688	24.194
Debt securities	8	6.423.242	5.056.166
		6.446.930	5.080.360
Financial assets at amortised cost			
Debt securities	8	6.915.296	5.895.751
Loans and advances			
Credit institutions	7	417.677	855.069
Customers	10	39.100.191	37.139.766
		46.433.164	43.890.586
Derivatives - hedge accounting	11	10.298	53.087
Investments in joint ventures and associates	13		
Associates		143.738	219.493
		143.738	219.493
Assets covered by insurance or reinsurance contracts	29	4.535	4.142
Tangible assets	14		
Property, plant and equipment			
For own use		929.352	971.475
Leased out under operating leases		-	243
Investment property		280.458	296.132
		1.209.810	1.267.850
Intangible assets	15		
Goodwill		116.320	61.731
Other intangible assets		401.922	407.098
		518.242	468.829
Tax assets	28		
Current tax assets		40.377	102.865
Deferred tax assets		3.435.356	3.401.741
		3.475.733	3.504.606
Other assets			
Insurance contracts linked to pensions	23	145.586	142.406
Inventories	16	63.480	55.897
Other assets	17	141.098	166.873
		350.164	365.176
Non-current assets and disposal groups classified as held for sale	12.1	1.276.843	379.425
TOTAL ASSETS		67.417.448	58.879.315
MEMORANDUM ITEM: OFF-BALANCE SHEET EXPOSURES	30		
Loan commitments granted		9.563.391	7.169.749
Financial guarantees granted		487.874	585.935
Other commitments granted		1.271.400	1.166.850

EQUITY AND LIABILITIES	Note	2020	2019 (*)
Financial liabilities held for trading			
Derivatives	11	143.913	116.544
		143.913	116.544
Financial liabilities at amortised cost			
Deposits			
Central banks	18	8.606.725	4.658.647
Credit institutions	18	2.411.593	3.648.798
Customers	19	46.392.761	41.350.193
Debt securities issued	20	1.708.276	1.726.576
Other financial liabilities	22	288.793	358.970
Memorandum item: subordinated liabilities	21	*928.992*	*922.778*
		59.408.148	51.743.184
Derivatives - hedge accounting	11	290.318	179.795
Liabilities covered by insurance or reinsurance contracts	29	1.524.048	1.562.135
Provisions	23		
Pensions and other post-employment defined benefit obligations		204.274	160.896
Outstanding tax-related legal proceedings and litigation		18.356	16.684
Commitments and guarantees given		65.437	77.416
Other provisions		30.184	134.915
		318.251	389.911
Tax liabilities	28		
Current tax liabilities		37.771	17.168
Deferred tax liabilities		203.269	194.191
		241.040	211.359
Other liabilities	24	288.613	271.812
Liabilities included in disposal groups classified as held for sale	12.2	626.627	-
TOTAL LIABILITIES		62.840.958	54.474.740
EQUITY			
Shareholders' equity			
Capital			
Paid-up capital	27	2.476.209	2.453.657
Share premium	27	208.791	433.901
Equity instruments issued other than capital	27		
Other equity instruments		-	-
Retained earnings	27	1.708.683	1.519.737
Other reserves	27		
Reserves or accumulated losses of investments in joint ventures and associates		5.066	(19.014)
Other		(33.533)	(33.945)
(-) Treasury shares		(17.187)	(230.541)
Profit attributable to the owners of the parent		160.096	405.020
(-) Interim dividend	3	-	(160.752)
		4.508.125	4.368.063
Accumulated other comprehensive income			
Items that will not be reclassified to profit or loss	26		
Actuarial gains or losses on defined benefit pension plans		(12.478)	(20.575)
Fair value changes of equity instruments measured at fair value through other comprehensive income		3.043	3.610
Items that may be reclassified to profit or loss	26		
Foreign currency translation		1.356	21
Hedging derivatives. Cash flow hedges reserve (effective portion)		(22.310)	12.139
Fair value changes of debt securities measured at fair value through other comprehensive income		116.367	40.515
Share of other recognised income and expense of investments in joint ventures and associates		(10.556)	(333)
		75.422	35.377
Minority interests (non-controlling interests)	25		
Accumulated other comprehensive income		(447)	(27)
Other items		(6.610)	1.162
		(7.057)	1.135
TOTAL EQUITY		4.576.490	4.404.575
TOTAL EQUITY AND LIABILITIES		67.417.448	58.879.315

(*) Presented solely and exclusively for comparison purposes. See Note 1.2.

Notes 1 to 54 and Appendices I to IV form an integral part of the consolidated financial statements of 2020.

ABANCA CORPORACIÓN BANCARIA GROUP

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE ANNUAL PERIODS ENDED 31 DECEMBER 2020 AND 2019

(EUR thousand)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

		Income / (Expenses)	
	Note	2020	2019 (*)
Interest income	31	798.953	760.906
Financial assets at fair value through other comprehensive income		44.248	64.894
Financial assets at amortised cost		710.536	715.433
Other of interest income		44.169	(19.421)
Interest expense	32	(155.993)	(186.271)
NET INTEREST INCOME		642.960	574.635
Dividend income	33	4.987	12.994
Share of profit or loss of equity-accounted investees	34	(11.597)	(1.185)
Fee and commission income	35	268.109	234.318
Fee and commission expense	36	(33.922)	(28.856)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	37	213.010	81.386
Financial assets at amortised cost		161.507	(289)
Other financial assets and liabilities		51.503	81.675
Gains or losses on financial assets and liabilities held for trading, net	37	8.506	(1.804)
Other gains or losses		8.506	(1.804)
Gain or losses on non-trading financial assets mandatorily measured at fair value through profit or loss, net	37	12.594	44.713
Other gains or losses		12.594	44.713
Gains or losses from hedge accounting, net	37	3.384	(2.202)
Exchange differences, net		9.766	4.779
Other operating income	38	76.217	75.943
Other operating expenses	41	(122.287)	(109.789)
Income from assets covered by insurance or reinsurance contracts	38	106.868	281.322
Expenses from liabilities covered by insurance or reinsurance contracts	41	(74.645)	(255.418)
GROSS MARGIN		1.103.950	910.836
Administrative expenses		(601.339)	(580.269)
Personnel expenses	39	(379.296)	(356.564)
Other administrative expenses	40	(222.043)	(223.705)
Depreciation and amortisation	14 and 15	(94.990)	(89.844)
Provisions or reversals of provisions	23	38.190	(53.339)
Impairment, or reversal of impairment, on financial assets not measured at fair value through profit or loss		(233.281)	(39.586)
Financial assets at fair value through other comprehensive income		209	178
Financial assets at amortised cost	10	(233.490)	(39.764)
NET OPERATING INCOME		212.530	147.798
Impairment, or reversal of impairment, on investments in joint ventures or associates	13	(4)	11
Impairment, or reversal of impairment, on non-financial assets		(24.605)	57.530
Tangible assets	14	(21.605)	62.529
Intangible assets		(3.000)	(5.000)
Other		-	1
Gains or losses on derecognition of non-financial assets, net	42	582	43.492
Negative goodwill recognised in profit or loss	5	-	231.679
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	12	5.655	(50.309)
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS		194.158	430.201
Tax expense or income related to profit or loss from continuing operations	28	(33.585)	(25.175)
PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS		160.573	405.026
Profit or loss after tax from discontinued operations		(1.762)	-
PROFIT FOR THE YEAR		158.811	405.026
Attributable to minority interests (non-controlling interests)	25	(1.285)	6
Attributable to the owners of the Parent		160.096	405.020

(*) Presented solely and exclusively for comparison purposes. See Note 1.2.

Notes 1 to 54 and Appendices I to IV form an integral part of the consolidated financial statements of 2020.

ABANCA CORPORACIÓN BANCARIA GROUP

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE ANNUAL PERIODS ENDED
31 DECEMBER 2020 AND 2019
(EUR thousand)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	2020	2019 (*)
PROFIT FOR THE YEAR	158.811	405.026
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss	**7.530**	**(478)**
Actuarial gains or (-) losses on defined benefit pension plans	11.567	(1.989)
Fair value changes of equity instruments measured at fair value through other comprehensive income	(810)	1.306
Income tax relating to items that will not be reclassified	(3.227)	205
Items that may be reclassified to profit or loss	**32.515**	**127.470**
Foreign currency translation	1.907	-
Exchange gains or (-) losses recognised in equity	1.907	-
Cash flow hedges (effective portion)	(49.213)	44.056
Valuation gains or (-) losses recognised in equity	(49.213)	44.056
Debt securities at fair value through other comprehensive income	108.360	122.616
Valuation gains or (-) losses recognised in equity	157.531	200.722
Transferred to profit or loss	(49.171)	(78.106)
Share of other recognised income and expense arising from investments in joint ventures and associates	(14.604)	15.428
Income tax on items that may be reclassified to profit or loss	(13.935)	(54.630)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**198.856**	**532.018**
Attributable to minority interests (non-controlling interests)	(1.285)	6
Attributable to the owners of the Parent	200.141	532.012

(*) Presented solely and exclusively for comparison purposes. See Note 1.2.

Notes 1 to 54 and Appendices I to IV form an integral part of the consolidated financial statements of 2020.

ABANCA CORPORACIÓN BANCARIA GROUP

CONSOLIDATED STATEMENTS OF TOTAL CHANGES IN EQUITY

FOR THE ANNUAL PERIODS ENDED 31 DECEMBER 2020 AND 2019 (*)

(EUR thousand)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Capital	Share premium	Equity instruments issued other than capital	Retained earnings	Other reserves	(-) Treasury shares	Profit attributable to the owners of the Parent	(-) Interim dividends	Accumulated other comprehensive income	Minority interests		Total
										Accumulated other comprehensive income	Other items	
Balance at 31 December 2018	2.453.657	433.901	-	1.303.716	(6.127)	(229.727)	360.581	(143.300)	(91.615)	-	11	4.081.097
Effects of correction of errors	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies (see Note 2.24)	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance	2.453.657	433.901	-	1.303.716	(6.127)	(229.727)	360.581	(143.300)	(91.615)	-	11	4.081.097
Total comprehensive income for the year	-	-	-	-	-	-	405.020	-	126.992	6	-	532.018
Other changes in equity	-	-	-	216.021	(46.832)	(814)	(360.581)	(17.452)	-	(33)	1.151	(208.540)
Other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity items (see Note 1.2)	-	-	-	217.281	-	-	(360.581)	143.300	-	-	-	-
Treasury shares purchased				-	-	(358)	-	-	-	-	-	(358)
Share-based payments	-	-	-	-	-	(456)	-	-	-	-	-	(456)
Dividends (or shareholder remuneration)	-	-	-	(190.000)	-	-	-	(160.752)	-	-	-	(350.752)
Other increases or (-) decreases in equity	-	-	-	188.740	(46.832)	-	-	-	-	(33)	1.151	143.026
Balance at 31 December 2019	2.453.657	433.901	-	1.519.737	(52.959)	(230.541)	405.020	(160.752)	35.377	(27)	1.162	4.404.575
Effects of correction of errors	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance	2.453.657	433.901	-	1.519.737	(52.959)	(230.541)	405.020	(160.752)	35.377	(27)	1.162	4.404.575
Total comprehensive income for the year	-	-	-	-	-	-	160.096	-	40.045	-	(1.285)	198.856
Other changes in equity	22.552	(225.110)	-	188.946	24.492	213.354	(405.020)	160.752	-	(420)	(6.487)	(26.941)
Common shares issued	225.110	-	-	-	-	-	-	-	-	-	-	225.110
Capital reduction	(202.558)	(225.110)	-	-	-	-	-	-	-	-	-	(427.668)
Other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity line items	-	-	-	231.296	(1.185)	-	(405.020)	174.910	-	-	-	1
Treasury shares purchased	-	-	-	-	-	(183)	-	-	-	-	-	(183)
Treasury shares sold or cancelled	-	-	-	-	-	213.213	-	-	-	-	-	213.213
Share-based payments	-	-	-	-	-	324	-	-	-	-	-	324
Dividends (or shareholder remuneration)	-	-	-	-	-	-	-	(14.158)	-	-	-	(14.158)
Other increases or (-) decreases in equity	-	-	-	(42.350)	25.677	-	-	-	-	(420)	(6.487)	(23.580)
Balance at 31 December 2020	2.476.209	208.791	-	1.708.683	(28.467)	(17.187)	160.096	-	75.422	(447)	(6.610)	4.576.490

(*) Presented solely and exclusively for comparison purposes. See Note 1.2.

Notes 1 to 54 and Appendices I to IV form an integral part of the consolidated financial statements of 2020.

ABANCA CORPORACIÓN BANCARIA GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE ANNUAL PERIODS ENDED 31 DECEMBER 2020 AND 2019

(EUR thousand)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	2020	2019 (*)
A) CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	4.053.620	3.561.546
1. Profit for the year	158.811	405.026
2. Adjustments for determining cash flows from operating activities	25.909	76.947
(+) Depreciation and amortisation	94.990	89.844
(+/-) Other adjustments	(69.081)	(12.897)
3. Net increase/(decrease) in operating assets	(3.972.929)	1.324.343
(+/-) Financial assets held for trading	39.673	(93.426)
(+/-) Non-trading financial assets mandatorily at fair value through profit or loss	114.959	69.708
(+/-) Financial assets designated at fair value through profit or loss	-	-
(+/-) Financial assets at fair value through other comprehensive income	(1.323.210)	1.987.329
(+/-) Financial assets at amortised cost	(2.906.350)	(740.646)
(+/-) Other operating assets	101.999	101.378
4. Net increase/(decrease) in operating liabilities	7.794.807	1.769.613
(+/-) Financial liabilities held for trading	27.369	43.828
(+/-) Financial liabilities designated at fair value through profit or loss	-	-
(+/-) Financial liabilities at amortised cost	7.657.626	1.576.791
(+/-) Other operating liabilities	109.812	148.994
5. Income tax receipts/(payments)	47.022	(14.383)
B) CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	(58.284)	(2.045.394)
1. Payments:	(173.409)	(2.239.009)
(-) Tangible assets	(60.229)	(115.854)
(-) Intangible assets	(36.556)	(36.809)
(-) Investments in joint ventures and associates	(12.200)	(34.377)
(-) Subsidiaries and other business units	-	-
(-) Non-current assets and liabilities classified as held for sale	(64.424)	(37.270)
(-) Other payments related to investing activities	-	(2.014.699)
2. Receipts:	115.125	193.615
(+) Tangible assets	3.108	32.227
(+) Intangible assets	-	-
(+) Investments in joint ventures and associates	308	43.005
(+) Subsidiaries and other business units	48.939	42.505
(+) Non-current assets and liabilities classified as held for sale	62.770	75.878
(+) Other receipts related to investing activities	-	-
C) CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	(35.393)	265.640
1. Payments:	(35.393)	(384.360)
(-) Dividends	(14.158)	(361.752)
(-) Subordinated liabilities	(21.052)	-
(-) Redemption of own equity instruments	-	-
(-) Acquisition of own equity instruments	(183)	(814)
(-) Other payments related to financing activities	-	(21.794)
2. Receipts:	-	650.000
(+) Subordinated liabilities	-	650.000
(+) Issuance of own equity instruments	-	-
(+) Disposal of own equity instruments	-	-
(+) Other receipts related to financing activities	-	-
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS	-	-
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	3.959.943	1.781.792
F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2.885.244	1.103.452
G) CASH AND CASH EQUIVALENTS AT END OF THE YEAR (E+F)	6.845.187	2.885.244

COMPOSITION OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	2020	2019 (*)
(+) Cash	179.280	200.480
(+) Cash equivalent balances in central banks	6.665.907	2.684.764
(+) Other financial assets		
(-) Less: bank overdrafts repayable on demand		
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	6.845.187	2.885.244

(*) Presented solely and exclusively for comparison purposes. See Note 1.2.

Notes 1 to 54 and Appendices I to IV form an integral part of the consolidated financial statements of 2020.

ABANCA Corporación Bancaria Group

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

ABANCA Corporación Bancaria, S.A.

Fully consolidated companies on 31 December 2019
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

1. Introduction, basis of presentation and other information

1.1. Introduction

ABANCA Corporación Bancaria, S.A. (hereinafter "ABANCA", the "Bank" or the "Entity") is a private credit and savings institution whose corporate purpose is the performance of all types of activities, operations and services befitting the banking business in general or directly or indirectly related thereto and which are permitted through current legislation. These include the provision of investment and ancillary services and the performance of insurance brokerage activities, as well as the acquisition, holding, transacting with and disposal of all types of securities.

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

The transfer of shares to the Spanish company Banesco Holding Financiero 2, S.L.U. (subsequently ABANCA Holding Financiero, S.A), to which the FROB Steering Committee, in a resolution dated 18 December 2013, had awarded 88.33% of the Bank in the framework of the competitive sale of the Bank, was completed on 25 June 2014.

On 1 December 2014, the Bank's Extraordinary General Meeting of Shareholders agreed to adopt the trade name of ABANCA Corporación Bancaria, S.A. (formerly NCG Banco, S.A.) and the resulting amendment to its articles of association.

The Annual General Meeting of Shareholders of ABANCA, held on 10 June 2019, approved the merger through absorption of ABANCA Holding Financiero, S.A. (absorbed company) and ABANCA (absorbing company), in which the former will be terminated and transfer its assets and liabilities en bloc and to the latter, in the capacity of universal successor; the merger transaction is expressly subject to payment of dividends out of reserves (see Note 3) as a condition precedent in accordance with the common draft terms of merger approved by the Boards of Directors of both merging companies (see Note 2.24). Following the fulfilment of the conditions precedent provided for in the agreement and the reception of the applicable authorisations, the merger was filed with, and registered by the Business Register on 18 and 27 February 2020, respectively.

Furthermore, dated 14 October 2019, the Boards of Directors of ABANCA Corporación Bancaria, S.A. and Banco Caixa Geral, S.A. approved the common draft terms of merger. The merger was completed through the absorption of Banco Caixa Geral, S.A. (the absorbed entity) by ABANCA Corporación Bancaria, S.A. (the absorbing entity), Banco Caixa Geral, S.A. was wound up and dissolved without liquidation, and all of its assets and liabilities being transferred en bloc to ABANCA Corporación Bancaria, S.A. as universal successor (see Note 5 b)). On 9 December 2019, the General Meetings of Shareholders of both of ABANCA and Banco Caixa Geral approved the merger of both entities. Following the fulfilment of the conditions precedent provided for in the agreement and the reception of the applicable authorisations, the merger was filed with, and registered by the Business Register on 13 March 2020.

For the performance of its activity, on 31 December 2020 the Bank has 477 operating branches in the Autonomous Region of Galicia (536 on 31 December 2019); 175 branches in the rest of Spain (191 on 31 December 2019); 44 in Portugal (44 on 31 December 2019); 1 in Switzerland (1 on 31 December 2019), and 1 in United States (1 on 31 December 2019), as well as representative offices in Mexico, Panama, Venezuela, Switzerland, Germany, Great Britain, France and Brazil.

Additionally, the Bank owns equity interests in several companies (subsidiaries and associates) performing industrial and commercial activities, and which, together with the Bank, form the ABANCA Corporación Bancaria Group (hereinafter, the "Group" or "ABANCA Group"). As a result, the Bank is required to prepare the consolidated financial statements of the Group in addition to its own separate financial statements.

The Bank is subject to the standards and regulations applicable to financial institutions operating in Spain. The management and use of external funding that financial institutions obtain from customers, as well as other aspects of their economic and financial activity, are subject to certain legal standards that regulate their activity. The Bank is a member of the Deposit Guarantee Fund.

The Company has its registered office in Betanzos, A Coruña, at number 2 calle Cantón Claudino Pita. The articles of association and other public information about the Group are available both on the official website of the Group (www.abanca.com) and at the registered office.

1.2. Basis of presentation of the consolidated financial statements

The Group's consolidated financial statements for 2020 were authorised for issue by the Board of Directors of the Bank on 26 March 2021, in accordance with the financial reporting framework applicable to the Group, as set out in the Spanish Code of Commerce and related mercantile legislation and in the International Financial Reporting Standards adopted by the European Union (hereinafter IFRS-EU), and taking into consideration the provisions set out in Bank of Spain Circular 4/2017, of 27 November, as amended (hereinafter Circular 4/2017), and other mandatory standards approved by the Bank of Spain, so that consolidated financial statements fairly present the Group's financial position on 31 December 2020 and consolidated results of operations and consolidated cash flows for the annual period then ended.

The consolidated financial statements for 2020 are currently pending the approval of the Annual General Meeting. However, the Board of Directors of the Bank considers that the accompanying consolidated financial statements will be approved with no changes. The consolidated financial statements of ABANCA Corporación Bancaria, S.A. and subsidiaries for 2019 were approved by the Annual General Meeting held on 29 June 2020.

The accompanying consolidated financial statements have been prepared on the basis of the individual accounting records of ABANCA Corporación Bancaria, S.A. and each of the other entities that form part of the Group, although they include the adjustments and reclassifications required to harmonise the accounting policies and measurement criteria applied by the Group as a whole. Appendix III includes the separate financial statements of ABANCA Corporación Bancaria, S.A., which comprise the balance sheet, the statement of profit or loss, the Statement of recognised income and expense, the statement of changes in equity and the statement of cash flows. Appendix I includes a list of subsidiaries and associates consolidated in the Group's financial statements.

1.2.1 Recent changes to IFRS

a) Changes introduced in 2020

In 2020, the following amendments to IFRS and to IFRS interpretations (hereinafter, "IFRIC") have become effective.

Amendments to IAS 1 and IAS 8 – Definition of material

The amendments clarify the definition of materiality for preparation of financial statements, by aligning the definition in the Conceptual Framework, IAS 1 and IAS 8 (which, prior to the amendment, included similar but not identical definitions). The new definition of material is as follows: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The entry into force of this standard on 1 January 2020 has not had any significant impact on the Group's consolidated financial statements.

Amendments to IRFS 3 – Definition of a business

The amendments clarify the difference, for accounting purposes, between a business acquisition and the acquisition of a group of assets. To determine whether a transaction is a business acquisition, an entity shall assess and conclude that the following two conditions are met:

- fair value of the acquired assets is not concentrated in a single asset or group of similar assets.

- the acquired set of activities and assets includes, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output.

The entry into force of this standard on 1 January 2020 has not had any significant impact on the Group's consolidated financial statements.

IFRS 9 (amendments), IFRS 7 (amendments) and IAS 39 (amendments) – IBOR Reform

IBOR Reform (Phase 1) relates to the IASB amendments to IFRS 9, IAS 39 and IFRS 7 intended to avoid discontinuation of certain hedge accounting in the period leading out the effective date of the interest rate benchmark reform.

In certain cases and/or jurisdictions, uncertainties may arise about the future of certain benchmark rates or about their impact on contracts held by the entity; this directly results in uncertainty about the timing or amount of the cash flows from the hedged instrument or from the hedging instrument. As a result of said uncertainties, certain entities may be forced to discontinue a hedge accounting or may not be able to designate new hedging relationships.

Accordingly, the amendments include certain temporary simplifications in the requirements to apply hedge accounting that affect the hedging relationships affected by the uncertainty arising from the Reform. A hedging relationship is affected if the Reform produces uncertainty about the timing or amount of cash flows from the hedged instrument or from the hedging instrument that is benchmarked.

Since the objective of these amendments is to provide temporary relief from applying certain specific hedge accounting requirements, this relief should cease to be applied by entities when that uncertainty is removed or when the hedge is terminated.

The entry into force of this standard on 1 January 2020 has not had any significant impact on the Group's consolidated financial statements.

Amendment to IFRS 16 – COVID-19 related rent concessions

On 28 May 2020, the IASB issued an amendment to IFRS 16 in order to include a practical expedient for lessees' accounting treatment of rent concessions (moratorium and temporary reduction of lease payments) occurring as a direct consequence of the COVID-19 pandemic.

The amendment permits lessees to account for such rent concessions in the same way as they would if they were not lease modifications. The practical expedient is applicable to COVID-19 related rent concessions reducing lease payments before 30 June 2021.

The amendment, endorsed by the European Union in the second half of 2020, is effective from 1 June 2020 for annual periods beginning on or after 1 January 2020.

The entry into force of this standard on 1 June 2020 has not had any significant impact on the Group's consolidated financial statements.

Amendments to IFRS Conceptual Framework

The revised conceptual framework includes updated definitions of an asset and a liability, as well as new guidance for measurement, derecognition, presentation and disclosure of assets and liabilities.

The entry into force of this standard on 1 January 2020 has not had any significant impact on the Group's consolidated financial statements.

b) Standards and interpretation that have not yet become effective on 31 December 2020

As of the reporting date of these consolidated financial statements, new International Financial Reporting Standards and interpretations had been published, the application of which was not mandatory as of 31 December 2020. However, in certain cases, IASB permits application of the amendments prior to their effective date, although ABANCA Group has not applied early these amendments.

Amendments to IFRS 10 – "Consolidated financial statements" and amended IAS 28

The amendments to IFRS 10 and IAS 28 provide that when an entity sells or contributes assets that constitute a business (including its consolidated subsidiaries) to one of its associates or joint ventures, the latter must recognise the resulting gain or loss in full. However, if the assets sold or contributed do not constitute a business, the gains or losses are to be recognised only in proportion to the stake held in the associate or joint venture by other investors not related to the entity.

These amendments will be effective for annual periods beginning on or after the date of entry into force, which has yet to be determined, although early application is permitted.

IFRS 17 – Insurance contracts

IFRS 17 establishes the principles that an entity shall apply to account for insurance contracts. This new standard supersedes IFRS 4. The new standard introduces a single accounting model for all insurance contracts and requires entities to use updated assumptions in their estimates.

An entity shall divide insurance contracts into groups and shall recognise and measure insurance contracts at the total of:

- The "fulfilment cash flows", which comprise estimates of future cash flows; an adjustment to reflect the time value of money and the financial risks related to the future cash flows; and a risk adjustment for non-financial risk.

- The contractual service margin that represents the unearned profit.

The entity shall disaggregate the amounts recognised in the statement of profit or loss into insurance revenue; insurance service expenses, and insurance finance income or expenses. Insurance revenue and insurance service expenses shall exclude any investment components. Insurance revenue shall be recognised over the period the entity provides insurance coverage and shall be allocated to accounting periods in proportion to the value of insurance coverage provided by the insurer during the relevant period.

This standard will be effective for annual periods beginning on or after 1 January 2023.

Amendments to IAS 1 – Classification of liabilities as current or non-current

The changes in the way entities classify liabilities may affect loan agreements, promote consistency in application and clarify the requirements to determine whether a liability is current. The right to defer settlement must have a substance; under the existing IAS 1 requirements, entities classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. The requirement for a right to be unconditional has been removed and, instead, the standard now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

These amendments will be retrospectively effective for annual periods beginning on or after 1 January 2022, although early application is permitted.

1.2.2 Comparative information

The information for 2019 included in these notes is presented solely for the purposes of comparison with the information as of 31 December 2020 and, therefore, does not constitute the Group's consolidated financial statements for 2019.

As a result of the acquisitions referred to in Note 5 with Deutsche Bank's Private & Commercial Business ("PCB") Portugal and Banco Caixa Geral, S.A. dated 9 June 2019 and 1 September 2019, respectively, the comparative figures presented, mainly, on the consolidated statement of profit or loss and on the consolidated statement of cash flows are not directly comparable with the corresponding figures on 31 December 2019.

Dated 24 September 2018, ABANCA completed the issuance of €250,000 thousand in perpetual bonds, which was admitted to trading on AIAF Fixed-Income Market. In 2020, this issuance of contingent convertible bonds (commonly referred to as "CoCos") has been reclassified from the equity item "Equity instruments issued other than capital" to the liabilities item "Financial liabilities at amortised cost - Debt securities issued", with the consequential change in the comparative financial statements for 2019.

This new classification has been considered as the preferred accounting treatment compared to the former classification that was considered a permitted treatment. In particular, the Group has accounted for this issue in accordance with paragraph 28 of IAS 32, and has considered it as a compound instrument, that is, an instrument with a liability component and an equity component as a result of the discretion for payment of dividends on the instrument; however, given the conversion option feature, the amount of the equity component is nil and, therefore, the instrument's value would entirely correspond to its liability component. Additionally, payments on the instrument continue to be registered in equity as if they were dividends (see Notes 21 and 27).

Additionally, certain information relating to 2019 has been restated for consistency with respect to 2020.

1.2.3 Mandatory accounting principles

The main accounting principles and policies and measurement criteria applied in preparing the Group's consolidated financial statements for 2020 are stated in Note 2. All mandatory accounting principles and measurement criteria with a significant effect on these consolidated financial statements have been applied.

1.3. Responsibility for information and for the estimates made

The information included in these consolidated financial statements is the responsibility of the Bank's Board of Directors.

The results for the year and the determination of the Group's equity are sensitive to the accounting principles and policies, measurement criteria and estimates used in preparing the consolidated financial statements. These consolidated financial statements contain certain estimates performed by senior management of the Group, which were later ratified by the directors, in order to quantify some of the assets, liabilities, income, expenses and commitments reported herein. These estimates basically refer to the following:

1. Impairment losses, recovery and fair value of certain assets (see Notes 7, 8, 9, 10, 11, 12, 13, 14, 15, 28 and 46).

2. The assumptions used in the actuarial calculation of the liabilities and commitments for post-employment benefits and other long-term commitments with employees (see Notes 2.13 and 23).

3. The useful lives of tangible and intangible assets (Notes 2.15 and 2.16)

4. Provisions and contingent liabilities, which were estimated based on certain assumptions based on the content (see Note 23).

5. Provisions that may arise from legal claims in relation to the management of hybrid instruments and subordinated debt, and claims concerning the marketing of mortgage loans that include floor clauses (see Note 23).

6. The probability of certain losses which are inherent in the Group's activity (see Note 23).

7. Measurement of goodwill on consolidation.

8. Recoverability of deferred tax assets (see Note 28).

9. Estimates of the fair value of the assets acquired and liabilities assumed in the business combinations referred to in Note 5.

As stated in Note 1.11, dated 11 March 2020 the World Health Organisation declared the status of pandemic for COVID-19. The greater uncertainty associated with the unprecedented nature of this pandemic implies a greater degree of complexity in the making of reliable estimates and judgements.

These estimates are based on the best information available at the 2020 reporting date regarding the events analysed. However, future events may require these estimates to be substantially increased or decreased in subsequent years. In accordance with legislation in force, any changes in accounting estimates would be recognised prospectively in the corresponding consolidated statement of profit or loss.

1.4. Agency agreements

Dated 4 August 2015, ABANCA Mediación Operador de Banca Seguros Vinculado, S.L. was registered in the Register of Credit Institutions Agents as a credit institution agent for the attraction of deposits and loans.

In 2020 and 2019, the Bank did not enter into any agency agreement or relationship whatsoever with third parties, other than the one referred to in the foregoing paragraph, for the negotiation or formal arrangement of banking transactions. Notwithstanding the foregoing, the Bank also has certain agreements with legal and natural persons aimed at winning transactions for its own benefit, although these parties have not been granted powers to negotiate or formally arrange these transactions and cannot therefore be classified as Agents for the purposes set out in the aforementioned Royal Decree and in Bank of Spain Circular 4/2010.

1.5. Equity investments in credit institutions

In accordance with article 28 of Royal Decree 84/2015, of 13 February, the Group reports that it does not hold any investments in credit institutions that exceed 5% of their capital or voting rights at the 2020 and 2019 reporting dates.

1.6. Environmental impact

In view of the activities carried out by the Group entities, they do not have any environmental liabilities, expenses, assets, provisions or contingencies that could be material with respect to the equity, financial position or consolidated results of the Group. Therefore, no specific disclosures relating to environmental issues are included in the notes to the accompanying consolidated financial statements. Any additional information may be found in the Corporate Social Responsibility Report, which is published on the Bank's website.

1.7. Legal ratios

1.7.1. Minimum Capital Ratio

Until 31 December 2013, Bank of Spain Circular 2/2008, of 22 May, on the determination and control of minimum capital requirements, regulated the minimum capital requirements of Spanish credit institutions both on an individual and on a consolidated group basis.

On 27 June 2013 the new regulation on minimum capital requirements (called CRD-IV) was published in the Official Journal of the European Union, applicable as of 1 January 2014 and comprising the following:

- Directive 2013/36/EU of the European Parliament and of the Council of 26 June on access to the activity of credit institutions and investment firms and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC; and

- Regulation (EU) No. 575/2013 (hereinafter CRR) of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No. 648/2012.

The directives have to be transposed into Spanish law, while the EU regulations are of immediate application as of their entry into force.

In Spain, Royal Decree 14/2013, of 29 November, on urgent measures to adapt Spanish law to European Union legislation on the supervision and solvency of financial institutions (hereinafter the RDL), made a partial transposition into Spanish law of Directive 2013/36/EU and authorised the Bank of Spain, in its final provision five, to make use of the options attributed to the competent national authorities in Regulation (EU) No. 575/2013.

Therefore, all the provisions of Bank of Spain Circular 3/2008 that go against the aforementioned European regulation were revoked as of 1 January 2014. Furthermore, Bank of Spain Circular 2/2014, of 31 January, was published on 5 February 2014, whereby, in accordance with the powers conferred upon the competent national authorities by Regulation (EU) No. 575/2013, Bank of Spain made use of certain permanent regulatory powers provided for in this regulation.

Law 10/2014, of 26 June, on the organisation, supervision and solvency of credit institutions has furthered the transposition of CRD-IV into Spanish legislation.

Bank of Spain Circular 2/2016, of 2 February, on supervision and solvency, was approved on 9 February 2016 and completes the adaptation of Spanish legislation to Directive 2013/36/EU and Regulation (EU) No. 575/2013. This Circular came into force on 10 February 2016.

Dated 12 March 2020, the ECB published several measures aiming at improving the resilience of institutions in the current environment caused by the COVID-19 pandemic, temporarily allowing institutions to operate below Pillar II Guidance minimum requirements and below capital conservation buffer. Furthermore, the effective date for application of article 104 a) CRD V, whereby institutions may meet their minimum Pillar II Requirement not just using common equity Tier I but also using additional Tier I capital and Tier II capital.

Faced with the COVID-19 crisis, and in order to support the economy, in March 2020 the ECB announced temporary measures intended to ease capital requirements for financial institutions. Those measures include allowing financial institutions to (i) temporarily operate below the level of capital defined by the P2G, the capital conservation buffer and the LCR, and (ii) to use capital instruments that not qualify as CET1 (for example, additional Tier 1 and Tier 2 instruments) to partially meet the P2R (as described above). Also on that date, the EBA announced its decision to postpone the EU-wide stress test exercise to 2021, in order to allow banks to prioritize the continuity of their core operations and also announced that supervisory approaches will be guided by flexibility.

Additionally, Regulation (EU) 2020/873 of the European Parliament and of the Council, of 24 June 2020, amending CRR and CRR II as regards certain adjustments in response to the COVID-19 pandemic, including the following changes:

- The effective date for certain of the more favourable treatments introduced by CRR II is brought forward, in particular: the prudential treatment of certain software assets, the treatment of certain loans backed by pensions or salaries, a revised supporting factor for loans to small and medium-sized enterprises (SMEs) (the "SMEs supporting factor") and a new adjustment to shareholders' equity requirements for credit risk for exposures to entities that operate or finance physical structures or facilities, systems and networks that provide or support essential public services (the "infrastructure supporting factor").

- The date of application for the leverage ratio buffer for global systemically important institutions is deferred to 1 January 2023 and the possibility of temporarily excluding certain exposures to central banks from the calculation of an institution's total exposure measure, as laid down in article 429 CRR, has been introduced.

- A greater flexibility is allowed in the application of Regulation (EU) 2017/2395 of the European Parliament and of the Council, of 12 December 2017, as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9, in order to limit the possible volatility of regulatory capital that might occur if the COVID-19 pandemic results in a significant increase in expected credit loss provisions. In this regard, institutions are allowed to fully add back to their Common Equity Tier I capital any increase in new expected credit loss provisions that they recognise 2020 and 2021 for their financial assets that are not credit impaired (Stage 1 – Performing exposures and Stage 2 – Performing exposures under special monitoring).

- A temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income is introduced, which allows to remove, in 2020, from the calculation of their Common Equity Tier I items, 100% of the amount of unrealised gains and losses accumulated since 31 December 2019 and to apply a transitional calendar until full inclusion thereof in 2023.

- A greater flexibility is provided for competent authorities to mitigate the negative effects of market volatility in 2020 and 2021 on the shareholders' equity requirements for market risk calculated using internal models.

All of the above constitute the prevailing legislation which regulates the minimum capital requirements of Spanish credit institutions (on an individual and consolidated Group basis) and the method to be applied in the determination of those minimum capital requirements; as well as the different capital self-assessment processes to be implemented and the public information that should be submitted to the market.

The minimum capital requirements are calculated based on the Group's exposure to credit and dilution risk, counterparty, position and settlement risk relating to items held for trading, currency risk, and operational risk. The Group is also required to comply with the risk concentration limits set out in the legislation and with internal corporate governance.

In December 2019 the European Central Bank (ECB) announced its decision regarding prudential capital requirements applicable to the ABANCA for 2020 following the Supervisory Review and Evaluation Process (SREP). This decision, which has remained stable for 2021, requires ABANCA to maintain a minimum phased-in tier one common equity capital (CET1) of 7.98% and minimum phased-in total capital ratio of 12.25% (8.75% and 12.25%, respectively, in 2020). Although the prudential requirement for 2021 remains unchanged, the composition of Pillar 2 requirements (P2R) has been changed. Minimum capital requirements include "Pillar 1" (4.5% CET1 and 8% total capital), "Pillar 2" (0.98% CET1, 1.31% Tier 1, and 1.75% total capital) and the capital conservation buffer (2.5% CET1).

On 31 December 2020, CET1 Ratio (Common Equity Tier 1) stands at 13.67% (12.76% on 31 December 2019), while the Bank's Total Capital Ratio under Regulation EU 575/2013 stands at 16.68% of risk weighted assets (15.69% on 31 December 2019). On 31 December 2020 the Bank has a CET1 surplus of €1,699,899 thousand and its Total Capital exceeds the ECB minimum requirements by €1,324,342 thousand (€1,230,961 thousand and €1,056,663 thousand, respectively, on 31 December 2019). With respect to article 92 of Regulation (EU) No. 575/2013, the Group has a CET1 surplus of €2,741,996 thousand, while its Total Capital exceeds minimum regulatory requirements by €2,595,419 thousand (€2,536,561 thousand and €2,362,263 thousand, respectively, on 31 December 2019) (see Note 27).

1.7.2. Minimum reserves ratio

On 31 December 2020, as well as throughout 2020, ABANCA Group complied with the minimum ratio required by applicable Spanish regulations, based on Regulation (EC) No 1745/2003 of 12 September 2003.

1.8. Deposit Guarantee Fund and Resolution Fund

ABANCA Group is a member of the Deposit Guarantee Fund (DGF). The expenses incurred for contributions to this fund in 2020 and 2019 totalled €54,802 thousand and €46,618 thousand, respectively, and are recognised under "Other operating expenses" in the accompanying consolidated statements of profit or loss (see Note 41).

In order to restore the capital adequacy of the Deposit Guarantee Fund for Credit Institutions (DGFCI) in accordance with article 6.2 of Royal Decree-Law 16/2011, of 14 October, at its meeting held on 30 July 2012 the DGF Management Committee agreed that the fund's member institutions should make an extraordinary contribution, payable in ten equal annual instalments. The amount of that contribution is included in the figures referred to in the foregoing paragraph.

Pursuant to the new regulation, in 2020 an amount of €16,038 thousand (€13,870 thousand in 2019) was contributed to the Spanish resolution fund (Fund for Orderly Bank Restructuring, FROB). This contribution has been recognised under "Other operating expenses" in the accompanying consolidated statement of profit or loss (See Note 41).

1.9. Events after the reporting period

Dated 7 January 2021, ABANCA reopened the debt market by laying down the economic conditions for an issuance of €375,000 thousand in perpetual bonds. This issuance was paid up and closed on 20 January 2021.

These bonds are perpetual, subject to ABANCA's option to redeem them under certain circumstances. The issuance was exclusively addressed to professional customers and eligible counterparties.

The securities issued are eligible as Additional Tier 1 (AT1) capital instruments, in accordance with the provisions of Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions and in accordance with the criteria of Regulation (EU) No. 573/2013 of the European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms.

On 28 January 2021, following the grant of the required regulatory approvals, ABANCA Group formalised the acquisition of Bankoa.
On 10 February 2021, S&P Global ratings upgraded ABANCA outlook to stable and affirmed ABANCA long-term issuer rating at BB+. The short-term issuer rating was also affirmed at B.

On 23 February 2021, ABANCA subscribed the voluntary capital increase announced by Nueva Pescanova, following which ABANCA holds 97.48% of shares in the fishing company. This capital increase was executed through the issue of 570,404,756 shares of €0.47 each in consideration for non-cash contributions of receivables. ABANCA Corporación Bancaria subscribed 569,454,334 new shares of a total nominal value of €267,643,536.98.

Dated 26 February 2021, the Bank issued a Relevant Event in CNMV on the minimum requirement for shareholders' equity and eligible liabilities ("MREL") to be met, on a consolidated basis, by ABANCA Corporación Bancaria, S.A.; this minimum requirement had been determined by the Single Resolution Board (SRB).

This determination established an interim binding MREL requirement of 14.77% of total risk exposure amount ("TREA") and 5.25% of leverage ratio exposure ("LRE"), to be met by 1 January 2022. The final MREL requirement, to be met by the institution no later than 1 January 2024, has been set at 17.93% of TREA and 5.25% of LRE.

The MREL decision is aligned with ABANCA's forecasts and with the financing plan included in ABANCA's strategic plan.

At the end of 2020, the Institution's structure of eligible own funds and liabilities represented 15.48% of TREA (based on pro-forma figures including the January 2021 AT1 issuance and excluding the capital allocated to cover the Combined Buffer Requirement of 2.5% of TREA); consequently, the Institution already meets the requirements defined for 1 January 2022.

Apart from the disclosure referred in the foregoing paragraphs, between 31 December 2020 and the date of authorisation for issue of these financial statements no significant event has occurred, other than those disclosed in these notes.

1.10. Disclosure on average suppliers payment times required by Law 15/2010

Pursuant to Law 15/2010, of 5 July, which amends Law 3/2004, of 29 December, containing measures to combat late payments in commercial transactions, as developed by the Spanish Accounting and Auditing Institute (ICAC) resolution of 29 January 2016 on disclosures in the consolidated notes relating to late payments to suppliers in commercial transactions, in view of the activities in which the Group is engaged, the information on late payments disclosed in this note essentially relates to payments to service providers and sundry suppliers, rather than payments to depositors and holders of securities issued by the Group, which have been settled in strict compliance with the legal and contractual terms established in each case, for both on-demand and deferred payments.

Details of late payments to suppliers by the ABANCA Corporación Bancaria, S.A. are as follows:

	2020	2019
	Days	Days
Average supplier payment period	15.94	15.72
Ratio of transactions paid	15.94	15.73
Ratio of transactions outstanding	14.70	10.53
	Amount (thousand EUR)	Amount (thousand EUR)
Total payments made	212,563	266,801
Total payments outstanding	58	725

1.11. Management of, and impacts from the COVID-19 pandemic

The main impacts from the COVID-19 pandemic on the Group's Consolidated Financial Statements are presented in the following Notes:

- Note 1.3 includes information on the way the COVID-19 pandemic has been taken into account in the estimates made.
- Note 1.7.1 includes information on the impact on the Institution's capital.
- Note 1.11 includes a general description and quantitative information of the measures implemented by the Group and of other public measures for supporting households and companies affected by the pandemic, as well as the COVID-19 pandemic impact in the calculation of expected losses associated to credit risk provisions.
- Note 2.10 includes information on the factors taken into account for the impairment of financial assets.
- Note 3 presents the recommendations issued by the European Central Bank as regards the dividend policy.
- Note 18 includes disclosures on the liquidity measures implemented by the European Central Bank through the TLTRO III program.

<u>Global impact of the pandemic</u>

On 11 March 2020, the World Health Organisation raised the status of the public health crisis created by COVID-19 to pandemic. That declaration led a majority of governments of the affected countries to take measures in the area of public health, including isolation, lockdown and/or quarantine in varying degrees by each government and restrictions to the free movement of persons up to and including the closing of borders.

The advanced economic forecasts for 2020 pointed to an upturn of global economic activity. However, that scenario was abruptly changed by the development of the pandemic caused by the coronavirus. Sure enough, the measures of mobility restriction and cessation of certain productive activities implemented by many countries in order to curb the expansion of the virus have led to a rapid and severe contraction of the economy. In this context, global GDP has been estimated to have fallen by 3.5% in 2020, compared to a 2.8% growth in the preceding year.

In Europe, the Eurozone economy contracted by 6.8% in 2020 as a whole, compared to a 1.3% growth in the preceding year. Although this contraction was generalised, the impact was more severely felt by those countries with a greater incidence of coronavirus and a greater dependence on the tourist industry.

In Spain, major economic indicators plummeted in April, when the disease was at its peak and containment measures were stricter. In May, the restrictions began to be gradually lifted, although at varying paces in accordance with the health situation in each region. In this context, the Spanish GDP fell by 17.9% in the second quarter (-21.6% year on year).

In the third quarter, the partial recovery of the economy allowed of a quarterly 16.4% recovery of GDP, thereby moderating the year on year fall to -9.0%. The services industry registered a partial recovery, although with significant differences between activities. Commerce, transport and hospitality, and arts and recreation were the worst performing activities, falling by ca. 20% year on year. During the last quarter of the year, notwithstanding the impact of a new COVID wave, the economy continued its positive performance with a 0.4% quarterly growth.

In 2020 as a whole, Spain's GDP fell by 11.0%. Both private consumption and investment contracted by 12.4%, while public consumption increased by 4.5% driven by the measures implemented to address the pandemic. For its part, the external demand registered a reduction with drops in both exports (-20.9%) and imports (-16.8%).

In the labour market, the LFS for the fourth quarter of 2020 showed that the number of employed people has increased by 167,000 leaving the decline in the number of employed people at -3.1% (compared to a 6.0% year on year fall in the second quarter). At the end of the year, unemployment stood at 16.1%, a 2.3% increase compared to the end of 2019. On their part, temporary suspensions of employment implemented through ERTE (Spanish acronym for "Temporary Labour Force Adjustment Scheme"), which in April had affected 3.4 million workers, were reduced at the end of December down to 756,000 workers.

In Galicia, the impact from the crisis was milder than in Spain as a whole, due to a lower epidemiologic incidence and to its productive fabric (with a lower weight from tourist activities and a greater weight from essential industries). As a result, Galician GDP for the whole year fell by 8.9%, with an impact from the crisis 2.1 points lower than in Spain as a whole. The labour market also registered a better relative performance. The fall in the number of employed persons is more moderate (-1.4% year on year in the fourth quarter), while unemployment at the end of the year stood as 11.7%, 4.4 percentage points lower than the national average.

Measures approved by regulators

The speed of developments, both domestically and internationally, has required the adoption of immediate measures to address an unprecedented health crisis with massive repercussions in terms of the number of affected persons and economic and social impact at a domestic, European and global scale.

At a domestic level, those measures began with Royal Decree 463/2020, of 14 March, declaring the "state of alarm" in order to address the health crisis created by the COVID-19 pandemic, which was subsequently renewed in varying degrees until its final lifting on 21 June last year. In continuation to the above-mentioned measures, the Spanish government has approved several legal measures for management of the health crisis and its economic and social consequences, as well as nation-wide and sectoral measures to ensure the protection and recovery of the employment and the economic activity, the most significant of which are listed below.

Those legal measures have been accompanied by other measures approved by other public administrations and local and regional governments, mostly autonomous regions and municipalities.

The European Central Bank measures in the areas of solvency and liquidity are presented in Note 1.7.1 and Note 18, respectively.

Effects of the pandemic on the Group

Since the onset of the COVID-19 pandemic, the Group has registered a decline in its activity. For instance, new lending for individuals has significantly decreased since the state of emergency or lockdown was declared in certain countries where the Group operates. Additionally, the Group is facing several risks, such as an increased risk of impairment of its assets (including its financial instruments measured at fair value, which may register significant fluctuations) and of the securities held for liquidity; an eventual and significant increase in its default rate; an adverse impact on the Group's funding costs and access to funding (particularly, in a context where credit ratings would be affected).

On 31 December 2020, the main accumulated impacts are as follows:

At the end of 2020, ABANCA has continued to reduce its NPL ratio taking it down to 2.0% while the cover of non-performing loans has been increased up to 81.2%. In addition to the allowances made for individually and collectively estimated expected credit losses and for macroeconomic estimates, the Group has considered it necessary to make additional adjustments to reflect certain factors, such as the specific characteristics of borrowers, sectors or portfolios that may not have been identified in the general procedure. In 2020, the Group has registered in its statement of profit or loss €95,600 thousand in connection with the above-mentioned adjustments; those adjustments are of a temporary nature and will be reversed following the disappearance of the reasons for those adjustments (See Note 10 d)).

With liquid assets plus issuance capacity of €18,750 million, the Group easily meets ECB requirements in terms of both short-term Liquidity Coverage (LCR) and long-term Net Stable Financing Ratio (NSFR).

Lastly, ABANCA solvency level continues to be broadly above the requirements of the regulator, and has even increased in 2020 as testified by its 16.68% Total Capital ratio and 13.67% CET1 ratio (on 31 December 2019, 15.69% and 12.76%, respectively) (see Note 27).

The final scale of the impact from the COVID-19 pandemic on the Group's business, financial position and results of operations will ultimately depend on future and uncertain events, including the severity and continuation over time of the consequences of the pandemic in the various regions where the Group operates.

All the initiatives and works implemented and carried out by ABANCA to manage the COVID-19 crisis have been guided by the following principles:

- Coordination of actions and sound governance, because from the early stages of the crisis a working group was created comprising representatives from different areas responsible for launching and coordinating all initiatives relating to the three lines of defence. This working group was integrated into the Entity's other governing and management bodies.

- Ongoing evaluation of the portfolio and its level of exposure. Since the early weeks, credit risk monitoring indicators have been incrementally focused and reinforced. All the foregoing has been applied in several action lines, such as orienting lending decisions and guiding customer-related processes, credit cost projections and monitoring actions.

- To provide financing to the system in accordance with the terms defined by regulators, seeking to be a part in the solution to the pandemic. In this regard, the Group has adapted its lending circuits to ensure that both moratoriums and State-guaranteed financing are appropriately channelled.

- A prudent interpretation of the accounting flexibility proposed by both prudential and accounting regulatory and supervisory bodies. As an example of this (additional to the monitoring implemented), the bank's capital adequacy plan in April 2020 already included projections based on a COVID-19 scenario and the impact of the pandemic was taken into account in the estimation of credit costs for 2020 as a whole.

Financial support measures

In order to address the financial crisis caused by the COVID-19 pandemic, financial support measures have been implemented by both public and private actors.

Among those financial support measures, the following are particularly noteworthy:

- "Royal Decree-Law 8/2020, of 17 March, on extraordinary urgent measures to address the economic and social impact of COVID-19" (hereinafter, "RDL 8/2020") provides for, inter alia, a moratorium (public or legal moratorium) of the repayment of instalments of mortgage loans granted for the purchase of primary residence and properties used for economic activities by entrepreneurs and professionals for financially vulnerable persons affected by the COVID-19 pandemic, and the approval of State-guarantee lines to support the granting of finance to companies and self-employed workers subject to certain requirements being met.

- "Royal Decree-Law 11/2020, of 31 March, approving urgent supplementary social and economic measures to address the COVID-19 pandemic" (hereinafter, "RDL 11/2020"), supplemented the first set of measures and extended the moratorium mechanism to the repayment of instalments of other kinds of loans, such as consumer loans.

  When the established requirements are met, the public moratoriums of RDL 8/2020 and RDL 11/2020 grant a 3-months grace period, during which the repayment of instalments and of any line item thereof is suspended and the accrual of interest is temporarily discontinued.

  For its part, the purpose of the State-guarantee lines, implemented through the Ministry of Economic Affairs and Digital Transformation and administered by ICO is that, subject to certain requirements, new loans or renewed loans are partially guaranteed (a percentage ranging from 60% to 80%) by the State during a maximum term of five years.

- Additionally, "Royal Decree-Law 25/2020, of 3 July, on urgent measures to support the reactivation of employment and the economy" established, subject to certain conditions being met, a 12-months moratorium for borrowers in financing operations relating to equity elements used in the tourist industry facing financial difficulties as a result of the COVID-19 pandemic.

- "Royal Decree-Law 26/2020, of 7 July, on measures of economic stimulus to address the impact of the COVID-19 pandemic in the areas of transports and housing" introduced a 6-months deferment for the repayment of loans, leasing and renting instalments used by certain eligible road transport self-employed workers and companies for the acquisition of vehicles.

- As a complementary measure, dated 16 April 2020 the banking association CECA approved the decision to reach a sector understanding (industry or private moratorium) aiming at creating a common framework defining the general criteria for the deferment of repayments by certain borrowers – ineligible for the public moratorium or for eligible borrowers for whom the public moratorium is not sufficient – affected by the health and economic crisis, allowing for a deferment of repayments during a specified period. As a member of CECA, ABANCA was one of the institutions having joined the above-mentioned industry moratorium.

  The transactions modified pursuant to this understanding allow borrowers to suspend the repayment of principal during the relevant effective period –12 months for loans or credits secured by mortgages and 6 months for personal loans – while continuing to pay the interest accrued on the outstanding principal during the suspension period.

- Dated 22 June 2020, CECA extended the term of this industry understanding to 29 September 2020.

- Subsequently, dated 15 December 2020 the duration of this industry understanding was extended to 30 March 2021 in accordance with the new forecasts contained in EBA/GL/2020/15 Guidelines published on 2 December 2020. This extension provides that moratoriums requested prior to 30 September 2020 and granted on or after that date will have the following time limits:

  - Moratorium on mortgage loans or credits will be limited to a maximum of nine months, as requested by the client qualifying for the Industry Understanding within the specific general tranches defined by each institution.

  - Moratorium on personal loans or credits will be limited to a maximum of six months, as requested by the client qualifying for the Industry Understanding within the specific general tranches defined by each institution.

Additionally, ABANCA has implemented several measures within the framework of its plan to address the COVID-19 pandemic, a plan based in offering financial support to customers, promoting remote operations, the protection of individuals and social initiatives and in offering a safe working environment for employees and enhancing the institution's financial profile:

- On 14 March, ABANCA rolled out its "Anticipar" Plan primarily addressed to companies, SMEs, self-employed workers, enterprises and small businesses, for which the Bank mobilised €7,900 million in liquidity facilities, and to the segment of older customers, anticipating pension payments to the 24th day of each month.

  Also in March, ABANCA concluded the first financing with State guarantee (ICO guarantee) operations with companies and self-employed workers. To this end, the Bank adapted its internal procedures in order to streamline the processing of those operations without thereby neglecting the maximum credit-risk quality.

- On 24 March, ABANCA approved the cancellation of three-month rent payments for families affected by the COVID-19 pandemic and living in housing units owned by the institution and included in the Social Housing Fund.

- Since April, ABANCA, in collaboration with the State Public Employment Service, has been anticipating the payment of unemployment benefits to its customers. Additionally, the Bank has also been anticipating the payment of benefits to workers under ERTEs, a measure which, in Galicia, Extremadura and Asturias, has been implemented through specific agreements with the regional governments.

- On 18 April, ABANCA extended the number of cases and measures of financial support, thereby allowing a larger number of persons to defer, at no cost, the repayment of the principal in their financial products.

- In the field of health care, since the outbreak of the COVID-19 crisis the Group has donated 514 sets of medical equipment to SERGAS (Servizo Galego de Saúde), over 150 of which were ICUs. The Bank has also provided 80,000 meals for vulnerable school children under the "Cubertos" program and a further 16,500 meals under the "Cubertos Nadal" program. In cooperation with Afundación, the Bank has made 76,000 face masks and face shields available to various groups (rest homes, municipalities, law enforcement agencies, prison inmates and hospitals).

The above-mentioned financial measures were the first steps under the Bank's plan to address the COVID-19 pandemic, a plan based in offering financial support to customers, promoting remote operations, the protection of individuals and social initiatives and in offering a safe working environment for employees and enhancing the institution's financial profile.

Information on loans and advances subject to legislative and non-legislative moratoria

	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		Performing			Non-performing				Performing			Non-performing			
			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures)	Of which: Instruments with significant increase in credit risk since 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	Inflows to non-performing exposures
Loans and advances subject to moratorium	**1,044,737**	1,019,924	52,389	156,567	24,813	11,913	16,967	(12,554)	(9,582)	(2,675)	(7,295)	(2,971)	(2,226)	(2,911)	697
of which: Households	**746,925**	732,120	43,940	114,080	14,805	9,642	14,359	(9,433)	(7,553)	(2,410)	(6,592)	(1,880)	(1,216)	(1,820)	697
of which: Collateralised by residential immovable property	**714,039**	700,392	40,472	107,750	13,647	8,719	13,335	(8,477)	(6,845)	(2,212)	(6,089)	(1,632)	(1,055)	(1,626)	584
of which: Non-financial corporations	**297,812**	287,804	8,449	42,487	10,008	2,271	2,608	(3,121)	(2,029)	(265)	(703)	(1,091)	(1,010)	(1,091)	-
of which: Small and Medium-sized Enterprises	**137,828**	136,599	369	1,209	1,229	1,097	1,228	(1,401)	(948)	(25)	(131)	(453)	(414)	(453)	-
of which: Collateralised by commercial immovable property	**122,032**	120,984	8,362	25,487	1,048	1,048	1,048	(1,043)	(723)	(253)	(425)	(319)	(319)	(319)	-

Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

		Gross carrying amount (thousand EUR)							
					Residual maturity of the moratoria				
	Number of obligors (units)		Of which: legislative moratoria	Of which: expired	<= 3 months	>3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances for which moratorium was offered	13,486	1,195,989	-	-	-	-	-	-	-
Loans and advances subject to moratorium (granted)	11,587	1,193,988	866,528	149,251	593,401	330,629	119,970	737	-
of which: Households	-	890,727	563,293	143,802	430,135	263,047	53,743	-	-
of which: Collateralised by residential immovable property	-	792,815	510,769	78,776	411,002	251,221	51,816	-	-
of which: Non-financial corporations	-	303,261	303,236	5,449	163,266	67,582	66,227	737	-
of which: Small and Medium-sized Enterprises	-	142,131	142,132	4,304	70,907	34,863	31,320	737	-
of which: Collateralised by commercial immovable property	-	122,629	122,629	597	42,181	32,065	47,360	426	-

Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis:

	(Thousand EUR)			
	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		Of which: forborne	Public guarantees received	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	3,128,085	34,712	2,294,971	4,784
of which: Households	176,216	-	-	-
of which: Collateralised by residential immovable property	-	-	-	-
of which: Non-financial corporations	2,951,869	34,188	2,155,153	4,784
of which: Small and Medium-sized Enterprises	1,577,895	-	-	2,384
of which: Collateralised by commercial immovable property	7,481	-	-	-

2. Accounting policies and measurement criteria applied

The Group has prepared these consolidated financial statements for 2020 on a going concern basis.

The following accounting policies and measurement criteria have been applied in the preparation of the consolidated financial statements:

2.1. Investments in subsidiaries, joint ventures and associates

The classification and measurement criteria applied, based on the type and purpose of the investment, are set out below:

a) Subsidiaries

Subsidiaries are defined as dependent entities over which the Group has the capacity to exercise management control. This capacity is, in general but not exclusively, presumed to exist when the parent directly or indirectly owns 50% or more of the voting rights of the investee or, even if this percentage is lower or zero, when, for example, there are agreements with other shareholders of the investee that give the Group control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiaries have been fully consolidated with those of the Group. Consequently, all significant balances and transactions between consolidated companies have been eliminated during the consolidation process.

The assets, liabilities and contingent liabilities of acquired subsidiaries are initially measured at their acquisition-date fair value. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recognised as goodwill (see Note 2.16.1). Negative differences are recognised directly in profit or loss at the date of acquisition.

Interests held by third parties in the Group's equity are recognised under "Minority interests (non-controlling interests)" in the consolidated balance sheet (see Note 25). Their share of consolidated profit or loss for the year is recognised under "Profit for the period attributable to minority interests (non-controlling interests)" in the consolidated statement of profit or loss.

Profit or loss generated by subsidiaries acquired during the reporting period is consolidated taking into account only those profits or losses generated between the date of acquisition and the end of the reporting period. Similarly, profit or loss generated by subsidiaries disposed of during the reporting period is consolidated taking into account only those profits or losses generated between the starting date of the reporting period and the date of disposal.

b) Associates

Associates are entities over which the Group is in a position to exercise significant influence, but not control or joint control. Typically, this capacity is expressed by an interest representing 20% or more of the voting rights of the investee.

The Group has certain investments in entities that are not considered associates as, despite holding 20% or more of the voting rights, it does not have a significant influence over them. These investments are not significant for the Group and are recognised under "Financial assets at fair value through profit or loss".

In the consolidated financial statements, investments in associates are accounted for using the equity method, that is presenting the Group's share of the investee's net assets, after taking into account the dividends received therefrom and other equity eliminations. In the case of transactions with an associate, the related profits or losses are eliminated to the extent of the Group's interest in the associate.

c) Minority interests

Minority interests in subsidiaries are recognised at the acquisition date measured at the percentage of their interest in the fair value of net identifiable assets. Minority interests are presented under the equity heading of the consolidated balance sheet separated from equity attributable to the Parent Company, under item "Minority interests (non-controlling interests)". Minority interests share of profit or loss for the year is also separately recognised under "Profit or loss attributable to minority interests (non-controlling interests)" in the consolidated statement of profit or loss.

The Group's and minority interests' share in profit or loss and in changes in equity of subsidiaries, after considering the adjustments and eliminations arising on consolidation, are determined based on the percentage of their respective interests at end of the reporting period, without taking into account the eventual exercise or conversion of potential voting rights and after having discounted the effect of dividends, approved or otherwise, of preferred shares with cumulative rights that have been classified as equity.

Profit or loss and income and expense recognised in equity of subsidiaries are allocated to the equity attributable to the Parent Company and to minority interests in proportion to their interest, even if this may result in a debit balance for minority interests. Any arrangements between the Group and minority interests are recognised as separate transactions.

d) Acquisitions, disposals and changes in the consolidation scope

Note 13 to these consolidated accounts provides information on the most significant acquisitions and disposals that took place in 2020 and 2019.

Relevant information on subsidiaries, joint ventures and associates, respectively, is shown in Appendix I.

Changes in the consolidated Group

Financial year 2020

In March 2020, the 30.09% ownership interest in Ozona Consulting, S.L. was sold.

Dated 3 April, ABANCA Corporación Bancaria, S.A. purchased a block of securities equivalent to 39.8% of Nueva Pescanova, S.L. share capital. Following this transaction, ABANCA holds 80.46% of shares in this fishing company. Subsequently, on 15 December 2020, ABANCA purchased an additional 7.94% of share capital, and increased its ownership interest in Nueva Pescanova, S.L. to 88.41% of share capital. This transaction was concluded with the purpose of restoring the value of the company through a restructuring plan and to find, within a short deadline, an industrial partner willing to acquire a stake; accordingly, the Directors of the Group have prepared a plan for the effective disposal of this company (see Notes 5 and 13.3).

Dated 28 July, as a result of a debt capitalisation process ABANCA Corporación Bancaria, S.A. has become the main shareholder in Real Club Deportivo de La Coruña, S.A.D., holding 76.90% of share capital. Subsequently, a capital increase was completed in the second half-year of 2020 with the entry of new shareholders, following which the ownership interest of ABANCA Corporación Bancaria has increased to 76.66%. This debt capitalisation operation has been completed with the aim of participating in the management and restructuring of the company, restoring its enterprise value within the shortest possible delay and preparing a disposal plan intended to promote the entry of new shareholders and to recover the investment (see Notes 5 and 13.3).

Given the Group's intention, in application of the accounting regulations, the assets and liabilities arising from the consolidation of Nueva Pescanova, S.L. and Real Club Deportivo de la Coruña, S.A.D. have been considered as disposal groups and a discontinued operations, and have consequently being recognised under "Non-current assets and disposal groups classified as held for sale" and under "Liabilities included in disposal groups classified as held for sale" in the accompanying consolidated statements of financial position (see Note 12).

In December 2020, the ABANCA did not subscribe the capital increase in Sociedad de Capital Riesgo, S.A. (SODIGA) and, consequently, its ownership interest in that company was diluted down to 18.87%. The investment has therefrom been classified as "Non-trading financial assets mandatorily at fair value through profit or loss".

Financial year 2019

Particularly noteworthy among transactions completed in 2019 are: the disposal of the 26.42% interest in Autopista de Guadalmedina, S.A. and the purchase of additional interests in the company Nueva Pescanova, S.L. increasing the Group's interest to 40.66% of share capital.

Dated 20 November 2019, the Group sold 50% of its interest in the company ABANCA Generales Seguros y Reaseguros, S.A. (formerly named GPS del Noroeste 3.000, S.L.) to Credit Agricole Assurances Group; following this sale, the investee has been reclassified to associate.

Dated 9 December 2019, ABANCA Corporación División Inmobiliaria, S.L. completed the merger through absorption of the following companies: Daenpa, S.L.U. and Hispano Lusa Compañía Tecnológica de Edificación, S.A. Furthermore, on 17 December 2019, Abanca Corporación División Inmobiliaria, S.L.U. liquidated Landix Operaciones Urbanísticas, S.L.

Additionally, the following companies were liquidated: Arboretum Investimentos Inmobiliarios, S.A., SU Inmobiliaria Unipessoal, S.A. and Instituto de Educación Superior Intercontinental de la Empresa, S.L. (IESIDE, S.L.).

2.2. Business combinations

The Group has applied IFRS 3 Business Combinations to transactions carried out on or after its formation.

The Group applies the acquisition method for business combinations. The acquisition date is the date on which the Group obtains control of the acquiree. The consideration transferred in a business combination is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed, the equity instruments issued and any consideration contingent on future events or compliance with certain conditions in exchange for control of the acquiree.

The consideration transferred excludes any payment that does not form part of the exchange for the acquiree. Acquisition costs are recognised as an expense when incurred.

The Group recognises the assets acquired and liabilities assumed at the acquisition date. Liabilities assumed include any contingent liabilities that represent present obligations arising from past events for which the fair value can be reliably measured.

With the exception of lease and insurance contracts, the assets acquired and liabilities assumed are classified and designated for subsequent measurement based on contractual agreements, economic terms, accounting and operating policies and any other conditions existing at the acquisition date.

Any excess of the consideration given over the value of net assets acquired and liabilities assumed is recognised as goodwill. Any shortfall, after assessing the consideration given and after identifying and measuring the net assets acquired, is recognised in profit or loss.

The measurement period is the period after the acquisition date during which the acquirer may adjust the provisional amounts recognised for a business combination. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

The potential benefit of the acquiree's income tax loss carryforwards and other deferred tax assets, which are not recognised as they did not qualify for recognition at the acquisition date, is accounted for as tax income provided that it does not arise from an adjustment of the measurement period, such as an income tax revenue.

For business combinations achieved in stages, the excess of the consideration given, plus the value assigned to non-controlling interests and the fair value of the previously held interest in the acquiree, over the net value of the assets acquired and liabilities assumed, is recognised as goodwill. Any shortfall, after assessing the consideration given, the value assigned to non-controlling interests and to the previously held interest, and after identifying and measuring the net assets acquired, is recognised in profit or loss. The Group recognises the difference between the fair value of the previously held interest in the acquiree and the carrying amount in consolidated profit or loss, in accordance with its classification. The Group also reclassifies amounts deferred in other comprehensive income relating to the previously held interest to consolidated profit or loss or reserves, based on the nature of each item.

2.3. Financial instruments

2.3.1 Definitions

A "*financial instrument*" is any contract that gives rise to a financial asset in one entity and to a financial liability or equity instrument in another entity.

An "*equity instrument*" is any legal transaction that evidences a residual interest in the assets of the issuer after deducting its liabilities.

A "*financial derivative*" is a financial instrument whose value fluctuates in response to changes in an observable market variable (such as an interest rate, foreign exchange rate, financial instrument price or market index), for which the initial investment is very small compared with other financial instruments with a similar response to changes in market factors, and which is generally settled at a future date.

"*Hybrid financial instruments*" are contracts that simultaneously include a non-derivative host contract together with a derivative, known as an embedded derivative, that is not separately transferable and has the effect that some of the cash flows of the hybrid contract vary in a way similar to a stand-alone derivative.

"*Compound financial instruments*" are contracts that simultaneously create for their issuer a financial liability and an own equity instrument (such as convertible bonds, which entitle their holders to convert them into capital instruments of the issuer).

The rights and obligations derived from employee pension plans (see Note 2.13) are not treated as financial instruments for accounting purposes.

2.3.2. Initial recognition of financial instruments

Financial instruments are initially recognised in the consolidated balance sheet when the Group becomes party to the contract generating these financial instruments, in accordance with the conditions of the contract. Specifically, debt instruments such as loans and cash deposits are recognised from the date that a legal right to receive or pay cash arises, respectively. Financial derivatives are generally recognised from the trade date.

A regular purchase or sale of financial assets, defined as one in which the parties' reciprocal obligations must be discharged within a time frame established by regulation or convention in the marketplace and that may not be settled net, such as stock market contracts or forward currency sale and purchase contacts, are recognised on the date from which the rewards, risks, rights and duties attaching to all owners are for the purchaser, which, depending on the type of financial asset purchased or sold, may be the trade date or the settlement or delivery date. In particular, cash transactions in currency markets are recognised at settlement date, whilst equity instruments traded on secondary Spanish security markets are recognised at trade date, and debt instruments traded on secondary Spanish security markets are recognised at settlement date.

2.3.3. Derecognition of financial instruments

A financial asset is derecognised from the consolidated balance sheet when any of the following circumstances arise:

1. The contractual rights over the cash flows have expired; or

2. The financial asset and substantially all the rights and rewards associated therewith are transferred, or although these are not substantially transferred nor substantially retained, control over the financial asset is transferred.

A financial liability is derecognised from the consolidated balance sheet when the obligations generated have expired or when it is redeemed by the Group with the intention of re-trading or cancelling the liability.

2.3.4. Fair value and amortised cost of financial instruments

The fair value of a financial instrument on a given date is taken to be the amount for which it could be bought or sold on that date by two knowledgeable, willing parties in an arm's length transaction. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an organised, transparent and deep market (quoted price or market price).

If there is no market price for a given financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence thereof, based on proven valuation techniques used by the international financial community, taking into account the specific features of the instrument to be measured and, particularly, the various types of risks associated with it.

In particular, the fair value of a financial derivative traded on an organised, transparent and deep market included in the trading portfolios is equivalent to its daily quotation price and if, for exceptional reasons, its quotation price on a given date could not be established, methods similar to those used to measure derivatives not traded on organised markets are applied.

The fair value of derivatives not traded on organised markets or traded on organised but less deep and transparent markets, is equivalent to the sum of future cash flows originating from the instrument, discounted at the measurement date ("present value" or "notional close"); using methods recognised by the financial markets: "net present value" (NPV), option pricing models, etc.

Amortised cost is understood to be the acquisition cost of a financial asset or liability adjusted (plus or minus, as appropriate) by the principal and interest repayments, and plus or minus, as appropriate, the cumulative amortisation (as presented in the consolidated statement of profit or loss), using the effective interest method, of the difference between the initial cost and the redemption amount of these financial instruments. The amortised cost of financial assets also includes any impairment losses.

The effective interest rate is the discount rate that exactly matches the net carrying amount of a financial instrument to all its estimated cash flows of all kinds over its remaining life. For fixed rate financial instruments, the effective interest rate is the same as the contractual interest rate established on the acquisition date, adjusted, where applicable, to reflect the fees and transaction costs that should be included in the calculation of the effective interest rate in accordance with IFRS 9. For variable interest financial instruments, the effective interest rate is calculated in a manner similar to that for fixed interest operations, and is recalculated at each date of review of the contractual rate, taking into account any changes in future cash flows from the transaction.

2.3.5. Classification and measurement of financial assets and liabilities

Classification and measurement of financial assets

IFRS 9 contains three major categories for classification of financial assets: measured at amortised cost; measured at fair value through accumulated other comprehensive income, and measured at fair value through profit or loss.

Classification of the above-mentioned portfolios will be based on the following two criteria:

- The Group's business model for managing the financial assets; and

- The contractual cash flow characteristics of the financial assets, also known as the "solely payments of principal and interests criterion" (hereinafter, "SPPI").

A financial asset shall be classified, for measurement purposes, in the portfolio of financial assets at amortised cost if both of the following conditions are met:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial instrument shall be classified in the portfolio of financial assets mandatorily at fair value through profit and loss when it cannot be classified in any of the above-mentioned categories due the entity's business model within which the instrument is held or due the characteristics of its contractual cash flows.

Financial assets will only be reclassified if the Group changes one or several objectives of any of its business models. In that case, all financial assets included in the relevant business model will be reclassified. The change in the objective of the business model must be effective before the reclassification date.

Upon initial recognition in the balance sheet, all financial instruments will be measured at fair value. In the case of financial instruments not at fair value through profit or loss, fair value will be adjusted to any transaction costs that are directly attributable to the acquisition or issuance of the financial instrument. In the case of financial instruments at fair value through profit or loss, transaction costs that are directly attributable will be immediately recognised in the consolidated statement of profit or loss.

Except for trading derivatives that are neither economic or accounting hedges, any changes in the value of financial assets arising from the accrual of interest and similar items are registered under "Interest income" in the statement of profit or loss of the period when the accrual took place. Dividends received from companies other than associates or joint ventures are recognised under "Dividend income" in the consolidated statement of profit or loss of the period when the entity's right to receive payment thereof is established.

Changes in the value of financial assets after the initial recording, other than those referred to in the foregoing paragraph, are treated as follows, according to the classification of the relevant financial asset.

"Financial assets and liabilities held for trading", "Non-trading financial assets mandatorily at fair value through profit or loss" and "Financial assets and liabilities designated at fair value through profit or loss"

Financial assets held within a business model whose objective is to generate profits through purchases and sales of these financial assets are registered under "Financial assets held for trading".

The following financial assets will be recognised under "Non-trading financial assets mandatorily at fair value through profit or loss":

- Financial assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- Financial assets whose contractual cash flows do not meet the SPPI criterion.

Financial assets at fair value through profit or loss will be recognised under "Financial assets at fair value through profit or loss" when these financial assets cannot be classified in any of the above-mentioned categories due the entity's business model within which the instrument is held or due the characteristics of its contractual cash flows.

Subsequently to the acquisition, assets registered under these items are measured at fair value, and any changes in the value thereof (gains or losses) are recognised net under "Gains or losses on financial assets and liabilities held for trading, net" and under "Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net" in the statement of profit or loss (see Note 37), except in the case of interest accrued from derivatives designated as economic or accounting interest rate hedges, which will be recognised under either "Interest income" or "Interest expense" in accordance with recognition of gains or losses on the hedged instrument.

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

However, the entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

"Financial assets at fair value through other comprehensive income"

Assets recognised under this item in the balance sheet are measured at fair value. Any subsequent changes in the value of these assets (gains or losses) are temporarily recognised (net of the relevant tax effect) under "Accumulated other comprehensive income – Items that may be reclassified to profit or loss – Fair value changes of debt securities measured at fair value through other comprehensive income" and under "Accumulated other comprehensive income – Items that will not be reclassified to profit or loss – Fair value changes of equity instruments measured at fair value through other comprehensive income" in the consolidated balance sheet.

When a debt instrument at fair value through other comprehensive income is derecognised, the accumulated gain on loss thereon taken to equity will be reclassified to profit or loss for the period. However, in the case of equity instruments at fair value through other comprehensive income derecognised, the relevant gain or loss recognised in accumulated other comprehensive income is not reclassified to consolidated profit or loss but to a reserve item.

Furthermore, net impairment losses on financial assets at fair value through other comprehensive income arising during the reporting period are recognised under "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss – Financial assets at fair value through other comprehensive income" in the statement of profit or loss for the reporting period.

Changes in the value of non-monetary items arising from exchange differences are temporarily recognised under "Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Foreign currency translation" in the balance sheet. Exchange differences arising from monetary items are recognised under "Exchange differences, net" in the consolidated statement of profit or loss.

"Financial assets at amortised cost"

The following financial assets will be recognised under "Financial assets at amortised cost":

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- Financial assets whose contractual cash flows do meet the SPPI criterion.

Assets recognised under this item in the balance sheet are subsequently measured at "amortised cost", which shall be calculated using the "effective interest method".

Net impairment losses on financial assets at amortised value arising during the reporting period are recognised under "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss – Financial assets at amortised cost" in the consolidated statement of profit or loss for the reporting period.

Classification and measurement of financial liabilities

"Financial liabilities held for trading" and "Financial liabilities designated at fair value through profit or loss"

Subsequently to initial recognition thereof, these liabilities are measured at fair value, and any changes in the value thereof (gains or losses) are recognised net under "Gains or losses on financial assets and liabilities held for trading, net" and under "Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net" in the consolidated statement of profit or loss, except in the case of interest accrued from derivatives designated as economic or accounting interest rate hedges, which will be recognised under either "Interest income" or "Interest expense" in accordance with recognition of gains or losses on the hedged instrument. However, any value changes arising from exchange differences are recognised under "Gains or losses on financial assets and liabilities" in the consolidated statement of profit or loss.

"Financial liabilities at amortised cost"

This category includes all of the Group's financial liabilities, as none of them qualify for classification as financial liabilities held for trading or financial liabilities at fair value through profit or loss, except for derivative financial instruments on which losses have been incurred for the Group at year end, which are recorded under "Financial liabilities held for trading - Derivatives" and "Derivatives – Hedge accounting" in the consolidated balance sheet.

Financial liabilities included in this category are initially measured at fair value, adjusted to reflect transaction costs directly attributable to the issue of the financial liability, which are taken to profit or loss until maturity using the effective interest method. These liabilities are subsequently measured at amortised cost calculated using the effective interest method.

Interest accrued on these securities is recognised under "Interest expense" in the statement of profit or loss. Exchange differences on securities denominated in currencies other than the Euro that are included in this portfolio are recognised following the criteria described in Note 2.5.

Financial liabilities included in this category subject to fair value hedges are recognised following the criteria described in Note 2.4.

A summary of the various techniques used by the Group to measure the financial instruments recognised at fair value on 31 December 2020 and 2019 is as follows:

Market value based on	Percentage			
	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Quoted price in active markets	96.45%	-	92.67%	-
Internal measurement models based on observable market data	2.19%	99.07%	3.01%	99.68%
Internal measurement models not based on observable market data	1.36%	0.93%	4.32%	0.32%

A breakdown of the Group's financial instruments at the 2020 and 2019 reporting dates, by measurement method used, is as follows:

	Thousand EUR							
	2020				2019			
	Quoted price in active markets	Internal models based on observable market data	Internal models not based on observable market data	Total	Quoted price in active markets	Internal models based on observable market data	Internal models not based on observable market data	Total
Financial assets held for trading (assets)	20,981	139,409	3,098	163,488	18,205	116,918	59,532	194,655
Non-trading financial assets mandatorily at fair value through profit or loss (Assets)	138,441	-	90,257	228,698	130,615	-	183,923	314,538
Financial assets designated at fair value through profit or loss (assets)	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income (assets)	6,446,930	-	-	6,446,930	5,080,360	-	-	5,080,360
Derivatives - hedge accounting (assets)	-	10,298	-	10,298	-	53,087	-	53,087
Financial liabilities held for trading (liabilities)	-	139,884	4,029	143,913	-	115,606	938	116,544
Derivatives - hedge accounting (liabilities)	-	290,318	-	290,318	-	179,795	-	179,795

The main techniques used or internal measurement models based on observable market data consist of the analysis of discounted cash flows of financial instruments of all kinds over their remaining life.

The Bank's Board of Directors considers that financial assets and financial liabilities in the consolidated balance sheet and gains and losses on these financial instruments are reasonable and reflect their market value.

2.3.6. Offsetting of financial instruments

Financial assets and financial liabilities are offset, that is, reported in the consolidated balance sheet at their net amount, only if the group has both a legally enforceable right to offset the recognised amounts in these instruments and intends either to settle on a net basis, or to realise the asset and pay the liability simultaneously.

2.4. Hedge accounting and risk mitigation

The Group uses financial derivatives as part of its strategy to reduce exposure to interest rate and currency risks, amongst others. These operations are considered as hedging transactions when certain requirements are met.

The Group designates operations as hedges on inception of the hedge or the hedged instruments, and duly documents the hedging transaction. Documentation on these transactions should identify the hedged instrument or instruments and the hedging instrument or instruments, in addition to the nature of the risk to be hedged; as well as the criteria or methods followed by the Group to evaluate the effectiveness of the hedge throughout its duration, taking into account the risk it intends to hedge.

The Group only considers operations that are considered highly effective throughout the duration of the operation as hedging transactions. A hedge is considered highly effective if during the expected term of the hedge changes in fair value or cash flows attributed to the risk hedged in the financial instrument or instruments hedging transaction are virtually fully offset by changes in the fair value or cash flows, as applicable, of the hedging instrument or instruments.

To measure the effectiveness of hedging transactions, the Group analyses whether from inception to expiration of the hedge it can expect, prospectively, that the changes in fair value or cash flows of the hedged item that are attributable to the hedged risk will be nearly completely offset by changes in the fair value or cash flows, as applicable, of the hedging instrument or instruments and, retrospectively, whether gains or losses on the hedging transaction are within a range of 80% to 125% of the results of the hedged item.

The hedging transactions carried out by the Group are classified under the following categories:

1. Fair value hedges: these cover exposure to changes in fair value of financial assets and financial liabilities or unrecognised firm commitments, or an identified portion of these assets, liabilities or firm commitments, attributable to a particular risk, provided that these changes could affect the consolidated statement of profit or loss.

2. Cash flow hedges: hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a financial asset or liability or to a highly probable forecast transaction, provided that it could affect the consolidated statement of profit or loss.

With respect to financial instruments designated as hedged items and that qualify for hedge accounting, differences in measurement are recognised according to the following criteria:

1. In fair value hedges, differences generated in both hedging instruments and hedged items – with respect to the type of hedged risk – are recognised directly in the consolidated statement of profit or loss.

2. In cash flow hedges, changes in value arising in the effective portion of the hedge are temporarily recognised under "Equity – Accumulated other comprehensive income – Hedging derivatives. Cash flow hedges reserve (effective portion)" in the accompanying consolidated balance sheet. The financial instruments hedged in this kind of hedging transaction are recognised as explained in Note 2.3 with no variation since they are considered hedged items.

In the latter case, changes in value of the hedging instruments are not recognised in profit or loss until the gains or losses on the hedged item are recognised in profit or loss or until the hedged item expires. Changes in value of the hedging instrument corresponding to the ineffective portion of cash flow hedges are recognised directly under "Gains or losses from hedge accounting, net" in the consolidated statement of profit or loss.

The Group discontinues hedge accounting when the hedging instrument expires or is sold, the hedge no longer qualifies for hedge accounting or the Group revokes the designation of a hedge.

When, in accordance with the preceding paragraph, fair value hedging is discontinued, adjustments to the value of hedged items measured at amortised cost resulting from the aforementioned hedge accounting are taken to the consolidated statement of profit or loss until the hedged items expire, using the effective interest rate recalculated on the date the hedging transaction is discontinued.

In the event that a cash flow hedge is discontinued, the cumulative gain or loss on the hedging instrument recognised under "Equity – Accumulated other comprehensive income – Hedging derivatives. Cash flow hedges reserve (effective portion)" in the consolidated balance sheet continues to be recognised under this item until the forecast transaction occurs, whereupon it is taken to the consolidated statement of profit or loss. In the case of cash flow hedges, the acquisition cost of the asset or liability to be recorded is corrected in the event that the item hedged is a forecast transaction that culminates in the recognition of a financial asset or liability.

Regarding hedge accounting, based on the analysis performed and as permitted under IFRS, the Group continues to apply IAS 39 to its hedge accounting.

2.5. Foreign currency transactions

2.5.1. Functional currency

The Group's functional currency is the Euro. Therefore, all balances and transactions denominated in currencies other than the Euro are deemed to be denominated in "foreign currency".

On 31 December 2020 and 2019 the equivalent value, in euro thousand, of the main assets and liabilities held by the Group in foreign currency, considering the nature of the items and the main currencies in which they are denominated, is as follows:

On 31 December 2020 -

	Equivalent value in Thousand EUR	
	Assets	Liabilities
Balances in US dollars:		
Cash, cash balances with central banks and other demand deposits	56,663	-
Financial assets held for trading	24,901	-
Non-trading financial assets mandatorily at fair value through profit or loss	4,013	-
Financial assets at fair value through other comprehensive income	16,151	-
Financial assets at amortised cost	1,356,859	-
Other assets	36,453	-
Financial liabilities held for trading	-	13,448
Financial liabilities at amortised cost	-	1,448,371
Provisions	-	499
Other liabilities	-	2,555
	1,495,040	1,464,873
Balances in other currencies:		
Cash, cash balances with central banks and other demand deposits	39,367	-
Financial assets held for trading	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	1,113	-
Financial assets at fair value through other comprehensive income	24,594	-
Financial assets at amortised cost	534,603	-
Other assets	5,492	-
Financial liabilities held for trading	-	26
Financial liabilities at amortised cost	-	231,808
Other liabilities	-	3,350
	605,169	235,184
Total foreign currency balances	2,100,209	1,700,057

On 31 December 2019 -

	Equivalent value in Thousand EUR	
	Assets	Liabilities
Balances in US dollars:		
Cash, cash balances with central banks and other demand deposits	80,408	-
Financial assets held for trading	5,119	-
Non-trading financial assets mandatorily at fair value through profit or loss	8,990	-
Financial assets at fair value through other comprehensive income	15,304	-
Financial assets at amortised cost	1,484,841	-
Other assets	23,045	-
Financial liabilities held for trading	-	4,442
Financial liabilities at amortised cost	-	1,501,335
Other liabilities	-	2,272
	1,617,707	1,508,049
Balances in other currencies:		
Cash, cash balances with central banks and other demand deposits	90,528	-
Financial assets held for trading	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	93	-
Financial assets at fair value through other comprehensive income	60,077	-
Financial assets at amortised cost	513,961	-
Other assets	3,350	-
Financial liabilities held for trading	-	53
Financial liabilities at amortised cost	-	319,436
Other liabilities	-	2,880
	668,009	322,369
Total foreign currency balances	2,285,716	1,830,418

2.5.2. Translation of foreign currency balances

Transactions in foreign currency carried out by the Group outside the Eurozone are initially recognised in their respective currencies. Subsequently, monetary assets and liabilities in foreign currency are translated to the functional currency at the closing rate, defined as the average spot exchange rate at the reporting date.

Additionally:

1. Non-monetary items measured at historical cost are translated to the functional currency at the exchange rate of the date of acquisition.

2. Non-monetary items measured at fair value are translated to the functional currency at the exchange rate at the date when fair value was determined.

3. Income and expenses are translated at the exchange rate at the transaction date. An average exchange rate may be used for all the transactions carried out in a particular period.

4. Forward foreign currency transactions involving only foreign currencies or involving Euros and foreign currencies, and which are not hedges, are translated at the year-end exchange rates applicable for their expiry date, as quoted in currency futures markets.

2.5.3. Recognition of exchange differences

Exchange differences arising from the translation of foreign currency balances into the functional currency of consolidated entities and their branches are generally recognised at their net amount under "Exchange differences, net" in the consolidated statement of profit or loss, except exchange differences deriving from financial instruments at fair value through profit or loss, which are recognised in the consolidated statement of profit or loss under "Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net", not differentiating them from the rest of the changes in fair value.

2.6. Recognition of income and expenses

The most significant accounting criteria used by the Group to recognise income and expenses are summarised below:

2.6.1. Interest, dividends and similar items income and expenses

In general, interest income, interest expenses and similar items are accounted for on an accrual's basis using the effective interest method defined in IFRS 9. Dividends received from other companies are recognised as income when the right to receive them arises.

2.6.2. Commissions, fees and similar items

Income and expenses derived from commissions, fees and similar items, which should not be included in the calculation of the effective interest rate of operations and/or which do not form part of the acquisition cost of financial assets and financial liabilities not classified at fair value through profit or loss, are recognised in the consolidated statement of profit or loss using criteria that vary according to their nature. The most significant items are as follows:

1. Those associated with the acquisition of financial assets and financial liabilities at fair value through profit or loss, which are recognised in the consolidated statement of profit or loss when paid or received.

2. Those originating from transactions or services carried out over an extended period, which are recognised in the consolidated statement of profit or loss over the term of the transactions or services.

3. Those relating to the provision of a service in a single act, which are recognised in the consolidated statement of profit or loss when the single act is carried out.

2.6.3. Non-finance income and expenses

These are recognised on an accruals basis.

2.6.4. Deferred receipts and payments

Deferred receipts and payments are recognised at the amount that results from discounting forecast cash flows at market rates.

2.7. Offsetting of balances

Receivables and payables may only be used to offset each other -and are therefore presented in the consolidated balance sheet at the net amount- if they derive from transactions in which this possibility is specified in the contract or in compliance with a legal obligation and provided that the balances will be settled on a net basis or the asset realised and the liability settled simultaneously.

2.8. Transfers of financial assets

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

- If the risks and rewards of the transferred assets are substantially conveyed to third parties (as in the case of unconditional sales, sales of financial assets with an option to repurchase the financial asset at its fair value at the time of repurchase, sales of financial assets with put options and call options that are deeply out of the money, asset securitisations in which the transferor neither retains subordinated financing nor grants any type of credit enhancement to the new owners, and other similar cases), the transferred financial asset is derecognised from the consolidated balance sheet and any right or obligation retained or created as a result of the transfer is simultaneously recognised.

- If the risks and rewards associated with the transferred financial asset are substantially retained (as in the case of financial asset sale and repurchase transactions where the repurchase price is a fixed price or the fixed price plus interest, securities lending agreements in which the borrower is obliged to return the same or similar assets, financial asset securitisations that maintain subordinated financing or other types of credit enhancements that substantially absorb expected loan losses for the securitised assets, and other similar cases), the transferred financial asset is not derecognised from the consolidated balance sheet and continues to be measured using the same criteria applied prior to the transfer. The following items are recognised without being offset:

    - An associated financial liability for an amount equal to the consideration received, which is subsequently measured at amortised cost, or at fair value where the aforementioned conditions for classification as other financial liabilities at fair value through profit or loss are met, in accordance with the criteria described for this financial liability category.

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

- If the risks and rewards associated with the transferred financial asset are neither substantially transferred nor substantially retained (as in the case of sales of financial assets with put options and call options that are neither deeply in nor out of the money, financial asset securitisations in which the transferor assumes subordinated financing or another type of credit enhancement for part of the transferred asset, and other similar cases), the following differentiations are made:

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

    - If the transferor retains control of the transferred financial asset, it continues to be recognised in the consolidated financial position at an amount equal to its exposure to the changes in value by which it could be affected, and an associated financial liability is recognised. The carrying amount of the transferred asset and the associated liability is the amortised cost of the rights and obligations retained, if the transferred asset is measured at amortised cost, or the fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

Based on the above, financial assets are only derecognised when the cash flows they generate are extinguished or when the inherent significant risks and rewards have been substantially transferred to third parties.

2.9. Exchanges of assets

An "exchange of assets" is the acquisition of tangible assets and intangible assets in exchange for the conveyance of other non-monetary assets or a combination of monetary and non-monetary assets. For the purpose of the accompanying consolidated financial statements, foreclosures of assets in settlement of amounts due to consolidated companies by third parties do not constitute an exchange of assets.

Items received in an exchange of assets are measured at fair value, provided that this exchange operation could be understood to have a commercial substance, as defined in applicable regulations, and when the fair value of the asset received, or the asset given up, can be estimated reliably. The fair value of the instrument received is determined as the fair value of the asset given up, plus, where applicable, the fair value of any monetary consideration paid, except when there is much clearer evidence of the fair value of the asset received.

Exchanges of assets that do not meet the requirements described above are recognised at the carrying amount of the asset given up, plus any monetary consideration paid or committed on acquisition.

2.10. Impairment of financial assets

A financial asset is considered to be impaired, and therefore its carrying amount is adjusted to reflect the effect of impairment, when there is objective evidence that events have occurred which:

1. In the case of debt instruments (loans and debt securities), give rise to an adverse impact on the future cash flows that were estimated at the transaction date.

2. In the case of equity instruments, mean that it will not be possible to fully recover their carrying amount.

As a general rule, write-down of the carrying amount of impaired financial instruments is recognised in the consolidated statement of profit or loss in the period in which the impairment has arisen. Reversals of previously recognised impairment losses, if any, are recognised in the consolidated statement of profit or loss for the period in which the impairment is eliminated or reduced.

When the recovery of any recognised impairment is considered unlikely, the amount of the impairment is derecognised, without prejudice to any initiatives the Group may undertake to seek collection of the amount receivable until their contractual rights are extinguished by expiry of the statute-of-limitations period, pardoning of debt or any other cause.

The criteria applied by the Group to calculate possible impairment losses in each financial instrument category, and the method used to calculate the hedges recognised for such impairment, are as follows:

2.10.1. Debt instruments measured at amortised cost

The “expected credit loss” impairment model will apply to financial assets measured at amortised cost; to financial assets measured at fair value through accumulated other comprehensive income, with the exception of investments in equity instruments; and, to financial guarantee contracts and to loan commitments unilaterally revocable by the Group.

The impairment model does not apply to financial assets designated at fair value through profit or loss.

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

The Group will apply the existing classification criteria to classify its credit exposure, based on credit risk, under any of the following categories:

- Performing exposures (Stage 1). Stage 1 includes transactions that have not had a significant increase in credit risk since initial recognition. The impairment coverage therefore will be an amount equal to 12-month expected credit losses. Interest revenue will be measured by applying the effective interest rate to the transaction gross carrying amount.

- Performing exposures under special monitoring (Stage 2). Special monitoring includes financial instruments that have had a significant increase in credit risk since initial recognition but that do not present a default event. The impairment coverage therefore will be an amount equal to lifetime expected credit losses. Interest income will be measured by applying the effective interest rate to the transaction gross carrying amount.

- Non-performing exposures (Stage 3). Stage 3 includes credit-impaired transactions, that is, transactions presenting a default event. Purchased or originated transactions that are credit-impaired on initial recognition, such as transactions purchased at a deep discount that reflects the incurred credit losses, will be included in this category.

  The coverage therefore will be an amount equal to expected credit losses. Notwithstanding the foregoing, when a credit-impaired transaction is purchased or originated, the allowance will be equal to the amount of cumulative changes in expected credit loss since initial recognition; any expected credit loss upon the purchase or origination of these assets may not be included in the impairment loss amount or in the gross carrying amount thereof at initial recognition.

  Interest revenue will be measured by applying the effective interest rate to the amortised cost (that is, adjusted to any impairment coverage) of the financial asset.

- Write-off. This category will include transactions for which the Entity has no reasonable expectations of recovery. Classification in this category entails writing-off the entire gross carrying amount and derecognising the transaction.

With regards to the support measures granted by ABANCA Group to households and firms in the context of the COVID-19 pandemic, those measures do not imply, per se, an improvement of the transaction's prior classification based on insolvency credit risk. Additionally, the Group analyses whether the beneficiary of a support measure is experiencing temporary liquidity constraints as a result of the pandemic, or the borrower's ability to pay may be compromised in the long-term, and to this end:

- The Group assesses, both at the time of the onset of the situation created by the COVID-19 pandemic and the date of modification of the transaction, whether a significant increase in credit risk has occurred in the transaction.

  If no significant increase has occurred, the Group does not downgrade the credit rating allocated to the transaction.

- The granting of State guarantees does neither increase nor reduce the borrower's default risk; consequently, the State guarantee does not affect the assessment of whether credit risk has significantly increased after initial recognition of the transaction. The Group assesses, both at the time of the onset of the situation created by the COVID-19 pandemic and the date of granting the State-guarantee financing, whether a significant increase in credit risk has occurred in any pre-existing transactions with that borrower. If no significant increase has occurred, the Group does not downgrade the credit rating allocated to the transaction.

  Public and industry moratoriums imply that, following the granting thereof, the number of days past due is calculated in accordance with the new repayment schedule resulting from application of the relevant moratorium. The amounts suspended by public moratorium are not considered payable and, consequently, are not considered past due during the term of the moratorium.

When measuring expected credit loss, a series of distinctions, based on the category under which the relevant financial assets has been classified, are considered:

- For transactions classified under the first category (performing exposures), the Entity recognises 12-month expected credit losses.

- For transactions classified under second and third categories (performing exposures under special monitoring and non performing exposures), the Entity recognises lifetime expected credit losses.

IFRS 9 distinguishes the following concepts of expected credit loss:

- 12-month expected credit losses: the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a transaction that are possible within the 12 months after the reporting date; and

- Lifetime expected credit losses: the expected credit losses that result from all possible default events over the expected life of a transaction.

All the above require a significant amount of judgement both in the models for estimating expected credit losses and in forecasts on the economic factors that may have an impact on said losses, which shall be probability-weighted. With regard to the support measures granted to households and firms to mitigate the effects of the COVID-19 pandemic, the following considerations should be noted:

- With regard to the over 90 days past due criterion, the granting of a moratorium implies that the number of days past due is calculated in accordance with the new repayment schedule resulting from application of the relevant moratorium. Consequently, the amounts suspended by public moratoriums are not considered payable and, consequently, are not considered past due for the purposes of calculating the number of days the transactions are past due and, therefore, do not result in the reclassification to Stage 3 - Non-performing exposure for being over 90 days past due during the moratorium.

- With regard to the existence of reasonable concerns about the asset's full repayment, where relief measures (moratoriums and State guarantees) have been granted, the Group continues to apply the general criteria contained in its monitoring policies in the assessment of the borrower's ability to pay. This assessment seeks to identify any situation where the probability is high for temporary difficulties becoming long-term difficulties that may ultimately lead to the borrower's inability to meet his contractual obligations.

The Group has considered the following definitions:

Default

The Group has used a definition of default applicable to financial instruments that is consistent with the definition used in the internal management of credit risk and with the indicators set out in banking regulations applicable as at IFRS 9 effective date. The Group has considered both qualitative and quantitative indicators.

According to IFRS 9, payment past due for over 90 days is a rebuttable presumption where the entity considers, based on reasonable and supportable information, that a more lagging default criterion is more appropriate.

Significant increase in credit risk

The objective of the impairment requirements is to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition considering all reasonable and supportable information, including that which is forward-looking.

The Group has developed a model for identification of significant increases in credit risk, this model relies on a dual approach that is globally applied:

- Quantitative component: identification of any increase in the current expected probability of default over the lifetime of the transaction, from the origination date to the assessment date.

- Qualitative component: the Group's indicators for the identification of significant increases in credit risk include changes in internal policies for credit risk monitoring at customer level using rating or scoring systems or macroeconomic scenarios.

Additionally, financial instruments meeting any of the following circumstances shall be considered Stage 2:

- Payment past due over 30 days: pursuant to IFRS 9, payment past due for over 30 days is a rebuttable presumption where the entity considers, based on reasonable and supportable information, that credit risk has not increased significantly even though payments are more than 30 days past due.

- Special monitoring: Special monitoring includes financial instruments that have had a significant increase in credit risk since initial recognition but that do not present a default event.

- Refinancing and restructuring transactions without evidence of being impaired.

Although the standard introduces several simplified operational procedures/practical solutions for the assessment of significant increases in credit risk, the Group does not use them as a general rule. However, for certain investment grade financial assets, mainly linked to certain public institutions or bodies, the Group does use the possibility set out in the standard of directly considering that their credit risk has not significantly increased because they have a low credit risk at the reporting date.

Measurement of expected loss methodology

Under IFRS 9, measurement of expected losses shall reflect:

An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and, reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are therefore estimated both on a collective basis and on an individual basis. The objective of the Group's estimation on an individual basis is to estimate expected losses for significant impaired exposures or for exposures classified as Stage 2. In these cases, the amount of credit loss is measured as the difference between the expected cash flows discounted at the transaction's effective interest rate and the financial instrument carrying amount.

IFRS 9 requires, for collective estimation of credit loss allowances, segmentation into homogeneous risk groups. Accordingly, the process of homogeneous group definition or portfolio segmentation is among the first processes that must be completed prior to estimating risk parameters. Further, an appropriate segmentation is essential, as it allows for a more accurate measurement of expected credit losses by increasing the discrimination of risk parameters, and by including in the defined groups any differences in average maturities.

Estimated losses are based on the following parameters:

- PD: this an estimate of the probability of default in each period.

- EAD: this an estimate of exposure in the event of default in each future period, taking into account the expected changes in the exposure after the reporting date.

- LGD: this an estimate of the loss arising on default; it is based on the difference between the contractual cash flows and those the entity expects to receive, including from any collateral.

Use of current, past and future information

IFRS 9 requires using current, past and future information both for the detection of significant increases in risk and for measurement of expected loss.

The standard does not require an entity, when measuring of expected loss, to identify every possible scenario.

The Group has established that risk parameters used for collective estimation must include forward projections that take into account the possible macroeconomic conditions (such as, GDP, unemployment rate, interest rates, etc.). In order to incorporate every possible macroeconomic condition into the model, the Bank considers a number of probability-weighted scenarios of occurrence.

On 31 December 2020, estimates of macroeconomic variables applied have been revised compared to those applied on 31 December 2019 as a result of macroeconomic scenario changes arising from the COVID-19 pandemic.

Additionally, in applying the impact of prospective scenarios on expected credit loss, the Group has considered the above-mentioned public and industry support relief measures. However, given the complexity for considering both effects in the current context and in application of the guidelines issued by various regulatory and supervisory bodies for making use of the flexibility provided for in accounting regulations while the current situation continues, in estimating credit risk impairment losses the Group has given a greater weight to its more stable projections (based on historical experience) and long-term projections compared to short-term variables. Accordingly, the Group has considered more stable conditions in its prospective scenarios, where the effects of immediate fluctuations occurring in a context of constant short-term changes are mitigated and relief measures are taken into account. When the situation will begin to stabilise and reasonable and substantiated information will be available, the Group will be able to make more reliable predictions that will be reflected in its macroeconomic scenarios and associated probabilities. Lastly, the Group has carried out an additional assessment of the exposures granted to borrowers that have been significantly affected by the pandemic. This assessment has been carried out by segmenting sectors and exposures in order to identify the more vulnerable groups of borrowers, to evaluate the prospects for each sector and to use the resulting information in borrower's credit assessment, seeking to identify those exposures with a significant increase in credit risk subsequent to initial recognition, and to reclassify those exposures as Stage 2 - Performing exposures under special monitoring.

2.10.2. Debt instruments classified as financial assets at fair value through other comprehensive income

Impairment losses on debt securities classified as financial assets at fair value through other comprehensive income reflect the positive difference between their acquisition cost (net of any amounts repaid on the principal) and their fair value, after deduction of any impairment loss previously recognised in the consolidated statement of profit or loss.

Where there is objective evidence that negative differences arising on the measurement of these assets are due to their impairment, they are no longer recognised under "Accumulated other comprehensive income – Items that may be reclassified to profit or loss – Fair value changes of debt securities measured at fair value through other comprehensive income" in the equity side of the consolidated balance sheet and the total accumulated amount is transferred to the consolidated statement of profit or loss. If impairment losses are subsequently reversed, these are recognised in the consolidated statement of profit or loss for the year in which the reversal occurs.

In the case of debt instruments that must be classified as "Non-current assets and disposal groups classified as held for sale", losses previously recognised in equity are considered to be realised and, consequently, are recognised in the consolidated statement of profit or loss on the date they are classified as non-current assets and disposal groups classified as held for sale.

2.10.3. Equity instruments classified as financial assets at fair value through other comprehensive income

Impairment losses on equity instruments measured at fair value and included in the portfolio of "Financial assets through other comprehensive income", is measured as the difference between their acquisition cost and their fair value, after deduction of any impairment loss previously recognised in the statement of profit or loss. The impairment will be recognised under "Accumulated other comprehensive income – Items that will not be reclassified to profit or loss" until derecognition of the relevant impaired asset, and then it will be reclassified to reserves of the Group.

2.11. Financial guarantees and related provisions made

Contracts requiring the issuer to make payments to reimburse a creditor for losses incurred when a particular debtor fails to meet a payment obligation under the original or amended conditions of a debt instrument are considered financial guarantee contracts, irrespective of their various legal forms (security deposits, financial guarantees, insurance contracts or credit derivatives).

The Group initially recognises the financial guarantees provided as liabilities at fair value, comprising the premium received plus the present value of any cash flows to be received (commissions), using an interest rate similar to that of the financial assets extended by the Group with a similar term and risk, and simultaneously recognising a receivable in respect of the present value of expected future cash flows, using the aforementioned rate of interest.

Financial guarantees, irrespective of the holder thereof, arrangement or any other circumstances, are analysed periodically to determine the credit risk to which they are exposed and, where applicable, to estimate the provisions required. This amount is calculated by applying criteria similar to those used to quantify impairment losses arising on debt instruments measured at amortised cost.

Where a provision is required for these financial guarantees, the commissions pending accrual, and which are recognised as "Other liabilities" in the consolidated balance sheet are reclassified to "Provisions for commitments and guarantees given".

2.12. Recognition of leases

On 1 January 2019, IFRS 16 on leases became effective. The new standard introduced a single accounting model for lessees and requires lessees to recognise in the balance sheet all assets and liabilities under lease contracts. The only permitted exceptions to this recognition criterion are short-term contracts or where the underlying asset is of low value. Lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

For lessor accounting, the new standard substantially carries forwards the accounting requirements of the previous standard. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

With regards to the impact on the Financial Statements as of the transition date, the Group elected to apply a modified retrospective method consisting in recognising lease liabilities for an amount equal to the actual value of future payment commitments as of 1 January 2019. As for lease assets, the Group has elected to recognised right-of-use assets for an amount equal to relevant lease liabilities. As a result of this approach, the Group recognised right-of-use assets and lease liabilities amounting to approximately €25,626 thousand, relating mostly to the Bank's business in Spain and to leases of commercial premises from its branch network. On 31 December 2020, the Bank has recognised right-of-use assets amounting to €52,217 thousand and lease liabilities amounting to €52,724 thousand (€78,960 and €78,993 thousand, respectively, in 2019).

2.12.1. Finance leases

Leases are classified as finance leases when substantially all the risks and rewards incidental to ownership of the underlying leased asset are transferred; substantially all risks and rewards incidental to ownership are typically transferred when:

a) By the end of the lease term ownership of the leased asset is transferred, or when the contractual terms imply that ownership of the leased asset will be transferred, to the lessee; or when the lessee has the option to purchase the asset at a price that is sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised.

b) At the inception of the lease, the present value of the lease payments, excluding any contingent for services and taxes, amounts to at least substantially all of the fair value of the leased asset.

c) The lease term is for a major part of the economic life of the asset even if the title is not transferred to the lessee.

d) The leased asset is of such a specialised nature that only the lessee can use it without major modifications.

e) The lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee.

f) Gains or losses from the fluctuation in the fair value of the residual accrue are borne by the lessee.

g) The lessee can extend the lease contract at a rent that is substantially lower than market rent.

When the Group acts as lessor in a finance lease transaction, the assets held under a finance lease are recognised in its balance sheet and presented as receivables from lessees, without prejudice to any rights the entity may be entitled to in the capacity as owner of the leased assets. Receivables arising from finance leases will be presented as assets in the balance sheet at amount equal to the net investment in the lease determined as the aggregate of present value of lease payments to be received from the lessee during the lease term and any payments under the residual value guarantee provided to the lessor by the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee, and any unguaranteed residual value accruing to the lessor.

Initial direct costs, understood as costs that are directly attributable to negotiating and arranging a lease, except for such costs incurred by manufacturer or dealer lessors, are included in the initial measurement of the net investment in the lease and reduce the amount of income recognised over the lease term.

When acting as the lessee in a finance lease transaction, at the commencement date the Group recognises in the balance sheet an asset, classified according to the nature of the underlying asset, and a liability for the same amount, which is the lower of:

a) The fair value of the leased asset, and

b) The present value of the minimum lease payments, including the purchase option payment if the exercise price is expected to be lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, as well as any amounts guaranteed directly or indirectly by the lessor, excluding contingent rents (understood as any payments the amount of which does not depend on the passage of time), costs for services and taxes that may be passed on by the lessor.

The present value of lease payments is discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the entity uses the interest rate it would be required to pay in similar lease or, failing this, the interest rate it would have to pay to borrow the funds necessary to purchase the underlying asset in a similar economic environment. Initial direct costs attributable to the lessee are included in the amount initially recognised as an asset.

In both cases, finance income and expense originating from these contracts are credited and debited to the statement of profit or loss as "Interest income" and "Interest expense", respectively.

2.12.2. Operating leases

Any lease, other than a finance lease, is classified as an operating lease. In operating leases, ownership of the leased asset and substantially all the risks and rewards incidental thereto remain with the lessor.

Lessors shall present assets subject to operating leases in their statements of financial position according to the nature of the asset.

Depreciation of the leased asset is recognised as an expense in the statement of profit or loss in accordance with the Group's general depreciation policy for similar assets and applied to the leased asset according to its nature (see Note 2.15.1).

Lease income from operating leases is recognised under "Other operating income" on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred by lessors are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

When acting as lessee in operating leases, at the commencement date the Group recognises a lease liability at the present value of future lease payments. The present value of future lease payments is discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the entity uses the rate that the lessee would incur to borrow over a similar term, and with a similar security, the funds necessary to purchase an asset with a value similar to the value of the right-of-use asset in a similar economic environment (the "incremental borrowing rate").

Additionally, the lessee recognises at the commencement date a right-of-use asset measured at cost. For presentation purposes, right-of-use assets are classified as either tangible assets or intangible assets, in accordance with the nature of the leased asset. Subsequent to initial recognition, the lessee shall measure the right-of-use asset at cost less any accumulated depreciation and, where appropriate, any accumulated impairment losses.

2.13. Personnel expenses

2.13.1. Post-employment benefits

The Group undertakes to supplement benefits payable to certain pensioners, employees and associated rights-holders by the public Social Security system subsequent to the period of employment.

The Group's post-employment commitments to its employees are considered as defined contribution plans when the Group makes pre-determined contributions to a separate entity and will have no legal or effective obligation to make further contributions if the separate entity cannot pay the employee benefits relating to the service rendered in the current and prior periods. Post-employment obligations that do not meet the aforementioned conditions are classified as "Defined benefit plans".

Defined contribution plans-

The contributions made by the Group in this regard each year are recognised under "Personnel expenses" in the consolidated statement of profit or loss.

At year end, any amounts pending contribution to the external plan associated with the commitments are recognised as liabilities at their present value in "Provisions - Pensions and other post-employment defined benefit obligations" in the consolidated balance sheet.

Defined benefit plans-

The Group recognises the present value of its defined benefit pension obligations as liabilities under "Provisions - Pensions and other post-employment defined benefit obligations" in the consolidated balance sheet, net of the fair value of the assets that qualify as "plan assets".

Plan assets are assets linked to a specific defined benefit commitment that will be used to directly settle these obligations. They have the following characteristics: they are not owned by the Group, but rather by a legally separate third party not related to the Group; they are only available to settle or finance post-employment benefits payable to employees; they can only be returned to the Group when the remaining assets in the plan are sufficient to meet all obligations of the plan or the Group relating to current or former employee benefits or to reimburse employee benefits already settled by the Group.

"Actuarial gains and losses" are deemed to be those arising from differences between previous actuarial assumptions and what has actually occurred in the plan, and from changes in the actuarial assumptions used. The Group recognises any actuarial gains and losses in the period in which they are generated or incurred, with a credit or debit to "Accumulated other comprehensive income" in consolidated equity.

The past service cost, incurred due to modifications to existing post-employment benefits or on the introduction of new benefits, is recognised in the consolidated statement of profit or loss when it arises.

If the Group is able to demand payment from an insurer of part or all of the disbursement required to settle the defined benefit obligation, and it is practically certain that the insurer will reimburse some or all of the disbursements required to settle the obligation, but the insurance policy does not meet the conditions to be considered a plan asset, the Group recognises this reimbursement right under "Other assets - Insurance contracts linked to pensions" in the consolidated balance sheet. This right is treated as a plan asset in all other respects.

2.13.2. Other long-term employee benefits

2.13.2.1. Early retirement and partial retirement

Until the date of effective retirement, these commitments are accounted for, as applicable, using the above-mentioned criteria described for defined benefit post-employment commitments, except that the actuarial gains and losses are recognised immediately when they arise.

Early retirement and partial retirement not included in the Labour Agreement dated 4 October 2010

ABANCA Corporación Bancaria, S.A. was subrogated to the commitments resulting from early retirements and partial retirements agreed by the merged Savings Banks in 2010 and previous years, with respect both to salaries and other employee benefits, from the date of early retirement or partial retirement until the effective retirement date. Furthermore, the Bank took on commitments for the employee benefits and medical insurance of 4 early-retired employees in 2011 that were not party to the Labour Agreement dated 4 October 2010.

On 31 December 2020, the Group has no amount recognised in this respect (at the end of 2019, €107 thousand were recognised under "Provisions – Pensions and other post-employment defined benefit obligations" in the liabilities side on the balance sheet (see Note 23).

2.13.2.2. Death and disability of serving employees

The commitments assumed by the Bank for death and disability contingencies with its personnel during the period that these commitments remain in force have been covered through insurance policies (either directly by ABANCA, or indirectly through the Pension Plans in which these commitments have been arranged) taken out with the insurance companies Caser and ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A.U.

2.13.2.3. Termination benefits

In accordance with current legislation, the Group is obliged to indemnify those persons whose employment relationship is terminated under a workforce restructuring plan or who are dismissed unfairly, as well as in those cases in which there is a contractual stipulation for payment of severance pay in the event of termination of the employment relationship, all of which falls within the framework of legally applicable labour regulations.

The provisions recognised by the Group to meet the commitments under the existing labour agreements, which on 31 December 2020 totalled €45,150 thousand (€16,364 thousand on 31 December 2019), are recognised as liabilities under "Provisions - Pensions and other post-employment defined benefit obligations" in the accompanying consolidated balance sheet see Note 23).

Lastly, the Group has agreements with some of its executives to compensate them when they end their relationship with the Group, provided that this can be decided by the Group, in which case the amount of this remuneration will be expensed when the decision to terminate employment is taken and the employee is notified thereof (see Note 4.4).

2.13.2.4 ABANCA Restructuring Plan - Labour Agreement

Dated 14 April 2020, the Bank concluded a Labour Agreement with union representatives as a result of the merger through the absorption of Banco Caixa Geral, S.A. by ABANCA Corporación Bancaria, S.A.

This Labour Agreement includes several measures to which employees may voluntarily qualify in order to complete the necessary restructuring of personnel, including geographical mobility measures (relocation or termination with severance compensation if the employee is not willing to relocate) and early retirement for employees over 55 years of age, under the formula of voluntary redundancy offers for 190 employees, this number may be increased, at the discretion of the Entity, if the number of applications received exceed the above-mentioned limit. Lastly, 31 December 2020 198 employees accepted the voluntary redundancy offer with compensation and 27 opted for contract termination with severance compensation because they were not willing to relocate.

On 31 December 2020, all the commitments arising from the above-mentioned Labour Agreement in connection with the settlements yet to be made to the personnel included in the above-mentioned measures have been covered by the Group with insurance policies and provisions recognised under "Provisions - Pensions and other post-employment defined benefit obligations" (to cover early retirement obligations) of the balance sheet (see Note 23 a)).

2.14. Income tax

Each period's Tax expense or income related to profit or loss from continuing operations is recognised in the consolidated statement of profit or loss, except when it arises from a transaction recognised directly in equity, in which case Income Tax expense (income) is also recognised in the Group's consolidated equity.

In accordance with the applicable legislation, the income tax expense is generally calculated as the tax payable with respect to the taxable profit for the year, adjusted for the amount of the changes in assets and liabilities in the year arising from temporary differences, and for tax credits and possible tax loss carryforwards.

The Group considers that there is a temporary difference when there is a difference between the carrying amount and the tax base of assets and liabilities. The tax base of assets and liabilities is considered to be the amount attributable to the item for tax purposes. A taxable temporary difference is understood to be that which generates a future obligation for the Group to settle certain amounts to public entities. A deductible temporary difference is understood to be that which generates for the Group a certain right to recover payments from or reduce payments to public entities in the future.

Tax credits and deductions and tax loss carryforwards are amounts that, after occurrence or performance of the activity or obtainment of the profit or loss carrying the right to them, are not applied for tax purposes in the corresponding tax return until the conditions to do so established in the tax regulations are met, it being considered probable that they will be applied in future periods.

Current tax assets and liabilities are those that are recoverable from or payable to the taxation authorities within 12 months after the date of recognition. Deferred tax assets and deferred tax liabilities are those which are expected to be recovered from or payable to the taxation authorities in future years.

The Bank recognises a deferred tax asset or liabilities for all taxable temporary differences. Nevertheless, deferred tax liabilities arising from the recognition of goodwill are not recognised.

Notwithstanding the general rule, in 2020 and 2019 the Group only recognises deferred tax assets arising from deductible temporary differences, tax credits and deductions or tax loss carryforwards in accordance with the provisions of Royal Decree-Law 14/2013 or, where appropriate, when the following conditions were met:

1. It is considered probable that the Group will obtain sufficient taxable profit in the future against which the deferred tax assets may be offset; and

2. They result from identifiable causes which, in the case of deferred tax assets derived from tax loss carryforwards, are unlikely to recur.

No deferred tax assets or liabilities are recorded on initial recognition of an asset or liability that is not a result of a business combination and which would not affect accounting or taxable income on recognition.

The deferred tax assets and liabilities recognised are reassessed at the end of each reporting period in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed (see Note 28.3.a).

To this end, on 31 December 2020 and 2019, Royal Decree-Law 14/2013, of 29 November, on urgent measures to adapt Spanish law to European Union legislation regarding the supervision and solvency of financial institutions was taken into consideration. This Royal Decree-Law, which came into force on 1 January 2014, appended additional provision twenty-two to the Recast Corporate Income Tax Law, which provides for the conversion of deferred tax assets into tax credits receivable from the taxation authorities. Note 28 provides details of the impact of this regulation on the deferred taxes recognised by the Group in 2020 and 2019.

Tax loss carryforwards generated prior to the creation of the tax group must be recovered through profits of the companies that generated them or through profits of the companies where the assets whose impairment gave rise to the tax loss carryforwards are located.

The consolidation sub-group headed on 31 December 2014 by ABANCA Corporación Bancaria opted to file consolidated tax returns for tax periods beginning on or after 1 January 2009, as provided for in Chapter VII, Title VII of the Recast Corporate Income Tax Law approved by Royal Legislative Decree 4/2004, of 5 March (hereinafter RCITL). Effective from 1 January 2015, the tax consolidation regime regulated under Title VII, Chapter VI of Corporate Income Tax (CIT) Law 27/2014, of 27 November, applied to the above-mentioned sub-group; ABANCA Holding Financiero, S.A. is the parent of the tax group. Following the merger through the absorption of ABANCA Holding Financiero, S.A. (absorbed entity) by ABANCA (absorbing entity) (see Note 1.1), that was registered with the Business Register on 27 February 2020, ABANCA Corporación Bancaria has become the parent company of the tax group.

2.15. Tangible assets

2.15.1. Property, plant and equipment for own use

Property, plant and equipment for own use include assets owned or acquired under lease financing which the Group holds for current or future use for administration purposes, or for the production or supply of goods, and which are expected to be used for more than one financial year. This category includes tangible assets received by the Group for the full or partial settlement of receivables from third parties and which are expected to be allocated for an extended period of time. Property, plant and equipment for own use are carried at cost of acquisition, which is equal to the fair value of the consideration given plus all monetary expenditure incurred or committed, less:

1. Accumulated depreciation and,

2. Where appropriate, any estimated losses resulting from comparing the carrying amount of each item with its recoverable amount.

For these purposes, the cost of acquisition of foreclosed assets which become part of the Group's Property, plant and equipment for own use is similar to the net amount of financial assets transferred in exchange for foreclosure.

Depreciation is calculated, using the straight-line method, on the basis of the acquisition cost of the assets less their residual value. The land on which the buildings and other structures stand has an indefinite life and, therefore, is not depreciated.

Depreciation for the year is recognised under "Amortisation and depreciation - Tangible assets" in the consolidated statement of profit or loss and is calculated using the following depreciation rates (based on the average estimated years of useful life of the various assets):

	Years of Estimated Useful Life
Buildings for own use	75
Furniture and fixtures	10 to 15
Motor vehicles	5 to 10
Other	4 to 10

At each reporting date, consolidated entities analyse whether there are internal or external indications that the carrying amount of tangible assets exceeds their recoverable amount, in which case the carrying amount of the asset is written down to its recoverable amount. Simultaneously, future depreciation charges are adjusted in proportion to the adjusted carrying amount and the new remaining useful life, if this were also re-estimated, and the related impairment loss is recognised under "Impairment or reversal of impairment on non-financial assets" in the consolidated statement of profit or loss.

Similarly, when there are indications that an impaired tangible asset has recovered its value, consolidated entities recognise the reversal of the impairment loss booked in prior years with a credit to "Impairment or reversal of impairment on non-financial assets" in the consolidated statement of profit or loss and the corresponding future depreciation charges are adjusted accordingly. The reversal of an impairment loss on an asset will in no case constitute an increase in its carrying amount above the value it would have if no impairment losses had been recognised in prior years.

The estimated useful lives of Property, plant and equipment for own use are also reviewed at least annually and any significant changes are recorded by adjusting the depreciation charges in the consolidated statement of profit or loss for subsequent years.

Repairs and maintenance costs of Property, plant and equipment for own use are recognised under "Other administrative expenses" in the consolidated statement of profit or loss in the year in which they are incurred.

The cost of acquisition or production of tangible assets which require more than one year to be in working condition includes finance costs accrued prior to their entering service, which have been charged by suppliers or relate to loans or any other type of external financing directly attributable to the acquisition, manufacture or construction. The capitalisation of finance costs is suspended during the years in which development of the asset is discontinued and ceases when all activities required to prepare the asset for its expected use or purpose are substantially completed.

2.15.2. Investment property

"Tangible assets - Investment property" reflect the carrying amount of land, buildings and other constructions, which are held either for rental or to obtain gains on their sale, as a result of possible future increases in their market price.

The criteria applied to recognise investment property, calculate depreciation and estimate their respective useful lives, as well as to recognise possible impairment losses, are the same as those applied for tangible assets for own use (see Note 2.15.1).

Tangible assets that belong to consolidated subsidiaries and which are classified as "Non-current assets and disposal groups classified as held for sale" are recognised and measured as stated in Note 2.19.

2.16. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance. Intangible assets are considered identifiable when they are separable from other assets because they can be sold, rented or otherwise disposed of individually, or when they arise from contractual or other legal rights. An intangible asset is recognised when, in addition to meeting the above definition, the Group considers it probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

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

Intangible assets are amortised based on their useful life, using the same criteria applied to depreciate tangible assets, except in the case of customer relations (see Note 2.16.2). The annual amortisation charge for intangible assets is recognised under "Amortisation and depreciation – Intangible assets" in the consolidated statement of profit or loss.

Intangible assets may be classified as having an indefinite useful life – when, based on an analysis of all relevant factors, it is considered that there is no foreseeable limit to the period in which the assets could generate future cash flows for the Group – or a finite useful life. Intangible assets with indefinite useful lives are not amortised, although the Group reviews their respective remaining useful lives at each reporting date to ensure that these continue to be indefinite and to proceed accordingly if this is not the case.

In any case, the Group recognises any impairment losses on these assets with a balancing entry under "Impairment or reversal of impairment on non-financial assets" in the consolidated statement of profit or loss. The criteria for recognising impairment losses on these assets and, where applicable, the reversal of impairment losses recognised in prior years are similar to those applied to tangible assets for own use.

2.16.1. Goodwill

Goodwill represents payments made by the acquirer in anticipation of the future economic benefits from assets that are not capable of being individually identified and separately recognised. Goodwill is only recognised when a business has been acquired onerously.

Goodwill is considered an intangible asset with an indefinite useful life and is therefore not amortised, but is periodically tested for impairment, and is written down if impairment is detected.

Goodwill is allocated to one or more cash-generating units (CGUs) which are expected to benefit from the synergies derived from the business combinations. The CGUs represent the smallest identifiable group of assets that generate cash inflows for the Group, that are largely independent of the cash inflows from other assets or groups of assets owned by the Group. Each unit or group of units to which the goodwill is allocated should:

i. Represent the lowest level within the entity at which the goodwill is monitored for internal management purposes.

ii. Not be larger than a business segment.

The cash-generating units to which goodwill has been allocated are tested for impairment based on the carrying amount of the unit including the allocated goodwill. This testing is performed at least annually, or whenever there are indications of impairment.

For the purpose of determining the impairment of a cash-generating unit to which goodwill has been allocated, the carrying amount of that unit, adjusted by the amount of the goodwill attributable to non-controlling interests, is compared with its recoverable amount except where the Group has opted to measure minority interests at their fair value.

The recoverable amount of a cash-generating unit is the higher of its fair value less costs to sell and its value in use. Value in use is calculated as the discounted value of the projected cash flows estimated by the unit's management and is based on the latest forecasts available for the coming years. The main assumptions used to calculate value in use are: a sustainable growth rate to extrapolate cash flows to perpetuity and a discount rate for discounting cash flows, which is equal to the cost of capital allocated to each cash-generating unit and is equivalent to the sum of the risk-free rate plus a premium that reflects the inherent risk of the business being assessed.

If the carrying amount of a cash-generating unit is higher than its recoverable amount the Group recognises an impairment loss, which is distributed by first reducing the carrying amount of the goodwill allocated to that unit and secondly, if there are still impairment losses to be recognised, the carrying amount of the rest of the assets. This is done by allocating the remaining loss in proportion to the carrying amount of each of the assets in the unit. If the Group opts to recognise minority interests at fair value, the goodwill impairment would be attributable to the minority interests. Impairment losses on goodwill are never reversed.

Impairment losses on goodwill are recognised under “Impairment or reversal of impairment on non-financial assets - Other” in the consolidated statement of profit or loss.

2.16.2. Other intangible assets

Intangible assets, except goodwill, are stated at cost of acquisition or production, less any accumulated amortisation and any impairment losses.

Intangible assets may be classified as having an indefinite useful life – when, based on an analysis of all relevant factors, it is considered that there is no foreseeable limit to the period in which the assets could generate future cash flows for the consolidated entities – or a finite useful life, in the remaining cases.

Intangible assets with indefinite useful lives are not amortised, although the consolidated entities review their respective remaining useful lives at each reporting date to ensure that these continue to be indefinite and to proceed accordingly if this is not the case.

Intangible assets with finite useful lives are amortised using the same criteria applied to depreciate tangible assets (see Note 2.15). The annual amortisation charge for intangible assets with finite useful lives is recognised under "Amortisation and depreciation" in the consolidated statement of profit or loss.

Consolidated entities recognise any impairment losses on intangible assets with indefinite or finite useful lives with a balancing entry in "Impairment or reversal of impairment on non-financial assets - Other" in the consolidated statement of profit or loss. The criteria for recognising impairment losses on these assets and, where applicable, the reversal of impairment losses recognised in prior years are similar to those applied to tangible assets for own use (see Note 2.15.1).

The estimated useful life of customer relationships has been estimated at 10 years.

The amended article 12.1 of the Corporate Income Tax Law allows Entities to any method for the amortisation of intangible assets, other than the rates provided for in the tables of said Law, provided the Entity duly justifies the amortisation charge based on the useful life of the relevant asset, and further provided that the amortisation method is supported by an expert's report based on technical, operational and strategic criteria. To this end, the Group has developed together with an external consultant a project, based on three main pillars, for estimating the useful lives of computer software classified as intangible assets:

- Framework; development of certain questionnaires for the allocation of each software's useful life.

- Expert opinion; validation of questionnaires and useful lives by the external consultant.

- Benchmark; useful life calibration by comparing with other industry actors, market amortisation practices and breakdown of assets' ages by categories.

As a result of this analysis, the Bank has modified the amortisation rates of these intangible assets; pursuant to the prevailing legislation, this change will be prospectively applied and is considered a change in accounting estimates. Following the above-mentioned analysis, the Group considers that the useful lives of these assets has increased from 4 to 11 years.

"Other intangible assets" basically include intangible assets generated on the acquisition of ABANCA Vida y Pensiones and ABANCA II Vida y Pensiones (companies currently merged), as well as those generated in the business combinations arising from the purchase of Deutsche Bank's Private & Commercial ('PCB') Portugal and Banco Caixa Geral, S.A. (see Note 15.2).

2.17. Provisions and contingent liabilities

Provisions are present obligations of the Group arising from past events that could have a negative effect on the Group's equity, occurrence of which is considered probable and the nature of which is specific, although their amount and/or settlement date are uncertain.

Contingent liabilities are possible obligations arising from past events and whose existence is conditional on the occurrence or non-occurrence of one or more future events beyond the control of the Group. They include the present obligations of the Group when it is not probable that an outflow of resources embodying economic benefits will be required to settle them or when their amount cannot be measured with sufficient reliability.

The consolidated financial statements include all significant provisions for which it is considered more likely than not that the obligation will have to be settled (see Note 23). Contingent liabilities are not recognised in the consolidated balance sheet, although information on any such liabilities is disclosed in the notes to the consolidated financial statements, in accordance with IAS 37.

Provisions are measured on the basis of the best information available at each reporting date on the event and its consequences are assessed at each accounting close. They are utilised to meet the specific obligations for which they were originally recognised and are partially or fully reversed when such obligations cease to exist or are reduced.

Provisions considered necessary in accordance with the above criteria are recognised with a debit or credit to "Provisions or reversals of provisions" in the consolidated statement of profit or loss.

2.18. Reverse repurchase agreements (repurchase agreements)

Purchases (sales) of financial instruments with an obligatory repurchase commitment at a determined price are recognised in the consolidated statement as financing granted (received) according to the nature of the debtor under "Loans and advances - credit institutions" or "Loans and advances - customers" ("Financial liabilities at amortised cost - deposits from credit institutions" or "Financial liabilities at amortised cost - deposits from customers), as applicable. The difference between the purchase and sales price is recognised as interest over the life of the contract.

2.19. Non-current assets and disposal groups classified as held for sale and Liabilities included in disposal groups classified as held for sale

The balance sheet items "Non-current assets and disposal groups classified as held for sale" and "Liabilities included in disposal groups classified as held for sale" include the carrying amount of financial and non-financial assets that are not used in the Group's operating activities, the carrying amount of which is expected to be recovered through their disposal.

Assets recognised under "Non-current assets and disposal groups classified as held for sale" essentially relate to group entities, foreclosed real estate assets, investment property and assets for own use.

Liabilities recognised under "Liabilities included in disposal groups classified as held for sale" relate to payables originated in disposal groups and discontinued operations.

The value at which real estate foreclosed assets or received in payment of debt must be initially recognised, regardless of the legal form used, shall be the lower of:

a) The carrying amount of the applied financial assets, determined as stated in the following paragraph, and

b) The fair value at the date of foreclosure, or receipt of the asset less the estimated costs to sell.

The smaller of these two amounts will be taken as the initial cost of the asset foreclosed or received in payment of debt.

For the purposes of calculating the carrying amount of the applied financial assets as at the date of initial recognition of the asset foreclosed or received in payment of debt, the allowances or provisions for these financial assets will be estimated on the basis of their accounting classification before the delivery thereof, treating the asset foreclosed or received in payment of debt as collateral.

This carrying amount shall be compared with the previous carrying amount and the difference shall be recognised as an addition to or release of allowances and provisions, as applicable.

To estimate the allowances and provisions for the financial assets applied, the recoverable amount of the collateral shall be taken as the fair value less the estimated costs to sell of the asset foreclosed or received in payment of debt, provided that the entity's experience of sales bears out its ability to realise the asset at its fair value.

For the purposes of the preceding paragraph, the entity's experience of sales shall be considered to bear out its ability to realise the asset at its fair value if the entity has a high rotation of its stock of similar assets, such that the average period they remain on its balance sheet is acceptable within the framework of the related asset disposal plans.

Non-current assets and disposal groups classified as held for sale are not amortised or depreciated as long as they remain classified as such.

Subsequent to initial recognition, foreclosed real estate assets or assets received in payment of debts classified as "Non-current assets and disposal groups classified as held for sale" are measured at the lower of their fair value less estimated costs to sell and their carrying amount; where appropriate, the difference may be recognised as an impairment loss or an impairment reversal.

In the event that the carrying amount of the non-current assets held for sale exceeds fair value less cost to sell, the Group adjusts the carrying amount of the assets for the amount of this excess, with a balancing entry in "Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations" in the consolidated statement of profit or loss. In the event of any subsequent increase in the fair value of an asset, the Group proceeds to the reversal of previously recognised losses, and to increase the carrying amount of the asset up to the carrying amount prior to the eventual impairment of the asset less costs to sell, with a balancing entry in the above-mentioned line item.

Pursuant to the applicable regulations, on the basis of its experience, the Group has developed internal calculation methods to estimate the discount rate applicable to the reference value of collateral, the costs to sell associated with foreclosed assets, and the rotation of assets classified as completed dwellings, offices, commercial premises and multi-purpose industrial buildings. For the remaining categories the Group applies the alternative solution of Bank of Spain Circular 4/2017 to estimate the discount rate applicable to the reference value.

Gains or losses on the sale of non-current assets and disposal groups classified as held for sale and liabilities included in disposal groups classified as held for sale are recognised under "Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations" in the consolidated statement of profit or loss.

Any significant income and expenses from discontinued operations are recognised, net of tax, as a single amount under "Profit or loss after tax from discontinued operations" in the consolidated statement of profit or loss.

Nonetheless, financial assets, assets arising from employee benefit plans, deferred tax assets and insurance contract assets which form part of a disposal group or a discontinued operation are not measured using the criteria described in the preceding paragraphs, but rather in accordance with applicable accounting principles, which have been explained in previous sections.

2.20. Inventories

This item of the consolidated balance sheet includes the assets that consolidated entities:

1. Hold entities for sale in the ordinary course of business;

2. Have in progress, under construction or development for subsequent sale in the ordinary course of business; or

3. Are expected to be consumed in the production process or for the rendering of services.

Inventories are therefore considered to comprise land, and properties other than real estate, that are held for sale or for inclusion in a real estate development.

Inventories are measured at the lower of their cost, including all costs of acquisition and conversion and any direct and indirect costs incurred in bringing them to their present location and condition, and their net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is determined on an individual basis. The cost of other inventories is determined by using the "first in first out" (FIFO) method or the weighted average cost method, as appropriate.

The carrying amount of inventories is derecognised from the consolidated balance sheet and recognised as an expense under "Other operating expenses" in the consolidated statement of profit or loss if the sale corresponds to activities that form part of the consolidated Group's ordinary business activity, or under "Other operating income" in the consolidated statement of profit or loss, in the period in which the income from the sale is recognised.

2.21. Insurance contracts

Details of the main assumptions and methods used to recognise provisions are as follows:

1) Provision for unearned premiums

This provision comprises the part of the premium for compliance with future obligations that have not been extinguished at the close of the current year.

The provision for unearned premiums is calculated for each type of insurance, based on the premiums written during the year and assuming a uniform distribution of claims. The Group uses the "policy-by-policy" procedure to calculate the provision for those insurance types that generate the provision.

2) Provision for unexpired risks

The provision for unexpired risks is the amount set aside to cover the difference between the provision for unearned premiums and the value of all the risks and expenses to be covered in the remaining insured period at the reporting date.

On 31 December 2020 and 2019 the Group has not considered necessary to recognise any amounts for this provision.

3) Mathematical provisions

These represent the value of the Group's obligations net of the policyholder's obligations under life insurance contracts at the reporting date.

Life insurance provisions for insurance policies with a cover period of one year or less are presented in the provision for unearned premiums, while provisions for the remaining contracts are reflected under mathematical provisions.

Mathematical provisions are calculated as the difference between the present actuarial value of the Group's future obligations and those of the policyholder or insured party. Calculation is on a policy-by-policy basis, in accordance with the formulas, mortality tables and technical interest rates specified for each insurance type in the technical notes.

The basis for calculation of mathematical provisions was the inventory premium accrued during the year.

With respect to the application of the official interest rate published by the DGSFP each year for portfolios of insurance policies that were arranged subsequent to the entry into force of the Regulations, and which currently guarantee a technical interest rate higher than the rate established by the DGSFP, without cash flow matching, at the 2020 reporting date the Company has recognised a provision of €5,520 thousand (€5,511 thousand in 2019).

As regards portfolios of insurance policies arranged prior to the entry into force of the Regulations, without cash flow matching, at the 2020 reporting date the Company has recognised a provision of €130 thousand (€130 thousand in 2019).

With respect to the application of the official interest rate published by the DGSFP each year for portfolios of insurance policies that were arranged subsequent to the entry into force of the Regulations and which currently guarantee a technical interest rate higher than the rate established by the DGSFP, for which the mathematical provisions are calculated in accordance with article 33.2 of the Private Insurance Organisation and Supervision Regulations, the Group has recognised an additional provision of €497 thousand (€497 thousand in 2019).

4) Provision for life insurance where the investment risk is borne by the policyholder

The provisions for life insurance in which it has been contractually stipulated that the investment risk will be borne in full by the policyholder have been calculated on a policy-by-policy basis and are calculated based on the associated assets to determine the value of the rights.

5) Provision for claims

This provision reflects the best estimate of the Group's total obligations relating to claims occurring prior to year end, representing the difference between the total estimated or certain cost, including the internal and external costs for management and administration of the case files, and all amounts already settled in relation to these claims.

For calculation purposes, these claims have been classified according to the year in which they occurred and by line of insurance, with each claim measured individually.

These provisions are divided into claims pending settlement or payment, unreported claims and internal claims settlement costs.

The provision for unreported claims is calculated based on prior years' information and experience. The calculation is carried out by multiplying the average number of unreported claims by their average cost in the prior year, estimated in accordance with the Regulations.

The purpose of the provision for internal claims settlement costs is to provide a sufficient amount to meet the Group's internal costs of concluding the claims that must be included in the provision for claims.

6) Provision for bonuses and rebates

This provision comprises the amount of bonuses accrued by policyholders, insured parties or beneficiaries and the amount of premiums to be reimbursed to policyholders or insured parties. It is calculated in accordance with article 38 of the Regulations.

This provision also includes the policyholders' share of returns on investments covered by the provisions. And is calculated in accordance with the provisions of each specific contract.

7) Reinsurers' share of technical provisions

The reinsurers' share of technical provisions is shown under assets on the consolidated balance sheet and calculated based on the reinsurance policies arranged using the same criteria as those used for direct insurance.

8) Adjustments to correct accounting mismatches

With a view to reducing the accounting mismatches derived from the application of different measurement methods for certain assets and liabilities, the profits or losses recognised in the consolidated statement of profit or loss or in equity, derived from certain financial assets measured at fair value and tied to certain insurance operations, have been recognised symmetrically in consolidated profit or loss or in consolidated equity with a balancing entry in the measurement of technical provisions or under liabilities in "Correction of accounting mismatches".

2.22. Consolidated cash flow statement

The following terms are used in the consolidated cash flow statement:

1. Cash flows: inflows and outflows of its equivalents, the latter being short-term, highly liquid investments subject to a low risk of changes in value.

2. Operating activities: typical activities of credit institutions and other activities that cannot be classified as investing or financing. Operating activities also include interest paid on any financing received, even when this is considered as financing activities. For the purposes of this statement, activities carried out involving the different categories of financial instruments described in Note 2.3 are considered as operating activities, with certain exceptions such as subordinated financial liabilities.

3. Investing activities: the acquisition, sale or other disposal of non-current assets and other investments not included in cash and cash equivalents, such as tangible assets, intangible assets, investments in subsidiaries, joint ventures and associates, non-current assets and disposal groups classified as held for sale and associated liabilities.

.4. Financing activities: activities that result in changes in the size and composition of equity and of liabilities that do not form part of operating activities, such as subordinated liabilities.

When preparing the consolidated cash flow statement, current highly liquid investments with a low risk of change in value have been considered as "Cash and cash equivalents". The Group therefore considers the balances recognised under "Cash, cash balances with central banks and other demand deposits" in the consolidated balance sheet as cash and cash equivalents.

2.23. Consolidated statement of changes in equity

The consolidated statement of changes in equity included in the accompanying consolidated financial statements shows all changes in the Group's equity during the year ended 31 December 2020. This information is disclosed in two statements: the consolidated Statement of recognised income and expense and the consolidated statement of total changes in equity. The main characteristics of the information contained in the two parts of this statement are as follows:

2.23.1. Consolidated Statement of recognised income and expense

This part of the statement of changes in equity includes income and expenses generated or incurred by the Group during the year in the ordinary course of business, distinguishing between those recognised in the consolidated statement of profit or loss for the year and those recognised directly in equity, in accordance with legislation in force.

This statement therefore comprises the following:

a. Consolidated profit/loss for the year.

b. Net income and expenses recognised as accumulated other comprehensive income in equity.

c. Net income and expenses recognised permanently in equity.

d. Accrued income tax payable or recoverable on continuing operations in respect of the items listed in points b) and c) above.

e. Total recognised income and expenses, calculated as the sum of the preceding points.

The changes in income and expenses recognised in equity as valuation adjustments are as follows:

a. *Valuation gains (losses)*: income, net of expenses incurred during the year, recognised directly in consolidated equity. Amounts recognised in this line item during the year continue to be carried at the initial value of other assets or liabilities, even when they are transferred to the consolidated statement of profit or loss in the same year, or they are reclassified to another line item.

b. Amounts transferred to the statement of profit or loss: valuation gains or losses previously recognised in equity, even in the same period, which are accounted for in the consolidated statement of profit or loss.

c. Amounts transferred to the initial value of hedged items: valuation gains or losses previously recognised in consolidated equity, even in the same period, which are accounted for in the initial value of assets or liabilities as a result of cash flow hedges.

d. Other reclassifications: transfers between valuation adjustments during the year in accordance with criteria established under prevailing legislation.

2.23.2. Consolidated statement of total changes in equity

The consolidated statement of total changes in equity presents all changes in consolidated equity, including those arising from changes in accounting principles and corrections of errors. This statement shows a reconciliation of the opening and closing carrying amount of all items comprising consolidated equity, grouping movements according to their nature, as follows:

a. Effect of changes in accounting criteria and correction of errors: changes in consolidated equity due to the retrospective restatement of balances in the financial statements as a result of changes in accounting criteria or the correction of errors.

b. Total comprehensive profit for the year: the aggregate amount of the aforementioned items recognised in the Statement of recognised income and expense.

c. Other changes in consolidated equity: the remaining items recognised in consolidated equity, such as increases or decreases in assigned capital, distribution of profit or application of losses, transactions with own equity instruments, payments-settled with equity instruments, transfers between equity line items and any other increases or decreases in consolidated equity.

2.24. Other information

a) Merger with ABANCA Holding Financiero, S.A.

Dated 29 April 2019, the Boards of Directors of ABANCA Corporación Bancaria, S.A. (absorbing company) and ABANCA Holding Financiero, S.A. (absorbed company) approved the common draft terms of merger; dated 10 June 2019, the Annual General meeting of Shareholders of ABANCA Corporación Bancaria, S.A. approved the merger.

The merger was completed through the absorption of ABANCA Holding Financiero, S.A. by ABANCA Corporación Bancaria, S.A.; ABANCA Holding Financiero, S.A. was wound up and dissolved without liquidation, and all of its assets and liabilities being transferred en bloc to ABANCA Corporación Bancaria, S.A. as universal successor, and was expressly subject the condition precedent of payment of a €190,000 thousand dividend out of reserves prior to the Merger (see Note 3), in compliance with the common draft terms of merger approved by the boards of directors of both companies.

In this context, the object sought with the merger was as follows:

- To enhance the level of shareholders' equity available on a consolidated basis in the group to which both ABANCA Holding Financiero, S.A. and ABANCA Corporación Bancaria, S.A. belong, for calculation of the required capital ratios.

- To streamline of the Group's corporate and governance structures, increase its transparency vis-à-vis markets and investors, and reduce costs and duplications.

Dated 10 February 2020, ABANCA received the European Central Bank's notice of non-opposition to the merger. Additionally, dated 11 February 2020, ABANCA received the authorisation from the Spanish Ministry of Economic Affairs and Digital Transformation. Finally, dated 18 February 2020 the merger was filed with the Business Register.

Under the applicable legal provisions, the effective date of merger was the starting date of the period in which the merger is approved, provided this date is later than the date when both companies had joined the group. Accordingly, 1 January 2019 was taken as the date from which the operations of ABANCA Holding Financiero, S.A. were deemed, for accounting purposes, performed on behalf of ABANCA Corporación Bancaria, S.A. In compliance with the applicable provisions, the acquired assets and liabilities were measured at their respective carrying amounts as presented in the consolidated financial statements of ABANCA Holding Financiero Group. Consequently, the assets and liabilities of ABANCA Corporación Bancaria, S.A. were measured taking into account the respective values at which they were presented in the financial statements of ABANCA Holding Financiero Group for the annual period ended 31 December 2018.

The merger balance sheet on 1 January 2019, merger date for accounting purposes, showing the value of ABANCA Holding Financiero, S.A.'s assets and liabilities was as follows:

ASSETS	Thousand EUR	LIABILITIES	Thousand EUR
	01.01.2019		01.01.2019
Cash, cash balances with central banks and other demand deposits	13,287	Financial liabilities at amortised cost	283,445
Financial assets held for trading	3,818	Other liabilities	286
Financial assets at amortised cost	7,678		
Investments in subsidiaries, joint ventures and associates	903,713	TOTAL LIABILITIES	283,731
Tangible assets	1		
Intangible assets	1	Shareholders' equity	733,501
Tax assets	88,734		
		TOTAL EQUITY	733,501
TOTAL ASSETS	1,017,232	TOTAL EQUITY AND LIABILITIES	1,017,232

3. Distribution of profit/application of loss of the Parent Company

Distribution of profit/application of loss of the Parent Company

The proposed distribution of the Bank's profit for 2020 to be submitted by the directors for approval by the shareholders at the Annual General Meeting, and the distribution of profit for 2019 approved by the shareholders of ABANCA at the Annual General Meeting held on 29 June 2020, are as follows:

	Thousand EUR	
	2020	2019
Legal reserve	-	-
Voluntary reserves	94,820	184,515
Dividends	27,765	174,910
	122,585	**359,425**

The amount to be distributed does not exceed the profits reported by the Bank since the end of the previous reporting period, after deducting the estimated income tax payable on these profits, as required by article 277 of the Consolidated Companies Law.

In accordance with the minutes of the meeting of the Board of Directors of the Bank held on 26 February 2021, an interim dividend for 2020 amounting to €27,765 thousand was distributed to the shareholders and paid on 4 March 2021.

In March 2020, the European Central Bank recommended that at least until 1 October 2020 no dividends were paid out and no irrevocable commitment to pay out dividends was undertaken by the financial institutions under its direct supervision for the financial year 2019 and 2020; on 28 July 2020 the ECB extended the recommendation not to pay dividends until 1 January 2021, and, following the reassessment of its prior recommendations, on 15 December 2020, the ECB asked credit institutions to refrain from distributing dividends or to limit such distributions to less than 15% of cumulated 2019-2020 profits and less than 20 basis points of CET1 ratio until 30 September 2021. The interim dividend approved on 26 February 2021 complied with the above-mentioned recommendations.

Set out below is the mandatory provisional accounting statement issued pursuant to the provisions of Article 277 of the Companies Law to reflect the existence of sufficient liquidity at the date of approval of the interim dividend:

Supporting accounting statement	Thousand EUR
Profit obtained between 01/01/2020 and 31/12/2020	122,585
Interim dividends for 2020 already paid	-
Interim dividend proposed on 4 March 2021	27,765

In accordance with the minutes to the Board of Directors of the Bank, dated 4 February 2020, the Board of Directors of the Bank approved the distribution to Shareholders of an interim dividend for 2019 amounting to €14,158 thousand that was paid on 7 February 2020.

Supporting accounting statement	Thousand EUR
Profit obtained between 01/01/2019 and 12/31/2019	359,425
Interim dividends for 2019 already paid	160,752
Interim dividend proposed on 4 February 2020	14,158

On 28 October 2019, the Board of Directors of the Bank approved the distribution to Shareholders of an interim dividend amounting to €60,707 thousand that was paid on 31 October 2019.

Supporting accounting statement	Thousand EUR
Profit or loss obtained by the Bank between 01/01/2019 and 30/09/2019	185,935
Interim dividends for 2019 already paid	100,045
Interim dividend proposed on 28 October 2019	60,707

In accordance with the minutes of the meeting of the Board of Directors of the Bank held on 29 July 2019, an interim dividend out of reserves amounting to €190,000 thousand was distributed and paid to shareholders on 27 September 2019. This was an extraordinary dividend out of unrestricted reserves required under the merger through absorption of ABANCA Holding Financiero, S.A. (absorbed company) and ABANCA (absorbing company), in which the former was terminated and transferred its assets and liabilities en bloc and to the latter, in the capacity of universal successor (see Note 2.24).

On 29 July 2019, the Board of Directors of the Bank approved the distribution to Shareholders of an interim dividend amounting to €37,560 thousand that was paid on 2 August 2019.

Supporting accounting statement	Thousand EUR
Profit or loss obtained by the Bank between 01/01/2019 and 30/06/2019	211,115
Interim dividends for 2019 already paid	62,485
Interim dividend proposed on 29 July 2019	37,560

On 29 April 2019, the Board of Directors of the Bank approved the distribution to Shareholders of an interim dividend amounting to €62,485 thousand that was paid on 3 May 2019.

Supporting accounting statement	Thousand EUR
Profit obtained between 01/01/2019 and 31/03/2019	131,827
Interim dividends for 2019 already paid	-
Interim dividend proposed on 29 April 2019	62,485

4. Remuneration of the Board of Directors and Senior Management

4.1. Remuneration of the Board of Directors

Details of remuneration and attendance fees accrued by directors of ABANCA Corporación Bancaria, S.A. in 2020 and 2019 are as follows:

	Thousand EUR	
	2020	2019
Mr. Juan Carlos Escotet Rodríguez (*)	275	275
Ms. Ana Da Cunha Barros (**)	189	32
Ms. Carina Szpilka Lázaro	237	245
Ms. Leticia Iglesias Herraiz	253	265
Mr. Eduardo Eraña Guerra	238	244
Mr. José García Montalvo	275	275
Mr. José Ramón Rodrigo Zarza	300	300
Mr. Pedro Raúl López Jácome	300	300
Mr. Manuel López Figueroa (***)	165	-
	2,232	1,936

(*) In 2019, Mr. Escotet also received a direct remuneration from ABANCA Holding Financiero, S.A. amounting to €280 thousand.

(**) Appointed director of ABANCA Corporación Bancaria, S.A. on 29 July 2019.

(***) Appointed director of ABANCA Corporación Bancaria, S.A. on 16 March 2020.

The remuneration paid to Mr. Francisco Botas Ratera, ABANCA's Chief Executive Officer, for the performance of his executive functions in 2020, in accordance with the contract signed entered into by him and the Bank, amounted to €2,588 thousand (€2,588 thousand in 2019), of which €1,288 thousand relate to the variable remuneration for 2019 (€1,288 thousand in 2019 relating to the variable remuneration for 2018), including both the portion effectively settled in 2020 (i.e. 40% thereof, amounting to €1,035.2 thousand) and the portion deferred to subsequent years (60% thereof, amounting to €1,552.8 thousand). It should also be noted that 50% of the accrued variable remuneration (paid and/or deferred) is settled in shares of the Entity, a measure first implemented in 2017. In 2020 and 2019 no remuneration in kind was by the Bank.

Upon approval of the relevant resolutions by the General Meeting of Shareholders and by the Board of Directors, a “Long-Term Incentive 2017-2023” (LTI) linked to the fulfilment of the 2018-2020 Strategic Plan has been established as an exceptional component additional to the above-mentioned variable remuneration. Following the General Meeting held on 25 June 2018, a maximum amount of €1,170 thousand (maximum amount that may eventually be reduced or entirely cancelled if the Bank does not meet certain targets of the 2018-2020 Strategic Plan) has been established in favour of ABANCA’s CEO; upon fulfilment of the Plan’s vesting conditions, this amount will be entirely settled in Bank shares in 2022.

Likewise, retirement premiums (pension commitment) in favour of the Chief Executive Officer were paid amounting to €65 thousand (€65 thousand in 2019). In 2020, life and disability insurance premiums amounted to €31 thousand (€29 thousand in 2019).

On 31 December 2020, the aggregate amount of his vested rights and mathematical provisions totalled €312.5 thousand (€244 thousand on 31 December 2019), and the amount of termination benefit upon extinction of the CEO’s contractual relationship does not exceed the amount equivalent to two years of fixed remuneration.

4.2. Remuneration of senior management

When preparing these annual financial statements, 13 individuals were considered senior management personnel in 2020 (14 individuals in 2019), albeit one of them has not been considered for the entire 2019 period due to his decease. For these purposes, senior management is understood to comprise general managers and people holding similar positions that carry out management duties reporting directly to the governing bodies, executive committees or the CEO. The CEO is not included, the information relating to the CEO can be found in Note 4.1 above.

The remuneration accrued by the members of the Group's senior management personnel, as defined above, totalled €5,153 thousand in 2020 (€5,254 thousand in 2019). These amounts include total remuneration (fixed, monetary and in-kind) and variable remuneration, the latter comprising the amounts effectively paid during 2020 (for this personnel segment, 60% of accrued variable remuneration) and the amounts deferred to subsequent years (that is, 40% of accrued variable remuneration). It should also be noted that 50% of the accrued variable remuneration (paid and/or deferred) is settled in shares of the Entity, a measure first implemented in 2017.

Following the General Meeting held on 25 June 2018, an additional maximum amount of €2,954 thousand (maximum amount that may eventually be reduced or entirely cancelled if the Bank does not meet certain targets of the 2018-2020 Strategic Plan) has been established for the "Long-Term Incentive 2017-2023" (LTI) linked to the fulfilment of the 2018-2020 Strategic Plan; upon fulfilment of the Plan's vesting conditions, this amount will be entirely settled in Bank shares in 2022.

During 2020 and 2019 no termination benefits were paid to senior management personnel.

4.3. Pension and insurance commitments with senior management personnel

The accumulated amount of the vested rights and mathematical provisions generated through contributions by the Group to pensions for senior management personnel, with regard to rights for past services, totalled €1,692 thousand in 2020 (€1,609 thousand in 2019).

In 2020 contributions were made for retirement, either to pension plans or to supplementary insurance taken out for senior management personnel, amounting to €55.5 thousand (€61 thousand in 2019). Additionally, in 2020 contributions were made for risk contingencies (death and disability) amounting to €66.6 thousand (€124 thousand in 2019).

Life insurance premiums paid for senior management personnel (other than pension commitments) totalled €29.9 thousand in 2020 (€32 thousand in 2019), with an insured sum of €300 thousand per person (€300 thousand in 2019).

4.4. Senior management indemnity clauses

On 31 December 2020, the contracts of three members of senior management include compensation for all items, in the event of unfair dismissal or termination, at the request of the Entity, for an amount of €729 thousand, €100 thousand and €184 thousand, respectively (€615 thousand, €100 thousand and €308 thousand on 31 December 2019). In no case does this compensation exceed two years' pay.

5. Business combinations

The following business combinations have been completed in 2020:

a) Acquisition of Nueva Pescanova, S.L.

Dated 3 April, ABANCA Corporación Bancaria, S.A. purchased a block of securities equivalent to 39.8% of Nueva Pescanova, S.A. share capital. Following this purchase, ABANCA became the owner of 80.46% of shares in the fishing company. Subsequently, on 31 December 2020, ABANCA purchased an additional 7.94% of share capital, and increased its ownership interest in Nueva Pescanova, S.L. to 88.41% of share capital (see Notes 2.1 and 13.3).

This transaction was concluded with the purpose of restoring the value of the company through a restructuring plan and to find, within a short deadline, an industrial partner willing to acquire a stake; accordingly, the Directors of the Group have prepared a plan for the effective disposal of this company.

At the business combination acquisition date, the Group has measured the fair value of Nueva Pescanova, S.L., with the resulting fair values of the acquired net assets matching the investment underlying carrying amount of the Entity. However, in compliance with the provisions of IFRS 3 “Business Combinations”, the Group is currently reviewing the fair value of the ownership interest acquired in Nueva Pescanova, S.L. in order to adjust, where appropriate, the amounts previously recognised during the preceding year.

The underlying carrying amount of the ownership interest acquired upon obtaining control amounted to €6,744 thousand while the consideration paid amounted to €41,127 thousand, resulting in €34,383 thousand in goodwill.

On 31 December 2020, as a result of the transfer of the investment previously recognised under “Investments in joint ventures”, of the additional onwership interests acquired during the reporting period and of the adjustments arising from full consolidation of this investment, at the end of 2020 goodwill amounts to €35,699 thousand.

	Thousand EUR
Consideration given	41,127
Fair value of net assets acquired in Nueva Pescanova, S.L.	6,744
	34,383
Transfers from “Investments in joint ventures and associates” and adjustments arising from full consolidation of the investee	1,316
	35,699

b) Acquisition of Real Club Deportivo de La Coruña, S.A.D.

Dated 28 July, as a result of a debt capitalisation process ABANCA Corporación Bancaria, S.A. has become the main shareholder in Real Club Deportivo de La Coruña, S.A.D., holding 76.90% of share capital. Subsequently, a capital increase has been completed in the second half-year of 2020 with the entry of new shareholders, following which the ownership interest of ABANCA Corporación Bancaria has increased to 76.66% of share capital. This debt capitalisation operation has been completed with the aim of participating in the management and restructuring of the company, restoring its enterprise value within the shortest possible delay and preparing a disposal plan intended to promote the entry of new shareholders and to recover the investment (see Notes 2.1 and 13.3).

At the business combination acquisition date, the Group has measured the fair value of R.C. Deportivo de la Coruña, S.A.D., with the resulting fair values of the acquired assets matching the investment underlying carrying amount. However, in compliance with the provisions of IFRS 3 "Business Combinations", the Group is currently reviewing the fair value of the ownership interest acquired in R.C. Deportivo de la Coruña, S.A.D in order to adjust, where appropriate, the amounts previously recognised during the preceding year.

Given the investee's negative equity position at the date of obtaining control, the underlying carrying amount acquired by ABANCA is negative and amounts to -€30,101 thousand. The net value of the capitalised loans amounts to €15,350 thousand, and goodwill arising at the acquisition of control amounts to €45,451 thousand.

Subsequent to the acquisition of control and as a result of full consolidation of the investee, consolidation adjustments have been applied on goodwill, amounting to additional €26,561 thousand; consequently, at the end of 2020 goodwill amounts to €18,890 thousand:

	Thousand EUR
Consideration given	15,350
Fair value of net assets acquired in R.C. Deportivo de la Coruña, S.A.D.	(30,101)
	45,451
Adjustments arising from full consolidation of the investee	(26,561)
	18,890

The following business combinations were completed in 2019:

a) Purchase of Deutsche Bank's Private & Commercial Business ("PCB") Portugal

In 2018 ABANCA submitted the successful bid in the formal sale process of Deutsche Bank's Private & Commercial Business ("PCB") Portugal retail banking unit. With this transaction ABANCA increases its international business and gains presence in the personal and private banking segment in which Deutsche Bank PCB Portugal specialises.

Dated 9 June 2019, upon fulfilment of all conditions precedent and after receiving the required authorisations from the regulatory authorities, the purchase was formally completed; accordingly, for accounting purposes, that date was taken as the acquisition date.

With this transaction, ABANCA Group acquired a business unit with 69,133 customers, a loan portfolio of €2,584 million, €912 million in customer deposits, and €2,988 million in items customer funds not included in the balance sheet.

The breakdown of the value of the assets acquired and liabilities assumed as of 9 June 2019 is presented below:

ASSETS	Thousand EUR	LIABILITIES	Thousand EUR
	09.06.2019		09.06.2019
Cash, cash balances with central banks and other demand deposits	855	Financial liabilities at amortised cost	933,665
Non-trading financial assets mandatorily at fair value through profit or loss	3,148	Other liabilities	2,682
Financial assets at amortised cost	2,583,856	Pro-forma Funding (**)	1,573,390
Tangible assets	3,603		
Intangible assets	3,764	TOTAL LIABILITIES	2,509,737
Other assets	978		
Non-current assets and disposal groups classified as held for sale	3,937	Notional Equity (*)	90,404
		TOTAL EQUITY	90,404
TOTAL ASSETS	2,600,141	TOTAL EQUITY AND LIABILITIES	2,600,141

(*) Since the acquired business had no separate equity, the parties agreed that the business equity should be equal to 10.5% of the transferred RWAs.

(**) The pro-forma funding reflects Deutsche Bank's Private & Commercial Business ('PCB') Portugal funding needs that, subsequent to the merger, are covered by ABANCA.

On the business combination acquisition date, ABANCA measured the fair value of the acquired business and as a result of the difference between the acquisition price (€42,809 thousand) and the fair value of the acquired business (€94,000 thousand) a negative goodwill recognised in profit or loss of €51,191 thousand arose.

On 31 December 2019, ABANCA adjusted the initial measurement and accounting for of this business resulting from the independent expert's valuation report and completed the allocation of the transaction costs to specific assets, liabilities and contingent liabilities ("Purchase Price Allocation" or "PPA").

The net amount of the adjustments made to the initially recognised value amounted to €854 thousand, net of taxes. These adjustments include (on a pre-tax basis) the recognition of a negative valuation adjustment of €5,851 thousand, as the best estimate of the difference between the carrying amount and the fair value (present value of future expected cash flows) of tangible assets and liabilities, and of positive adjustment amounting to €6,705 thousand relating to the measurement of intangible assets.

Consequently, ABANCA fully recognised €52,045 thousand as income under "Negative goodwill recognised in profit or loss" in the statement of profit or loss on 31 December 2019.

b) Purchase of, and merger with Banco Caixa Geral, S.A.

On 22 November 2018 ABANCA was awarded in the formal sale process of Banco Caixa Geral, S.A. organised by the Portuguese Government. Banco Caixa Geral, S.A. is the Spanish bank through which Caixa Geral de Depósitos Group operated in Spain. Dated 9 September 2019, ABANCA received the European Central Bank (ECB) authorisation that concluded the purchase of Banco Caixa Geral, S.A.

ABANCA gained control on 1 September 2019 and, accordingly, this was the date of acquisition for accounting purposes.

Dated 14 October 2019, the Boards of Directors of ABANCA Corporación Bancaria, S.A. and Banco Caixa Geral, S.A. approved the common draft terms of merger. The merger was completed through the absorption of Banco Caixa Geral, S.A. (the absorbed entity) by ABANCA Corporación Bancaria, S.A. (the absorbing entity), Banco Caixa Geral, S.A. was wound up and dissolved without liquidation, and all of its assets and liabilities being transferred en bloc to ABANCA Corporación Bancaria, S.A. as universal successor.

In this context, the object sought with the merger was the streamlining of the corporate, organisational and operational structure of the ABANCA Holding Group in Spain, allowing for a better use of the Group's resources. The merger will enable the corporate and operational structure of the ABANCA Group to be streamlined and simplified, by incorporating the administrative structures of the absorbed entity into the organisational structure of the absorbing entity, without altering its business capability.

On 9 December 2019, the General Meetings of Shareholders of both of ABANCA and Banco Caixa Geral approved the merger of both entities; the merger has been filed with the Business Register on 13 March 2020.

The merger balance sheet at 1 September 2019, merger date for accounting purposes, showing the value of Banco Caixa Geral, S.A.'s assets and liabilities was as follows:

ASSETS	Thousand EUR	LIABILITIES	Thousand EUR
	01.09.2019		01.09.2019
Cash, cash balances with central banks and other demand deposits	136,788	Financial liabilities at amortised cost	4,129,423
Financial assets at fair value through other comprehensive income	898,407	Derivatives - hedge accounting	19
Financial assets at amortised cost	3,522,831	Provisions	35,054
Derivatives - hedge accounting	11	Tax liabilities	15,518
Tangible assets	52,691	Other liabilities	33,698
Intangible assets	3,629		
Tax assets	72,184	TOTAL LIABILITIES	4,213,712
Other assets	82,319		
Non-current assets and disposal groups classified as held for sale	1,397	Shareholders' equity	532,947
		Accumulated other comprehensive income	23,598
		TOTAL EQUITY	556,545
TOTAL ASSETS	4,770,257	TOTAL EQUITY AND LIABILITIES	4,770,257

On the business combination acquisition date, ABANCA measured the fair value of the acquired business and as a result of the difference between the acquisition price (€384,145 thousand) and the fair value of the acquired business (€555,399 thousand) a negative goodwill recognised in profit or loss of €171,254 thousand arose.

On 31 December 2019, the Bank adjusted the measurement and accounting for of this business combination resulting from the independent expert's valuation report and completed the allocation of the transaction costs to specific assets, liabilities and contingent liabilities ("Purchase Price Allocation" or "PPA").

The amount of the adjustments made to the initially recognised value amounted to €8,380 thousand, net of taxes. These adjustments include (on a pre-tax basis) the recognition of a negative valuation adjustment of €7,112 thousand, as the best estimate of the difference between the carrying amount and the fair value (present value of future expected cash flows) of Banco Caixa Geral, S.A. tangible assets and liabilities, and of positive adjustment amounting to €15,492 thousand relating to the measurement of intangible assets.

Consequently, ABANCA fully recognised €179,634 thousand as income under "Negative goodwill recognised in profit or loss" in the statement of profit or loss on 31 December 2019.

If the acquisition date had been 1 January 2019, this business would have contributed €91,813 thousand income (gross margin) and €11,161 thousand profit after tax.

Revenues (gross margin) and profit after tax included as from the acquisition date in the consolidated statement of profit or loss amounted to €33,817 thousand and €3,124 thousand, respectively.

6. Cash, cash balances with Central Banks and other demand deposits

The breakdown of the balance of this heading in the consolidated balance sheet on 31 December 2020 and 2019 is as follows:

	Thousand EUR	
	2020	2019
Cash	179,280	200,480
Cash balances with Central Banks	6,665,907	2,684,764
Other demand deposits	310,618	251,324
	7,155,805	3,136,568

Note 47 to the consolidated financial statements includes a breakdown of the maturity periods of these assets at the 2020 and 2019 reporting dates, as well as the average annual interest rates.

7. Loans and advances to credit institutions

a) Breakdown -

The breakdown of this heading in the consolidated balance sheet on 31 December 2020 and 2019, by currency and type of transaction, is as follows:

	Thousand EUR	
	2020	2019
Currency:		
Euro	322,952	719,907
Foreign currency	94,725	134,438
	417,677	854,345
Nature:		
Term accounts	366,314	422,519
Reverse repurchase agreements	51,363	429,290
Other accounts	-	2,536
	417,677	854,345
Valuation adjustments:		
Impairment losses on assets	-	-
Accrued interest	-	724
Micro-hedges	-	-
	417,677	855,069

Note 47 to the consolidated financial statements includes a breakdown of the maturity periods of these assets at the 2020 and 2019 reporting dates, as well as the average annual interest rates.

b) Valuation adjustments – Impairment losses

On 31 December 2020 and 2019, there were no balances relating to impairment losses on assets.

8. Debt securities

a) Breakdown -

The breakdown of this heading in the consolidated balance sheet on 31 December 2020 and 2019, by classification, currency and type of transaction, is as follows:

	EUR thousand	
	2020	2019
Classification:		
Financial assets at fair value through other comprehensive income	6,408,296	5,037,520
Non-trading financial assets mandatorily at fair value through profit or loss	27,475	29,314
Financial assets designated at fair value through profit or loss	-	-
Financial assets held for trading	20,981	76,981
Financial assets at amortised cost	6,857,899	5,895,751
	13,314,651	**11,039,566**
Currency:		
Euro	13,260,373	10,954,815
Foreign currency	54,278	84,751
	13,314,651	**11,039,566**
Geographical area:		
Spain	8,023,922	7,367,937
European Union (excluding Spain)	5,052,418	3,505,664
United States of America and Puerto Rico	124,680	145,527
Rest of the world	113,631	20,438
	13,314,651	**11,039,566**
Nature:		
Domestic public debt		
Treasury bills, Government mid- and long-term bonds	4,130,234	3,314,361
Other book-entry debt	128,599	241,859
Foreign public debt		
Republic of Italy	4,012,394	1,771,895
Republic of Portugal	269,496	825,932
Other public debt	13,476	8,801
Issued by financial institutions	930,039	1,211,038
Other fixed income securities	3,830,413	3,665,680
	13,314,651	**11,039,566**
Valuation adjustments:		
Impairment losses on assets	-	-
Micro-hedges	72,343	18,646
	13,386,994	**11,058,212**

At the 2020 reporting date ABANCA had pledged debt securities for a nominal amount of €7,477,597 thousand (€4,092,921 thousand at the 2019 reporting date), and a market value of €7,205,546 thousand (€3,861,993 thousand at the 2019 reporting date), in order to gain access to financing from the European Central Bank.

In addition, on 31 December 2019 the Bank had assigned securities amounting to €3,650,652 thousand to credit institutions and customers (€2,886,779 thousand on 31 December 2019) (see Notes 18 and 19).

Note 47 to the consolidated financial statements includes a breakdown of the maturity periods of these assets at the 2020 and 2019 reporting dates, as well as the average annual interest rates.

The portfolio of financial assets at amortised cost includes the bonds issued by Sareb in payment of the assets transferred by the Bank and its subsidiaries. The fair value thereof amounted to €3,213,800 thousand on 31 December 2020 (€3,213,800 thousand on 31 December 2019).

The inputs used for valuation, through discounting cash flows, were the quoted prices of Spanish debt with a similar maturity, ensuring that the option to extend maturity did not entail significant changes to the fair value. The bonds issued by Sareb are listed on the AIAF fixed-income market and are underwritten by the Spanish State. On 31 December 2019, the bonds issued by Sareb have the following characteristics:

On 31 December 2020-

ISIN	Issue	Maturity (*)	Thousand EUR		Interest rate
			Nominal	Fair Value	
ES0352506309	SAREB senior bonds	31/12/2021	1,404,700	1,404,700	3-month Euribor - 6 b.p.
ES0352506317	SAREB senior bonds	31/12/2022	1,809,100	1,809,100	3-month Euribor - 3 b.p.
			3,213,800	3,213,800	

(*) The bond subscription contract sets out successive bond renewal options which may be exercised by the issuer at a maximum interest rate equivalent to 3-month Euribor plus 200 basis points.

On 31 December 2019 -

ISIN	Issue	Maturity (*)	Thousand EUR		Interest rate
			Nominal	Fair Value	
ES0352506234	SAREB senior bonds	31/12/2020	1,809,100	1,809,100	3-month Euribor + 3 b.p.
ES0352506283	SAREB senior bonds	31/12/2020	1,404,700	1,404,700	3-month Euribor - 7 b.p.
			3,213,800	3,213,800	

(*) The bond subscription contract sets out successive bond renewal options which may be exercised by the issuer at a maximum interest rate equivalent to 3-month Euribor plus 200 basis points.

On 31 December 2020 and 2019, gains or losses, arising from financial transactions in the portfolio of debt securities, recognised in the consolidated statement of profit or loss amounted to €214,624 thousand and €79,203 thousand, respectively (see Note 37).

During 2020, the Group has sold Spanish and Italian public debt from those portfolios, recognised at a carrying amount of €994,568 and €1,452,466 thousand, respectively. The Group also has sold private debt amounting to €26,349 thousand. The sales of public debt classified under this item in the balance sheet have been made to manage the increased credit risk of those portfolios arising from the instability caused by the impacts of the COVID-19 pandemic. Those sales were not only compliant with the Group's investment policies and fixed income strategy, but were also consistent with the business model within which these assets were held (collection of contractual cash flows). The proceeds from those sales have amounted to €161,709 thousand.

In 2019, the Bank sold debt instruments issued by the Republic of Italy with a nominal amount of €258,400 thousand, that were held in the portfolio of financial assets at amortised cost. Those sales were not only compliant with the Group's investment policies and fixed income strategy, but were also consistent with the business model within which these assets were held (collection of contractual cash flows).

b) Valuation adjustments – Impairment losses

On 31 December 2019, the Group has recognised under "Equity - Accumulated other comprehensive income" €1,823 thousand as a collective hedge for the assets in this portfolio (€2,033 thousand on 31 December 2019).

c) Other information:

As previously stated in Note 5, in 2018 ABANCA approved the purchase of the retail banking unit of Deutsche Bank's Private & Commercial Business ('PCB') Portugal and of Banco Caixa Geral, S.A., the Spanish bank through which Caixa Geral de Depósitos Group operates in Spain.

As a direct consequence of these purchases and in order to strengthen the Bank's solvency position and to increase control over the volatility of own funds, dated 27 March 2019 the Bank approved the discontinuation of investments the following debt securities sub-portfolios included in portfolios at fair value through other comprehensive income:

- Securities with an agreed maturity over 20 years (at that time securities maturing after 2039).
- Securities issued by the Republic of Italy

From that date, any investments of the Bank in those kinds of securities may not be held under a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Given the above, the Bank considered that this change in the business model affected all the assets not meeting the conditions required to be held within portfolios at fair value through other comprehensive income and that these assets should therefore be reclassified to portfolios at amortised cost. In accordance with the existing accounting regulations, the above-mentioned reclassification was effective for accounting purposes as of 1 April 2019, the first day of the reporting period following the closing date of the first quarter of 2019.

In compliance with the provisions IFRS 9, effective on 1 April 2019 the reclassified portfolio, with a carrying amount of €1,692,376 thousand, was measured as if it had always been measured at amortised cost. To this end, the cumulative gain or loss previously recognised in other comprehensive income and, where appropriate, any deferred tax assets or tax liabilities recognised thereon, were removed from equity and adjusted against the fair value of the financial asset at the reclassification date. Consequently, there was no impact on profit or loss.

As previously stated under point a) above, the Group has sold debt securities classified in these portfolios for the purposes on managing the increased credit risk arising from the instability caused by the impact from the COVID-19 pandemic; those sales do not imply a change in the business model.

9 Equity instruments

a) Breakdown -

The breakdown of this heading in the consolidated balance sheet on 31 December 2020 and 2019, by classification, currency, listing, geographical area and type of transaction, is as follows:

	Thousand EUR	
	2020	2019
Classification:		
Non-trading financial assets mandatorily at fair value through profit or loss	201,223	285,224
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	23,688	24,194
	224,911	309,418
Currency:		
Euro	218,617	307,260
Foreign currency	6,294	2,158
	224,911	309,418
Listing:		
Listed	147,834	132,201
Unlisted	77,077	177,217
	224,911	309,418
Geographical area:		
Spain	200,401	291,244
European Union (excluding Spain)	18,308	17,349
United States of America and Puerto Rico	5,083	726
Rest of the world	1,119	99
	224,911	309,418
Nature:		
Shares in Spanish companies	127,445	225,486
Shares in foreign companies	19,786	13,483
Investment funds shares/units	77,680	70,449
	224,911	309,418
Valuation adjustments:		
Impairment losses	-	-
	224,911	309,418

In 2020 and 2019, the Group received dividends totalling €4,987 thousand and €12,994 thousand, respectively, on these investments, which have been recognised under "Dividend income" in the consolidated statement of profit or loss (see Note 33).

Gains or losses, arising from financial transactions in the portfolio of equity instruments recognised in the statements of profit or loss 31 December 2020 and 2019 amounted to €13,510 thousand and €45,364 thousand, respectively (see Note 37).

b) Acquisitions and disposals -

The acquisitions and disposals carried out by the Group during the period mainly comprise the sale-purchase of both listed and unlisted securities and units/shares in investment funds.

10. Loans and advances to customers

a) Breakdown -

The breakdown of the balance of this heading in the consolidated balance sheet on 31 December 2020 and 2019, showing the Group's exposure to credit risk in its primary activity, broken down by instrument and status of transactions, borrower's sector, borrower's geographical area of residence, type of interest rate and currency of transactions, is as follows:

	Thousand EUR	
	2020	2019
Classification:		
Non-trading financial assets mandatorily at fair value through profit or loss	-	-
Financial assets at amortised cost	39,529,420	37,612,279
	39,529,420	37,612,279
Instrument and status:		
Commercial loans	1,414,705	1,783,393
Secured loans	19,916,296	20,631,593
Demand and other loans	1,196,081	1,127,259
Other term loans	16,201,209	12,689,914
Reverse repurchase agreements	-	347,688
Impaired assets	801,129	1,032,432
	39,529,420	37,612,279
Borrower's sector:		
Spanish public administration	5,198,743	2,937,381
Other resident sectors	28,417,292	28,678,798
Non-resident	5,913,385	5,996,100
	39,529,420	37,612,279
Geographical area:		
Spain	33,616,035	31,616,179
European Union (excluding Spain)	4,531,377	4,667,039
United States of America and Puerto Rico	426,653	356,816
Other OECD countries	618,237	648,175
Latin America	137,804	148,011
Rest of the world	199,314	176,059
	39,529,420	37,612,279
Type of interest rate:		
Fixed interest rate	10,551,402	10,006,925
Variable remuneration rate	28,978,018	27,605,354
	39,529,420	37,612,279
Currency:		
Euros	37,752,648	35,744,382
Foreign currency	1,776,772	1,867,897
	39,529,420	37,612,279
Valuation adjustments:		
Impairment losses	(650,229)	(593,983)
Accrued interest	44,312	56,538
Commissions	(82,760)	(79,266)
Discount on acquisition	(19,249)	(21,868)
Micro-hedges	202,552	116,504
Transaction costs	76,145	49,562
	39,100,191	37,139,766

Note 47 to the consolidated financial statements includes a breakdown of the maturity periods of these assets at the 2020 and 2019 reporting dates, as well as the average annual interest rates.

At the end of 2020, ABANCA had pledged loans and receivables for an amount of €4,778,888 thousand (€2,185,706 thousand at the 2019 close) as security for the credit system operations of the European Central Bank. On 31 December 2020, the increase in this amount is due to the fact that Group has increased the amount drawdown under TLTRO III liquidity mechanism promoted by the European Central Bank (see Note 18).

On 31 December 2020 and 2019 there were no loans and advances to customers for significant amounts without fixed maturity dates.

On 31 December 2020, the Group has recognised loans and advances to customers arising from extraordinary activities of loans and advances to customers amounting to €376,565 thousand (€268,885 thousand on 31 December 2019), in respect of guarantees extended, requested by counterparties in arranging transactions with derivatives, or enforceable guarantees granted, recognised or pending recognition by third parties.

Information on the credit risk assumed by the Group in relation to these financial assets is provided in Note 48. Certain information on the liquidity and interest risks assumed by the Group with regard to these assets is provided in Notes 45 and 49, respectively.

b) *Finance leases -*

The reconciliation between the total gross investment in the leases and the present value of minimum lease payments receivable on 31 December 2020 and 2019, is as follows:

	Thousand EUR	
	2020	2019
Minimum lease payments receivable	311,538	349,332
Non-guaranteed residual value	26,024	27,410
Gross investment in the lease(*)	**337,562**	**376,742**

(*) Includes impaired assets.

On 31 December 2020, the accumulated allowance for uncollectible minimum lease payments receivable totals €3,527 thousand (€7,003 thousand on 31 December 2019).

c) *Securitisations*

In 2020 and 2019 the Group has carried out no securitisation operations. However, in 2019 the Group recognised a securitisation operation as an addition arising from a business combination the assignment to "IM BCG RMBS 2 FT, Fondo de Titulización" of assets amounting to €866,663 thousand 31 December 2019.

On 31 December 2020, the carrying amount of the assets transferred totalled €2,241,879 thousand (€2,408,154 thousand on 31 December 2019). On 31 December 2020, the carrying amount of liabilities associated with financial assets that have not been derecognised from the balance sheet, inasmuch as under the conditions agreed for the transfer of these assets the Group retained substantially all risks and rewards associated therewith, totalled €2,241,879 thousand (€2,407,868 thousand on 31 December 2019).

Details of the Group's securitisation funds on 31 December 2020 and 2019 are provided in Appendix II.

d) Impairment losses

Movement in provisions for impairment of these assets during the years ended 31 December 2020 and 2019 is as follows:

Financial year 2020

	Thousand EUR
Opening balance	593,983
Net charges to consolidated profit/loss for the period (**)	252,671
Transfers	
To non-current assets held for sale	(13,092)
From "Other provisions"	15,004
To provisions for foreclosed assets	(3,651)
Reversal of provisions on reclassification to write-off loans (Note 10.f)	(61,443)
Use of provisions for loan cancellation/waiver	(17,613)
Sale of loan portfolio (*)	(89,829)
Other	(25,801)
Closing balance	**650,229**
By accounting classification:	
Performing exposures (Stage 1).	*158,544*
Performing exposures under special monitoring (Stage 2).	*89,250*
Non-performing exposures (Stage 3).	*402,435*

Financial year 2019

	Thousand EUR
Opening balance	613,339
Net charges to consolidated profit/loss for the period	58,877
Additions arising from business combinations	127,467
Transfers	
To provisions for foreclosed assets	(2,786)
Reversal of provisions on reclassification to write-off loans (Note 10.f)	(133,565)
Use of provisions for loan cancellation/waiver	(12,289)
Sale of loan portfolio (*)	(57,060)
Closing balance	**593,983**
By accounting classification:	
Performing exposures (Stage 1).	*87,179*
Performing exposures under special monitoring (Stage 2).	*105,195*
Non-performing exposures (Stage 3).	*401,609*

(*) The balance of this line item basically relates to derecognitions resulting from loan portfolios sold during 2020 and 2019.

(**) Includes €95,600 thousand for the impact of the COVID-19 pandemic (See Note 1.11).

e) Impaired assets-

The breakdown of financial assets classified as loans and receivables and considered impaired due to credit risk is as follows:

Financial year 2020

	Thousand EUR				
	Up to 6 months	Between 6 and 9 months	Between 9 and 12 months	More than 12 months	Total
Impaired assets	252,383	31,801	59,041	457,904	801,129
	252,383	31,801	59,041	457,904	801,129

Financial year 2019

	Thousand EUR				
	Up to 6 months	Between 6 and 9 months	Between 9 and 12 months	More than 12 months	Total
Impaired assets	587,586	49,931	47,100	347,815	1,032,432
	587,586	49,931	47,100	347,815	1,032,432

On 31 December 2020, "Impaired assets" presented in the table above include secured exposures amounting to €426,541 thousand (€671,137 thousand on 31 December 2019). On 31 December 2020 impaired assets under the "Up to 6 months" column include €227,382 thousand relating to non-performing exposures for reasons other than default (€468,686 thousand on 31 December 2019).

On 31 December 2020 and 2019, assets not considered impaired include an past-due amounts totalling €74,617 thousand and €100,632 thousand, respectively. The breakdown by term of these assets is as follows:

Financial year 2020

	Thousand EUR			
	Less than 1 Month	More than 1 Month, but Less than 2 Months	More than 2 Months, but Less than 3 Months	Total
Amounts past due	56,516	4,058	14,043	74,617
	56,516	4,058	14,043	74,617

Financial year 2019

	Thousand EUR			
	Less than 1 Month	More than 1 Month, but Less than 2 Months	More than 2 Months, but Less than 3 Months	Total
Amounts past due	62,935	12,609	25,088	100,632
	62,935	12,609	25,088	100,632

f) *Financial assets derecognised from the consolidated* balance sheet-

Movement in 2020 and 2019 in the Group's impaired financial assets, which have not been recognised as the probability of their recovery is considered remote, although the Group continues its efforts to collect the amounts receivable, is as follows:

	Thousand EUR
Financial assets for which the probability of recovery is considered remote on 1 January 2019	**3,235,206**
Additions	-
Balances for which recovery during the period is considered remote (Note 10.d)	133,565
Net allowance charged to profit or loss	29,577
Additions arising from business combinations	215,449
Other (*)	199,115
Recoveries	
Cash receipt without additional refinancing	(48,690)
Derecognition due to foreclosures	(7,619)
Derecognition due to debt remission	(60,742)
Derecognition due to sale of portfolio (**)	(55,195)
Derecognition due to other reasons (***)	(79,538)
Financial assets for which the probability of recovery is considered remote on 31 December 2019	**3,561,128**
Additions	
Balances for which recovery during the period is considered remote (Note 10.d)	61,443
Net allowance charged to profit or loss	20,741
Other (*)	
Recoveries	
Cash receipt without additional refinancing	(39,922)
Derecognition due to foreclosures	-
Derecognition due to debt remission	(27,206)
Derecognition due to sale	-
Derecognition due to other reasons (****)	(290,705)
Financial assets for which the probability of recovery is considered remote on 31 December 2020	**3,285,479**

(*) *The balance recognised in this item primarily reflects past-due receivables.*

(**) *The balance recognised under this line item mainly relates to the derecognition of assets arising from the sale of two loan portfolios in 2019, the gain arising from which was recognised under "Gains or losses on derecognition of non-financial assets, net" (see Note 42).*

(***) *The balance recognised in this item primarily reflects amounts considered definitively uncollectible.*

(****) *The balance of this line item basically relates to interest income derecognition resulting from the sale of one loan portfolio in 2020.*

Write-offs recovered in 2020 amount to €39,922 thousand and have been recognised under "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss – Financial assets at amortised cost" in the consolidated statement of profit or loss for 2020 (€48,690 thousand in 2019).

In 2020, this item in the accompanying consolidated statement of profit or loss also includes direct allowances amounting to €20,741 thousand for loans that were considered as write-offs in 2020 (€29,577 thousand in 2019).

g) Financing of real estate construction, property development and housing purchases (business in Spain)

On 31 December 2020, financing extended for real estate construction and property development in the resident sector amounts to €662 million (€714 million on 31 December 2019), of which €18 million are impaired assets (€15 million on 31 December 2019), for which impairment had been recognised. At the reporting date, total accumulated impairment amounts to €13 million (€7 million on 31 December 2019).

The figures above reflect financing extended for real estate construction and property development. Consequently, following Bank of Spain instructions, the debtor's national classification of economic activities ("CNAE") code has not been taken into account. As a result, if the debtor: (a) is a real estate company but uses the financing for a purpose other than real estate construction or property development, the loan is not included in these tables, and (b) if the company's principal activity is not real estate construction or property development but it uses the loan to finance property development, it is included in these tables.

Quantitative information on the financing extended for real estate construction and property development and the related provisions on 31 December 2020 and 2019 is as follows:

Financial year 2020

	Million EUR		
	Gross carrying amount	Excess over in rem guarantee value	Accumulated impairment
Financing of real estate construction and property development	662	205	13
Of which: non-performing	*18*	*12*	*12*
Memorandum Item:			
Written-off assets (*)	3,285		
Loans to customers, excluding Public Administrations and valuation adjustments (**)	34,300		
Total assets (**)	67,147		
Impairment and provisions for exposures classified as performing (***)	248		

(*) Total write-offs of the Group.

(**) Total operations (carrying amount).

(***) Total amount of impairment and provisions for exposures classified as performing (excluding those under special monitoring).

Financial year 2019

	Million EUR		
	Gross carrying amount	Excess over in rem guarantee value	Accumulated impairment
Financing of real estate construction and property development	714	164	7
Of which: non-performing	*15*	*3*	*5*
Memorandum Item:			
Written-off assets (*)	3,470		
Loans to customers, excluding Public Administrations and valuation adjustments (**)	35,388		
Total assets (**)	58,971		
Impairment and provisions for exposures classified as performing (***)	83		

(*) Total write-offs of the Group.

(**) Total operations (carrying amount).

(***) Total amount of impairment and provisions for exposures classified as performing (excluding those under special monitoring).

Details of real estate credit risk in the resident sector, by type of related collateral, are as follows:

	Million EUR	
	Gross carrying amount	
	31.12.20	31.12.19
Without real estate collateral	144	191
With real estate collateral	518	523
Buildings and other constructions completed		
Housing	*144*	*182*
Other	*75*	*57*
Buildings and other constructions in progress		
Housing	*242*	*212*
Other	*34*	*52*
Land		
Consolidated urban land	*23*	*19*
Other		*1*
Total	**662**	**714**

Loans to household for house purchase

Quantitative information on household loans for the purchase of housing on 31 December 2020 and 2019 is as follows:

31 December 2020

	Million EUR	
	Gross carrying amount	Of which: non-performing
Loans to household for house purchase	12,187	139
Without real estate mortgage	*434*	*10*
With real estate mortgage	*11,753*	*129*

31 December 2019

	Million EUR	
	Gross carrying amount	Of which: non-performing
Loans to household for house purchase	12,748	250
Without real estate mortgage	*365*	*17*
With real estate mortgage	*12,383*	*233*

On 31 December 2020 and 2019, the breakdown of mortgage loans extended to households for the purchase of housing, in terms of the gross carrying amount as a percentage of the latest available appraisal value (*loan to value (LTV)*), is as follows:

On 31 December 2020-

	Million EUR				
	Gross carrying amount over the latest available appraisal (*LTV*)				
	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%
Gross carrying amount	2,453	3,690	3,700	1,135	775
Of which: non-performing	14	23	28	22	42

On 31 December 2019 -

	Million EUR				
	Gross carrying amount over the latest available appraisal (*LTV*)				
	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%
Gross carrying amount	2,634	3,730	3,907	1,325	787
Of which: non-performing	25	33	54	40	81

Note 12 includes details of assets acquired and foreclosed, based on the purpose of the loan or credit initially extended, providing a breakdown of the gross value and the provision recognised on 31 December 2020 and 2019.

h) Refinancing and restructuring

The Group's refinancing and restructuring policy is defined in accordance with the specifications laid down in Bank of Spain regulation.

In particular:

Unless there is evidence to the contrary, transactions shall be deemed to be a restructuring or refinancing in the following circumstances:

a. When some or all of the payments of the modified transaction have been past due for more than 30 days (without being classified as non-performing) at least once in the three months preceding its modification or would be past due for more than 30 days without said modification.

b. When, simultaneously or nearly simultaneously with the granting of additional financing by the entity, the borrower has made payments of interest on another transaction with the entity, on which some or all of the payments have been due for more than 30 days at least once in the three months prior to the refinancing.

c. When the entity approves the use of implicit restructuring or refinancing clauses in relation to borrowers with outstanding amounts 30 days past-due or more than 30 days past due if such clauses have not been exercised.

On the date of the refinancing or restructuring operation, the refinancing, refinanced or restructured operations classified as performing exposures or as performing exposures under special monitoring, shall be analysed to determine whether they should be reclassified to non-performing. This analysis shall take into account the general criteria determining the classification of transactions as non-performing and the specific criteria set out below.

Unless there is evidence to the contrary, refinancing, refinanced or restructured transactions meeting any of the following criteria shall be reclassified as non-performing:

a. They are supported by inadequate payment plans. The situations in which it will be considered that there is no adequate payment plan shall include, inter alia, the repeated failure to comply with the payment plan, its modification to avoid breaches, or its resting on expectations that are not supported by macroeconomic forecasts.

b. They include contract terms that extend the time for the regular repayment instalments on the transaction, such as grace periods of more than two years for the repayment of the principal.

c. They include amounts derecognised as being irrecoverable that exceed the allowances and provisions resulting from applying the percentages established in Bank of Spain Circular 4/2017.

The refinancing or restructuring of a transaction that was previously classified as non-performing shall not lead to its reclassification in the category of performing exposures under special monitoring or of performing exposures.

For this reclassification to performing exposures under special monitoring to take place, all the general criteria for classifying transactions in this category and the specific criteria set out below have to be met:

a. The entity determining, upon a comprehensive review of the borrower's assets and finances, that the borrower is not likely to encounter financial difficulties.

b. That a year has elapsed since the date of the refinancing or restructuring operation.

c. That the borrower has paid the accrued principal and interest instalments, reducing the renegotiated principal, since the later of the date of entry into the restructuring or refinancing transaction or the date of reclassification of the transaction as non-performing. Consequently, the transaction may not present past-due amounts. Additionally:

> i) the borrower must have settled, by means of regular payments, an amount equivalent to all the amounts, including principal and interest, past-due on the date of the restructuring or refinancing transaction, or which were derecognised as a result of it;
>
> ii) or other objective criteria that demonstrate the borrower's ability to pay must have been verified if this is more appropriate based on the characteristics of the transactions.

Therefore, the existence of contract terms that extend the repayment period, such as grace periods for the principal, will mean that the transaction remains identified as a non-performing exposure until the aforementioned criteria have been met.

d. The borrower does not have any other transactions with amounts more than 90 days past-due at the date the refinancing, refinanced or restructured transaction was reclassified to the category of performing exposures under special monitoring.

In 2020, the Bank of Spain has issued Circular 3/2020 amending certain aspects of Circular 4/2017 relating to the classification of refinancing or restructuring. Following these amendments, restructured or refinanced transactions that are not classified as non-performing at the time of its restructuring or refinancing shall not automatically be classified as performing exposure under special monitoring; this factor shall be considered, in alia, in assessing whether there has been a significant increase in the credit risk of the relevant transaction. In other words, those transactions may be classified as performing exposures.

This treatment is consistent with the guidelines and recommendations issued by both EBA and the European Central Bank; in application of the above-mentioned regulation, the Bank has classified as performing a gross amount of €55 million. Had the above-mentioned amendment not been applied, the amount required for impairment losses would have increased by €1 million as a result of the application of the alternate solutions of Annex IX of Circular 4/2017. However, these transactions will continue to be classified as restructured, refinanced or refinancing until completion of the minimum two years' probation period during which the borrower must have shown a performing payment history.

Refinancing, refinanced or restructured transactions that, at the date of refinancing or restructuring shall not be classified as non-performing, or reclassified from the category of non-performing exposures, shall continue to be identified as non-performing during a probation period until all the following requirements are met:

a. That, following an exhaustive review of the borrower's financial situation, it has been concluded that it is not foreseeable that the borrower will encounter financial difficulties and that, it is therefore highly probable that it will be able to comply with its obligations to the entity in the due time and form. This analysis of the recoverability in time and form of the exposure shall be based on objective evidence, such as:

i) The existence of a payments plan attuned to the borrower's recurring cash flow.

ii) The addition of new effective guarantors or new effective collateral.

b. That a minimum of two years has elapsed since the later of the date of entry into the restructuring or refinancing transaction or the date of reclassification from the category of non-performing exposures.

c. That the borrower has paid the accrued instalments of principal and interest since the later of the date of entry into the restructuring or refinancing transaction or the date of reclassification from the category of non-performing. Additionally:

i) the borrower must have settled, by means of regular payments, an amount equivalent to all the amounts, including principal and interest, past-due on the date of the restructuring or refinancing transaction, or which were derecognised as a result of it;

ii) or other objective criteria that demonstrate the borrower's ability to pay must have been verified, if this is more appropriate based on the characteristics of the transactions.

Therefore, the existence of contract terms that extend the repayment period, such as grace periods for the principal, will mean that the transaction remains identified as a performing exposure under special monitoring until the aforementioned criteria have been met.

d. That the borrower does not have any other transactions with amounts more than 30 days past-due at the end of the probation period.

Accordingly, if all the foregoing requirements are met, the transactions shall cease to be identified in the financial statements as refinancing, refinanced or restructured transactions.

During the probation period described, a new refinancing or restructuring of refinancing, refinanced or restructured transactions or the existence of amounts more than 30 days past-due shall entail the reclassification of these transactions on probation to the category of non-performing for reasons other than arrears, provided they were classified as non-performing before the commencement of the probation period.

Refinancing and restructuring decisions must be made at an appropriate level of the organisation, other than the level which originally granted the transaction, or, if on the same level, reviewed by a higher decision-making level or body. Endeavours will thus be made to ensure that refinancing and restructuring transactions are approved by a committee independent to the one that initially granted the transaction, and approval of such transactions by branch committees will not be permitted.

For exposures in excess of a certain threshold, the refinanced risks and the estimate of their impairment are reviewed through an individual analysis that considers all available information on the customer, the type of transactions and the guarantees. On 31 December 2020 and 2019, the applicable threshold was €500 thousand for transactions classified as "Under special monitoring" and "Non-performing". The findings of the analysis are documented on a case-by-case basis in a monitoring file that is constantly updated and which provides an estimate of impairment that is taken into consideration when recognising the required provision. Exposures for an amount of less than the above-mentioned thresholds are also reviewed on an individual basis through automatic procedures that include the application of scoring systems, the inputs for which are the reiteration of certain risk indicators and the guarantees associated with transactions of customers experiencing difficulties. This process produces the valuation adjustment applicable to each borrower and to each contract, on the basis of which the required provision is determined and recognised.

The risk policies approved by the Bank require that whenever credit operations are renegotiated as a result of the borrower having financial difficulties, the interest rates applied to the transaction must either be maintained or increased. Otherwise, the Bank recognises the pertinent provision for the loss arising from reduction in the interest rate with respect to the original rate.

Lastly, with regard to the treatment of interest payable that has not been recognised as it pertains to transactions that were non-performing at the date of refinancing, the interest accrued before and after the refinancing remains unrecognised.

The decisions taken are regularly reviewed to determine compliance with the forbearance policies.

On 31 December 2020, the outstanding balances of refinancing and restructuring operations amount to €1,062,858 thousand (€1,298,107 thousand on 31 December 2019), of which €379,230 thousand relate to impaired assets (€609,594 on 31 December 2019), for which impairment losses had been recognised.

Total specific allowances and provisions for impairment of those assets amount to €223,761 thousand and €284,891 thousand on 31 December 2020 and 2019, respectively.

Quantitative information by counterparty and purpose of the transaction on 31 December 2020 and 2019, in euro thousand, is as follows:

On 31 December 2020-

	Total						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
	Number of operations	Gross amount	Number of operations	Gross amount	Maximum amount of secured loans that can be considered: Secured by real estate collateral	Maximum amount of secured loans that can be considered: Secured by other collateral	
Credit institutions	-	-	-	-	-	-	-
Public administrations	9	1,938	17	5	5	-	(1,503)
Other financial companies and individual entrepreneurs (financial business)	13	242	4	221	159	1	(175)
Non-financial companies and individual entrepreneurs (non-financial business)	2,125	349,772	1,090	316,040	151,581	54,563	(162,543)
Of which: financing of real estate construction and property development (including land)	*70*	*3,604*	*76*	*9,943*	*5,069*	*2,849*	*(4,578)*
Rest of households	3,077	67,811	4,017	326,829	267,086	4,427	(59,540)
Total	5,224	419,763	5,128	643,095	418,831	58,991	(223,761)
ADDITIONAL INFORMATION Information classified as non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-

On 31 December 2020-

	Of which: non-performing						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
	Number of operations	Gross amount	Number of operations	Gross amount	Maximum amount of secured loans that can be considered: Secured by real estate collateral	Maximum amount of secured loans that can be considered: Secured by other collateral	
Credit institutions	-	-	-	-	-	-	-
Public administrations	4	1,856	10	3	3	-	(1,503)
Other financial companies and individual entrepreneurs	7	134	3	191	130	1	(165)
Non-financial companies and individual entrepreneurs	997	130,254	407	113,888	22,238	26,458	(138,689)
Of which: financing of real estate construction and property development (including land)	*51*	*3,326*	*37*	*3,906*	*1,063*	*1,407*	*(4,027)*
Rest of households	1,231	33,480	1,336	99,424	69,060	1,445	(45,087)
Total	2,239	165,724	1,756	213,506	91,431	27,904	(185,444)
ADDITIONAL INFORMATION Information classified as non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-

On 31 December 2019 -

	Total						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross amount	Number of operations	Gross amount	Secured by real estate collateral	Secured by other collateral	
Credit institutions	-	-	-	-	-	-	-
Public administrations	5	273	19	1,955	567	-	(588)
Other financial companies and individual entrepreneurs (financial business)	6	91	4	277	240	1	(74)
Non-financial companies and individual entrepreneurs (non-financial business)	1,989	383,848	1,500	310,125	146,148	40,612	(194,779)
Of which: financing of real estate construction and property development (including land)	*78*	*2,082*	*97*	*15,335*	*7,876*	*2,417*	*(5,906)*
Rest of households	3,303	81,054	5,857	520,484	413,973	6,548	(89,450)
Total	5,303	465,266	7,380	832,841	560,928	47,161	(284,891)
ADDITIONAL INFORMATION Information classified as non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-

On 31 December 2019 -

	Of which: non-performing						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
	Number of operations	Gross amount	Number of operations	Gross amount	Maximum amount of secured loans that can be considered: Secured by real estate collateral	Maximum amount of secured loans that can be considered: Secured by other collateral	
Credit institutions	-	-	-	-	-	-	-
Public administrations	2	181	13	1,954	567	-	(588)
Other financial companies and individual entrepreneurs	3	39	4	277	240	1	(64)
Non-financial companies and individual entrepreneurs	819	119,286	710	169,838	59,176	18,130	(150,094)
Of which: financing of real estate construction and property development (including land)	*61*	*1,571*	*58*	*12,129*	*5,917*	*1,396*	*(5,713)*
Rest of households	1,575	50,466	2,983	267,553	193,454	3,431	(76,320)
Total	2,399	169,972	3,710	439,622	253,437	21,562	(227,066)
ADDITIONAL INFORMATION Information classified as non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-

i) Distribution of exposure from loans to customers by activity

Details of the distribution of loans to customers by activity, broken down by tranche based on the carrying amount of the financing as a percentage of the latest appraisal value or the value of available collateral *(loan to value)* on 31 December 2020 and 2019, are as follows:

On 31 December 2020-

	Thousand EUR							
				Secured loans Carrying amount over the latest available appraisal (*LTV*)				
	(*) Total	Of which: secured by real estate	Of which: secured by other collateral	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%
Public administrations	5,206,120	325	3,144	163	111	12	3,144	39
Other financial companies and individual entrepreneurs	639,369	117,492	21,642	25,711	19,241	7,879	28,562	57,741
Non-financial companies and individual entrepreneurs	15,714,692	3,089,907	1,717,263	968,716	1,031,649	718,764	683,352	1,404,689
Real estate construction and property development	*707,825*	*565,722*	*13,937*	*101,828*	*251,255*	*105,668*	*35,848*	*85,060*
Civil engineering construction	*371,297*	*35,317*	*32,076*	*1,937*	*3,108*	*1,269*	*30,905*	*30,174*
Other purposes:	*14,635,570*	*2,488,868*	*1,671,250*	*864,951*	*777,286*	*611,827*	*616,599*	*1,289,455*
Large corporations	*7,826,374*	*742,276*	*833,369*	*318,468*	*129,347*	*133,540*	*166,963*	*827,327*
SMEs and individual entrepreneurs	*6,809,196*	*1,746,592*	*837,881*	*546,483*	*647,939*	*478,287*	*449,636*	*462,128*
Rest of households and non-profit institutions serving households	17,540,010	14,662,110	506,063	3,341,176	4,798,702	4,684,566	1,402,422	941,307
Housing	*14,239,781*	*13,648,573*	*13,045*	*3,014,603*	*4,422,876*	*4,255,471*	*1,187,179*	*781,489*
Consumer	*1,639,022*	*220,520*	*94,329*	*103,851*	*80,577*	*71,746*	*27,066*	*31,609*
Other purposes	*1,661,207*	*793,017*	*398,689*	*222,722*	*295,249*	*357,349*	*188,177*	*128,209*
SUBTOTAL	39,100,191	17,869,834	2,248,112	4,335,766	5,849,703	5,411,221	2,117,480	2,403,776
Less: Impairment losses on assets not assigned to specific operations	-							
TOTAL	39,100,191							
Memorandum Item Refinancing, refinanced and restructured operations	837,019	510,019	26,217	113,523	116,162	99,081	74,962	132,508

(*) Net of valuation adjustments

On 31 December 2019 -

	Thousand EUR							
				Secured loans Carrying amount over the latest available appraisal (*LTV*)				
	(*) Total	Of which: secured by real estate	Of which: secured by other collateral	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%
Public administrations	2,959,166	2,867	133	1,242	118	1,476	1	163
Other financial companies and individual entrepreneurs	983,239	131,344	348,420	26,385	30,523	10,897	19,822	392,137
Non-financial companies and individual entrepreneurs	14,709,255	3,378,647	1,626,458	1,102,053	1,065,289	841,118	370,387	1,626,258
Real estate construction and property development	*709,909*	*547,724*	*32,552*	*119,798*	*263,161*	*105,804*	*14,483*	*77,030*
Civil engineering construction	*282,441*	*44,139*	*32,403*	*2,007*	*10,555*	*5,975*	*33,237*	*24,768*
Other purposes:	*13,716,905*	*2,786,784*	*1,561,503*	*980,248*	*791,532*	*729,339*	*322,667*	*1,524,460*
Large corporations	*6,608,716*	*743,092*	*985,824*	*284,508*	*99,134*	*215,975*	*142,907*	*986,392*
SMEs and individual entrepreneurs	*7,108,189*	*2,043,692*	*575,679*	*695,740*	*692,439*	*513,364*	*179,760*	*538,068*
Rest of households and non-profit institutions serving households	18,488,106	15,447,152	792,098	3,441,850	4,843,500	5,034,668	1,970,396	948,836
Housing	*14,744,551*	*14,299,913*	*11,386*	*3,104,246*	*4,446,936*	*4,546,674*	*1,462,045*	*751,398*
Consumer	*1,492,615*	*195,054*	*75,080*	*91,187*	*67,081*	*59,046*	*17,051*	*35,769*
Other purposes	*2,250,940*	*952,185*	*705,632*	*246,417*	*329,483*	*428,948*	*491,300*	*161,669*
SUBTOTAL	37,139,766	18,960,010	2,767,109	4,571,530	5,939,430	5,888,159	2,360,606	2,967,394
Less: Impairment losses on assets not assigned to specific operations	-							
TOTAL	37,139,766							
Memorandum Item Refinancing, refinanced and restructured operations	1,013,216	651,418	17,937	117,010	125,495	139,558	90,057	197,235

(*) Net of valuation adjustments

11. Derivatives

11.1. Derivatives – hedge accounting (assets and liabilities)

11.1.1. Fair value hedges

On 31 December 2020 and 2019, the breakdown, by type of product, of the fair value and notional amount of the derivatives designated as hedging instruments in fair value hedge transactions is as follows:

On 31 December 2020-

	Thousand EUR			
	Debit balances		Credit balances	
	Fair Value	Notional	Fair Value	Notional
Interest rate swaps (IRS)	6,403	2,030,000	264,838	4,150,182
Forward contracts	1,012	174,091	1,381	90,999
	7,415	2,204,091	266,219	4,241,181

On 31 December 2019 -

	Thousand EUR			
	Debit balances		Credit balances	
	Fair Value	Notional	Fair Value	Notional
Interest rate swaps (IRS)	29,399	2,493,607	179,332	4,540,092
Forward contracts	4,660	713,977	121	245,265
	34,059	3,207,584	179,453	4,785,357

The notional amount of the contracts arranged does not represent the actual risk assumed by the Group with regard to these instruments.

On 31 December 2020 interest rate swaps include swaps with a notional amount of €2,276,800 thousand which have been designated as fair value hedges for the interest rate risk on fixed-income securities, which were issued at fixed rates and had been classified as "Financial assets at fair value through other comprehensive income" at the date of issue (€1,263,900 thousand on 31 December 2019).

On 31 December 2020 transactions designated as fair value hedges for the interest rate risk on fixed-rate deposits from credit institutions totalled €1,000,000 thousand (€3,000,000 thousand on 31 December 2019).

11.1.2. Cash flow hedges

On 31 December 2020 and 2019, the breakdown, by type of product, of the fair value and the notional amount of the derivatives designated as hedging instruments in cash flow hedge transactions, is as follows:

On 31 December 2020-

	Thousand EUR			
	Debit balances		Credit balances	
	Fair Value	Notional	Fair Value	Notional
Other interest rate transactions:				
Interest rate swaps (IRS)	2,883	335,953	24,099	2,318,047
	2,883	335,953	24,099	2,318,047

On 31 December 2019 -

	Thousand EUR			
	Debit balances		Credit balances	
	Fair Value	Notional	Fair Value	Notional
Other interest rate transactions:				
Interest rate swaps (IRS)	19,028	599,140	342	141,875
	19,028	599,140	342	141,875

The notional amount of the contracts arranged does not represent the actual risk assumed by the Group with regard to these instruments.

Cash flow hedging is used to reduce the variability of cash flows (attributable to the interest rate) from hedged items (marketable and non-marketable securities, fixed-income securities and specially mortgage portfolio). These hedges convert the variable remuneration rate on assets/liabilities to a fixed rate of interest, using interest rate derivatives.

On 31 December 2020 and 2019, the Bank had no interest rate swaps designated as cash flow hedges for the interest rate risk on the mortgage portfolio.

The breakdown of the periods, as from 31 December 2020 and 2019, in which the amounts recognised in consolidated equity under "Accumulated other comprehensive income – Hedging derivatives. Cash flow hedges reserve (effective portion)" are expected to revert to future profit or loss, are as follows:

On 31 December 2020-

	Thousand EUR			
	Less than 1 Year	Between 1 and 3 Years	Between 3 and 5 Years	More than 5 Years
Credit balances (gains)	7,725	6,641	12,567	21,564
Debit balances (losses)	(5,893)	(14,185)	(17,576)	(33,153)
Total	1,832	(7,544)	(5,009)	(11,589)

On 31 December 2019 -

	Thousand EUR			
	Less than 1 Year	Between 1 and 3 Years	Between 3 and 5 Years	More than 5 Years
Credit balances (gains)	13,591	27,723	28,404	43,537
Debit balances (losses)	(12,247)	(24,987)	(25,567)	(38,315)
Total	1,344	2,736	2,837	5,222

Details of the estimated amount of future payments and receipts hedged through cash flow hedges, broken down by expected term of their collection or payment as from 31 December 2020 and 2019, are as follows:

On 31 December 2020-

	Thousand EUR			
	Less than 1 Year	Between 1 and 3 Years	Between 3 and 5 Years	More than 5 Years
Receipts	7,709	6,718	12,459	21,665
Payments	(5,870)	(14,222)	(17,461)	(33,255)
Total	1,839	(7,505)	(5,002)	(11,590)

On 31 December 2019 -

	Thousand EUR			
	Less than 1 Year	Between 1 and 3 Years	Between 3 and 5 Years	More than 5 Years
Receipts	13,383	27,405	27,839	43,479
Payments	(12,037)	(24,648)	(25,006)	(38,277)
Total	**1,346**	**2,757**	**2,833**	**5,202**

On 31 December 2020 and 2019, all of the contracts entered into by the Group had been arranged with different creditworthy counterparties.

11.1.3. Hedge effectiveness

The Group considers a hedge to be highly effective when:

i) At the inception of the hedge and in subsequent periods, the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated. Such an expectation can be verified by comparing past changes in the fair value or cash flows of the hedged item that are attributable to the hedged risk with past changes in the fair value or cash flows of the hedged item, or by demonstrating a high statistical correlation between the fair value or cash flows of the hedged item and those of the hedging instrument.

ii) The actual results of the hedge are within a range of 80-125 per cent.

On 31 December 2020 and 2019, the breakdown, by type of hedged item, of the fair value and notional amount of derivatives designated as hedging instruments, is as follows:

On 31 December 2020-

	Thousand EUR			
	Debit balances		Credit balances	
	Fair Value	Notional	Fair Value	Notional
Credit institutions	7,636	1,000,000	-	-
Loans and advances to customers	310	735,000	193,731	2,153,382
Deposits from customers	1,362	200,000	-	-
Debt securities issued	-	-	-	-
Debt securities	990	605,044	96,587	4,405,845
Subordinated liabilities	-	-	-	-
	10,298	**2,540,044**	**290,318**	**6,559,227**

On 31 December 2019 -

	Thousand EUR			
	Debit balances		Credit balances	
	Fair Value	Notional	Fair Value	Notional
Credit institutions	640	1,000,000	11,041	2,000,000
Loans and advances to customers	24	4,607	113,054	1,457,066
Deposits from customers	-	-	4,144	400,000
Debt securities issued	16,240	750,000	-	-
Debt securities	36,183	1,338,140	44,127	632,493
Subordinated liabilities	-	-	7,429	300,000
	53,087	3,092,747	179,795	4,789,559

In 2020 and 2019, the breakdown, by type of hedged item, of gains or losses on derivatives designated as hedging instruments, is as follows:

Financial year 2020

	Thousand EUR				
	Net interest income		Net Trading Income		
	Correction of income (Note 31)	Correction of costs (Note 32)	Residual Value of hedged item	Residual Value of hedging instruments	Total Ineffectiveness (Note 37)
Credit institutions	-	(2,651)	(6,393)	11,518	5,126
Loans and advances to customers	(15,358)	-	86,220	(85,877)	343
Deposits from customers	-	(6,331)	-	(2,154)	(2,154)
Debt securities issued	-	(4,355)	-	-	-
Debt securities	(2,177)	-	50,672	(50,603)	69
Subordinated liabilities	-	157	-	-	-
	(17,535)	(13,180)	130,499	(127,116)	3,384

Financial year 2019

	Thousand EUR				
	Net interest income		Net Trading Income		
	Correction of income (Note 31)	Correction of costs (Note 32)	Residual Value of hedged item	Residual Value of hedging instruments	Total Ineffectiveness (Note 37)
Credit institutions	-	(4,343)	11,654	(11,090)	564
Loans and advances to customers	(10,917)	-	103,315	(99,759)	3,556
Deposits from customers	-	(5,793)	-	1,959	1,959
Debt securities issued	-	(2,811)	-	-	-
Debt securities	(15,862)	-	(57,614)	49,333	(8,281)
Subordinated liabilities	-	13	-	-	-
	(26,779)	(12,934)	57,355	(59,557)	(2,202)

11.2. Derivatives held for trading (assets and liabilities)

Details of the fair value of the derivatives held for trading arranged by the Group, by inherent risk, on 31 December 2020 and 2019 are as follows:

	Thousand EUR			
	2020		2019	
	Debit Balance	Credit balance	Debit Balance	Credit balance
Interest rate risk	136,182	137,428	116,098	67,282
Currency risk	3,225	2,456	214	1,339
Market risk	3,100	4,029	1,299	4,095
Commodities risk	-	-	63	
	142,507	**143,913**	**117,674**	**72,716**

On 31 December 2020 and 2019, all of the contracts entered into by the Group had been arranged with different creditworthy counterparties.

12. Non-current assets and liabilities and disposal groups classified as held for sale

12.1. Non-current assets and disposal groups classified as held for sale

The breakdown, by nature of the relevant asset, of the balance of "Non-current assets and disposal groups classified as held for sale" in the accompanying consolidated balance sheet is as follows:

	Thousand EUR	
	2020	2019
Group companies	949,874	-
Investment property and assets for own use	56,214	66,050
Foreclosed assets or received in payment of debt	270,755	313,375
	1,276,843	**379,425**

Changes registered under this item in 2020 and 2019 are as follows:

Financial year 2020

	Thousand EUR				
	Opening balance 31.12.2019	Additions	Derecognitions	Transfers	Debit Balance at 31.12.2020
Cost:					
Group companies	-	949,874	-	-	949,874
Foreclosed assets or received in payment of debt	790,384	16,620	(87,351)	(10,384)	709,269
Investment property and assets for own use	66,050	-	(16,245)	6,409	56,214
	856,434	**966,494**	**(103,596)**	**(3,975)**	**1,715,357**
Impairment:					
Group companies	-	-	-	-	-
Foreclosed assets or received in payment of debt	(477,009)	(12,705)	46,219	4,981	(438,514)
Investment property and assets for own use	-	-	-	-	-
	(477,009)	**(12,705)**	**46,219**	**4,981**	**(438,514)**
Net total	**379,425**	**953,789**	**(57,377)**	**1,006**	**1,276,843**

Financial year 2019

	Thousand EUR					
	Opening balance at 31.12.2018	Additions	Additions arising from business combinations and transactions with group entities	Derecognitions	Transfers	Debit Balance at 31.12.2019
Cost:						
Foreclosed assets or received in payment of debt	942,147	37,169	5,802	(136,901)	(57,833)	790,384
Investment property and assets for own use	87,434	101	-	(26,514)	5,029	66,050
	1,029,581	**37,270**	**5,802**	**(163,415)**	**(52,804)**	**856,434**
Impairment:						
Foreclosed assets or received in payment of debt	(532,433)	(64,866)	(568)	64,395	56,463	(477,009)
Investment property and assets for own use	-	-	-	-	-	-
	(532,433)	**(64,866)**	**(568)**	**64,395**	**56,463**	**(477,009)**
Net total	**497,148**	**(27,596)**	**5,234**	**(99,020)**	**3,659**	**379,425**

Insurance policy

The Bank's policy is to take out insurance policies to cover the potential risk to its investment property and foreclosed assets received in payment of debts. The Board of Directors of the Bank believes that the insurance coverage arranged is adequate, considering the locations of its investment properties and the foreclosed assets received in payment of debts.

Group companies

As previously stated in Note 5, dated 3 April, ABANCA Corporación Bancaria, S.A. purchased a block of securities equivalent to 39.8% of Nueva Pescanova, S.L. share capital. Following this transaction, ABANCA holds 80.46% of shares in this fishing company. Subsequently, on 15 December 2020, ABANCA purchased an additional 7.94% of share capital, and increased its ownership interest in Nueva Pescanova, S.L. to 88.41% of share capital. This transaction was concluded with the purpose of restoring the value of the company through a restructuring plan and to find, within a reasonable time, an industrial partner willing to acquire a majority stake; accordingly, the Directors of the Group have prepared a plan for the effective disposal of this company.

Additionally, dated 28 July, as a result of a debt capitalisation process ABANCA Corporación Bancaria, S.A. has become the main shareholder in Real Club Deportivo de La Coruña, S.A.D., holding 76.90% of share capital. Subsequently, a capital increase was completed in the second half-year of 2020 with the entry of new shareholders, following which the ownership interest of ABANCA Corporación Bancaria has increased to 76.66%. This debt capitalisation operation has been completed with the aim of participating in the management and restructuring of the company, restoring its enterprise value within the shortest possible delay and preparing a disposal plan intended to promote the entry of new shareholders and to recover the investment.

Consequently, the assets and liabilities arising from the consolidation of Nueva Pescanova, S.L. and Real Club Deportivo de La Coruña, S.A.D. have been considered as disposal groups and a discontinued operations and have therefore being recognised under "Non-current assets and disposal groups classified as held for sale" and under "Liabilities included in disposal groups classified as held for sale" in the accompanying consolidated statements of financial position. Gains or losses contributed since the acquisition of control has been recognised under "Profit or loss after tax from discontinued operations" in the accompanying consolidated statement of profit or loss (the losses recognised under this item for the twelve-months period ended 31 December 2020 relates to profit from Nueva Pescanova, S.L. amounting to €2,205 thousand and to losses from Real Club Deportivo de la Coruña, S.A.D. amounting to €3,967 thousand).

The breakdown, by nature, of the assets contributed by Nueva Pescanova, S.L. and Real Club Deportivo de la Coruña, S.A.D. is as follows:

	Thousand EUR			
	Nueva Pescanova, S.L.		R.C.D. Coruña, S.A.D.	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Cash, cash balances with central banks and other demand deposits	27,715	-	438	-
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	139	-
Financial assets at amortised cost	162,253	-	(497)	-
Investments in joint ventures and associates	4,862	-	-	-
Tangible assets	268,529	-	8,863	-
Intangible assets	119,810	-	9,545	-
Tax assets	55,830	-	574	-
Other assets	290,791	-	1,022	-
	929,790	**-**	**20,084**	**-**

Foreclosed assets or received in payment of debt

Details of this item are as follows:

	Thousand EUR	
	2020	2019
Residential assets	294,001	352,093
Industrial assets	129,603	143,214
Other assets	285,665	295,077
Gross total	**709,269**	**790,384**
Less - Impairment losses	(438,514)	(477,009)
Net total	**270,755**	**313,375**

In 2020 and 2019, sales mainly of foreclosed assets were conducted, giving rise to net gains of €18,360 thousand and €14,557 thousand, respectively, which were recognised under "Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations" in the accompanying consolidated statements of profit or loss. This item also includes impairment coverages for non-current assets and disposal groups classified as held for sale amounting to €12,705 thousand and €64,866 thousand in 2020 and 2019, respectively.

The fair value of non-current assets and disposal groups classified as held for sale has been determined as follows:

- In the case of assets for which there is an up-to-date appraisal carried out by an appraisal company authorised by the Bank of Spain, the fair value was taken to be the value obtained from the appraisal conducted in accordance with Ministerial Order ECO/805/2003. The main appraisal companies involved in the valuation of these assets were Sociedad de Tasación, S.A.; Global Valuation, S.A.U.; Tasaciones Hipotecarias, S.A.; Eurovaloraciones, S.A.; TINSA Tasaciones Inmobiliarias, S.A., and GESVALT Sociedad de Tasación, S.A.

- In the case of assets that are not significant and for which there is no up-to-date appraisal carried out by an appraisal company authorised by the Bank of Spain, the fair value presented was obtained from estimates made by the Group, taking into consideration data from the mortgage market with regard to the price trends of tangible assets with similar characteristics to those of the Group.

On 31 December 2020 and 2019, the breakdown of the carrying amount and fair value of this type of assets is as follows:

Financial year 2020

	Thousand EUR		Time since Appraisal		
	Carrying amount (Gross)	Appraisal Value	Under 12 months	Between 12 and 24 months	Over 24 months
Foreclosed assets	709,269	578,307	438,424	84,116	55,767

Financial year 2019

	Thousand EUR		Time since Appraisal		
	Carrying amount (Gross)	Appraisal Value	Under 12 months	Between 12 and 24 months	Over 24 months
Foreclosed assets	790,384	615,036	531,784	48,830	34,422

Details of the ageing of non-current assets held for sale on 31 December 2020 and 2019 are as follows:

Financial year 2020

	Thousand EUR	Time on the consolidated balance sheet		
	Carrying amount (Gross)	Under 12 months	Between 12 and 24 months	Over 24 months
Foreclosed assets	709,269	21,574	27,181	660,514

Financial year 2019

	Thousand EUR	Time on the consolidated balance sheet		
	Carrying amount (Gross)	Under 12 months	Between 12 and 24 months	Over 24 months
Foreclosed assets	790,384	29,565	46,436	714,383

The usual channels through which investment property is incorporated into the consolidated balance sheet are mortgage foreclosures and dation in payment. The procedures for accepting and managing the assets are specific and supervised by the same departments, irrespective of the channel through which they arrive.

The policy for disposing of these kinds of assets entails the definition of a complete sales plan for the purpose of optimising both the plans and the selling prices. This includes the following:

- Preparing the asset for sale, which involves the process of maturity or supplementary investments to ensure it is in perfect condition, within the bounds of reasonableness with regard to the amount or duration, in order to facilitate its sale.

- Depending on the characteristics of the asset, the Group applies the following criteria:

  · Completed housing. Verification that the completed properties are in perfect condition, setting the selling price and placing the properties at the disposal of the network of branches and other external collaborators.

  · Developments in progress. This involves a valuation, and the contracting and monitoring of the work to obtain completed housing.

  · Land. Where land is likely to be sold, in view of its location, price and characteristics, it is immediately put onto the market through the network of branches and external collaborators, as with completed housing. Where appropriate, the pertinent land development projects are drawn up, which are essential to maintain the value of the land and town planning expectations.

- Compilation of a comprehensive sales plan to facilitate disposal of the foreclosed assets from the consolidated balance sheet through the Group's sales channels.

Details of the origin of assets acquired and foreclosed, based on the purpose of the loan or credit initially extended, on 31 December 2020 and 2019 are as follows:

Financial year 2020

	Thousand EUR	
	Gross carrying amount (*)	Accumulated impairment
Real estate assets from financing to real estate construction and property development		
Buildings and other constructions completed	88,870	49,355
Housing	*52,097*	*25,628*
Other	*36,773*	*23,727*
Buildings and other constructions in progress	48,725	35,375
Housing	*32,210*	*21,007*
Other	*16,515*	*14,368*
Land	235,724	168,897
Consolidated urban land	*174,918*	*118,817*
Rest of land	*60,806*	*50,080*
Real estate assets from mortgage loans to households for house purchase	232,962	128,430
Rest of foreclosed assets or received in payment of debt	102,988	56,457
	709,269	438,514

(*) Amount before deducting any accumulated impairment.

Financial year 2019

	Thousand EUR	
	Gross carrying amount (*)	Accumulated impairment
Real estate assets from financing to real estate construction and property development		
Buildings and other constructions completed	93,963	51,289
Housing	*53,743*	*25,870*
Other	*40,220*	*25,419*
Buildings and other constructions in progress	48,472	33,954
Housing	*31,812*	*19,850*
Other	*16,660*	*14,104*
Land	245,478	172,990
Consolidated urban land	*184,267*	*123,808*
Rest of land	*61,211*	*49,182*
Real estate assets from mortgage loans to households for house purchase	289,583	159,133
Rest of foreclosed assets or received in payment of debt	112,888	59,643
	790,384	477,009

(*) Amount before deducting any accumulated impairment.

12.2. Liabilities included in disposal groups classified as held for sale

The balance of "Liabilities included in disposal groups classified as held for sale" in the accompanying consolidated statements of financial position 31 December 2020 entirely relates to the liabilities resulting from the consolidation of Nueva Pescanova, S.A. and Real Club Deportivo de la Coruña, S.A.D. (see Note 5) (31 December 2019 the Group had nil recognised under this item).

The breakdown, by nature, of the liabilities contributed by Nueva Pescanova, S.L. and Real Club Deportivo de la Coruña, S.A.D. is as follows:

	Thousand EUR			
	Nueva Pescanova, S.L.		R.C.D. Coruña, S.A.D.	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Financial liabilities at amortised cost	515,635	-	20,982	-
Provisions	30,127	-	1,665	-
Tax liabilities	34,694	-	11,392	-
Other liabilities	10,564	-	1,568	-
	591,020	-	35,607	-

No movement has been recorded in provisions for liabilities associated with non-current assets and disposal groups classified as held for sale in 2020 and 2019.

13. Investments in joint ventures and associates

13.1. Investments in associates

Details of the Group's equity investments in associates on 31 December 2020 and 2019, together with certain relevant information thereon, are provided in Appendix I.

13.2. Investments in joint ventures

Details of the Group's investments in joint ventures on 31 December 2020 and 2019, together with certain relevant information thereon, are provided in Appendix I.

13.3. Movement in investments

Movement in this item of the consolidated balance sheet in 2020 and 2019, considering impairment losses, is as follows:

	Thousand EUR	
	2020	2019
Opening balance	**219,493**	**226,376**
Purchases and capital increases	5,628	13,534
Sale of investments	(77)	(24,474)
Changes in consolidation scope and valuation adjustments	(58,119)	5,231
Impairment recognised in profit or loss	(3,000)	11
Profit for the year (Note 34)	(11,597)	(1,185)
Transfer from equity instruments	(8,590)	-
Closing balance	**143,738**	**219,493**
Of which:		
Goodwill	5,002	49,778

Among the transactions carried out in 2020, the 30.09% ownership interest in Ozona Consulting, S.L. has been sold (see Note 2.1).

Dated 3 April, ABANCA Corporación Bancaria, S.A. purchased a block of securities equivalent to 39.8% of Nueva Pescanova, S.L. share capital. Following this transaction, ABANCA holds 80.46% of shares in this fishing company and has acquired control of the investee; consequently, this company is no longer accounted for as associate (see Notes 2.1 and 5).

In December 2020, the ABANCA did not subscribe the capital increase in Sociedad de Capital Riesgo, S.A. (SODIGA) and, consequently, its ownership interest in that company was diluted down to 18.87%. The investment has therefrom been classified as "Non-trading financial assets mandatorily at fair value through profit or loss" (see Note 2.1).

In 2019, purchases mainly relate to the purchase of additional interests in Nueva Pescanova, S.L., taking the investment in this company to 40.66% of share capital.

In 2019, sales mainly relate to the disposal of the 26.42% interest in Autopista de Guadalmedina Concesionaria Española, S.A. (see Note 42).

13.4. Goodwill

Movement in goodwill that is implicit in the cost of the equity investment during 2020 and 2019 was as follows:

	Thousand EUR	
	2020	2019
Opening balance	**49,778**	**36,569**
Change arising from acquisition of investments and changes in the consolidation scope	(41,776)	13,209
Impairment of goodwill	(3,000)	
Closing balance	**5,002**	**49,778**

Changes in goodwill arising from changes in the consolidation scope occurred during 2020 relate to the Group's acquisition of control over Nueva Pescanova, S.L. (see Notes 2.1 and 5). Impairment of goodwill recognised in 2020 and amounting to €3,000 thousand, relates to the investment in Transmonbús, S.L.. In 2019, goodwill recognised entirely arose from several purchases of additional interests in Nueva Pescanova, S.L., taking the investment in this company to 40.66% of share capital.

The recoverability of goodwill is sufficiently guaranteed through the profits of the companies, whose future cash flows justify the carrying amount of this goodwill at each year end. The recoverable amount is calculated on the basis of the budget for each company for 2020 and the business plans for subsequent years.

14. Tangible assets

On 31 December 2020 and 2019, the breakdown of the Bank's tangible assets is as follows:

	Thousand EUR	
	2020	2019
Tangible assets		
Property, plant and equipment	929,352	971,718
For own use	929,352	971,475
Leased out under operating leases	-	243
Investment property	280,458	296,132
Net total	**1,209,810**	**1,267,850**

On 31 December 2020 and 2019, the net balance in the foregoing table includes €82,054 thousand and €78,993 thousand, respectively, relating to Property, plant and equipment of the Group located abroad.

On 31 December 2020, the cost and accumulated depreciation of fully depreciated Property, plant and equipment for own use amounted to €307,233 thousand (€296,560 thousand on 31 December 2019). On 31 December 2020 investment property with a cost of €1,962 thousand was fully depreciated (€1,962 thousand on 31 December 2019).

Rental income from investment property owned by the Group totalled €14,849 thousand in 2020 (€15,129 thousand in 2019). Operating expenses arising therefrom in 2020 amounted to €1,968 thousand (€1,993 thousand in 2019) (see Notes 38 and 41).

The Group's policy requires that insurance policies be purchased to cover the potential risk to its Property, plant and equipment and investment property.

In 2020 and 2019, the breakdown of, and changes according to the nature of the line items presented under this item are as follows:

Financial year 2020

	Thousand EUR				
	Opening balance 31.12.2019	Additions	Derecognitions	Transfers	Closing Balance 31.12.2020
Cost:					
For own use:					
Computer hardware and installations	155,034	14,532	(4,697)	(14,168)	150,701
Furniture, motor vehicles and other installations	615,937	14,942	(22,500)	13,954	622,333
Buildings	778,265	22,619	(2)	(11,715)	789,167
Work in progress	4,499	2,804	-	-	7,303
Right-of-use assets	90,442	3,737	(30,286)	-	63,893
Leased out under operating leases	243	-	(243)	-	-
Investment property	411,992	2,295	(23,691)	9,791	400,387
	2,056,412	**60,929**	**(81,419)**	**(2,138)**	**2,033,784**
Accumulated depreciation:					
For own use:					
Computer hardware and installations	(82,192)	(12,880)	4,217	13,104	(77,751)
Furniture, motor vehicles and other installations	(422,555)	(17,093)	20,552	(12,934)	(432,030)
Buildings	(108,920)	(6,756)	-	2,252	(113,424)
Work in progress	(317)	-	-	-	(317)
Right-of-use assets	(11,482)	(11,874)	10,373	-	(12,983)
Leased out under operating leases	-	-	-	-	-
Investment property	(46,488)	(4,773)	3,047	(1,333)	(49,547)
	(671,954)	**(53,376)**	**38,189**	**1,089**	**(686,052)**
Impairment:					
For own use:					
Computer hardware and installations	(6,238)	(43)	-	-	(6,281)
Furniture, motor vehicles and other installations	(11,371)	(1,477)	-	-	(12,848)
Buildings	(29,627)	(18,784)	-	-	(48,411)
Work in progress	-	-	-	-	-
Right-of-use assets	-	-	-	-	-
Leased out under operating leases	-	-	-	-	-
Investment property	(69,372)	(1,301)	291	-	(70,382)
	(116,608)	**(21,605)**	**291**	**-**	**(137,922)**
Net total	**1,267,850**	**(14,052)**	**(42,939)**	**(1,049)**	**1,209,810**

As a result of International Financial Reporting Standard (IFRS-EU) 16, Leases, becoming effective on 1 January 2019, on 31 December 2020 the Group has recognised right-of-use assets amounting to €52,271 thousand (€78,960 thousand 31 December 2019).

Financial year 2019

	Thousand EUR					
	Opening balance at 31.12.2018	Additions	Additions arising from business combinations	Derecognitions	Transfers	Closing Balance 31.12.2019
Cost:						
For own use:						
Computer hardware and installations	110,401	24,929	19,489	(1,112)	1,327	155,034
Furniture, motor vehicles and other installations	559,185	33,481	18,072	(4,892)	10,091	615,937
Buildings	781,508	7,754	16,895	(9,762)	(18,130)	778,265
Work in progress	2,116	4,252	-	(79)	(1,790)	4,499
Right-of-use assets	-	39,789	50,653	-	-	90,442
Leased out under operating leases	-	243	-	-	-	243
Investment property	422,521	5,406	-	(18,885)	2,950	411,992
	1,875,731	115,854	105,109	(34,730)	(5,552)	2,056,412
Accumulated depreciation:						
For own use:						
Computer hardware and installations	(54,220)	(11,148)	(17,569)	758	(13)	(82,192)
Furniture, motor vehicles and other installations	(382,800)	(18,846)	(16,228)	2,989	(7,670)	(422,555)
Buildings	(107,284)	(6,603)	(8,261)	2,235	10,993	(108,920)
Work in progress	(154)	(163)	-	-	-	(317)
Right-of-use assets	-	(6,688)	(4,794)	-	-	(11,482)
Leased out under operating leases	-	-	-	-	-	-
Investment property	(41,749)	(5,655)	-	1,066	(150)	(46,488)
	(586,207)	(49,103)	(46,852)	7,048	3,160	(671,954)
Impairment:						
For own use:						
Computer hardware and installations	(6,204)	(34)	-	-	-	(6,238)
Furniture, motor vehicles and other installations	(10,887)	(347)	(137)	-	-	(11,371)
Buildings	(92,345)	63,044	(326)	-	-	(29,627)
Work in progress	-	-	-	-	-	-
Right-of-use assets	-	-	-	-	-	-
Leased out under operating leases	-	-	-	-	-	-
Investment property	(69,502)	(134)	-	1,531	(1,267)	(69,372)
	(178,938)	62,529	(463)	1,531	(1,267)	(116,608)
Net total	1,110,586	129,280	57,794	(26,151)	(3,659)	1,267,850

On 31 December 2020 "Buildings" in the foregoing table includes a revaluation of €176,784 thousand (€181,679 on 31 December 2019) arising from the recognition at fair value of items revalued due to various mergers in the past and/or to the revaluation of assets performed on 1 January 2004 in accordance with the change in accounting regulations.

15. Intangible Assets

15.1 Goodwill

The breakdown and changes under this heading in the accompanying consolidated balance, based on the relevant originating cash generating unit (CGU), are as follows:

	Thousand EUR			
	ABANCA Servicios Financieros, E.F.C., S.A.U.	ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A.U.	Nueva Pescanova, S.L.	R.C. Deportivo de la Coruña, S.A.D.
Balance at 1 January 2019	13,745	47,986	-	-
Additions	-	-	-	-
Derecognitions	-	-	-	-
Transfers to other intangible assets	-	-	-	-
Balance on 31 December 2019	13,745	47,986	-	-
Additions	-	-	34,383	45,451
Derecognitions	-	-	-	-
Adjustments to provisional values	-	-	(40,460)	(26,561)
Transfers from “Investments in joint ventures and associates”	-	-	41,776	-
Transfers to other intangible assets	-	-	-	-
Balance on 31 December 2020	13,745	47,986	35,699	18,890

15.2 Other intangible assets

In 2020 and 2019, movements registered under this item in the consolidated balance sheet are as follows:

Financial year 2020

	Thousand EUR				
	Opening balance 31.12.2019	Additions	Derecognitions	Transfers	Closing Balance 31.12.2020
Cost:					
Administrative concessions, computer software and transfer rights	203,601	36,556	(535)	(214)	239,408
Other	565,362	-	-	-	565,362
	768,963	36,556	(535)	(214)	804,770
Accumulated amortisation:					
Administrative concessions, computer software and transfer rights	(118,205)	(7,243)	461	170	(124,817)
Other	(220,597)	(34,371)	-	-	(254,968)
	(338,802)	(41,614)	461	170	(379,785)
Impairment:					
Administrative concessions, computer software and transfer rights	(23,063)	-	-	-	(23,063)
Other	-	-	-	-	-
	(23,063)	-	-	-	(23,063)
Net total	407,098	(5,058)	(74)	(44)	401,922

Financial year 2019

	Thousand EUR					
	Opening balance at 31.12.2018	Additions	Additions arising from business combinations and transactions with group entities	Derecognitions	Transfers	Closing Balance 31.12.2019
Cost:						
Administrative concessions, computer software and transfer rights	166,878	36,809	-	(86)	-	203,601
Other	535,762	-	29,600	-	-	565,362
	702,640	**36,809**	**29,600**	**(86)**	**-**	**768,963**
Accumulated amortisation:						
Administrative concessions, computer software and transfer rights	(111,132)	(7,073)	-	-	-	(118,205)
Other	(186,929)	(33,668)	-	-	-	(220,597)
	(298,061)	**(40,741)**	**-**	**-**	**-**	**(338,802)**
Impairment:						
Administrative concessions, computer software and transfer rights	(23,063)	-	-			(23,063)
Other	-	-	-	-	-	-
	(23,063)	**-**	**-**	**-**	**-**	**(23,063)**
Net total	**381,516**	**(3,932)**	**29,600**	**(86)**	**-**	**407,098**

The breakdown of intangible assets relating to the valuation of customer relations is as follows:

31 December 2020

	Thousand EUR			
	Cost	Accumulated amortisation	Impairment	Net balance
Relations with customers				
Merger of ABANCA and ABANCA Holding Financiero, S.A.	*227,400*	*(185,561)*	-	*41,839*
ABANCA Vida y Pensiones purchase	*199,315*	*(55,152)*	-	*144,163*
ABANCA II Vida y Pensiones purchase	*109,047*	*(10,766)*	-	*98,281*
Purchase of Deutsche Bank Portugal	*10,500*	*(1,579)*	-	*8,921*
Purchase of Banco Caixa Geral	*19,100*	*(1,910)*	-	*17,190*
Balance on 31 December 2020	**565,362**	**(254,968)**	**-**	**310,394**

31 December 2019

	Thousand EUR			
	Cost	Accumulated amortisation	Impairment	Net balance
Relations with customers				
Merger of ABANCA and ABANCA Holding Financiero, S.A.	*227,400*	*(165,300)*	-	*62,100*
ABANCA Vida y Pensiones purchase	*199,315*	*(45,959)*	-	*153,356*
ABANCA II Vida y Pensiones purchase	*109,047*	*(8,809)*	-	*100,238*
Purchase of Deutsche Bank Portugal	*10,500*	*(529)*		*9,97*
Purchase of Banco Caixa Geral	*19,100*	-	-	*19,100*
Balance on 31 December 2019	565,362	(220,597)	-	344,765

16. Inventories

The balance under this item of the consolidated balance sheet basically includes wine-growing assets contributed by the subsidiary Sogevinus, S.G.P.S., S.A.

17. Other assets

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

	Thousand EUR	
	2020	2019
Prepaid expenses	8,862	6,791
Pension plans net assets (Note 23)	8,209	-
Foreclosures in progress	-	-
Extraordinary contribution to Deposit Guarantee Fund	16,293	24,102
Payments yet to be passed onto third parties	19,905	15,477
Transactions in transit	35,623	30,796
Other	52,206	89,707
	141,098	**166,873**

On 31 December 2020, "Deposit Guarantee Fund" includes €16,293 thousand (€24,102 thousand on 31 December 2019) relating to the present value of the extraordinary contribution approved by the Management Committee of the Deposit Guarantee Fund for Credit Institutions at its session held on 30 July 2012.

On 31 December 2020 and 2019, "Transactions in transit" basically include transactions between branches and centres of the Bank that have not arrived at the destination branch, and charges generated by different entities through the Savings Bank Exchange Service ("SICA") system, mainly corresponding to customers and which are applied in the days following their reception.

18. Deposits from Central Banks and Credit Institutions

On 31 December 2020 and 2019, the breakdown, by classification, counterparty, nature and currency, of this item in the consolidated balance sheet is as follows:

	Thousand EUR	
	2020	2019
Classification:		
Financial liabilities at amortised cost	11,059,479	8,338,736
	11,059,479	**8,338,736**
Counterparty:		
Central banks	8,657,200	4,693,470
Credit institutions	2,402,279	3,645,266
	11,059,479	**8,338,736**
Nature:		
Reciprocal accounts	-	-
Term accounts	858,106	1,931,228
Repurchase agreements (Note 8)	1,437,520	1,545,932
Other accounts	8,763,853	4,861,576
	11,059,479	**8,338,736**
Currency:		
Euro	10,927,167	7,965,941
Foreign currency	132,312	372,795
	11,059,479	**8,338,736**
Valuation adjustments:		
Accrued interest	(41,942)	(26,446)
Micro-hedges	781	(4,845)
	11,018,318	**8,307,445**

On 31 December 2020, the limit allocated to the Group by the European Central Bank for financing from the credit system against pledged debt securities and loans totalled €7,205,546 thousand and €4,778,888 thousand (see Notes 8 a) and 10 a)), respectively, of which €8,657,200 thousand had been drawn down on 31 December 2019 (€4,693,470 thousand on 31 December 2019); 31 December 2020, €8,657,200 thousand of which relate to drawdowns under the European Central Bank TLTRO III program.

On 30 April 2020, the European Central Bank modified certain terms and conditions of the TLTRO III facilities in order to support firms' and households' continued access to bank credits given the disruptions and temporary lack of funding associated with the COVID-19 pandemic. Institutions reaching the lending performance threshold of 0% in the period from 1 March 2020 to 31 March 2021 will pay an interest rate 0.5% below the average rate applied on deposit facilities during the periods from 24 June 2020 to 21 December 2022 and 28 June 2023. This implies that the interest rate applied to drawdown facilities is -1%. Beyond that period, the average interest rate applied on deposit facilities (currently -0.5%) will apply, provided the lending performance thresholds defined by the European Central bank are met (-0.44% 31 December 2019).

The Group is reasonably confident that it will meet the relevant lending performance thresholds. Consequently, the effective interest rate applied on each facility is -0.5%, and the interest rate subsidy associated with the COVID-19 pandemic will be recognised during the annual period from 24 June 2020 to 23 June 2022.

The negative interest rates currently being applied on the amounts drawdown under TLTRO III facilities have been recognised under "Interest income and other similar income" in the consolidated statement of profit or loss and, on 31 December 2020, amount to €58,077 million.

Note 47 to the consolidated financial statements includes a breakdown of the maturity periods of these liabilities at the 2020 and 2019 reporting dates, as well as the average annual interest rates.

19. Deposits from customers

The breakdown of this heading in the consolidated balance sheet on 31 December 2020 and 2019, by classification, geographical area, nature and currency, is as follows:

	Thousand EUR	
	2020	2019
Classification:		
Financial liabilities at amortised cost	46,294,037	41,221,426
	46,294,037	41,221,426
Geographical area:		
Spain	41,659,099	36,674,824
European Union (excluding Spain)	2,861,497	2,618,724
United States of America and Puerto Rico	159,293	443,283
Other OECD countries	934,965	816,772
Latin America	613,707	586,413
Rest of the world	65,476	81,410
	46,294,037	41,221,426
Nature:		
Demand:		
Current accounts	15,889,919	12,274,452
Savings accounts	17,401,073	15,377,726
Term deposits		
Fixed-term deposits	10,735,378	12,157,801
Hybrid financial liabilities	54,535	70,600
Repurchase agreements (Note 8)	2,213,132	1,340,847
	46,294,037	41,221,426
Currency:		
Euro	44,749,848	39,572,543
Foreign currency	1,544,189	1,648,883
	46,294,037	41,221,426
Valuation adjustments:		
Accrued interest	38,937	56,747
Premiums/Discounts on assumption	38,709	51,743
Transaction costs	(9,059)	(8,621)
Micro-hedges	30,137	28,898
	46,392,761	41,350,193

Note 47 to the consolidated financial statements includes a breakdown of the maturity periods of these liabilities at the 2020 and 2019 reporting dates, as well as the average annual interest rates.

On 31 December 2020 and 2019, "Fixed-term deposits" in the above table respectively included 7 and 8 issues of non-negotiable mortgage covered bonds carried out by the Bank, the characteristics of which are shown below:

Mortgage covered bonds

Information required pursuant to Law 2/1981, of 25 March, governing the mortgage market, and to Royal Decree 716/2009, of 24 April, implementing certain aspects of this law.

These mortgage covered bonds are securities whose capital and interest are specifically secured by a mortgage, without the need to be registered, without prejudice to the overall liability of the Group and, where appropriate, through the replacement assets and through the economic flows generated by the derivative financial instruments linked to each issue.

Mortgage covered bonds include the holder's rights to receivables vis-à-vis the Group, secured as described in the preceding paragraph, and payment by the issuer is enforceable after maturity. Holders of these securities are pre-emptive creditors in accordance with article 1,923, point 3 of the Civil Code and have preference over all other creditors with regard to all mortgage loans held by the issuer in the case of mortgage bonds and in relation to the replacement assets and cash flows generated by the derivative financial instruments associated with the issues.

In the event of insolvency proceedings, covered bond holders have the special privileges established in article 90, section 1, point 1 of Law 22/2003, of 9 July, (Insolvency Law). Nonetheless, in accordance with article 84, paragraph 2, point 7 of the Insolvency Law, during insolvency proceedings, payments of capital and interest on covered bonds issued and pending redemption at the date the request for insolvency proceedings is filed would be honoured up to the amount of income received by the insolvent party from the mortgage loans, as well as the replacement assets that back the bonds, if applicable, and the cash flows generated by the instruments associated with the issues.

In the event that income received by the insolvent party were insufficient to honour the payments mentioned in the preceding paragraph due to a timing difference, the administrators should settle these payments by selling off the replacement assets associated with the issue and, if this were not sufficient, carry out financing transactions to honour the obligatory payment of the bond holders, for which the financer assumes liability.

In the event that implementation of the procedures described in article 155, point 3 of the Insolvency Law were required, holders of covered bonds of the issuer would be paid on a pro rata basis, irrespective of the dates of issue of their securities.

The Group's Board of Directors states that the Group has specific policies and procedures in place encompassing all mortgage market issue activities carried out and guaranteeing strict compliance with applicable mortgage market legislation.

Information related to mortgage covered bond issues

On 31 December 2020 and 2019, the breakdown of mortgage covered bond issues, and the main characteristics thereof, is as follows:

On 31 December 2020-

Designation / Issuer	Issue date	Maturity date	ISIN	Nominal amount (Thousand EUR)	Interest Rate[1]	Settlement
AyT Cédulas Cajas Global FTA - serie III	14/12/2005	14/12/2022	ES0312298021	129,630	3.75%	Annual
A y T Cédulas Cajas Global FTA - Serie VI (*)	24/03/2006	24/03/2021	ES0312298054	300,000	4.00%	Annual
A y T Cédulas Cajas Global FTA - Serie X	25/10/2006	25/10/2023	ES0312298096	100,000	4.25%	Annual
A y T Cédulas Cajas Global FTA - Serie XIII (*)	25/05/2007	25/05/2027	ES0312298120	200,000	4.76%	Annual
A y T Cédulas Cajas X FTA - Serie B	30/06/2005	30/06/2025	ES0312342019	410,257	3.75%	Annual
Cédulas TDA 6 FTA	23/05/2005	23/05/2025	ES0317046003	200,000	3.88%	Annual
Programa Cédulas TDA FTA - Serie A6 (*)	10/04/2006	10/04/2031	ES0371622020	200,000	4.25%	Annual
				1,539,887		

(*) *The Bank's interest rate risk management policy for these issues is based on holding positions in fair value hedging derivatives, basically in the form of interest rate swaps, which are recognised as "Derivatives - hedge accounting" in both assets and liabilities sides of the consolidated balance sheet (see Note 11).*

(1) *Unless specified otherwise in the above notes, issues have a fixed rate of interest.*

On 31 December 2019 -

Designation / Issuer	Issue date	Maturity date	ISIN	Nominal amount (Thousand EUR)	Interest Rate[1]	Settlement
AyT Cédulas Cajas Global FTA - serie III	14/12/2005	14/12/2022	ES0312298021	129,630	3.75%	Annual
A y T Cédulas Cajas Global FTA - Serie VI (*)	24/03/2006	24/03/2021	ES0312298054	300,000	4.00%	Annual
A y T Cédulas Cajas Global FTA - Serie X	25/10/2006	25/10/2023	ES0312298096	100,000	4.25%	Annual
A y T Cédulas Cajas Global FTA - Serie XIII (*)	25/05/2007	25/05/2027	ES0312298120	200,000	4.76%	Annual
A y T Cédulas Cajas X FTA - Serie B	30/06/2005	30/06/2025	ES0312342019	410,257	3.75%	Annual
A y T Cédulas Cajas IX FTA - Serie B (*)	31/03/2005	31/03/2020	ES0312358015	116,666	4.00%	Annual
Cédulas TDA 6 FTA	23/05/2005	23/05/2025	ES0317046003	200,000	3.88%	Annual
Programa Cédulas TDA FTA - Serie A6 (*)	10/04/2006	10/04/2031	ES0371622020	200,000	4.25%	Annual
				1,656,553		

(*) *The Bank's interest rate risk management policy for these issues is based on holding positions in fair value hedging derivatives, basically in the form of interest rate swaps, which are recognised as "Derivatives - hedge accounting" in both assets and liabilities sides of the consolidated balance sheet (see Note 11).*

(1) *Unless specified otherwise in the above notes, issues have a fixed rate of interest.*

These mortgage covered bonds have been issued pursuant to the provisions of Law 2/1981, of 25 March, governing the mortgage market, and the regulations implementing it.

Movement in the nominal value of these liabilities during the year ended 31 December 2020 reflects the redemption on maturity of three issues of mortgage covered bonds for a combined amount of €116,666 thousand (redemption on maturity of two covered bond issues for a combined amount of €76,829 thousand in the year ended 31 December 2019).

On 31 December 2020 and 2019, the Group had no matured mortgage covered bond issues.

Qualitative information on mortgage market activities

On 31 December 2020 and 2019, the breakdown of Mortgage Loans by eligibility for mortgage market purposes is as follows:

	Thousand EUR	
	Nominal amount	
	2020	2019
Total loans (*)	17,690,150	18,729,737
Mortgage bonds issued		
Of which: loans recognised as assets	-	*825,724*
Mortgage transfer certificates issued		
Of which: loans recognised as assets	*2,178,802*	*1,554,925*
Mortgage loans pledged as collateral to secure financing received	-	-
Mortgage loans that back the issue of mortgage covered bonds (**)	15,511,348	16,349,088
i) Ineligible loans (***)	5,062,911	5,158,953
- *Loans meeting the eligibility requirements, except the limit requirement of Article 5.1 of Royal Decree 716/2009*	*4,076,742*	*4,031,268*
- *Other ineligible loans*	*986,169*	*1,127,685*
ii) Eligible loans (****)	10,448,438	11,190,135
- *Loans backing mortgage covered bond issues (*****)*	-	-
- *Loans qualifying for backing mortgage covered bond issues*	*10,448,438*	*11,190,135*
- *Non-qualifying amounts*	*59,826*	*65,772*
- *Qualifying amounts*	*10,388,612*	*11,124,363*

(*) Including those acquired through collateralised mortgage bonds and mortgage transfer certificates, even if they have been derecognised from the balance sheet.

(**) Total loans less collateralised mortgage bonds issued, mortgage transfer certificates issued, and mortgage loans pledged as collateral to secure financing received.

(***) Not meeting the requirements of article 3 of Royal Decree 716/2009.

(****) Pursuant to article 3 of Royal Decree 716/2009, without deducting the computation limits set forth in article 12 of Royal Decree 716/2009.

(*****) Pursuant to the criteria set forth in article 12 of Royal Decree 716/2009.

The nominal value of existing mortgage loans and eligible loans in accordance with Royal Decree 716/2009, without considering the computation limits set forth in article 12 of foregoing Royal Decree 716/2009, is shown below. The values are broken down by source, currency, payment status, average residual maturity, interest rate, borrower, type of collateral, and the ratio of transaction amount to appraisal value of the respective properties mortgaged:

On 31 December 2020-

	Thousand EUR	
	Mortgage loans that back the issue of mortgage covered bonds	Of which: eligible loans (*)
TOTAL	**15,511,348**	**10,448,438**
TRANSACTION ORIGINATION		
Originated by the Entity	14,760,922	10,367,677
Subrogated from other entities	68,092	51,780
Other	682,334	28,981
CURRENCY		
Euro	15,205,483	10,448,438
Other currencies	305,865	-
PAYMENT STATUS		
Performing	15,154,860	10,368,966
Other status	356,488	79,472
AVERAGE RESIDUAL MATURITY		
Up to 10 years	2,848,527	1,615,870
10 to 20 years	5,493,410	3,891,904
20 to 30 years	6,405,144	4,684,387
More than 30 years	764,267	256,277
INTEREST RATES		
Fixed interest rate	596,376	261,887
Variable remuneration rate	14,914,972	10,186,551
Mixed interest rate	-	-
HOLDERS		
Legal entities and individual entrepreneurs	2,648,724	835,030
Of which: Real estate construction and property development	*396,150*	*102,978*
Rest of households	12,862,624	9,613,408
TYPE OF COLLATERAL		
Completed assets/buildings	14,899,143	10,207,210
Housing	12,953,149	9,629,326
Of which: social housing	*751,269*	*495,943*
Offices and commercial premises	651,717	279,938
Other buildings and constructions	1,294,277	297,946
Assets/buildings under construction	508,946	197,529
Housing	*420,681*	145,937
Of which: social housing	15,070	*263*
Offices and commercial premises	17,846	7,216
Other buildings and constructions	70,419	44,376
Land	103,259	43,699
Consolidated urban land	53,205	20,466
Rest of land	50,054	23,233

(*) Pursuant to article 3 of Royal Decree 716/2009, without deducting the computation limits set forth in article 12 of Royal Decree 716/2009.

On 31 December 2019 -

	Thousand EUR	
	Mortgage loans that back the issue of mortgage covered bonds	Of which: eligible loans (*)
TOTAL	**16,349,088**	**11,190,135**
TRANSACTION ORIGINATION		
Originated by the Entity	15,667,264	11,110,723
Subrogated from other entities	88,247	66,299
Other	593,577	13,113
CURRENCY		
Euro	16,039,015	11,184,936
Other currencies	310,073	5,199
PAYMENT STATUS		
Performing	15,711,589	11,032,778
Other status	637,499	157,357
AVERAGE RESIDUAL MATURITY		
Up to 10 years	2,936,151	1,788,124
10 to 20 years	5,622,318	4,042,154
20 to 30 years	6,780,998	4,901,412
More than 30 years	1,009,621	458,445
INTEREST RATES		
Fixed interest rate	547,878	266,603
Variable remuneration rate	14,888,452	10,278,847
Mixed interest rate	912,758	644,685
HOLDERS		
Legal entities and individual entrepreneurs	2,904,992	1,068,686
Of which: Real estate construction and property development	*722,246*	*318,714*
Rest of households	13,444,096	10,121,449
TYPE OF COLLATERAL		
Completed assets/buildings	15,636,485	10,900,880
Housing	13,728,055	10,295,939
Of which: social housing	*814,445*	*519,541*
Offices and commercial premises	744,477	293,897
Other buildings and constructions	1,163,953	311,044
Assets/buildings under construction	595,082	238,516
Housing	*409,328*	169,567
Of which: social housing	17,771	*131*
Offices and commercial premises	16,062	7,052
Other buildings and constructions	169,692	61,897
Land	117,521	50,739
Consolidated urban land	54,127	20,637
Rest of land	63,394	30,102

(*) Pursuant to article 3 of Royal Decree 716/2009, without deducting the computation limits set forth in article 12 of Royal Decree 716/2009.

The distribution of nominal values according to the principal draw compared to the latest available appraisal (*loan to value* (*LTV*)) in accordance with Royal Decree 716/2009, without considering the computation limits set forth in article 12 of foregoing Royal Decree 716/2009, is shown below.

	31 December 2020			
	Principal drawn compared to the latest available appraisal (*LTV*) (thousand EUR)			
	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	TOTAL
TYPE OF COLLATERAL				
Loans eligible for issues of mortgage covered bonds (*)	3,093,035	4,187,006	3,168,397	10,448,438
Housing collateral	*2,766,970*	*3,845,461*	*3,162,832*	*9,775,263*
Other real estate collateral	*326,065*	*341,545*	*5,565*	*673,175*

(*) Pursuant to article 3 of Royal Decree 716/2009, without deducting the computation limits set forth in article 12 of Royal Decree 716/2009.

	31 December 2019			
	Principal drawn compared to the latest available appraisal (*LTV*) (thousand EUR)			
	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	TOTAL
TYPE OF COLLATERAL				
Loans eligible for issues of mortgage covered bonds (*)	3,273,130	4,503,380	3,413,625	11,190,135
Housing collateral	*2,973,583*	*4,095,285*	*3,396,639*	*10,465,507*
Other real estate collateral	*299,547*	*408,095*	*16,986*	*724,628*

(*) Pursuant to article 3 of Royal Decree 716/2009, without deducting the computation limits set forth in article 12 of Royal Decree 716/2009.

The breakdown of the available balances under mortgage loans backing the issue of mortgage covered bonds are as follows:

	Thousand EUR	
	Undrawn principals (*)	
	31.12.2020	31.12.2019
Mortgage loans that back the issue of mortgage covered bonds		
Total	346,321	481,317
Potentially eligible (**)	143,100	200,007
Ineligible	203,221	281,310

(*) Amounts committed less amounts drawn down, including those amounts that are only transferred to developers when homes are sold.

(**) Pursuant to article 3 of Royal Decree 716/2009.

On 31 December 2020 and 2019 and during the years then ended the Group had no replacement assets tied to the issue of mortgage covered bonds.

Mortgage securities

On 31 December 2020 and 2019, the breakdown of outstanding mortgage securities issued by the Group is as follows:

On 31 December 2020-

	Nominal amount (thousand EUR)	Average residual maturity (*)
MORTGAGE SECURITIES		
Mortgage bonds issued (**)	-	
Of which: recognised as liabilities	-	
Mortgage covered bonds issued (**)	3,289,886	
Of which: recognised as liabilities	*3,289,886*	
Debt securities. Issued to the public	-	
Residual maturity, up to one year	-	
Residual maturity, more than one year and up to two years	-	
Residual maturity, more than two years and up to three years	-	
Residual maturity, more than three years and up to five years	-	
Residual maturity, more than five years and up to ten years	-	
Residual maturity, over ten years	-	
Debt securities Other issues	1,750,000	
Residual maturity, up to one year	-	
Residual maturity, more than one year and up to two years	-	
Residual maturity, more than two years and up to three years	-	
Residual maturity, more than three years and up to five years	1,000,000	
Residual maturity, more than five years and up to ten years	750,000	
Residual maturity, over ten years	-	
Deposits	1,539,886	
Residual maturity, up to one year	300,000	
Residual maturity, more than one year and up to two years	129,630	
Residual maturity, more than two years and up to three years	100,000	
Residual maturity, more than three years and up to five years	610,256	
Residual maturity, more than five years and up to ten years	200,000	
Residual maturity, over ten years	200,000	
Collateralised mortgage bonds issued	-	-
Issued to the public	-	-
Other issues	-	-
Mortgage transfer certificates issued (***)	2,178,802	-
Issued to the public	-	-
Other issues	2,178,802	-

(*) Average residual maturity weighted by amount, expressed in rounded months (rounded to the later month where equidistant from the two).

(**) Mortgage binds and mortgage covered bonds include all instruments issued by the entity pending redemption, even if they have not been recognised under liabilities (because they have not been placed with third parties or have been repurchased).

(***) The amount of collateralised mortgage bonds and mortgage transfer certificates issued that solely comprise mortgage loans still recognised under assets on the balance sheet.

On 31 December 2019 -

	Nominal amount (thousand EUR)	Average residual maturity (*)
MORTGAGE SECURITIES		
Mortgage bonds issued (**)	-	
Of which: recognised as liabilities	-	
Mortgage covered bonds issued (**)	2,456,553	
Of which: recognised as liabilities	*2,456,553*	
Debt securities. Issued to the public	-	
Residual maturity, up to one year	-	
Residual maturity, more than one year and up to two years	-	
Residual maturity, more than two years and up to three years	-	
Residual maturity, more than three years and up to five years	-	
Residual maturity, more than five years and up to ten years	-	
Residual maturity, over ten years	-	
Debt securities Other issues	800,000	
Residual maturity, up to one year	50,000	
Residual maturity, more than one year and up to two years	-	
Residual maturity, more than two years and up to three years	-	
Residual maturity, more than three years and up to five years	-	
Residual maturity, more than five years and up to ten years	750,000	
Residual maturity, over ten years	-	
Deposits	1,656,553	
Residual maturity, up to one year	116,667	
Residual maturity, more than one year and up to two years	300,000	
Residual maturity, more than two years and up to three years	129,630	
Residual maturity, more than three years and up to five years	100,000	
Residual maturity, more than five years and up to ten years	810,256	
Residual maturity, over ten years	200,000	
Collateralised mortgage bonds issued	825,724	292
Issued to the public	-	-
Other issues	825,724	292
Mortgage transfer certificates issued (***)	40,487	325
Issued to the public	-	-
Other issues	40,487	325

(*) Average residual maturity weighted by amount, expressed in rounded months (rounded to the later month where equidistant from the two).

(**) Mortgage bonds and mortgage covered bonds include all instruments issued by the entity pending redemption, even if they have not been recognised under liabilities (because they have not been placed with third parties or have been repurchased).

(***) The amount of collateralised mortgage bonds and mortgage transfer certificates issued that solely comprise mortgage loans still recognised under assets on the balance sheet.

20. Debt securities issued

a) Breakdown

On 31 December 2020 and 2019 the breakdown, by classification and nature, of the balance of this item in the consolidated balance sheets is as follows:

	Thousand EUR	
	2020	2019
Classification:		
Financial liabilities at amortised cost	1,650,995	1,703,240
	1,650,995	1,703,240
Nature:		
Mortgage securities	1,750,000	800,300
Other convertible securities	-	-
Other non-convertible securities	-	-
Own securities	(1,000,000)	-
Subordinated liabilities	900,995	902,940
	1,650,995	1,703,240
Currency:		
Euros	1,650,995	1,703,240
	1,650,995	1,703,240
Valuation adjustments:		
Accrued interest	33,997	28,092
Micro-hedges	33,041	6,303
Transaction costs	(9,757)	(11,059)
	1,708,276	1,726,576

The currency of these marketable securities was the Euro for all issues.

Note 47 to the consolidated financial statements includes a breakdown of the maturity periods of these securities at the 2020 and 2019 reporting dates, as well as the average annual interest rates.

b) Mortgage securities

The covered bond issues carried out by ABANCA were agreed by its Board of Directors by virtue of the authorisations granted by the Bank's shareholders at their general meeting and pursuant to the limits approved by the aforementioned governing body.

The main characteristics of outstanding issues on 31 December 2020 and 2019 are as follows:

On 31 December 2020-

Designation	Number of Securities	thousand EUR Nominal	Date of Issue	Date of Maturity	Interest Rate	Settlement of Interest
Mortgage covered bonds, May 2019	7,500	750,000	28/05/2019	28/05/2029	0.75%	Annual
Mortgage covered bonds June 2020	10,000	1,000,000	05/06/2020	05/06/2025	0.04%	Quarterly
		1,750,000				

On 31 December 2019 -

Designation	Number of Securities	thousand EUR Nominal	Date of Issue	Date of Maturity	Interest Rate	Settlement of Interest
Mortgage covered bonds, May 2010	1,000	50,000	01/05/2010	31/07/2020	4.90%	Annual
Mortgage covered bonds, May 2019	7,500	750,000	28/05/2019	28/05/2029	0.75%	Annual
		800,000				

These mortgage covered bonds have been issued pursuant to the provisions of Law 2/1981 of 25 March, governing the mortgage market, and the regulations implementing it.

Changes in nominal value recorded in the balance of this item during 2020 and 2019 were as follows:

	Thousand EUR
2019 Opening balance	**1,050,000**
Issues	750,000
Depreciation and amortisation	(1,000,000)
2019 Closing balance	**800,000**
Issues	1,000,000
Depreciation and amortisation	(50,000)
Closing balance 2020	**1,750,000**

Dated 5 June 2020, the economic conditions were laid down for an issue of €1,000,000 thousand in mortgage covered bonds. These bonds were issued at 100% of nominal value and will bear variable remuneration, payable quarterly in arrears, at a EUR 3M + 0.15% (floor 0%) rate until 5 June 2025. These notes will mature on 5 June 2025, subject to ABANCA's option to redeem them early under certain circumstances.

Dated 28 May 2019, the economic conditions were laid down for an issue of €750,000 thousand in mortgage covered bonds. These bonds were issued at 99.34% of nominal value and will bear interests, payable annually in arrears, at a 0.75% annual rate until 28 May 2029. These bonds will mature on 28 May 2029, subject to ABANCA's option to redeem them early under certain circumstances.

In 2020, bonds totalling €50.000 thousand matured (bonds totalling €1,000,000 matured in 2019).

In the table above, the 2020 closing balance includes €1,000,000 relate to issues included in the Group's treasury stock (31 December 2019 no amount was recognised in this respect).

c) *Other non-convertible securities*

On 31 December 2020 and 2019, the Group had nil balance recognised under the item "Other non-convertible securities".

d) *Other convertible securities*

On 31 December 2020 and 2019, the Group had nil balance recognised under the item "Other convertible securities".

21. Subordinated liabilities

a) Breakdown

On 31 December 2020 and 2019 the breakdown, by classification and nature, of the balance of this item in the balance sheet is as follows:

	Thousand EUR	
	2020	2019
Classification:		
Financial liabilities at amortised cost	900,995	902,940
	900,995	**902,940**
Nature:		
Subordinated liabilities	901,200	903,500
Own securities	(205)	(560)
	900,995	**902,940**
Valuation adjustments:		
Accrued interest	30,667	23,699
Micro-hedges	348	-
Transaction costs	(3,018)	(3,861)
	928,992	**922,778**

Note 47 to the consolidated financial statements includes a breakdown of the maturity periods of these liabilities at the 2020 and 2019 reporting dates, as well as the average annual interest rates.

As previously stated under Note 1.2.2, the Group has retrospectively reclassified the €250,000 thousand issue of perpetual bonds because the Group has accounted for this issue in accordance with paragraph 28 of IAS 32, and has considered it as a compound instrument, that is, an instrument with a liability component and an equity component as a result of the discretion for payment of dividends on the instrument; however, given the conversion option feature, the amount of the equity component is nil and, therefore, the instrument's value would entirely correspond to its liability component. (see Note 27).

Dated 24 September 2018, ABANCA Corporación Bancaria, S.A. laid down the economic terms for an issue of €250,000 thousand in perpetual bonds, the principal amount of which may eventually be reduced, as a bail-in tool. Perpetual bonds were issued at par value and will bear a fixed annual interest payable quarterly in arrears and subject to review throughout the bond issue life. Interest will be 7.5% p.a. until 2 January 2023; thereafter the interest rate will be reviewed every fifth year by applying a 7.326% spread on 5-year Mid-Swap Rate. In any case, payment of interest is subject to certain conditions and, additionally, is at the issuer's discretion.

These bonds are perpetual, subject to the Entity's option to redeem them under certain circumstances. Additionally, the principal amount of each perpetual bond may be temporarily reduced down to €0.01 in the event that ABANCA or the Group common equity tier 1 (CET1), calculated pursuant to the provisions of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms ("Regulation 575/2013) should at any time fall below 5.125%.

The issue was exclusively addressed to professional customers and eligible counterparties.

This issue was paid up and closed on 2 October 2018 and was subsequently admitted to trading in AIAF Fixed-income Market.

The competent Supervisory Authority has authorised classification of this issue of perpetual bonds as tier 1 capital.

The payment of the dividend associated to these instruments is recognised in equity under "Other reserves".

Dated 26 September 2019, the Bank laid down the economic terms of an issue of €300,000 thousand in subordinated notes (Fix Rate Reset Subordinated Notes). These notes were issued at par value and will bear interests, payable annually in arrears, at a 4.625% annual fixed rate until 7 April 2025; thereafter the interest rate will be reviewed by applying a 5.014% spread on 5-year Mid-Swap Rate. These notes will mature on 7 April 2030, subject to ABANCA's option to redeem them early under certain circumstances. This issue was paid up and closed on 7 October 2019. The securities issued are eligible as Tier 2 capital instruments, in accordance with the provisions of Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions and in accordance with the criteria of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms.

Dated 11 January 2019, the Group laid down the economic conditions for an issue of €350,000 thousand in subordinated notes. These notes were issued at par value and will bear interests, payable annually in arrears, at a 6.125% annual fixed rate until 18 January 2024; thereafter the interest rate will be reviewed by applying a 5.927% spread on 5-year Mid-Swap Rate. These notes will mature on 18 January 2029, subject to ABANCA's option to redeem them early under certain circumstances. The securities issued are eligible as ABANCA and ABANCA Group tier 2 capital (Tier 2) instruments in accordance with the provisions of Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions and in accordance with Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms.

On 31 December 2020, the balance includes the issue of simple subordinated bonds known as "Obligaciones subordinadas Banco Etcheverría" for a nominal amount of €1,200 thousand (€3,500 thousand on 31 December 2019). The main characteristics of this issue are as follows:

- Fourth issue for a nominal amount of €1,200 thousand, divided into 1,200 bonds of €1,000 par value each, all with the same rights. The issue was formalised in a public deed executed on 14 December 2011. These bonds are not listed and their maturity period is 10 years from the date the issue was closed, although the Bank is entitled to redeem the issue after 5 years from the issue closing date, subject to authorisation from the Bank of Spain. This issue is eligible as Tier 2 capital, in accordance with prevailing legislation.

The applicable interest rates are as follows:

- For the fourth issue, 4.30% per annum for the first three years and the 6-month Euribor plus 0.3% for subsequent periods.

b) Changes

Changes in recorded in the balance (nominal value) of this item during 2020 and 2019 were as follows:

	Thousand EUR
Reclassification AT1 Issuance	250,000
2019 Opening balance	**256,500**
Issuance	650,000
Redemptions	(3,000)
2019 Closing balance	**903,500**
Redemptions	(2,300)
Balance on 31 December 2020	**901,200**

c) Arbitration proceedings and claims arising from burden sharing

On 4 July 2013, as a result of the hybrid equity instrument and subordinated debt management transactions, the Group executed the buyback and redemption of all of its subordinated bonds and preference shares.

At the date of authorisation for issue of these financial statements, legal proceedings underway affect preference shares or subordinated debt with a nominal amount of €2,945 thousand (€3,516 thousand on 31 December 2019). To address any liabilities that might arise from these proceedings, the Group has recognised a provision of €2,945 thousand (€3,515 thousand on 31 December 2019) (see Note 23). Furthermore, in accordance with the agreement for the sale-purchase of the Bank, the FROB has extended guarantees to the Group to address the liability that could arise from these processes, and which have been recognised under “Financial assets at amortised cost” in the asset side of the consolidated balance sheet. For the most part, they have been recognised by the FROB or are estimated based on assumptions on 31 December 2020.

22. Other financial liabilities

On 31 December 2020 and 2019, the breakdown of this item in the consolidated balance sheet is as follows:

	Thousand EUR	
	2020	2019
Payment obligations	46,813	41,081
Bonds received	1,174	1,019
Tax collection accounts		
Central Government	13,328	16,331
Autonomous governments	1,232	1,413
Local governments	-	10
Social Security administration	1,682	21,437
Outstanding payment orders and traveller's cheques	32,599	30,798
Transactions on stock exchanges or organised markets pending settlement	4,301	2,408
Financial guarantees	11,539	10,782
Other	176,125	233,691
	288,793	**358,970**

Note 47 to the consolidated financial statements includes a breakdown of the maturity periods of these liabilities at the 2020 and 2019 reporting dates, as well as the average annual interest rates.

In the above table, "Other" include the following:

- €12,896 thousand on 31 December 2020 (€22,192 thousand on 31 December 2019) relating to the extraordinary contribution approved by the Management Committee of the Deposit Guarantee Fund for Credit Institutions in 2012, estimated on the basis of contributions on 31 December 2011 and payable through annual instalments over a period of ten years (see Notes 1.8 and 17).

- €51,814 thousand 31 December 2020, relating to the recognition of lease liabilities as a result of application of IFRS 16 – "Leases" (€78,993 thousand 31 December 2019) (see Note 2.12).

- €69,424 thousand on 31 December 2020 relating to forward transactions from ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A. (€94,150 thousand 31 December 2019).

23. Provisions

On 31 December 2020 and 2019, the breakdown of this heading in the consolidated balance sheet is as follows:

	Thousand EUR	
	2020	2019
Pensions and other post-employment defined benefit obligations	204,274	160,896
Outstanding tax-related legal proceedings and litigation	18,356	16,684
Commitments and guarantees given	65,437	77,416
Other provisions	30,184	134,915
	318,251	**389,911**

a) Pensions and other post-employment defined benefit obligations

An itemised breakdown of "Provisions - Pensions and other post-employment defined benefit obligations" in the above table is as follows:

	Thousand EUR	
	2020	2019
Defined benefit plans:		
Post-employment commitments	158,553	143,715
Early retirement commitments and labour agreements (*)	45,150	16,471
Other commitments	571	710
	204,274	160,896

(*) *On 31 December 2020, this item includes €45,150 thousand relating to existing labour agreements (€16,471 thousand on 31 December 2019). See Note 2.13.*

The following disclosures include the liabilities arising from the merger with Banco Caixa Geral (see Note 5).

Post-employment defined contribution plans

ABANCA's pension commitments with serving and retired personnel have been externalised, mostly through the ABANCA personnel pension plan, and the remainder through insurance policies that are appropriate for the externalisation of these commitments.

Two pension funds are linked to the ABANCA personnel pension plan:

- "Fondo de Pensiones A del Personal de ABANCA", which is managed by ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A.U. and for which the custodian is CECA. The members and beneficiaries of the former "Empleados Caixa Galicia" pension plan are included in this plan, as do the employees that have already joined ABANCA, including former Banco Etcheverría personnel.

- "Fondo de Pensiones B del Personal de ABANCA", which is managed by CASER Pensiones, S.A. and for which the custodian is CECA. The members and beneficiaries of the former "Personal Caixanova" pension plan are included in to this plan.

The ABANCA personnel pension plan, of which ABANCA became the sponsor on 7 October 2014, is the result of integrating the pension plans of the entities that gave rise to ABANCA. It is a hybrid employment pension plan, which for the most part covers defined contribution retirement commitments (exceptionally, and in view of the date on which they joined the Entity, there is still a small number of employees under a defined benefit scheme for this contingency), and defined benefits for the death and disability risk contingencies.

In 2016 the members and beneficiaries of the Banco Etcheverría employment plan, as well as their economic rights held therein, were integrated into the A pension fund.

In 2020, contributions made by the Group to external pension funds amounted to €9,466 thousand recognised under "Personnel expenses" in the statement of profit or loss for the reporting period (€8,439 thousand in 2019) (see Note 39).

Post-employment defined benefit plans

Pursuant to the current labour agreements, the Bank has assumed the commitment to supplement the Social Security benefits that correspond to its retired personnel, current employees or beneficiary right holders, in the event of retirement.

These commitments are addressed by:

1. The aforementioned external pension plans, which encompass retired personnel and certain current employees.

2. Insurance policies: the Group has insured the accrued obligations not financed through the pension plan, as well as the retirement commitments with certain personnel, through insurance policies with unrelated entities (Caser and CNP Vida, S.A. de Seguros y Reaseguros) and with related entities (ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A.U.) that comply with the requirements set out in Royal Decree 1588/1999, of 15 October. Certain undertakings with retired personnel are insured through insurance policies with unrelated entities (CNP Vida, S.A. de Seguros y Reaseguros) that do not comply with the requirements of the aforementioned Royal Decree. On 31 December 2020 and 2019 the Group has not made any payments in connection with this item.

Other long-term employee benefits

The Group uses internal funds to cover commitments agreed with semi-retired and early-retired personnel prior to 2011, with early-retired personnel covered under the Agreement of 4 October 2010, and with personnel early-retired in 2011 not covered by the Agreement, the Labour Agreement of 22 March 2012 and that of 14 February 2013, as well as the loyalty bonus for Bank personnel in Portugal.

Details of the present value of post-employment and other long-term employee benefit commitments undertaken by the Group, according to how these commitments are covered, and the fair value of the plan assets earmarked to cover the commitments, pursuant to the provisions of Bank of Spain Circular 4/2017 as amended, are as follows:

	Thousand EUR	
	2020	2019
Present value of accrued commitments	601,889	642,291
Pension Plans	328,621	427,506
Insurance policies	273,268	214,785
Other commitments (pre-2011 early retirements, partial retirements, Portugal loyalty bonus and labour agreements)	45,150	17,180
	647,039	659,471
Less – Fair value of plan assets	450,974	498,575
Net liabilities	**196,065**	**160,896**
Of which:		
"Unrecognised pension assets"	-	-
"Pension assets" (Note 17)	(8,209)	-
"Provisions- Pensions and other post-employment defined benefit obligations"	204,274	160,896
"Provisions - Pensions and other post-employment defined benefit obligations"	**204,274**	**160,896**
"Insurance contracts linked to pensions"	**145,586**	**142,406**
Group companies	134,317	130,549
Other entities	11,269	11,857

The present value of the commitments has been quantified by qualified independent actuaries, under their responsibility, applying the following criteria:

1. Calculation method for serving personnel: "Projected unit credit method", which considers that each year of service gives rise to an additional unit of benefit and values each unit separately.

2. The actuarial assumptions used are unbiased and mutually compatible. The most significant actuarial assumptions considered in the calculations were as follows:

Technical interest rate	Between -0.27% and 0.40%
Expected rate of return	Between -0.09% and 0.63%
Mortality tables	PERMF/-2000P
CPI growth	1.50%
Annual rate of pension revaluation	1.50%
Annual growth rate of wages	2.50%
Retirement age	63 – 65 years

The technical interest rate used was determined by reference to high-quality corporate bonds based on the average estimated duration of each commitment.

Changes to the main assumptions could affect the calculation of the commitments. A 50 basis points decrease or increase in the discount rate would result, respectively, in an increase or decrease in the present value of post-employment obligations of +/- 6.63%. A 50 basis points decrease or increase in the pension increase rate would result, respectively, in a decrease or increase in the present value of post-employment obligations of +/- 5.43%. These changes would be partially offset by increases or decreases in the fair value of the assets and of the insurance contracts linked to pensions.

The Bank has estimated the increase in the amount of its post-employment and long-term obligations that would arise from application of the mortality tables issued by the Directorate General of Insurance and Pension Funds on 28 December 2020. In the event of using PER2020 primary mortality table for groups, defined benefit obligations would increase by a maximum of 3.56%. Notwithstanding this increase, the change would have no impact for the Group as those commitments are covered by insurance.

For commitments undertaken through pension plans, the fair value of the assets has been measured as the value of the net assets of these plans on 31 December 2020, as certified by the management companies. For commitments undertaken through insurance policies (Caser, CNP Vida, S.A. de Seguros y Reaseguros and ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A.), the fair value of the insurance contracts has been determined as the present value of the associated payment obligations.

Movements in provisions for pensions and similar obligations in the years ended 31 December 2020 and 2019 are shown below:

	Thousand EUR
2018 Closing balance	**158,437**
Net allowance charged to profit or loss	
Finance cost (Note 32)	7,892
Rate of return of assets	(8,353)
Personnel expenses (Note 39)	6,485
Allowances for pension funds	(8,982)
Additions arising from business combinations	519
Changes in value recognised in equity	1,335
Application of balances	3,563
2019 Closing balance	**160,896**
Net allowance charged to profit or loss	
Finance cost (Note 32)	3,537
Rate of return of assets	(3,487)
Personnel expenses (Note 39)	6,531
Allowances for pension funds	(11,431)
Transfer from other provisions	43,400
Changes in value recognised in equity	(8,040)
Application of balances	12,868
2020 Closing balance	**204,274**

The Bank recognises actuarial gains and losses in respect of commitments with early retirees and from labour agreements in the statement of profit or loss, as stipulated in Circular 5/2013.

Movement in the present value of the obligation accrued for other long-term employee benefits in 2020 and 2019 was as follows:

	Thousand EUR	
	2020	2019
Present value of obligations at 1 January	17,179	24,785
Transfer from other provisions	43,400	-
Current service cost	-	57
Interest cost	4	40
Past service cost	5,810	3,984
Disposals	-	-
Benefits paid	(16,578)	(9,745)
Actuarial (gains)/losses	(1,758)	(149)
Other changes (reduction of obligations)	(2,336)	(1,791)
Other changes	(571)	-
Present value of obligations at year-end	**45,150**	**17,180**

Pursuant to the provisions of Circular 5/2013, the Group recognises in equity any actuarial gains and losses on defined benefit post-employment plans.

The breakdown, by nature thereof, of assets linked to the pension plans at the 2020 and 2019 reporting dates are as follows:

	Thousand EUR	
	2020	2019
Equity instruments	2,898	1,168
Insurance policies	439,464	489,624
Other	8,612	7,783
	450,974	**498,575**

Movements in the present value of the obligation accrued for defined benefit post-employment commitments in 2020 and 2019 were as follows:

	Thousand EUR	
	2020	2019
Present value of obligations on 1 January	642,291	562,480
Additions arising from business combinations	-	81,197
Current service cost	1,075	864
Interest cost	3,905	8,092
Past service cost	1,405	1,816
Disposals	(19,260)	(13,838)
Benefits paid	(33,880)	(41,335)
Actuarial (gains)/losses (*)	5,780	43,016
Other changes	573	(1)
Present value of obligations at year-end	**601,889**	**642,291**

(*) In 2020, includes demographic actuarial gains of €6,012 thousand, financial actuarial losses of €11,792 thousand. In 2019, included demographic actuarial gains of €2,815 thousand, financial actuarial losses of €45,831 thousand.

Changes in the fair value of plan assets in 2020 and 2019 were as follows:

	Thousand EUR	
	2020	2019
Fair value of assets on 1 January	498,575	428,827
Additions arising from business combinations	-	81,253
Adjustments for business combinations	(27,911)	
Expected rate of return of plan assets	2,865	6,735
Actuarial gains/(losses)	17,178	29,580
Contributions	(7,898)	(6,917)
Benefits paid	(24,700)	(33,746)
Disposals	(7,137)	(7,156)
Other changes	2	(1)
Fair value of assets at the reporting date	**450,974**	**498,575**

Changes in the fair value of reimbursement rights in 2020 and 2019 were as follows:

	Thousand EUR	
	2020	2019
Fair value of reimbursement rights on 1 January	142,406	136,232
Adjustments for business combinations	27,911	-
Expected rate of return of plan assets	995	1,861
Actuarial gains/(losses)	(3,358)	12,070
Contributions	(10,615)	(6,395)
Benefits paid	(8,726)	(1,362)
Disposals	(3,027)	-
Fair value of reimbursement rights at the reporting date	**145,586**	**142,406**

Total expense recognised in the statement of profit or loss in 2020 and 2019 was as follows:

	Thousand EUR	
	2020	2019
Current service cost	1,075	920
Past service cost	7,215	5,800
Net interest cost	1,044	1,157
Of which:		
Interest cost	3,909	*7,892*
Expected rate of return of plan assets	(2,865)	*(6,735)*
Expected rate of return of reimbursement rights	(995)	(1,618)
Actuarial (gains)/losses on LTRR	(1,758)	(149)
Disposals	(11,431)	(8,985)
Total	**(4,850)**	**(2,875)**

Changes in valuation adjustments in equity due to actuarial gains and losses in 2020 and 2019 were as follows:

	Thousand EUR
2019 Opening balance	**(19,183)**
Additions arising from business combinations	(2,939)
Changes in actuarial losses and gains	1,572
Other	(25)
2019 Closing balance	**(20,550)**
Additions arising from business combinations	-
Changes in actuarial losses and gains	8,072
2020 Closing balance	**(12,478)**

b) Commitments and guarantees given, outstanding tax-related legal proceedings and litigation, and other provisions

The breakdown of changes in the balance of this item of the consolidated balance sheet in 2020 and 2019 is as follows:

Financial year 2020

	Thousand EUR			
	Provisions for outstanding tax-related legal proceedings and litigation	Provisions for commitments and guarantees given	Other Provisions	Total
Balance on 1 January 2020	16,684	77,416	134,915	229,015
(Net) Allowance to profit or loss for the period	7,651	(9,045)	(25,551)	(26,945)
Provisions used and other	(5,979)	(2,934)	(20,776)	(29,689)
Transfers	-	-	(58,404)	(58,404)
Other changes	-	-	-	-
Balance on 31 December 2020	**18,356**	**65,437**	**30,184**	**113,977**

Financial year 2019

	Thousand EUR			
	Provisions for outstanding tax-related legal proceedings and litigation	Provisions for commitments and guarantees given	Other Provisions	Total
Balance on 1 January 2019	17,195	83,644	86,200	187,039
(Net) Allowance to profit or loss for the period	-	(8,965)	71,286	62,321
Provisions used and other	(2,480)	-	(38,304)	(40,784)
Additions arising from business combinations and transactions with group entities	1,969	2,737	15,733	20,439
Transfers	-	-	-	-
Other changes	-	-	-	-
Balance on 31 December 2019	**16,684**	**77,416**	**134,915**	**229,015**

On 31 December 2020, "Other provisions" in the table above basically includes provisions recognised by the Group for other liabilities of a specific nature, either certain or contingent, of which €5 million relate to the provision for the contingent liability arising from the judgment on claims relating to mortgage floor clauses (€9 million on 31 December 2019); €1 million relate to the provision for claims concerning the arrangement of interest rate hedges tied to mortgage loans granted to families and self-employed persons (€1 million on 31 December 2019); approximately €3 million relate to the provision for eventual contingent liabilities stemming from the management of hybrid equity instruments and subordinated debt (€4 million on 31 December 2019) and €21 million relate to the provision to cover commitments with third parties in connection with the activity of the Bank (€121 million on 31 December 2019).

The amount relating to the existing guarantee set out in the sale-purchase agreement related to the floor clauses is recognised under "Financial assets at amortised cost" in the asset side of the balance sheet.

24. Other liabilities

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

	Thousand EUR	
	2020	2019
Salaries payable	59,061	46,449
Other accrued expenses	136,889	113,646
Transactions in transit	71,651	48,068
Lease transactions	1,939	368
Other	19,073	63,281
	288,613	**271,812**

On 31 December 2020 and 2019, transactions in transit basically include transactions between branches and centres of the Group that have not arrived at the destination branch, and charges generated by different entities through the Savings Bank Exchange Service ("SICA") system, mainly corresponding to customers and which are applied in the days following their reception.

On 31 December 2020 "Other accrued expenses" includes €50,687 thousand (€45,857 thousand on 31 December 2019) relating to the estimated expense accrued over the year for the ordinary contribution to the Deposit Guarantee Fund.

25. Minority interests (non-controlling interests)

This item includes the subsidiaries' equity attributable to capital instruments not owned, directly or indirectly, by the Group, including the attributable portion of consolidated profit/loss for the year.

The breakdown, by entity, of "Equity - Minority interests (non-controlling interests)" in the consolidated statements of financial position on 31 December 2020 and 2019 is as follows:

	Thousand EUR	
	2020	2019
Other minority interests	(7,057)	1,135
	(7,057)	1,135

Changes in 2020 and 2019 in this item of the consolidated balance sheet are summarised as follows:

	Thousand EUR	
	2020	2019
Opening balance	1,135	11
Attributable profit for the year	(1,285)	6
Issuance of other equity instruments	-	-
Reclassification of other equity instruments	-	-
Changes in the consolidation scope, valuation adjustments and other	(6,907)	1,118
Closing balance	**(7,057)**	**1,135**

26. Accumulated other comprehensive income

a) Financial assets at fair value through other comprehensive income

On 31 December 2020 and 2019 this item of the consolidated balance sheet includes the net amount of fair value changes in debt and equity instruments at fair value through other comprehensive income. The table below offers a breakdown of the different types of securities that included under the balance of this item:

	Thousand EUR	
	2020	2019
Equity instruments	3,043	3,610
Debt instruments	116,367	40,515
	119,410	44,125

b) Cash flow hedges (effective portion)-

This item in the consolidated balance sheet relates to the portion considered "effective hedge" of the net change in value of financial derivatives designated as cash flow hedging instruments (see Note 11).

c) Foreign currency translation-

This heading shows the net exchange differences arising on non-monetary items whose fair value is adjusted with a balancing entry in equity, and the differences arising on the translation to Euros of the balances of companies whose functional currency is not the Euro.

d) Share of other recognised income and expense arising from investments in joint ventures and associates

This item reflects the net amount of valuation adjustments for equity-accounted investees.

	Thousand EUR	
	2020	2019
Autoestrada do Salnés, Concesionaria da Xunta de Galicia, S.A.	(1,211)	(1,071)
Transmonbús, S.L.	41	85
Imantia Capital S.G.I.I.C., S.A.	(32)	(35)
Empresa Naviera Elcano, S.A.	(8,375)	1,606
Grupo Empresarial Copo, S.A.	(252)	(359)
Nueva Pescanova, S.L. (*)	(727)	(559)
Other	-	-
	(10,556)	(333)

(*) Profit/loss generated in 2020 prior to the date of acquisition of control (see Note 2.1)

27. Shareholders' equity

The heading "Shareholders' equity" in the accompanying consolidated balance sheet reflects equity contributions made by shareholders, retained results recognised through profit or loss and other capital instruments of a permanent nature.

Changes in the different items under this heading of the consolidated balance sheet during the annual periods ended 31 December 2020 and 2019 are shown in the accompanying "Consolidated statement of changes in equity".

Share Capital

On 31 December 2020, the Bank's share capital totalled €2,476,209 thousand, divided into 2,251,099,000 shares of €1.10 each, all subscribed and fully paid up and with the same voting and profit-sharing rights (€2,453,657 thousand, divided into 2,453,657,413 shares of €1 each 31 December 2019).

On 29 June 2020, the General Meeting of Shareholders of ABANCA approved two operations intended to strengthen the Bank's capitalisation and to adapt its capital structure and treasury stock volume to the industry average, in line with the Bank's policy of excellence in corporate governance. The first operation has consisted in reducing share capital by €202,558 thousand through the retirement of €202,558 thousand in treasury shares, whereas the second transaction has consisted in a €225,110 thousand increase of capital through the capitalisation of the share premium account existing prior to that capital increase. Neither of the approved operations has had an impact on the Bank's solvency or on shareholders (see "Treasury shares" and "Share premium" sections in Note 27). Dated 30 December 2020, the above-mentioned capital reduction and capital increase operations had been registered with the Business Register.

As previously stated in these consolidated financial statements, in 2019 ABANCA (absorbing entity) completed the merger through absorption of ABANCA Holding Financiero, S.A. (absorbed entity) (See Note 2.24).

As previously stated in Note 1.2.2, ABANCA directors have considered that it is appropriate to recognise the merger between ABANCA Corporación Bancaria and ABANCA Holding Financiero using the amounts presented by ABANCA Holding Financiero in its consolidated financial statements for 2018. Furthermore, the comparative amounts are those presented by ABANCA Holding Financiero in its consolidated financial statements for 2018 (except for the reclassification of equity items required to reflect, inter alia, the legal share capital of ABANCA Corporación Bancaria, S.A.).

On 31 December 2020 and 2019, the shareholders of the Bank are as follows:

Shareholders	Percentage of Interest	
	2020	2019
Juan Carlos Escotet Rodríguez	84.75%	77.76%
Other shareholders	14.72%	13.47%
Treasury shares	0.53%	8.77%
	100.00%	100.00%

The Bank's shares are not listed on the stock exchange.

Treasury shares

At the 2020 reporting date, the breakdown of treasury shares held by the Entity was as follows:

	No. of Shares	Nominal amount (thousand EUR)	Average purchase price (EUR)	Total acquisition cost (thousand EUR)
Treasury shares	11,890,957	13,080	1.4454	17,187

As stated in the "Capital" section of Note 27, dated 30 December the Bank has registered with the Business Register a capital reduction consisting of the reduction of capital by €202,558 thousand through the retirement of €202,558 thousand in shares recognised at fair value under "Treasury shares", the fair value of which amounted to €213,557 thousand.

At the 2019 reporting date, the breakdown of treasury shares held by the Entity was as follows:

	No. of Shares	Nominal amount (thousand EUR)	Average purchase price (EUR)	Total acquisition cost (thousand EUR)
Treasury shares	215,259,508	215,260	1.0709	230,541

At the date of authorisation for issuance of the consolidated financial statements, the board of directors has not reached a decision on the final use to which the aforementioned treasury shares will be put.

Solvency disclosure

On 31 December 2020 and 2019, the capital ratios determined pursuant to the provisions of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV), of Regulation (EU) 575/2913 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (CRR) and the corresponding implementing legislation, were as follows:

	ABANCA Corporación Bancaria Group	
	31.12.2020	31.12.2019
Capital ratios		
Eligible Common Equity Tier 1 capital (thousand EUR) (a)	**4,087,843**	**3,918,962**
Eligible Additional Tier 1 capital (thousand EUR) (b)	250,000	250,079
Eligible Tier 2 capital (thousand EUR) (c)	650,193	650,824
Exposure (thousand EUR) (d)	29,907,708	30,720,009
Common Equity Tier 1 capital ratio (CET 1) (A)=(a)/(d)	13.67%	12.76%
Additional Tier 1 capital ratio (AT1) (B)=(b)/(d)	0.84%	0.81%
Tier 1 capital ratio (Tier 1) (A)+(B)	14.51%	13.57%
Tier 2 capital ratio (Tier 2) (C)=(c)/(d)	2.17%	2.12%
Total capital ratio (A)+(B)+(C)	16.68%	15.69%

	31.12.2020	31.12.2019
Leverage		
Tier 1 capital (thousand EUR) (a)	4,337,843	4,169,041
Exposure (thousand EUR) (b)	65,720,653	60,021,280
Leverage ratio (a)/(b)	6.60%	6.95%

Share premium

On the occasion of ABANCA Holding Financiero 2015 capital increases respectively approved 23 June and 23 September 2015, a share premium account was established amounting to €622 thousand and €7,088 thousand, respectively.

As stated in the section "Capital" of Note 27, dated 30 December the Bank has registered with the Business Register a capital increase consisting in a €225,110 thousand increase of capital through the capitalisation of the share premium account existing prior to that capital increase.

Furthermore, as stated elsewhere in these consolidated financial statements, in 2019 ABANCA (absorbing entity) completed the merger through absorption of ABANCA Holding Financiero, S.A. (absorbed entity) (See Note 2.24).

As previously stated in Note 1.2.2, ABANCA directors have considered that it is appropriate to recognise the merger between ABANCA Corporación Bancaria and ABANCA Holding Financiero using the amounts presented by ABANCA Holding Financiero in its consolidated financial statements for 2018. Furthermore, the comparative amounts are those presented by ABANCA Holding Financiero in its consolidated financial statements for 2018 (except for the reclassification of equity items required to reflect, inter alia, the share premium account of ABANCA Corporación Bancaria, S.A.).

The Recast Text of the Corporations Law expressly allows the use of the share premium to increase capital and does not set any specific restriction on its availability.

Equity instruments issued other than capital

As previously stated in Note 1.2.2, in 2020 the Bank has reclassified the €250.000 thousand issuance of contingent convertible bonds (commonly referred to as "CoCos") from the equity item "Equity instruments issued other than capital" to the liabilities item "Financial liabilities at amortised cost - Debt securities issued", with the consequential change in the comparative financial statements for 2019.

Legal reserve

In accordance with article 274 of the Recast Text of the Corporations Law, companies that generate a profit for the period are required to transfer 10% of that profit to a legal reserve until such reserve reaches an amount equal to at least 20% of share capital. The legal reserve may be used to increase share capital provided that the balance left on the reserve is at least equal to 10% of the nominal value of the total share capital after the increase. Except for the aforementioned purpose, unless the legal reserve exceeds 20% of the share capital, it may only be used to offset losses if no other reserves are available. On 31 December 2020 and 2019, the Group has appropriated to this reserve the minimum amount required by law.

Retained earnings

On 31 December 2020 and 2019, the breakdown of the balance of these reserve accounts is as follows:

	Thousand EUR	
	2020	2019
Reserves in the Bank and subsidiaries		
ABANCA Corporación Bancaria, S.A.	5,300,956	5,206,571
Torre de Hércules Participaciones Societarias, S.A.	(3,669)	(3,669)
ABANCA Corporación Industrial y Empresarial, S.L.U.	(897,762)	(972,335)
Corporación Empresarial de Representación Participativa, S.L.	(39,236)	(39,167)
Espacios Termolúdicos, S.A.	969	159
Sentir Común México, S.A. DE C.V. SOFOM	(22,064)	(857)
ABANCA Operador de Banca Seguros, S.A.	2,967	2,040
Torres del Boulevar, S.L.U.	(62,411)	(62,419)
Laborvantage – Investimentos Imobiliários e Turísticos Lda.	7,416	4,654
Jocai XXI, S.L.	(26,245)	(26,257)
ABANCA Corporación, División Inmobiliaria, S.L.U.	(2,665,609)	(2,733,283)
Sogevinus, S.G.P.S., S.A.	11,375	9,749
ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A.U.	91,300	94,070
Nueva Pescanova, S.L.	(29,479)	-
R.C. Deportivo de la Coruña, S.A.D.	306	-
Other	6,336	6,536
	1,675,150	**1,485,792**
Reserves in equity-accounted investees:		
Associates		
Raminova Inversiones, S.L.	(23,168)	(23,168)
Pazo de Congresos de Vigo, S.A.	1,718	1,718
Sodiga Galicia, S.C.R., S.A.	-	(4,464)
Fomento de Iniciativas Náuticas, S.L.	(5,245)	(5,158)
Desarrollos Inmobiliarios Fuenteamarga, S.L.	(236)	(330)
Transmonbús, S.L.	19,089	18,438
Empresa Naviera Elcano, S.A.	57,676	54,038
Grupo Empresarial COPO, S.A.	3,564	(3,093)
Nueva Pescanova, S.L.	-	(8,396)
Terminal de Graneles Agroalimentarios de Santander, S.A.	(14,228)	(14,228)
ABANCA Generales de Seguros y Reaseguros, S.A.	(15,464)	(15,226)
Other	(7,640)	(8,145)
	16,066	(8,014)
Jointly-controlled entities		
Desarrollos Albero, S.A.	(11,000)	(11,000)
	(11,000)	(11,000)

Profit/loss attributable to the Group

The breakdown of the consolidated companies' contribution to pre-tax profit, including consolidation adjustments, for the 2020 and 2019 annual periods is as follows:

	Thousand EUR	
	2020	2019
Subsidiaries:		
ABANCA Corporación Bancaria, S.A.	144,578	304,859
ABANCA Corporación Industrial y Empresarial, S.L.U.	3,853	47,640
Espacios Termolúdicos, S.A.	(934)	809
Torres del Boulevar, S.L.U.	(60)	(170)
Laborvantage – Investimentos Imobiliários e Turísticos Lda.	(24)	2,321
Jocai XXI, S.L.	25	17
ABANCA Corporación División Inmobiliaria, S.L.U.	(10,164)	38,955
Sogevinus, S.G.P.S., S.A.	(225)	2,168
ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A.U.	61,430	51,651
Sentir Común México, S.A. DE C.V. SOFOM	(97)	(21,406)
ABANCA Servicios Financieros, E.F.C., S.A.	6,056	1,875
Nueva Pescanova, S.L.	(14,493)	-
Other	1,317	2,655
	191,262	431,374
Associates		
ABANCA Generales de Seguros y Reaseguros, S.A.	(2,662)	12
Sodiga Galicia, S.C.R., S.A.	(287)	375
Transmonbús, S.L.	984	898
Empresa Naviera Elcano, S.A.	1,416	3,805
Grupo Empresarial COPO, S.A.	3,208	6,308
Nueva Pescanova, S.L.	-	(12,985)
Other	237	414
	2,896	(1,173)
	194,158	430,201

Distributable items

Based on the definition of "Distributable items" contained in article 4, paragraph 1, point 128 of CRR, on 31 December 2020 ABANCA Corporación Bancaria, S.A.'s "Distributable items" totalled €1,072,544 thousand (€1,394,418 thousand 31 December 2019).

28. Taxation

28.1. Tax consolidation

ABANCA Corporación Bancaria, S.A. and the other Group entities that meet the specified requirements have opted to avail of the tax consolidation regime regulated under Title VII, Chapter VI of Corporate Income Tax (CIT) Law 27/2014, of 27 November. Up to 18 February 2020, when the merger through absorption of ABANCA Holding Financiero, S.A. (absorbed entity) by ABANCA Corporación Bancaria, S.A. was registered with the Business Register (see Note 2.24), ABANCA Corporación Bancaria, S.A. was a subsidiary in the tax group. From the above-mentioned date, ABANCA Corporación Bancaria, S.A. qualifies as the parent company of the Consolidated Tax Group.

At the end of 2020, the Consolidated Tax Group, which has been assigned number 343/15, includes the following subsidiaries:

Subsidiaries	T.I.N.
ABANCA Corporación Industrial y Empresarial, S.L.U.	B-15.125.057
ABANCA Corporación, División Inmobiliaria, S.L.U.	B-70.193.321
ABANCA Gestión Operativa, S.A.U.	A-15.126.923
ABANCA Invest, S.L.	B-70.506.654
ABANCA Mediación Correduría de Seguros Generales, S.A.	A-15.232.135
ABANCA Mediación Operador de Banca-Seguros Vinculado, S.L.	B-70.049.630
ABANCA Financial Services EFC, S.A.	A-28.197.036
ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A.	A-15.140.387
Complejo Residencial Marina Atlántica S.L.	B-36.968.071
Corporación Empresarial de Representación Participativa, S.L.	B-79.526.679
Corporación Empresarial de Tenencia de Activos de Galicia, S.L.	B-70.040.548
Corporación Empresarial y Financiera de Galicia, S.L.U.	B-83.520.643
Espacios Termolúdicos, S.A.	A-15.945.793
Jocai XXI, S.L.U.	B-15.939.689
Natur-Hotel Spa Allariz, S.A.	A-32.277246
Quaere Investment, S.L.	B.70.485.651
Torre de Hércules Participaciones Societarias, S.L.	B-83.803.213
Torres del Boulevar, S.L.U.	B-18.721.043
Vibarco, S.L.U., Sociedad Unipersonal	B-27.720.085

In compliance with the provisions of ICAC Resolution of 9 February 2016, the provision for income tax for the reporting period is calculated on the basis of accounting profit or loss, which is not necessarily the same as the taxable income and based on the balances of payables and receivables accrued between companies in the Consolidated Tax Group.

The fact that the Bank's tax group files consolidated income tax returns does not mean that the income tax accrued differs greatly from the tax that would arise in the event of individual taxation. As such, in calculating the provision for this tax, there is no mention of the permanent or temporary differences stemming from the tax consolidation process.

The Bank files VAT returns as a Group subsidiary under the special regime set forth in Title IX, Chapter IX of Law 37/1992, of 28 December, which regulates this tax, with ABANCA Corporación Bancaria, S.A. as the parent.

On 31 December 2020, the following companies are considered Group subsidiaries for the purposes of VAT:

Subsidiaries - VAT Group
ABANCA Corporación División Inmobiliaria, S.L.U. ABANCA Corporación Industrial y Empresarial, S.L.U. ABANCA Gestión Operativa, S.A.U. ABANCA Mediación Correduría de Seguros Generales, S.A. ABANCA Invest, S.L. ABANCA Mediación Operador de Banca-Seguros Vinculado, S.L. ABANCA Financial Services EFC, S.A. ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A. Corporación Empresarial de Representación Participativa, S.L. Complejo Residencial Marina Atlántica S.L. Corporación Empresarial de Tenencia de Activos de Galicia, S.L. Corporación Empresarial y Financiera de Galicia, S.L.U. Jocai XXI, S.L. Quaere Investment, S.L. Torre de Hércules Participaciones Societarias, S.L. Torres del Boulevar, S.L.U.

28.2 Reconciliation of accounting profit with taxable income

The reconciliation of accounting profit for 2020 and 2019 with the taxable income of the Consolidated Tax Group is as follows:

	Thousand EUR	
	2020	2019
Net profit for the reporting period	160,596	405,026
Income tax	33,562	25,175
Permanent differences	(184,440)	(289,555)
Temporary differences		
Originating in the reporting period	216,164	113,661
Originating in the prior periods (net)	-	(115,029)
Consolidation differences	(77,756)	37,980
Tax base	**148,126**	**177,258**
Tax loss carryforwards	**(23,831)**	**(44,314)**
Tax base for the reporting period	**124,295**	**132,944**

When reconciling consolidated accounting profit for 2020 and 2019 with the taxable income for the year, consideration has been given to the limits on integrating into taxable income any charges that give rise to deferred taxes, as referred to in article 12.11 of the CIT Law, and to the application of tax loss carryforwards from prior periods, as referred to in transitional provision 36 and in the additional provision 15 of the aforementioned Law.

Taxes taken to equity

Irrespective of income tax charged to the consolidated statement of profit or loss, in 2020 and 2019 the tax effect of applying the applicable regulations on the measurement of fixed-income and variable-income securities measured at fair value through other comprehensive income, measurement of derivatives designated as cash flow hedges, and other insignificant items, representing tax expense of €17,162 thousand on 31 December 2020 (a tax expense of €54,425 thousand on 31 December 2019), was recognised directly in equity (see the "Consolidated Statement of Comprehensive Income").

28.3 Deferred tax

a) Temporary differences

Due to the different recognition criteria applied to certain income and expenses for accounting and tax purposes, deferred tax assets and tax liabilities have arisen in connection with future deductible and taxable temporary differences, respectively.

The breakdowns of “Deferred tax assets” and “Deferred tax liabilities” in the consolidated balance sheet on 31 December 2020 and 2019 are as follows:

	Thousand EUR			
	2020		2019	
	Tax assets - deferred	Tax liabilities - deferred	Tax assets - deferred	Tax liabilities - deferred
Amortisation of goodwill	5,953	-	899	-
Allowance for pension fund (net)	97,362	-	82,139	-
Credit loss and impairment coverage	2,198,536	-	2,153,452	-
Foreclosed properties	553,162	-	551,133	-
Allocation of loan commissions	-	-	53	-
Fixed-income and equity portfolios valuation adjustments	536	(40,552)	1,591	(13,434)
Adjustments arising from foreign branches	36,328	-	28,931	-
Accelerated amortisation Royal Decree-Law 3/1993	-	(70)	-	(75)
Depreciation and amortisation of revalued assets	1,586	(17,103)	-	(15,740)
Adjustments to fair value of business combinations and other consolidation adjustments	-	(141,633)	-	(136,390)
Tax credits	23,539	-	23,304	-
Tax credits, tax loss carryforwards	1,231,801	-	1,288,146	-
Other	60,068	(3,911)	107,712	(28,552)
Total	**4,208,871**	**(203,269)**	**4,237,360**	**(194,191)**
Recognised under “Deferred tax assets” and “Deferred tax liabilities”	**3,435,356**	**(203,269)**	**3,401,741**	**(194,191)**

Deferred tax liabilities include the tax effect of the revaluation of properties carried out in 2004 to adjust them to their fair value at that date, and the deferred fiscal liabilities arising on the business combinations of ABANCA Vida y Pensiones and ABANCA II Vida y Pensiones. The aforementioned revaluation was carried out in 2005 but was reflected in the balance sheet on 31 December 2004 through an accounting entry for first-time application of Circular 4/2004.

Royal Decree-Law 14/2013, of 29 December

Royal Decree-Law 14/2013, of 29 December, on urgent measures to adapt Spanish law to European Union legislation on the supervision and solvency of financial institutions was published in the Official State Gazette ("BOE") on 30 November 2013. Effective 1 January 2014, this Royal Decree-Law appends additional provision twenty-two to the Recast Corporate Income Tax Law, which was approved by Royal Legislative Decree 4/2004, of 5 March, and provides for the conversion of deferred tax assets into receivables from the taxation authorities.

By virtue of the aforementioned article, deferred tax assets corresponding to provisions for impairment of receivables or other assets stemming from possible insolvencies of debtors not related to the taxpayer, providing that they are not subject to article 12.2.a) of the Recast Corporate Income Tax Law, as well as those stemming from the application of articles 13.1.b) and 14.1.f) thereof corresponding to provisions for or contributions to social welfare systems and, where appropriate, early-retirement schemes, shall be converted into a receivable from the taxation authorities, in any of the following circumstances:

- The taxpayer recognises accounting losses in its audited financial statements authorised for issuance by the appropriate governing body. In such cases, the amount of deferred tax assets to be converted is determined by multiplying the total amount thereof by the accounting losses for the period as a percentage of total capital and reserves.

- The entity is in liquidation or has been legally declared insolvent.

The conversion of deferred tax assets into a receivable from the taxation authorities, as described, means that the taxpayer may choose to request payment from the taxation authorities, or offset the receivables against other taxes payable to central government generated by the taxpayer as of the conversion date.

In addition, these deferred tax assets may be exchanged for public debt, once the statutory period for offsetting tax loss carryforwards has expired, calculated as of the recognition date of these assets.

In the same regulations, albeit effective retrospectively as of tax periods beginning on or after 1 January 2011, a new section 13 has been added to article 19 of the Recast Corporate Income Tax Law on the timing of recognition, for the purposes of determining the corporate income tax base.

By virtue of the aforementioned new section 13 of article 19 of the Recast Corporate Income Tax Law, the provisions for impairment of receivables or other assets stemming from possible insolvencies of debtors not related to the taxpayer (including those resulting from Royal Decree-Law 2/2012, Royal Decree-Law 18/2012 and Royal Decree 1559/2012 by virtue of the request for a binding ruling filed with the Directorate-General for Taxation), provided they are not subject to article 12.2.a) of the Recast Corporate Income Tax Law, as well as those resulting from application of articles 13.1.b) and 14.1.f) thereof corresponding to provisions for or contributions to social welfare systems and, where appropriate, early-retirement schemes, that have generated deferred tax assets, shall be integrated into the tax base, up to the limit of taxable income prior to their integration and to the offset of tax loss carryforwards.

In light of this new criterion for the timing of recognition, the Bank recalculated the corporate income tax bases for 2011 and 2012, which differ from the bases originally filed within the voluntary period, thus generating new tax bases that were duly notified to the taxation authorities.

Act 27/2014, of 27 November, on Corporate Income Tax (CIT Act)

The regime for conversion of deferred tax assets into a receivable from the taxation authorities, set out in article 130 of the CIT Law in force since 1 January 2015, is identical to that described above. Transitional provision 33 of the CIT Law establishes a conversion regime for deferred tax assets generated in tax periods beginning before 1 January 2016, by introducing a financial contribution that will result in an annual payment of 1.5% to maintain the right to monetise, applicable to the portion of deferred tax assets that meets the legal requirements to be considered as monetizable assets generated before 2016.

Title IV, Chapter III of the Corporate Income Tax Regulations approved by Royal Decree 634/2015 of 10 July (hereinafter the CIT Regulations), develops the procedure for the offset and collection of receivables from the taxation authorities.

The tax group has estimated the deferred tax assets to be recognised by the different entities of the group on 31 December 2019 applying the foregoing legislation. The deferred tax assets identified amount to €2,697,511 thousand in 2020 (€2,687,488 thousand in 2019). Pursuant to the CIT Law, these can be monetised and therefore their recovery is guaranteed through the mechanisms set forth therein. In 2015 Spain completed the regulation of monetizable fiscal assets.

In 2020, the expense arising as a result of the estimates made at the end of the period and the application of the aforementioned regulation amounted to €33,585 thousand and was recognised under "Tax expense or income related to profit or loss from continuing operations" in the accompanying statement of profit or loss for the year (€25,175 thousand in 2019). The amount recognised is the result of applying the current tax rate (30%) to the tax base as it is considered a tax asset that arises from amendment of the applicable tax regulations rather than from a contractual agreement between the parties. The balance shown under "Tax expense or income related to profit or loss from continuing operations" on the statement of profit or loss includes the amount relating, mainly, to the adjustment of expenses from prior years; foreign taxes of a nature similar to Spanish corporate income tax; and the above-mentioned financial contribution.

The breakdown of deferred tax assets recognised in the consolidated balance sheet on 31 December 2020 and 2019 is as follows:

	Thousand EUR	
	2020	2019
Deferred tax assets qualifying for monetisation:		
On credit loss	2,067,693	2,069,512
On pensions	76,656	66,843
On foreclosed assets	553,162	551,133
Subtotal: Balance of deferred tax qualifying for monetisation	**2,697,511**	**2,687,488**
Deferred tax assets non qualifying for monetisation:		
Fixed-income and equity portfolios valuation adjustments	536	1,591
On business plan	666,040	638,143
On deferred tax liabilities with similar reinvestment deadline	21,084	30,152
On other consolidation adjustments	50,185	44,367
Subtotal: Balance of deferred tax assets not qualifying for monetisation	**737,845**	**714,253**
Total deferred tax assets recognised	**3,435,356**	**3,401,741**

As previously stated, part of the deferred tax assets are payable by the taxation authorities in the aforementioned circumstances (assets convertible into receivables, or deferred tax credits). As shown in the above table, this portion amounts to €2,697,511 thousand on 31 December 2020 (€2,687,488 thousand on 31 December 2019). Recoverability is not dependent on future taxable profit, so the recognition thereof is justified in the aforementioned cases.

The Group recognises deferred tax assets inasmuch as their future recovery is deemed probable based on existing forecasts of future taxable profits. The overwhelming majority of these tax assets stem from losses that arose in 2012 and 2013 as a result of identifiable factors that are unlikely to be repeated (essentially the property development business, which shrank into insignificance following its transfer to Sareb). In 2014, 2015, 2016, 2017, 2018, 2019 and 2020, the Group reported profits. The business plan depicts a scenario in which taxable profits are generated, enabling the recovery of these tax assets. This plan, which was approved by the directors, has been updated to reflect the events of 2020 and the changes observed in certain parameters during the period, which includes the situation created by the COVID-19 pandemic (see Note 1.11). The plan considers a projected five-year period (2021 to 2025), by the end of which the Group would improve current profitability levels and a constant increase in profit for subsequent years has been assumed since then, estimated on the forecasted long-term growth and over a total period of 18 years. This estimate, like any other estimate based on an assumption, is subject to amendment for future events, which could prospectively affect the value of net tax assets recognised by the Group.

Based on this analysis of future capacity to generate taxable profits, the Group has recognised deferred tax assets not convertible into receivables amounting to €737,845 thousand on 31 December 2020 (€714,253 thousand on 31 December 2019), which are in addition to the aforementioned assets convertible into receivables (deferred tax credits) of €2,697,511 thousand (€2,687,488 thousand on 31 December 2019).

Law 48/2015, of 29 October, on General State Budget for 2016

Law 48/2015, of 29 October, on General State Budget for 2016 changed, effective for tax periods starting on or after 1 January 2016, the applicable provisions to determine the conversion of deferred tax assets into tax credits receivable from Tax Authorities in the above-stated terms, and introduced new eligibility conditions and certain disclosure obligations relating to deferred tax assets affected by the new regulations. Furthermore, the Law introduced a transitional arrangement applicable to deferred tax assets originated prior to 1 January 2016, under which and subject to certain conditions being met, entities could retain the right to conversion, although subject to payment of the financial contribution of the new thirteenth additional provision of CIT Law.

The balance shown under "Tax expense or income related to profit or loss from continuing operations" in the accompanying statement of profit or loss includes the amount of the above-mentioned financial contribution, amounting to €32,670 thousand in 2020 (€32,448 thousand in 2019).

Royal Decree-Law 27/2018, of 28 December

Pursuant to the provisions of additional provision 39 of CIT Law, as amended by Royal Decree-Law 27/2018, of 28 December, on the adoption of certain tax and cadastral measures, any charges and credits to reserve accounts, that respectively qualify as expenses or income to the extent that they have tax effects pursuant to the provisions of said Law as a result of first-time application of Bank of Spain Circular 4/2017, of 27 November, will be included, in equal parts, in the respective tax bases of the first three tax periods starting after 1 January 2018.

In compliance with the provisions of the last paragraph of said Transitional Provision 39, the amounts already included in the tax base and the amounts yet to be included in the relevant tax bases of each tax periods are disclosed below:

For the period	Amount included (net) (thousand EUR)	Amount yet to be included (net) (thousand EUR)
2018	(1,211)	(2,422)
2019	(1,211)	(1,211)
2020	(1,211)	-
Total	(3,633)	(3,633)

b) Tax credits: tax deductions

Following calculation of the provision for corporate income tax for the year ended 31 December 2020, the Group has deductions available for offset in future years, within the time and quantitative limits set out in the tax regulations, for an overall amount of approximately €23,539 thousand. In 2019 tax credits amounted to approximately €23,304 thousand.

c) *Tax credits: tax loss carryforwards*

Pursuant to the provisions of the Recast Corporate Income Tax Law and of Law 27/2014 on Corporate Income Tax, on 31 December 2020 and 2019, after calculating the corporate income tax provision, the Tax Group has unused cumulative individual tax loss carryforwards amounting to €4,106,001 thousand and €4,293,820 thousand, respectively. When calculating the tax loss carryforwards for 2020 and 2019, the impact of the aforementioned Royal Decree-Law 14/2013, of 29 November, has been taken into consideration. This regulation reduces the tax bases for 2011 and 2012 by the portion comprising deferred tax assets convertible into receivables.

28.4 Other relevant tax information

a) *Economic Interest Groupings (EIG)*

The Group forms part of several Economic Interest Groupings (EIG) which, in compliance with current tax regulations, allocate positive or negative tax bases, tax withholdings and tax credits to the members according to their respective ownership interest. The ownership interest in the aforementioned EIGs has not been taken into account with a view to reducing the income tax expense in either 2020 or 2019.

On 17 July 2013, the European Commission issued a press release announcing the decision on state aid granted to certain Economic Interest Groupings (EIG) and their investors and the compatibility with European regulations on state aid. The main consequences of the press release were that the tax lease system in force for Spanish shipyards between 2002-2011 was incompatible with EU regulations on state aid; the beneficiaries of the aid were only the investors and the Commission stipulates that the Spanish authorities are responsible for determining what portion of the aid is to be recovered for each EIG and its investors.

On 17 December 2015, the Seventh Chamber of the General Court annulled Decision 2014/200/EU, considering that as there are no financial advantages for EIGs, the Commission's conclusion that these entities had been recipients of state aid was incorrect, as only the investors benefited from the tax and financial advantages of the tax regime. Furthermore, the Court considered that the Commission was wrong to state that there was a selective advantage and, therefore, state aid in favour of the EIGs and the investors.

This annulment has been appealed by the European Commission. The Group considers that the possibility of the appeal being upheld is remote, and has therefore decided not to recognise this provision.

b) Transactions undertaken during the year pursuant to Title VII, Chapter VII of the CIT Law

The information on transactions subject to the tax neutrality regime regulated in Title VII, Chapter VII of the CIT Law in which the Group has taken part is as shown below. Where the information is presented in aggregate form, each Group company required to report keeps on file the individual information on each asset element.

- Date 9 December 2019, the public deed of merger whereby ABANCA Corporación División Inmobiliaria, S.L. took over the companies Daenpa, S.L. and Hispano-Lusa Compañía Tecnológica de Edificación, S.A. was executed.

  The effective date of this merger for accounting purposes was 1 January 2019. In addition to the information disclosed in the notes to the financial statements of the acquirer, in compliance with article 86 of the CIT Law, the fact that the merger did not result in an increase in capital in the absorbing entity, because the absorbed entity was a wholly owned subsidiary thereof, is disclosed herein.

On 31 December 2020 and 2019, the Group had neither officially completed nor registered any corporate restructuring operation under the special regime of tax neutrality regulated in Title VII, Chapter VII of CIT Law completed in 2020 and 2019, other than the above-mentioned transaction.

The information relating to any corporate restructuring operations the Group may officially complete and register after 1 January 2021 will be disclosed in the notes for that reporting period.

c) Transactions performed in prior years subject to tax neutrality regimes

In prior financial years the Group completed several corporate restructuring operations under the special regime of tax neutrality regulated in Title VII, Chapter VII of CIT Law (Title VII, Chapter VIII in the Recast Corporate Income Tax Law for financial years prior to 2015). Information on the operations involving the Group is provided below. It should be noted that, where information is provided in aggregate form, the relevant information is available in disaggregated for every asset at the registered address of each company required to disclose:

Originating Entity	Operation completed	Financial year	Thousand EUR Carrying Amount of Securities Delivered	Thousand EUR Carrying Amount of Securities Received
Caixanova	Non-monetary contribution of Raminova Inversiones, S.L.	2006	10,150	10,150
Caixanova	Non-monetary contribution of Viñainvest, S.L.	2006	2,397	2,201
Caixanova	Non-monetary contribution of Inversiones Prethor, S.L.	2006	6,497	3,713
Caixanova	Non-monetary contribution of Grupo T Solar Global, S.A.	2008	850	850
Caixanova	Split-off of Vibarco, S.A.	2008	5,186	5,186
Caixanova	Merger of Sivsa Soluciones Informáticas, S.A.	2008	-	-
Caixa Galicia	Non-monetary contribution of assets, 29/12	2008	308,919	308,919
Caixanova	Non-monetary contribution of Filmanova Invest, S.A.	2009	326	326
Caixanova	Split-off of Centro de Atención de Llamadas, S.A.	2009	91	91
Caixa Galicia	Non-monetary contribution of assets, 29/06	2009	116,306	116,306
Caixa Galicia	Non-monetary contribution of assets, 28/12	2009	131,870	131,870
Caixanova	Non-monetary contribution of Vinum Terrae, S.L.	2010	2,665	2,665
Caixagalicia-Caixanova	Merger by creation of Novacaixagalicia	2010	-	-
Novacaixagalicia	Segregation of financial business in favour of ABANCA Corporación Bancaria, S.A.	2011	1,084,188	1,084,188
NCG Banco	Merger by absorption of Financiera Inmobiliaria Proinova, S.L.U. with and into NCG División Grupo Inmobiliario, S.L.	2011	-	-
NCG Banco	Non-monetary contribution of assets, 6/09	2011	154,561	154,561
NCG Banco	Non-monetary contribution of interests in investees 29/10	2012	421,296	421,296
NCG Banco	Merger of ABANCA División Gupo Inmobiliario, S.L.U. and CXG Grupo Inmobiliario Corporación Caixagalicia, S.L.U.	2012	-	-
NCG Banco	Partial split-off of ABANCA Corporación Industrial, S.L.	2012	170,367	170,367
NCG Banco	Non-monetary contribution of interests in investees 29/06	2012	1,130,657	1,130,657
NCG Banco	Non-monetary contribution of interests in investees 29/06	2012	44,758	44,758
NCG Banco	Non-monetary contribution of assets, 17/4	2012	203,765	203,765
NCG Banco	Non-monetary contribution of assets, 20/5	2013	19,726	19,726
NCG Banco	Contribution of EVO Banco business unit	2013	110,000	110,000
NCG Banco	Transfer of bank branches business to Banco Etcheverría	2013	-	-
ABANCA	Merger with Banco Etcheverría	2014	-	-
ABANCA	Merger of Grupo Vinum	2014	-	-
ABANCA	Non-monetary contribution of interests in investees	2015	72,056	72,056
ABANCA Holding Financiero, S.A.	Merger with ABANCA Holding Hispania, S.A.	2015	90,622	90,622
ABANCA	Merger of Abanca Vida y Pensiones de Seguros y Reaseguros, S.A.U.	2016	-	-
ABANCA	Merger through absorption of Daenpa, S.L.U. and Hispano-Lusa Compañía Tecnológica de Edificación, S.A. by ABANCA Corporación, División Inmobiliaria, S.L.U.	2019	-	-

The disclosures required by article 86 of the Corporate Income Tax Law are included in the notes to the financial statements of each company for those periods.

d) Article 135 of the Recast Corporate Income Tax Law - Accounting revaluations

Pursuant to the provisions of article 135 of Royal Legislative Decree 4/2004, of 5 March, which approved the Recast Corporate Income Tax Law (current Article 122 CIT Law), it is hereby stated that Caixa Galicia revalued part of its Property, plant and equipment in order to adjust them to fair value on 1 January 2004. This revaluation was not reflected in the corporate income tax base. The revaluation was carried out in 2005 but was recognised in the balance sheet on 31 December 2004 through an accounting entry for first-time application of Circular 4/2004.

The revaluations amounted to €168,096 thousand, as detailed below:

Affected assets	Thousand EUR
Buildings own use	157,008
Rented buildings	11,088
Total	**168,096**

28.5 Tax periods open to inspection

On 31 December 2020, the Group companies have open to inspection by the taxation authorities all main applicable taxes for the last four tax periods in accordance with article 66 et seq. of the General Tax Law 58/2003, of 17 December.

In 2019, as a result of the tax inspection carried out by the taxation authorities, tax assessments were raised for periods up to 2015 inclusive, all of which were signed on an uncontested basis and declared final in 2019. The amounts involved in those assessments are not material for the understanding of the financial statements taken as a whole.

Due to the different possible interpretations of tax regulations, the results of any tax inspections performed by the taxation authorities for the years subject to verification could give rise to contingent tributary liabilities that cannot be objectively quantified. Nevertheless, the board of directors considers that any tributary liabilities that might arise would not significantly affect these financial statements.

29. Assets Covered by Insurance or Reinsurance Contracts and Liabilities Covered by Insurance or Reinsurance Contracts

Assets covered by insurance or reinsurance contracts:

On 31 December 2020 and 2019 "Assets covered by insurance or reinsurance contracts" relates to the assets recognised by ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A.U in the course of its activity.

Liabilities covered by insurance or reinsurance contracts:

On 31 December 2020 and 2019 "Liabilities covered by insurance or reinsurance contracts" relates to the liabilities recognised by ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A.U in the course of its activity. The breakdown of this item is as follows:

	Thousand EUR	
	2020	2019
Provision for life insurance		
Provision for unearned premiums	25,507	23,264
Mathematical provision	605,849	622,855
Provision for life insurance policies where the investment risk is borne by the policyholder	685,611	709,292
Provision for claims	40,199	33,514
Provision for bonuses and rebates	2,802	2,004
Provisions for to accounting mismatches	164,080	171,206
	1,524,048	**1,562,135**

The balance of this item consists solely of direct insurance.

30. Financial guarantees, loan commitments and other commitments granted

30.1. Financial guarantees granted and other commitments granted

Financial guarantees are the amounts that would be payable by the consolidated entities on behalf of third parties as a result of the commitments undertaken by those entities in the ordinary course of business, if the parties who are originally liable for payment fail to do so.

The breakdown of the maximum risk assumed by the Group in respect of financial guarantees on 31 December 2020 and 2019 is as follows:

	Thousand EUR	
	2020	2019
Bank guarantees and other indemnities	1,164,829	1,173,938
Irrevocable documentary credits	86,820	64,872
Credit derivatives sold	195,270	237,022
Other documentary credits	122,063	52,763
Other contingent commitments	90,310	116,947
Other	99,982	107,243
	1,759,274	**1,752,785**

A significant portion of these amounts will expire without generating any payment obligations for the Group. The total balance of these commitments can therefore not be considered an actual requirement for future financing or cash to be extended to third parties.

Income from guarantees is recognised under "Fee and commission income" and "Interest income" in the consolidated statement of profit or loss, at the restated value of the fees and commissions. The income is calculated by applying the interest rate for the guaranteed contract to the nominal amount of the associated guarantee.

Provisions made to secure the guarantees extended, which have been calculated using criteria similar to those used to calculate impairment of financial assets valued at amortised cost, are recognised under "Provisions – Commitments and guarantees given" (see Note 23).

On 31 December 2020 the Group has guarantees extended by third parties amounting to €54,000 thousand (€48,366 thousand on 31 December 2019).

30.2. Assets pledged as collateral

On 31 December 2020, the carrying amount of the Group's financial assets pledged as collateral for certain liabilities or contingent liabilities assumed by the Group totals €11,984,434 thousand (€6,047,699 thousand on 31 December 2019) (see Notes 8 and 10).

30.3. Loan commitments granted

The available amounts of the financing contracts extended by the Group, at the close of 2020 and 2019, are shown below:

	Thousand EUR	
	2020	2019
Immediately available:		
Credit cards	1,618,038	1,512,100
Public administrations sector	1,847,680	1,061,425
Other sectors	2,232,155	1,672,050
	5,697,873	4,245,575
Available subject to conditions:		
Public administrations sector	417,098	11,192
Other sectors	3,448,420	2,912,982
	3,865,518	2,924,174
	9,563,391	7,169,749

Provisions made to secure these contingent commitments, which have been calculated using criteria similar to those used to calculate impairment of financial assets valued at amortised cost, are recognised under "Provisions – Commitments and guarantees given" (see Note 23).

On 31 December 2020 and 2019 the breakdown of items not included in the-balance sheet customer funds managed by the Group is as follows:

	Thousand EUR	
	2020	2019
Investment funds (*)	6,241,378	6,313,590
Pension funds	1,589,959	1,531,973
Securities deposited by third parties (**)	3,687,794	4,643,498
Insurance products	1,501,082	1,536,643
	13,020,213	14,025,704

(*) On 31 December 2020, the value of the secured funds for which the Bank has provided a guarantee totals €615,902 thousand (€630,644 thousand on 31 December 2019).

(**) On 31 December 2020 and 2019, this item includes structured products amounting to €506,688 thousand and €680,354 thousand, respectively.

30.4. Assets received as collateral

On 31 December 2020 and 2019, the breakdown of assets received as collateral for loans over which the Group has the powers of disposal is as follows:

	Thousand EUR	
	2020	2019
Customer deposits pledged	384,086	422,623
Customer securities pledged	459,770	584,806
Investment funds shares/units pledged	58,484	41,355
	902,340	1,048,784

31. Interest income

This item comprises the interest accrued in the period on financial assets with an implicit or explicit return, calculated by applying the effective interest rate method, irrespective of measurement at fair value; and the rectification of income originating from hedge accounting.

A breakdown of the most significant sources of interest income accrued by the Group in the years ended 31 December 2020 and 2019 is as follows:

	Thousand EUR	
	2020	2019
Deposits in central banks	58,077	13,533
Deposits in credit institutions	6,477	10,376
Loans and advances to customers	616,982	591,962
Debt securities	69,136	97,387
Non-performing loans	32,098	38,214
Rectification of income originating from accounting hedges (Note 11.1.3)	(17,535)	(26,779)
Other income	33,718	36,213
	798,953	760,906

The breakdown of the amounts recognised under "Interest income" in the accompanying consolidated statements of profit or loss for 2020 and 2019, by portfolio of financial instruments that originated them, is as follows:

	Thousand EUR	
	2020	2019
Financial assets at fair value through other comprehensive income	44,248	64,894
Financial assets at amortised cost	710,536	715,433
Financial assets held for trading	140	-
Rectification of income originating from accounting hedges (Note 11.1.3)	(17,535)	(26,779)
Other income	61,564	7,358
	798,953	760,906

32. Interest expense

This item reflects the interest accrued in the period on all financial liabilities with an implicit or explicit return, including remuneration in kind, calculated by applying the effective interest rate method, irrespective of measurement at fair value; the rectification of costs originating from hedge accounting; and the interest cost attributable to pension funds.

A breakdown of this heading of the consolidated statements of profit or loss for 2020 and 2019 is as follows:

	Thousand EUR	
	2020	2019
Deposits from central banks	-	1,004
Deposits from credit institutions	27,959	34,204
Deposits from customers	72,931	84,741
Debt securities issued	7,830	22,166
Other non-convertible securities	-	-
Subordinated liabilities	36,187	24,263
Rectification of costs originating from accounting hedges (Note 11.1.3)	(13,180)	(12,934)
Cost attributable to pension funds created (Note 23.a)	3,537	7,892
Other charges	20,729	24,935
	155,993	186,271

The breakdown of the amounts shown in the table above, by portfolio of financial instruments that originated them, is as follows:

	Thousand EUR	
	2020	2019
Financial liabilities at amortised cost	146,277	166,418
Rectification of costs originating from accounting hedges (Note 11.1.3)	(13,180)	(12,934)
Other costs	22,896	32,787
	155,993	186,271

33. Dividend income

This item comprises the dividends and payments on equity instruments (see Note 9) deriving from profits generated by investees after the acquisition of the equity investment.

The breakdown, by nature of the financial instruments and distinguishing between quoted and unquoted securities, of the balance under this item in the accompanying consolidated statements of profit or loss for 2020 and 2019 is as follows:

	Thousand EUR	
	2020	2019
Equity instruments classified as:		
Non-trading assets mandatorily at fair value through profit or loss (Note 9)	4,916	12,783
Financial assets at fair value through other comprehensive income (Note 9)	71	211
	4,987	12,994
Nature of capital instruments:		
Listed	2,635	2,900
Unlisted	2,352	10,094
	4,987	12,994

34. Share of profit or loss of equity-accounted investees

This item comprises the amount of profit or loss attributable to the Group generated during the year by associates and joint ventures accounted for using the equity method.

A breakdown of this heading of the consolidated statement of profit or loss for 2020 and 2019 is as follows:

	Thousand EUR	
	2020	2019
Associates:		
Empresa Naviera Elcano, S.A.	1,416	3,805
Grupo Empresarial COPO, S.A.	3,208	6,308
Transmonbús, S.L.	984	898
Nueva Pescanova, S.L.	(14,493)	(12,985)
Other	(2,712)	789
	(11,597)	(1,185)

35. Fee and commission income

This item comprises the amount of all fees and commissions accrued in the period, except those forming an integral part of the effective interest rate on financial instruments.

The breakdown of fee and commission income accrued by the Group in 2020 and 2019, classified according to the main sources thereof, is as follows:

	Thousand EUR	
	2020	2019
Fee and commission income:		
Arising from guarantees and contingent commitments	20,370	18,036
Arising from collection and payment services	113,206	94,108
Arising from exchange of foreign currencies and banknotes	260	478
Arising from non-banking services	85,205	74,232
Arising from securities services	8,611	5,390
Other	40,457	42,074
	268,109	234,318

36. Fee and commission expense

This item comprises the amount of all fees and commissions paid or payable accrued in the year, except those forming an integral part of the effective interest rate on financial instruments.

The breakdown of fee and commission expense accrued in 2020 and 2019, classified by the main items that originated it, is as follows:

	Thousand EUR	
	2020	2019
Fees and commissions assigned to other entities and correspondents	2,918	3,868
Other fees and commissions	31,004	24,988
	33,922	28,856

37. Gains or losses on financial assets and liabilities

This note groups together the following line items of the statement of profit or loss: "Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net"; "Gains or losses on financial assets and liabilities held for trading, net"; "Gains or losses on non-trading financial assets mandatorily measured at fair value through profit or loss, net", and "Gains or losses from hedge accounting, net" from the consolidated statement of profit or loss.

"Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net" includes the amount of gains or losses resulting from the derecognition of financial assets and liabilities measured at cost and amortised cost, as well as financial assets classified at fair value through other comprehensive income — except investments in joint ventures and associates, and instruments classified as non-current assets and disposal groups held for sale.

"Gains or losses on financial assets and liabilities held for trading, net" include the amount of gains or losses on financial instruments held for trading, except those attributable to interest accrued applying the effective interest method.

"Gains or losses on non-trading financial assets mandatorily measured at fair value through profit or loss, net" includes the amount of gains or losses on financial instruments in this category, except those attributable to interest accrued applying the effective interest method.

"Gains or losses from hedge accounting, net" includes the gains and losses arising from hedging instruments and from hedged items in fair value hedges, as well as the ineffective portion of cash flow hedges and hedges of net investments in foreign transactions recognised in profit or loss.

The breakdown of this item of the accompanying statements of profit or loss for 2020 and 2019 is as follows:

	Thousand EUR	
	2020	2019
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	213,010	81,386
Gains or losses on financial assets and liabilities held for trading, net	8,506	(1,804)
Gains or losses from hedge accounting, net (Note 11)	3,384	(2,202)
Gains or losses on non-trading financial assets mandatorily measured at fair value through profit or loss, net	12,594	44,713
	237,494	122,093

The breakdown, by nature of the financial instruments that gave rise to these balances, of this item from the accompanying consolidated statements of profit or loss for 2020 and 2019 is as follows:

	Thousand EUR	
	2020	2019
Debt securities (Note 8)	214,624	79,203
Equity instruments (Note 9)	13,510	45,364
Derivatives	6,008	17
Other	3,352	(2,491)
	237,494	**122,093**

38. Other operating income and Income from assets covered by insurance or reinsurance contracts

The breakdown of "Other operating income" in the consolidated statements of profit or loss for 2020 and 2019 is as follows:

	Thousand EUR	
	2020	2019
Income from investment property and operating leases (Note 14)	14,849	15,129
Sales and income from the provision of non-financial services	36,684	48,230
Other	24,684	12,584
	76,217	**75,943**

The heading "Income from assets covered by insurance or reinsurance contracts" in the consolidated profit or loss includes insurance premiums collected and insurance or reinsurance income accrued by subsidiaries. During the annual period ended 31 December 2020 €106,868 thousand were recognised "Income from assets covered by insurance of reinsurance contracts" (€281,322 thousand in 2019).

39. Personnel expenses

This item comprises all remuneration of permanent and temporary personnel on the payroll, irrespective of their functions or activity, accrued in the period for all items, including the current service cost in respect of pension plans, remuneration based on own capital instruments and expenses capitalised as part of the value of assets.

The breakdown of "Personnel expenses" in the accompanying consolidated statements of profit or loss for 2020 and 2019 is as follows:

	Thousand EUR	
	2020	2019
Salaries and wages	276,967	260,579
Social Security contributions	72,231	65,841
Contributions to defined benefit plans (Note 23.a)	721	4,194
Contributions to defined contribution plans (Note 23.a)	9,466	8,439
Termination benefits (Note 23.a)	6,110	3,857
Other personnel expenses	13,801	13,654
	379,296	**356,564**

(*) *On 31 December 2020, €300 thousand relate to termination benefits paid by several Group companies that do not imply changes under "Pension funds and other similar obligations" (in 2019, €1,566 thousand relating to termination benefits paid by Banco Caixa Geral) (see Note 23).*

The Group's average headcount in 2020 and 2019, distributed by professional category and gender, as well as the number of employees on 31 December 2020 and 2019, are as follows:

Financial year 2020

	Average number of employees			Number of Employees at 31.12.2020	
	Men	Women	Total	Men	Women
Senior Management	12	1	13	12	1
Managers and Technicians	2,005	1,604	3,609	1,983	1,600
Other administrative and commercial personnel	865	1,368	2,233	839	1,373
Auxiliary personnel	51	27	78	49	28
	2,933	**3,000**	**5,933**	**2,883**	**3,002**

In addition to the figures presented in the tables above, on 31 December 2020, Nueva Pescanova, S.L. Group and Real Club Deportivo de la Coruña, S.A.D. Group respectively had 10,227 employees (6,338 men and 3,889 women) and 189 employees (149 men and 40 women), respectively.

Financial year 2019

	Average number of employees			Number of Employees at 31.12.2019	
	Men	Women	Total	Men	Women
Senior Management	12	1	13	12	1
Managers and Technicians	1,852	1,515	3,367	2,004	1,607
Other administrative and commercial personnel	790	1,276	2,066	930	1,400
Auxiliary personnel	53	26	79	51	28
	2,707	**2,818**	**5,525**	**2,997**	**3,036**

On 31 December 2020 and 2019, the Group had 67 and 81 employees, respectively, with a disability rating of 33% or above.

In addition to the figures presented in the tables above, on 31 December 2020, Nueva Pescanova, S.L. Group and Real Club Deportivo de la Coruña, S.A.D. Group respectively had 130 and 1 employees with a disability rating of 33% or above.

40. Other administrative expenses

A breakdown of this heading of the consolidated statements of profit or loss for 2020 and 2019 is as follows:

	Thousand EUR	
	2020	2019
Property, fixtures and materials	27,803	27,661
Information technology	57,563	39,656
Advertising and publicity	32,463	37,575
Communications	17,995	16,094
Taxes	11,465	10,517
Outsourced administrative services	35,189	39,618
Legal expenses and attorney fees	4,507	4,514
Technical reports	8,740	15,755
Surveillance and security carriage services	5,882	6,311
Entertainment and personnel service expenses	2,787	7,594
Insurance premiums	3,106	3,033
Governing and control bodies	3,013	2,869
Other expenses	11,530	12,508
	222,043	223,705

Other information

KPMG Auditores, S.L., the auditor of the Group's financial statements, invoiced fees for professional services during the years ended 31 December 2020 and 2019, as follows:

	Thousand EUR	
	2020	2019
Statutory audit services	981	1,122
Other assurance services	357	482
Other	6	-
Total services invoiced by KPMG Auditores, S.L.	**1,344**	**1,604**

Other assurance services mainly relate to limited audits of interim consolidated financial statements of ABANCA Corporación Bancaria, S.A., to the issuance of comfort letters and to other regulatory services.

Other entities affiliated with KPMG International invoiced the Group fees and expenses for professional services during the years ended 31 December 2020 and 2019, as follows:

	Thousand EUR	
	2020	2019
Audit services	409	26
Tax advice services	-	9
Other assurance services	43	98
Other services invoiced	991	134
	1,443	268

The amounts detailed in the tables above include the total fees for audit services rendered in 2020 and 2019, irrespective of the date of invoice thereof, while the fees for other services reflect services billed during 2020 and 2019.

Other auditors invoiced the Group the following fees and expenses for professional services during the annual periods ended 31 December 2020 and 2019:

	Thousand EUR	
	2020	2019
Audit services	45	39
Other assurance services	-	-
Tax advice services	212	161
Other services invoiced	7,569	7,380
	7,826	7,580

41. Other operating expenses and expenses from liabilities covered by insurance or reinsurance contracts

A breakdown of this heading of the consolidated statements of profit or loss for 2020 and 2019 is as follows:

	Thousand EUR	
	2020	2019
Contribution to Deposit Guarantee Fund and Resolution Fund (Note 1.8)	70,840	60,488
Investment property expenses (Note 14)	1,968	1,993
Other	49,479	47,308
	122,287	**109,789**

The balance under "Other" includes expenses associated with deposit taxes and to non-recurring services, such as the operational management of claims relating to floor clauses, etc.

"Expenses from liabilities covered by insurance or reinsurance contracts" include claims paid and other expenses directly associated with insurance contracts, premiums paid to third parties for reinsurance, and the net provisions recognised to cover the risks arising under insurance contracts accrued by subsidiaries. In 2020, €74,645 thousand were recognised under this concept (€255,418 thousand in 2019).

42. Gains or losses on derecognition of non-financial assets, net

A breakdown of this heading of the consolidated statements of profit or loss for 2020 and 2019 is as follows:

	Thousand EUR	
	Gains / (Losses)	
	2020	2019
On disposals of tangible assets	6	4,733
On disposals of investments	390	52,678
Other	186	(13,919)
	582	**43,492**

On 31 December 2019, the balance arising from the disposal of subsidiaries mainly related to the disposal of the entire investment in Autopista de Guadalmedina, S.A., and to the disposal of the 50% ownership interest in ABANCA Generales de Seguros y Reaseguros, S.A. (formerly known as GPS del Noroeste 3.000, S.L.) (Note 2.1.d).

On 31 December 2020 and 2019 the balance under "Other" mainly relates to the gain generated on the sale of impaired loan portfolios derecognised from the balance sheet (see Note 10.f).

43. Related Parties

The balances recognised in the consolidated balance sheet and in the consolidated statement of profit or loss as a result of transactions carried out in 2020 and 2019 with related parties other than those included in the relevant Note are as follows:

	Thousand EUR			
	2020			
	Senior Management and Board of Directors	Associates	Joint Ventures	Other related parties
ASSETS:				
Deposits in credit institutions	-	-	-	10,517
Loans and advances to customers	4,406	30,990	-	89,773
Of which:				
Repayments, cancellations and recognitions during the period	*1,148*	*93,562*	-	*28,954*
Grants, drawdowns and derecognitions during the period	*1,722*	*1,722*	-	*79,462*
Other assets	-	-	-	-
LIABILITIES:				
Deposits in credit institutions	-	-	-	-
Deposits from customers	8,943	29,446	-	20,552
GAINS AND LOSSES:				
Debit				
Interest expense	53	-	-	-
Fee and commission expense	-	2	-	-
Credit				
Interest income	24	737	-	974
Fee and commission income	9	163	-	36
MEMORANDUM ACCOUNTS	-	11,002	-	48,431

	Thousand EUR			
	2019			
	Senior Management and Board of Directors	Associates	Joint Ventures	Other related parties
ASSETS:				
Deposits in credit institutions	-	-	-	35,040
Loans and advances to customers	3,832	122,830	-	14,742
Of which:				
Repayments, cancellations and recognitions during the period	*819*	*1,641*	-	*44,430*
Grants, drawdowns and derecognitions during the period	*368*	*41,515*	-	*38,392*
	-	-	-	6,373
LIABILITIES:				
Deposits in credit institutions				
Deposits from customers	-	-	-	24,147
Other financial liabilities	5,168	23,108	-	15,815
GAINS AND LOSSES:				
Debit				
Interest expense	46	1	-	-
Fee and commission expense	-	4	-	-
Credit				
Interest income	25	4,986	-	392
Fee and commission income	9	126	-	30
MEMORANDUM ACCOUNTS	-	6,724	-	37,029

The transactions set out in the previous sections were performed as part of the ordinary course of the Group's business with its customers and under market conditions, although the conditions normally arranged with Group employees were applied where appropriate.

"Other related parties" includes the balances of close relatives of Directors and members of Senior Management of the Bank (meaning, inter alia, spouses, ascendants, descendants and siblings of both spouses, as well as any companies controlled by these individuals or where these individuals exercise significant influence).

44. Segment reporting

44.1. Segmentation criteria

The business lines described below have been defined on the basis of the organisational structure of the Group, with the business structure divided into the following areas:

1. Retail banking: this business line represents the main focus of ABANCA business and is addressed to the various categories of retail customers (individuals, businesses and public governments) to which a range of financial and parafinancial services through either the branch network or alternative distribution channels (Internet, on-line banking, mobile banking, etc.).

2. Wholesale banking: relates to activity in markets (treasury, issuances, fixed-income portfolio, etc.), as well as to the management of the equities portfolio where ABANCA does not hold significant ownership interests. This business line also includes advisory activities in merger and acquisitions that consist mainly in the comprehensive management of external purchase and sale transactions and the entry of partners in companies from the Iberian market, in addition to capital increase, debt restructuring and other corporate transactions.

3. Non-financial subsidiaries: a portfolio of non-financial companies formed for the purpose of supporting the local manufacturing industry and of contributing to ABANCA profit.

44.2. Basis and methodology used in compiling segment reporting

The segment reporting given below is based on the monthly reports drawn up from the information provided by a management control software application.

The structure of this information is designed as if each line of business were a separate business and the net interest and revenues of the lines of business are calculated by applying transfer prices aligned to the markets in force to the corresponding assets and liabilities. Returns from the equity portfolio are distributed among the lines of business based on their respective percentage interest.

Administrative expenses include direct and indirect costs and are distributed among the lines of business and support service units on the basis of the internal use made of the services.

The assets distributed between the different business segments include assets held for trading, securities and loans and receivables from financial institutions and customers, net of the corresponding provision for losses. The liabilities distributed among the different business segments encompass debt securities issued and payables to financial institutions and customers.

44.3. Segment reporting

The following tables reflect segment reporting by business segment:

Financial year 2020

	Thousand EUR			
	Retail banking	Wholesale banking	Non-financial subsidiaries	Total
Net interest income	**646,133**	**(28,381)**	**25,208**	**642,960**
Dividend income (Note 33)	-	4,987	-	4,987
Share of profit or loss of equity-accounted investees (Note 34)	-	-	(11,597)	(11,597)
Fee and commission income and expense (Notes 35 and 36)	234,187	-	-	234,187
Gains or losses on financial assets and liabilities (Note 37) (*)	1,620	235,874	-	237,494
Exchange differences, net	4,393	5,349	24	9,766
Other operating income and expenses (Notes 38 and 41) (**)	(71,257)	5,101	52,309	(13,847)
Gross margin	**815,076**	**222,930**	**65,944**	**1,103,950**
Personnel expenses (Note 39)	(353,816)	(10,594)	(14,886)	(379,296)
Other administrative expenses, depreciation and amortisation	(262,694)	(20,386)	(33,953)	(317,033)
Provisions or reversals of provisions, and Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(131,101)	(63,769)	(221)	(195,091)
Net Operating Income	**67,465**	**128,181**	**16,884**	**212,530**
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	(21,609)	(3,000)	-	(24,609)
Gains or losses on derecognition of non-financial assets, net (Note 42)	(146)	562	166	582
Negative goodwill recognised in profit or loss	-	-	-	-
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	18,360	(12,705)	-	5,655
Profit before tax from continuing operations	**64,070**	**113,038**	**17,050**	**194,158**

(*) Includes gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net; gains or losses on financial assets and liabilities held for trading, net; gains or losses on non-trading assets and liabilities mandatorily at fair value through profit or loss, net; and gains or losses from hedge accounting, net.

(**) "Other income and expenses" include other operating income; other operating expenses; income from assets covered by insurance or reinsurance contracts; and expenses from liabilities covered by insurance or reinsurance contracts.

	Thousand EUR			
	Retail banking	Wholesale banking	Non-financial subsidiaries	Total
Total Assets	39,562,272	25,617,306	2,237,870	67,417,448
Total Liabilities	43,410,726	21,615,482	2,391,240	67,417,448
Pooling	**(3,848,454)**	**4,001,824**	**(153,370)**	**-**

Financial year 2019

	Thousand EUR			
	Retail banking	Wholesale banking	Non-financial subsidiaries	Total
Net interest income	**616,749**	**(75,398)**	**33,284**	**574,635**
Dividend income (Note 33)	-	12,994	-	12,994
Share of profit or loss of equity-accounted investees (Note 34)	-	-	(1,185)	(1,185)
Fee and commission income and expense (Notes 35 and 36)	205,499	(37)	-	205,462
Gains or losses on financial assets and liabilities (Note 37) (*)	-	121,884	209	122,093
Exchange differences, net	-	4,813	(34)	4,779
Other operating income and expenses (Notes 38 and 41) (**)	(67,041)	4,051	55,048	(7,942)
Gross margin	**755,207**	**68,307**	**87,322**	**910,836**
Personnel expenses (Note 39)	(331,462)	(10,657)	(14,445)	(356,564)
Other administrative expenses, depreciation and amortisation	(252,858)	(20,155)	(40,536)	(313,549)
Provisions or reversals of provisions, and Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(95,268)	2,621	(278)	(92,925)
Net Operating Income	**75,619**	**40,116**	**32,063**	**147,798**
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	(2,841)	60,368	14	57,541
Gains or losses on derecognition of non-financial assets, net (Note 42)	(13,086)	56,371	207	43,492
Negative goodwill recognised in profit or loss	231,679	-	-	231,679
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	14,891	(65,099)	(101)	(50,309)
Profit before tax from continuing operations	**306,262**	**91,756**	**32,183**	**430,201**

(*) Includes gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net; gains or losses on financial assets and liabilities held for trading, net; gains or losses on non-trading assets and liabilities mandatorily at fair value through profit or loss, net; and gains or losses from hedge accounting, net.

(**) "Other income and expenses" include other operating income; other operating expenses; income from assets covered by insurance or reinsurance contracts; and expenses from liabilities covered by insurance or reinsurance contracts.

	Thousand EUR			
	Retail banking	Wholesale banking	Non-financial subsidiaries	Total
Total Assets	37,317,586	20,228,665	1,333,064	58,879,315
Total Liabilities	39,417,543	17,251,546	2,210,226	58,879,315
Pooling	**(2,099,957)**	**2,977,119**	**(877,162)**	**-**

45. Liquidity Risk of Financial Instruments

The Treasury and Capitals Market Department, based on guidelines issued by the Assets and Liabilities Committee, manages the liquidity risk inherent to the activity and to financial instruments, to ensure that there is sufficient liquidity at all times to meet the payment obligations associated with the maturities or settlements of liabilities, without compromising the Group's capacity to swiftly respond to strategic opportunities in the market.

As regards liquidity risk, and pursuant to best practices, the board of directors is the body with ultimate responsibility for managing this risk, a task that it delegates to the Comprehensive Risk Commission with regard to supervising compliance with the control and review mechanisms of the policy, strategies and high-level limits of the liquidity risk, as well as coordination with the Group's other risks. In this regard, the Group has defined a series of measurements based on its risk profile, aimed at ensuring that the Group at all times has a minimum proportion of liquid funds available to address unexpected liquidity outflows.

Liquidity risk management involves planning for resource requirements, paying special attention to the diversification of products, sources of funding, costs and periods of transactions. A diversified portfolio of liquid assets is maintained, which could be used as collateral in financing transactions or promptly enforceable transactions.

To manage the liquidity risk, the Group uses a centralised approach, applying integrated software tools with which the analyses are performed. The techniques used particularly include the following: i) analysis of available liquid assets and encumbered assets; ii) generation of regulatory and internal liquidity ratios; iii) monitoring of instruments arranged and their maturities; iv) stress test scenarios over different time horizons and under different stress types; v) control of intraday liquidity.

The position with regard to the Group's liquidity risk is established based on an analysis of the situation at the outset and the projected situation. These analyses not only consider normal market conditions, but also extreme conditions that could arise and affect the value of the assets or the flow of the Group's receipts and payments, due to various factors. The scenarios considered include systemic and idiosyncratic crisis scenarios and combined stress scenarios. Periodic and even daily monitoring is performed in normal scenarios under budgetary projections and under adverse stress scenarios that have evidenced the strength of the Group's liquidity.

The breakdown, by maturity period, of the different items of the consolidated balance sheet on 31 December 2020 and 2019 under a "normal market conditions" scenario is as follows:

On 31 December 2020-

	Thousand EUR						
	Demand	Up to 1 Month	Between 1 and 3 Months	Between 3 and 12 months	Between 1 and 5 Years	More than 5 Years	Total
ASSETS:							
Cash, cash balances with central banks, other demand deposits and loans and advances to credit institutions (Notes 6 and 7)	7,155,805	364,100	16,618	36,959	-	-	7,573,482
Loans and advances to customers (Note 10)	373,321	1,084,970	1,786,951	4,210,538	15,431,821	16,212,590	39,100,191
Fixed income portfolio (Note 8)							
Financial assets held for trading	-	-	-	-	3,508	17,473	20,981
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	27,475	27,475
Financial assets at fair value through other comprehensive income	-	358,578	-	88,742	4,185,191	1,790,731	6,423,242
Financial assets at amortised cost	-	68,354	-	-	4,118,900	2,728,042	6,915,296
Equity portfolio (Note 9)							
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	201,223	201,223
Financial assets at fair value through other comprehensive income	-	-	-	-	-	23,688	23,688
Investments in joint ventures or associates (Note 13)	-	-	-	-	-	143,738	143,738
Trading derivatives (Note 11)	142,507	-	-	-	-	-	142,507
Insurance contracts linked to pensions (Note 23)	145,586	-	-	-	-	-	145,586
Assets covered by insurance or reinsurance contracts (Note 29)	4,535	-	-	-	-	-	4,535
Derivatives - hedge accounting (Note 11)	10,298	-	-	-	-	-	10,298
Non-current assets and disposal groups classified as held for sale (Note 12)	1,276,843	-	-	-	-	-	1,276,843
Tangible assets (Note 14)	1,209,810	-	-	-	-	-	1,209,810
Intangible assets (Note 15)	518,242	-	-	-	-	-	518,242
Tax assets (Note 28)	-	-	-	-	-	3,475,733	3,475,733
Other assets (Notes 16 and 17)	204,578	-	-	-	-	-	204,578
Total on 31 December 2020	**11,041,525**	**1,876,002**	**1,803,569**	**4,336,239**	**23,739,420**	**24,620,693**	**67,417,448**
LIABILITIES:							
Deposits from Central Banks and credit institutions (Note 18)	-	495,005	43,457	176,121	10,158,174	145,561	11,018,318
Deposits from customers (Note 19)	32,927,159	3,462,777	2,281,033	5,702,764	1,601,642	417,386	46,392,761
Debt securities issued (Note 20)	-	-	-	1,030	931,225	776,021	1,708,276
Other financial liabilities (Note 22)	1,445,073	-	-	-	-	-	1,445,073
Trading derivatives (Note 11)	143,913	-	-	-	-	-	143,913
Derivatives - hedge accounting (Note 11)	290,318	-	-	-	-	-	290,318
Liabilities covered by insurance or reinsurance contracts (Note 29)	1,524,048	-	-	-	-	-	1,524,048
Provisions (Note 23)	318,251	-	-	-	-	-	318,251
Equity (Notes 25, 26 and 27)	-	-	-	-	-	4,576,490	4,576,490
Total on 31 December 2020	**36,648,762**	**3,957,782**	**2,324,490**	**5,879,915**	**12,691,041**	**5,915,458**	**67,417,448**

On 31 December 2019 -

	Thousand EUR						
	Demand	Up to 1 Month	Between 1 and 3 Months	Between 3 and 12 months	Between 1 and 5 Years	More than 5 Years	Total
ASSETS:							
Cash, cash balances with central banks, other demand deposits and loans and advances to credit institutions (Notes 6 and 7)	3,136,568	667,292	8,373	179,404	-	-	3,991,637
Loans and advances to customers (Note 10)	345,633	1,220,278	2,241,153	4,903,088	11,625,454	16,804,160	37,139,766
Fixed income portfolio (Note 8)							
Financial assets held for trading	-	-	-	-	62,299	14,682	76,981
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	29,314	29,314
Financial assets at fair value through other comprehensive income	-	715,299	463,974	307,305	1,733,975	1,835,613	5,056,166
Financial assets at amortised cost	-	-	-	-	4,014,800	1,880,951	5,895,751
Equity portfolio (Note 9)							
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	285,224	285,224
Financial assets at fair value through other comprehensive income	-	-	-	-	-	24,194	24,194
Investments in joint ventures or associates (Note 13)	-	-	-	-	-	219,493	219,493
Trading derivatives (Note 11)	117,674	-	-	-	-	-	117,674
Insurance contracts linked to pensions (Note 23)	142,406	-	-	-	-	-	142,406
Assets covered by insurance or reinsurance contracts (Note 29)	4,142	-	-	-	-	-	4,142
Derivatives - hedge accounting (Note 11)	53,087	-	-	-	-	-	53,087
Non-current assets and disposal groups classified as held for sale (Note 12)	379,425	-	-	-	-	-	379,425
Tangible assets (Note 14)	1,267,850	-	-	-	-	-	1,267,850
Intangible assets (Note 15)	468,829	-	-	-	-	-	468,829
Tax assets (Note 28)	-	-	-	-	-	3,504,606	3,504,606
Other assets (Notes 16 and 17)	222,770	-	-	-	-	-	222,770
Total on 31 December 2019	**6,138,384**	**2,602,869**	**2,713,500**	**5,389,797**	**17,436,528**	**24,598,237**	**58,879,315**
LIABILITIES:							
Deposits from Central Banks and credit institutions (Note 18)		876,715	347,769	1,796,308	5,189,847	96,806	8,307,445
Deposits from customers (Note 19)	27,475,247	1,991,040	2,728,774	6,805,892	1,316,871	1,032,369	41,350,193
Debt securities issued (Note 20)	-	-	-	51,945	374,631	1,050,000	1,476,576
Other financial liabilities (Note 22)	358,970	-	-	-	-	-	358,970
Trading derivatives (Note 11)	116,544	-	-	-	-	-	116,544
Derivatives - hedge accounting (Note 11)	179,795	-	-	-	-	-	179,795
Liabilities covered by insurance or reinsurance contracts (Note 29)	1,562,135	-	-	-	-	-	1,562,135
Provisions (Note 23)	389,911	-	-	-	-	-	389,911
Other de liabilities and tax liabilities (Notes 24 and 28)	483,171	-	-	-	-	-	483,171
Equity (Notes 25, 26 and 27)	-	-	-	-	-	4,654,575	4,654,575
Total on 31 December 2019	**30,565,773**	**2,867,755**	**3,076,543**	**8,654,145**	**6,881,349**	**6,833,750**	**58,879,315**

These tables do not reflect the liquidity position of the Group, inasmuch as demand accounts and other deposits from customers, when the activity is typical of commercial banking, have been treated like any other liability payable on demand. Similarly, those assets forming part of the Group's structure for which it is not possible to estimate their conversion date into liquid assets have been classified as "on demand". Considering this effect, the differences between assets and liabilities for each period fall within a reasonable range for the volumes of business managed.

46. Fair Value

The breakdown of the fair value of the Group's financial assets and liabilities on 31 December 2020 and 2019, together with their respective carrying amounts at those dates, is as follows:

On 31 December 2020-

	Thousand EUR	
	Carrying amount	Fair Value
Assets:		
Cash, cash balances with central banks, other demand deposits and loans and advances to credit institutions (Notes 6 and 7)	7,573,482	7,573,482
Loans and advances to customers (Note 10)		
Financial assets at amortised cost	*39,100,191*	*42,537,762*
Non-trading financial assets mandatorily at fair value through profit or loss	-	-
Fixed income portfolio (Note 8)		
Non-trading financial assets mandatorily at fair value through profit or loss	*27,475*	*27,475*
Financial assets at fair value through other comprehensive income	*6,423,242*	*6,423,242*
Financial assets at amortised cost	*6,915,296*	*6,986,357*
Financial assets held for trading	*20,981*	*20,981*
Equity portfolio (Note 9)		
Non-trading financial assets mandatorily at fair value through profit or loss	*201,223*	*201,223*
Financial assets at fair value through other comprehensive income	*23,688*	*23,688*
Investments in joint ventures or associates (Note 13)	143,738	143,738
Non-current assets and disposal groups classified as held for sale (Note 12)	1,276,843	1,276,843
Derivatives held for trading (Note 11)	142,507	142,507
Derivatives - hedge accounting (Note 11)	10,298	10,298
Liabilities:		
Deposits from Central Banks and Credit Institutions (Note 18)	11,018,318	10,966,169
Deposits from customers (Note 19)	46,392,761	47,168,829
Debt securities issued (Note 20)	1,708,276	1,768,014
Other financial liabilities (Note 22)	288,793	288,793
Derivatives held for trading (Note 11)	143,913	143,913
Derivatives - hedge accounting (Note 11)	290,318	290,318
Non-current liabilities and disposal groups classified as held for sale (Note 12)	626,627	626,627

On 31 December 2019 -

	Thousand EUR	
	Carrying amount	Fair Value
Assets:		
Cash, cash balances with central banks, other demand deposits and loans and advances to credit institutions (Notes 6 and 7)	3,991,637	3,991,637
Loans and advances to customers (Note 10)		
Financial assets at amortised cost	*37,139,766*	*40,399,974*
Non-trading financial assets mandatorily at fair value through profit or loss	-	-
Fixed income portfolio (Note 8)		
Non-trading financial assets mandatorily at fair value through profit or loss	*29,314*	*29,314*
Financial assets at fair value through other comprehensive income	*5,056,166*	*5,056,166*
Financial assets at amortised cost	*5,895,751*	*6,013,813*
Financial assets held for trading	*76,981*	*76,981*
Equity portfolio (Note 9)		
Non-trading financial assets mandatorily at fair value through profit or loss	*285,224*	*285,224*
Financial assets at fair value through other comprehensive income	*24,194*	*24,194*
Investments in joint ventures or associates (Note 13)	219,493	219,493
Non-current assets and disposal groups classified as held for sale (Note 12)	379,425	379,425
Derivatives held for trading (Note 11)	117,674	117,674
Derivatives - hedge accounting (Note 11)	53,087	53,087
Liabilities:		
Deposits from Central Banks and Credit Institutions (Note 18)	8,307,445	8,356,973
Deposits from customers (Note 19)	41,350,193	41,756,286
Debt securities issued (Note 20)	1,476,576	1,575,205
Other financial liabilities (Note 22)	358,970	358,970
Derivatives held for trading (Note 11)	116,544	116,544
Derivatives - hedge accounting (Note 11)	179,795	179,795

The criteria used to determine the fair value of financial assets and liabilities are as follows:

- In general, the different financial assets and liabilities are measured by discounting future cash flows using the market interest rate curve.

- Fair value of financial assets at a fixed rate of interest is determined by discounting future cash flows using the market interest rate curve through to maturity.

- Fair value of financial assets at a variable rate is determined by discounting future cash flows through to the next interest rate change, which is when the outstanding balance is updated.

- Fair value of financial liabilities is determined by discounting future cash flows using the market interest rate curve.

- On-demand liabilities with low returns (savings and current accounts in Euros), included under "Deposits from customers", are subject to a treatment, according to their maturities, based on their past performance and are discounted using the market interest rate curve.

- Unquoted equity instruments for which it has been possible to estimate their fair value are measured using generally accepted valuation techniques based on observable market data.

- Fair value of financial assets and financial liabilities quoted in official secondary markets has been estimated based on their respective quotations at the date of the financial statements.

- Fair value of over-the-counter (OTC) derivatives not quoted in active official markets and of unquoted debt securities has been estimated by applying generally accepted valuation techniques based on directly observable market data.

47. Residual maturities of transactions and average interest rates

The breakdown, by maturity period, of the balances of certain headings of the consolidated balance sheet on 31 December 2020 and 2019, excluding valuation adjustments, as well as their annual average interest rates, is as follows:

On 31 December 2020-

	Thousand EUR							
	Demand	Up to 1 Month	Between 1 and 3 Months	Between 3 and 12 months	Between 1 and 5 Years	More than 5 Years	Total	Average annual interest rate [1]
ASSETS:								
Cash, cash balances with central banks and other demand deposits (Note 6)	6,845,187	-	-	-	-	-	6,845,187	(0.06%)
Deposits with credit institutions (Note 7)	310,619	364,106	16,618	36,952	-	-	728,295	0.20%
Loans and advances to customers (Note 10)	373,321	1,084,970	1,786,951	4,210,538	15,431,821	16,641,819	39,529,420	1.42%
Debt securities (Note 8)	-	400,570	-	79,597	8,513,310	4,321,174	13,314,651	0.37%
	7,529,127	1,849,646	1,803,569	4,327,093	23,945,131	20,962,993	60,417,553	
LIABILITIES:								
Deposits from Central Banks and credit institutions (at amortised cost) (Note 18)	-	457,995	42,863	173,715	10,241,346	143,560	11,059,479	(0.60%)
Deposits from customers (at amortised cost) (Note 19)	32,849,604	3,459,833	2,275,661	5,689,332	1,597,869	421,738	46,294,037	0.21%
Debt securities issued (at amortised cost) (Note 20)	-	-	-	995	900,000	750,000	1,650,995	3.62%
	32,849,604	3,917,828	2,318,524	5,864,042	12,739,215	1,315,298	59,004,511	

[1] *These average interest rates include the effects of the hedges arranged by the Group.*

On 31 December 2019 -

	Thousand EUR							
	Demand	Up to 1 Month	Between 1 and 3 Months	Between 3 and 12 months	Between 1 and 5 Years	More than 5 Years	Total	Average annual interest rate (1)
ASSETS:								
Cash, cash balances with central banks and other demand deposits (Note 6)	3,136,568	-	-	-	-	-	3,136,568	0.00%
Deposits with credit institutions (Note 7)	-	666,573	8,372	179,400	-	-	854,345	(0.04%)
Loans and advances to customers (Note 10)	345,633	1,220,278	2,241,153	4,903,088	11,625,453	17,276,674	37,612,279	1.61%
Debt securities (Note 8)	-	632,981	410,579	271,940	6,362,514	3,361,311	11,039,325	0.59%
	3,482,201	2,519,832	2,660,104	5,354,428	17,987,967	20,637,985	52,642,517	
LIABILITIES:								
Deposits from Central Banks and credit institutions (at amortised cost) (Note 18)	-	894,967	355,009	1,842,607	5,147,345	98,808	8,338,736	0.04%
Deposits from customers (at amortised cost) (Note 19)	27,421,142	1,987,118	2,723,401	6,792,490	1,314,278	1,034,740	41,273,169	0.21%
Debt securities issued (at amortised cost) (Note 20)	-	-	-	51,945	351,295	1,050,000	1,453,240	2.65%
	27,421,142	2,882,085	3,078,410	8,687,042	6,812,918	2,183,548	51,065,145	

(1) *These average interest rates include the effects of the hedges arranged by the Group.*

These tables do not reflect the liquidity position of the Group, inasmuch as demand accounts and deposits from customers, whose stability is typical of commercial banking, have been treated like any other liability payable on demand. Considering this effect, the differences between assets and liabilities for each period fall within a reasonable range for the volumes of business managed. Further information on the Group's liquidity management is given in Note 45 and in the Management Report.

48. Exposure to Credit Risk

48.1. Credit risk management objectives, policies and processes

Credit risk is the possibility of the Institution incurring in a loss as a result of the counterparty's failure to meet its obligations. In the financial system, credit risk management assumes major relevance in the sphere of global management of risks inherent in the financial activity, as it is closely interrelated with other risks such as, mainly, non-financial risk (which includes, inter alia, operational risk and reputational risk) and market risk (understood as trading risk, investment risk and IRRBB structural risk).

The general principles on which the Group's risk management is based are as follows:

- Ensuring that the organisational structure associated with the risk function is appropriate, based on the following fundamental criteria:

o Segregation of duties.

o Collegiate decisions.

o Decentralisation.

- Development, introduction and use of appropriate tools for acceptance, analysis, control and monitoring of each kind of risk related to the Group's activity.

- The General Division of Corporate Control and Risks, together with its dependent structure, establishes the credit risk control framework, which is verified through the appropriate internal control. In addition, it oversees due compliance with the above-mentioned principles, particularly the segregation of duties, correct recognition of positions and their appropriate accounting treatment.

The communication of these basic principles to the Group as a whole forms a key part of risk management. They are made general knowledge through the informative sessions held in the Bank at all levels, as well as through publication of the internal Standards and Communications that implicitly implement these principles and the daily performance of the procedures and processes in place to ensure compliance therewith.

Effective management of credit risk requires independent decision-making with regard to commercial objectives. The establishment of separate divisions between the business areas and the risk areas entrusted with measuring, analysing, monitoring and disclosing information on risks provides the independence and autonomy needed to adequately control risks.

Organisational structure of the Group's risks function

The Group's organisational structure aims to give an effective response to the most relevant strategic and operational aspects, such as:

- The strategy implemented by the Group in the different markets in which it operates.

- The growing complexity of the Group's activity and management.

- The need to boost and better guide commercial actions.

- Proper compliance with the Group's strategic guidelines.

The Group has been structured around three defence lines to enable a global risk management approach that involves the entire organisation. In this structure, the risk control function constitutes the second line of defence, responsible for monitoring the performance of all the business units (which make up the first line of defence), and is in turn supervised by the third line (Internal Audit).

This organisational structure reinforces the credit risk supervision and control areas. This reinforcement is advisable due to:

- The organisational trends of credit institutions as a result of the implications of the New Basel Capital Accord.

- The Group's strategic planning within the framework of measures adopted in the integration plan and in compliance with the new capital requirements.

From a functional standpoint, the following, related activities correspond specifically to the area of risk management:

I. General Division of Corporate Control and Risks

The Group has a General Division of Corporate Control and Risks (which reports directly to the CEO, thus guaranteeing the independence of Risk Control). The mission of this General Division is to foster a risk culture throughout the organisation, representing the Group's second line of defence through the comprehensive management of risks (credit, market, liquidity, interest rate, operational, security and continuity, etc.), ensuring the Group's solvency and resilience in accordance with the risk profile defined by the governing bodies, and leading the Group towards best practices in risk culture.

In order to ensure adequate Credit Risk Control, this General Division includes a Comprehensive Risk Management Area, which comprises the Capital and Solvency, Credit Risk Control, Policies and Regulations, Risk Methodologies, Market Risk, Interest Rate and Liquidity Risk, and Operational and Reputational Risk Unit.

This Division, which is in charge of defining the policies and procedures for managing risks based on the target risk profile defined, reviews policies on an ongoing basis to bring them into line with legislation and the Group's strategy. The strategies and limit-setting policies and risk products to be commercialised are determined based on the risk profile defined by the Group and the prevailing economic climate.

With a view to obtaining models for assessing the risk of all the Group's portfolios, the Comprehensive Risk Management Area plans the procurement of scoring and rating models for all the portfolios based on their representativeness and models for assessing the expected losses on portfolios. It shall be noted that in January 2018 ABANCA adopted IFRS 9 and developed internal models for the assessment of credit risk impairment in accordance with IFRS 9.

In addition, this unit collects metrics for each operation and customer through the implementation of statistical models to minimise the possibility of future losses derived from non-payment when granting operations, thereby enabling it to create efficient systems for recovering debts and for tracking changes in the Group's credit risk profile. This unit has also submitted a proposal for the application of credit risk policies based on automated risk qualification models and systems.

Furthermore, this area is responsible for ensuring compliance with Regulations 575/2013 and with Directive 2013/36/EU of the European Parliament and of the Council (CCR/CRD IV) that came into force on 1 January 2014, and is also responsible for defining the settings of capital requirements calculation engines and for the implementation thereof.

In connection with the foregoing, it should be noted that the Group, as one of its strategic priorities, has continued making progress in the process for migration IRB models; to this end, Senior Management has allocated specific resources and a specific monitoring line.

This unit is also responsible for implementing the optimisation of the return/risk ratio (using RAROC methodologies), which will allow for more accurate price setting and a more efficient allocation of capital.

The Comprehensive Risk Management Unit, operating within the General Division, is responsible for defining and proposing the Risk Appetite Framework (hereinafter RAF) for approval by the governing bodies of the Group based on the strategies defined by them. Once the RAF has been defined, this unit prepares monitoring and control reports with the frequency required by the governing bodies.

The presentation of risk appetite reports by this division to the board of directors, following their prior review by the Comprehensive Risk Commission and the Comprehensive Risk Committee, is indispensable to the effectiveness of the RAF.

The reports are to be prepared and submitted on a monthly basis to the Comprehensive Risk Committee, and shall be submitted at least every quarter to the Comprehensive Risk Commission.

These reports must include at least the following characteristics:

i. Monitoring of the risk metrics defined in the RAF to compare the risk profile at any given time with the risk appetite, in order to be able to demonstrate any deviation with regard to what has been defined by the Group and to propose the appropriate corrective measures.

ii. An additional breakdown (by portfolio, geographical area, product type, etc.) for those metrics in which changes, without going as far as to trigger any of the defined alerts, may enable the Bank to anticipate unexpected behaviour.

The Comprehensive Risk Management Area is the point of liaison for all risk-related issues (including the control, monitoring and supervision thereof and changes therein) with the Spanish National Securities Market Commission (CNMV), the Bank of Spain, the European Central Bank, the Single Resolution Authority, the European Banking Authority, rating agencies and external auditors.

Finally, the General Division is also responsible for coordinating the preparation of the ICAAP, the ILAAP, the Recovery Plan and the Resolution Plan.

This General Division performs coordination tasks with the General Division of IT, Reporting, Processes and Operations, ensuring that the different automated systems and work procedures and credit risk management are aligned with the Group’s strategic approach in respect of this issue.

The main functions of the departments engaged in managing credit risk that operate within the Comprehensive Risk Management Division are defined below.

Credit Risk Control, Policies and Regulations

Within the Comprehensive Risk Management Area, this unit is responsible for proposing risk management policies, standards and procedures on the basis of the target risk profile. The strategies and limit-setting policies (by sector, geographical area, customer, type of transaction and segment) and risk products to be commercialised are determined based on the existing regulations, on the risk profile defined by the Group and on the prevailing economic climate.

More specifically, this unit has the following fundamental functions:

- To recommend the approval of risk limits to the Comprehensive Risk Commission in accordance with the risk tolerance of the Group, analysing any deviations — and their causes — with respect to the defined risk profile by proposing corrective measures.

- To ensure adequate control over the risk profile defined by the Group through the setting of risk policies and the definition and issue of legislation regulating the management of all risks. All of these functions are carried out under the umbrella of the Comprehensive Risk Management Division.

- To coordinate the preparation of the ICAAP, Recovery Plan and Resolution Plan.

- To coordinate the proposal of the RAF and the Recovery Plan for their presentation by the General Manager of Corporate Control and Risks to the Comprehensive Risk Commission, following their prior submission to the Comprehensive Risk Committee, and to perform monitoring in this connection.

- To coordinate the negotiation, establishment, dissemination and monitoring of credit activity criteria and monitor these criteria in collaboration with the General Business Divisions.

- To develop all risk-related regulations through policies, standards and manuals.

- To safeguard the quality of new loans and receivables and of management, pursuant to the criteria established by the Group for the outstanding portfolio, through participation on the Risk Committees.

- To liaise on risk-related issues — control, supervision and developments — with the Spanish National Securities Market Commission (CNMV), Bank of Spain (BoS), Single Resolution Board (SRB), rating agencies and external auditors.

- To cooperate in defining new products and ensure compliance with the Group's risk policies.

- To review procedures, set up controls and identify needs in order to improve customer identification for segmentation of special customers (leveraged, related parties, real estate...).

- To establish a uniform culture of risk management throughout the commercial network, disseminating and controlling the application of defined risk policies and the corresponding processes.

- To ensure the consistency and quality of Risk information, working together with Systems in the implementation of the Risk technological model (Risk Datamart).

– To monitor credit risk profile and to analyse the evolution thereof. To report to the Governing Bodies on the performance of the loans and receivables portfolio.

– To coordinate the determination of the NPEs strategy. To monitor, on a quarterly basis, NPLs performance, and to report both to Governing Bodies and to the Supervisory Authority.

– To prepare, on a quarterly basis, Credit Risk Segmentation Distribution Table, to be reported to the Bank of Spain.

– To study and analyse any regulatory changes pertaining to credit risk, for implementation thereof in credit risk control and management procedures.

– To coordinate the process for generating BoS credit risk inspection files, performing any necessary validations in order to ensure the quality of data. Additionally, to coordinate the management of received issues.

– To coordinate and manage the submission of any and all necessary information to Bank of Spain's central credit register (CIRBE). To liaise with the Supervisory Authority in order to address the submission and any eventual claims and issues.

Risk Methodologies

The Comprehensive Risk Management Area includes the Risk Methodologies Unit, responsible for the development and administration of credit risk management models together with the dynamic assessment of portfolio risk through statistical modelling of the portfolio as a whole, and the construction and definition of an entire platform of information for the Group that enables control and in-depth knowledge of the Group's situation vis-à-vis the credit risk level in different focal points of analysis.

Using quantitative techniques, this Unit ensures compliance with the (credit) risk appetite framework in the granting of new transactions, regularly monitors the risk profiles of the Bank's customers, and provides other Bank areas with efficient systems for, inter alia, the determination of Credit Risk Policies, RAROC assessment, search of potential target customers and with tools for prioritising recoveries.

More specifically, this unit's remit is essentially as follows:

- To define the reporting and analytical systems that will enable the Group to monitor credit risk on a global level (across the various areas: sector, product, business line) and issue alerts on performance, thereby allowing the necessary corrective measures to be defined.

- To study and analyse any regulatory changes pertaining to credit risk and the techniques applicable to credit risk control.

- To design, validate and implement credit risk models.

- To perform the calculation and maintenance of the methodologies for calculating the probability of default (PD), exposure at default (EAD) and loss given default (LGD), within the scope of both IFRS9 and IRB.

- To establish, verify and control the discrimination and stability of credit rating models (Rating, Scoring), calibrating the models and keeping the target default rate at appropriate levels established by the Group, monitoring their predictive capability.

- To monitor the positive predictive capability of the credit risk tools available within the Group, compiling risk maps and transition matrices and, where appropriate, updating the pertinent algorithms.

- To apply credit risk policies based on automated risk qualification models and systems.

- To define the methodology for determining the expected loss in those portfolios in which this calculation entails an automated, mass process, and to systematically monitor and update this amount. To assess and monitor the expected loss from the credit risk portfolio.

- To cooperate with Business in searching prospective publics (pre-granted, pre-authorised…).

- To provide advice in separate assessments related with credit risk control and modelling techniques.

- To supply other bank/group units (ASF) with credit risk assessment tools (development, monitoring, adjustment and definition of credit risk policies using those tools, definition of target publics).

- To take part in the management of credit risk rating tools (admission, monitoring, recovery, etc. processes).

- To integrate RAROC indicators and tools and to perform RAROC analyses on portfolios.

Capital and Solvency

The Comprehensive Risk Management Area includes the Capital and Solvency Unit reporting to the Comprehensive Risk Management Division, responsible for ensuring compliance with the regulatory framework on Capital Requirements (Regulation EU 575/2013; Directive EU 2013/36; Law 10/2014, and Royal Decree 84/2015). To this purpose, all the regulatory information referred to Tier I (COREP and AE), Tier II (Self-assessment Report) and Tier III (Information of Prudential Relevance) shall be prepared. Additionally, the Group is required to assist in the preparation of capital planning and mandatory stress testing.

More specifically, this unit's remit is essentially as follows:

- To prepare the solvency scorecards for their subsequent presentation to the Comprehensive Risk Commission and the board of directors.

- To deliver the COREP statements regulatory reporting and to prepare the asset encumbrance disclosures.

- To monitor and control the capital position and capital requirements.

- Setting and implementation of capital requirements calculation engines.

- Preparation of Tier III (Information of Prudential Relevance) coordinating the necessary preparations for compliance therewith and preparation of Capital Planning for compliance with Tier II (Capital Adequacy Plan – ICAAP).

- To prepare the capital information for the Recovery Plan.

- To coordinate the regulatory stress test exercises established by the ECB.

- Providing advice to ABANCA subsidiaries in assessing the impact of Solvency on their respective strategies.

Moreover, in July 2018 the Group created the Division of Internal Validation and Risk Data Control, reporting to the General Division of Corporate Control and Risks, in order to strengthen the Group's governance and which will allow to Group to advance towards an "Internal Rating Based (IRB)" approach.

The unit was created in such a way as to ensure its independence from first line functions, and was provided with specialised resources for the performance of its functions and for the development of validation framework, approved by the Risk Committee, that complies with specific guidance of validation.

This Division reports directly to CRO, thereby ensuring the independence of the function of internal models development and is a voting member on the Models Committee.

The mission of the Division is to issue an independent technical opinion on the adequacy of internal models, on the suitability of the environment for controlling the quality of data generated within the scope of Comprehensive Risk Management, and on the adequacy of eligible items for the purposes used — whether for internal management or for regulatory purposes — (calculation of regulatory capital, provisions, etc.), and to present conclusions on the soundness, usefulness and effectiveness thereof, thereby ensuring the fulfilment of:

- The relevant regulatory requirements;

- The effective implementation thereof in risk management;

- The reasonableness of their use both for management purposes and for calculation of regulatory capital;

- The suitability of control and technological environments;

- A sound governance.

In particular, this Division is responsible for:

- Validating rating tools (scoring/rating)

- Validating internal regulatory parameters for the assessment of expected credit loss and/or internal capital

- Validating eligible items in accordance with CRR regulations

- Validating material quantitative aspects of ICAAP

- Validating data governance within the scope of Comprehensive Risk Management.

II. General Credit Division

The Group undertakes active management of risk throughout its entire lifespan. The risk, in this regard, is managed in several stages, which depend on the events that take place during the period in which the transactions are ongoing.

Within the General Division of Credit, functions relating to risk lifecycle are effectively segregated; risk lifecycle is modulated through separate units with different objectives that are monitored within the corporate process for objectives control, and which are subject to policies and procedures established by the second line, and whose process are reviewed by Internal Audit.

In the loans and receivables acceptance stage, this requires application of conservative criteria, seeking a reasonable balance between efficiency and efficacy through the decentralisation of decision-making, based on the delegation of powers and the assignment of responsibilities depending on the risk assumed, and with support from the management and control tools in place that enable this process to be controlled at all times in accordance with the established policies and regulations.

It has a particular impact during the applications analysis stage, clearly defining and delimiting the policies, circuits, processes and procedures applicable in each case, depending on the circumstances and characteristics of the application. In this regard, the Group must apply objective and uniform criteria that minimise the number of transactions approved outside of the established channels and increase their traceability.

Assessment of the capacity to generate sufficient cash flows from the borrowers to meet the commitments undertaken is the fundamental criterion in making decisions about the transactions.

In the monitoring stage, the primary objective of the Group is the early detection of situations where the Customers/Groups are at risk of default, to enable specific action plans to be exercised to prevent this from occurring.

This General Division relies on the Credit Risk Acceptance and Analysis, Credit Products, Credit Risk Monitoring and Recoveries Areas in order to carry out its mission.

Risk Acceptance and Analysis

The Credit Risk Acceptance and Analysis Unit is responsible for managing the process of risk analysis through to arrangement, ensuring the quality of the assets together with the business units and the credit risk monitoring unit, within the framework of the Group's risk policies issued by Comprehensive Risk Management.

Credit risk management falls fundamentally to this Area, which directly supervises the risk analysts and whose job is to analyse, review and report on transactions before they are approved, channelling proposals to the different approval committees, in accordance with their powers of authorisation.

Credit Monitoring

This unit assumes responsibility for establishing monitoring procedures, systems and indicators that point us towards the Group's risk profile, and for applying the monitoring policies in place, as well as systems for the management of internal and external alerts that help us make decisions about risk portfolios and customers with a view to improving the quality of assets, in close collaboration with the Network. In other words, the Risk Monitoring Unit systematically and symptomatically monitors borrowers included in the loan and receivables portfolios of the Bank.

Expert ratings of the main risks are carried out through Credit Monitoring, which helps to define an optimum portfolio, monitoring risks/portfolios corresponding to the retail and portfolio segments. This unit is responsible for the definition and management of Economic Groups and Related Customers, exercising particular control over "groups" in special situations that could have an impact on the Group's solvency. In addition, it analyses the expected loss from those customers for which this cannot be modelled, mainly large customers. It also carries out systematic control and updating of the expected loss from these customers.

The Credit Monitoring Unit includes a support area for the elaboration of sectoral analyses and studies, allowing the unit to issue specific reports on the sectors and activities on which monitoring is focused and to prepare sector heat maps for a follow-up of exposures to, concentration in and prospects for each specific activity.

This unit proposes the qualification and accounting write-off of singular borrowers based on the analysis and monitoring of their situation and expected loss, conduct and operations, to give a true and fair view of the portfolio quality. The unit is also responsible for adequately reporting and, where appropriate, making the necessary proposals to correct the decline in customer risk quality, in particular customers that have a specific expected loss, to ensure compliance with the action plans designed to overcome such losses. Therefore, this unit coordinates the definition of the action and contingency plans supporting the key factors in the management of non-performing exposures.

Lastly, this unit also includes a management base specialising in customers with visibility fundamentals requiring monitored restructuring processes.

Credit Products

The Credit Products Area of the Group includes a Guarantees Unit whose main functions are the management and monitoring of the appraisal companies circuit in order to ensure uniformity in appraisals, and ensuring the appropriate identification, recording and completeness of the information on the guarantees associated with risk operations. Additionally, the Group has an Execution and Validation Unit responsible for ensuring that mortgage transactions and their collaterals are appropriately executed and documented.

This unit also has to keep the value of collateral updated, in accordance with the Group's internal policy.

Recoveries

This area is responsible for planning, designing, coordinating and monitoring the management of the Bank's Recoveries and Debt Collections, and for the application of the policies and strategies allowing the recovery and reduction of past due balances in the portfolio of loans and receivables, through the Management of Internal and External Teams with customers aligned to the existing strategies and regulations.

The recovery stage of impaired assets is an important area of action within this economic framework. Special focus is therefore placed on the reorganisation of these assets, as well as on driving actions that enable the effective loss to be minimised and that facilitate the recovery of these kinds of assets. In addition to recovering the individual impaired assets, the unit also considers the customer's normalisation / correction or analyses reorganisation alternatives for the balance sheet that include in bloc sales of assets from some segments of the portfolio.

The remit of the Recoveries Unit is as follows:

- To define the criteria for exercising legal claims (together with Legal Management), the application of debt reliefs and the purchases of assets from borrowers/customers.

- To design and develop debt collection processes and mechanisms specific for each segment in the Bank's portfolio of loans and receivables.

- To segment annually debt collection portfolios as needed, and to direct the debt collection process momentum with a special attention to more sensitive sectors or segments.

- To review monthly forecasts of, and estimates for non-performing balances, defaulted payments and early debt issued by the Branch Network and by Dunning Teams, and customers' payment commitments.

- To monitor the achievement of targets and indicators, in order to reformulate debt collection strategies based on the results achieved.

- To adapt the recoveries model and structures to regulatory changes and market developments.

- To guide the team's involvement in the decision-making for significant recovery actions or in actions requiring mediation between recovery agents with different criteria.

- To collaborate in the preparation of the Bank's three-year plan.

- To optimise coordination of all agents involved in the recovery.

- To allocate resources and give priority to recovery actions based on the needs and forecasts prevailing at any given time.

- To take decisions in any significant recovery procedure and set criteria for the recovery process.

- To monitor and oversee the recovery targets set for the different recovery agents of this area.

- To revitalise the recovery process in all areas, focusing particularly on the most sensitive sectors/segments.

- To exercise judgement in identifying contracts suitable for portfolio sales, repurchases of securitised assets for refinancing, dations in payment, etc.

- To put forward a definitive risk resolution (collection, refinancing, purchase or enforcement) (collection, correction, refinancing, out of court settlement, enforcement, purchase, dation and award).

- To manage, together with the Branch Network, recoveries of unpaid amounts through Debt Collection/Refinancing of unpaid amounts in order to normalise the exposure and prevent classification thereof as non-performing, seeking the best possible solution and promoting early action.

- To promote actions allowing, where necessary, to anticipate legal claims, application of debt reliefs and purchases of assets.

- To be involved in the definition of Action Plans and Contingency Plans for material NPLs.

- To ensure the operational functioning and tools based on the area's needs.

- To supervise new software developments in connection with the procedures and tools commonly used by teams under its leadership.

- To promote continuous improvement and innovation in recovery processes.

III. General Division of Business in Spain

This General Division is responsible for the process of generating loans and receivables within the Retail Banking, Business Banking, SMEs and Sector Banking, Corporate and Specialty Banking commercial networks in Spain.

IV. General Division of Capital Markets, Management and Distribution

This General Division is responsible for operations management in the Group's wholesale markets, taking responsibility with regard to acceptance and administration of Treasury transactions and variable income and fixed income portfolios, which have to be approved by the corresponding joint committees and bodies. The Institutional Banking unit reports to this General Division.

V. General Division of International Business

This General Division is in charge of generating credit investment in the International Commercial Network, which includes representative branches abroad.

VI. General Division of IT, Reporting, Processes and Operations

This General Division is responsible for the architecture of the processes and technology supporting the Group's operations, and is therefore in charge of implementing the necessary controls to ensure that transactions are arranged in accordance with the criteria approved by the corresponding committees.

Credit Risk Acceptance Circuit

The acceptance process is based on the credit risk circuit, which specifies the analysis procedures and policies, as well as the different hierarchical levels with powers and authority to approve transactions.

In accordance with the foregoing, once the strategy has been defined and the corresponding risk policies have been developed within the General Division of Corporate Control and Risks, a formal risk authorisation system is established in the different business divisions, whereby delegated powers are assigned to the different hierarchical levels of the organisation for the authorisation of transactions, which vary depending on the type, the guarantees and the amount of the risk.

The Group has a collective decision-making system in place which is based on a hierarchical structure of approval in each of the different business channels. Appropriate parallels between the committees are established in these channels.

The Commercial Division is structured into branches, broken down by category, followed by Area Divisions, Regional Divisions and Commercial Divisions, with the General Division at the top of the ladder. Each of these levels is subject to a certain limit on delegated powers for the assumption of risks, collectively approved by the risk committees.

This structure converges with a group of higher-level committees that are centralised for the organisation as a whole.

The Group's Board of Directors approves a Risk Appetite Framework and a Credit Risk Policy Manual, which delimits the area of action relating to credit risk, pursuant to the Group's strategy and the desired risk profile.

The authorisation framework, whereby powers are distributed by amounts, products and guarantees, while considering the exceptions and standards that regulate their use, is shown in the General Authorisations Standard.

Based on this structure, when considering a new transaction, the Bank verifies whether it can be approved at the organisational level at which it originated or whether it must be reported and forwarded to a higher level. In general, all transactions are approved by the committee at the required level of authorisation.

For the purpose of guaranteeing objectivity in credit risk analysis and application of the associated policies, the areas and departments in charge of the credit investment risk analysis function are independent from the commercial function. The Entity also has specialized penalty tools that, when appropriate, support acceptance or directly penalize.

The Risk Acceptance and Analysis Unit forms part of the General Credit Division. Its main function is management of the risk acceptance process through to arrangement, ensuring the quality of assets, maintaining efficient response mechanisms and coordination with the Business Units, the Corporate Control and Risks Unit and the Credit Monitoring Unit (which reports to the General Credit Division), within the framework of the Group's policies. This unit acts at all levels of authorisation, except those of minor relevance, in other words those delegated to branch level. Transactions that exceed the foregoing authorisation levels are submitted, in the last instance, to the Delegate Credit Committee.

The report corresponding to each transaction has a uniform structure which, in addition to the general considerations of the transaction analysis, establishes a risk assessment based on the opinion of the expert and from different perspectives (commercial risk, economic-financial risk, legal risk, equity risk, etc.), to facilitate global assessment of the transaction and customer. This in turn determines, based on the risk policies established to this end, the recommended level of exposure and, where applicable, whether or not these have been tampered with.

The authorisation of transactions requested or supported by employees falls within the scope of the Division of Employment Consultancy, Social Welfare and Prevention of Occupational Risks, provided the recipient of the loan is an individual. The opinion of the Risk Acceptance and Analysis Division may be requested for these purposes.

Details of the different committees involved in the credit risk analysis process are as follows:

- The board of directors is responsible for setting the Group's general risk policy, as well as the Risk Appetite Framework.

- The Comprehensive Risk Commission is responsible for proposing the Group's risk policy to the board of directors, and the board is responsible for approving this policy as part of its powers of administration and supervision. Furthermore, the Commission verifies that the Group's actions are consistent with the risk tolerance level and, in this regard, sets global limits on the main risk exposures, monitoring these risks through systematic reviews and dealing with those transactions that exceed the powers delegated to lower levels. It is also responsible for the global control over credit risk and the coordination and monitoring of associated policies and functions, as well as the definition of credit, operational, market risk policies.

- The Delegate Credit Committee holds powers corresponding to the board of directors in respect of the granting and monitoring of financing transactions, irrespective of their nature, making it the highest-level body that approves transactions entailing credit risk. In turn, this commission has delegated approval powers for certain transactions to lower-level risk committees on the basis of geographical location, business or risk type, all of which are defined in the risks corporate governance model, in accordance with the Bank's General Authorisations Standard.

- Central Committee. The functions of this committee are to assess and decide on the acceptance of credit transactions that exceed the remit of the regional committees, approving those it is eligible to authorise and passing any others on to a higher level if approval is required from the Delegate Credit Committee. In all cases, transaction approvals require a unanimous decision from all committee members, otherwise the transaction must be passed on to a higher level.

- Regional Committees, Area Committees and Risk Analysis Committee. The functions of these committees are to assess, decide on and approve the acceptance of credit transactions from the commercial network, approving those for which they hold the necessary powers or, where appropriate, referring them to a higher level if approval is required from the aforementioned committees.

The Credit Risk Policy Manual sets out policies by market and segment to ensure, inter alia, the adequate diversification of the Group's loan portfolio, pursuant to the Risk Appetite Framework defined by the Group.

Recovery Circuit

The Group's recovery process is governed by the principles of anticipation, objectivity and efficacy. The Group has a uniform and objective process for managing the recovery of defaulted transactions. This process is adapted in accordance with the type of customer, the amount of the transaction, the associated collateral or the term.

The recovery process is based on a circuit which specifies the recovery procedures and policies, as well as the different hierarchical levels with powers and authorisation to approve transactions.

Transactions with forbearance measures follow the Group's usual acceptance circuits based on process of allocation of customers to portfolios (General Authorisations Standard).

The recovery process is divided into four stages, broken down according to the actions to be carried out and the agents that take part in each stage:

– Recovery Support and Management (0 to 90 days past due) for Business.

- The Bank attempts to make direct contact with debtors, looking for the best solution to enable them to settle their debts with a view to normalising the defaulted balances. Where necessary, specialised Recoveries managers will be included in the process.

  Additionally, External Agents are used to increase the efficiency of the Recovery of debt tickets of reduced amount.

- Management of specialised Recoveries managers (once the contract is classified as Non-performing). The contract is maintained in Managers Portfolios while being legally managed in order to achieve an out of court settlement prior to the award.

- Pre-litigation management (more than 150 days), the stage in which the Group attempts to procure an out-of-court settlement and optimise the processing formalities of the portfolio subject to legal proceedings.

- Legal management, for the purpose of optimising legal procedures and minimising the financial impact stemming from debts not settled. Currently under the Legal Affairs Department (formerly under the Trophy Assets Department).

Credit Risk Monitoring

Monitoring is centralised in the General Credit Division, which falls within the Credit Monitoring Area, which is engaged exclusively in monitoring tasks, performing them systematically through the control and issue of information, the performance of actions and periodic monitoring committee meetings.

The main purpose of the Group's credit risk monitoring is to enhance its capacity to anticipate possible incidents with customers and mitigate these as expeditiously as possible.

The Group has systems in place to monitor credit transactions, whereby changes in the borrower's credit rating with respect to the transaction approval date can be detected, enabling measures to be proposed to mitigate the impact of a possible default.

The process of monitoring transactions and customers is based on systems that provide advance warning of potentially irregular situations, as well as the work carried out by technical monitoring units that are closer to business management.

The monitoring methodology is essentially based on the periodic analysis of information on customers and transactions, compiled considering predetermined variables, detecting any anomalous deviations in their behaviour.

In addition to being originated systematically (that is through the establishment of review schedules and plans), monitoring may also be originated symptomatically through alerts to the branch or manager, which can help to detect the possible impairment of customer balances, and of the risk transactions/collateral or the environment/market in which they operate.

48.2. Maximum risk exposure level

The following table shows the maximum credit risk exposure level assumed by the Group on 31 December 2020 and 2019 for each type of financial instrument, without deducting collateral or any other credit enhancements received to ensure repayment by borrowers:

On 31 December 2020-

	Thousand EUR							
	Asset balances							
	Financial assets at fair value through profit or loss							
Type of instrument	Financial assets held for trading	Non-trading financial assets mandatorily at fair value through profit or loss	Other assets	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost and other demand deposits	Derivatives - hedge accounting	Memorandum accounts	Total
Debt instruments:								
Deposits in credit institutions	-	-	-	-	-	-	-	-
Marketable securities	20,981	27,475	-	5,543,853	6,915,296	-	-	12,507,605
Loans and advances to customers	-	-	-	-	39,620,310	-	-	39,620,310
Total debt instruments	**20,981**	**27,475**	**-**	**5,543,853**	**46,535,606**	**-**	**-**	**52,127,915**
Guarantees extended:	-	-	-	-	-	-	-	-
Financial guarantees	-	-	-	-	-	-	278,792	278,792
Other guarantees extended	-	-	-	-	-	-	1,402,638	1,402,638
Total guarantees extended	**-**	**-**	**-**	**-**	**-**	**-**	**1,681,430**	**1,681,430**
MAXIMUM EXPOSURE LEVEL TO CREDIT RISK	**20,981**	**27,475**	**-**	**5,543,853**	**46,535,606**	**-**	**1,681,430**	**53,809,345**

On 31 December 2019 -

Type of instrument	Thousand EUR							
	Asset balances						Memorandum accounts	Total
	Financial assets at fair value through profit or loss			Financial assets at fair value through other comprehensive income	Financial assets at amortised cost and other demand deposits	Derivatives - hedge accounting		
	Financial assets held for trading	Non-trading financial assets mandatorily at fair value through profit or loss	Other assets					
Debt instruments:								
Deposits in credit institutions	-	-	-	-	1,106,393	-	-	1,106,393
Marketable securities	76,981	29,314	-	5,056,166	5,895,751	53,087	-	11,111,299
Loans and advances to customers	-	-	-	-	37,139,766	-	-	37,139,766
Total debt instruments	**76,981**	**29,314**	**-**	**5,056,166**	**44,141,910**	**53,087**	**-**	**49,357,458**
Guarantees extended:								
Financial guarantees	-	-	-	-	-	-	348,913	348,913
Other guarantees extended	-	-	-	-	-	-	1,290,704	1,290,704
Total guarantees extended	**-**	**-**	**-**	**-**	**-**	**-**	**1,639,617**	**1,639,617**
MAXIMUM EXPOSURE LEVEL TO CREDIT RISK	**76,981**	**29,314**	**-**	**5,056,166**	**44,141,910**	**53,087**	**1,639,617**	**50,997,075**

The following should be taken into account with respect to the information shown in the above table:

- "Debt instruments" recognised under assets in the consolidated balance sheet are presented at their carrying amount, and therefore the impairment losses recognised thereon are included in the "Asset balances" column.

- Guarantees extended are stated at the maximum amount guaranteed by the Group. In general, most of these balances are estimated to reach maturity without requiring any actual financing by the Group.

48.3. Collateral and other credit enhancements

Transaction-granting is based on the payment capacity of the applicants, although, as an essential tool in the management of credit risk, the Group ensures that financial assets acquired or arranged are secured by collateral or other credit enhancements aside from the debtor's own personal guarantee. The Group's policies for analysing and selecting risk specify the collateral or other credit enhancements that a transaction requires – based on the different characteristics of the transactions such as the purpose of the risk, counterparty, duration, capital consumption, etc. – in addition to the debtor's own personal guarantee, to proceed with the arrangement.

The measurement of collateral is carried out based on the nature of the collateral received. In general, collateral in the form of properties is measured at appraisal value at the contract date as calculated by independent experts in accordance with rules established by the Bank of Spain. In general, and in accordance with the appraisal regulations under Ministerial Order ECO/805/2003, an updated appraisal is required in the event of new mortgage loans, novation / refinancing / restructuring with forbearance measures, purchases of assets or dations in payment, or the foreclosure of assets. Securities listed on active markets given as collateral are measured at market price, adjusted by a percentage to cover any eventual fluctuations in market price that may adversely affect risk coverage; bank guarantees and similar collaterals are measured at the amount secured in these transactions; credit derivatives and similar arrangements used for credit risk hedging are measured, for the purposes of determining the achieved coverage, at their nominal amount equivalent to the secured exposure; deposits pledged given as collateral are measured at the value thereof and, where expressed in foreign currencies, converted at the exchange rate prevailing at each measurement date.

The breakdown of the maximum credit risk exposure of each type of financial instrument secured by each of the main types of collateral and other credit enhancements available to the Group on 31 December 2020 and 2019 is as follows:

Financial year 2020

	Thousand EUR							
	Secured by real estate collateral	Secured by money deposits	Other collateral	Guaranteed by Financial Institutions	Guaranteed by other A-rated Entities	Guaranteed by other Entities	Hedged with credit derivatives	Total
Deposits in credit institutions	-	2,077	48,244	-	-	-	-	50,321
Marketable securities	-	-	-	-	-	3,208,600	-	3,208,600
Loans and advances to customers	17,971,549	457,637	393,443	333,569	50,634	2,077,852	-	21,284,684
Debt instruments	**17,971,549**	**459,714**	**441,687**	**333,569**	**50,634**	**5,286,452**	**-**	**24,543,605**
Guarantees extended	**-**	**56,983**	**262**	**417**	**-**	**104**	**-**	**57,766**
Other exposures	**-**	**4,750**	**-**	**-**	**-**	**-**	**-**	**4,750**
Total covered amount	**17,971,549**	**521,447**	**441,949**	**333,986**	**50,634**	**5,286,556**	**-**	**24,606,121**

Financial year 2019

	Thousand EUR							
	Secured by real estate collateral	Secured by money deposits	Other collateral	Guaranteed by Financial Institutions	Guaranteed by other A-rated Entities	Guaranteed by other Entities	Hedged with credit derivatives	Total
Deposits in credit institutions	-	-	823,872	-	-	-	-	823,872
Marketable securities	-	-	-	-	-	3,287,431	-	3,287,431
Loans and advances to customers	18,372,839	505,752	1,045,113	122,768	-	335,212	-	20,381,684
Debt instruments	18,372,839	505,752	1,868,985	122,768	-	3,622,643	-	24,492,987
Guarantees extended	233	4,898	9	-	-	-	-	5,140
Other exposures	-	10,369	-	-	-	-	-	10,369
Total covered amount	18,373,072	521,019	1,868,994	122,768	-	3,622,643	-	24,508,496

49. Interest Rate Exposure

49.1. Interest rate risk management objectives, policies and processes

Interest rate risk is the risk that fluctuations in market interest rates could affect annual profits and net worth, due to time lags between maturity periods and the repricing of the Group's assets and liabilities.

This risk is inseparable from 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 is subject to the rigours of interest rates. However, excessive exposure to this risk could jeopardise the stability of the margin and the value of an entity.

The interest rate risk associated with financial instruments affects the Group in two ways:

- Through the effect of interest rate variations on the statement of profit or loss, as the Bank's assets and liabilities may include certain financial instruments that accrue interest at fixed or renegotiable rates, and therefore any variations therein would have an asymmetrical effect on the different instruments ("interest rate gap"). In the case of variable interest operations, the risk materialises when interest rates are recalculated.

- The Group is exposed to market interest rate risk as a result of holding assets, the fair value of which varies due to changes in these market interest rates, affecting the Group's equity and profits.

The objectives in respect of interest rate risk management are approved at strategic level by the board of directors of the Bank while the procedures for achieving and controlling those objectives are defined by the Group's Assets and Liabilities Committee.

The Group's aim is to measure and manage interest rate risk, endeavouring to guarantee a net interest margin and a stable and growing economic value of equity, in accordance with the Group’s risk appetite. Consequently, the Group's policies are targeted at maintaining reduced exposure to interest rate risk, whereby corrections to market interest rate curves do not have a significant direct effect on the activity and consolidated profits of the Group, maintaining the balance at optimum levels of return in all circumstances.

Sensitivity measurement techniques and scenario analyses are used to analyse, measure and control the interest rate risk assumed by the Group and adequate limits are established to avoid exposure to risks at levels that could significantly affect the Group. These procedures and analysis techniques are revised when necessary to ensure adequate performance. Furthermore, all transactions that are individually significant for the Group are analysed both individually and jointly with the Group’s other transactions to ensure control over interest rate risk, as well as other market risks to which the Group is exposed through their issue or acquisition.

The Group uses hedges for the individual management of the interest rate risk of all significant financial instruments that may be exposed to equally significant interest rate risks, thus reducing this type of risk to practically zero.

The table below shows the Group’s level of exposure to interest rate risk on 31 December 2020 and 2019 for each significant currency, indicating the carrying amount of the financial assets and liabilities affected by this risk, which are classified in accordance with the estimated period until the interest rate repricing date (for those transactions that contain this characteristic, based on their contractual terms) or maturity (for those transactions with a fixed rate of interest), and the carrying amount of instruments hedged in interest rate risk hedging transactions.

On 31 December 2020-

	Million EUR							
	Term to Review of effective interest rate or to maturity							
	Up to 1 Month	Between 1 and 3 Months	Between 3 and 1 Year	Between 1 and 2 Years	Between 2 and 3 Years	Between 3 and 4 Years	Between 4 and 5 Years	More than 5 Years
Expressed in euro:								
Financial assets								
With variable remuneration rate	7,416	11,181	15,933	-	-	-	-	-
With fixed interest rate	8,122	941	1,808	1,571	3,990	1,254	752	2,084
	15,538	12,122	17,741	1,571	3,990	1,254	752	2,084
Financial Liabilities								
With variable remuneration rate	9,669	3	9	-	-	-	-	-
With fixed interest rate	5,146	3,306	8,506	11,078	4,501	639	5,093	10,194
	14,815	3,309	8,515	11,078	4,501	639	5,093	10,194
Expressed in foreign currencies:								
Financial assets								
With variable remuneration rate	331	390	252	9	8	-	-	-
With fixed interest rate	201	114	191	32	34	39	12	102
	532	504	443	41	42	39	12	102
Financial Liabilities								
With variable remuneration rate	-	-	90	-	-	-	-	-
With fixed interest rate	283	188	746	92	48	3	45	103
	283	188	836	92	48	3	45	103
Total Assets	16,070	12,626	18,184	1,612	4,032	1,293	764	2,186
Total Liabilities	15,098	3,497	9,351	11,170	4,549	642	5,137	10,297

On 31 December 2019 -

	Million EUR							
	Term to Review of effective interest rate or to maturity							
	Up to 1 Month	Between 1 and 3 Months	Between 3 and 1 Year	Between 1 and 2 Years	Between 2 and 3 Years	Between 3 and 4 Years	Between 4 and 5 Years	More than 5 Years
Expressed in euro:								
Financial assets								
With variable remuneration rate	7,647	10,382	14,829	-	-	-	-	-
With fixed interest rate	4,477	1,711	1,811	645	853	1,678	429	2,526
	12,124	12,093	16,640	645	853	1,678	429	2,526
Financial Liabilities								
With variable remuneration rate	1,751	17	155	-	-	-	-	-
With fixed interest rate	9,702	3,681	10,863	4,105	3,841	1,658	4,340	10,033
	11,453	3,698	11,018	4,105	3,841	1,658	4,340	10,033
Expressed in foreign currencies:								
Financial assets								
With variable remuneration rate	315	448	310	20	-	-	-	-
With fixed interest rate	183	147	256	54	19	29	23	161
	498	595	566	74	19	29	23	161
Financial Liabilities								
With variable remuneration rate	-	-	137	-	-	-	-	-
With fixed interest rate	298	236	795	66	49	3	48	100
	298	236	932	66	49	3	48	100
Total Assets	12,622	12,688	17,206	719	872	1,707	452	2,687
Total Liabilities	11,751	3,934	11,950	4,171	3,890	1,661	4,388	10,133

49.2 Interest rate risk sensitivity analysis

Information included in this section on the sensitivity to interest rate risk of consolidated statement of profit or loss accounts and the economic value of the Group's capital has been prepared in accordance with the following methods and assumptions:

- The validity of the analyses provided should be considered within the context of the current situation of the domestic and international financial markets.

- Therefore, although prevailing legislation requires that these analyses be performed based on changes that could be considered reasonably possible in each risk variable, the current situation of the national and international financial markets makes it difficult to assign probabilities to the different changes in the market variables, which include interest rate risk, to be able to determine whether certain changes are reasonably possible compared to others. Consequently, the analysis provided below has been performed considering two standard scenarios, which are used in compliance with Spanish law: 1) that of a drop in market interest rates by 200 basis points with respect to the implicit rates on 31 December 2020, determined applying Bank of Spain criteria, with a floor of -1% for changes in short-term market rates and a floor of 0% for changes in long-term market rates; 2) and that of a rise by 200 basis points with respect to the implicit rates at the same date.

- The analysis considers the performance of the implicit rates, projecting the consolidated balance sheet based on a scenario of balance and structure without changes.

- This analysis was performed based on a one-year period.

- As regards the impact on the statement of profit or loss and capital, the results of the analysis carried out show that this change would affect the "net interest income" (because of the effect on interest income and similar amounts received and paid by the Group) and the economic value of capital (for these purposes, the economic value of capital is calculated as the sum of the fair value of net assets and liabilities sensitive to interest rates and the carrying amount of assets and liabilities not sensitive to interest rates). This is in accordance with the regulatory criteria set out by the Bank of Spain on the determination and control of capital adequacy requirements. The impacts are shown before tax in all cases.

The first objective pursued in risk management is to maintain the net interest margin by quantifying in the short term (up to 1 year) the changes expected in light of interest rate variations. We therefore measure the sensitivity of the future net interest margin from a dynamic perspective. Thus, in addition to recognising the positions at the end of each month, we include the renewal of positions.

The second aim focuses on protecting the economic value of capital, which measures the impact of variations in interest rates on the present value of the Group's flows from the consolidated balance sheet positions with a long-term time frame. The fixed limits are regularly reviewed, enabling alerts to be raised regarding unwanted exposures that could significantly affect the Group. The economic value of capital is calculated as the difference between the present value of all of the Group's flows from asset positions and liability positions, taking into consideration the current interest rate curve.

Applying the methods and assumptions referred to in the previous paragraphs, the estimated impact of an immediate increase/decrease of 200 basis points in the market interest rate curves over the different periods with respect to the figures on 31 December 2020 and 2019 is as follows:

	Thousand EUR			
	2020		2019	
	Impact on Net Interest Income	Impact on the Economic Value of Capital	Impact on Net Interest Income	Impact on the Economic Value of Capital
200 b.p. increase of Euribor	133,271	1,280,365	143,318	845,927
200 b.p. reduction of Euribor	(21,426)	(46,881)	(71,253)	(53,656)

50. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Group has implemented an operational risk management framework guided by the appropriate regulations, the recommendations issued by the BIS and by national and European regulators. The framework incorporates sector best practices proposed in the CERO (Spanish Operational Risk Consortium) group, in line with a profile of low tolerance towards operational risk.

The Group currently calculates regulatory capital by applying the basic indicator approach and is analysing the impact of application of the new SMA indicator (*Standardised measurement approach*) that will be effective in 2022. Initiatives remain ongoing aimed at promoting the organisation's involvement in the different stages of operational risk management; furthering the development of a reporting system targeted not only at the lines of business and support areas, but also at senior management; continuing to feed the loss database and automating data capture, specifically data related to high-frequency and low-impact events; and having a properly documented management system.

The risk management model implemented in the Group is based on the three lines of defence model:

(i) own management of the lines of business,

(ii) the independent risks unit and

(iii) an independent review.

- As a first line of defence: the functions that own and manage the risks. The Divisions of the business and support areas are the owners of the risks and they manage them. They are also responsible for introducing corrective measures to redress any process or control deficiencies. Using a cascaded structure, the middle managers design and implement detailed procedures that serve as controls, and supervise the execution of those procedures by the employees.

- The second line of defence: the functions that supervise the risks – risk management and compliance functions. This facilitates the introduction of effective risk management practices by the Divisions of the business and support areas and helps the risk owners to define the target risk exposure and the appropriate presentation of risk-related information throughout the organisation.
- The third line of defence: the functions that provide an independent review: Internal Audit, which reviews the effectiveness of corporate governance, risk management and internal control.

The three lines of control are implemented in a coordinated way, and fluid communication channels between all three are in place. This is an essential element in favouring an operational risk culture that meets the demands of the Group's operational risk management.

Management structure

The Group follows a decentralised model, where final responsibility for operational risk management lies with the business and support units. The following control bodies and general lines of responsibility have been established to govern this process:

Board of Directors:

- Approve the operational risk management policy applicable to the activity of the Bank and its Group in addition to its implementing regulations, as reflected in the Operational Risk Management Functions and Policies Manual.
- Form the committees required in the Group for adequate management of operational risk, giving details of their members and corresponding functions.
- Appoint the representatives or points of contact with the Group's supervisory bodies in accordance with prevailing legislation.

Comprehensive Risk Commission:

- Ensure that the Group adopts an Operational Risk Management Policy that is suited to its activity based on the risk profile established in the Risk Appetite Framework.
- Ensure that adequate procedures and measures are established for the proper implementation of the guidelines set out in the Operational Risk Policies.
- Promote a culture of operational risk management in the Group.
- Periodically monitor the management of operational risk based on the reports received from the Operational Risk Unit and inform the Steering Committee of any actions carried out.
- Monitor the level of compliance with the Operational Risk Management Policies Manual.
- Approve the procedures and systems for transferring risk management (insurance, guarantees, outsourcing, etc.) with a view to mitigating operational risks based on the Group's risk profile, at the request of the Operational Risk Unit, which is part of the General Division of Corporate Control and Risks.

Operational and Reputational Risk Unit:

The Operational and Reputational Risk Unit reports to the Comprehensive Risk Management Division, which is in turn part of the General Division of Corporate Control and Risks, and has the following main functions:

- To develop the policies, models and procedures on which the Operational Risk Management System is based.
- To design, and coordinate the implementation of the measures included in each step of the management cycle (identification and analysis, assessment, control and mitigation, monitoring and reporting) that will be applied to control the operational risk associated to main processes, systems and products.
- To design and implement methodologies for measurement of operational risk and identification of internal and external risk factors that may have an impact on operational risk.
- To monitor and, where appropriate, coordinate the measures taken to mitigate operational risk.
- To design an operational risk reporting system that guarantees the quality and consistency of the reports, adapting them to the needs of the different recipients (Senior Management, regulatory and market authorities, business and supporting units).

- To collaborate, in the capacity as Comprehensive Risk Consultant, with all organisation units and to provide them with support in the management of resources and tools for operational risk management within the organisation.
- To coordinate, and manage the necessary processes in order to ensure the appropriate identification, recording and analysis of operational events taking place within the Group, in compliance with the criteria defined by the Basel Committee.
- To establish the methodologies and strategies required for the definition and implementation of risk indicators to be used as alerts for operational risk management.
- To develop the models, approaches and techniques for measurement of regulatory capital allocation to each operational risk.
- To roll out a culture of ongoing improvement that is sensitive to operational risk:
    - Training and support to units.
    - Lines of collaboration with different units.
    - Measures to encourage management best practice.

Business Units:

Tasked with the following functions:

- To manage the unit's operational risks and, more specifically, to identify, assess, control, monitor, analyse and mitigate the operational risks over which it has the capacity to act.

- To record and report on the operational losses incurred in the performance of its activity.

- To take part in the definition and introduction of risk indicators that can be used as alerts for operational risk management in its area.

- To study, define, prioritise and finance the operational risk mitigation plans under its management.

- To report to the Operational Risk Unit on the findings obtained in the performance of its functions.

- To maintain and test business continuity plans managed in the unit.

As mentioned previously, in the first line of defence the business/support units are responsible for the processes they manage and the associated risks. They must therefore possess an in-depth knowledge of the processes they carry out, from start to finish, understanding the needs and expectations of customers, taking responsibility for their performance and for the proper management of risks.

To strengthen this risk management model, the Group has defined a functional structure that is gradually being rolled out and which features two key figures with risk management responsibilities in each business and support area: i) the Comprehensive Risk Delegate, who is the fundamental key figure in charge of executing and monitoring the operational risk management cycle in the processes carried out in his/her area of responsibility, and ii) the Master Comprehensive Risk Delegate, who coordinates the activities of the Comprehensive Risk Delegate and ensures that the risk management methodology is duly applied in his/her areas of competence.

Those in charge of risk management in the different areas are assisted by a Comprehensive Risk Consultant, a professional from the Comprehensive Risk Management Area who provides advice and support in handling resources and tools for risk management at the organisation.

Operational Risk Management Policy

The Operational Risk Management System that embodies this model is structured around a set of processes supported by specialised methodologies and tools.

The basic processes that make up the system are as follows:

- Identification of latent operational risks and the controls applied.

  The purpose of this process is to prepare and maintain a global map of risks and controls that records all material exposures to operational risk.

- Assessment of operational risks.

  The purpose of this process is the regular assessment of inherent risk and residual risk by the business or support units.

- Recording of operational risk events.

  The Group has a Loss Database (LDB) that contains the events logged at the originating entities since 2004.

  The database is fed through a combination of manual and automatic processes that use accounting records and information provided by the business and support units as sources of information.

- Analysis of the causes that lead to the events at the Group and of the outcome of the risk maps and controls prepared by the Group.

  The events logged in the LDB are subject to regular analyses and these are supplemented with benchmarking processes.

- Mitigation of operational risk.

  As a result of the foregoing process, and depending on the outcome, proposals for improvement and action plans are established to reduce the residual risk and the materialisation of losses.

- Creation of reporting systems based on operational risk that enable basic management information to be reported and the use of corporate communication channels to disseminate this information within the Group.

In this regard, the Group continues to develop and promote several initiatives, such as "Boosting and enhancement of process owners" aiming at consolidating within the Group the model of management by business process, which envisages, inter alia, the following:

- Dissemination of Processes and Technology DNA.
- Updating the Group's process map.
- Documenting processes.
- Designation and training of process owners.
- Proactive risk management.
- Implementation of products' design, delivery and operation process.
- Optimisation of key processes within the organisation.

- Operational Risk is responsible for validating the risk matrix prepared for each process in accordance with the established methodology.

Operational Risk Event Type

To classify operational risk events, the Group uses the provisions of Regulation (EU) No 575/2013 as its benchmark. Furthermore, for the purpose of establishing uniform and comparable criteria, the Group verifies the categories of operational risk events against the criteria proposed in the CERO (Spanish Operational Risk Consortium) group.

All loss events are organised using a decision tree up to the third level of detail, assigning the type that best fits the originating cause of the operational event.

Within the framework of the ongoing improvement processes and the processes to adapt to the new regulations, the new risk categories suggested by the regulator, such as conduct, legal, ICT and other risks, are progressively incorporated.

Mitigation and control techniques

As a result of the identification and assessment of the risks that affect the areas, and based on the findings obtained, proposals for improving the existing controls that mitigate the risk are drawn up jointly with the Operational Risk Managers.

The degree of implementation of improvements/action plans is subject to regular review, and details are requested from those in charge of executing these measures. Generally speaking, the proposed improvements refer to:

- The redesign of processes, products or systems associated with a specific operational risk.
- The application of new controls or the modification of those already in place.
- The transfer of the risk through insurance policies that cover the hypothetical losses.
- The development of contingency plans.

Tools

Software tools have been developed for efficient management of operational risk and to comply with the requirements laid down in solvency regulations, the risk management recommendations issued by national and international organisations, and sector best practices.

These tools take on a two-fold approach – quantitative and qualitative – depending on the nature of the information they use:

I. The qualitative analysis uses tools for the identification, measurement and monitoring of operational risk. The aim is to be able to detect exposure to the risk and to mitigate it in advance, so that it does not manifest itself in an adverse way for the Group.

The main aspects on which the quantitative assessment focuses are the analysis of critical business processes, identification of the inherent risks, the controls in place to mitigate these and the establishment of ongoing improvements to operating processes and the existing control structure.

II. As regards the quantitative analysis, this is mainly based on feeding an operational events database that we have developed ourselves. In this regard, the Group has generated a historical database of operational risk events dating back to 2004, and this database is continually updated as information is received on losses and the recovery thereof, both through procedures carried out by the Group itself as well as through the cover provided by the insurance policies taken out.

This information is useful in determining what gave rise to the losses so as to be able to act on this for the purpose of mitigating them, and also for comparing the consistency of the qualitative assessments made with the estimates of potential losses, in terms of both frequency and severity.

51. Exposure to Other Market Risks

The Group does not have any speculative foreign currency positions. Furthermore, the Group does not have any material non-speculative open (unhedged) positions denominated in foreign currency.

Moreover, pursuant to the defined limit for 2020 and 2019, the net position in foreign currency must not exceed 2% of eligible capital. This limit stands at 0.03% in 2020 (0.05% in 2019).

On 31 December 2020 and 2019, the distribution of the carrying amount of the Group's most significant financial assets (cash balances at central banks and other demand deposits; loans and advances; debt securities; equity instruments; trading and hedging derivatives; investments in subsidiaries, joint ventures and associates; and guarantees and financial guarantees granted and other commitments granted) broken down by geographical area, segment of activity, counterparty and purpose of the financing granted, is as follows:

On 31 December 2020:

	Thousand EUR				
	Total	Spain	Other European Union	America	Rest of the world
Central banks and credit institutions	8,532,114	7,372,501	847,742	132,776	179,095
Public administrations	13,889,106	9,586,067	4,289,647	12,902	490
Central Government	*8,546,482*	*4,246,489*	*4,287,091*	*12,902*	-
Other Public administrations	*5,342,624*	*5,339,578*	*2,556*	-	*490*
Other financial companies and individual entrepreneurs	4,074,980	3,824,033	144,653	28,531	77,763
Non-financial companies and individual entrepreneurs	17,966,583	14,412,683	2,284,839	819,046	450,015
Real estate construction and property	*1,232,115*	1,176,215	*20,687*	*33,448*	*1,765*
Civil engineering construction	*371,297*	*370,747*	*550*	-	-
Other purposes:	*16,363,171*	*12,865,721*	*2,263,602*	*785,598*	*448,250*
Large corporations	*8,153,506*	*5,883,460*	*1,667,028*	*454,605*	*148,413*
SMEs and individual entrepreneurs	*8,209,665*	*6,982,261*	*596,574*	*330,993*	*299,837*
Rest of households	17,699,332	15,252,081	1,962,867	157,897	326,487
Housing	*14,242,593*	*12,495,016*	*1,384,215*	*110,116*	*253,246*
Consumer	*1,639,022*	*1,481,197*	*121,064*	*18,056*	*18,705*
Other purposes	*1,817,717*	*1,275,868*	*457,588*	*29,725*	*54,536*
SUBTOTAL	62,162,115	50,447,365	9,529,748	1,151,152	1,033,850
Less: impairment losses on assets not assigned to specific operations	-				
TOTAL	62,162,115				

A breakdown by Autonomous Region is as follows:

	Thousand EUR							
	AUTONOMOUS REGIONS							
	Total	Andalusia	Catalonia	Galicia	Madrid	Valencian Community	Basque Country	Other
Central banks and credit institutions	7,372,501	158	214,109	3,177,382	3,748,603	148,232	59,995	24,022
Public administrations	9,586,067	1,203	3,024	1,700,178	749,732	877,982	100,745	6,153,203
Central Government	*4,246,489*	-	-	-	-	-	-	4,246,489
Other Public administrations	*5,339,578*	1,203	3,024	1,700,178	749,732	877,982	100,745	1,906,714
Other financial companies and individual entrepreneurs	3,824,033	86,607	16,366	485,540	3,233,905	140	159	1,316
Non-financial companies and individual entrepreneurs	14,412,683	457,479	1,041,897	5,658,703	4,099,074	419,953	652,555	2,083,022
Real estate construction and property development	*1,176,215*	20,173	22,009	518,855	450,572	23,709	31,315	109,582
Civil engineering construction	*370,747*	2,215	93	180,807	179,476	76	1,998	6,082
Other purposes:	*12,865,721*	435,091	1,019,795	4,959,041	3,469,026	396,168	619,242	1,967,358
Large corporations	*5,883,460*	254,108	738,358	1,401,246	1,850,576	235,841	442,195	961,136
SMEs and individual entrepreneurs	6,982,261	180,983	281,437	3,557,795	1,618,450	160,327	177,047	1,006,222
Rest of households	15,252,081	684,769	1,427,954	8,101,968	1,750,406	807,210	236,827	2,242,947
Housing	*12,495,016*	614,216	1,338,492	6,084,887	1,587,369	723,404	208,716	1,937,932
Consumer	*1,481,197*	19,101	29,216	1,209,590	62,397	20,868	8,939	131,086
Other purposes	*1,275,868*	51,452	60,246	807,491	100,640	62,938	19,172	173,929
SUBTOTAL	50,447,365	1,230,216	2,703,350	19,123,771	13,581,720	2,253,517	1,050,281	10,504,510
Less: impairment losses on assets not assigned to specific operations	-							
TOTAL	50,447,365							

On 31 December 2019:

	Thousand EUR				
	Total	Spain	Other European Union	America	Rest of the world
Central banks and credit institutions	5,167,021	3,463,836	1,432,473	194,570	76,142
Public administrations	9,202,423	6,580,268	2,610,726	8,801	2,628
Central Government	*6,029,335*	*3,413,439*	*2,607,081*	*8,801*	*14*
Other Public administrations	*3,173,088*	*3,166,829*	*3,645*	-	*2,614*
Other financial companies and individual entrepreneurs	4,396,238	4,090,153	272,928	24,388	8,769
Non-financial companies and individual entrepreneurs	17,166,811	13,918,328	2,088,319	753,356	406,808
Real estate construction and property	*1,143,038*	*1,091,023*	*13,677*	*38,315*	*23*
Civil engineering construction	*353,685*	*353,145*	*540*	-	-
Other purposes:	*15,721,782*	*12,525,854*	*2,074,102*	*715,041*	*406,785*
Large corporations	*8,175,073*	*6,207,054*	*1,306,202*	*467,694*	*194,123*
SMEs and individual entrepreneurs	*7,546,709*	*6,318,800*	*767,900*	*247,347*	*212,662*
Rest of households	18,509,099	15,673,952	2,366,336	176,878	291,933
Housing	*14,743,316*	*12,918,008*	*1,540,115*	*108,241*	*176,952*
Consumer	*1,494,513*	*1,354,869*	*108,383*	*14,588*	*16,673*
Other purposes	*2,271,270*	*1,401,075*	*717,838*	*54,049*	*98,308*
SUBTOTAL	54,441,592	43,726,537	8,770,782	1,157,993	786,280
Less: impairment losses on assets not assigned to specific operations	-				
TOTAL	54,441,592				

A breakdown by Autonomous Region is as follows:

	Thousand EUR							
	AUTONOMOUS REGIONS							
	Total	Andalusia	Catalonia	Galicia	Madrid	Valencian Community	Basque Country	Other
Central banks and credit institutions	3,463,834	611	177,301	1,446,739	1,681,149	99,424	28,143	30,467
Public administrations	6,580,268	1,313	4,442	1,003,383	784,510	337,269	100,730	4,348,621
Central Government	3,413,439	-	-	-	-	-	-	3,413,439
Other Public administrations	3,166,829	1,313	4,442	1,003,383	784,510	337,269	100,730	935,182
Other financial companies and individual entrepreneurs	4,090,155	118,589	13,534	101,585	3,842,872	142	169	13,264
Non-financial companies and individual entrepreneurs	13,918,328	512,839	863,075	5,854,972	3,792,852	436,601	537,183	1,983,806
Real estate construction and property development	1,510,831	15,800	23,824	687,274	165,342	34,905	52,327	111,551
Civil engineering construction	301,451	1,469	77	297,583	38	589	669	1,026
Other purposes:	12,525,854	495,570	839,174	4,870,115	3,564,472	401,107	484,187	1,871,229
Large corporations	6,207,054	223,807	574,411	1,603,729	2,349,058	237,987	300,184	917,878
SMEs and individual entrepreneurs	6,318,800	271,763	264,763	3,266,386	1,215,414	163,120	184,003	953,351
Rest of households	15,673,952	712,054	1,502,406	8,269,591	1,792,854	867,110	260,348	2,269,589
Housing	12,918,008	634,726	1,393,996	6,283,014	1,618,814	773,521	228,424	1,985,513
Consumer	1,354,868	16,081	26,122	1,134,020	49,502	18,116	8,796	102,231
Other purposes	1,401,076	61,247	82,288	852,557	124,538	75,473	23,128	181,845
SUBTOTAL	43,726,537	1,345,406	2,560,758	16,676,270	11,831,237	1,740,546	926,573	8,645,747
Less: impairment losses on assets not assigned to specific operations	-							
TOTAL	43,726,537							

52. Joint Ventures

The Group has made use of the option provided in the applicable regulations and has chosen to account for its equity investments in jointly controlled entities using the equity method.

53. Customer Service Department

In compliance with the existing regulation, the Board of Directors of the Bank approved, at the meeting held on 14 September 2011, the establishment of Customer Service Department for the Group, whose structure and operation is governed by the Regulation approved at the above mentioned meeting and by the provisions of Law 44/2002, of 22 November, on Measures for the Reform of the Financial System, and of Ministerial Order ECO 734/2004, of 11 March, on customer service departments and customer's ombudsmen in financial institutions.

The purpose of the Customer Service Department is to process and resolve any claims or complaints submitted to the Bank, either directly or through representation, by Spanish or foreign individuals or legal entities that are customers or users of the Bank's financial services, provided that such complaints or claims refer to their legally recognised interests and rights, whether deriving from contracts, regulations governing transparency and customer protection, or from financial best practice, and, in particular, those relating to fair service.

This Department must also provide the Organisation with recommendations and suggestions based on its experience, as set out in the aforementioned Ministry of Economy Order, on those issues that could improve and strengthen the trust between the Bank and its customers.

Customer services are provided by a specific department that forms part of the Group's Legal Advisory Area, which is independent from the other functional units of the Group with respect to actions and decisions, thus avoiding any conflicts of interest.

The most relevant figures for claims and complaints received from customers in 2020 and 2019 are shown below:

Financial year 2020

Complaints received	Complaints Resolved (*)	Complaints Resolved In favour of the customer	Complaints Resolved Submitted Online	Average Resolution Time (days)
58,906	50,713	31,978	26,028	13

(*) Including resolved claims that were received in 2019.

Financial year 2019

Complaints received	Complaints Resolved (*)	Complaints Resolved In favour of the customer	Complaints Resolved Submitted Online	Average Resolution Time (days)
14,904	14,801	6,954	3,731	18

(*) Including resolved claims that were received in 2018.

The types of complaints received are as follows:

Complaint Type	Number	
	2020	2019
Credit Products	9,523	3,991
Deposit products	37,719	5,319
Other banking products	7,921	3,352
Collection and payment services	487	328
Investment services	181	110
Insurance and plans	1,126	899
Other	1,949	905
Total	**58,906**	**14,904**

It should be noted that despite establishing general criteria for decision-making, the Group always takes the particular circumstances of each claim and each customer or user into consideration, performing a thorough analysis of the documentation and information available in each case.

The decision-making criteria used by the Customer Service Department are based on the resolutions issued by the Bank of Spain, the Spanish National Securities Market Commission and the Directorate General of Insurance and Pension Funds regarding similar cases, as well as the Customer Service Department's own Management Policy, which has the following basic principles:

- The priority of the Customer Service Department is to deal with customers and users that are dissatisfied with one of the Group's products or services, and to give a reasoned response to each of these parties.

- The Customer Service Department seeks to attend to each customer in the shortest possible time, giving individual and personalised customer care in each case.

- It likewise undertakes to comply with and to ensure that the rest of the organisation complies with the legislation and regulations governing customer services.

- The Customer Service Department promotes a policy of raising awareness among all units of the organisation of how to deal with customers and users, based on the principles of best practice and transparency.

Decisions are made in accordance with internal and external regulations, pursuant to contractual clauses, transparency and customer protection standards and financial best practice. The conclusions drawn must enable a clear and accurate response to the problem.

Decisions are always focused on reaching a fair solution for the parties involved, as well as maintaining mutual trust between them.

The Bank's Board of Directors believes that the claims pending a decision at the close of 2020 will not give rise to payments having a significant effect on these consolidated financial statements.

54. Conflicts of interest concerning Directors

The directors of the Group and their related parties have had no conflicts of interest requiring disclosure in accordance with article 229 of the Revised Spanish Companies Act.

In 2020, directors have refrained from taking part in the discussion of, and voting on matters addressed by the Board of Directors or by its Committees on 19 instances. Of the above-mentioned instances, 14 instances related to investment proposals, financing proposals or other risk transactions with companies related to several directors; one instance related to remuneration issues; and 4 instances related to other transactions with related parties.

ABANCA Corporación Bancaria Group

Fully consolidated companies on 31 December 2020
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Company	Address	Activity	Percentage of Voting Rights Controlled by the Group		Thousand EUR				
					Investee Data (*)				
			Direct	Indirect	Total Assets	Total Liabilities	Equity	Profit/loss for the year	Financial Statements Date
ABANCA Corporación Industrial y Empresarial, S.L.U.	A Coruña	Holding	100.00%	-	1,242,207	5,751	1,236,456	99,021	Dec-20
ABANCA Corporación División Inmobiliaria, S.L.U.	A Coruña	Real estate management	100.00%	-	825,989	34,964	791,025	(5,811)	Dec-20
ABANCA Servicios Financieros, E.F.C., S.A.	A Coruña	Financing	99.00%	1.00%	410,450	381,361	29,089	4,318	Dec-20
Complejo Residencial Marina Atlántica, S.L.	A Coruña	Real estate	100.00%	-	3,594	3	3,591	252	Dec-20
Sogevinus, S.G.P.S., S.A.	Oporto	Holding - Wineries	100.00%	-	162,317	69,454	92,863	(62)	Dec-20
Laborvantage Investimentos Inmobiliarios Lda.	Oporto	Real estate	100.00%	-	28,892	1,616	27,276	22	Dec-20
Sentir Común México, S.A. DE C.V. SOFOM	México	Financing	0.08%	99.92%	55,030	50,124	4,906	(184)	Dec-20
Natur Spa Allariz, S.A.	Allariz	Hospitality	94.11%	5.02%	3,391	2,298	1,093	(201)	Dec-20
ABANCA Mediación, Correduría de Seguros Generales, S.A.	A Coruña	Insurance brokering	-	100.00%	1,175	213	962	279	Dec-20
Vibarco, Sociedad Unipersonal, S.L.	Vigo	Holding - Wineries	-	100.00%	864,202	862,471	1,731	11	Dec-20
Quaere Investment, S.L.	A Coruña	Holding	-	100.00%	3	-	3	-	Dec-20
ABANCA Invest, S.A.	A Coruña	Holding	-	100.00%	2,769	-	2,769	(86)	Dec-20
Torres del Boulevar, S.L.U.	A Coruña	Real estate development	-	100.00%	4,821	2,479	2,342	(54)	Dec-20
Corporación Empresarial de Tenencia de Activos de Galicia, S.L.	A Coruña	Services	-	100.00%	204	17	187	18	Dec-20
Espacios Termolúdicos, S.A.	A Coruña	Health and Leisure services	-	100.00%	11,828	8,344	3,484	(934)	Dec-20
ABANCA Mediación, Operador de Banca-Seguros Vinculado, S.A.	A Coruña	Insurance	-	100.00%	31,540	27,725	3,815	679	Dec-20
ABANCA Gestión Operativa, S.A.U.	A Coruña	Operational services	-	100.00%	1,346	219	1,127	(42)	Dec-20
Torre de Hércules Participaciones Societarias, S.L.	A Coruña	Other services	-	100.00%	15	-	15	(1)	Dec-20
Corporación Empresarial y Financiera de Galicia, S.L.U.	A Coruña	Clerical services	-	100.00%	216	21	195	19	Dec-20
Corporación Empresarial de Representación Participativa, S.L.	A Coruña	Financing	-	100.00%	7,220	173	7,047	21	Dec-20
Jocai XXI, S.L.	A Coruña	Real estate development	-	100.00%	1,108	382	726	18	Dec-20
ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A.	A Coruña	Insurance	-	100.00%	1,905,255	1,690,036	215,219	32,829	Dec-20
Simeon Sacv México	México	Financing	100.00%	-	125	121	4	(6)	Oct-20

This Appendix forms part of the Consolidated Financial Statements at 31.12.20.

ABANCA Corporación Bancaria Group

Fully consolidated companies on 31 December 2020
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Company	Address	Activity	Percentage of Voting Rights Controlled by the Group		Thousand EUR				
					Investee Data (*)				
			Direct	Indirect	Total Assets	Total Liabilities	Equity	Profit/loss for the year	Financial Statements Date
Simeon Inversiones CA Venezuela	Venezuela	Financing	100.00%	-	-	-	-	-	Dec-18
Nueva Pescanova, S.L. (**)	Pontevedra	Wholesale trade	88.41%	-	936,499	912,854	23,645	(39,154)	Dec-20
Real Club Deportivo de La Coruña, S.A.D. (**)	A Coruña	Sports club	76.67%	-	21,744	64,364	(42,620)	(3,753)	Dec-20

(*) Data taken from the latest available unaudited interim financial statements for companies not required to prepare financial statements under the International Financial reporting Standards, the data in this Appendix are presented in accordance with the Spanish generally accepted accounting principles and have been subject to the necessary uniformity adjustments for the purposes of consolidation of ABANCA Group. Profit/loss for the year relates to the contribution since the date of inclusion within the consolidation scope.

(**) Recognised under "Non-current assets and disposal groups classified as held for sale" and "Liabilities included in disposal groups classified as held for sale" in the accompanying consolidated statements of financial position.

ABANCA Corporación Bancaria, S.A.

Fully consolidated companies on 31 December 2019
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Company	Address	Activity	Percentage of Voting Rights Controlled by the Group		Thousand EUR - Investee Data (*)				
			Direct	Indirect	Total Assets	Total Liabilities	Equity	Profit/loss for the year	Financial Statements Date
ABANCA Corporación Industrial y Empresarial, S.L.U.	A Coruña	Holding	100.00%	-	1,182,122	17,070	1,165,052	36,926	Dec-19
ABANCA Corporación División Inmobiliaria, S.L.U.	A Coruña	Real estate management	100.00%	-	838,502	41,666	796,836	42,379	Dec-19
ABANCA Servicios Financieros, E.F.C., S.A.	A Coruña	Financing	99.00%	1.00%	355,560	329,318	26,242	1,315	Dec-19
Complejo Residencial Marina Atlántica, S.L.	A Coruña	Real estate	100.00%	-	3,561	222	3,339	(139)	Dec-19
Sogevinus, S.G.P.S., S.A.	Oporto	Holding - Wineries	100.00%	-	148,406	61,575	86,831	1,682	Dec-19
Laborvantage Investimentos Inmobiliarios Lda.	Oporto	Real estate	100.00%	-	27,559	229	27,330	2,838	Dec-19
Sentir Común México, S.A. DE C.V. SOFOM	México	Financing	0.08%	99.92%	85,303	98,693	(13,390)	(21,249)	Dec-19
Natur Spa Allariz, S.A.	Allariz	Hospitality	94.11%	5.02%	3,439	2,145	1,294	32	Dec-19
ABANCA Mediación, Correduría de Seguros Generales, S.A.	A Coruña	Insurance brokering	-	100.00%	1,164	167	997	314	Dec-19
Vibarco, Sociedad Unipersonal, S.L.	Vigo	Holding - Wineries	-	100.00%	822,603	820,883	1,720	(2)	Dec-19
Quaere Investment, S.L.	A Coruña	Holding	-	100.00%	3	-	3	(1)	Dec-19
ABANCA Invest, S.A.	A Coruña	Holding	-	100.00%	855	-	855	(77)	Dec-19
Torres del Boulevar, S.L.U.	A Coruña	Real estate development	-	100.00%	4,827	2,431	2,396	7	Dec-19
Corporación Empresarial de Tenencia de Activos de Galicia, S.L.	A Coruña	Services	-	100.00%	181	12	169	37	Dec-19
Espacios Termolúdicos, S.A.	A Coruña	Health and Leisure services	-	100.00%	13,562	9,009	4,553	809	Dec-19
ABANCA Mediación, Operador de Banca-Seguros Vinculado, S.A.	A Coruña	Insurance	-	100.00%	23,731	19,898	3,833	698	Dec-19
ABANCA Gestión Operativa, S.A.U.	A Coruña	Operational services	-	100.00%	1,269	100	1,169	(20)	Dec-19
Torre de Hércules Participaciones Societarias, S.L.	A Coruña	Other services	-	100.00%	16	-	16	(1)	Dec-19
Corporación Empresarial y Financiera de Galicia, S.L.U.	A Coruña	Clerical services	-	100.00%	188	12	176	40	Dec-19
Corporación Empresarial de Representación Participativa, S.L.	A Coruña	Financing	-	100.00%	7,098	72	7,026	(69)	Dec-19
Jocai XXI, S.L.	A Coruña	Real estate development	-	100.00%	1,083	375	708	12	Dec-19
ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A.	A Coruña	Insurance	-	100.00%	1,933,427	1,746,971	186,456	28,816	Dec-19
Simeon Sacv México	México	Financing	100.00%	-	132	134	(2)	(12)	Dec-18
Simeon Inversiones CA Venezuela	Venezuela	Financing	100.00%	-	-	-	-	-	Dec-18

ABANCA Corporación Bancaria Group

Associates on 31 December 2020
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Company	Address	Activity	Percentage of Voting Rights Controlled by the Bank		Thousand EUR – Investee Data (*)				
			Direct	Indirect	Total Assets	Total Liabilities	Equity	Profit/loss for the year	Financial Statements Date
Parque Tecnológico de Galicia, S.A.	Orense	Technological park	37.34%	-	13,353	3,484	9,869	25	Dec-20
Cidade Universitaria, S.A.	Vigo	Infrastructures	32.43%	-	8,471	1,652	6,819	(131)	Dec-20
Cidade Tecnolóxica de Vigo, S.A.	Vigo	Infrastructures	25.07%	-	11,189	2,181	9,008	(114)	Dec-20
Obenque, S.A.	Madrid	Real estate	26.98%	-	640	145	495	(30)	Dec-20
Raminova Inversiones, S.L.	Pontevedra	Holding	50.00%	-	29,086	26,700	2,386	(567)	Dec-14
Imantia Capital, S.G.I.I.C., S.A.	Madrid	CIS Management company	20.57%	9.43%	28,604	16,968	11,636	2,631	Dec-20
Terminal de Graneles Agroalimentarios de Santander, S.A.	Santander	Transport and storage	31.56%	-	16,363	13,056	3,307	(1,722)	Dec-20
Pazo de Congresos de Vigo, S.A.	Vigo	Construction	-	22.22%	76,833	66,887	9,946	20,269	Dec-16
Fomento de Iniciativas Náuticas, S.L.	A Coruña	Maritime services	-	33.00%	7,934	463	7,471	(633)	Dec-20
Autoestradas do Salnés, S.C.X.G., S.A.	Ourense	Construction highway concessionaire	-	30.00%	46,419	43,219	3,200	66	Dec-20
Transmonbús, S.L.	Lugo	Transport	-	33.96%	195,658	148,806	46,852	(224)	Sep-20
Muéstralo Organización de Eventos Feriales, S.L.	Vigo	Event organisation	-	20.00%	428	616	(188)	(604)	Oct-20
Viñedos y Bodegas Dominio de Tares, S.A.	León	Winegrowing	-	40.55%	6,609	1,921	4,688	(494)	Dec-20
Empresa Naviera Elcano, S.A.	Madrid	Maritime transport	-	20.25%	796,880	502,673	294,207	6,991	Nov-20
Grupo Empresarial COPO, S.A.	Pontevedra	Holding	-	35.64%	113,474	61,458	52,016	19,446	Dec-19
Desarrollos Inmobiliarios Fuenteamarga, S.L.	Madrid	Timber processing	-	33.00%	446	732	(286)	-	Dec-20
ABANCA Generales de Seguros y Reaseguros, S.A.	A Coruña	Insurance	-	50.00%	16,676	2,001	14,675	(5,324)	Dec-20
Txstockdata, S.L.	Pontevedra	Other financial services	-	32.98%	279	163	116	(32)	Dec-20
Desarrollos Albero, S.A.	Seville	Real estate development	-	50.00%	2,774	111,542	(108,768)	3,840	Dec. 16

(*) Data taken from the latest available unaudited interim financial statements Where financial statements for 2019 are not available, the column "Financial Statements Date" shows the date of the latest available financial statements. For companies not required to prepare financial statements under International Financial Reporting Standards, the data in this Appendix are presented in accordance with the Spanish generally accepted accounting principles and have been subject to the necessary uniformity adjustments for the purposes of consolidation of ABANCA Group. Profit/loss for the year relates to the contribution since the date of inclusion within the consolidation scope.

ABANCA Corporación Bancaria Group

Associates on 31 December 2019
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Company	Address	Activity	Percentage of Voting Rights Controlled by the Bank		Thousand EUR – Investee Data (*)				
			Direct	Indirect	Total Assets	Total Liabilities	Equity	Profit/loss for the year	Financial Statements Date
Parque Tecnológico de Galicia, S.A.	Orense	Technological park	37.34%	-	13,632	3,748	9,884	77	Dec-19
Cidade Universitaria, S.A.	Vigo	Infrastructures	32.43%	-	8,634	1,684	6,950	(71)	Dec-19
Cidade Tecnolóxica de Vigo, S.A.	Vigo	Infrastructures	25.07%	-	11,396	2,223	9,173	(37)	Dec-19
Obenque, S.A.	Madrid	Real estate	26.98%	-	671	146	525	191	Dec-19
Raminova Inversiones, S.L.	Pontevedra	Holding	50.00%	-	29,086	26,700	2,386	(567)	Dec-14
Imantia Capital, S.G.I.I.C., S.A.	Madrid	CIS Management company	20.57%	9.43%	41,752	31,895	9,857	2,472	Dec-19
Terminal de Graneles Agroalimentarios de Santander, S.A.	Santander	Transport and storage	31.56%	-	17,921	12,891	5,030	(739)	Oct-19
Nueva Pescanova, S.L.	Pontevedra	Wholesale trade	40.66%	-	923,917	866,053	57,864	(40,975)	Dec-19
Pazo de Congresos de Vigo, S.A.	Vigo	Construction	-	22.22%	76,833	66,887	9,946	20,269	Dec-16
Fomento de Iniciativas Náuticas, S.L.	A Coruña	Maritime services	-	33.00%	8,539	434	8,105	(266)	Dec-19
Sodiga Galicia, S.C.R., S.A.	Santiago de Compostela	Financial services	-	23.94%	38,001	1,510	36,491	2,180	Dec-19
Autoestradas do Salnés, S.C.X.G., S.A.	Ourense	Construction highway concessionaire	-	30.00%	47,963	44,887	3,076	391	Dec-19
Transmonbús, S.L.	Lugo	Transport	-	33.96%	193,540	146,339	47,201	178	Jun-19
Muéstralo Organización de Eventos Feriales, S.L.	Vigo	Event organisation	-	20.00%	1,174	775	399	(83)	Dec-19
Ozona Consulting, S.L.	Santiago de Compostela	Consulting services	-	30.09%	4,466	4,275	191	170	Dec-19
Viñedos y Bodegas Dominio de Tares, S.A.	León	Winegrowing	-	40.55%	7,264	2,079	5,185	36	Dec-19
Empresa Naviera Elcano, S.A.	Madrid	Maritime transport	-	20.25%	866,878	535,581	331,297	18,429	Nov-19
Grupo Empresarial COPO, S.A.	Pontevedra	Holding	-	35.64%	113,474	61,458	52,016	19,446	Dec-18
Desarrollos Inmobiliarios Fuenteamarga, S.L.	Madrid	Timber processing	-	33.00%	446	732	(286)	-	Dec-19
Txstockdata, S.L.	Pontevedra	Other financial services	-	30.39%	244	49	195	(85)	Sep-18
ABANCA Generales de Seguros y Reaseguros, S.A.	A Coruña	Insurance	-	50.00%	5,298	760	4,538	(463)	Dec-19
Desarrollos Albero, S.A.	Seville	Real estate development	-	50.00%	2,774	111,542	(108,768)	3,840	Dec-16

(*) Data taken from the latest available unaudited interim financial statements Where financial statements for 2019 are not available, the column "Financial Statements Date" shows the date of the latest available financial statements. For companies not required to prepare financial statements under International Financial Reporting Standards, the data in this Appendix are presented in accordance with the Spanish generally accepted accounting principles and have been subject to the necessary uniformity adjustments for the purposes of consolidation of ABANCA Group. Profit/loss for the year relates to the contribution since the date of inclusion within the consolidation scope.

ABANCA Corporación Bancaria Group

ABANCA Corporación Bancaria, S.A. securitisation funds.
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

On 31 December 2020 -

Securitisation Fund	Entity	Origination date	Total exposures securitised at origination date	Total exposures securitised at 31.12.20
HT ABANCA RMBS II FT	ABANCA CORPORACIÓN BANCARIA, S.A.	12/2017	900,000	696,012
HT ABANCA RMBS I FT	ABANCA CORPORACIÓN BANCARIA, S.A.	05/2016	900,000	739,089
IM BCG RMBS 2 FT	ABANCA CORPORACIÓN BANCARIA, S.A. (*)	11/2013	1,300,000	806,778
			3,100,000	**2,241,879**

On 31 December 2019:

Securitisation Fund	Entity	Origination date	Total exposures securitised at origination date	Total exposures securitised at 31.12.19
HT ABANCA RMBS II FT	ABANCA CORPORACIÓN BANCARIA, S.A.	12/2017	900,000	778,906
HT ABANCA RMBS I FT	ABANCA CORPORACIÓN BANCARIA, S.A.	05/2016	900,000	762,585
IM BCG RMBS 2 FT	ABANCA CORPORACIÓN BANCARIA, S.A. (*)	11/2013	1,300,000	866,663
			3,100,000	**2,408,154**

(*) Addition arising from business combinations.

ABANCA Corporación Bancaria, S.A.

BALANCE SHEET AT 31 DECEMBER 2020 AND 2019
(EUR thousand)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

ASSETS	Note	2020	2019 (*)
Cash, cash balances with central banks and other demand deposits	5	7.146.693	3.072.362
Financial assets held for trading			
Derivatives	10	142.507	117.674
Debt securities	7	20.981	76.981
		163.488	194.655
Non-trading financial assets mandatorily at fair value through profit or loss			
Equity instruments	8	47.746	38.180
Debt securities	7	27.475	29.314
Loans and advances			
Customers	9	-	-
		75.221	67.494
Financial assets at fair value through other comprehensive income			
Equity instruments	8	-	208
Debt securities	7	5.543.853	4.103.307
		5.543.853	4.103.515
Financial assets at amortised cost			
Debt securities	7	6.915.296	5.895.751
Loans and advances			
Credit institutions	6	464.217	951.391
Customers	9	39.979.502	37.882.486
		47.359.015	44.729.628
Derivatives - hedge accounting	10	10.298	53.087
Investments in subsidiaries, joint ventures and associates	12		
Subsidiaries		2.119.438	2.032.690
Associates		4.668	96.412
		2.124.106	2.129.102
Tangible assets	13		
Property, plant and equipment			
For own use		861.295	909.607
Leased out under operating leases		-	243
Investment property		200.500	214.210
		1.061.795	1.124.060
Intangible assets	14		
Goodwill		-	-
Other intangible assets		130.589	126.614
		130.589	126.614
Tax assets	26		
Current tax assets		44.190	91.482
Deferred tax assets		2.833.187	2.807.995
		2.877.377	2.899.477
Other assets			
Insurance contracts linked to pensions	15	145.586	142.406
Inventories		1.252	876
Other assets		132.001	197.830
		278.839	341.112
Non-current assets and disposal groups classified as held for sale	11	372.249	130.443
TOTAL ASSETS		67.143.523	58.971.549
MEMORANDUM ITEM: OFF-BALANCE SHEET EXPOSURES	27		
Loan commitments granted		9.739.362	7.371.006
Financial guarantees granted		496.561	585.935
Other commitments granted		1.286.217	1.182.109

EQUITY AND LIABILITIES	Note	2020	2019 (*)
Financial liabilities held for trading			
Derivatives	10	143.913	116.544
		143.913	116.544
Financial liabilities at amortised cost			
Deposits			
Central banks	16	8.606.725	4.658.647
Credit institutions	16	2.411.529	3.648.489
Customers	17	48.924.288	43.683.194
Debt securities issued	18	1.708.276	1.726.576
Other financial liabilities	20	144.459	198.143
Memorandum item: subordinated liabilities	19	*928.992*	*922.778*
		61.795.277	53.915.049
Derivatives - hedge accounting	10	290.318	179.795
Provisions	21		
Pensions and other post-employment defined benefit obligations		204.274	160.896
Outstanding tax-related legal proceedings and litigation		18.356	16.684
Commitments and guarantees given		65.437	77.416
Other provisions		22.150	120.358
		310.217	375.354
Tax liabilities	26		
Current tax liabilities		33.000	2.530
Deferred tax liabilities		66.490	46.299
		99.490	48.829
Other liabilities	22	259.976	247.514
TOTAL LIABILITIES		62.899.191	54.883.085
EQUITY			
Shareholders' equity			
Capital			
Paid-up capital	25	2.476.209	2.453.657
Share premium	24	208.791	433.901
Equity instruments issued other than capital	24		
Other equity instruments		-	-
Retained earnings	24	1.438.968	1.252.576
Other reserves		(55.495)	(37.291)
(-) Treasury shares	25	(17.187)	(230.541)
Profit for the year		122.585	359.425
(-) Interim dividend	3	-	(160.752)
		4.173.871	4.070.975
Accumulated other comprehensive income	23		
Items that will not be reclassified to profit or loss			
Actuarial gains or losses on defined benefit pension plans		(12.478)	(20.550)
Fair value changes of equity instruments measured at fair value through other comprehensive income		-	1
		(12.478)	(20.549)
Items that may be reclassified to profit or loss			
Foreign currency translation		-	-
Hedging derivatives Cash flow hedges reserve (effective portion)		(22.310)	12.139
Fair value changes of debt securities measured at fair value through other comprehensive income		105.249	25.899
Non-current assets and disposal groups classified as held for sale		-	-
		82.939	38.038
TOTAL EQUITY		4.244.332	4.088.464
TOTAL EQUITY AND LIABILITIES		67.143.523	58.971.549

This Appendix forms part of the consolidated notes at 31.12.20.

Appendix III

ABANCA Corporación Bancaria, S.A.

STATEMENTS OF PROFIT OR LOSS FOR THE ANNUAL PERIODS ENDED 31 DECEMBER 2020 AND 2019
(EUR thousand)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

		Income / (Expenses)	
	Note	2020	2019 (*)
Interest income	28	778.365	740.864
Financial assets at fair value through other comprehensive income		22.665	39.217
Financial assets at amortised cost		769.608	721.068
Other of interest income		(13.908)	(19.421)
Interest expense	29	(189.398)	(219.568)
NET INTEREST INCOME		588.967	521.296
Dividend income	30	1.140	4.749
Fee and commission income	31	252.480	218.846
Fee and commission expense	32	(28.154)	(24.961)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	33	208.351	81.386
Financial assets at amortised cost		161.507	(289)
Other financial assets and liabilities		46.844	81.675
Gains or losses on financial assets and liabilities held for trading, net	33	8.506	(1.804)
Other gains or losses		8.506	(1.804)
Gains or losses on non-trading financial assets mandatorily measured at fair value through profit or loss, net	33	(1.708)	7.031
Other gains or losses		(1.708)	7.031
Gains or losses from hedge accounting, net	33	3.384	(2.202)
Exchange differences, net		9.761	4.994
Other operating income	34	34.673	23.871
Other operating expenses	37	(106.154)	(90.912)
GROSS MARGIN		971.246	742.294
Administrative expenses		(543.201)	(513.242)
Personnel expenses	35	(356.053)	(333.225)
Other administrative expenses	36	(187.148)	(180.017)
Depreciation and amortisation	13 and 14	(75.979)	(72.158)
Provisions or reversals of provisions	21	35.340	(55.701)
Impairment, or reversal of impairment, on financial assets not measured at fair value through profit or loss		(223.092)	(12.516)
Financial assets at fair value through other comprehensive income		209	178
Financial assets at amortised cost	9	(223.301)	(12.694)
NET OPERATING INCOME		164.314	88.677
Impairment or reversal of impairment on investments in subsidiaries, joint ventures or associates	12	(4)	79.928
Impairment, or reversal of impairment, on non-financial assets		(20.304)	(2.841)
Tangible assets	13	(20.304)	(2.841)
Other		-	-
Gains or losses on derecognition of non-financial assets, net	38	(146)	(13.086)
Negative goodwill recognised in profit or loss	2.22	-	231.679
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	11	2.059	(2.196)
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS		145.919	382.161
Tax expense or income related to profit or loss from continuing operations	26	(23.334)	(22.736)
PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS		122.585	359.425
Profit or loss after tax from discontinued operations		-	-
PROFIT FOR THE YEAR		122.585	359.425

This Appendix forms part of the consolidated notes at 31.12.20.

ABANCA Corporación Bancaria, S.A.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE ANNUAL PERIODS ENDED 31 DECEMBER 2020 AND 2019

(EUR thousand)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	2020	2019 (*)
PROFIT FOR THE YEAR	122.585	359.425
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss	**8.071**	**(1.038)**
Actuarial gains or (-) losses on defined benefit pension plans	11.531	(1.953)
Fair value changes of equity instruments measured at fair value through other comprehensive income	(1)	470
Income tax relating to items that will not be reclassified	(3.459)	445
Items that may be reclassified to profit or loss	**44.901**	**114.275**
Foreign currency translation	-	-
Exchange gains or (-) losses recognised in equity	-	-
Cash flow hedges (effective portion)	(49.213)	44.056
Valuation gains or (-) losses recognised in equity	(49.213)	44.056
Debt securities at fair value through other comprehensive income	113.357	119.194
Valuation gains or (-) losses recognised in equity	160.021	212.322
Transferred to profit or loss	(46.664)	(93.128)
Income tax on items that may be reclassified to profit or loss	(19.243)	(48.975)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	175.557	472.662

This Appendix forms part of the consolidated notes at 31.12.20.

ABANCA Corporación Bancaria, S.A.

STATEMENTS OF TOTAL CHANGES IN EQUITY FOR
FOR THE ANNUAL PERIODS ENDED 31 DECEMBER 2020 AND 2019 (*)

(EUR thousand)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Capital	Share premium	Equity instruments issued other than capital	Retained earnings	Other reserves	(-) Treasury shares	Profit for the year	(-) Interim dividends	Accumulated other comprehensive income	Total
Balance at 31 December 2018	2.453.657	433.901	-	1.244.882	(38.404)	(229.727)	369.867	(159.307)	(95.748)	3.979.121
Effects of correction of errors	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies (see Note 2.21)	-	-	-	-	-	-	-	-	-	-
Opening balance	2.453.657	433.901		1.244.882	(38.404)	(229.727)	369.867	(159.307)	(95.748)	3.979.121
Total comprehensive income for the year	-	-	-	-	-	-	359.425	-	113.237	472.662
Other changes in equity	-	-	-	7.694	1.113	(814)	(369.867)	(1.445)	-	(363.319)
Other equity instruments issued	-	-	-	-	-	-	-	-	-	-
Treasury shares purchased	-	-	-	-	-	(358)	-	-	-	(358)
Transfers between equity line items	-	-	-	197.701	-	-	(369.867)	172.166	-	-
Share-based payments	-	-	-	-	-	(456)	-	-	-	(456)
Dividends (or shareholder remuneration)	-	-	-	(190.000)	-	-	-	(173.611)	-	(363.611)
Other increases or (-) decreases in equity	-	-	-	(7)	1.113	-	-	-	-	1.106
Balance at 31 December 2019	2.453.657	433.901	-	1.252.576	(37.291)	(230.541)	359.425	(160.752)	17.489	4.088.464
Effects of correction of errors	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Opening balance	2.453.657	433.901	-	1.252.576	(37.291)	(230.541)	359.425	(160.752)	17.489	4.088.464
Total comprehensive income for the year	-	-	-	-	-	-	122.585	-	52.972	175.557
Other changes in equity	22.552	(225.110)	-	186.392	(18.204)	213.354	(359.425)	160.752	-	(19.689)
Common shares issued	225.110	-	-	-	-	-	-	-	-	225.110
Capital reduction	(202.558)	(225.110)	-	-	-	-	-	-	-	(427.668)
Other equity instruments issued	-	-	-	-	-	-	-	-	-	-
Treasury shares purchased	-	-	-	-	-	(183)	-	-	-	(183)
Treasury shares sold or cancelled	-	-	-	-	-	213.213	-	-	-	213.213
Transfers between equity line items	-	-	-	184.515	-	-	(359.425)	174.910	-	-
Share-based payments	-	-	-	-	-	324	-	-	-	324
Dividends (or shareholder remuneration)	-	-	-	-	-	-	-	(14.158)	-	(14.158)
Other increases or (-) decreases in equity	-	-	-	1.877	(18.204)	-	-	-	-	(16.327)
Balance at 31 December 2020	2.476.209	208.791	-	1.438.968	(55.495)	(17.187)	122.585	-	70.461	4.244.332

This Appendix forms part of the consolidated notes at 31.12.20.

ABANCA Corporación Bancaria, S.A.

STATEMENTS OF CASH FLOWS FOR THE ANNUAL PERIODS ENDED 31 DECEMBER 2020 AND 2019

(EUR thousand)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	2020	2019 (*)
A) CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	4.115.835	3.701.130
1. Profit for the year	122.585	359.425
2. Adjustments for determining cash flows from operating activities	(89.350)	(19.236)
(+) Depreciation and amortisation	75.979	72.158
(+/-) Other adjustments	(165.329)	(91.394)
3. Net increase/(decrease) in operating assets	(4.029.292)	1.390.688
(+/-) Financial assets held for trading	39.673	(97.243)
(+/-) Non-trading financial assets mandatorily at fair value through profit or loss	(8.499)	90.426
(+/-) Financial assets designated at fair value through profit or loss	-	-
(+/-) Financial assets at fair value through other comprehensive income	(1.393.480)	1.964.080
(+/-) Financial assets at amortised cost	(2.813.798)	(609.442)
(+/-) Other operating assets	146.812	42.867
4. Net increase/(decrease) in operating liabilities	8.048.616	2.012.972
(+/-) Financial liabilities held for trading	27.369	43.828
(+/-) Financial liabilities designated at fair value through profit or loss		-
(+/-) Financial liabilities at amortised cost	7.874.014	1.985.091
(+/-) Other operating liabilities	147.233	(15.947)
5. Income tax receipts/(payments)	63.276	(42.719)
B) CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	(120.487)	(2.184.976)
1. Payments:	(147.808)	(2.186.338)
(-) Tangible assets	(52.134)	(102.067)
(-) Intangible assets	(32.472)	(30.226)
(-) Investments in subsidiaries, joint ventures and associates	(60.004)	(34.377)
(-) Other business units	-	-
(-) Non-current assets and liabilities classified as held for sale	(3.198)	(4.969)
(-) Other payments related to investing activities	-	(2.014.699)
2. Receipts:	27.321	1.362
(+) Tangible assets	-	655
(+) Intangible assets	-	-
(+) Investments in subsidiaries, joint ventures and associates	197	707
(+) Other business units	-	-
(+) Non-current assets and liabilities classified as held for sale	27.124	-
(+) Other receipts related to investing activities	-	-
C) CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	(35.393)	265.640
1. Payments:	(35.393)	(384.360)
(-) Dividends	(14.158)	(361.752)
(-) Subordinated liabilities	(21.052)	-
(-) Redemption of own equity instruments	-	-
(-) Acquisition of own equity instruments	(183)	(814)
(-) Other payments related to financing activities	-	(21.794)
2. Receipts:	-	650.000
(+) Subordinated liabilities	-	650.000
(+) Issuance of own equity instruments	-	-
(+) Disposal of own equity instruments	-	-
(+) Other receipts related to financing activities	-	-
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS	-	-
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	3.959.955	1.781.794
F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2.885.228	1.103.434
G) CASH AND CASH EQUIVALENTS AT END OF THE YEAR (E+F)	6.845.183	2.885.228

COMPOSITION OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	2020	2019 (*)
(+) Cash	179.276	200.464
(+) Cash equivalent balances in central banks	6.665.907	2.684.764
(+) Other financial assets	-	-
(-) Less: bank overdrafts repayable on demand	-	-
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	6.845.183	2.885.228

This Appendix forms part of the consolidated notes at 31.12.20.

ANNUAL BANKING REPORT – DISCLOSURE REQUIRED BY ARTICLE 89 OF DIRECTIVE 2013/36/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AND THE TRANSPOSITION THEREOF INTO SPANISH LEGISLATION THROUGH LAW 10/2014

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Thousand EUR					
Country	Income tax expense	Profit/(loss) before tax	Gross margin	Headcount (**)	Activity	Main company
Spain	32,464	177,063	1,027,661	5,276	Financial	ABANCA Corporación Bancaria, S.A.
Portugal	760	16,528	65,484	554	Financial	ABANCA Corporación Bancaria, S.A.
Switzerland	278	2,628	5,807	11	Financial	ABANCA Corporación Bancaria, S.A.
USA	-	(1,964)	2,077	15	Financial	ABANCA Corporación Bancaria, S.A.
Other (*)	87	(97)	2,921	29	Financial	Sentir Común México S.A. de CV SOFOM ENR

(*) Includes representative offices (see note 1).

(**) Does not include employees of Nueva Pescanova, S.L. and R.C. Deportivo de la Coruña, S.A.D., because these companies are classified as non-current assets held for sale.

At 31 December 2020 the Group's return on assets, calculated as the result of dividing "Consolidated profit for the year" by "Total assets", is 0.2%.

In 2020, ABANCA Group has not received public subsidies addressed to the financial industry and aiming at the promotion of banking activities. This statement is made for the purposes of the provisions of Article 89 of Directive 2013/36/EU of the European Parliament and of the Council, of 26 June (on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms) and the transposition thereof into Spanish law by Law 10/2014, of 26 June, on the Regulation, Supervision and Solvency of Credit Institutions.

ABANCA CORPORACIÓN BANCARIA GROUP

Consolidated Management Report for the annual period ended 31 December 2020
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

1. Scope, sphere and global framework of Management Report

This management report for the ABANCA Corporación Bancaria, S.A. Group (hereinafter ABANCA Group or the Group) describes the initiatives, business performance and results of the Group's operations in 2020.

2. Financial and economic environment

Economic environment

- The advanced economic forecasts for 2020 pointed to an upturn of global economic activity. However, that scenario was abruptly changed by the development of the pandemic caused by the coronavirus. Sure enough, the measures of mobility restriction and cessation of certain productive activities implemented by many countries in order to curb the expansion of the virus have led to a rapid and severe contraction of the economy. In this context, global GDP has been estimated to have fall by 3.5% in 2020, compared to a 2.8% growth in the preceding year.

- In Europe, the Eurozone economy contracted by 6.8% in 2020 as a whole, compared to a 1.3% growth in the preceding year. Although this contraction was generalised, the impact was more severely felt by those countries with a greater incidence of coronavirus and a greater dependence on the tourist industry.

- In Spain, major economic indicators plummeted in April, when the disease was at its peak and containment measures were stricter. In May, the restrictions began to be gradually lifted, although at varying paces in accordance with the health situation in each region. In this context, the Spanish GDP fell by 17.9% in the second quarter (-21.6% year on year).

- In the third quarter, the partial recovery of the economy allowed of a quarterly 16.4% recovery of GDP, thereby moderating the year on year fall to -9.0%. The services industry registered a partial recovery, although with significant differences between activities. Commerce, transport and hospitality, and arts and recreation were the worst performing activities, falling by ca. 20% year on year. During the last quarter of the year, notwithstanding the impact of a new COVID wave, the economy continued its positive performance with a 0.4% quarterly growth.

- In 2020 as a whole, Spain's GDP fell by 11.0%. Both private consumption and investment contracted by 12.4%, while public consumption increased by 4.5% driven by the measures implemented to address the pandemic. For its part, the external demand registered a reduction with drops in both exports (-20.9%) and imports (-16.8%).

- In the labour market, the LFS for the fourth quarter of 2020 showed that the number of employed people has increased by 167,000 leaving the decline in the number of employed people at -3.1% (compared to a 6.0% year on year fall in the second quarter). At the end of the year, unemployment stood at 16.1%, a 2.3% increase compared to the end of 2019. For its part, temporary suspensions of employment implemented through ERTE (Spanish acronym for "Temporary Labour Force Adjustment Scheme"), which in April had affected 3.4 million workers, were reduced at the end of December down to 756,000 workers.

- In Galicia, the impact from the crisis was milder than in Spain as a whole, due to a lower epidemiologic incidence and to its productive fabric (with a lower weight from tourist activities and a greater weight from essential industries). As a result, Galician GDP for the whole year fell by 8.9%, with an impact from the crisis 2.1 points lower than in Spain as a whole. The labour market also registered a better relative performance. The fall in the number of employed persons is more moderate (-1.4% year on year in the fourth quarter), while unemployment at the end of the year stood as 11.7%, 4.4 percentage points lower than the national average.

Financial environment

- The European Central Bank launched a large stimulus package to address the economic effects of the coronavirus pandemic, thereby complementing the support mechanisms implemented by European governments and European institutions. This package included liquidity injections in the banking system through the increasing TLTRO III amount, measures to ease provisions and capital requirements and the reinforcement of purchase program. The ECB also launched a pandemic emergency purchase program (PEPP) with a total envelope of €1.85 billion.

- This largely expansive monetary policy led to further reductions in the interbank offered interest rates. As a result, the Euribor 12 months closed the year at a new all-time low (-0.50%), while the Euribor 3 months fell down to -0.55%.

- In public debt markets, interest rates contracted again due to the central bank support. In particular, the yield of the Spanish 10-year bond slid towards minimum values, and even reached negative value in December, to close the year at 0.06%. For its part, at the end of 2020 Spain's risk premium was around 60 basis points.

- In Spain, new retail lending grew by 0.1% in 2020, pushed by the growth of loans to companies (+2.5%) driven by the State-guaranteed facilities to address the economic effects of the Covid-19 pandemic. Contrarily, new loans to individuals decreased by -8.5% during the same period. Overall, retail lending increased in Spain by 2.5% in the 2020 as a whole (+8.1% companies and -1.1% individuals).

- In 2020, retail funds attracted in Spain increased by 7.5% in a context of increasing savings ratio, with a 9.3% growth in new deposits while the net asset value of investment funds remained stable compared to the end of the preceding year.

3. Relevant events in 2020

- On 10 February 2020, ABANCA approved the purchase of 95% of shares in the bank EuroBic, with the completion of the transaction being subject to a due diligence process and to the approval of the regulatory authorities.

  On 16 June, ABANCA terminated the agreement with EuroBic shareholders as the agreed conditions had not been met.

- On 13 March 2020, the public of merger by absorption of ABANCA (absorbing entity) and Banco Caixa Geral, S.A. (absorbed entity) was filed with the Business Register. Around the same date, the technological migration and rebranding of the branch network was completed. IT systems integration has been completed as scheduled, and without any incidents in the services rendered to either the customer base of the entire ABANCA network or the over 131,000 customers of BCG.

- From the onset of the COVID-19 pandemic and in response to the financial crisis caused by it, several, both public and private, financial support measures had been implemented.

  Public financial support measures intended to mitigate the impact of the pandemic on households and companies include the following:

  - "Royal Decree-Law 8/2020, of 17 March, on extraordinary urgent measures to address the economic and social impact of COVID-19" (hereinafter, "RDL 8/2020") provides for, inter alia, a moratorium (public or legal moratorium) of the repayment of instalments of mortgage loans granted for the purchase of primary residence and properties used for economic activities by entrepreneurs and professionals for financially vulnerable persons affected by the COVID-19 pandemic, and the approval of State-guarantee lines to support the granting of finance to companies and self-employed workers subject to certain requirements being met.

- "Royal Decree-Law 11/2020, of 31 March, approving urgent supplementary social and economic measures to address the COVID-19 pandemic" (hereinafter, "RDL 11/2020"), supplemented the first set of measures and extended the moratorium mechanism to the repayment of instalments of other kinds of loans, such as consumer loans.

  When the established requirements are met, the public moratoriums of RDL 8/2020 and RDL 11/2020 grant a 3-months grace period, during which the repayment of instalments and of any line item thereof is suspended and the accrual of interest is temporarily discontinued.

  For its part, the purpose of the State-guarantee lines, implemented through the Ministry of Economic Affairs and Digital Transformation and administered by ICO is that, subject to certain requirements, new loans or renewed loans are partially guaranteed (a percentage ranging from 60% to 80%) by the State during a maximum term of five years.

- Additionally, "Royal Decree-Law 25/2020, of 3 July, on urgent measures to support the reactivation of employment and the economy" established, subject to certain conditions being met, a 12-months moratorium for borrowers in financing operations relating to assets used in the tourist industry facing financial difficulties as a result of the COVID-19 pandemic.

- Lastly, "Royal Decree-Law 26/2020, of 7 July, on measures of economic stimulus to address the impact of the COVID-19 pandemic in the areas of transports and housing" introduced a 6-months deferment for the repayment of loans, leasing and renting instalments used by certain eligible road transport self-employed workers and companies for the acquisition of vehicles.

- As a complementary measure, dated 16 April 2020 the banking association CECA approved the decision to reach a sector understanding (industry or private moratorium) aiming at creating a common framework defining the general criteria for the deferment of repayments by certain borrowers – ineligible for the public moratorium or for eligible borrowers for whom the public moratorium is not sufficient – affected by the health and economic crisis, allowing for a deferment of repayments during a specified period. As a member of CECA, ABANCA was one of the institutions having joined the above-mentioned industry moratorium.

  The transactions modified pursuant to this understanding allow borrowers to suspend the repayment of principal during the relevant effective period –12 months for loans or credits secured by mortgages and 6 months for personal loans– while continuing to pay the interest accrued on the outstanding principal during the suspension period.

  Dated 22 June 2020, CECA extended the term of this industry understanding to 29 September 2020.

- Subsequently, dated 15 December 2020 the duration of this industry understanding was extended to 30 March 2021 in accordance with the new forecasts contained in EBA/GL/2020/15 Guidelines published on 2 December 2020. This extension provides that moratoriums requested prior to 30 September 2020 and granted on or after that date will have the following time limits:

  - Moratoriums on mortgage loans or credits will be limited to a maximum of nine months, as requested by the client qualifying for the Industry Understanding within the specific general tranches defined by each institution.

  - Moratoriums on personal loans or credits will be limited to a maximum of six months, as requested by the client qualifying for the Industry Understanding within the specific general tranches defined by each institution.

Additionally, ABANCA has implemented several measures within the framework of its plan to address the COVID-19 pandemic, a plan based in offering financial support to customers, promoting remote operations, the protection of individuals and social initiatives and in offering a safe working environment for employees and enhancing the institution's financial profile:

- On 14 March, ABANCA rolled out its "Anticipar" Plan primarily addressed to companies, SMEs, self-employed workers, enterprises and small businesses, for which the Bank mobilised €7,900 million in liquidity facilities, and to the segment of older customers, anticipating pension payments to the 24th day of each month.

  Also in March, ABANCA concluded the first financing with State guarantee (ICO guarantee) operations with companies and self-employed workers. To this end, the Bank adapted its internal procedures in order to streamline the processing of those operations without thereby neglecting the maximum credit-risk quality.

- On 24 March, ABANCA approved the cancellation of three-month rent payments for families affected by the COVID-19 pandemic and living in housing units owned by the institution and included in the Social Housing Fund.

- Since April, ABANCA, in collaboration with the State Public Employment Service, has been anticipating the payment of unemployment benefits to its customers. Additionally, the Bank has also been anticipating the payment of benefits to workers under ERTEs, a measure which, in Galicia, Extremadura and Asturias, has been implemented through specific agreements with the regional governments.

- On 18 April, ABANCA extended the number of cases and measures of financial support, thereby allowing a larger number of persons to defer, at no cost, the repayment of the principal in their financial products.

- In the field of health care, since the outbreak of the COVID-19 crisis the Bank has donated 514 sets of medical equipment to SERGAS (Servizo Galego de Saúde), over 150 of which were ICUs. The Bank has also provided 80,000 meals for vulnerable school children under the "Cubertos" program and a further 16,500 meals under the "Cubertos Nadal" program. In cooperation with Afundación, the Bank has made 76,000 face masks and face shields available to various groups (rest homes, municipalities, law enforcement agencies, prison inmates and hospitals).

- Dated 3 April, ABANCA Corporación Bancaria, S.A. purchased a block of securities equivalent to 39.8% of Nueva Pescanova, S.A. share capital. Following this purchase, ABANCA became the owner of 80.46% of shares in the fishing company. Subsequently, on 15 December 2020, ABANCA purchased an additional 7.94% of share capital, and increased its ownership interest in Nueva Pescanova, S.L. to 88.41% of share capital. This transaction was concluded with the purpose of restoring the value of the company through a restructuring plan and to find, within a reasonable time, an industrial partner willing to acquire a stake; accordingly, the Directors of the Group have prepared a plan for the effective disposal of this company.

- In the context of the integration of Banco Caixa Geral, on 21 April ABANCA reached an agreement with CCOO, UGT and SIB-fine unions for the implementation of alternatives to collective redundancy, such as geographic mobility, early retirements and voluntary redundancies.

- Following the preliminary agreement dated 31 July, on 29 September ABANCA and Crédit Agricole Group executed the agreement for the purchase of the shares held by the latter in Bankoa, S.A.

Following the issue of the ECB and CNMV final approvals, in 2021 ABANCA will integrate Bankoa in its Group, thereby strengthening its presence in the Cantabrian Coast, a region recognised as a priority in ABANCA's Strategic Plan. The acquired business comprises 30 branches and 3 corporate branches located, mainly, in Euskadi, but also in Navarre, La Rioja and Madrid, serving over 40.000 individual and corporate customers. At the end of December 2020, Bankoa's lending portfolio amounted to €1,780 million, while its customer deposits amounted to €1,579 million and off-balance sheet items amounted to €1,067 million, which would take ABANCA's business volume above €95,000 million.

As part of this transaction, ABANCA and Crédit Agricole reached an international commercial partnership agreement whereby each entity will become the preferred reference partner of the other party in those countries where only one party operates; this agreement will also benefit Bankoa customers.

- Changes in ABANCA Corporación Bancaria, S.A. credit ratings, resulting from the economic and financial impact of the coronavirus crisis, in 2020 were as follows:

    - On 12 February, Standard & Poor's Global Ratings affirmed ABANCA long-term issuer rating at BB+ and changed the outlook to Stable. Additionally, short-term issuer rating was affirmed at B.

      On 29 April 2020, this rating agency affirmed ABANCA long-term issuer rating at BB+ and changed the outlook to Negative. The short-term issuer rating was affirmed at B.

      As a result of that decision, on 7 May, S&P affirmed at AA+ the rating of ABANCA mortgage covered bonds and changed their outlook to Negative.

      Additionally, following the announcement of Bankoa acquisition, on 4 August 2020 S&P affirmed ABANCA's long- and short-term issuer ratings at BB+ and B, respectively, keeping the negative outlook.

    - On 10 March, Fitch Ratings affirmed ABANCA long-term issuer rating at BBB- with Stable outlook. Additionally, as result of changes in the rating agency's methodology, the rating for AT1 instruments was upgraded to B+ while the long-term rating for Tier 2 subordinated debt was downgraded to BB.

      On 27 March, that rating agency put ABANCA ratings on Rating Watch Negative.

      On 23 September 2020, Fitch Ratings affirmed ABANCA ratings, withdrew the Rating Watch Negative, and assigned a negative outlook.

    - On 23 April 2020, Moody's Investors Service affirmed ABANCA Long-term Bank Deposits rating at Ba1 with a Stable outlook. ABANCA other ratings have also been affirmed.

    - On 8 July 2020, DBRS Ratings GmbH (DBRS Morningstar) affirmed ABANCA long-term issuer rating at BBB, and ABANCA short-term issuer rating at R-2 (high). The outlook was changed to negative.

- On 19 November 2020, ABANCA Seguros Generales was authorised to carry out its activities as insurance company. This company, where both ABANCA and Crédit Agricole Assurances hold a 50% ownership interest, will operate in the Spanish and Portuguese general insurance markets.

- In the area of ESG (Environmental, Social and Governance), following ABANCA's adherence in 2019 to the Principles for Responsible Banking and to the Collective Commitment to Climate Action:
    - On 20 May 2020, ABANCA was the first Spanish bank to adhere to the United Nations Principles for Responsible Investment. The Group will apply environmental, social and governance criteria in its investment activities in the segments of investment services and products and insurance.
    - On 7 June, ABANCA has become the first Spanish financial institution to adhere to the Sustainable Ocean Principles, an initiative of the United Nations Global Compact network defining a common framework of best commercial practices for all industries and regions that emphasises the responsibility of businesses.
    - On 23 September, coinciding with the first anniversary of the signing of the Collective Commitment to Climate Action, ABANCA published on its corporate website its first Climate Action Report presenting the annual progress of measures implemented in this area.

4. Activities of associates included in ABANCA Group on 31 December 2020

4.1. Strategy

2020 has been ABANCA's third year under the 2018-2020 Strategic Plan that defined the bank's Vision and its materialisation into the priorities for the three-year period. To achieve this goal, the Entity defined three basic strategic axes:

- To increase recurrent return on capital by fostering the insurance business as a first level strategic priority, by paying special attention to consumer finance and payment means after the integration of ASF, and by becoming the reference bank for business and SMEs, in a clear "turn to micro" within the corporate business. All the foregoing will be achieved while optimising use of capital, expanding the business to markets more profitable than Spain and maximising the management of problematic risk.
- Improving customer experience, promoting a multi-channel relationship with similar service levels irrespective of the channel used by the customer in its relations with the Entity, with high quality standards allowing to strengthen the offer of value-added products and the engagement levels supported by the competitive advantage represented by the Bank's Mobile Banking business.
- Transformation of the organisation, promoting a leaner, more agile and cooperative structure to support an innovative culture, and further advance in the digitalisation process with an impact on efficiency levels and on customer service levels.

The plan targets were clearly exceeded, with the three-year profits exceeding the initial target despite the increasingly negative evolution of the yield curve, and a volume of managed business increasing by almost €27,000 million during the period and exceeding by €15,000 million the initial growth targets to reach a business volume over €95,000 million following the recent inorganic growth operations.

Despite the difficulties caused by the COVID-19 pandemic during the last year of the plan, the Bank has continued to achieve the targets defined in the Plan, with the following noteworthy milestones:

- Growth with profitability and improved recurrence: Excluding the major provisions associated with the COVID-19 pandemic, the results generated exceed the target defined at the beginning of the year. The target for net interest income has also been exceed, as well as the basic margin target following the inclusion of fee and commission income and the contribution from the insurance business.

- Commercial dynamism, focused on micro: Financing to SMEs and self-employed workers remained a pillar for credit growth, with a 30 basis points increase in the corporate segment. In 2020, the weight of >€1 million financing transactions stood at -188 b.p. compared to the system, consolidating the turn to micro (ABANCA 49.7% vs system's 51.5%).

- Growth in Insurance and value-added products: The contribution from insurance activity to the profit for the year has exceeded the target, after a 15 b.p. increase in portion of premiums issued through the bancassurance channel. In value-added products, the bank increased its market share in investment funds (+16 b.p.), personal pension plans (+8 b.p.) and life savings insurance (+4 b.p.).

- Risk quality: NPL ratio has been reduced to 2.0%, below the plan's target; ABANCA is the Spanish institution with the smaller NPL ratio (in line with the European average), and with the industry's higher coverage, 72.1%, of non-performing assets (NPLs and foreclosed).

- Solvency and liquidity: ABANCA has closed 2020 with a ca. 18% total capital ratio (including its recent AT1 issuance) and with a total capital surplus of €1,699 million. The financing structure is clearly based on retail deposits, which have grown by 11.3% during the year and have led to LTD being clearly below 100%.

4.2. Business and results

At the end of December 2020, ABANCA Group balance sheet stands at €67,417 million. The Group's non-performing loans ratio (2.0%) continues to improve while coverage of non-performing loans and non-performing assets have increased to 81.2% and 72.1%, respectively.

a) Results

ABANCA Group has posted an attributable profit of €160.1 million, after making additional provisions amounting to €273.4 million for the purposes of facing 2021 from a solid financial position.

At the end of 2020, the more recurring income items from the statement of profit or loss of ABANCA have continued to perform well. Net interest income has increased by 11.9% driven by the dynamism and good price management in the retail business (contributing €35 million to this item total year on year growth) and by the optimisation of the Bank's funding position through the TLTRO III program. Additionally, net fees and commissions have also increased by 14.0% driven by the good performance from value-added services to customers. The recently acquired businesses (DB PCB Portugal and BCG) have also significantly contributed to the positive performance of these items. These two items (financial margin and net fees and commissions) have pushed the basic margin up to €877.1 million, a 12.4% increase compared to the same period a year ago.

Similarly, net trading income has amounted to €237.5 million, while exchange gains totalled €9.8 million and dividend income was €5.0 million.

On 31 December 2020, ABANCA's gross margin improved by 21.2% compared to the same period a year ago, up to €1,104.0 million.

At the end of December 2020, operating expenses amounted to €696.3 million, a 3.9% increase compared to the same period a year ago. These changes reflect the changes in the expense base resulting from the integration in 2019 of DB PCB Portugal and BCG businesses, and, consequently, their impact on the statement of profit or loss for that year was not complete. Excluding that effect, operating expenses would have decreased by 1.9% compared to the same period a year ago, driven down by the cost streamlining measures implemented recently and to the synergies arising from the integration processes.

This increase in the cost base, resulting from the above-mentioned business combinations, is offset by a larger increase in recurring revenue that has contributed ultimately to place the cost to income ratio at 63.1%.

Excluding operating expenses from the Institution's gross margin, ABANCA margin before provisions stands at €407.6 million. On a recurring basis, this item has registered a 43.4% increase (i.e., excluding the effect of net trading income) compared to the same period last year.

Lastly, the entity has increased in €273.4 million its provisions for credit in order to address the foreseeable deterioration of the economy arising from the current situation, thereby taking ABANCA's cost of risk to 0.70%. These provisions include €95.6 million to cover the potential effect arising from the macroeconomic deterioration of the banking book based on the Institution's expected credit loss models.

b) Business

At the end of the fourth quarter, ABANCA's business volume was €91,480 million, a 7.5% increase compared to December 2019. The entity has achieved this growth thanks to a balanced performance from the performing loans portfolio and total customer funds. Including Bankoa integration, at the end of December 2020 ABANCA turnover would exceed €95,000 million, a 12.7% increase compared to the preceding year.

At the end of December 2020, the performing loans portfolio amounted to €38,351.7 million, with a 6.6% increase on the same period last year.

The fixed-income portfolio stands at €13,387.0 million, up by 21.1% compared to December 2019, in consistency with the Group policy of optimising the weight of this item in the balance sheet in accordance with the existing economic policies. During these twelve months of 2020, ABANCA has increased its fixed-income positions as a consequence of the funding opportunities provided by the ECB through the TLTRO III program.

At the end of the reporting period, total customer funds stood at €52,380.1 million, a 8.5% year-on-year increase. With regards to the composition of this balance, demand deposits represent 63% of total customer funds, term deposits represent 18% and off-balance sheet funds represent another 19%.

The insurance business has continued to show the dynamism of past annual periods, as testified by €299.0 million premiums from general insurance policies underwritten during the reporting period, a 14.4% increase compared to same period a year ago. Particularly noteworthy is the performance of corporate and health (a 17% increase) and life risk and home insurance premiums (16% increase).

Lastly, off-balance sheet funds have been impacted by the volatility registered in debt markets following the outbreak of the COVID-19 pandemic. However, ABANCA has achieved an 8.3% market share of net subscriptions in Spain during the fourth quarter. This good performance has contributed to the increase of off-balance sheet funds to €9,839.1 million.

c) Risk quality, solvency and liquidity

At the end of December 2020, ABANCA group non-performing loans have decreased by €231.3 million, down by 22.4% compared to the same period in the preceding year, allowing the ABANCA Group to bring its NPL ratio down to 2.0%. The sale of a portfolio of non-performing amounts for an approximate consideration of €250 million completed by ABANCA during the year has contributed to this reduction.

Impairment coverages stand at €650.2 million —thanks to the ordinary provisions established by the Institution and to the strengthening its loans reserve to meet the eventual economic deterioration resulting from the impact of the current situation—, leaving the non-performing loans coverage at 81.2%.

Foreclosed assets have fallen by €81.1 million compared with December 2019, and currently only represent 0.4% of the Group's balance sheet, while the coverage ratio stands at 61.8%. The foregoing figures, together with the figures for non-performing loans, resulted in total coverage of non-performing assets rising to 72.1%.

ABANCA Group's solvency level continues to be broadly above the requirements of the regulator, as testified by its 16.7% Total Capital ratio and 13.7% CET1 ratio. Taking into account the issuance of AT1 instruments completed by the Group early in January 2021, the Institution's Total Capital ratio would stand at 17.9%.

With liquid assets plus issuance capacity of €18,750 million, the Group easily meets ECB requirements in terms of both short-term Liquidity Coverage (LCR) and long-term Net Stable Financing Ratio (NSFR).

d) Other information

At the end of 2020 ABANCA Group has an operational network of 652 branches in Spain, of which 477 are located in Galicia and 175 elsewhere in Spain.

At the end of December, ABANCA Group has 44 branches (and another 26 points of sale) in Portugal.

ABANCA presence is completed with a further two branches, in Switzerland and Miami, and with representative offices in Brazil, Mexico, Panama, Venezuela, Switzerland, Germany, Great Britain and France.

At the end of December 2020, the number of ATMs exceeds one thousand two hundred; the number of POS terminals in stores exceeds 44 thousand, and the number of credit and debit cards is well above 2.5 million.

On 31 December 2020, the Group has 5,885 employees.

4.3. Non-financial and diversity-related information

Dated 28 December 2018, Law 11/2018 amending the Commerce Code; the recast text of the Corporations Law, as approved by Royal Legislative Decree 1/2010, of 2 July; and, Law 22/2015, of 20 July, on Auditing, as regards non-financial information and diversity, was approved to transpose the European regulations contained in Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 as regards disclosure of non-financial and diversity information by certain large undertakings and groups.

ABANCA Corporación Bancaria, S.A presents the mandatory non-financial information in a separate report entitled "ABANCA Corporate and Social Responsibility Report 2020".

4.4. Transactions involving the portfolio of investees

Among the sales completed in 2020, the following are particularly noteworthy: sale of the 30.09% ownership interest in Ozona Consulting, S.L.; sale of the 5.45% ownership interest in Azora Europa I, S.A., and the sale of the 9.99% ownership in CASER, S.A.

Dated 3 April, ABANCA Corporación Bancaria, S.A. purchased a block of securities equivalent to 39.8% of Nueva Pescanova, S.A. share capital. Following this purchase, ABANCA became the owner of 80.46% of shares in the fishing company. Subsequently, on 15 December 2020, ABANCA purchased an additional 7.94% of share capital, and increased its ownership interest in Nueva Pescanova, S.L. to 88.41% of share capital.

Dated 28 July, as a result of a debt capitalisation process ABANCA Corporación Bancaria, S.A. has become the main shareholder in Real Club Deportivo de La Coruña, S.A.D., holding 76.90% of share capital. Additionally, a capital increase was completed in the second half-year of 2020 with the entry of new shareholders. Following this capital increase, ABANCA increased its ownership interest to 76.66%.

During the last quarter of 2020, the ABANCA did not subscribe the capital increase in SODIGA GALICIA, SCR, S.A. and, consequently, its ownership interest in that company was diluted down to 18.87%.

5. Exposure to market, credit, liquidity, interest rate, currency and operational risk

For each of the risk types attaching to in its financial activities, ABANCA has defined general policies and limits, set out in its internal management manuals, together with a framework of powers and delegation thereof, in order to facilitate decision-making. The limits for each area of risk are defined so as to reduce capital consumption, in accordance with the retail profile of the entity.

At the end of December 2020, the most relevant aspects relating to the policies and limits for each type of risk exposure are as follows:

- **Market Risk:** Management thereof is based, on the one hand, in the segregation of functions between the risk-taking areas and those in charge of risk measurement and control, and on the other hand, in establishing limits to permitted activities and risks to be assumed in terms of positions, potential losses and results (using the VaR method). At the same time, analyses are conducted to test sensitivity to variations in market prices, as well as scenario analysis, or stress-testing. On 31 December 2020, the value at risk of the trading portfolio stood at €308 thousand.

- **Credit Risk:** Credit risk control relies on the following pillars: i) objectivity, independence and an overview in decision-making; ii) a global system to limit concentration by customers, and exposure by segments, sectors, guarantees, countries, etc.; iii) a decentralised loan approval system that combines an individual expert analysis with the use of appropriately validated statistical systems and models that are supervised in accordance with the policies of the Bank; iv) involvement of the governing bodies and senior management in decision-making; v) ongoing monitoring of the quality of the investment by the entire structure of the entity. On 31 December 2020, ABANCA Group had non-performing loans totalling €801 million, for which provisions of €650 million have been registered.

- **Liquidity risk:** Management thereof is based on the existence of an annual liquidity plan designed on the basis of the analysis of scenarios and maturities, that takes into account not only normal market situations but also other contingencies that may occur and that are transferred to the contingency plan. Liquidity risk control focuses on checking the availability of liquid assets sufficient to cope with potential liquidity stress situations and daily monitoring of the liquidity position through indicators, alerts and stress analysis. Liquid assets amounted to €13,462 million at the end of December 2020, a volume that allows x 4.2 cover of the total net issues of treasury stock.

- **Interest rate risk:** For its control, models are used to establish limits and determine the sensitivity of the financial margin and the economic value of the entity to variations in the interest rate. At the end of December 2020, a 200 b.p. rise in interest rates would have a positive effect of €1,280 million on the economic value and a positive impact of +€133 million on net finance income.

- **Currency risk:** Currency risk is managed by setting limits to global exchange positions in the currencies of greater relevance in international operations; at the end of December 2020, the equivalent value in euros of the global position of ABANCA was 0.03% of own funds, well below the maximum threshold of 2%.

- Operational Risk: Management practices are geared towards identifying, assessing and mitigating the operational risk attaching to all relevant products, activities, processes and systems in order to afford the Bank greater control over the risks to which it is exposed, backed by the management tasks carried out by the business and support units and by the independent corporate function performed by the Operational Risk unit.

6. Research, development and innovation activities

In 2020, ABANCA has continued some of the strategic actions focused on the digital transformation of ABANCA, and has launched some new actions.

The most relevant lines of work include:

- Technological Renovation: implementation of 2018-2020 Plan has continued with the objective of systems optimisation (Core Software, Applications and Infrastructure) in order to ensure adaption to the latest technological developments, integration of leading international solutions renowned for their user-friendliness and security, and implementation of best practices in Banking functions.

- RPA Automation: In 2020, the Entity has continued automating processes. The automation of processes has led to a significant increase in productivity in different areas of the Bank, both in business and back-office, as well as to a reduction of operational risk, the improvement of response times to customers in some tasks and to a substantial reduction of the administrative workload.

- The Institution has adapted and strengthened its technological infrastructure in order to support 6,000 simultaneous remote connections resulting from the implementation of tele-working.

- Firma ABANCA: new products have been added in order to facilitate remote contracting using this innovative service allowing customers to contract products on a remote basis, facilitating the execution of agreements.

- Google collaboration platform has been deployed, and all personnel has migrated to the new system.

7. Activities and outlook for 2021

In 2021 global economy will begin to gradually recover in line with the much-expected control of the pandemic. This way, according to the International Monetary Fund forecasts global GDP could grow by 5.5% in the year. For the Eurozone, forecasts point to a 4.2% GDP growth.

In Spain, the economy will continue to be significantly impacted during the first half of 2021 and the recovery will gradually start in June driven by the progress in the vaccination process. GDP is forecast to grow by ca. 6% in 2021.

The risks for global GDP growth lie in an eventual resurgence of the pandemic, with new waves of contagions or delays in the vaccination process that may lead to the establishment of further containment measures that would hinder the recovery.

In this context, in which the business is likely to be conducted in 2021, ABANCA will implement its 2021-2024 four-year Strategic Plan based on four main strategic lines:

- To increase the generation of recurring income: boosting the insurance business with the deployment of ABANCA Seguros Generales (a joint venture with Crédit Agricole Assurances), and becoming a reference in customer savings advisory services while keeping the focus on consumer finance and payment instruments.

- Cost efficiency: optimising the omni-channel distribution model in a context of increasing customer digitisation, increasing the efficiency of support structures and capturing the value from the synergies arising from inorganic growth.

- Exponential organisational transformation: promoting digitisation of processes and reskilling, with a special focus on sustainability.

- Management of risks associated with the current context, with a selective risk appetite framework (less capital-intensive sectors) and strengthening recovery process by developing a greater anticipation.

8. Events after the reporting date

- Dated 7 January 2021, ABANCA reopened the debt market by laying down the economic conditions for an issuance of €375 million in perpetual bonds. This issuance was paid up and closed on 20 January 2021.

  These bonds are perpetual, subject to ABANCA's option to redeem them under certain circumstances. The issuance was exclusively addressed to professional customers and eligible counterparties.

  The securities issued are eligible as Additional Tier 1 (AT1) capital instruments, in accordance with the provisions of Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions and in accordance with the criteria of Regulation (EU) No. 573/2013 of the European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms.

- On 28 January 2021, following the grant of the required regulatory approvals, ABANCA Group formalised the acquisition of Bankoa.

- On 10 February 2021, S&P Global ratings upgraded ABANCA outlook to stable and affirmed ABANCA long-term issuer rating at BB+. The short-term issuer rating was also affirmed at B.

- On 23 February 2021, ABANCA subscribed the voluntary capital increase announced by Nueva Pescanova, following which ABANCA holds 97.48% of shares in the fishing company. This capital increase was executed through the issue of 570,404,756 shares of €0.47 each in consideration for non-cash contributions of receivables. ABANCA Corporación Bancaria subscribed 569,454,334 new shares of a total nominal value of €267,643,536.98.

- Dated 26 February 2021, the Bank issued a Relevant Event in the CNMV on the minimum requirement for shareholders' equity and eligible liabilities ("MREL") to be met, on a consolidated basis, by ABANCA Corporación Bancaria, S.A.; this minimum requirement had been determined by the Single Resolution Board (SRB).

  This determination established an interim binding MREL requirement of 14.77% of total risk exposure amount ("TREA") and 5.25% of leverage ratio exposure ("LRE"), to be met by 1 January 2022. The final MREL requirement, to be met by the institution no later than 1 January 2024, has been set at 17.93% of TREA and 5.25% of LRE.

  The MREL decision is aligned with ABANCA forecasts and with the financing plan included in ABANCA's strategic plan.

  At the end of 2020, the Institution's structure of eligible own funds and liabilities represented 15.48% of TREA (based on pro-forma figures including the January 2021 AT1 issuance and excluding the capital allocated to cover the Combined Buffer Requirement of 2.5% of TREA); consequently, the Institution already meets the requirements defined for 1 January 2022.

KPMG Asesores, S.L.
Pº de la Castellana, 259 C
28046 Madrid

Independent Limited Assurance Report on the Annual Corporate Governance Report of Abanca Corporación Bancaria, S.A. for 2020

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of Abanca Corporación Bancaria, S.A.

We have performed an independent limited assurance review of the Annual Corporate Governance Report of Abanca Corporación Bancaria, S.A. (hereinafter the "Company" or "Abanca") for the year ended 31 December 2020 (hereinafter the "ACGR"), for the purpose of delivering a report which indicates that, based on the work performed and the evidence obtained, nothing has come to our attention that causes us to believe that the ACGR has not been prepared, in all material respects, in accordance with article 540 of the Revised Spanish Companies Act, Ministry of Economy and Competitiveness Order ECC/461/2013 of 20 March 2013, Spanish National Securities Market Commission (CNMV) Circular 5/2013 of 12 June 2013, subsequently amended by CNMV Circulars 7/2015 of 22 December 2015, 2/2018 of 12 June 2018 and 1/2020 of 6 October 2020, and with the ACGR recommendations laid down in the CNMV's Good Governance Code of Listed Companies, which Abanca has voluntarily adopted and for which it voluntarily reports the extent to which they have been applied.

Directors' responsibility

The Directors of the Company are responsible for the preparation, content and presentation of the accompanying ACGR, in accordance with article 540 of the Revised Spanish Companies Act, Ministry of Economy and Competitiveness Order ECC/461/2013 of 20 March 2013, CNMV Circular 5/2013 of 12 June 2013, subsequently amended by CNMV Circulars 7/2015 of 22 December 2015, 2/2018 of 12 June 2018 and 1/2020 of 6 October 2020, and with the ACGR recommendations laid down in the CNMV's Good Governance Code of Listed Companies, which Abanca has voluntarily adopted and for which it voluntarily reports the extent to which they have been applied.

This responsibility encompasses the design, implementation and maintenance of the internal control deemed necessary to ensure that the ACGR is free from material misstatement, whether due to fraud or error.

The Directors of the Company are also responsible for defining, implementing, adapting and maintaining the management systems used to obtain the information required to prepare the ACGR.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Our responsibility

Our responsibility consists of examining the information contained in the ACGR prepared by Abanca and reporting thereon in the form of an independent limited assurance conclusion based on the evidence obtained.

We conducted our review engagement in accordance with the requirements of the Revised International Standard on Assurance Engagements 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000 Revised), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). This standard requires that we plan and execute our procedures to obtain limited assurance on whether the content of the ACGR has been prepared, in all material respects, in accordance with article 540 of the Revised Spanish Companies Act, Ministry of Economy and Competitiveness Order ECC/461/2013 of 20 March 2013, CNMV Circular 5/2013 of 12 June 2013, subsequently amended by CNMV Circulars 7/2015 of 22 December 2015, 2/2018 of 12 June 2018 and 1/2020 of 6 October 2020, and with the ACGR recommendations laid down in the CNMV's Good Governance Code of Listed Companies.

Our firm applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

The procedures selected depend on our knowledge of the different types of information included in the ACGR and on other circumstances of the engagement, as well as our appreciation of the areas in which material misstatements are likely to occur.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our work consisted of making inquiries of management and of the different units and areas that participated in the preparation of the ACGR, reviewing the processes for compiling and validating the information presented, and applying certain analytical and other procedures aimed at compiling evidence, which are described below:

– Meetings with personnel of Abanca to gain an understanding of the governance model, the policies and the principal risks related to these matters, and to obtain the information necessary for the external review.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

– Analysis of the scope, relevance and completeness of the content of the ACGR for 2020, considering the content required by prevailing mercantile legislation and by the ACGR recommendations laid down in the CNMV's Good Governance Code of Listed Companies, which Abanca has voluntarily adopted and for which it voluntarily reports the extent to which they have been applied.

– Analysis of the processes for compiling and validating the information presented in the ACGR for 2020.

– Corroboration, through sample testing, of the information relative to the content of the ACGR for 2020 and whether it has been adequately compiled based on data provided by the information sources.

With respect to the ACGR recommendations laid down in the CNMV's Good Governance Code of Listed Companies, the Directors of the Company indicate voluntarily the extent to which these have been applied, and provide such explanations as they deem appropriate for those which have not been applied. In this regard, we have verified that such explanations do not contradict the evidence obtained by applying the procedures described above.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

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

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the accompanying Annual Corporate Governance Report of Abanca Corporación Bancaria, S.A. for the year ended 31 December 2020 has not been prepared, in all material respects, in accordance with article 540 of the Revised Spanish Companies Act, Ministry of Economy and Competitiveness Order ECC/461/2013 of 20 March 2013, CNMV Circular 5/2013 of 12 June 2013, subsequently amended by CNMV Circulars 7/2015 of 22 December 2015, 2/2018 of 12 June 2018 and 1/2020 of 6 October 2020, and with the ACGR recommendations laid down in the CNMV's Good Governance Code of Listed Companies, which Abanca has voluntarily adopted and for which it voluntarily reports the extent to which they have been applied.

Other matters

Under no circumstances may this report be considered an auditor's report in the terms provided in legislation regulating the audit of accounts in Spain.

KPMG Asesores, S.L.

(*Signed on original in Spanish*)

Patricia Reverter Guillot

26 March 2021

ANNUAL CORPORATE GOVERNANCE REPORT

ISSUER IDENTIFICATION DATA

REFERENCE FINANCIAL YEAR END DATE 2020

Tax Identification No.
A70302039

Corporate Name:
ABANCA CORPORACIÓN BANCARIA, S.A.

Registered Office:
CANTÓN CLAUDINO PITA, 2
BETANZOS
A CORUÑA
15300
SPAIN

ANNUAL REPORT ON CORPORATE GOVERNANCE ISSUED BY OTHER ENTITIES – OTHER THAN SAVINGS BANKS OR STATE-OWNED OR PUBLIC ENTITIES– THAT ISSUE SECURITIES TRADED ON OFFICIAL MARKETS

A OWNERSHIP STRUCTURE

A.1. List the most significant shareholders or unitholders of your entity at year-end:

Name or corporate name of shareholder or unitholder	% Of share capital
Juan Carlos Escotet Rodríguez	84.75%
ABANCA Corporación Bancaria, S.A.	0.53%

A.2. State, as applicable, any family, commercial, contractual or corporate relations between significant shareholders or unitholders, to the extent that they are known by the entity, unless they are non-material or arise from ordinary business or trade:

No data available.

A.3. State, as applicable, any commercial, contractual or corporate relationships between the significant shareholders or unitholders and the entity, unless they are non-material or arise from ordinary business or trade:

No data available.

A.4 State whether there are any restrictions (statutory, legislative or otherwise) to the transferability of shares and/or any restriction on voting rights. In particular, state the existence of any type of restriction that may frustrate the takeover of the company through the acquisition of its shares in the market, as well as any mandatory prior authorisation or communication of the acquisition or transfer of the company's financial instruments applicable to the entity under sector regulations:

YES [X] NO [ ]

Description of the restrictions

In accordance with the provisions of article 25.6 of the Bank's Bylaws, any Company shareholder shall be subject to a conflict of interests and may not exercise the voting rights attaching to his/her shares when the purpose of the resolution submitted to the approval of shareholders is to: a) release that shareholder from an obligation or grant that shareholder a right; b) provide that shareholder with any kind of financial assistance, including the provision of guarantees for the benefit of that shareholder; or c) release that shareholder from any the obligations derived from the duty of loyalty required from directors under the existing legislation. Furthermore, pursuant to the Law on the organization, supervision and solvency of credit institutions (LOSSEC), significant acquisitions of shares are subject to notification, and, where appropriate, non-opposition from the European Central Bank.

B GENERAL MEETING OF SHAREHOLDERS OR EQUIVALENT BODY

B.1. State the quorum requirements for the general meeting or equivalent body set out in the by-laws. Describe how it differs from the minimum quorum requirements set out in the Corporations Law ("LSC") or in other applicable regulations.

It does not differ from the minimum quorum requirements set out in LSC. In accordance with the provisions of the Bank's By-Laws, General Meetings, whether annual or special, shall be validly convened on first or second call when attended, either in person or by proxy, by shareholders owners of the legally required percentage of voting equity.

The quorum requirement shall be separately determined for each resolution submitted to the approval of shareholders and the agenda will be reduced, where appropriate, to any items for which the relevant quorum requirement is met.

Notwithstanding the foregoing, General Meetings shall be validly convened as Universal Meeting when attended, either in person or by proxy, by all share capital, provided the attendees unanimously accept the holding of the Meeting and the agenda.

B.2. Explain the system for the approval of corporate resolutions. Describe how it differs from the system set out in LSC or in other applicable regulations.

Shareholders attending at General Meetings shall be entitled to one vote for each action they own or represent under proxy. The system for the approval of corporate resolutions does not differ from the system set out in LSC, as General Meeting resolutions shall be approved by the vote in favour of the simple majority of the votes of shareholders attending, either in person or by proxy, the Meeting, accordingly, as set out in article 201.1 of the above-mentioned law, resolutions will be deemed approved when the amount of share capital voting in favour exceeds the amount of share capital voting against. The foregoing provision shall be understood subject to any legally required larger majorities.

B.3. Briefly state the resolutions approved by general meetings or equivalent bodies held during the reporting period and the percentage of votes with which those resolutions were approved.

On 29 June 2020, the Annual General Meeting of Shareholders of ABANCA Corporación Bancaria, S.A. approved, with the vote in favour of 90.56765% of share capital attending, either in person or by proxy, the following resolutions:

1 Review and, where appropriate, approval of the annual financial statements (statement of financial position, statement of profit or loss, statement of comprehensive income, statement of total changes in equity, statement of cash flows and notes) of both ABANCA Corporación Bancaria, S.A. and its consolidated Group for the annual period ended 31 December 2019.

2 Approval, where appropriate, of the Statement of Non-Financial Information included in Abanca's Corporate Responsibility Report.

3 Review and, where appropriate, approval of the proposed distribution of profit for the 2019 annual period.

4 Discharge, where appropriate, of directors' management during the 2019 annual period.

5 Appointment or, where appropriate, reappointment of statutory auditors for ABANCA CORPORACIÓN BANCARIA, S.A. and its consolidated Group.

6 Reappointment and ratification of directors.

a) Reappointment of directors.

b) Ratification of directors.

Furthermore, the following resolutions were approved with the vote in favour of 90.46270% of share capital attending, either in person or by proxy:

7 Approval of the maximum ratio between fixed and variable components of total remuneration of executive directors and other employees belonging to categories whose professional activities significantly affect the risk profile.

Lastly, the following resolutions were approved with the vote in favour of 90.56765% of share capital attending, either in person or by proxy:

8 Amendments to ABANCA By-Laws: articles 20 and 25 of ABANCA By-Laws were amended in order to enable shareholders' electronic forum and remote attendance to General Meetings.

9 Resolutions relating to share capital:

a) Capital reduction through cancellation of treasury shares.

b) Capital increase through capitalisation of the share premium account.

10 Authorisation to the Board of Directors, with powers of substitution, to formalise, correct, interpret and implement the resolutions approved by the General Meeting, and specific authorisation to notarise those resolutions.

B.4. State whether any item in the agenda was not approved by shareholders at general meetings or meetings of equivalent bodies held during the reporting period.

All decision-making items in the agenda were approved.

B.5. State the address of, and mode of access to the entity's website containing information on corporate governance.

www.abancacorporacionbancaria.com

The Bank's corporate information is available on the following website: www.abancacorporacionbancaria.com. Specifically, under the sections "Information for shareholders and investors" and "Corporate Governance and remuneration policy".

B.6. State whether meetings of the different syndicates, if any, of holders of securities issued by the entity have been held, the purpose of the meetings held during the reporting period and the main resolutions approved.

There have been no meetings of syndicates of holders of securities issued by the entity.

C STRUCTURE OF THE ENTITY'S MANAGEMENT

C.1. Board of Directors or administrative organ

C.1.1. State the maximum and minimum number of directors or members of the administrative organ as set out in By-Laws:

Maximum number of directors/members of the administrative organ	15
Minimum number of directors/members of the administrative organ	5
Number of directors/members of the administrative organ set by the general meeting or assembly	11

C.1.2. Complete the following table on directors or members of the administrative organ, and their respective status:

DIRECTORS/MEMBERS OF THE ADMINISTRATIVE ORGAN

Name or corporate name of the director / member of the administrative organ	Representative	Last appointment date
JUAN CARLOS ESCOTET RODRÍGUEZ		29-06-2020
FRANCISCO BOTAS RATERA		29-06-2020
PEDRO RAÚL LÓPEZ JÁCOME		29-06-2020

Name or corporate name of the director / member of the administrative organ	Representative	Last appointment date
CARINA SZPILKA LÁZARO		29-06-2020
EDUARDO ERAÑA GUERRA		29[1]-06-2020
JOSÉ RAMÓN RODRIGO ZARZA		29-06-2020
JOSÉ GARCÍA MONTALVO		29-06-2020
LETICIA IGLESIAS HERRAIZ		30-08-2018
ANA DA CUNHA BARROS		30-10-2019
MANUEL VÍCTOR LÓPEZ FIGUEROA		03-03-2020

The Board of Directors, at the meeting held on 28 October 2019, approved, at the proposal of the Appointment Committee, the appointment of Mr. Manuel López Figueroa as co-opted non-executive director of ABANCA Corporación Bancaria, S.A.; the appointment was effective 3 March 2020 following the European Central Bank's authorisation.

The respective status of each member of the Board of Directors of the Bank is presented below:

- Executive director: Mr. Francisco Botas Ratera.
- Proprietary director: Mr. Juan Carlos Escotet Rodríguez.
- Other external director: Mr. Pedro Raúl López Jácome.
- Independent external directors: Ms. Carina Szpilka Lázaro, Mr. José Ramón Rodrigo Zarza, Mr. José García Montalvo, Mr. Eduardo Eraña Guerra, Ms. Leticia Iglesias Herraiz, Ms. Ana da Cunha Barros, and Mr. Manuel Víctor López Figueroa.

During the 2020, all meetings of the Board have been attended by all directors, without any absences. The Board of Directors has held 13 meetings during the reporting period.

C.1.3. Identify, if applicable, the directors or members of administrative organ holding office as administrators, director's representative or directors in other entities belonging to the entity's group:

Name or corporate name of the director / member of the administrative organ	Corporate name of the group entity	Position

[1] The resolution was approved on that date, although in the case of Mr. Eraña the resolution specifically stated that his appointment/reappointment would be effective from 24 October of that year, when his term in office ended.

JUAN CARLOS ESCOTET RODRIGUEZ	SOGEVINUS, SGPS, S.A.	LEGAL REPRESENTATIVE OF THE CHAIRPERSON, ABANCA CORPORACION INDUSTRIAL Y EMPRESARIAL, S.L.
JUAN CARLOS ESCOTET RODRIGUEZ	ABANCA VIDA Y PENSIONES DE SEGUROS Y REASEGUROS, S.A.	CHAIRPERSON
JUAN CARLOS ESCOTET RODRIGUEZ	ABANCA SERVICIOS FINANCIEROS, E.F.C., S.A.	CHAIRPERSON
FRANCISCO BOTAS RATERA	ABANCA VIDA Y PENSIONES DE SEGUROS Y REASEGUROS, S.A.	VICE-CHAIRPERSON
FRANCISCO BOTAS RATERA	ABANCA SERVICIOS FINANCIEROS, E.F.C., S.A.	VICE-CHAIRPERSON

C.1.4. Complete the following table with information on the number of female directors in the Board and its committees, as well as changes therein over the last four years:

	Number of female directors							
	Financial Year 2020		Financial Year 2019		Financial Year 2018		Financial Year 2017	
	Number	%	Number	%	Number	%	Number	%
Board of directors	3	30	3	33.33	2	25	1	14.28
Delegated Credit Committee	0	0	0	0	0	0	0	0
Appointments Committee	0	0	0	0	0	0	0	0
Remuneration Committee	1	33.33	1	33.33	1	33.33	1	33.33
Audit and Compliance Committee	2	40	2	40	2	40	1	25
Comprehensive Risk Committee	2	40	1	25	1	25	0	0

C.1.5. State whether the company has diversity policies on matters such as age, gender, disability or professional training and expertise, applicable to the company's administrative, management and supervisory bodies. Small and medium-sized companies, as defined in the Auditing Law ("LAC"), will have to report, as a minimum, on the policy they have implemented in relation to gender diversity.

YES [X] NO [ ]

If so, please describe this diversity policy, its objectives, the measures applied and way in which they have been applied, and the results thereof

during the reporting period. State also any specific measures approved by the administrative organ and by the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

If the company does not apply a diversity policy, explain the reasons why.

The purpose of the Policy for the Selection and Continuous Evaluation of the Suitability and Qualification Requirements for Directors of ABANCA Corporación Bancaria, S.A. is to establish a set of criteria and guidelines aiming at ensuring that the models and schemes for the appointment, ratification and reappointment of directors of ABANCA Corporación Bancaria, S.A. are consistent with the company's business strategy, objectives, values and long-term interests and with an adequate and effective risk management, avoiding conflicts of interest.

Similarly, it seeks to implement the appropriate procedure and to designate the competent unit to undertake the analysis and continuous evaluation of the maintenance of the suitability requirements by, and appropriate qualification of directors.

Accordingly, the Policy for the Selection and Continuous Evaluation of the Suitability and Qualification Requirements for Directors establishes that the appointment of directors shall be guided by the principle of professionalism in management, pursuant to which all members of the Board of Directors shall be people of recognised commercial and professional repute and with adequate knowledge and experience, and shall be in a position to exercise a good governance of the entity, and shall not be subject to any cause of incompatibility or ineligibility.

Lastly, the Policy states that the general composition of the Board of Directors as a whole must gather sufficient knowledge, skills and experience in the governance of credit institutions to adequately understand the Bank'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 Bank. It must ensure that the selection procedures for its members favour diversity of experience and knowledge, facilitate the selection of female directors and, in general, do not suffer from implicit biases that may imply some discrimination. This policy is fully aligned with the European Central Bank's Guide to Fit and Proper Assessment, and with EBA/GL/2017/12 guidelines on the assessment of the suitability of members of the management body and key function holders.

C.1.6. Complete the following table regarding the aggregate remuneration of directors or members of the administrative organ during the reporting period:

	EUR thousand

Remuneration item	Individual	Group
Fixed remuneration	1,300	0
Variable remuneration	1,288	0
Per diems	2,232	0
Other remuneration	65	0
Total:	4,885	0

C.1.7. List any members of senior management who are not directors or executive members of the administration organ, and state the amount of total remuneration accrued during the reporting period:

Name or company name	Position
JOSÉ EDUARDO ÁLVAREZ-NAVEIRO SÁNCHEZ	D.G. CORPORATE GOVERNANCE AND LEGAL AFFAIRS
LUIS BERAZA DE DIEGO	D.G. BUSINESS SPAIN
MARÍA CAMINO AGRA	D.G. HUMAN CAPITAL
ALFONSO CARUANA CÁMARA	D.G. INTERNATIONAL BUSINESS
MIGUEL ÁNGEL ESCOTET ÁLVAREZ	D.G. CORPORATE SOCIAL RESPONSIBILITY AND COMMUNICATION
ALBERTO DE FRANCISCO GUISASOLA	D.G. FINANCE
JULIÁN JOSÉ SERRAPIO VIGO	AUDITOR GENERAL
PABLO TRIÑANES LAGO	D.G. CORPORATE CONTROL AND RISKS
JOSÉ MANUEL VALIÑO BLANCO	D.G. IT, INFORMATION, PROCESSES AND OPERATIONS
JUAN LUIS VARGAS-ZÚÑIGA MENDOZA	D.G. CAPITAL MARKETS, INSTITUTIONAL MANAGEMENT AND DISTRIBUTION
JOSÉ LUIS VÁZQUEZ FERNÁNDEZ	D.G. CREDIT
PEDRO VEIGA FERNÁNDEZ	D.G. STRATEGIC PLANNING AND PMO

Total senior management remuneration (EUR thousand)	4,769

C.1.8. State whether the term in office of directors or members of the administrative organ is limited under the By-Laws or under the regulations of the board:

YES [X] NO [ ]

Maximum number of years in office	4

C.1.9. State whether the individual and consolidated annual accounts submitted to the board or administrative organ for approval are previously certified:

YES [ ] NO [X]

Identify, where appropriate, the person(s) who certified the entity's individual and consolidated annual accounts submitted for authorisation for issue by the board or administrative organ:

C.1.10. Explain the mechanisms, if any, established by the board or administrative organ to prevent the individual and consolidated annual accounts prepared by it from being submitted to the General Meeting or equivalent body with a qualified opinion in the audit report.

In accordance with article 31.1 of the Regulations of the Board of Directors, the relations of the Board with the external auditors of the Company shall be channelled through the Audit and Compliance Committee. Moreover, article 12 e. of the Regulations of the Audit and Compliance Committee provides that, for the proper performance of its functions, the Audit Committee shall establish, through its Chairperson and notwithstanding the involvement of other Committee members, an effective and regular communication channel with the main auditor responsible for the audit of the annual accounts as defined in LAC (where appropriate, the auditor(s) designated by the relevant audit firm as the individuals primarily responsible for the audit work).

For these purposes, the Bank's Audit and Compliance Committee is responsible for establishing the appropriate relationships with the external auditors in order to receive information on any matter that may compromise their independence and on any other issue relating to the audit conduction process.

Similarly, it is the responsibility of the Audit and Compliance Committee, in relation to the statutory auditor, to liaise between the Board of Directors and the external auditors, to assess the results of each audit and the management team's responses to the external auditor's recommendations and to mediate in any discrepancies between the former and the latter in relation to the principles and criteria applicable in the preparation of the annual accounts.

The Audit and Compliance Committee must oversee the performance of the audit contract, ensuring that the auditor's opinion on the annual accounts and the main contents of the audit report are drawn up in clear and precise terms.

Furthermore, article 31.2 of the Board Regulations establishes that the Board of Directors shall endeavour to authorise the annual accounts for final issue in such a way that there is no room for any qualified opinion by the auditor. However, when the Board believes that it must maintain its criteria, it shall publicly explain the content and scope of the discrepancy.

C.1.11. Does the secretary to the board or administrative organ have the status of director?

YES [ ] NO [X]

If the secretary does not have the status of director, complete the following table:

Name or corporate name of the secretary	Representative
MR. JOSÉ EDUARDO ÁLVAREZ-NAVEIRO SÁNCHEZ	
Ms. MARÍA CONSOLACIÓN BORRÁS RETAMERO (Assistant Secretary)	

C.1.12. State the mechanisms, if any, established to preserve the independence of the external auditor, financial analysts, investment banks and rating agencies, including how the legal provisions have been implemented in practice.

It is the role of the Bank's Audit and Compliance Committee to propose to the Board of Directors the appointment of statutory auditors for submission to the General Meeting. Similarly, it establishes relations with statutory auditors and monitors their independence, and must annually issue, prior to the issuance of the audit report and in accordance with article 5 2.3 of the Regulations of the Audit and Compliance Committee, a report expressing an opinion on the independence of the auditors. This report must rule on the provision of additional services by the auditor.

In this sense, the Committee receives the auditor's annual written statement of independence from the entity or companies directly or indirectly related to the entity, as well as information concerning any additional services provided by the auditor, or by individuals or firms related to the auditors, to those companies.

In addition, as good practice and in application of the CNMV Technical Guide 3/2017 on audit committees at public interest entities, the Committee requests from the statutory auditor an explanation of the internal quality control system that it has in place as to independence and information on internal practices for rotation practices of the audit partners and their staff; and the statutory audit has answered to this request and provided the Committee with the requested information.

The report on the external auditor's independence submitted to the General Meeting is therefore of importance here. In this report, the Audit and Compliance Committee expresses an opinion on different aspects relating to the statutory auditor's independence, and concludes that from the information obtained through the available communication channels the Committee has not identified any aspects that may compromise the statutory auditor's compliance with the statutory auditor's requirements of independence under the auditing regulations in force in Spain, and, in particular, confirms that independence issues have not been identified in connection with the provision of any other additional services.

Similarly, in compliance with the International Framework for the Professional Practice of Internal Auditing (standard 2050), the Director of Internal Audit meets quarterly with the external auditor in order to coordinate assurance activities in the Bank and to minimize duplication of efforts.

In this regard, if the Director of Internal Audit, either through quarterly meetings with the external auditor, or through any other source, were to become aware of the existence of conflicts of interest or independence issues in the performance of services rendered by the external auditor, he/she would inform the Bank's Audit and Compliance Committee.

Furthermore, ABANCA has complied with the limitation established in article 4.2 of EU Regulation, since the fees paid to the auditor for non-audit services have not exceeded 70% of the average of the fees paid in the last three consecutive years by the statutory audit of the Entity.

This practice has been carried out in accordance with recommendation 65, paragraph c), of CNMV Technical Guide 3/2017 on audit committees: "*Introduction of a guideline ceiling on fees receivable by the statutory auditor for non-audit services having regard to Article 4 (2) of the EU Regulation and articles 24 and 41 (2) of the Audit Law*".

With regard to the selection of investment banks, the criteria are restrictive in order to avoid that investment banks may have overlapping interests in more transactions in the same markets and at the same time.

Moreover, ABANCA Corporación Bancaria, S.A. has also engaged the services of four rating agencies, including three of the main international rating agencies, and regularly submits itself to their analyses and uses their recommendations as an effective method for improvement.

C.2. Committees of the Board or administrative organ

C.2.1. List the committees of the board or administrative organ:

Name of the committee	No. of members
MANAGING DIRECTOR	1
DELEGATED CREDIT COMMITTEE	4
AUDIT AND COMPLIANCE COMMITTEE	5
APPOINTMENTS COMMITTEE	3
REMUNERATION COMMITTEE	3
COMPREHENSIVE RISK COMMITTEE	5

C.2.2. List all the committees of the board or administrative organ, its members and the proportion of executive, proprietary, independent and other external directors on them (entities not having the legal form of corporation shall not complete the category of director in the respective table and, in the text section, shall explain the category of each director in accordance with their legal regime and the way in which they meet the composition requirements for the audit committee and the appointments and remuneration committee):

The position of secretary in all the Board Committees stated in this section has been discharged by the non-member board secretary of the Board of Directors.

DELEGATED CREDIT COMMITTEE

Name	Position	Category
FRANCISCO BOTAS RATERA	CHAIRPERSON	EXECUTIVE DIRECTOR
PEDRO RAÚL LÓPEZ JÁCOME	COMMITTEE MEMBER	OTHER EXTERNAL DIRECTOR
JOSÉ RAMÓN RODRIGO ZARZA	COMMITTEE MEMBER	INDEPENDENT DIRECTOR
MANUEL VÍCTOR LÓPEZ FIGUEROA	COMMITTEE MEMBER	INDEPENDENT DIRECTOR

% of executive directors	25%
% of proprietary directors	0%
% of independent directors	50%
% of other external directors	25%
Number of meetings	18

Explain the functions attributed to this committee, and describe the procedures and rules for its organisation and functioning. For each of these functions, summarise the main actions taken during the reporting period and how each function attributed thereto, whether by law, by-laws or other corporate resolutions, has been exercised in the practice.

According to article 11 of the Board Regulations, the Delegated Credit Committee will be composed of a minimum of three (3) directors.

The Delegated Credit Committee will be an executive committee and, therefore, may approve any relevant resolutions within the scope of the powers delegated into it by the Board.

The Delegated Credit Commission shall appoint a chairperson from among its members. It shall also have a secretary and, where appropriate, an assistant secretary, both of whom may be people other than the secretary and assistant secretary to the Board of Directors, respectively.

The delegation of powers into the Delegated Credit Committee and the resolutions appointing its members will require the vote in favour of at least two thirds of directors.

The Delegated Credit Committee shall have the powers expressly specified in the relevant resolution, which shall include, at least, the powers attributed to the Board of Directors in relation to the granting and monitoring of financing operations whatever their nature, including those relating to the improvement, recognition, modification, extension, acceleration, termination, extinction, renewal and, generally, any other pertaining to the acts, contracts or operations of the bank's business or trade in its financing operations.

The Committee shall meet as many times as called for by its chairperson, either at his own initiative or at the request of at least one third of its members.

The Committee shall be validly convened when attended, either in person or by proxy, by more than half of its members; Committee resolutions shall be approved by a majority of the attendees, either in person or by proxy, and its chairperson will have a casting vote.

The Committee members may issue a proxy to any other Committee member; however, non-executive directors may only issue a proxy to another non-executive director. The resolutions approved by the Committee shall be recorded in a minutes book; the minutes of each meeting shall be signed by the chairperson and the secretary. The relevant documentation for each meeting shall be available to Committee members sufficiently in advance to allow the appropriate review thereof, and, at least, 3 days prior to the date of the relevant meeting, unless urgent reasons prevent compliance with that deadline, in which case the information shall be available to the directors within the shortest possible delay.

Meetings may be simultaneously held in separate rooms, provided that the interactivity and intercommunication between those rooms is ensured by audio-visual or telephone means. In this case, the connection system and, where applicable, the places where the technical means necessary to attend and participate in the meeting are available, shall be recorded in the minutes. Resolutions shall be deemed approved in the place where the majority of Committee members are located and, in case of equality, at the registered office.

The Committee will report, through its chairperson, to the Board on the matters discussed and resolutions approved in its meetings; copies of the minutes of the Committee shall be available to all directors.

Due to the high number of meetings held and the high volume of proposed operations and other matters dealt with by the Committee, its main actions are set out below:

- The Committee reviewed and approved lending transactions that, under the Credit Admission Standard, fall within its remit, and reported on those transactions that should be approved by the Board.
- The Committee approved the pre-classification of main business groups, thereby streamlining the admission procedure for pre-selected clients; the Committee is constantly informed of those clients' performance.
- The Committee approved the accession to various Agreements with Government Agencies.
- The Committee approved the classification for operations in interbank market for a number of national and foreign entities.
- The Committee received regular reports from the Credit Risk Profile Monitoring Committee, which supports the Committee in strengthening the monitoring and the level of credit risk write-down, in accordance with the best practices in the areas of governance, anticipation and management of situations occurring in the existing portfolio.
- The Committee regularly monitored the write-down of individually significant borrowers, for the purposes of both re-assessing their impairment and the authorisation of their reclassification from non-performing or substandard.
- The Committee continuously monitored the status of, and the positions held by the Bank's main borrowers.
- The Committee reviewed and, where appropriate, approved the proposed transactions with natural and legal people qualifyed as "Related Parties" in accordance with the Corporate Policy on Related Party Transactions approved by the Board of Directors on 14 December 2018.

AUDIT AND COMPLIANCE COMMITTEE

Name or corporate name	Position	Category
LETICIA IGLESIAS HERRAIZ	CHAIRPERSON	INDEPENDENT DIRECTOR
JOSÉ GARCÍA MONTALVO	COMMITTEE MEMBER	INDEPENDENT DIRECTOR
CARINA SZPILKA LÁZARO	COMMITTEE MEMBER	INDEPENDENT DIRECTOR
PEDRO RAÚL LÓPEZ JÁCOME	COMMITTEE MEMBER	OTHER EXTERNAL DIRECTOR
JOSÉ RAMÓN RODRIGO ZARZA	COMMITTEE MEMBER	INDEPENDENT DIRECTOR

% of proprietary directors	0%
% of independent directors	80%
% of other external directors	20%
Number of meetings	12

Explain the functions attributed to this committee, including, where appropriate, any functions additional to those established by law, and describe the procedures and rules for its organisation and functioning. For each of these functions, summarise the main actions taken during the reporting period and how each function attributed thereto, whether by law, by-laws or other corporate resolutions, has been exercised in the practice.

According to article 4 of the Audit Committee Regulations, the Committee will be composed of a minimum of three (3) non-executive directors. Additionally, a majority of Committee members must be independent directors. In the appointment of Committee members, and particularly in the election of the Committee Chairperson, the Board will take into account their respective knowledge, qualifications and experience in the areas of accounting, auditing or risk, both financial and non-financial, management.

The chairperson of the Committee must be replaced every four years, and may be re-elected upon completion of one year from his/her dismissal. The Committee shall have a secretary and, where appropriate, an assistant secretary, both of whom may be people other than the secretary and assistant secretary to the Board of Directors, respectively. The assistant secretary shall replace the secretary in case of absence, disability or vacancy.

The Committee shall typically meet on a monthly basis and, in addition, whenever called for by its chairperson, either on its own initiative or at the request of the chairperson of the Board or at the request of at least one third of its members.

The Audit and Compliance Committee shall be validly convened when attended, either in person or by proxy, by the majority of its members and shall approve its resolutions by majority vote of the attending members, either in person or by proxy; in the event of a tied vote, the chairperson will have a casting vote.

For the approval of transactions with shareholders owners, individually or jointly with other shareholders, of a controlling interest, or with their respective related parties, excluding legal people belonging to the ABANCA Corporación Bancaria group, the discussion of and vote on the relevant resolution will be limited to independent directors, and non-independent directors shall be excluded for the purpose of determining the appropriate majority. Committee members may issue proxies to other Committee members. The resolutions approved by the Committee shall be recorded in a minutes book; the minutes of each meeting shall be signed by the chairperson and the secretary. The relevant documentation for each meeting (proposed agenda, presentations, minutes of prior meetings, etc.) shall be available to Committee members sufficiently in advance to allow the appropriate review thereof, and, at least, 3 days prior to the date of the relevant meeting, unless urgent reasons prevent compliance with that deadline, in which case the information shall be available to the directors within the shortest possible delay.

Meetings may be simultaneously held in separate rooms, provided that the interactivity and intercommunication between those rooms is ensured by audio-visual or telephone means. In this case, the connection system and, if applicable, the places where the technical means necessary to attend and participate in the meeting are available, shall be recorded in the notice. Resolutions shall be deemed approved in the place where the majority of Committee members are located and, in case of equality, at the registered office.

Notwithstanding other tasks assigned by the Board, the Audit and Compliance Committee shall have at least the following functions:

1. Reporting to the General Meeting on any questions relating to matters within its remit and, in particular, about the result of the audit, explaining how it has contributed to the integrity of the financial information and the role played by the Committee in the audit process.

If the audit report expresses a qualified opinion, the Committee chairperson will explain to the General Meeting of Shareholders the Committee's opinion on that qualification, and a summary of that opinion shall included in the notice of General Meeting, together with the other proposals and reports from the Board.

2. With regard to the external auditor:

2.1 Submit to the Board of Directors the proposals for the selection, appointment, re-election and replacement of auditors, taking responsibility for the selection process, in accordance with the provisions of the article 16, paragraphs 2, 3 and 5, and article 17.5 of Regulation (EU) no. 537/2014, of 16 April, for subsequent submission thereof to the General Meeting, as well as the terms and conditions of the engagement, and regularly collect from the auditor information about the audit plan and its implementation, in addition to preserving the auditor's independence in the performance of his/her functions.

2.2 In the event of resignation of the external auditor, to review the circumstances leading to that resignation.

2.3 To ensure that the remuneration of the external auditor for his/her work does not compromise his/her quality or independence.

2.4 To ensure that the company and the external auditor comply with the existing regulations on the provision of non-audit services, the limits to the concentration of the auditor's business and, generally, any other standards on the independence of the auditors.

2.5 To establish the appropriate relations with the statutory auditor in order to receive information on those issues that may pose a threat to his/her independence, for consideration by the Committee, and any other information relating to the conduction of the audit, and, where appropriate, the authorisation of services other than those prohibited, in the terms contemplated in article 5 (4), and article 6.2.b) of Regulation (EU) no. 537/2014, of 16 April, and in the independence provisions of Title I, Chapter IV, Section 3 of Law 22/2015, of 20 July, on Auditing, as any other communications provided for in auditing legislation and audit standards. In any case, statutory auditors shall annually submit a statement of independence from the entity or entities linked to it directly or indirectly, as well as the detailed and itemised information on any kind of additional services rendered to those entities and the respective fees paid by those entities to the statutory auditor or to people or entities related to the statutory auditor, in accordance with the provisions of the regulations governing auditing activities.

In case of duly justified urgency, the aforementioned authorisations may be granted by the chairperson of the Committee, and must be ratified by the next ensuing meeting of Committee.

2.6 To issue annually, prior to the issuance of the auditor's report, a report expressing an opinion as to whether the independence of the statutory auditor or audit firms is compromised. This report must contain the reasoned assessment of the provision of each and every one of the additional services mentioned above, both considered individually and collectively, other than the statutory audit and in relation to the independence regime or the regulations governing auditing activities.

2.7 To liaise between the Board of Directors and statutory auditors; to assess the results of each audit and the management team's responses to the statutory auditor's recommendations, and to mediate in cases of discrepancies between the former and the latter in relation to the principles and criteria applicable in the preparation of the annual accounts. The Committee shall also ensure that senior management takes into account the recommendations of the statutory auditor;

2.8 The Audit and Compliance Committee must oversee the performance of the audit contract, ensuring that the auditor's opinion on the annual accounts and the main contents of the audit report are drawn up in clear and precise terms.

2.9 To ensure that the statutory auditor holds an annual meeting with the Board of Directors to report on the work undertaken and the development of the accounting and risk situation of the Company.

2.10 To ensure that the company announces, through the CNMV, the change of statutory auditor and accompany this announcement with a statement on the possible existence of disagreements with the outgoing auditor, if any, and their content.

3 Concerning internal information and control systems and the internal audit function:
3.1 To ensure the adequacy and integrity of internal control systems and to review the appointment and replacement of the individuals in charge thereof;

3.2 To be informed of, oversee and assess the preparation and comprehensiveness of financial and non-financial information, and risk (both financial and non-financial) control and management systems, of the Company and, where appropriate, its Group, and to review compliance with regulatory requirements, the proper delimitation of the scope of consolidation and the correct application of accounting criteria, submitting, where appropriate, recommendations or proposals to the Board, aimed at safeguarding its integrity;

3.3 To oversee the effectiveness of the Company's internal control, internal audit, and risk management systems, so that the main risks are adequately identified, managed and disclosed, and to discuss with the statutory auditor any significant weaknesses in the internal control system identified, if any, during the conduction of the audit, all without infringing upon their independence. To this end, and where appropriate, recommendations or proposals, and the respective time limits for follow-up thereof, may be submitted to the Board.

3.4 To oversee and ensure the independence and effectiveness of the internal audit function; to propose the selection, appointment, reappointment and removal of the Auditor General; to propose the Internal Audit Charter; to approve or submit to the Board for approval the orientation and annual work plan of the internal audit function, ensuring that its activity is focused mainly on the Company's relevant risks; to propose the budget and resource plan of the internal audit function, after having assessed the scope and resources of the function; to receive regular information on Internal Audit activities and on any issues arising during the conduction of those activities; and to ensure that senior management takes into account the conclusions and recommendations issued by Internal Audit. On the other hand, the Auditor General shall have full access to the Audit and Compliance Committee, through its chairperson;

3.5 To establish and oversee a mechanism enabling employees and other individuals related to the Company, such as directors, shareholders, suppliers, contractors or subcontractors, to report, in a confidential manner, any potentially material irregularities, including any financial and accounting irregularities, observed within the company or its group. That mechanism shall ensure confidentiality and, in any case, shall define the cases where reports may be made in an anonymous way without thereby harming the rights of both the reported and the reporting people.

3.6 To review the Company's annual accounts, to monitor compliance with legal requirements and the correct application of generally accepted accounting principles, as well as to report on any proposals for modification of accounting principles and criteria submitted by management.

4. To review compliance with the Internal Code of Conduct in securities markets, and, generally, to submit any necessary proposals for its improvement. In particular, it is the responsibility of the Audit and Compliance Committee to receive information and, where appropriate, to report on disciplinary measures to members of the Company's senior management.

5 Concerning the compliance function:

5.1 To ensure the independence and effectiveness of the compliance function, and to ensure that it has the necessary resources to perform its tasks.

5.2 To propose the appointment or replacement of the head of the compliance function, and to approve the annual work plan and annual report of the compliance function; to receive regular information on compliance function's activities and to the ensure that the conclusions and recommendations included in that report are taken into account by senior management.

6 To oversee the implementation of and compliance with the Internal Control Manual for the Prevention of Criminal Risks approved by the Board in accordance with Article 4, paragraph 4.4 of the Regulations of the Board of Directors.

In order to carry out this task, the Committee shall have, among others, the authority to collect any information it deems appropriate and to summon any manager or employee of the Group, including, in particular, those responsible for the compliance function and the various Committees competent on these matters, to assess their performance, as well as the authority to initiate and direct any internal investigations that it deems necessary on facts relating with any eventual breach of the Internal Control Manual for the Prevention of Criminal Risks.

Similarly, the Committee shall regularly assess the implementation of the Internal Control Manual for the Prevention of Criminal Risks and its effectiveness in the prevention or mitigation of the commission of crimes, using, whenever the Committee deems its appropriate, external advisors, and to submit to the Board of Directors any proposals for changes to the Internal Control Manual for the Prevention of Criminal Risks and, in general, to the compliance programme that it deems appropriate in view of such an assessment.

7 To oversee the application of the Company's general policy for reporting economic and financial information, non-financial and corporate information, and communications with shareholders and investors, voting advisors (if any) and other stakeholders, including the

manner in which the Company communicates and relates therewith; and to oversee and assess relations with those stakeholders.

9 In addition, the Audit and Compliance Committee shall report in advance to the Board on all matters set out in the Law, the By-laws and the Regulations of the Board and in particular on the following matters:

1. The financial information that the Company must publish periodically.
2. The creation or acquisition of shares in special purpose entities or in entities domiciled in countries or territories that are considered tax havens.
3. Transactions with related parties, in the terms established in the Regulations of the Board of Directors.
   For these purposes, the Committee must collect and analyse all the necessary information and documentation, valuing the operation from the point of view of equal treatment and market conditions. To do this, in accordance with section 9, it may request expert reports, whenever deemed appropriate, expressing an opinion on, for example, the effects on the social interest of the proposed transaction or whether that transaction would be carried out on an arm's length basis.

10. To submit to the Board of Directors as many proposals as it deems appropriate on issues falling within its remit.

11 Any other tasks set out in the Regulations of the Board of Directors or in the applicable regulations.

For the best performance of its functions, the Audit and Compliance Committee may seek the advice of external professionals in matters within its competence.

In accordance with ABANCA's Plan for Corporate Governance Excellence and with CNMV Technical Guide 3/2017, of 15 December 2017, on audit committees at public interest entities, the Board of Directors has approved the Regulations of the Audit and Compliance Committee.

During the 2020 financial year, its main actions have been, amongst others:

- To modify the 2020 Annual Operational Plan in order to include therein works on "COVID Moratoriums" and "COVID-19 Protocols".
- To report on the update of CNMV Plan of Activities as a result of COVID-19 and on ECB recommendation on distribution of dividends during the health crisis caused by the coronavirus pandemic.
- To submit a favourable proposal to the Board for the approval of the new Anti-money Laundering and Terrorist Financing Manual.
- To receive information on the 2020 Plan of Activities in the area of the Securities Market Conduct Department.
- To submit a favourable proposal to the Board for the approval of amendments to the following Policies and Manuals: Legal Compliance Department's Manual; Policy for Allocation in Placement Operations; Manual of Marketing Policies in the provision of investment services; Order Processing Policy; Incentives Policy; Asset Protection Policy; and Conversation and Communication Recording Policy. Additionally, the Committee proposed the approval of the modifications made to the MiFID regulatory block arising from the annual review.

- To receive quarterly reports from the Banking Services Legal Compliance unit. The Committee also received a report on the implementation of the 2019 action plan and presented the 2020 action plan.
- To report favourably to the Board on the modification of the Regulation for ABANCA's Customer Protection.
- To report favourably to the Board on the authorisation of the supporting statement showing that the proposed dividend does not exceed profit for the period and that Entity has sufficient available liquidity for distribution thereof and, consequently, for distribution of the proposed fourth interim dividend of 2019 amounting to €14,157,600.
- To authorise the engagement of KPMG Asesores, S.L. for the provision of non-audit services.
- To receive information on the monitoring of related party transactions carried out during the second half-year of 2019.
- To report favourably to the Board on the treasury stock objectives for 2020.
- To approve the Audit and Compliance Committee scorecard for 2020.
- To submit to the Board the 2019 Audit and Compliance Committee Activities Report.
- To receive the summarised report on transactions subject to special analysis from the 01/07/2019 - 31/12/2019 period.
- To receive semiannual information on the Company's website.
- To receive information on the Internal Audit function activities.
- To take note of the performance of the Internal Audit Quality Committee during the past three months.
- To receive information on the follow-up of meetings between statutory auditors, Board of Directors and Audit and Compliance Committee in connection with Financial Statements.
- To submit to the Board a favourable proposal for updating the Regulatory Framework in connection with Abanca Data Governance.
- To receive information on the preliminary proposal for 2020 Variable Remuneration System.
- To report favourably to the Board of Directors on the 2019 fit and proper assessment of members of "Key Management Personnel", excluding Abanca directors and independent directors in the boards of Abanca's investees.
- To submit to the Board a favourable proposal on the statutory auditor's statement and report regarding its independence, as well as on non-audit services rendered to the Bank or related companies. The Committee also reported favourably on the statutory auditor's independence.
- To submit to the Board of Directors its agreement with the contents of the different sections of Abanca's 2019 Annual Corporate Governance Report falling within the scope of its remit.
- To report favourably and propose to the Board the authorisation for issue of Abanca Corporación Bancaria, S.A. annual accounts for 2019, comprising the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of total changes in equity, the statement of cash flows and the notes; the Management Report for 2019 and the proposed distribution of profit for 2019, and to propose the approval thereof by the General Meeting.
- To report favourably to the Board of Directors on the quantification in €5,388,675 of the 0.5% quantitative threshold applicable in determining the objective criterion (amount) of material related-party transactions.
- To receive information on the actions taken during 2019 in connection with ICFR assessment.

- To submit a favourable proposal to the Board on the approval of the Report on the evaluation of compliance with the Internal Code of Conduct in the area of the Securities Market during the first half of 2019.
- To report favourably to the Board on the update of the Commercial Communication Policy.
- To propose to the Board the approval of the 2019 Customer Service Report that includes as an annex the Customer Service Report from Banco Caixa Geral.
- To report favourably to the Board on the modification of the 2020 Annual Operational Plan.
- With the mandatory prior favourable reports from the Appointments Committee, the Remunerations Committee and Comprehensive Risk Commission, the Committee unanimously approved to report favourably to the Board on the payment of the 2019 Variable Remuneration of the Chief Executive Officer.
- To propose the approval of payment of 2019 Variable Remuneration System to the 1st and 2nd level and to the members of the Designated Group, as well as payment of 2019 Variable Remuneration System to the rest of employees.
- With the mandatory prior favourable reports from the Appointments Committee, the Remunerations Committee and Comprehensive Risk Commission, the Committee unanimously approved to report favourably to the Board on the approval of 2020 Variable Remuneration Policy for the Chief Executive Officer and the 2020 Variable Remuneration System for the rest of employees.
- To receive information on any significant matters discussed by the Ethics Committee during the second half of 2019.
- To receive information on the contents of the 2019 Legal Compliance Report.
- To report favourably to the Board on the update of the MiFID Records Policy.
- To receive information on the implementation of the 2020 Legal Compliance Action Plan in Banking Services and on the Customer Service Action Plan: Progress report, 2020 Q1 Report on Claims, and COVID-19, Transparency and Banking Conduct Measures.
- To report favourably to the Board on the 2019 annual report on transactions with tax repercussions.
- To report favourably to the Board on the approval of the 2020 Annual Operational Plan.
- To report favourably to the board on the 2019 Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP).
- To submit a favourable proposal to the Board for ratification of transactions carried out with treasury shares.
- To submit a favourable proposal to the Board for the approval of changes in the Corporate Committees responsible for Conduct Risk Control and Anti-money Laundering Control.
- To report favourably to the Board on the 2019 Activities Report of the Anti-money Laundering Committee.
- To submit to the Board for approval the Annual Compliance Report from the Bank’s branch in Switzerland.
- To report favourably to the Board on the modification of the 2020 Annual Operational Plan. Additionally, the Committee proposed to the Board the approval of the Archer Manuals and the update of the FAI Governance Manual.
- To report favourably and propose to the Board the authorisation for issue of the consolidated interim condensed annual accounts at 31 March 2020,

comprising the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of total changes in equity, the consolidated statement of cash flows, the selected explanatory notes and the consolidated Management Report.

- To report favourably to the Board on the 2019 Risk Assessment Miami Branch.
- To submit a favourable proposal to the Board for modification of the Internal Code of Conduct in the area of the Securities Market and Legal Compliance Policies. To report favourably to the Board on the modification of the Knowledge and Skills Policy.
- To receive information on products subject to the Product Governance Committee launched during the period 1 July 2019 to 31 July 2019 by ABANCA Spain and ABANCA Portugal.
- To report favourably to the Board on the modification of the 2020 Annual Operational Plan.
- To receive semmiannual follow-up information on the Outsourcing Policy.
- To submit favourable proposals in connection with related-party transactions.
- With the mandatory favourable reports from Internal Audit, the Audit and Compliance Committee and the Remunerations Committee, the Committee unanimously approved to report favourably to the Board on the authorisation for issue of the Prudential Relevance Report (PRP) of Abanca Corporación Bancaria, S.A. at 31 December 2019.
- To report to the Board on the contents to the summarised report on transactions subject to special analysis from the 01/01/2020 - 30/06/2020 period.
- To submit a favourable proposal to the Board for the approval of the modifications in BSA-AML-Ofac manual.
- To take note of the Customer Service Report on Claims for the first half-year of 2020.
- To report favourably to the Board on the approval of modifications to the 2020 Annual Operational Plan.
- To report favourably and propose to the Board the authorisation for issue of the consolidated interim condensed annual accounts at 30 June 2020, comprising the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of total changes in equity, the consolidated statement of cash flows, the selected explanatory notes and the consolidated Management Report.
- To submit to the Board a follow-up report on related-party transactions during the first half-year of 2020, with a breakdown of the transactions carried out by each business segment.
- To submit a favourable proposal to the Board on the approval of the Report on the evaluation of compliance with the Internal Code of Conduct in the area of the Securities Market during the first half of 2020.
- The Committee unanimously approved to report favourably to the Board on the modification of the General Regulation on Separate Areas and on the modification of the Product Governance Policy.
- To submit to the Board a favourable proposal for updating the Abanca Criminal Risk Prevention Policy and its Manual.
- To take note of the Summarised Report on the most significant actions taken by the Ethics Committee during the 01/01/2020 - 30/06/2020 period.
- To submit a favourable proposal to the Board for the approval of changes in the Anti-money Laundering Committee, the Legal Compliance Committee

and the Criminal Risk Prevention Committee (full committee and standing committee).

- To report favourably to the Board on the approval of modifications to the 2020 Annual Operational Plan.
- To report favourably to the Board on the inclusion of an annex on credit risk models to the Internal Audit Procedures Manual.
- To submit to the Board a favourable proposal for the approval of material liabilities in related-party transactions.
- To report favourably to the Board of Directors on the annual review of the Best Execution Policy and to submit proposals for modification thereof.
- To receive the activity report from the Product Governance Committee.
- To report favourably to the Board on the modification of the 2020 Annual Operational Plan.
- To report favourably and propose to the Board the authorisation for issue of the Consolidated Intermediate Condensed Financial Statements at 30 September 2020, comprising the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of total changes in equity, the consolidated statement of cash flows, the selected explanatory notes and the consolidated Management Report.
- To receive quarterly reports from the Banking Services Legal Compliance unit.
- To take note of the activities carried out by the Securities Market Conduct unit during the third quarter of 2020.
- To report favourably to the Board on the modification of the 2020 Annual Operational Plan.
- To report favourably to the Board on the approval of modifications to the 2020 Annual Operational Plan.
- To submit a favourable proposal to the Board for the approval of amendments to the following Policies and Manuals: Securities Market Conduct Department Manual; Policy for Allocation in Placement Operations; Incentives Policy; MiFID Records Policy; Manual of Marketing Policies in the provision of investment services; Order Processing Policy; Asset Protection Policy; Conversation and Communication recording Policy and Commercial Communication Policy. The Committee reported favourably to the Board on the approval of modifications to the 2020 Operational Plan.
- To submit a favourable proposal to the Board for the approval of the new Internal Audit Charter.
- To report to the Board on the 2021 Risk Assessment.
- To submit to the Board a proposal for updating the Outsourcing Policy.
- To report favourably to the Board on the approval of the lending transaction with the related party Lafonia Sea Foods, S.A. The Committee also approved to report favourably to the Board on the approval of the proposed related-party transaction with Terminal de Graneles Agroalimentarios de Santader, S.A.
- To express its agreement with the proposed 2021 Scorecard and to submit a favourable report to the Board for the update of the milestones referred to the Committee.
- To report favourably to the Board on the approval of the updated Ethics and Conduct Code.

Identify the directors who are member of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed.

Name of experienced directors	LETICIA IGLESIAS HERRAIZ JOSÉ GARCÍA MONTALVO CARINA SZPILKA LÁZARO PEDRO RAÚL LÓPEZ JÁCOME JOSÉ RAMÓN RODRIGO ZARZA
No. of years the chairperson has been in office	2

APPOINTMENTS COMMITTEE

Name or corporate name	Position	Category
EDUARDO ERAÑA GUERRA	CHAIRPERSON	INDEPENDENT DIRECTOR
PEDRO RAÚL LÓPEZ JÁCOME	COMMITTEE MEMBER	OTHER EXTERNAL DIRECTOR
JOSÉ RAMÓN RODRIGO ZARZA	COMMITTEE MEMBER	INDEPENDENT DIRECTOR

% of proprietary directors	0%
% of independent directors	66.66%
% of other external directors	33.33%
Number of meetings	12

Explain the functions attributed to this committee, including, where appropriate, any functions additional to those established by law, and describe the procedures and rules for its organisation and functioning. For each of these functions, summarise the main actions taken during the reporting period and how each function attributed thereto, whether by law, by-laws or other corporate resolutions, has been exercised in the practice.

According to article 4 of the Appointments Committee Regulations, the Committee will be composed of a minimum of three (3) non-executive directors. At least one third of these members (or, if higher, two of its members) and, in any case, the chairperson, must be independent directors.

Members of the Appointments Committee shall be appointed by the Board of Directors, taking into account the knowledge, skills and experience of the directors and the tasks of the Committee.

The Committee shall have a secretary and, where appropriate, an assistant secretary, who need not be the secretary and assistant secretary to the Board of Directors. The assistant secretary shall replace the secretary in case of absence, disability or vacancy.

The Committee shall typically meet on a bimonthly basis and, in addition, whenever called for by its chairperson, either on its own initiative or at the request of at least one third of its members. Similarly, it will also meet every time the Board of Directors or its chairperson requests the issuance of a report or the adoption of proposals.

The Committee shall be validly convened when attended, either in person or by proxy, by the majority of its members and shall approve its resolutions by majority vote of the attending members, either in person or by proxy; in the event of a tied vote, the chairperson will have a casting vote.

Committee members may issue proxies to other Committee members. The resolutions approved by the Committee shall be recorded in a minutes book; the minutes of each meeting shall be signed by the chairperson and the secretary. The relevant documentation for each meeting (proposed agenda, presentations, minutes of prior meetings, etc.) shall be available to Committee members sufficiently in advance to allow the appropriate review thereof, and, at least, 3 days prior to the date of the relevant meeting, unless urgent reasons prevent compliance with that deadline, in which case the information shall be available to the directors within the shortest possible delay.

Meetings may be simultaneously held in separate rooms, provided that the interactivity and intercommunication between those rooms is ensured by audio-visual or telephone means. In this case, the connection system and, if applicable, the places where the technical means necessary to attend and participate in the meeting are available, shall be recorded in the notice. Resolutions shall be deemed approved in the place where the majority of Committee members are located and, in case of equality, at the registered office.

Notwithstanding other tasks assigned by the Board, the Appointments Committee shall have, at least, the following functions:

1. To evaluate the balance between the knowledge, capacity, diversity and experience required in the Board of Directors and to prepare a description of the functions and skills required for any given appointment, considering the time and dedication required for appointee to effectively discharge his/her duties;

2. To set a representation target for the under-represented gender in the Board of Directors and issue guidelines for the achievement of that target; for the purpose of promoting gender diversity, the Committee will propose measures encouraging the Company to have a significant number of women among its senior management.

3 To oversee compliance with the Company's corporate governance regulations and internal codes of conduct, and to ensure that the corporate culture is aligned to the Company's object and values, and to ensure the appropriate functioning of the governing and management bodies and the independence of directors.

4. To regularly asses and review the company's corporate governance system, so that it fulfils its mission of promoting the social interests and takes into account, as appropriate, the legitimate interests of the remaining stakeholders.

5 To regularly asses and review the company's sustainability strategy, so that it fulfils its mission of promoting the social interests and takes into account, as appropriate, the legitimate interests of the remaining stakeholders. Additionally, to ensure that the Company's sustainability practices are consistent with the defined strategy and policies.

6 To report in advance to the Board on the amendments to the Regulations of the Board of Directors, and to monitor compliance therewith.

7 To identify and recommend, with a view to their approval by the Board of Directors or by the General Meeting, candidates to fill the vacancies in the Board of Directors and, in particular:

7.1. To submit to the Board of Directors the proposals for the appointment of independent directors by co-option or, where appropriate, for submission thereof to the General Meeting for approval, as well as the proposals for the reappointment or dismissal of those directors by the General Meeting; and to this end, to monitor that the conditions ensuring the effective independence of independent directors are permanently met, and to ensure their independence considering their actions, constructive dialogue, analytical skills and attendance to meetings; and

7.2. To report on the proposals for the appointment of the remaining directors by co-option or, where appropriate, for submission thereof to the General Meeting for approval, as well as on the proposals for their reappointment or dismissal by the General Meeting.

8. To regularly review the Board of Directors policy regarding the selection and appointment of senior management personnel, and to issue recommendations to the Board, as well as to report on proposals for appointment and removal of senior management personnel and on the basic terms and conditions of their contracts;

9 To implement and monitor the plan approved by the Board of Directors for the succession of directors;

10. To report in advance to the Board on the individuals who must be members of each committee;

11 To verify annually the status of the Company's directors and report to the Board in this regard for consideration in the preparation of the Annual Corporate Governance Report;

12. To assess regularly, and at least once a year, the structure, size, composition and performance of the Board of Directors, and to issue recommendations concerning possible changes;

13. To assess regularly, and at least once a year, the fitness and properness of directors and of the Board of Directors as a whole, and report to the Board of Directors accordingly;

14. To define the policies and guidelines for management of the Company’s Human Capital; and

15. To report on the proposed appointment of the Honorary Chairperson.

14. Any other tasks set out in the Regulations of the Board of Directors or in the applicable regulations.

In the performance of its tasks, the Appointments Committee shall take into account, to the extent possible and on an ongoing basis, the need to ensure that the Board of Directors decision-making is not controlled by any individual or a small group of individuals in such a way that the interests of the Company as a whole are harmed.

The Committee may use the resources it deems appropriate for the performance of its functions, including external advice.

Following the recommendations of CNMV Technical Guide of 20 February 2019 on nomination and remuneration committees, dated 13 December 2019 the Board of Directors approved the Appointments Committee.

During the 2020 financial year, its main actions have been, amongst others:

- To confirm the directors' and the Board of Directors' fit and proper requirements are continuously met; consequently the Committee reported favourably to the Board. Additionally, the Committee reported favourably to the Board on the update of the method for calculating the dedication of ABANCA directors.
- To express its agreement with the 2020 Directors Training Plan.
- To express its agreement with the proposed 2020 Scorecard and to submit a favourable report to the Board for the update thereof.
- To report favourably to the Board on the update of internal regulations affected by the new definition of key management personnel: Fitness and properness of key management personnel and determination of the identified group.
- To report to the Board of Directors on the activities carried out in 2019 by the Appointments Committee.
- To report favourably to the Board of Directors on the 2019 fit and proper assessment of members of "Key Management Personnel", excluding Abanca directors and independent directors in the boards of Abanca's investees.
- To approve the submission to the Board of Directors of the contents of the different sections of Abanca's 2019 Annual Corporate Governance Report falling within the scope of its remit.
- To report that, dated 3 March 2020, the ECB expressed its non-opposition to the appointment of Mr. López Figueroa as independent director of ABANCA Corporación Bancaria, S.A.
- To approve proposing to the Board payment of the quantitative and qualitative (non-financial criteria) components of the Board's variable remuneration for the 2019 financial year.
- To report favourably to the Board on the appointment of Ms. Ana da Cunha Barros to the Comprehensive Risk Commission and of Mr. Manuel López Figueroa to the Delegated Credit Committee.
- To submit a favourable proposal to the Board for the approval of changes in the Corporate Committees responsible for Conduct Risk Control and Anti-money Laundering Control.
- To submit a favourable proposal to the Board for the approval of the terms and conditions for directors representing the Entity in investees boards.
- To receive information on the estimation of the time dedicated by the Bank's directors during the first quarter of 2020, as provided for in the Policy for the Selection and Continuous Evaluation of the Suitability and Qualification Requirements of Directors.
- To propose to the Board, for submission to the General Meeting, the reappointment for the statutory 4-years term in office of Mr. Juan Carlos Escotet Rodríguez, Mr. Francisco Botas Ratera, Mr. Pedro Raúl López Jácome, Ms. Carina Szpilka Lázaro, Mr. José Ramón Rodrigo Zarza, Mr. José García Montalvo and Mr. Eduardo Eraña Guerra. Additionally, the Committee proposed the ratification of the appointment of Ms. Ana da Cunha Barros, and

Mr. Manuel Víctor López Figueroa as directors of Abanca Corporación Bancaria, S.A.

- To report favourably to the Board on the appointment of Mr. Cantón as Chief Compliance & BSA Officer in ABANCA's branch in Miami.
- To submit to the Board a proposal for the reappointment of Mr. Francisco Botas Ratera as Managing Director of ABANCA Corporación Bancaria, S.A. and for the reappointment of Mr. Francisco Botas Ratera., Mr. Pedro Raúl López Jácome y D. José Ramón Rodrigo Zarza to the Delegated Credit Committee, where they should discharge the positions therein held up the report date.
- To report favourably to the Board on the authorisation for issue of the Prudential Relevance Report (PRP) of Abanca Corporación Bancaria, S.A. at 31 December 2019.
- The Committee unanimously approved to submit to the Board a favourable proposal for the appointment by co-option of Ms. Ana Barros as independent director of ABANCA Corporación Bancaria, S.A.
- The Committee expressed its agreement with the Board of Directors Succession Plan, and unanimously approved to issue a favourable report for consideration by the Board.
- To report to the Board of Directors on directors' dedication.
- To report favourably to the Board on the appointment of Mr. Juan Carlos Escotet Rodríguez, Mr. Francisco Botas Ratera, Mr. Pablo Triañes Lago, Mr. Alberto de Francisco Guisasola, Mr. José Luis Vázquez Fernández and Mr. Luis Beraza de Diego as proprietary directors in Bankoa, S.A.; Mr. Jesús Suárez as executive; Mr. Juan José Etxeberría, Ms. Ana Arriola, Ms. Miren Loyola and Mr. Esteban Salgi as independent directors, and Mr. Félix Iraola and Mr. Ignacio Martín as other external directors of Bankoa, S.A.
- To take note of the new proposal for the implementation of the Corporate Governance Excellence Plan approved by the Bank in line with its commitment to the continuous improvement of governance in accordance with the requirements applicable to listed financial institutions.
- To report to the Board on the estimation of the time dedicated by the Bank's directors during the first quarter of 2020, as provided for in the Policy for the Selection and Continuous Evaluation of the Suitability and Qualification Requirements of Directors.
- The Committee unanimously approved to report favourably to the Board on the 2021 Succession Plan of 1st level executives of the Bank.
- The Committee was informed on the status of the annual process of the fit and proper assessment of directors.
- To issue a favourable proposal to the Board for the approval of specific procedure for the appropriate flow of documents to be considered by Governing Bodies.
- To present its agreement with the 2021 Scorecard.

REMUNERATION COMMITTEE

Name or corporate name	Position	Category
CARINA SZPILKA LÁZARO	CHAIRPERSON	INDEPENDENT DIRECTOR
JOSÉ GARCÍA MONTALVO	COMMITTEE MEMBER	INDEPENDENT DIRECTOR
PEDRO RAÚL LÓPEZ JÁCOME	COMMITTEE MEMBER	OTHER EXTERNAL DIRECTOR

% of proprietary directors	0%
% of independent directors	66.66%
% of other external directors	33.33%
Number of meetings	9

Explain the functions attributed to this committee, including, where appropriate, any functions additional to those established by law, and describe the procedures and rules for its organisation and functioning. For each of these functions, summarise the main actions taken during the reporting period and how each function attributed thereto, whether by law, by-laws or other corporate resolutions, has been exercised in the practice.

According to article 4 of the Remunerations Committee Regulations, the Committee will be composed of a minimum of three (3) non-executive directors. At least one third (or, if higher, two of its members) and, in any case, the chairperson, must be independent directors.

Members of the Remuneration Committee shall be appointed by the Board of Directors, taking into account the knowledge, skills and experience of the directors and the tasks of the Committee. The Committee shall have a secretary and, where appropriate, an assistant secretary, who need not be the secretary and assistant secretary to the Board of Directors. The assistant secretary shall replace the secretary in case of absence, disability or vacancy.

The Committee shall typically meet on a bimonthly basis and, in addition, whenever called for by its chairperson, either on its own initiative or at the request of at least one third of its members. Similarly, it will also meet every time the Board of Directors or its chairperson requests the issuance of a report or the adoption of proposals.

The Committee shall be validly convened when attended, either in person or by proxy, by the majority of its members and shall approve its resolutions by majority vote of the attending members, either in person or by proxy; in the event of a tied vote, the chairperson will have a casting vote.

Committee members may issue proxies to other Committee members. The resolutions approved by the Committee shall be recorded in a minutes book; the minutes of each meeting shall be signed by the chairperson and the secretary. The relevant documentation for each meeting (proposed agenda, presentations, minutes of prior meetings, etc.) shall be available to Committee members sufficiently in advance to allow the appropriate review thereof, and, at least, 3 days prior to the date of the relevant meeting, unless urgent reasons prevent compliance with that deadline, in which case the information shall be available to the directors within the shortest possible delay.

Meetings may be simultaneously held in separate rooms, provided that the interactivity and intercommunication between those rooms is ensured by audio-visual or telephone means. In this case, the connection system and, if applicable, the places where the technical means necessary to attend and participate in the meeting are available, shall be recorded in the notice. Resolutions shall be deemed approved in the place where the majority of Committee members are located and, in case of equality, at the registered office.

Notwithstanding other tasks assigned by the Board, Remuneration Committee shall have, at least, the following functions:

1. Propose to the Board of Directors the remuneration policy for directors (which must be submitted to a vote by the General Meeting, in accordance with the provisions of article 24 section 7 of the Board Regulations) and that of the senior executives of the Company, as well as the individual remuneration and other contractual conditions of the executive directors, ensuring their observance;

2. Directly supervise the remuneration of the managers in charge of risk management and with compliance functions;

3 Periodically review the remuneration programmes for their updating, ensure that the remuneration of directors and senior managers comply with criteria of moderation and adequacy with the results of the Company and that the remuneration policies of these and other members of the group identified (as this term is defined in the applicable regulations) do not offer incentives to assume risks that exceed the level tolerated by the Company, so that they promote and are compatible with adequate and effective risk management.

Additionally, the remuneration policy of the group identified shall be subject, at least once a year, to a central and independent internal evaluation, in order to check whether the remuneration guidelines and procedures adopted by the Board of Directors are complied with;

4. Verify the independence of the external advisers that are hired, as the case may be, as remuneration experts, adopted by the Board of Directors;

5 Ensure the transparency of the remuneration policies in the terms set out in the applicable regulations and the observance of the remuneration policy established by the Company;

6 Assess the fulfilment of the objectives to which the remuneration is linked, as well as the need, where appropriate, to apply risk adjustments to that remuneration; and

7 Any other tasks set out in the Regulations of the Board of Directors or in the applicable regulations.

For the best performance of its functions, the Remuneration Committee may seek the advice of external professionals on matters within its competence.

Following the recommendations of CNMV Technical Guide of 20 February 2019 on nomination and remuneration committees, dated 2 March 2020 the Board of Directors approved the Appointments Committee.

During the 2020 financial year, its main actions have been, amongst others, to:

- Submit to the Board of Directors the 2020 Remuneration Committee Activity Report.
- Submit a favourable report to the Board for the approval of the Remuneration Committee Regulations.
- Inform the Board favourably of the revision of the Remuneration Policy proposed by the DG of Human Capital.
- Agree with the preliminary proposal for 2020 Variable Remuneration System.

- To report favourably to the Board of Directors on the 2019 fit and proper assessment of members of "Key Management Personnel", excluding Abanca directors and independent directors in the boards of Abanca's investees.
- Submit a favourable proposal to the Board for setting the 2020 treasury stock objectives.
- Propose to the Board the update of the Scorecard for the 2020 period.
- To approve the submission to the Board of Directors of the contents of the different sections of Abanca's 2019 Annual Corporate Governance Report falling within the scope of its remit.
- To express its agreement to the disclosure on remunerations to be included in Note 4 of the individual and consolidated annual accounts for the annual period ended 31.12.2019.
- To approve, together with the Appointments Committee, proposing to the Board payment of the quantitative and qualitative (non-financial criteria) components of the Board's variable remuneration for the 2019 financial year.
- To report favourably to the Board of Directors on the payment of the Variable Remuneration of the Chief Executive Officer.
- To propose the approval of payment of 2019 Variable Remuneration System to the 1st and 2nd level and to the members of the Designated Group.
- To report favourably to the Board of Directors on the payment of the 2019 Variable Remuneration System to other employees.
- To report favourably to the Board of Directors on the payment of the 2020 Variable Remuneration of the Chief Executive Officer.
- To approve, together with the Appointments Committee, the submission of a favourable report to the Board for the approval of the 2020 Variable Remuneration System for other employees.
- To report on the bimonthly follow-up of own equity instruments delivered to employees or directors of the Entity.
- To submit to the Board, for ratification thereof, the report on the authorised treasury stock transactions.
- To submit a favourable proposal to the Board for the approval of the terms and conditions for directors representing the Entity in investees boards.
- To receive follow-up information on the Scorecard for the first quarter of 2020.
- To submit to the Board of Directors a favourable proposal for the approval by the Annual General Meeting of a resolution concerning the maximum ratio between the fixed and the variable remuneration of certain members of the Designated Group.
- To approve, together with the Appointments Committee, the submission of a favourable report to the Board on the authorisation for issue of the Prudential Relevance Report (PRP) of Abanca Corporación Bancaria, S.A. at 31 December 2019.
- To report favourably, for the Board to take note, on the assessment of the Entity's Remuneration Policy.
- To receive information on the interim payment of 2020 Variable Remuneration System paid in July.
- To take note of the follow-up of transactions in own equity instruments delivered to employees or directors of the Entity, making an express note that during the three months period from 1 July to 30 September 2020 no changes were recorded in the treasury share account of the Bank.
- To receive information on the new requirements for remuneration equality and transparency introduced by Royal Decrees 901/2020 and 902/2020, of 13 October.

- To receive information on Royal Decree-Law 28/2020, of 22 September, on remote working, making a note that date 1 October the Collective Agreement of Financial Institutions was approved.

COMPREHENSIVE RISK COMMITTEE

Name or corporate name	Position	Category
JOSÉ GARCÍA MONTALVO	CHAIRPERSON	INDEPENDENT DIRECTOR
ANA DA CUNHA BARROS	COMMITTEE MEMBER	INDEPENDENT DIRECTOR
JOSÉ RAMÓN RODRIGO ZARZA	COMMITTEE MEMBER	INDEPENDENT DIRECTOR
PEDRO RAÚL LÓPEZ JÁCOME	COMMITTEE MEMBER	OTHER EXTERNAL DIRECTOR
LETICIA IGLESIAS HERRAIZ	COMMITTEE MEMBER	INDEPENDENT DIRECTOR

% of executive directors	0%
% of proprietary directors	0%
% of independent directors	80%
% of other external directors	20%
Number of meetings	13

Explain the functions attributed to this committee, and describe the procedures and rules for its organisation and functioning. For each of these functions, summarise the main actions taken during the reporting period and how each function attributed thereto, whether by law, by-laws or other corporate resolutions, has been exercised in the practice.

According to article 13 of the Board Regulations, the Comprehensive Risk Committee shall be composed by a minimum of three (3) non-executive directors. At least one third of these members must be independent directors.

Members of the Comprehensive Risk Committee shall be appointed by taking into account the knowledge, skills and experience of the directors in order to fully understand and monitor the Company's risk strategy and risk appetite, as well as the tasks of the Committee. The committee shall be chaired by an independent director. The Committee shall have a secretary and, where appropriate, an assistant secretary, who need not be the secretary and assistant secretary to the Board of Directors. The assistant secretary shall replace the secretary in case of absence, disability or vacancy.

The Committee shall typically meet on a monthly basis and, in addition, whenever called for by its chairperson, either on its own initiative or at the request of at least one third of its members. Similarly, it will also meet every time the Board of Directors or its chairperson requests the issuance of a report or the adoption of proposals.

The Committee shall be validly convened when attended, either in person or by proxy, by the majority of its members and shall approve its resolutions by majority vote of the attending members, either in person or by proxy; the chairperson will have a casting vote.

Committee members may issue proxies to other Committee members. The resolutions approved by the Committee shall be recorded in a minutes book; the minutes of each meeting shall be signed by the chairperson and the secretary. The relevant documentation for each meeting (proposed agenda, presentations, minutes of prior meetings, etc.) shall be available to Committee members sufficiently in advance to allow the appropriate review thereof, and, at least, 3 days prior to the date of the relevant meeting, unless urgent reasons prevent compliance with that deadline, in which case the information shall be available to the directors within the shortest possible delay.

Meetings may be simultaneously held in separate rooms, provided that the interactivity and intercommunication between those rooms is ensured by audio-visual or telephone means. In this case, the connection system and, if applicable, the places where the technical means necessary to attend and participate in the meeting are available, shall be recorded in the notice. Resolutions shall be deemed approved in the place where the majority of Committee members are located and, in case of equality, at the registered office.

Notwithstanding any other tasks that may be assigned to it at any time by the Board of Directors, the Comprehensive Risk Committee shall exercise, at least, the following functions:

1. Advise the Board of Directors on the Company's current and future global risk appetite and its strategy in this area, and assist it in monitoring the implementation of that strategy.

2. Ensure that the pricing policy of the assets and liabilities offered to customers fully takes into account the Company's business model and risk strategy. Otherwise, the committee shall submit to the Board of Directors a plan to correct it.

3. Determine, together with the Board of Directors, the nature, quantity, format and frequency of information on risks that the committee and the Board of Directors must receive.

4. Collaborate to establish rational remuneration policies and practices. To this end, the committee shall examine, notwithstanding the functions of the Remuneration Committee, whether the incentive policy set out in the remuneration system takes into account risk, capital, liquidity and the probability and timing of benefits.

5. Propose the selection, appointment, reappointment and removal of the head of the risk management unit (Director General of Corporate Control and Risks).

6. Any other tasks set out in the Regulations of the Board of Directors or in the applicable regulations.

For the proper exercise of its functions, the Board shall ensure that the committee can easily access information about the Company and its risk situation, including access to the Director General of Corporate Control and Risks and specialized external advice, if necessary. Similarly, the Director General of Corporate Control and Risks shall have full access to the Comprehensive Risk committee, through its chairperson.

During the 2020 financial year, its main actions have been, amongst others:

- To submit a favourable proposal to the Board for the approval of the risk management policies implemented or extended within the IRB framework.
- To submit a proposal for the approval of the results of the annual monitoring process of the Consumer Related-Parties model.

- To submit a favourable proposal to the Board for the approval of the following documents: Policies and procedures for classification and management of changes (New. Same as in IRB), Tiering (Model Risk Management and Control Framework) (New. Same as in IRB), Internal Model Framework and Governance (Update. Same as in IRB), 20200109_Governance_Framework_IFRS9 (Update) and 20191219-Documentation of the Methodological Framework for the Estimation of IFRS 9 Parameters (2018) and Annex (Update).
- To receive information on the Monitoring Submit a follow-up on the Scoreboard of Strategic Indicators for Comprehensive Risk Management.
- To take note of the updated function for calculation of APRs under the Standardised Approach to credit risk, introduced at 31.12.2019.
- To submit a proposal for updating the 2020 Committee scorecard.
- To receive follow-up information on the Scorecard for the first quarter of 2019.
- To report on the activities of the Committee during 2019.
- To receive information on the launch of the 2020 Resolution Plan.
- To submit to the Board a proposal in favour of the approval of the launching of the implementation of the 2020 NPEs Strategic Management Plan.
- To submit a favourable proposal to the Board for the approval of the recommendations arising from the results of the internal validation of IFRS 9 models for individual allowances.
- To submit a preliminary status and analysis of the situation caused by the outbreak of COVID-19 both nationally and internationally.
- To report on ABANCA's action plan in connection with the COVID-19 pandemic.
- To submit a favourable proposal to the Board for updating the TRIAD calibration.
- To submit a favourable proposal to the Board for approving the updated documentation in the area of IFRS 9.
- To submit a favourable proposal to the Board for the approval of the 2018 Internal Capital Adequacy Assessment Process (ICAAP) and the 2018 Internal Liquidity Adequacy Assessment Process (ILAAP).
- To submit a favourable proposal to the Board for the approval of actions with clients whose financial capacity has been affected by the COVID-19 pandemic.
- To submit a favourable report to the Board for the approval of the 2019 ICAAP and ILAAP.
- To submit a favourable proposal to the Board for the approval of the update of card models and consumer models calibration.
- To submit a favourable proposal to the Board for the approval of the weekly update of the early identification of clients with deteriorating credit worthiness as a result of the COVID-19 pandemic.
- To submit a favourable proposal to the Board for the approval of credit risk regulatory actions in connection with the COVID-19 pandemic, and of the consequential adaptations introduced to the acceptance circuits.
- To submit to the Board a proposal for the adoption of ISCR estimation methods and ECL production for adaptation to the measures notified by competent authorities to address the situation arising from the pandemic.
- To submit a favourable proposal to the Board for ratification of the Resolution Plan Policy and the Resolution Communication Plan.
- To submit a favourable proposal to the Board for the approval of the results of 2019 ICAAP validation by the Internal Validation unit.
- To submit a favourable proposal to the Board for the approval of updates to the Corporate Risk Framework and the Entity's Risk Policy Manuals and the General Chart of Authorities.

- To submit a favourable proposal to the Board for the authorisation for issue of the Prudential Relevance Report (PRP) of Abanca Corporación Bancaria, S.A. at 31 December 2019.
- To propose to the Board the approval of the methodological documents for estimating IRB parameters.
- To propose to the Board the ratification of amendments to the current Market Risk Limits Framework.
- To report on the evolution of the behaviour of applications for the main products/segments, following the declaration of the "state of alarm" on 15 March as a result of the COVID-19 pandemic.
- To submit a favourable proposal to the Board for the approval of the calibration of Capital Recovery Indicators consistent with the amendments to the Capital Management Framework and the new RAF limits.
- To submit a favourable proposal to the Board for the approval of the 2020 Risk Appetite Framework adjusted to the latest available adverse scenario and, the consequential approval of the risk regulatory framework having previously confirmed the consistency thereof with the new RAF.
- To report on the quarterly follow-up of the Scorecard for the third quarter of 2020.
- To submit a favourable proposal to the Board for the approval of the updated scenarios for capital planning.
- To submit a favourable proposal to the Board for the approval of the results from the validation of the foreclosed assets model.
- To take note of the report on authorised treasury stock transactions.
- To submit a favourable proposal to the Board for the approval of the progress made in the 2019-2020 Recovery Plan and of the main decisions to be made in connection with the calibration of Recovery Indicators and the recovery scenario.
- To submit a favourable proposal to the Board for the approval of the results from the review of the current Foreclosed Assets Model and the new Foreclosed Asset Model.
- The Committee unanimously approved to submit a favourable proposal to the Board for the approval of the 2019-2020 Recovery Plan.
- To submit a favourable proposal to the Board for the approval of the following documents: Bail-in (Stage 2) Playbook, Separability Analysis Report (Stage 2), Operational Continuity in Resolution Plan and FMIs Contingency Plan, and delivery thereof to SRB
- To express its agreement with the proposed 2021 Scorecard and to submit a favourable report to the Board for the update of the milestones referred to the Comprehensive Risk Commission.

D RELATED PARTY AND INTRAGROUP TRANSACTIONS

D.1. List the transactions carried out between the entity or entities in its group and the shareholders, co-operative members, holders of proprietary rights or any other right of the entity of an equivalent nature.

At the end of the 2020 financial year, the amounts (EUR thousand) of the outstanding transactions and balances held with shareholders, co-operative members, holders of proprietary rights or any other right of the Entity of an equivalent nature, are as follows:

Loans granted: 100,290

Deposits: 20,552

Other transactions: 48,431

Finance income: 974

Finance expenses: 9

D.2. List the transactions carried out between the entity or entities in its group and the directors or members of the governing body or executives of the entity.

At the end of the 2020 financial year, the amounts (in EUR thousand) of the outstanding transactions and balances with the Entity's directors and executives are as follows:

Loans and credits granted: 4,406

Deposits: 8,943

Other transactions: –

Finance income: 24

Finance expenses: 53

D.3. List intragroup transactions.

At the end of the 2020 financial year, the amounts (EUR thousand) of the outstanding transactions and balances with jointly-controlled companies or entities and associates of ABANCA Corporación Bancaria, S.A. Group, that are not eliminated in the consolidation process, are as follows:

Loans granted: 30,990

Deposits: 29,446

Other transactions: 11,002

Finance income: 737

Finance expenses: 0

D.4. List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the entity or its group and members of its Board or governing body or its executives.

As set out in article 28 of the Regulations of the Board of Directors of the Bank, directors shall refrain from:

1. Carrying out transactions with the Company, except in the case of ordinary transactions, under standard conditions for customers and of little relevance, such operations being understood as those whose information is not required in order to fairly present the equity, financial position and results of the Company.

2. Using the name of the Company or invoke his/her status of director in order to unduly influence the performance of private operations.

3 Making use of the company's assets, including the Company's confidential information, for private purposes.

4. Taking advantage of the Company's business opportunities.

5 Obtaining advantages or remuneration from third parties other than the Company and its Group associated with the performance of their position, except in the case of mere acts of courtesy.

6 Carrying out activities for their own account or for the account of others that involve effective competition, whether current or potential, with the Company or which, in any other way, place them in a permanent conflict with the interests of the Company.

The foregoing provisions shall also apply in the event that the beneficiary of the prohibited acts or activities is a person related to the director. For the purposes of these regulations, the following shall be considered as people related to the directors:

1. The spouse of the director or people with a similar personal relationship.
2. The ascendants, descendants and siblings of the director or the director's spouse.
3. The spouses of the ascendants, descendants and siblings of the director.
4. The companies in which the director, by himself or herself or by an interposed person, is in any of the situations listed in the first section of article 42 of the Commercial Code.
5. In the case of a legal entity director, those indicated in article 231.2 of the Capital Company Act.

The cases that have been authorised by the Company in accordance with the Law, the By-laws and the Board Regulations are excepted.

The authorisation must necessarily be approved by the General Meeting when the purpose is to dispense with the prohibition of obtaining an advantage or remuneration from third parties, affects a transaction worth more than ten percent of the company's assets, or refers to the obligation to not compete with the Company.

In other cases, authorization may be granted by the Board of Directors provided that the independence of the members who grant it with respect to the excused director is guaranteed. In addition, the safety of the authorized operation for corporate assets or, where appropriate, its execution under market conditions and the transparency of the process is necessary.

The obligation not to compete with the Company may only be waived in the event that there is no reason to expect harm to be caused to the Company or where compensation for the benefits expected to be obtained from the waiver can be expected. The waiver shall be granted by means of an express agreement separate from the General Meeting, in which the authorized competitive activities shall be specified.

At the request of any partner, the General Meeting shall decide on the dismissal of any manager who engages in competitive activities when the risk of harm to the Company has become relevant.

Directors must notify the Board of any direct or indirect conflict situation that they or, to the extent that they are aware of them, the people related to them (as defined in section 2 of article 27 of the Board Regulations), may have with the interest of the Company. The conflict situations in which the Company's managers find themselves shall be detailed in the report and in the annual corporate governance report. In addition, the directors must communicate the direct or indirect holding that both they and their related parties, insofar as they are aware of them, have in the capital of a company with the same, analogous or complementary type of activity constituting the corporate object, and shall also notify as to the positions or the functions they exercise in it.

As established in article 29 of the Bank's Board Regulations. "Related Transactions"

The board shall at least be aware of the operations that the Company or its Group companies undertake with directors (in the terms set out in the law and in article 28 of the Board Regulations), with shareholders, individually or in concert with others, who hold a significant share, including shareholders represented on the Board of Directors of the Company or other Group companies or with people related to them.

The execution of these operations shall require the authorization of the Board, after a favourable report from the Audit and Compliance Committee, except in cases where its approval pertains by law to the General Meeting. The aforementioned operations shall be valued from the point of view of equal treatment and market conditions, and be included in the annual corporate governance report and in the periodic public information in the terms set out in the applicable regulations.

There shall be no obligation to inform the Board, nor to obtain the authorization referred to in the preceding section when dealing with operations that simultaneously meet the following three conditions: (a) they are made under contracts whose conditions are standardized and applied en masse to a large number of customers. (b) they are carried out at prices or rates established in general by the person acting as the supplier of the good or service in question or, when the operations refer to goods or services in which there are no established rates, are carried out in usual market conditions, similar to those applied in business relationships with customers of similar characteristics; and c) their amount does not exceed 0.5 percent of the Company's annual income, in accordance with the audited individual annual accounts of the last financial year ending on the date of the operation in question. The percentage has been reduced (it used to be 1%), in application of the aforementioned Corporate Policy for Operations with Related Parties.

Notwithstanding the foregoing, the granting of credits, warranties and guarantees by the Company, in favour of its directors, general or similar directors, shall be subject, in addition, to the prior authorization of the Bank of Spain. As an exception, the authorization referred to in the preceding paragraph shall not require the granting of a credit, warranty or guarantee that: a) is covered by the collective agreements concluded between the Company and all of its employees. b) is carried out pursuant to contracts whose conditions are standardized and are applied en masse and on a regular basis to a large number of customers, provided that the amount granted to the same person, their second-degree relatives or the companies in which these people have a controlling interest equal to or greater than 15 percent, or whose board they are part of, does not exceed 200,000 euros. The concession of the above operations shall be notified to the Bank of Spain immediately after its concession.

Pursuant to the provisions of the Regulations of the Board of Directors, article 29 bis "Breaches", in the event that the directors seriously or repeatedly fail to comply with the provisions of Chapter IX of the Board Regulations, the Appointments Committee, on its own initiative or at the request of the Audit and Compliance Committee or the Board of Directors, shall gather the necessary information and formulate a proposal for action that it shall submit to the Board of Directors. This proposal may include a serious warning to be imposed, where appropriate, by the Audit and Compliance Committee. In this case, once the serious warning has been imposed, the Appointments Committee must issue a report, to be submitted to the Board of Directors, on the advisability of the removal of the manager, in accordance with section 2.3 of article 20 of the Board Regulations.

Similarly, the Bank has a Code of Ethics and Conduct, an Internal Code of Conduct in the area of the Securities Market, a Conflicts of Interest Management Policy developing this, and a Corporate Policy for Operations with Related Parties that includes the general principles established by the Bank for conflicts of interest management.

In relation to the codes of ethical principles or good practices to which the Bank has voluntarily adhered, ABANCA CORPORACIÓN BANCARIA, S.A. is attached, since March 2012, to the Code of Good Practice included in the Annex to the Royal Decree-law 6/2012, of urgent measures to protect mortgage debtors without resources. Similarly, ABANCA CORPORACIÓN BANCARIA, S.A. is adhered to the Code of Good Practices for the viable restructuring of debts with a mortgage guarantee on habitual residence, with the modifications introduced in Law 1/2013, of 14 of May, for measures to strengthen the protection of mortgage debtors, debt restructuring and social rent, from July 2013.

Furthermore, corporate social responsibility has been a strategic priority for ABANCA from the outset. The Entity strongly wishes for its activity to serve as an impetus for social improvement and sustainable growth, and it is committed to doing so transparently and in accordance with the ten principles of the Global Compact, as well as with the development objectives approved by United Nations. As a sign of the commitment to disseminate these objectives among all Bank professionals, the Company joined the #Companies4SDGs campaign. The purpose of ABANCA is to align the lines of action of the social responsibility strategy in this area in order to help achieve the objectives established in the Agenda 2030, an action plan that seeks to improve the life, in a sustainable way, of future generations.

E RISK CONTROL SYSTEMS

E.1. Explain the scope of the entity's Risk Control and Management System.

The Group's risk management and control model follows the guidelines issued by **Basel Committe on Banking Supervision** (BCBS), establishing a transversal risk management that encompasses the entire organization, and is defined in three lines of defence:

i. **First line of defence**: management and control functions performed by the Group units, understood as the Business and Credit Units. In this line are the primary controls.

ii. **Second line of defence**: control functions implemented in accordance with comprehensive risk management, through DG Corporate Control and Risks and DG Corporate Governance and Legal Affairs, in the areas falling within their respective remits. Establishes regulations and monitors compliance with the first line.

iii. **Third line of defence**: supervisory functions performed by Internal Audit.

With this model, the Group seeks to guide the Entity towards the best banking practices, promoting risk culture throughout the entire organisation and undertaking comprehensive risk management, which includes the review of key operational processes, in order to guarantee solvency and Bank resilience according to the Risk Profile defined by the Governing Bodies.

The quality of risk management constitutes a focal point of action for the Group. The Group's risks policies are directed at maintaining a medium-low profile, with its risk management model constituting a key element in achieving its strategic objectives.

The Group has therefore implemented comprehensive risk management in which the definition and control of Risk Appetite is one of the key elements, this being necessary to guarantee compliance with the desired risk profile, consistent and coherent with the annual budget approved in the medium-term strategic plan, and in the day-to-day risk management.

The Group defines risk appetite as the amount and type of risks that is considered reasonable to assume in the execution of the business strategy considering each of the types of risks, so that it can maintain its ordinary activity against the occurrence of unexpected events. For this, severe scenarios are considered that could have a negative impact on its capital, liquidity and/or profitability levels.

The Entity carries out an active management of the entire life of the risk, from the pre-analysis, through the analysis/concession, follow-up and until the extinction. The main risks are not only analysed at the time of their origination or when irregular situations arise in the ordinary recovery process, but are carried out continuously for all customers.

Credit risk management is also supported by credit management tools such as scoring models (private, self-employed and micro-enterprises), rating systems (exposures with medium and large companies) and pre-classifications (large customers).

The Bank's exposure information and aggregation systems enable the monitoring of exposures, verifying systematic compliance with the approved limits, as well as adopting, if necessary, the pertinent corrective measures. The status of the Bank's main portfolios is regularly monitored and presented to the Board.

The Bank has a risk limit system that is updated with a minimum annual frequency and that covers credit risk, as well as the different exposures of market risk, both trading and liquidity, and structural, interest rate risk and liquidity, to which exhaustive monitoring is applied, encompassing the highest Governing Bodies.

E.2. Identify the bodies in the entity responsible for preparing and implementing the Risk Control and Management System.

The Board of Directors is entrusted with the function of setting the Entity's general risk policy, authorizing the system of established control limits and periodically monitoring compliance therewith, as well as determining the risk appetite framework.

The Comprehensive Risk Committee monitors risk management and control in order to guarantee the content, integrity and effectiveness of the risk appetite framework (hereinafter, the RAF), advising the Board on risk matters. To do this, it periodically monitors the Group's risk profile. Furthermore, the committee ensures that the Group's actions are consistent with its level of risk tolerance and, in this sense, establishes global limits on the main risk exposures, carrying out follow-up work through the systematic review, and establishing the necessary actions in case of deviations. It is also in charge of global risk control (credit, market, liquidity, interest and operational,...).

The role of the Audit and Compliance Committee includes the supervision of the effectiveness of internal control and risk management systems, so that the main risks are adequately identified, managed and disclosed.

The Delegate Credit Committee has delegated the powers that pertain to the Board of Directors in relation to the granting and monitoring of financing operations, whatever their nature. In turn, this committee delegates the sanction of certain operations to lower committees, in accordance with the provisions of the Bank's General Standard on Attributions (approved through the Comprehensive Risk Committee).

The Management Committee is the committee responsible for proposing and monitoring the Strategic Plan, the Annual Global Budget and the Entity's Annual Operating Plan. This committee is also responsible for approving the Entity's annual general objectives and its distribution by business lines, responsibility centres and segments; as well as making relevant corporate decisions or monitoring the Entity's day-to-day business.

The Assets and Liabilities committee (ALCO) is the body responsible for designing the financial strategy, including, amongst others, the Equity Adequacy Policies, Rate Setting, Funding Strategy, Strategy and investment policies; ensuring compliance. Similarly, it defines the operational objectives in terms of financial management (balance sheet, liquidity and margin) in order to meet the strategic objectives. It is in charge of the correct implementation of asset and liability management strategies, transmitting to the Capital Markets General Management, Management and Distribution the operating instructions for the proper management of the Entity's liquidity. Finally, it monitors trade policy.

E.3. State the main risks which may prevent the company from achieving its targets.

In accordance with the current situation in the environment and due to the Bank's own structure, liquidity and market risks are not presented as those that may have a greater impact in achieving business objectives, whereas credit, interest rate and operational risks could mainly do so.

Credit risk would be more affected by the evolution of the outstanding portfolio than by the new production portfolio. This focuses on risk monitoring and early reaction to indicators of deterioration of borrowers, as well as the establishment of specialized admission channels with the establishment of maximum admissibility thresholds for expected loss.

With regard to the eventual emerging risks, particularly noteworthy are the focus on the monitoring and management of technological risks, with a special attention to cybersecurity, and on the management of the COVID-19 health crisis, anticipating transactions to cover the eventual needs of our clients, minimising the impact from the health crisis through an adequate management of the portfolio's credit quality.

Up to date, that impact has not translated into an impairment of the credit profile of our portfolios, mostly as a result of the extraordinary measures taken by the Government to address the economic and social impact of the pandemic: liquidity measures (through loans with ICO guarantee), temporary suspension of repayments (moratoriums for mortgage loans and other loans), and specific measures for the more vulnerable industries, such as tourism and transportation.

The influence of interest rate risk in achieving the objectives is not currently motivated by events that may affect the interest rate curve, but rather by the levels at which the curve is currently moving with negative values in various tranches, which pushes down the margin of the sector. Added to this is a strongly competitive context in a market with an intense decline in spread in recent months, which is why the monitoring of both the curve (interest risk) and production prices is intensified in order to make the decisions considered appropriate in every moment. In addition, the Bank focuses on managing risk-associated returns in order to maximize the return on capital in an unfavourable interest rate environment for margin creation.

The Entity continuously improves operational risk management, through new control tools, and having reinforced internal control mechanisms to prevent, among others, possible fraud in those borrowers who are in a worse economic situation.

E.4. State if the entity has risk tolerance levels.

As a fundamental element in risk management, the Bank has defined a framework for risk appetite (hereinafter RAF, "Risk Appetite Framework"), through which the Group's Governing Bodies explicitly define the desired and maximum levels of risk (appetite and tolerance) that they are willing to assume.

This exercise is carried out both at the global risk level and for each of the relevant risks that the Group faces in its activity. The maximum representatives of the Entity and its Governing Bodies intervene in the conception of the Bank's RAF. The document is initially submitted to the Comprehensive Risk Committee, then it is submitted to and approved by the Comprehensive Risk Commission and, ultimately approved by the Board of Directors. Additionally, the members of the Executive Committee play a very active role in the definition and establishment of the Risk Appetite based on the strategic planning defined for the Bank.

The definition of the risk appetite and tolerance is based on the selection of a set of qualitative and quantitative indicators, for which the desired level (appetite) and maximum level (tolerance) are set.

In the RAF definition, 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, are included. For this reason, the criteria established in the RAF shall be taken into account at all times within the normal circuits of analysis and approval of operations. In particular, the indicators defined and monitored relate to the following risk categories:

i. Solvency Risk: is the probability of incurring losses arising from the Entity's failure to meet its capital requirements, and that those losses may compromise its future viability.

ii. Business Risk: is the risk of the Entity registering a significant reduction of profit as a result of adverse business decisions or failures in the implementation of the Entity's strategy. This risk also includes the risk of foreclosed assets recognised in the statement of financial position.

iii. Credit Risk: is defined as the probability of the Entity incurring losses as a result of a counterparty's failure to meet its obligations. Credit risk originates from the possibility of incurring losses arising from the total or partial default of the financial obligations assumed by clients or counterparties with the group. This concept includes the risk arising from the concentration of credit risk, given the impact that this aspect may have on the Entity's solvency.

iv. Market Risk: The risk of incurring losses, and therefore the risk of a negative impact on the Group's results and capital, due to the maintenance of open positions in the financial markets, as a consequence of an adverse movement in the financial variables (factors of risk) that determine the market or realization value of these positions held either for investment or trading purposes. Market Risk also includes the interest rate risk in the banking book (IRRBB), understood as the risk of incurring losses, in terms of net interest income and economic value of shareholders' equity, arising from adverse movements in market interest rates.

v. Liquidity risk: The ability of an entity to finance its growth and to meet its payment obligations at maturity, without incurring unacceptable losses.

vi. Non-Financial risk:

   a. Operational Risk: the risk of losses resulting from deficiencies or failures of internal processes, human resources or systems, or derived from external circumstances, including legal risk.

   b. ICT Risk: is the risk of loss due to breach of confidentiality, failure of integrity of systems and data, inappropriateness or unavailability of systems and data, of the inability to change IT within reasonable time and costs when the environment or business requirements.

   c. Reputational Risk: this is linked to the perception of the Group of the different interest groups with which it is related, 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. Reputational risk also includes the Climate Risk, understood as the risk of the Entity not measuring, assessing, preventing and mitigating the negative environmental impacts, with a special focus on climate change, resulting from the Group's decisions and actions.

d. **Conduct Risk**: means the current or prospective risk of losses to an institution arising from inappropriate supply of financial services including cases of wilful or negligent misconduct. (Including internal fraud).

E.5. Identify the risks that have occurred during the reporting period.

Throughout 2020, the effect of the COVID-19 pandemic has effect has impacted particularly market and credit indicators, although no significant changes have occurred in the Entity's risk profile, as established in the Risk Appetite framework defined for that financial year. At the end of the reporting period, the Entity's risk profile remained within the appetite defined in the process of construction and management of the Entity's risk appetite framework.

The risks are monitored on a monthly basis, presenting themselves to the Governing Bodies. Through it, it is verified that the Entity is in a controlled risk position and adequate control of the positions assumed is guaranteed. For all risks, the opportune analysis and evaluation of trend and behaviour is undertaken, counting at all times with the explanations of their movement, including the details of the regulatory/normative changes.

E.6. Explain the response and monitoring plans for the main risks the entity is exposed to, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise.

The plans are implemented in two blocks:

A. The organizational structure associated with the risk function.

In line with section E1, ABANCA has an organizational model of risk control and management that encompasses the entire organization, and which is specified in three lines of defence, taking as reference the definition of an RAF at the Entity level, on which the management and supervision of the response is carried out, and from which the following activities are derived:

The Corporate Control and Risks DG participates in the definition of the RAF (monitoring and control) and in the definition of policies and procedures for the management of the different risks, guaranteeing that any deviation will be reported to the Comprehensive Risk Committee.

This General Directorate reports directly to the Comprehensive Risk Committee, guaranteeing the independence of Risk Control. Its mission is to foster a risk culture throughout the organisation, representing the second line of defence through the comprehensive management of risks, ensuring the solvency and resilience of the Entity in accordance with the risk profile defined by the governing bodies, and leading the Bank towards best practices in risk culture.

Once the RAF has been defined, from the Credit DG and the Capital Markets, Management and Distribution DG (responsible for managing the operations in the Group's wholesale markets), what is established is transferred from day to day and throughout the life of the risk, guaranteeing compliance with said risk appetite framework.

The Entity carries out active risk management throughout its life, following the policies established by the Corporate Control and Risks DG, in search of compliance with the Entity's risk profile. The risk, in this regard, is managed in several stages, which depend on the events that take place during the period in which the transactions are ongoing.

In the credit investment admission phase, a criterion must be applied according to the defined risk profile, seeking a reasonable balance between efficiency and effectiveness through the decentralization of the decision, based on the delegation of powers and the allocation of powers based on of the risk assumed, and relying on the management and control tools implemented.

In the monitoring phase, the Entity's primary objective is the early detection of situations of risk of non-compliance by customers that allow specific action plans to be implemented in order to avoid this occurring, as well as the control and management of collateral associated with assets.

Recovery is centralized in the Recovery Department, currently within the Credit DG, aimed at recovery actions and anticipation of late payments. The actions carried out by this Directorate are aimed at complying with the RAF, monitoring the expected recovery levels, and ensuring that they are in line with those defined in the business plan.

B. The use of appropriate tools and the support of expert analysts.

ABANCA has opted for the development of its own models based on the historical information available and continues its development in this regard, with the ultimate objective of assisting those responsible for the different risks in decision-making, based on criteria of efficiency and experience, with a comprehensive approach to risk, taking into account at all times the implications that certain decisions may have on the Bank's global risk profile. Additionally, for decision making, the developed models are complemented by individualized analyses carried out by expert analysts for each type of risk.

ABANCA has developed internal credit loss determination models in the framework of the implementation of the new IFRS9 regulations in force since January 1, 2018.

During the 2020 financial year, the Entity has continued with its cycle of maintenance and updating of support tools for credit risk management, and continues to increase integration in their management.

F INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS FOR FINANCIAL REPORTING (ICFR)

Describe the mechanisms that comprise the control and risk management systems in relation to financial reporting (ICFR) in your company.

F.1. The Entity's control environment

Report, noting its main characteristics of, at least:

F.1.1. The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective ICFR; (ii) its implementation; and (iii) its monitoring.

The Board of Directors of Abanca Corporación Bancaria, S.A. (hereinafter, "the Bank" or "the Entity"), is responsible for the existence and maintenance of an adequate and effective Internal Control System for Financial Reporting (hereinafter, "ICFR").

The Bank's By-laws state, in article 27, that the Board of Directors shall assume, without delegation, those powers legally reserved for its direct knowledge, as well as those others necessary for a responsible exercise of the general supervisory function. Additionally, the Regulations of the Board of Directors in article 4.1 indicates that the Board of Directors, amongst other functions, has the "approval of the main lines of the Company's policies and strategies, as well as the monitoring and supervision of their execution".

For its part, within the Bank's organizational structure, the General Finance Directorate, through the General Audit and Accounting Directorate, which is under its authority, is responsible for the implementation, maintenance and development of the general framework of the internal control systems for financial information, so as to ensure the adequacy of the information prepared by the Bank.

Similarly, the Audit and Compliance Committee Regulations define, through their Art. 5.3, the functions in relation to the internal control and information systems and the internal audit function assigned to it, which are, among others, the following:

- Check the adequacy and integrity of internal control systems and review the appointment and replacement of the people in charge.

- Understand and supervise the preparation and presentation process and the integrity of the mandatory financial information related to the Company and, where appropriate, to its Group.

- Supervise the effectiveness of internal control and risk management systems, so that the main risks are adequately identified, managed and disclosed.

F.1.2. The existence of the following components, especially in connection with the financial reporting process:

- **Departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the company.**

The Directorate General of Human Capital, reporting to the CEO, has defined a flexible Job Map for the organization, and is transparent for the employee.

The Organizational Chart and its functional units are published on the corporate intranet.

The Bank's current organizational structure aims to guarantee a solid model of internal control over financial reporting.

- **Code of conduct, approval body, degree of dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.**

In August 2014, the Bank's Management Body approved ABANCA's Code of Ethics and Conduct. The Code of Ethics and Conduct, with the status of a general rule, is based on the values of Responsibility, Reliability, Quality and Innovation, and the 139 Articles of the Code are included in these four chapters or sections, with an additional section regulating the Ethics Committee. The Ethics and Conduct Code currently also includes the Anti-corruption Policy and the Entity's commitment to Human Rights.

All people belonging to ABANCA have the right and obligation to know the aforementioned Code, comply with and disseminate it to third parties who may be subject to any of its provisions. For this, the Code of Ethics is permanently available to the staff on the intranet.

ABANCA's Code of Ethics and Conduct contains specific references to the preparation of financial information (articles 9, 10 and 73, among the most notable, establishing the last of those mentioned that "ABANCA shall efficiently disseminate its institutional reports and adopt measures to ensure that the financial information, as well as any other that is issued within the framework of its corporate communications, is complete, correct, truthful, symmetrical, equitable and useful over time "). Regarding the registration of operations, article 30 bis of the code states that "the people who form ABANCA are obliged to adequately account for, record and document all income and expenses, as well as any other accounting item, without omitting, hiding or altering any data or information, so that the accounting and operating records accurately reflect reality and can be verified by the control areas and by the internal and external auditors. Income and expenses must be duly authorized, proportionate, respond to services actually rendered and to a legitimate economic purpose.

In July 2017, the Board of Directors of ABANCA approved the anti-corruption policy, which meant the modification of the article 12 of the Code of Ethics and Conduct for its inclusion as an annex/part of the Code of Ethics, and in December 2020 the Board approved the inclusion in the Code
of the Commitment to Human Rights assumed by ABANCA.

The Anti-Corruption Policy, like the Code of Ethics and Conduct, is applicable to the members of the governing bodies, management team and other bank employees and those people or entities involved in the provision of services by third parties whose adherence, in the judgement and under the responsibility of the corresponding hiring committees, should be demanded. All of them must know and comply with this.

To monitor the operation and compliance of the Code of Ethics and Conduct, the Ethics Committee has been created to be in charge of ensuring compliance with the standards of ABANCA's Code of Ethics. Its functions shall also include promoting ethics training, solving queries, conflicts of interest that arise, analysing complaints and, where appropriate, sanctioning breaches of the Code of Ethics. The Committee is made up of the CEO, the CEO of Human Capital, the Auditor General, the CEO of Corporate Social Responsibility, the CEO of Corporate Control and Risks; and the CEO of Corporate Governance and Legal Affairs.

In addition, to ensure proper compliance with the Code of Ethics and Conduct, there is a Whistleblowing Channel supervised by the Audit Committee and managed by the Internal Audit Unit, in addition to an application to declare and manage potential conflict situations, incompatibilities, etc. between ABANCA and its staff (application of conflicts of interest) whose management is in charge of Human Capital (Employment Consulting). The complaints channel and the application of conflicts of interest are available to the staff on the intranet in the section About ABANCA-Ethical Channels.

Similarly, there is an Internal Code of Conduct in the area of the Securities Market. Its objective is to adjust the actions of the Bank, its administrative bodies, employees and representatives, to the rules of conduct contained in the Securities Market Law and its implementing provisions. In addition, a Conflict of Interest Management Policy is established, in accordance with the aforementioned regulations. All this in order to promote transparency in the markets and preserve, at all times, the legitimate interest of investors. The application of the aforementioned regulations is undertaken through the Regulatory Compliance Committee, which reports directly to the Audit and Compliance Committee.

- **Whistleblowing channel, which allows for communication to the audit committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.**

In accordance with the provisions of the Code of Ethics and Conduct of ABANCA Corporación Bancaria S.A.(hereinafter, ABANCA), as well as in the article 12 of the Regulations of the Board of Directors of ABANCA and in the Criminal Risk Prevention Policy and Manual of Abanca Group, a mechanism has been established, the Whistleblowing Channel, which allows any internal interest group, professionals and/or Employees of ABANCA Group, as well as any employee of the Service or Goods Providers, who had access to information, in the development of their activities within ABANCA Group, to confidentially communicate breaches of the Code of Ethics and Conduct, of the Internal Code of Conduct in the Securities Market, as well as any allegedly criminal act or fraudulent or irregular act, regardless of their type or quantity, that they notice in within the Group.

The objectives of the implementation of the Whistleblowing Channel are to:

- Establish an effective measure for the prevention and detection of illegal or irregular behaviour.
- Enable control measures on the activity of the company.
- Contribute to the continuous improvement of internal processes and policies of ABANCA for the management and control of illegal or irregular conduct that may be committed within it.

For this purpose, the following have been established as basic principles:

- The confidentiality of the identity of the complainant and protection against retaliation.
- The processing of personal data in strict compliance with the provisions of the Regulations (UE) 2016/679 of the European Parliament and Board of 27 April 2016 relating to the protection of natural people with regard to the processing of personal data and the free movement of these data, in the Law 3/2018, of 5 December, Protection of Personal Data and guarantee of digital rights and other applicable provisions on the matter.
- The exhaustive analysis of the reported facts to ensure the veracity of the possible breach.
- The presumption of innocence and respect for the rights of the people allegedly involved.
- Rigour in the actions that are undertaken as a consequence of the communications received that must be substantiated and justified.
- Good faith. Anyone who makes a complaint must do so in accordance with an inalienable principle in good faith, with sufficient reasons and objective evidence to demonstrate the existence of the breach.

The following means have been established to formulate anonymous or confidential complaints:

- An internal web application: both internal and external personnel who have access to the Intranet shall have access to the complaints channel application, which will provide them with a unique random number given to the complaint and a password known only to the complainant.
- Email: for those cases in which the complainant does not have access to the Intranet, or does not want to make use of the complaint channel application, an email is made available through which the complaints shall be received: canaldenuncia@abanca.com

On the other hand, to guarantee that the Whistleblowing Channel can operate effectively, and ensure its correct execution, review, supervision and updating, control bodies are required to provide adequate support. The following have therefore been established:

- Group Audit and Compliance Committee: responsible for supervising the proper operation of the Whistleblowing Channel.
- Ethics Committee: decides on the matter investigated, approving or ratifying the sanctions to be applied according to the Company's disciplinary system.
- Human Capital: is responsible for monitoring and executing, whenever necessary, the disciplinary measures adopted by the Ethics Committee.

- Internal Audit: as manager of the Complaints Channel, it is responsible for managing the complaints received, and issuing reports on the matters that must be investigated.
  In addition:
    - Those matters in which any criminal liability may arise shall be submitted to the competent bodies in the area of criminal risk prevention.
    - Complaints regarding potential breaches of the current regulations on the Prevention of Money Laundering and Terrorism Financing committed internally by employees, managers, or agents shall be submitted to the Internal Control Body, through the Technical Unit for the Prevention of Money Laundering.
    - Complaints regarding potential or effective infringements in the field of market abuse and other breaches of Securities Market regulations shall be submitted to the Internal Control Body, through the Department of Conduct of the Stock Market.
    - The Data Protection Officer shall be informed regarding data protection security breaches or privacy issues deemed relevant,
    - An annual report on its operation shall be reported to the Audit and Compliance Committee.

- **Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management.**

- The Entity's objective is that the personnel involved in the different processes related to the preparation of financial information receive training actions and knowledge updates, specifically designed to facilitate the proper development of their functions. To this end, the Entity seeks to provide a Training Plan in accounting and financial matters adapted to each of the positions and responsibilities of the personnel involved in the preparation and review of financial information.

- As has been the case in previous financial years, a training plan for the personnel involved in the different processes related to the preparation of financial information was established in the 2020 financial year, in order to complete what was undertaken in previous years in accounting and financial matters, and has been adapted to each of the positions of these personnel. With the 2020 training plan for the General Intervention and Accounting Directorate, 31 training actions with a total of 651.25 hours, which represents 24.12 teaching hours per person, have been undertaken. Fourteen of these training actions have dealt with topics specifically related to accounting standards, auditing, internal control and risk management, with 74 participants. Particularly noteworthy are the training courses in Consolidation, Insurance Accounting, Accounting effects of debt restructuring transactions, IFRS 9 Course: Impairment of financial assets, New banking package: EU adoption of the final Basel III CR II-CRD V BRRD II-SRM II, Specialist course in FRTB, Comprehensive Risk Management, MiFID II and RAROC, as well as courses on Institutional Architecture, Governance Framework, Prudential Framework, Resolution Framework supplemented with courses on the Resolution Plan.

F.2. Risk assessment in financial reporting

Report at least on:

F.2.1. The main characteristics of the risk identification process, including risks of error or fraud:

- The process exists and is documented.

The Entity has a Policy for the identification of processes, relevant areas and risks associated with financial reporting, which includes those of error or fraud.

- **The process covers all financial reporting objectives (existence and occurrence, completeness, valuation, presentation, disclosure and comparability, and rights and obligations), and if it is updated and how often.**

The process of identifying risks and controls of activities and transactions that may materially affect the annual accounts is completed annually, using the most recent financial information available as a basis.

However, when circumstances not previously identified that show possible errors in the financial information or substantial changes in the Group's operations become apparent during the year, the Entity evaluates the existence of risks that should be added to those already identified.

The criteria to be followed in identifying risks are as follows:

- The identification of risks shall be carried out fundamentally for the risks of error and fraud regarding the financial information that is reported to the markets.

- Its identification shall be carried out by the respective Directorate General, together with the help of the areas responsible for the selected processes under review.

- Risks of error to be identified shall be those that affect the consolidated financial information of the Abanca Corporación Bancaria S.A. Group.

- The process is aimed at identifying risks of material error.

In any case, the risks shall refer to possible errors (intentional or not) in the framework of the objectives of financial reporting: (i) existence and occurrence; (ii) integrity; (iii) valuation; (iv) presentation; (v) and rights and obligations.

Similarly, the degree to which these objectives affect each heading of the annual accounts may be: low, medium or high.

- **A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles, holding companies.**

The Entity has a Consolidation Procedure detailing the monthly review activity of the consolidation perimeter carried out by the Group and Branch Control and Consolidation Department, belonging to the General Audit and Accounting Department. Through this procedure, the Entity ensures that the variations that occur in the perimeter, in the different periods of generation of financial information, are correctly included in the Group's consolidated annual accounts.

- **If the process addresses other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the annual accounts.**

The effect of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.) shall be considered in the identification of risks of error in financial information.

- **Identify the entity's governing bodies responsible for overseeing the process.**

The Policy for the identification of processes, relevant areas and risks associated with financial information establishes that the execution of the procedure for identifying risks and controls is the responsibility of the appropriate Directorates-General and the responsibility for supervising the process is the responsibility of the Audit and Compliance Committee through the Internal Audit function, as well as the General Audit and Accounting Directorate.

F.3 Control activities

Report, indicating its main characteristics, if it at least has:

F.3.1. Procedures for reviewing and authorising the financial information and description of ICFR to be disclosed to the markets, stating who is responsible in each case and the documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the annual accounts, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections.

The Entity has a procedure for reviewing and authorizing financial information that is sent to the markets with the periodicity set by the regulations and that is prepared by the General Directorate of Finance, or from the relevant General Directorates at the request of the former. The supervision function is assigned to the General Audit and Accounting Directorate and the Internal Audit Area.

Within the General Directorate of Finance, the Accounting and Accounting Control department is responsible for the accounting records arising from the different transactions that take place in the Entity and those that carry out the main control activities listed in section F.2.1 above, including the accounting Closing procedure and the review of the relevant Judgements and Estimates, based on the materiality thresholds defined. Similarly, these areas are responsible for preparing, in general, the Entity's financial information on the existing accounting basis, having defined and implemented, in the aforementioned preparation process, additional control procedures that guarantee the quality of the information and its reasonableness for subsequent presentation to Senior Management.

In the processes of preparing this information, the General Directorate of Finance or, where appropriate, the Directorate of General Intervention and Accounting, requests the collaboration of the other General Directorates and/or Areas responsible for obtaining certain additional information, the breakdown of which is required in periodic financial reports. Similarly, and once the information preparation process is completed, the aforementioned managers are requested to review and authorize the information for which they are responsible, prior to publication.

The Audit and Compliance Committee also intervenes in the review process, informing the Board of Directors of its conclusions on the financial information presented by the General Audit and Accounting Directorate. Ultimately, the Board of Directors approves the financial information that the Entity must periodically make public. These functions are included in the Regulations of the Board of Directors. Its implementation is formalized through the minutes of the different meetings.

Regarding the description of the ICFR, this is reviewed both by the General Audit and Accounting Directorate, as well as by the Internal Audit, as well as by the Governing Bodies mentioned above, as part of the periodic information that the Entity sends to the markets.

Regarding activities and controls directly related to transactions that may materially affect the annual accounts the Entity has a GRC tool that optimizes the supervision and testing of the procedures and risk matrices and controls of the significant processes that affect the generation and preparation of financial information.

The significant processes (distinguishing between business and cross-cutting processes) associated with the Entity's financial areas for which the aforementioned documentation is available are detailed below:

Specific business processes associated with the relevant areas (epigraphs of the annual accounts) would be the following:

1. Loans/Credits and Guarantees
2. Wholesale/Syndicated
3. Insolvency funds
4. Debt Securities and Other Capital Instruments
5. Hedging and trading derivatives (Assets and Liabilities)
6. Foreclosed assets
7. Debt marketable securities
8. Investments

9. Tax assets and liabilities/Income tax

10. Demand accounts and term accounts

Cross-cutting processes that affect all areas as a whole:

1. Balance sheet date

2. Consolidation

3. Judgements and estimates

4. General computer controls

The aforementioned tool considers:

- The description of the activities related to the process, indicating the particularities that a specific product or operation may contain.

- The identification of the relevant risks for which the areas involved in the process identify the main risks on financial information related to the process with a material impact on the Entity's annual accounts.

- The identification of the controls and their description in relation to the relevant risks previously identified. Similarly, the evidences supporting the existence of each identified control are attached.

The General Directorate of Finance, with the information obtained from the different areas of the Entity, is responsible for the judgements, estimates, projections, accounting policies and critical hypotheses of the Entity, and is the ultimate responsibility of the Board of Directors to approve them in the yearly accounts. The main estimates identified by the Entity are as follows; useful life of tangible and intangible assets, valuation of certain financial assets, fair value of certain non-financial assets, corporation tax, integrity/accuracy of the consolidation perimeter, provisions for future contingencies and Impairment losses of certain financial assets.

F.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key processes regarding the preparation and publication of financial information.

The Entity has a General Computer Controls process with its respective risk and control matrix detailing the risks and controls relating to access security, change control, their operation, operational continuity and segregation of duties.

Additionally, the information systems that support the processes on which the Entity's financial information is based are subject to internal control policies and procedures to guarantee the integrity of the preparation and publication of financial information.

Specifically, policies have been established in relation to:

- Access security: the applicable regulations regarding the control of logical access to ABANCA's information systems (applications, databases, communication devices and information processing resources), establishing the necessary requirements for access control to the systems and the measures to guarantee the protection of the information subject to processing. There are also specific procedures for the different activities within the scope of identity and access management. These procedures shall cover all stages of the life cycle of user access, from user registration to the modification of authorizations and removal of users in the systems.

  Control of access to resources and the identification and authentication of users are fundamental control objectives. The information must be protected by controls that reduce the risk of abuse, loss, alteration, destruction and unauthorized processing or access of the information processed in ABANCA, covering the aspects of:

  - Identification, authentication and user access management
  - Access privilege management
  - Password management
  - Database access control
  - Operating system access control
  - Network access control

- Business continuity: the Entity has a Technological Contingency Plan capable of facing disaster situations and guaranteeing the continuity of technological services. Strategies have been developed that allow the recovery of information systems in the shortest possible time. Similarly, it has specific Business Continuity Plans for the most priority business areas.
- Segregation of duties: the development and exploitation of financial information systems is carried out by a wide group of professionals with clearly differentiated and segregated roles:

  - The Entity's project managers carry out functional analyses, management of development projects, evolutionary and operational management and integration tests.

  - The development teams are made up of internal personnel and personnel from collaborating companies, who perform the functions of technological design, construction and testing, always under the development methodologies defined by the Entity.

  - The Systems Area is responsible for the exploitation of computer systems.

- Change management: the management of changes and developments in the systems that support the Entity's financial information is carried out based on a formally defined and institutionalized methodology. The Entity is certified as CMMI (Capability Matutirty Model

Integration) level 5 (Optimizing), and development activities are formalised in the "CGDN+" tool that supports demand and technology project management. This tool is the central axis of the technology service, and enables process automation, user visibility, as well as management of development activities and improvement of project's predictability, through the monitoring of results against the objectives defined in a quantifiable and predictable manner.

- Incident management: the main objective of the policies and procedures established in this area is the resolution of incidents in the shortest possible time. The efficiency of incident management is achieved through adequate risk assessment, the prioritization and monitoring of incidents based on their criticality, the reduction of communication times and, finally, the determination of problems and identification of improvement proposals. The monitoring of the evolution of incidents, as well as the necessary improvement plans, is controlled through the comprehensive management tool CGDN+.

F.3.3. Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the annual accounts.

The Bank has formalized a General Purchasing Policy (Procurement Regulation) that regulates the procedures for the acquisition of goods and services. The purchasing procedures establish the segregation of the functions of request, approval, contracting, supervision and payment for the services subcontracted to third parties.

Additionally, the Bank has established a Policy of Outsourcing Services, the latest update of which was approved by the Board of Directors on 18 December 2020. This policy establishes a number of criteria to address the requirements of EBA/GL/2019/02, including the rationale and viability of outsourcing, management of attaching risks, monitoring and control thereof, etc. in particular with regard to the outsourcing of critical functions.

Among other things, the assessment for the outsourcing of services considers the following factors: regulatory aspects to which outsourcing arrangements may be subject; the outsourcing impact on the Institution's business; the operational convenience of the outsourcing; the outsourcing proven necessity (on a business, operational or regulatory basis) or the inappropriateness of the service being internally rendered and its economic rationale based on: a cost-benefit analysis and prioritisation of the already existing outsourcing capacity; the Institution's capacity and experience to efficiently monitor outsourced functions and to adequately manage the related risks; and, where necessary on the basis of the outsourced function or service criticality, the business continuity plans.

Meanwhile, the third-party selection and assessment shall be undertaken by attending to diverse factors which guarantee that the provider: holds the competency, capacity, experience and, if necessary, any authorization that the current applicable normative might require, in order to carry out the outsourced function or service in a reliable and professional way; that it complies with the most relevant laws and norms that apply; that it efficaciously carries out the outsourced function or service, while correctly supervising its progress, and that it disposes of adequately trained and experienced personnel, in order to carry out the outsourced service or function in compliance with the applicable regulations; that it communicates any event that could significantly affect the efficacious development of the function or service; that it cooperates with the supervising authority in everything that relates to the outsourced activities; that it adequately manages the associated risks, disposes of the appropriate protection measures for the entity's confidential information and that of its customers, and it has, applies and maintains a contingency plan that enables it to maintain its activity and limits losses in the case of severe incidents in the business.

Amongst others, the Bank uses reports from independent experts on operational valuations that may potentially materially affect the annual accounts. For the 2020 financial year, the activities entrusted to third parties related to valuations and calculations by independent experts have been related to: i) actuarial calculation studies, ii) legal and tax advisory services, iii) appraisals on foreclosed properties and on properties that act as collateral in the institution's credit operations and, iv) valuation of certain financial instruments, in accordance with the applicable accounting regulatory framework.

The independent expert evaluations used in matters relevant to the generation of financial information are included within the circuit of review procedures carried out by the control, internal audit and external audit areas.

The outsourcing of any activity is always supported by a service provision contract between the Bank and the provider, where the commissioned service is clearly specified.

F.4 Information and communication

Report, indicating its main characteristics, if it at least has:

F.4.1. A specific function in charge of defining and maintaining accounting policies (accounting policy area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the entity's operating units.

Since 1 January 2018, Circular 4/2017 has come into force on public and confidential financial reporting standards, and models of financial statements. The objective of the new circular is to adapt the accounting regime of Spanish credit institutions to changes in the European accounting system arising from the adoption of two new International Financial Reporting Standards (IFRS) –IFRS 15 and IFRS 9–, that modified the accounting criteria applicable to revenue and financial instruments, respectively. The latter is particularly relevant for credit institutions.

The Accounting and Accounting Control Department, which reports to the Directorate of General Intervention and Accounting, is responsible for identifying and interpreting the changes that occur in accounting policies, as well as defining and solving doubts arising from the interpretation of the Bank's accounting procedures.

The Entity has an Accounting Policies Manual that aims to establish the accounting principles that govern the activity of ABANCA Corporación Bancaria, S.A. and the companies that make up the

ABANCA Corporación Bancaria Group in the preparation of its annual accounts. This document is updated annually by the General Audit and Accounting Directorate and approved by the Comprehensive Risk committee.

Additionally, and completing the previous manual, different documents are available that form an accounting circuit, explaining the details of all the possible events through which the contract or operation may pass and describing the main characteristics of administrative operations, tax regulations and the criteria and accounting standards applied. The documentation corresponding to these accounting circuits is stored by the Directorate of General Intervention and Accounting, and is regularly updated by the Accounting and Accounting Control area.

F.4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

The Bank's systems are fully integrated and the registry of operations automatically triggers their accounting, as well as updating inventories.

Regulatory reporting is undertaken through the "Pyramid" tool. This was designed with the aim of facilitating a dynamic tool, which would enable them to capture the data from the different Financial Statements
in a simple and rapid manner, meeting the requirements of the Bank of Spain with regard to the structure of the Reports, magnetic support, data validation, etc. The main functionalities of "Pyramid" are the following:

- Financial Statements Explorer.
- Financial Statements Viewer.
- File Generator.
- File Importer.
- Table Editor.
- Databases.
- Automatic generation and sending of information, XBRL format, Bank of Spain format (BECA), internal format (VAR).
- Submission control consultation.
- Possible errors and solutions.
- Generation of a Bank of Spain format file of corrections to a previously sent statement.
- Tables out of program.

In order to prepare the consolidated information, all the Group companies have the SAP tool. The capture and preparation of the Group's financial information is therefore performed in homogeneous formats.

F.5 Oversight of the system's functioning

Report, noting its main characteristics, at least of:

F.5.1. The monitoring activities undertaken by the audit committee and whether the entity has an internal audit function whose competences include supporting the audit committee in its role monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate his/her findings. Also state whether the entity has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

Article 5 of the Regulations of the Audit and Compliance Committee of Abanca Corporación Bancaria, S.A., establishes that the functions of the Audit and Compliance Committee, in relation to the internal information and control systems and the internal audit function, include:

- Checking the adequacy and integrity of internal control systems and reviewing the appointment and replacement of those responsible;
- Understanding and supervising the process of preparation and presentation and the integrity of the mandatory financial information related to the Company and, where appropriate, to its Group, reviewing compliance with regulatory requirements, the proper delimitation of the scope of consolidation and the correct application accounting criteria, presenting, where appropriate, recommendations or proposals to the Board, aimed at safeguarding its integrity;
- Supervising the effectiveness of the Company's internal control audit, and risk management systems, so that main risks are adequately identified, managed and disclosed, and discussing with the external auditor the significant weaknesses of the control system internal detected, where appropriate, in the development of the audit, all without violating its independence. To this end, and where appropriate, they may submit recommendations or proposals to the Board and the respective deadline for their follow-up;
- Supervising and ensuring the independence and effectiveness of the internal audit function; proposing the selection, appointment, re-election and removal of the Auditor General; proposing the Internal Audit Statute, proposing the orientation and annual work plan of the internal audit function, ensuring that its activity is focused mainly on the Company's relevant risks; proposing the budget and resource plan of the internal audit function, after evaluating the scope and resources of the function; receiving periodic information on its activities and on incidents that occur in its development; and verifying that senior management takes into account the conclusions and recommendations of their reports. On the other hand, the Auditor General shall have full access to the Audit and Compliance Committee, through its chairperson;
- Establishing and supervising a mechanism that allows employees to communicate, in a confidential manner, potential irregularities, especially financial and accounting, that are noticed within the company; and
- Reviewing the Company's accounts, monitoring compliance with legal requirements and the correct application of generally accepted accounting principles, as well as report proposals for modification of accounting principles and criteria suggested by management.

The Purpose and Mission of this unit are detailed within the Entity’s Internal Audit Statute, approved by the Board of Directors:

- The purpose of the Internal Audit Department of ABANCA is to provide independent and objective assurance and consulting services designed to add value and improve the entity's operations. The mission of the internal audit is to enhance and protect the value of the organization by providing risk-based assurance, advice and analysis. The Internal Audit Department helps the entity meet its objectives by providing a systematic and disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

The same audit statute defines that the Internal Audit evaluations include verifying that:

- The risks related to the achievement of the entity's strategic objectives are adequately identified and managed.
- The actions of the members of the entity comply with the policies, regulations and procedures of ABANCA.
- The results of operations or programmes are consistent with the established aims and objectives.
- Operations or programmes are being carried out effectively and efficiently.
- The risk of fraud and the possibility of its occurrence is properly managed by the entity.
- The established processes and systems allow compliance with the policies, procedures, laws and regulations that could significantly affect the entity.
- The information and the means used to identify, measure, analyse, classify and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and adequately protected.

The Internal Audit function is authorized, with full autonomy, and independence in its actions, to have access to all the relevant information for the performance of its responsibilities.

Every year, the Internal Audit Department submits the activities plan for the year to the Audit and Compliance Committee for approval, periodically informing as to the degree of execution.

The committee may also, at any time, request from Internal Audit the performance of work not contemplated in the Plan.

At the meetings of the committee, Internal Audit reports the results of its work, and the monitoring of its requirements and recommendations, and may propose to the committee such additional actions as it deems appropriate.

F.5.2. Whether there is a discussion procedure whereby the auditor (pursuant to Auditing Technical Standards), the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the annual accounts or other assignments, to the entity's senior management and its audit committee or Board of Directors. Also state whether the entity has an action plan to correct or mitigate the weaknesses found.

Article 12 of the Regulations of the Audit and Compliance Committee states that, for the proper functioning of its operations, the Audit Committee, through its chairperson (notwithstanding the involvement of other members of the Committee), shall establish an effective communication channel and periodically with the main auditor responsible for the audit of accounts as defined by the LAC (where appropriate, the auditor or auditors of accounts designated by the respective audit firm as the main responsible party for the audit work).

Moreover, article 2, in its section 2.4, establishes as one of the roles of the committee "to serve as a communication channel between the Board of Directors and the external auditors, to evaluate the results of each audit and the management team's responses to the external auditor's recommendations and mediate in cases of discrepancies between the former and the latter in relation to the principles and criteria applicable in the preparation of the financial statements. Similarly, the Commission shall verify that senior management takes into account the recommendations of the external auditor; and in section 2.6, "ensure that the external auditor holds an annual meeting with the full Board of Directors to report on the work carried out and on the evolution of the Company's accounting and risk situation".

Internal Auditing shall collaborate with the supervisory bodies in all their tasks, and shall provide all information requested.

F.6 Other relevant information

There is no other relevant information to be reported.

F.7 External auditor's report

Report on:

F.7.1. The ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.

Article 540 of the Spanish Corporate Enterprises Act (whose consolidated text was approved by the Royal Legislative Decree 1/2010, of 2 July) regarding the dissemination and contents of the Annual Corporate Governance Report, has not established the obligation to obtain from the annual accounts auditor a review report on the description of the ICFR.

It has not been considered necessary to request the respective report from the auditor for its review.

Next, in application of the Corporate Governance Excellence Plan approved by the Board of Directors and as good practice, the degree of compliance with the recommendations of the Code of Good Governance of listed companies shall be voluntarily indicated, since ABANCA Corporación Bancaria, S.A. is not a listed company.

DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

1. **The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the take-over of the company by means of share purchases on the market.**

   Compliant.

2. **When the listed company is controlled, pursuant to the meaning established in Article 42 of the Commercial Code, by another listed or non-listed entity, and has, directly or through its subsidiaries, business relationships with that entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to the activities of any of them, this is reported publicly, with specific information about:**

   a) **The respective areas of activity and possible business relationships between on the one hand, the listed company or its subsidiaries and, on the other, the parent company or its subsidiaries.**

   b) **The mechanisms established to resolve any conflicts of interest that may arise.**

   Not applicable.

3. **During the annual general shareholders' meeting, the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:**

   a) **Changes taking place since the previous annual general shareholders' meeting.**

   b) **The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.**

   Partially compliant.

   Subject to the information on corporate governance presented to the General Meeting and the information regularly reported by the Chairperson of the Board of Directors to the Governing Bodies of the Bank, ABANCA has a Communication Policy (approved on 1 March 2021) addressing, inter alia, communication to shareholders, and establishing several communication channels with shareholders and investors, to wit: the corporate website, the following e-mail address: JuntaABANCA@abanca.com and the Investor Relations department.

4. The company should define and promote a policy for communication and contact with shareholders and institutional investors within the framework of their involvement in the company, as well as with proxy advisors, that complies in full with the rules on market abuse and gives equal treatment to shareholders who are in the same position. The company should make said policy public through its website, including information regarding the way in which it has been implemented and the parties involved or those responsible its implementation.

   Further, without prejudice to the legal obligations of disclosure of inside information and other regulated information, the company should also have a general policy for the communication of economic-financial, non-financial and corporate information through the channels it considers appropriate (media, social media or other channels) that helps maximise the dissemination and quality of the information available to the market, investors and other stakeholders.

   Compliant.

   Abanca's Communication Policy was approved on 1 March 2021.

5. The board of directors should not make a proposal to the general shareholders' meeting for the delegation of powers to issue shares or convertible securities without preemptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

   When a board approves the issuance of shares or convertible securities without preemptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

   Compliant.

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general shareholders' meeting, even if their distribution is not obligatory:

   a) Report on auditor independence.

   b) Reports of the operation of the audit committee and the nomination and remuneration committee.

   c) Audit committee report on related transactions.

   Compliant.

7. The company should broadcast its general shareholders' meetings live on the corporate website.

   The company should have mechanisms that allow the delegation and exercise of votes by electronic means and even, in the case of large-cap companies and, to the extent that it is proportionate, attendance and active participation in the general shareholders' meeting.

   Compliant.

   This issue is expected to be complied with at the next ensuing Annual General Meeting of Shareholders, the proceedings and discussions of which are intended to be broadcast live.

8. The audit committee should strive to ensure that the financial statements that the board of directors presents to the general shareholders' meeting are drawn up in accordance to accounting legislation. And in those cases where the auditors includes any qualification in its report, the chairman of the audit committee should give a clear explanation at the general meeting of their opinion regarding the scope and content, making a summary of that opinion available to the shareholders at the time of the publication of the notice of the meeting, along with the rest of proposals and reports of the board.

   Compliant, in accordance with the Regulations of the Board and the Regulations of the Audit and Compliance Committee, both as revised and approved on 26 March 2021.

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general shareholders' meetings and the exercise or delegation of voting rights, and display them permanently on its website.

   Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

   Compliant.

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general shareholders' meeting, the company should:

    a) Immediately disclose the supplementary items and new proposals.

    b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.

c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.
d) After the general shareholders' meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Compliant.

11. In the event that a company plans to pay for attendance at the general shareholders' meeting, it should first establish a general, long-term policy in this respect.

Not applicable.

12. The board of directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Compliant.

13. The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

Compliant.

14. The board of Directors should approve a policy aimed at promoting an appropriate composition of the board that:

a) Is concrete and verifiable;

b) ensures that appointment or re-election are based upon a prior analysis of the competences required by the board; and

c) favours diversity of knowledge, experience, age and gender. Therefore, measures that encourage the company to have a significant number of female senior managers are considered to favour gender diversity.

The results of the prior analysis of competences required by the board should be written up in the nomination committee's explanatory report, to be published when the general shareholders' meeting is convened that will ratify the appointment and re-election of each director.

The nomination committee should run an annual check on compliance with this policy and set out its findings in the annual corporate governance report.

Compliant, in accordance with the Regulations of the Board and the Regulations of the Appointments Committee and the Policy for the Selection and Continuous Evaluation of the Suitability and Qualification Requirements for Directors, as revised and approved on 26 March 2021.

15. **Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.**

    Further, the number of female directors should account for at least 40% of the members of the board of directors before the end of 2022 and thereafter, and not less than 30% previous to that.

    Compliant, in accordance the Policy for the Selection and Continuous Evaluation of the Suitability and Qualification Requirements for Directors, as revised and approved on 26 March 2021.

    Independent directors and female directors currently represent 70% and 30%, respectively, in the Board of Directors of ABANCA.

16. **The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.**

    This criterion may be relaxed:

a) **In large-cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.**

b) **In companies with a plurality of shareholders represented on the board of but not otherwise related.**

Compliant.

Although ABANCA has a controlling shareholder that holds a 84.75% of the share capital, and therefore recommendation 17 would be met, maintaining a third of independent directors, in the application of its wish to apply the best practices of Corporate Governance, it maintains a majority proportion of independent directors, with the proportion of proprietary director currently being 1 out of 10.

17. **The number of independent directors should be at least half of the total number of directors.**

    However, when the company is not highly capitalised or is highly capitalised but has one or more shareholders acting in concert and controlling more than 30% of the share capital, the minimum number of independent directors should be at least one third of the total.

    Compliant.

    Although ABANCA has a controlling shareholder that holds a 84.75% of the share capital, and therefore recommendation 17 would be met, maintaining a third of independent directors, in the application of its wish to apply the best practices of Corporate Governance, it maintains a majority proportion of independent directors, with the proportion of proprietary director currently being 1 out of 10.

18. **Companies should disclose the following director particulars on their websites and keep them regularly updated:**

    a) **Background and professional experience.**

    b) **Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.**

    c) **Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.**

    d) **Date of their first appointment as a board member and subsequent re-elections.**

    e) **Shares held in the company, and any options on the same.**

    Partially compliant.

    The entity publishes information on directors on its corporate website (as per the requirements of Bank of Spain Circular 2/2016), and includes the appropriate disclosures in the notes of the Financial Statements and in the Annual Corporate Governance Report attached to the Financial Statements.

19. **Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3% of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.**

Not applicable.

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter number should be reduced accordingly.

    Compliant.

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from the nomination committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

    The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

    Compliant.

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, related or not to their actions within the company, and tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

    When the board is informed or becomes aware of any of the situations mentioned in the previous paragraph, the board of directors should examine the case as soon as possible and, attending to the particular circumstances, decide, based on a report from the nomination and remuneration committee, whether or not to adopt any measures such as opening of an internal investigation, calling on the director to resign or proposing his or her dismissal. The board should give a reasoned account of all such determinations in the annual corporate governance report, unless there are special circumstances that justify otherwise, which must be recorded in the minutes. This is without prejudice to the information that the company must disclose, if appropriate, at the time it adopts the corresponding measures.

    Compliant, in accordance the Regulations of the Board of Directors and the Policy for the Selection and Continuous Evaluation of the Suitability and Qualification Requirements for Directors, as revised and approved on 26 March 2021.

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.
When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Compliant.

24. Directors who give up their position before their tenure expires, through resignation or resolution of the general meeting, should state the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for the general meeting resolution, in a letter to be sent to all members of the board.

This should all be reported in the annual corporate governance report, and if it is relevant for investors, the company should publish an announcement of the departure as rapidly as possible, with sufficient reference to the reasons or circumstances provided by the director.

Compliant, in accordance with the Regulations of the Board and the Regulations of the Audit and Compliance Committee, both as revised and approved on 26 March 2021.

25. The nomination committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board of directors' regulations should lay down the maximum number of company boards on which directors can serve.

Partially compliant.

The limitation of positions is set out in the Policy for the Selection and Continuous Evaluation of the Conditions of Suitability and Qualification of Directors approved by the Board of Directors, which regulates in its point Four.3 the limitation of positions in accordance with the provisions of the LOSSEC. Similarly, the Regulations of the Board of Directors refer in its article 18.4 to the applicable regulations regarding, among other issues, the ability to dedicate enough time to perform the corresponding functions.

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Compliant.

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

    Compliant.

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

    Compliant.

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

    Compliant.

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

    Compliant.

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

    For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

    Compliant.

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

    Compliant.

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Compliant.

34. When a lead independent director has been appointed, the bylaws or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice chairmen give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.

   Not applicable.

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

   Compliant.

36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

   a) The quality and efficiency of the board´s operation.

   b) The performance and membership of its committees.

   c) The diversity of board membership and competences.

   d) The performance of the chairman of the board of directors and the company´s chief executive.

   e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

   The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the nomination committee.

   Every three years, the board of directors should engage an external facilitator to aid in the evaluation process.

   Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

   The process followed and areas evaluated should be detailed in the annual corporate governance report.

   Compliant.

37. When there is an executive committee, there should be at least two non-executive members, at least one of whom should be independent; and its secretary should be the secretary of the board of directors.

    Not applicable.

38. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

    Not applicable.

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters, both financial and non-financial.

    Compliant.

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of internal reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

    Compliant.

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, for approval by this committee or the board, inform it directly of any incidents or scope limitations arising during its implementation, the results and monitoring of its recommendations, and submit an activities report at the end of each year.

    Compliant.

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

    a) Monitor and evaluate the preparation process and the integrity of the financial and non-financial information, as well as the control and management systems for financial and non-financial risks related to the company and, where appropriate, to the group – including operating, technological, legal, social, environmental, political and reputational risks or those related to corruption – reviewing compliance with regulatory requirements, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment and removal of the head of the internal audit service; propose the service's budget; approve or make a proposal for approval to the board of the priorities and annual work programme of the internal audit unit, ensuring that it focuses primarily on the main risks the company is exposed to (including reputational risk); receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report irregularities of potential significance, including financial and accounting irregularities, or those of any other nature, related to the company, that they notice within the company or its group. This mechanism must guarantee confidentiality and enable communications to be made anonymously, respecting the rights of both the complainant and the accused party.

d) In general, ensure that the internal control policies and systems established are applied effectively in practice.

2. With regard to the external auditor:

a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.

b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

c) Ensure that the company notifies any change of external auditor through the CNMV, accompanied by statement of any disagreements arising with the outgoing auditor and the reasons for the same.

d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company´s risk and accounting positions.

e) Ensure that the company and the external auditor adhere to current regulations of the provision of non-audit services, limits on the concentration of the auditor´s business and other requirements concerning auditor independence.

Compliant, in accordance with the Regulations of the Board of Directors and the Regulations of the Audit and Compliance Committee, both as revised and approved on 26 March 2021.

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Compliant.

44. The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Compliant.

45. Risk control and management policy should identify or stablish at least:

    a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks, and risks relating to corruption), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.

    b) A risk control and management model based on different levels, of which a specialised risk committee will form part when sector regulations provide of the company deems it appropriate.

    c) The level of risk that the company considers acceptable.

    d) The measures in place to mitigate the impact of identified risk events should they occur.

    e) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.

Compliant.

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

    a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.

    b) Participate actively in the preparation of risk strategies and in key decisions about their management.

c) Ensure that the risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Compliant.

47. Appointees to the nomination and remuneration committee – or of the nomination committee and remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Compliant.

48. Large-cap companies should operate separately constituted nomination and remuneration committees.

Compliant.

49. The nomination committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the nomination committee to propose candidates that it might consider suitable.

Compliant.

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

a) Propose to the board the standard conditions of senior management contracts.

b) Monitor compliance with the remuneration policy established by the company.

c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.

d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.

e) Verify the information on director and senior officer´s pay contained in corporate documents, including the annual director´s remuneration statement.

Compliant.

51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.

Compliant.

52. The rules of performance and membership of supervision and control committees should be set out in the board of directors' regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include:

a) Committees should be formed exclusively by non-executive directors, with a majority of independents.

b) They should be chaired by independent directors.

c) The board should the members of such committees with regard to the knowledge, skills and experience of its directors and each committee´s terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.

d) They may engage external advice, when they feel it necessary for the discharge of their functions.

e) Meeting proceedings should be minuted and a copy made available to all board members.

Compliant

53. The task of supervising compliance with the policies and rules of the company in the environmental, social and corporate governance areas, and internal rules of conduct, should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, a committee specialised in sustainability or corporate social responsibility, or a dedicated committee established by the board under its powers of self-organisation. Such a committee should be made up solely of non-executive directors, the majority being independent and specifically assigned the following minimum functions.

Compliant, in accordance with the Regulations of the Board, the Regulations of the Audit and Compliance Committee, and the Regulations of the Appointments Committee, as revised and approved on 26 March 2021.

54. The minimum functions referred to in the previous recommendation are as follows:

a) Monitor compliance with the company's internal codes of conduct and corporate governance rules, and ensure that the corporate culture is aligned with its purpose and values.

b) Monitor the implementation of the general policy regarding the disclosure of economic-financial, non-financial and corporate information, as well as communication with shareholders and investors, proxy advisors and other stakeholders. Similarly, the way in which the entity communicates and relates with small and medium-sized shareholders should be monitored.

c) Periodically evaluate the effectiveness of the company's corporate governance system and environmental and social policy, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.

d) Ensure the company´s environmental and social practices are in accordance with the established strategy and policy.

e) Monitor and evaluate the company´s interaction with its stakeholder groups.

Compliant, in accordance with the Regulations of the Board, the Regulations of the Audit and Compliance Committee, and the Regulations of the Appointments Committee, as revised and approved on 26 March 2021.

55. Environmental and social sustainability policies should identify and include at least:

a) The principles, commitments, objectives and strategy regarding shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of corruption and other illegal conducts.

b) The methods or systems for monitoring compliance with policies, associated risks and their management.

c) The mechanisms for supervising non-financial risk, including that relating to ethical aspects and business conduct.

d) Channels for stakeholder communication, participation and dialogue.

e) Responsible communication practices that prevent the manipulation of information and protect the company´s honour and integrity.

Compliant.

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Compliant.

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans, retirement schemes and other savings schemes, should be confined to executive directors.

    The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

    Compliant.

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

    And, in particular, variable remuneration items should meet the following conditions:

    a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.

    b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company´s long-term value creation, such as compliance with its internal rules and procedures and its risk control and management policies.

    c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

    Compliant.

59. The payment of the variable components of remuneration is subject to sufficient verification that previously established performance, or other, conditions have been effectively met. Entities should include in their annual director´s remuneration report the criteria relating to the time required and methods for such verification, depending on the nature and characteristics of each variable component.

    Additionally, entities should consider establishing a reduction clause ('malus') based on deferral for a sufficient period of the payment of part of the variable components that implies total or partial loss of this remuneration in the event that prior to the time of payment an event occurs that makes this advisable.

    Compliant.

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor´s report that reduce their amount.

Compliant.

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Compliant.

62. Following the award of shares, options or financial instruments corresponding to the remuneration schemes, executive directors should not be able to transfer their ownership or exercise them until a period of at least three years has elapsed.

Except for the case in which the director maintains, at the time of the transfer or exercise, a net economic exposure to the variation in the price of the shares for a market value equivalent to an amount of at least twice his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The foregoing shall not apply to the shares that the director needs to dispose of to meet the costs related to their acquisition or, upon favourable assessment of the nomination and remuneration committee to address an extraordinary situation.

Compliant.

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Compliant.

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

For the purposes of this recommendation, payments for contractual termination include any payments whose accrual or payment obligation arises as a consequence of or on the occasion of the termination of the contractual relationship that linked the director with the company, including previously unconsolidated amounts for long-term savings schemes and the amounts paid under post-contractual non-compete agreements.

Compliant.

This annual corporate governance report has been approved by the Board of Directors or administrative organ of the Entity at the meeting held on 26/03/2021.

State whether any director voted against or abstained from approving this report.

ABANCA is not a listed company, although in application of the Corporate Governance Excellence Plan approved by the Board of Directors in July 2017, and as a best practice, the degree of compliance with the recommendations of the Code of Good Governance of listed companies has been voluntarily indicated.

The degree of total or partial follow-up of the recommendations that can be applied in ABANCA, even though it is not a listed company, amounts to 100%.

Corporate and
Social Responsibility
REPORT

//ABANCA

2020

Corporate and Social Responsibility REPORT

ABANCA

2020

ABOUT this report

102-49

For the purposes of this report:

- **«ABANCA»** makes reference to the company ABANCA Corporación Bancaria, S.A.
- **«ABANCA Group»** makes reference to ABANCA Corporación Bancaria, S.A. and all the companies comprising the ABANCA Corporación Bancaria Group, which may be consulted in the Group's consolidated financial statements.

Governing principles

This document offers detailed information pursuant to Law 11/2018, of 28 December, amending the Code of Commerce, the consolidated text of the Spanish Limited Liability Companies Law, approved by Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on Auditing, on non-financial information and diversity in Spain.

In this context, ABANCA includes the consolidated non-financial information statement in the 2020 ABANCA Corporate and Social Responsibility Report pursuant to the table «CONTENTS REQUIRED BY LAW 11/2018» included herein.

The key non-financial result indicators included in this consolidated non-financial information statement was prepared pursuant to the applicable Spanish Corporate Law and the GRI (Global Reporting Initiative) Sustainability Reporting Standards, the international reporting framework of the aforementioned Law 11/2018, according to its exhaustive option applicable to each subject area included in the aforementioned table.
The information included in this non-financial information statement, which is an integral part of the Consolidated Directors' Report and which accompanies the Consolidated Financial Statements for 2020, was verified by KPMG Asesores, S.L. in its capacity as independent service provider, pursuant to the new wording given by Law 11/2018 to Article 49 of the Code of Commerce.

Furthermore, the other non-financial information contained in this Corporate and Social Responsibility Report for the year ended 31 December 2020 was prepared, in all material respects, in accordance with the GRI (Global Reporting Initiative) Sustainability Reporting Standards, in its exhaustive option, as detailed in point 102-54 of the «GRI Contents» section of the Report, which was also reviewed by KPMG Asesores, S.L.

Scope of the information

The financial information included in the Report was taken from the Consolidated Financial Statements for the year ended 31 December 2020, together with the Directors' Report for said year, due to which it makes reference to the ABANCA Group.

The information relative to Human Capital does not include the employees of Sogevinus S.G.P.S., S.A., Espacios Termolúdicos, S.A. and Natur Hotel SPA Allariz, S.A., which account for 4 % of total employees.

With regard to environment-related information for 2020, the energy consumption and emissions reported are those corresponding to ABANCA's branches in Spain and Portugal, and therefore does not include those corresponding to ABANCA's branches in other countries or to the other financial investees and non-financial investees, which account for 5 % of total employees.

In those cases where the scope of the reported information differs from the established scope, it will be specified in the corresponding section or table with a footnote.

introduction

102-14

Like every year, ABANCA presents the actions carried out in the past reporting period in the different spheres of its activity. Business results, corporate transactions, infrastructure and process improvement projects and social action, as a whole, form the detailed breakdown of the life of an organisation which grows and improves year on year.

This overview of our activity also reveals ABANCA's close connection to its social and economic environment, since a financial institution does not operate like an organisation disassociated from society, but rather, on the contrary, accompanies it in its daily evolution.

This connection between financial activity and society is especially visible during periods in which events occur that profoundly disrupt normality and oblige us to refocus collective energies towards a single and unexpected objective, such as the collective effort made -and still being made- to mitigate the social and economic consequences of COVID-19.

In our action plan, which we began to develop from the moment in which COVID-19 appeared as a major sanitary, economic and social challenge, we set ourselves the fundamental objective of protecting people. To this end, in collaboration with our employees, customers and suppliers, we firstly converted our network of branch offices and corporate headquarters into a safe environment. Simultaneously, we massively strengthened the capacity of our remote banking channels to enable our customers to perform all of their usual corporate and private transactions without having to go to a branch office.

In economic terms, ABANCA arranged State-guaranteed financing operations amounting to €3,128 million, applied credit facilities to mortgages amounting to €802 million and a further €455 million to other types of financing, and advanced 450,000 pension payments and 3,000 ERTEs (Temporary Labour Force Adjustment Scheme), with the aim of mitigating the consequences of COVID-19 on the activity of companies, SMEs, self-employed professionals and individuals.

In the field of care provision, the bank has donated 521 health equipment units to SERGAS (Servizo Galego de Saúde), of which over 150 were ICUs. It has also provided 90,000 menus to socially vulnerable school children in collaboration with Afundación.

The sense of social awareness as an inseparable element of our financial activity is not limited to the current context, but rather is permanent and will be maintained over time within a wider concept: sustainability.

As an organisation we adopted, at the time, and reaffirm today, a strong commitment to the creation of an economic model that is more respectful of the vital needs of persons and environmental balance of the planet, an objective which has led us to participate in the most relevent global initiatives in favour of sustainability.

ABANCA is committed to the Ten Principles of the United Nations Global Compact and forms part of the Spanish Network, is aligned with the Sustainable Development Goals (SDG) and the Paris Agreement, is a founding signatory of the Principles for Responsible Banking (RBP), is a member of the Collective Commitment to Climate Action (CCCA) of the UNEP FI, and is subscribed to the Principles for Responsible Investment and Sectoral Climate Agreement of the Spanish banking sector.

In the coming years, our Sustainability Policy will be the guiding light of our effort to promote sustainable development and respect for human rights in all the spheres where we are present, both in our organisation, which is composed of nearly 6,000 people, and in the market of the eleven European and American countries where we carry on our financial activity.

The future will bring new opportunities. And also new challenges. As we have done up until now, we will address each of them with a permanent vocation of customer service and greater responsibility towards society as a whole."

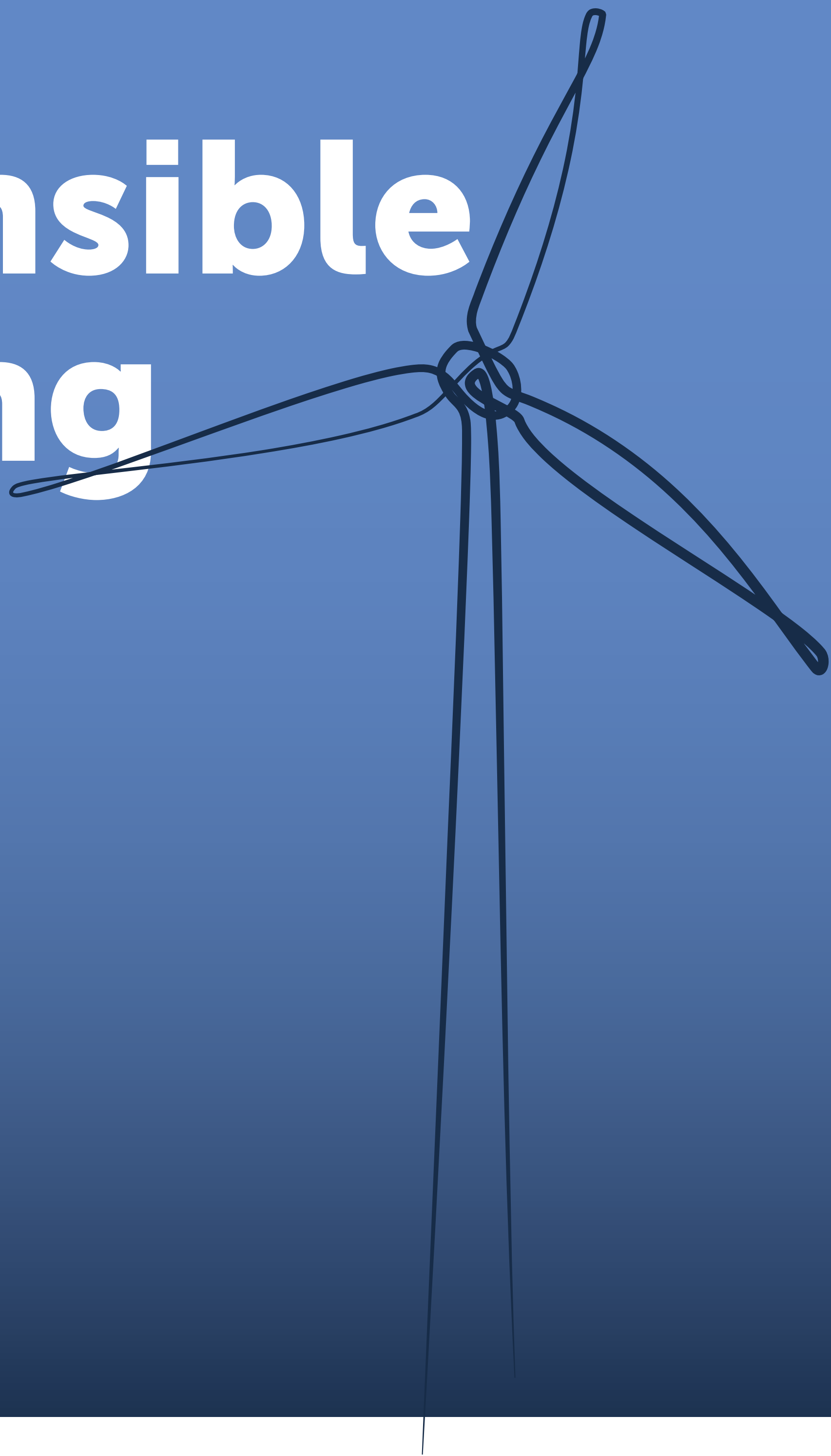
Juan Carlos Escotet Rodríguez
Chairman of ABANCA

Francisco Botas Ratera
CEO of ABANCA

1

ABANCA

responsible banking



OUR contribution

102-7

Employees

5,648
employees.

€356.1 M
personnel expenses.

93.5 %
of employees with permanent employment contracts.

15.49 years
average length of service at the company.

€1.5 M
investment in training.

Customers

€2.2 M
customers.

44.1 %
market share deposits in Galicia.

Business

17.9 %
ratio of total capital[1].

2.0 %
NPL ratio

>95.000 M€
revenue.

>1,000,000
mobile banking users.

Company

€16.6 M
social investment 2020.

Suppliers[2]

€216.70 M
in payments to suppliers.

2,583
approved suppliers.

82.8 %
Spanish suppliers.

13.3 %
Portuguese suppliers.

(1) Calculated taking into account the recent AT1 issue (January 2021).
(2) Supplier data corresponds to natural and legal persons engaged by the Procurement area for ABANCA and its investees. It does not include supplies or intra-Group billing.

Social Responsibility has historically been one of ABANCA's priorities from its beginnings, as a commitment to society and the natural environment where it operates. To this end, the bank has developed a management model which includes the highest international standards to meet its stakeholders' needs beyond legal requirements.

ACTION mode

103-2, 103-3

ABANCA has defined an action model that puts sustainability at the heart of the decision-making process to create value, analyse, prevent and mitigate the negative impacts that its actions may have on the environment and society.

The sustainability strategy is aimed at progressively converting ABANCA into a relevant player in this sphere, due to which we have intensified our efforts since the publication of our Sustainability Policy in 2019.

The Policy, which was renewed on the occasion of its annual review last year, together with the Code of Ethics and Conduct and other internal policies, comprise the corporate framework that guides our actions to achieve the necessary balance between economic growth, respect for the environment and social well-being.

Also, in 2020 the Board of Directors approved ABANCA's Human Rights Commitment, annexed to the Code of Ethics and Conduct, with the aim of publicly declaring ABANCA's commitment to fulfil the highest standards of respect and protection of human rights.

The basic principles that guide our actions in this regard are three:

1. Promote respect and protection of human rights, transparency and professional ethics, underpinned by the principles and values that govern the conduct of all employees, laid out in ABANCA's Code of Ethics and Conduct.

2. Raise awareness of human rights among employees.

3. Implement a human rights management and due diligence process.

Sustainability Policy.

Code of Ethics and Conduct.

Commitment to Human Rights.

As a founding signatory of the Principles for Responsible Banking and member of the United Nations Global Compact since its creation, ABANCA is determined to transparently drive sustainable growth through its activity, in line with the Ten Principles of the United Nations Global Compact and with the Sustainable Development Goals (SDGs) launched by the United Nations and Paris Agreement.

Therefore, ABANCA undertakes to act throughout its value chain and in its sphere of influence to achieve said goals and disseminate the commitments acquired internally and externally within its scope of action, and to maintain stable and permanent communication channels that will allow any stakeholder to formally submit complaints, questions and suggestions. And also to ensure that its stakeholders' actions are governed by codes of conduct and values identical to those established in this commitment.

Alignment between the responsible banking corporate framework and the Principles of the Global Compact

Anti-corruption **Policy**

Principle 10
Companies should fight corruption in all its forms, including extortion and bribery.

Sustainability and Energy **and Environment Policy**

Principle 9
Businesses should encourage the development and diffusion of environmentally friendly technologies.

Principle 8
Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 7
Businesses should support a precautionary approach to environmental challenges.

Code of Ethics and Conduct, Commitment to Human Rights and Equal Opportunity Plan

Principle 6
Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Commitment to **Human Rights**

Principle 1
Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2
Businesses should make sure that they are not complicit in human rights abuses.

Code of Ethics and Conduct

Principle 3
Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Commitment to **Human Rights**

Principle 4
Businesses should uphold the elimination of all forms of forced and compulsory labour.

Principle 5
Businesses should uphold the effective abolition of child labour.

CONTRIBUTION to the Sustainable Development Goals (SDG)

FS7, FS8, FS10, FS11

The entity strives to align its global strategy with the SDGs and best practices in order to guarantee its contribution as a financial services provider and a member of the community.

As our main premise, at ABANCA we assume that all the SDGs are correlated, due to which there will always be an impact and, thus, readiness to act on each.

Also, prioritisation and contribution to the goals will be updated in line with ABANCA's strategy and its corresponding activity.

Identification of priority SDGs We have prioritised our initial direct action goals, a total of 4 + 4 goals, due to their high impact, bearing and level of influence, on which our lines of action in the economic, social and environmental sphere will focus.

The following were taken into account in the analysis and identification:

- The size of the customer, business and organisation.
- The updated global strategy.
- The progress of the 2030 Agenda in Spain (specifically the REDS Report, 2020).
- The UN classification and recommendation by sector.

Priority
Direct impact due to ABANCA's main activity

Complementary
There is a degree of influence

Indirect
ABANCA acts indirectly

- Contribution as a financial agent
- Contribution as a social agent

Analysis of the contribution to priority SDGs

We analysed the Bank's progress in the contribution to the SDGs identified as priority.

	2019	2020
Number of employees with internal promotion	409	454
Number of employees whose performance was evaluated	93 %	96 %
Percentage of women in the Board of Directors	33.3 %	30 %
Percentage of independent directors	66.6 %	70 %
Number of customers connected to mobile banking	605,195	739,582
Increase in digital contracts	46.6 %	162.1 %
Number of collaboration agreements with fishing industry agents	86	90
Hours dedicated to environmental volunteering	4,800 h	921 h
Consumption of paper	341.8 t	303.93 t
Investment in training (millions of euros)	€1.8 M	€1.5 M
Number of participants in Afundación educational projects, ABANCA Welfare Project	238,468	183,609
Number of participants in plastic and performing arts	283,538	157,696
Beneficiaries of the financial education programme	103,461	92,273
Number of dwellings intended for social housing	350	436
Number of participants in the Afundación active ageing programme	28,601	22,554
Ending balance of financed renewable energy projects	€517 M	€700 M
Water consumption	38.672 m^3	31.430 m^3
Emissions avoided by reusing electronic waste	42.5 t CO_2	33.6 t CO_2
Reduction in GHG emissions	--	Up 78 % on 2019
Emissions avoided by using 100 % renewable energy	--	3,624 t
Generation of renewable energy in proprietary photovoltaic plant	420.3 Gj	391.8 Gj
Reduction in electricity consumption	--	Up 6 % on 2019

Contribution as a financial agent

8 DECENT WORK AND ECONOMIC GROWTH

We have a people management model aimed at guaranteeing the well-being, attracting, developing and retaining the best talent, which allows us to provide the best and most comprehensive service to our customers, who are at the heart of ABANCA's activity.

- ABANCA Corporación Bancaria, S.A. Collective Bargaining Agreement.
- Commitment to Human Rights.
- Health and Safety Committee.
- Regulatory employee training and development.
- 94.1 % of of employees with permanent employment contracts.
- Investment in new branch office and headquarters model.
- Quality policy and service.
- Variable and Flexible Remuneration System (REFLEX)Employee pension plans.
- Corporate Governance Excellence Plan.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Internally, we promote the value of initiative and improvement proposals, strive to stay abreast of new technologies and leverage on all their functionalities to improve the performance and efficient use of our work. From our institutional role, we drive initiatives that favour social innovation, revitalisation of the production sector and R&D&i.

- ABANCA Innova: Intra-entrepreneurship, Ithium project acceleration and development programme.
- Promotion of Mobile Banking and ABANCA Digital: pursue an omnichannel objective so that customers can choose where and how to perform their transactions and contract services.
- Investment in sustainable facilities with cutting-edge equipment.
- ABANCA Agro and ABANCA Mar: innovative sectoral financial solutions aimed at improving our customers' facilities and infrastructure.

SDG 14 & 15: protection of biodiversity

One of the key aspects of sustainable development is local action, where banks can contribute the most, without forgetting that the impact of their actions and responsibility is global.

ABANCA's greatest influence is in the Atlantic area, where its DNA resides. That's why we favour initiatives that promote adequate environmental protection and conservation, particularly in our immediate surroundings: the ocena and our forests.

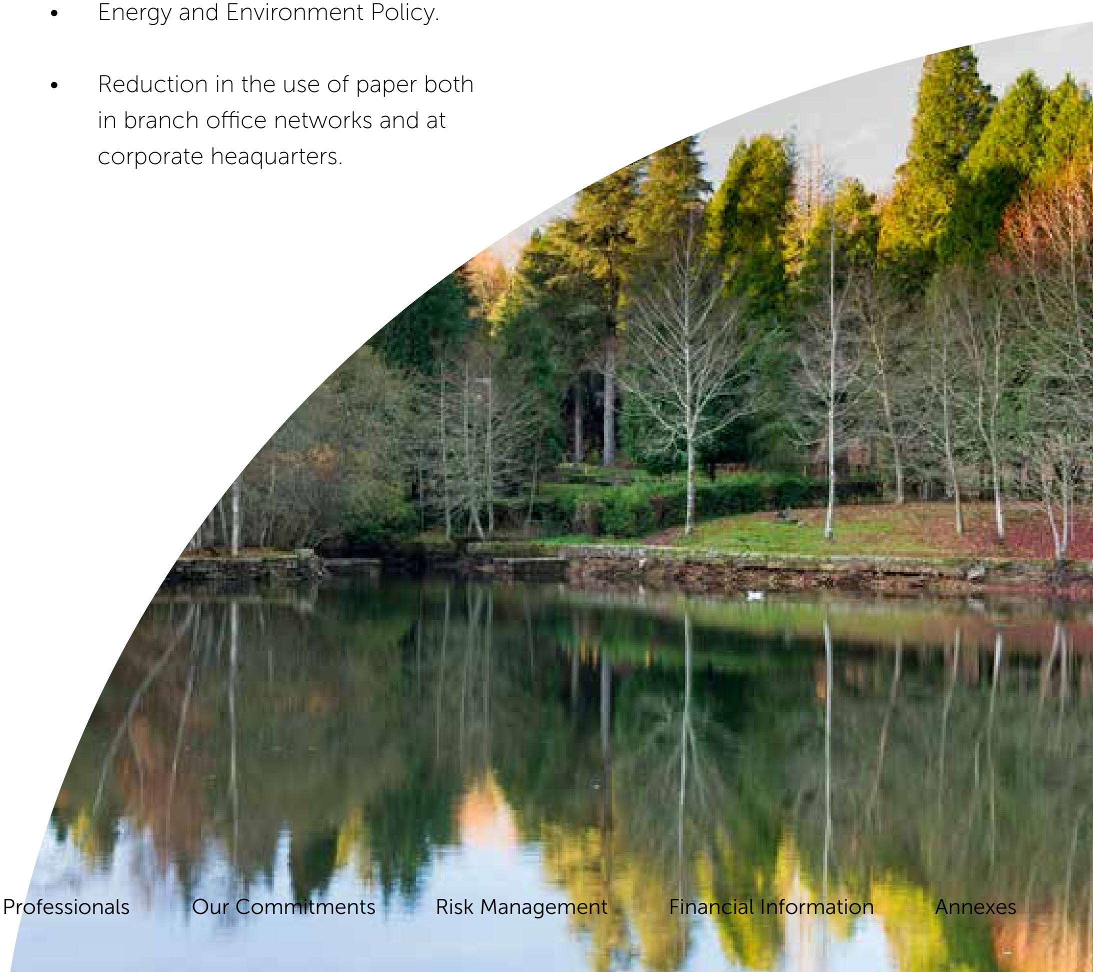
14 LIFE BELOW WATER

- ABANCA Mar: financing lines for companies and their sustainable projects.
- Collaboration agreement with the Spanish Fishing Confederation (CEPESCA).
- Participation, institutional support to the fishing and canning sector.
- Volunteering programme: cleaning of beaches.
- Adherence to the Sustainable Ocean Principles.
- Awareness actions: sustainability promotion activities programme.

15 LIFE ON LAND

- Environmental sustainability initiatives launched in conjunction with the forestry sector.
- Reforestation and ecosystem cleaning actions through corporate volunteering.
- Energy and Environment Policy.
- Reduction in the use of paper both in branch office networks and at corporate heaquarters.

Commitment to the environment.



Contribution as a social agent

Through ABANCA's Welfare Project, Afundación, we promote a transformative education model based on innovation, internationalisation and multiculturality, sustainability and training good practices.

- We promote higher education with the Intercontinental Higher Education Business Institute (IESIDE).
- Regulated Training (39,203 beneficiaries).
- Non-Regulated Training (178,220 beneficiaries).
- Conferences, courses and sessions.

It is supplemented with the following internal initiatives of the entity:

- Continuous Training Plan for the Board of Directors.
- Regulatory training of all employees.
- Company internship programme.

SDG training for all employees:

- The information on the priority SDGs and how we can individually contribute to each is available on the Intranet, under ABANCA Contigo. In addition to small gestures and initiatives as a family #ODSenFamilia.
- Participation in the Global Compact SDG Ambition (Spain) accelerator programme.

We apply the highest standards of respect, which is materialised in financial inclusion, sectoral policies, data protection and non-discrimination of our customers.

- We Activate Plan: an agreement with Galician provincial authorities to finance initiatives aimed at economic and social development.
- We support Mutual Guarantee Societies (MGS) for corporate financing.
- AENOR Certificate of Excellence in the Individual Banking, Business, Means of Payment and Electronic Banking Service.
- Corporate Volunteering Programme: Cubertos programme actions.
- Financial Education Programme: 92,273 beneficiaries in 2020.
- We are the sole sponsor of Afundación.
- ABANCA's «Singular Housing Management» unit is the only liaison, negotiation and management channel between Public Administration, platforms for people affected by mortgages (PAHs) and other associations.
- Employee Equal Opportunities Plan.

We always maintain rationalisation in the consumption of resources and in the acquisition of environmentally-friendly products and services, in addition to adequate waste management. We transmit these principles to our customers, collaborators and suppliers, with which we have a close and transparent relationship in the values of reliability, experience, quality certification, association and degree of concentration.

- Commercial Communication Policy.
- Investment in renewable energy production societies.
- Internal waste management: Revertia and Artegalia.
- Zero Waste Project.
- Zero Paper Initiative.
- Promotion of the use of email.
- Creation of indirect jobs by hiring local providers.

Our commitment to the climate emergency is materialised through initiatives In addition to increasing our partnerships for collective action with global impact.

- Measurement of the carbon footprint and reduction goals.
- Actions for raising awareness on environmental conservation.
- Energy and Environment Policy.
- Guarantee of origin of consumption of renewable energy.
- Promotion of the use of sustainable transport in the company.
- Energy efficiency in the company's facilities.
- Participation in the Collective Commitment to Climate Action (CCCA) of the UNEP FI.

17 PARTNERSHIPS FOR THE GOALS

PARTNERSHIPS for the goals

102-12, 201-2

Every year the bank increases its partnerships with the aim of implementing the principles and improving their positive impact in the environment in which it operates, under the responsible banking action model.

The relationship with our stakeholders is a key element of ABANCA's strategy and corporate culture, which works proactively towards the growth and construction of our partnership network to provide solutions, actions and forums that seek sustainable development and contribute to the progress of society.

In addition to the following commitments acquired by ABANCA in the corresponding work groups, whose objective is to project and implement a set of measures aimed at establishing a permanent dialogue with its customers and stakeholders.

The main initiatives and partnerships, and advances in collaboration, at the local and international level are as follows:

THE GLOBAL COMPACT
WE SUPPORT

1

Principles of the United Nations Global Compact

In 2015, the year of its creation, ABANCA became a partner of the Global Compact Spanish Network. Since 2019, the organisation is a member of the United Nations Global Compact Network and participates in the actions and initiatives launched by the alliance at the national and international level.

In 2020, we participated in several SDG good practices dissemination campaigns through the Network's SHARE Platform and media.

On the 20th anniversary of the Global Compact, ABANCA, as a member, virtually followed the "UN Global Compact 20th Anniversary Leaders Summit", held on 15 and 16 June, and endorsed the #UnitingBusiness manifesto.

The sustainability team, as the bank's representatives, participate in the SDG Ambition Programme, whose objective is to support the member companies of the Global Compact so they can set ambitious business objectives and accelerate the integration of the SDGs in the management of their business activities.

This commitment implies reporting on the performance and degree of implementation of the Ten Principles through a Progress Report. This allows us to reinforce ABANCA's strategy and learn our progress to achieve the objective of obtaining excellence in Social Responsibility.

Founding Signatory of:

UNEP FINANCE INITIATIVE | PRINCIPLES FOR RESPONSIBLE BANKING

2

Principles for Responsible Banking (PRB)

More than a year ago, in September 2019, ABANCA became one of the banks across the world to adhere to the Principles for Responsible Banking as founding signatories in the context of the General Assembly of the United Nations.

The Principles were developed by the United Nations Environment Programme Financial Initiative (UNEP FI), together with a core group of 30 banks.

This initiative is aimed at aligning banks' actions to achieve the United Nations' Sustainable Development Goals and the Paris Climate Agreement.

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 SDGs and the Paris Agreement, establishing a global standard on what it means to be a responsible bank. The principles constitute a basic pillar of action of ABANCA's Sustainability Policy and their progress is summarised in the annual update of the document.

On the occasion of the first anniversary of the signing of the Principles, in 2020 we completed the first survey on the progress of the six principles and the process for implementing them more efficiently.

This document includes the first reporting and self-assessment of the Principles for Responsible Banking required by UNEP FI in the first 18 months since it was signed, with the aim of demonstrating the progress in the implementation of the six principles at the bank. In order to prepare this report, we carried out a joint study on the information requirements for adequate data collection with the areas involved. The information is expounded in the different chapters of this report and is summarised in direct link to the RBP Table.

Progress report.

During this first period since signing the Principles, we have focused mainly on the areas of Alignment, Governance and Culture, and Transparency and Responsibility:

- Alignment: we studied ABANCA's relationship with the 17 SDGs, which resulted in the prioritisation of eight direct action goals.

- Governance and culture: all of ABANCA's activity is regulated by internal policies and procedures that guarantee the bank's responsible conduct, namely the Code of Ethics and Conduct, the Sustainability Policy and the Responsible Investment Policy.

  The Sustainability Programme, implemented within the CSR and Communication Division after signing the Principles, encompasses the entire organisation. Since then, various actions have been carried out in the context of the programme, which are reported to the Corporate CSR, Sustainability and Communication Committee, giving rise to actions that require the approval of the Board of Directors.

- Transparency and Responsibility: since 2018 we include our non-financial information statement and ABANCA's SDG performance in the Corporate and Social Responsibility Report. For the first time, we also include the progress in the implementation of the Principles for Responsible Banking.

In 2020 we carried out several public dissemination actions in relation to the actions and initiatives launched in response to COVID-19.

In preparing this Report, ABANCA toook into account the criteria of the Global Reporting Initiative Sustainability Reporting Standards (GRI) and offer the information stipulated by Law 11/2018 on the disclosure of non-financial information.

This report was independently verified by KPMG Asesores, S.L. Link to the verification report.

Additionally, we have defined a roadmap in which we specify the next steps in the implementation process of the Principles for Responsible Banking:

ALIGNMENT

- Develop an internal sustainability plan.
- Intensify actions aimed at disseminating the principles and SDGs internally.

IMPACT AND ESTABLISHMENT OF GOALS

- Define the positioning and ambition of each aspect related to ESG criteria.
- Establish short, medium and long-term goals in accordance with the main areas of contribution.
- Define the monitoring KPIs associated with said goals.
- Develop an impact measurement methodology. In 2021, ABANCA will publish a study on the economic impact of the bank on GDP and employment in Galicia.

CUSTOMERS

- Develop an eligibility guide and sustainability framework.
- Develop an external sustainability communication plan.

STAKEHOLDERS

- Continue to expand our stakeholder network and work proactively with organisations that seek to improve their financial contribution to sustainable and inclusive growth.
- Update the stakeholder map in order to ascertain their new interests and communicate with them through an integrated approach.

GOVERNANCE AND CULTURE

- Assign new responsibilities and functions related to sustainability.
- Formalise and assign responsibilities to a Committee that will specifically address the environmental risks and problems related to climate change.

TRANSPARENCY AND ACCOUNTABILITY

- Continue to inform about the progress in the implementation of the Principles for Responsible Banking.
- Increase our participation in initiatives aimed at the non-financial assessment of our actions.

3

Commitment to climate action

At the end of 2019, ABANCA joined the Sectoral Climate Agreement of the Spanish banking sector, whose main objective is to promote a more sustainable and low-emission economy, presented in the context of the Climate Summit COP25.

The Agreement implies alignment with the Climate Action Collective Agreement promoted by UNEP FI, the United Nations Environment Programme Finance Initiative, signed by banks across the world, including ABANCA. The document establishes specific actions and certain time frames that the signatory banks will implement to increase their contribution and align their activity with the objectives of the Paris Climate Agreement.

Consequently, during the period prior to the next COP26, financial institutions are increasingly aligning capital flows to support global change towards a decarbonised 'Net Zero Economy' by 2050.

In order to fulfil the objectives of the commitment, ABANCA implemented the progress report in the measures in order to advance in the objectives of the agreement and prepared the first Climate Action Report.

Progress report.

Signatory of:

4

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. Adherence to the Principles for Responsible Investment is a step forward in ABANCA's sustainability strategy which, through its activity, promotes a model that contributes to the economic, social and environmental balance of the area where it operates.

Adherence to these Principles has led ABANCA to the preparation of a Sustainable Investment Policy, approved in May 2020 by the Board of Directors, in which it integrates its investment model, called Apha360, which enables the inclusion of ESG (environmental, social and corporate governance) criteria within the different analysis and management processes by the bank's Investment Division.

The Policy establishes that ABANCA undertakes to base its actions on the development of the six Principles for Responsible Investment (PRI):

1. Incorporate ESG criteria in the analysis of investments and in the decision-making processes.

2. Be an active owner and incorporate ESG criteria in the ownership policies and practices.

3. Request appropriate ESG-related information from the companies in which it invests.

4. Promote the acceptance and implementation of the Principles within the investment sector.

5. Cooperate with the objective of increasing the effectiveness of the implementation of the Principles.

6. Report on ESG activities and the progress made in the implementation of the principles.

Principles for Responsible Investment.

5

Sustainable Ocean Principles

In June 2020, ABANCA adhered to the United Nations Sustainable Ocean Principles, thereby becoming the first Spanish bank to adhere to these principles. The nine Sustainable Ocean Principles, developed by the United Nations Global Compact Network, were presented on 22 October 2019 and supplement the Ten Principles of the Global Compact.

Through this action, ABANCA acknowledges the urgency and importance of adopting global measures to promote the well-being of the ocean in order to preserve its wealth now and in the future, and undertakes to work in this direction within its sphere of activity. In this manner, the Bank joins an international coalition of companies from different sectors of the economy that share this concern.

6

Associations within our sphere of activity

102-13

ABANCA participates in various sectoral associations, such as the Spanish Banking Association (AEB), the Spanish Confederation of Savings Banks (CECA), the Entrepreneurs' Association, the Iberian Cooperation Centre Association and the Spanish Business Association against Fraud, UNEP FI, allocating €532,189.1 to membership fees.

Moreover, the Bank has appointed representatives in foundations and sectoral entities that contributed to the development of the agriculture and livestock, forestry, fishing and industrial sectors, in addition to not-for-profit organisations or institutions throughout our sphere of action, allocating €110,072.32 to membership fees.

Simultaneously, ABANCA drives sustainability in the different sectors by entering into financial agreements with the main representative entities to offer solutions to the main demands of each of the collectives.

DIALOGUE with stakeholders

102-21, 102- 40, 102-42, 103-2, 103-3

One of ABANCA's priorities is to maintain a fluid and permanent dialogue with all its stakeholders through the different communication channels, which allows us to identify their material aspects and associated risk and opportunities within the framework of our Social Responsibility.

Employees

ABANCA's people management model is aimed at guaranteeing well-being, attracting, developing and retaining the best talent. Offering development opportunities through multiple training programmes.

Customers

Providing the best and most comprehensive service to our customers is the main pillar of ABANCA's activity, with a focus on the retail business, with the aim of achieving the highest level of satisfaction in each of our products and services.

We accompany our customers to create a new value proposition in their transition and transformation towards a sustainable business model.

Shareholders and investors

Creating long-term value and ensuring the maximum informative transparency are the pillars of ABANCA's relationship with its shareholder base.

Suppliers

ABANCA has a close and transparent relationship with all its approved suppliers, always based on the values of reliability, experience, certification of quality, association and degree of concentration.

Always maintain rationalisation in the consumption of resources and in the acquisition of environmentally-friendly products and services, in addition to transmitting these principles to our collaborators and suppliers.

Company

ABANCA's management model is consistent with its commitment to the socioeconomic development of the territory. As sponsor of Afundación, ABANCA's welfare project, the Bank promotes and supports programmes that contribute to educational, social and cultural development within our scope of action.

ABANCA has a wide range of tools for consultation and dialogue with its stakeholders.

We measure our action and proactively and regularly inform our stakeholders. We publish our most relevant financial and non-financial information on an annual basis, advancing in the alignment with the commitments acquired and European legislation.

In 2020, ABANCA began working on a Communication Policy which was approved by the Board of Directors on 1 March 2021. It is aimed at establishing a general framework of communication and dialogue with the different stakeholders that contribute to preserving and improving the good reputation and image of the Bank, to disclosing its corporate values and helping to achieve its strategic objectives through the dissemination of information under the criteria of transparency, veracity, rigour, coherence, efficiency, fairness, responsibility and sustainability.

Communication Policy.

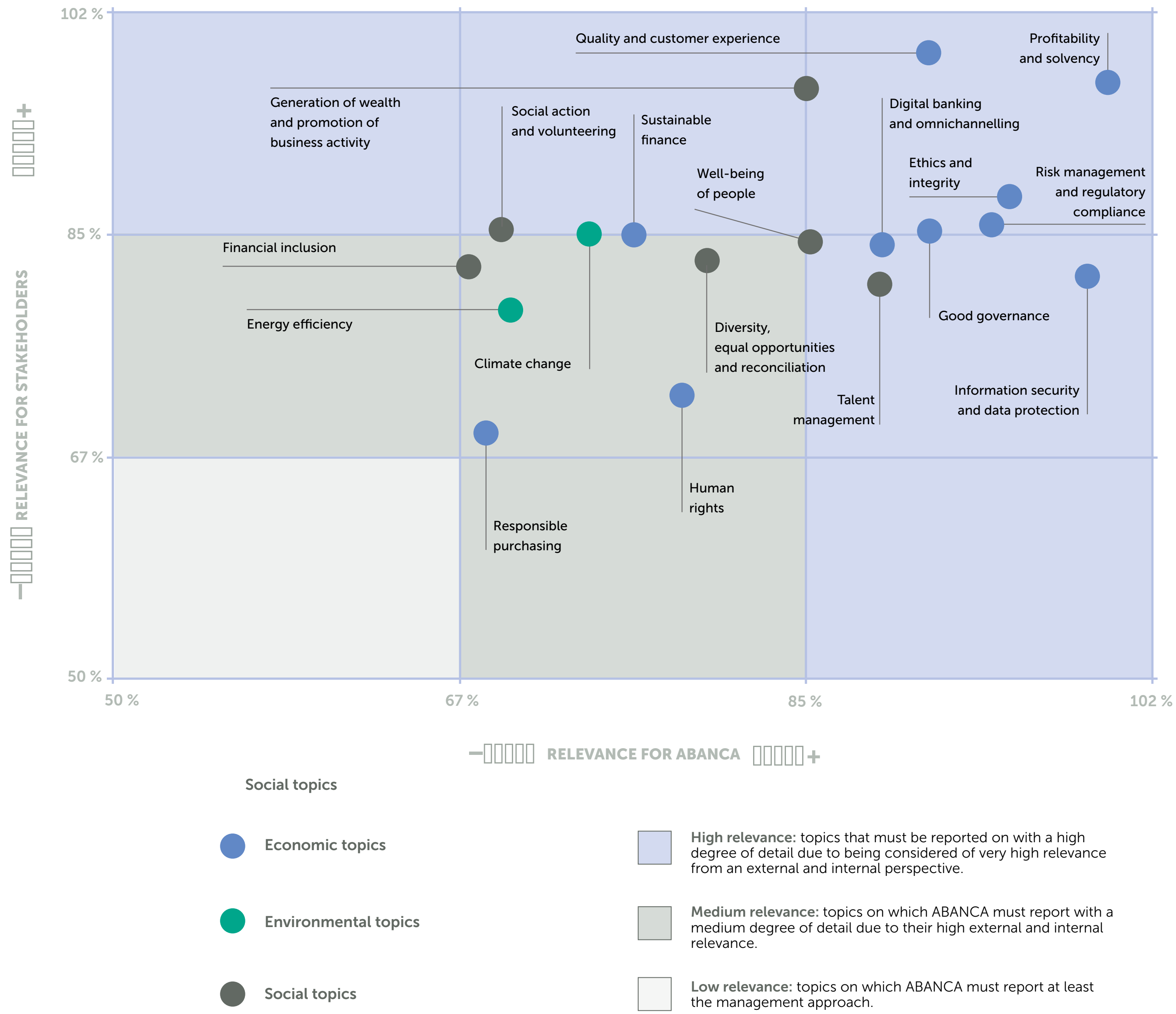
	Continuous dialogue	Regular dialogue
Employees	People managers	Working climate survey
	Intranet	Workers' representatives
	ABANCA complainst channel	Work sessions
	Corporate website	Training sessions
Customers	Commercial Network	Satisfaction surveys
	Commercial website	*Focus group*
	Customer care service	
	Customer service helpline	
	Social media	
Shareholders and investors	Corporate website	Calling of Annual General Meetings
	Shareholder Relations Office	Permanent contact channel with shareholders and investors
Suppliers	Purchasing Board	Regular meetings
	Specialist managers	Satisfaction surveys
	Commercial website	
	ABANCA whistle-blowing channel	
Society	Commercial network	Meetings with social agents
	Commercial and corporate website	Communications to supervisors
	CSR mailbox	Corporate communications
	Communication Department	
	Social media	

MATERIALITY analysis

102-43, 102-44, 103-1, 103-2

ABANCA has updated its materiality study with the aim of identifying material issues for the Bank and its stakeholders and, on this basis, define the contents of this Report.

The methodology followed in the study is based on the guidelines of the Global Reporting Initiative (GRI) standards, specifically GRI 101: Foundations which establish that relevant topics are those that *«may reasonably be considered important for reflecting the organisation's economic, environmental and social impacts, or influencing the decisions of stakeholders and, therefore, may appear in the report».*



DETERMINATION of contents

103-1, 102-46, 102-47

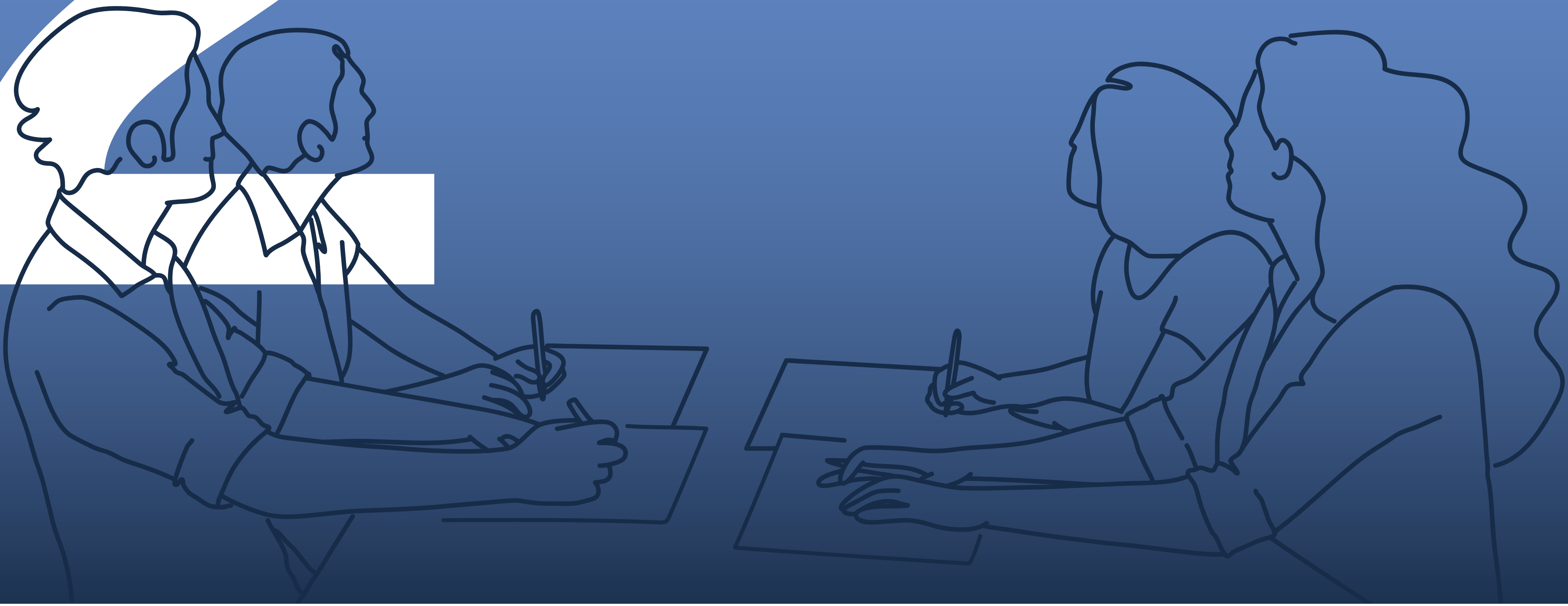
Once the topics have been validated, the subject areas identified are associated with the GRI Standards and their coverage.

Material topics	GRI Standard	Contents	Coverage Origin Inside	 Outside	 Implication Direct	 Indirect	SDG related	Non-financial information law
1 Profitability and solvency	GRI 103 Management Approach 2016 GRI 201 Economic Performance 2016	103-1 a 103-3 201-1 to 201-4	•	•	•	•	SDG 8 SDG 13	Management approach Business model
2 Good governance	GRI 102 General Disclosures 2016 GRI 103 Management Approach 2016 GRI 415 Public Policy 2016	102-18 to 102-39 103-1 to 103-3 415-1	•		•		SDG 16	Employment Management approach
3 Ethics and integrity	GRI 102 General Disclosures 2016 GRI 103 Management Approach 2016 GRI 205 Anti-Corruption 2016 GRI 206 Anti-Competitive Behaviour 2016	102-16, 102-17 103-1 to 103-3 205-1 to 205-3 206-1	•	•	•	•	SDG 16	Application of due diligence procedures Management approach Corruption and bribery
4 Risk and regulatory compliance management	GRI 102 General Disclosures 2016 GRI 103 Management Approach 2016 GRI 207 Tax Reporting 2019 GRI 307 Environmental Compliance 2016 GRI 419 Socioeconomic Compliance 2016	102-15, 102-30 103-1 to 103-3 207-1 a 207-4 307-1 419-1	•	•	•	•	SDG 16	Management approach Tax-related information Environmental management Tax-related information
5 Human rights	GRI 103 Management Approach 2016 GRI 406 Non-discrimination 2016 GRI 412 Human Rights Assessment 2016	103-1 a 103-3 406-1 412-1 to 412-3	•	•	•	•	SDG 1-17	Management approach Application of due diligence procedures
6 Sustainable finance	GRI 102 General Disclosures 2016 GRI 103 Management Approach 2016 Industry supplement	102-12 103-1 to 103-3 FS7, FS8, FS10, FS11	•	•	•	•	SDG 1 SDG 8 SDG 10 SDG 12 ODS16	Management approach
7 Quality and customer experience	GRI 102 General Disclosures 2016 GRI 103 Management Approach 2016 GRI 416 Customer Health and Safety 2016 GRI 417 Marketing and Labelling 2016 Industry supplement	102-43 103-1 to 103-3 416-1, 416-2 417-1 to 417-3 FS6, FS13, FS14	•	•	•		SDG 1 SDG 8 ODS 10 SDG 12 SDG 16	Management approach Consumers

Material topics	GRI Standard	Contents	Coverage: Origin – Inside	Coverage: Origin – Outside	Coverage: Implication – Direct	Coverage: Implication – Indirect	SDG related	Non-financial information law
8 Responsible purchasing	GRI 102 General Disclosures 2016 GRI 103 Management Approach 2016 GRI 204 Procurement Practices 2016 GRI 308 Supplier Environmental Assessment 2016 GRI 414 Supplier Social Assessment 2016	102-9 to 102-10 103-1 to 103-3 204-1 308-1 to 308-2 414-1 to 414-2	•	•	•	•	SDG12	Management approach Subcontractors and suppliers
9 Digital banking and omnichannelling	GRI 103 Management Approach 2016	103-1 to 103-3	•	•	•		SDG 9	Management approach
10 Information security and data protection	GRI 103 Management Approach 2016 GRI 418 Customer Privacy 2016	103-1 to 103-3 418-1	•	•	•		SDG 16	Management approach Consumers
11 Energy efficiency	GRI 103 Management Approach 2016 GRI 302 Energy 2016	103-1 to 103-3 302-1 to 302-5	•	•	•	•	ODS 7 SDG 8 SDG 12	Management approach Sustainable use of resources
12 Climage change	GRI 103 Management Approach 2016 GRI 305 Emissions 2016	103-1 to 103-3 305-1 to 305-7	•	•	•	•	SDG 13 SDG 15	Management approach Climate change
13 Talent management	GRI 102 General Disclosures 2016 GRI 103 Management Approach 2016 GRI 202 Market Presence 2016 GRI 401 Employment 2016 GRI 404 Training and Education 2016	102-8 103-1 to 103-3 202-1 401-1 to 401-3 404-1 to 404-3	•		•		SDG 1 SDG 3 SDG 4 SDG 5	Employment Management approach Training
14 Diversity, equal opportunities and reconciliation	GRI 103 Management Approach 2016 GRI 405 Diversity and Equal Opportunities 2016	103-1 to 103-3 405-1 to 405-2	•		•		SDG 5 SDG 8 SDG 10	Equal opportunities Labour organisation Universal accessibility for disabled people
15 Well-being of people	GRI 403 Occupational Health and Safety 2018 GRI 402 Labour/Management Relations 2016	403-1 to 403-10 402-1	•		•		SDG 3 SDG 8	Health and safety Social relations
16 Generation of wealth and promotion of business activity	GRI 103 Management Approach 2016 GRI 203 Indirect Economic Impacts 2016	103-1 to 103-3 203-1, 203-2	•	•	•	•	SDG 1/ SDG 2/ SDG 3/ SDG 7/ SDG 8/ SDG 9 SDG 10/ SDG 11/ SDG 17	Management approach
17 Social action and volunteering	GRI 103 Management Approach 2016 GRI 203 Indirect Economic Impacts 2016 GRI 413 Local Communities 2016	103-1 to 103-3 203-2 413-1, 413-2	•	•	•	•	SDG 1 / SDG 2 SDG 3 / SDG 8 SDG 10/ SDG 17	Management approach Corporate commitments to sustainable development
18 Financial inclusion	GRI 103 Management Approach 2016 GRI 203 Indirect Economic Impacts 2016	103-1 to 103-3 203-1, 203-2	•	•	•	•	SDG 1 SDG 5	Management approach

2

Corporate governance



ABANCA, sensitive to good practices, always strives to fulfil the highest corporate governance standards, ensuring transparency and robust governance which includes a reinforced and independent decision-making process.

SHAREHOLDER structure

102-5

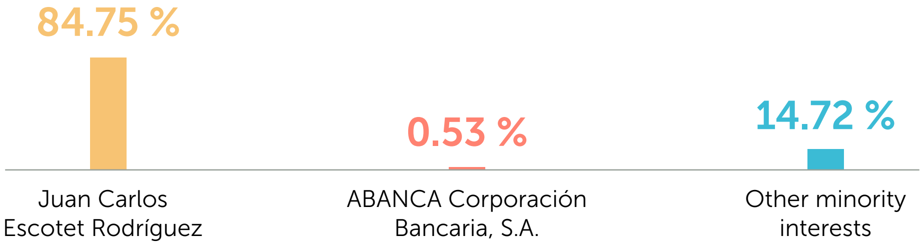
ABANCA has a reference shareholder, Juan Carlos Escotet Rodríguez, who at 31 December 2020 holds 84.75 % of share capital

ABANCA Corporación Bancaria, S.A. has treasury shares amounting to 0.53 % of the Bank's share capital.

GOVERNANCE model

ABANCA's Corporate Governance model meets the highest international standards and serves as a basis for fulfilling its mission as a sustainable, profitable and creditworthy financial institution oriented towards its customers' needs.

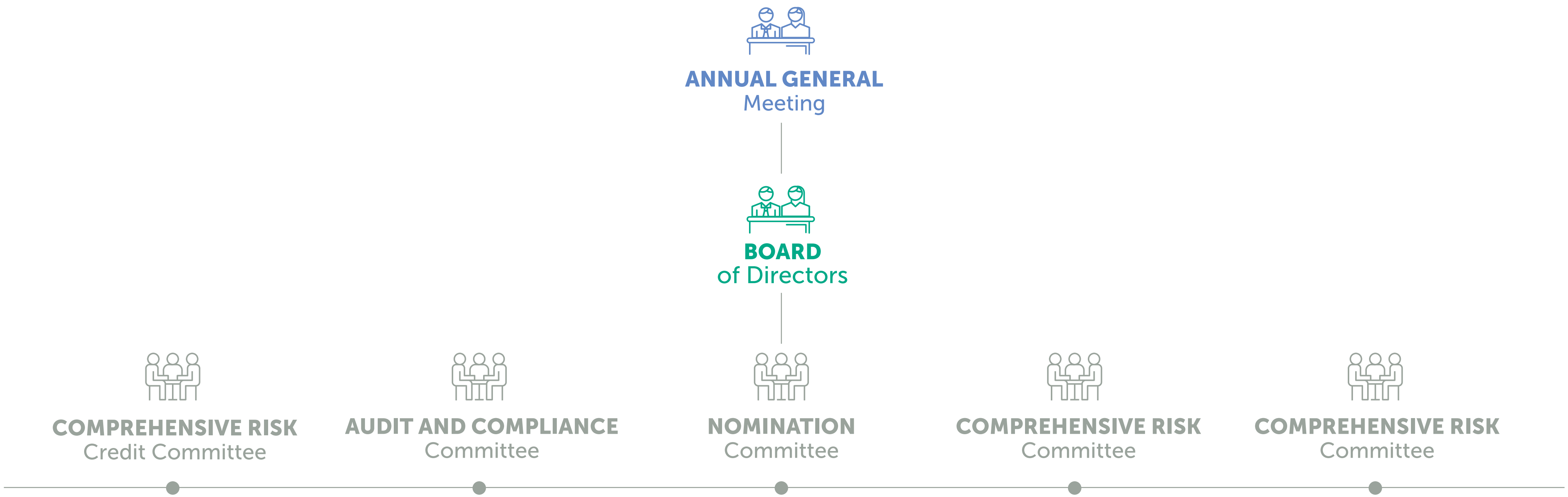
Shareholding



Annual General Meeting

102-18

The holders of any number of shares registered in their name in the corresponding ledger five days before the meeting date and which are up to date in the payment of the pending disbursements shall be entitled to attend the annual general meeting.



Directors

102-22, 102-23, 102-24, 102-31, 405-1

Held a total of 13 meetings in 2020 attended by all the members. It is composed of 10 members.

Chairman
Juan Carlos Escotet Rodríguez
Proprietary director
Appointment: June June 2017[1]

(1) Was Deputy Chairman from June 2014 to june 2017.

CEO
Francisco Botas Ratera
Executive
Appointment: June 2014
Other positions: Delegate Credit Committee.

Director
Ana da Cunha Barros
Independent director
Appointment: July 2019
Other positions: Comprehensive Risk Committee.

Director
Eduardo Eraña Guerra
Independent director
Appointment: October 2016
Other positions: Nomination Committee.

Director
José García Montalvo
Independent director
Appointment: August 2014
Other positions: Audit and Compliance, Remuneration, Comprehensive Risk Committees.

Director
Leticia Iglesias Herraiz
Independent director
Appointment: May 2018
Other positions: Audit and Compliance, Comprehensive Risk Committees.

Director
Manuel López Figueroa
Independent director
Appointment: October 2019
Other positions: Delegate Credit Committee.

Director
Pedro Raúl López Jácome
Other non-executive directors
Appointment: June 2014
Other positions: Delegate Credit, Audit and Compliance, Nomination, Comprehensive Risk Committees.

Director
José Ramón Rodrigo Zarza
Independent director
Appointment: August 2014
Other positions: Delegate Credit, Audit and Compliance, Nomination, Comprehensive Risk Committees.

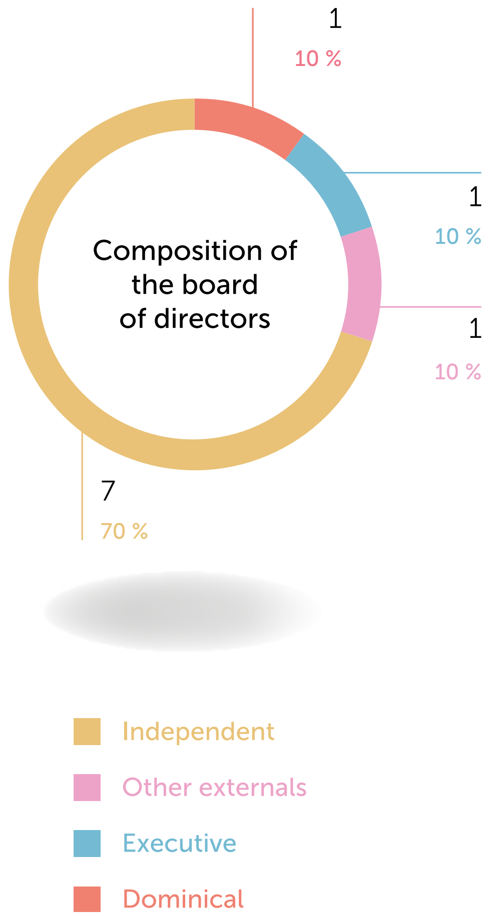
Director
Carina Szpilka Lázaro
Independent director
Appointment: June 2014
Other positions: Audit and Compliance, Remuneration Committees.

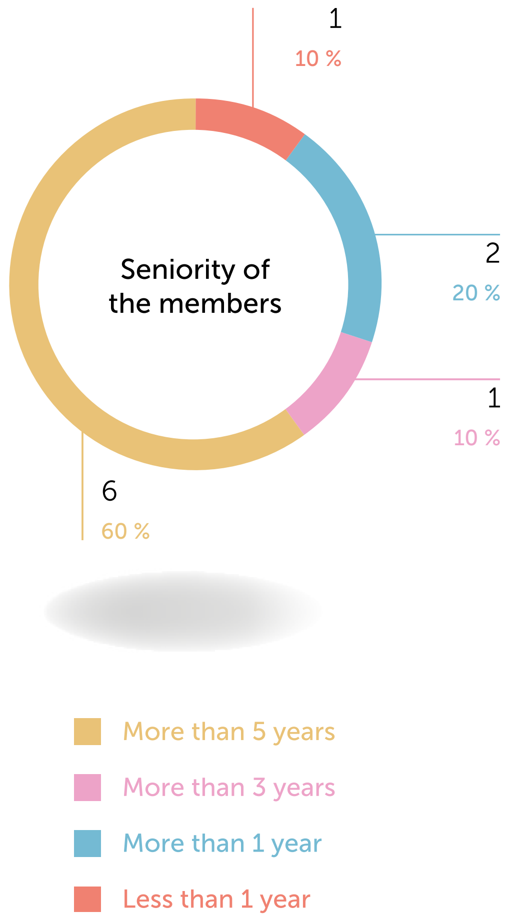
Secretary
José Eduardo Álvarez-Naveiro Sánchez
(non-director)

Deputy secretary
María Consolación Borrás Retamero
(non-director)

» **In accordance with article 529 twelfth of the Corporations Act,** "independent directors shall be considered to be those who, appointed in accordance with their personal and professional standings, can carry out their duties without being conditioned by relationships with the company or its group, its significant shareholders or its managers".

» **Additionally, section Six (Types of Directors) of ABANCA's Suitability Policy, establishes that** «...the number of independent directors shall represent the majority in the composition of the Board of Directors». So much so that, in the current composition of ABANCA's Board of Directors, 70 % of the directors are independent.





The selection of the members of the Board of Directors was made on the basis of professionalism, independence, diversity, personal prestige and bank management experience, and is governed by the principles and rules established in the Selection and Continuous Evaluation Policy in relation to Suitability and Qualification of Directors of ABANCA Corporación Bancaria, S.A. Said principles are public and can be consulted in the corporate website www.abancacorporacionbancaria.com.

Distribution, by sex and age, of the Board of Directors

405-1

	2018					2019					2020				
	Women		Men		% Total	Women		Men		% Total	Women		Men		% Total
	No.	%	No.	%		No.	%	No.	%		No.	%	No.	%	
Under 30	0	0.0 %	0	0.0 %	0 %	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**
Between 30 and 50 years	1	50.0 %	1	50.0 %	100 %	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**
Over 50	1	16.6 %	5	83.3 %	100 %	3	33.3 %	6	66.6 %	100 %	**3**	**30 %**	**7**	**70 %**	**100 %**
Total	2	25.0 %	6	75.0 %	100 %	3	33.3 %	6	66.6 %	100 %	**3**	**30 %**	**7**	**70 %**	**100 %**

In this connection and as regards economic, environmental and social competencies, the Regulation of the Board of Directors establishes in its Article 4 the non-delegable competencies exercised by the Board including, namely, the following economic competencies:

1

Approve the major strategies of the company and group of which it is the Parent, in addition to monitoring and supervising their execution, assuming responsibility for the administration and management of the company and for the approval and application of their strategic objectives and risk strategy.

2

Guarantee the integrity of the accounting and financial information systems, including financial and operational control, and compliance with the applicable legislation.

3

Approve all manner investments or transactions of a strategic nature, unless their approval corresponds to the shareholders at the Annual General Meeting.

4

Formulate separate and consolidated financial statements, the other financial information that the company must disclose on a regular basis, in addition to the proposed distribution/allocation of results.

5

Actively participate in the management of all the substantial risks envisaged in solvency regulations, ensure the assignment of the adequate resources for risk management and participate in the assessment of assets and in the use of external credit ratings, and the internal models relative to these risks.

6

Regularly approve and review the strategies and policies relating to assumption, management, supervision and risk reduction strategies and policies to which the company is or may be exposed, including those arising from the macroeconomic situation in relation to the phase of the economic cycle.

Furthermore, as set out in point 2 of section Four (General requirements) of the Policy for the Selection and Continuous Evaluation of the Suitability and Qualification of ABANCA Directors («the Suitability Policy»), «*The main purpose of all the directors, regardless of the origin or cause of their appointment, will be to defend the Bank's interests, understood as the achievement of a profitable business which is sustainable in the long term, that promotes its continuity and maximisation of the company's economic value. In the pursuit of social interest, in addition to respecting laws and regulations and conduct based on good faith, ethics and respect for usage and commonly accepted good practices, the directors shall endeavour to reconcile their own social interest with, as appropriate, the legitimate interests of the employees, suppliers, customers and those of the other stakeholders that may be affected, as well as the impact of the Bank's activities on the community as a whole and on the environment. They shall discharge their functions effectively, objectively and independently*».

Fees and commissions

102-19, 102-22, 102-33

CREDIT

Director	Position	Category	Appointment
Francisco Botas Ratera	Chairman	Executive	August 2014
Manuel López Figueroa	Director	Independent	March 2020
Pedro Raúl López Jácome	Director	Other non-executive	August 2014
José Ramón Rodrigo Zarza	Director	Independent	August 2014
José Eduardo Álvarez-Naveiro Sánchez	Secretary (non-director)		
José Luis Dorrego Martín-Barbadillo	Deputy Secretary (non-director)		

Of AUDITING and COMPLIANCE

Director	Position	Category	Appointment
Leticia Iglesias Herraiz	Chairwoman	Independent	August 2018
José García Montalvo	Director	Independent	May 2018[1]
Pedro Raúl López Jácome	Director	Other non-executive	August 2014
José Ramón Rodrigo Zarza	Director	Independent	August 2014
Carina Szpilka Lázaro	Director	Independent	December 2014
José Eduardo Álvarez-Naveiro Sánchez	Secretary (non-director)		

(1) Was Chairwoman from August 2014 to August 2018. 2014 a ago. 2018.

APPOINTMENT

102-24

Director	Position	Category	Appointment
Eduardo Eraña Guerra	Chairman	Independent	October 2016
Pedro Raúl López Jácome	Director	Other non-executive	June 2016
José Ramón Rodrigo Zarza	Director	Independent	Dec 2014
José Eduardo Álvarez-Naveiro Sánchez	Secretary (non-director)		

COMPREHENSIVE RISK COMMITTEE

102-30

Director	Position	Category	Appointment
José García Montalvo	Chairman	Independent	sept. 2018[1]
Ana da Cunha Barros	Director	Independent	October 2020
Leticia Iglesias Herraiz	Director	Independent	sept. 2018
Pedro Raúl López Jácome	Director	Other non-executive	March 2017
José Ramón Rodrigo Zarza	Director	Independent	sept. 2018[2]
José Eduardo Álvarez-Naveiro Sánchez	Secretary (non-director)		

(1) Was Chairwoman from August 2014 to September 2018. 2014 a sept. 2018.

(2) Was Chairwoman from August 2014 to September 2014 a sept. 2018.

REMUNERATION

Director	Position	Category	Appointment
Carina Szpilka Lázaro	Chairwoman	Independent	June 2016
José García Montalvo	Director	Independent	August 2014
Pedro Raúl López Jácome	Director	Other non-executive	June 2016[1]
José Eduardo Álvarez-Naveiro Sánchez	Secretary (non-director)		

(1) Was Chairwoman from August 2014 to September 2014 to june 2016.

Changes in the Board of Directors in 2020

The Board of Directors, in their meeting held on 28 October 2019, resolved to approve, at the proposal of the Appointment Committee, the appointment by co-optation of Mr. Manuel López Figueroa as non-executive director of ABANCA Corporación Bancaria, S.A., to which the European Central Bank expressed its non-opposition on 3 March 2020 pursuant to the applicable legislation.

Operation and relevant matters in the year

102-26, 102-27, 102-29, 102-34

1

On 27 February 2020, the merger by absorption of ABANCA Corporación Bancaria, S.A. (absorbing company) and ABANCA Holding Financiero, S.A. (absorbed company).

2

On 13 March 2020, the merger by absorption of ABANCA Corporación Bancaria, S.A. (absorbing company) and ABANCA Holding Financiero, S.A. (absorbed company).

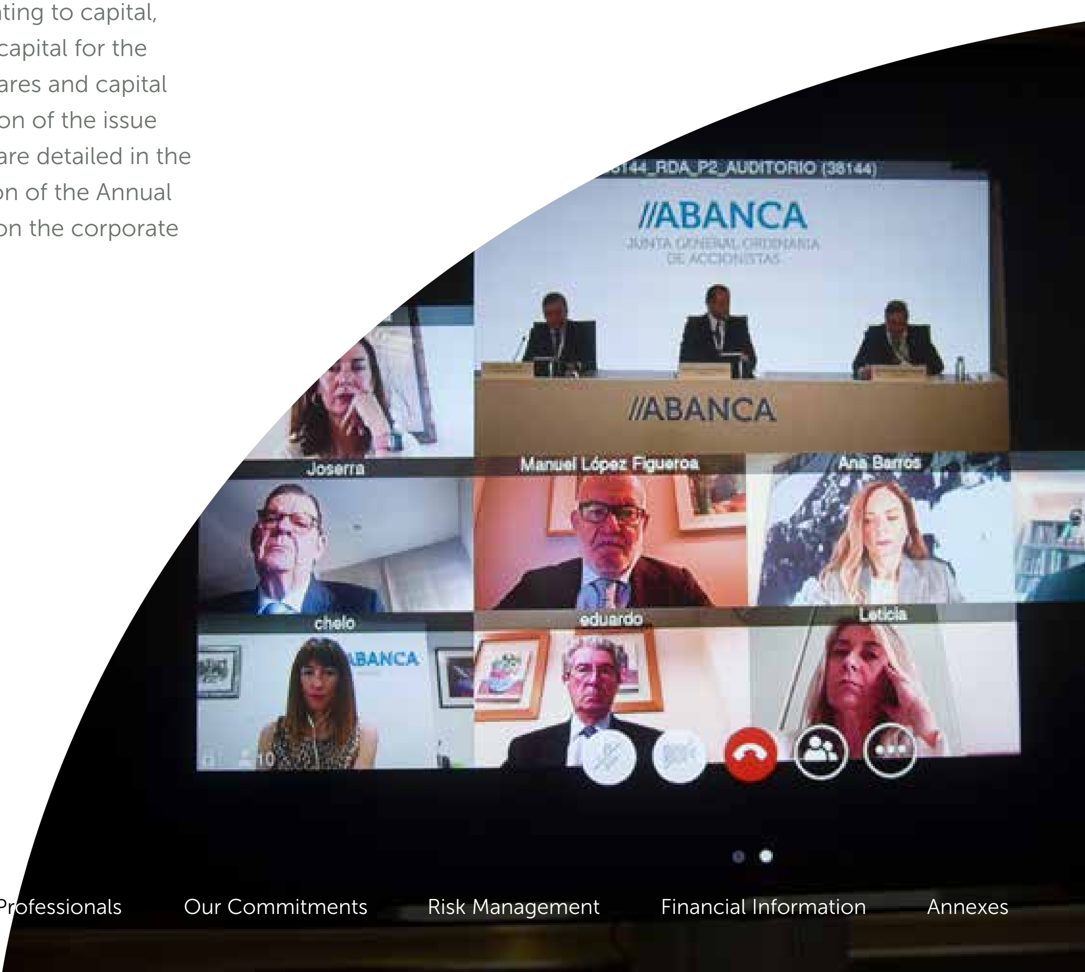
3

On 30 June 2020 the Annual General Meeting was held, enabling remote attendance via telematic means for the first time due to COVID-19. All the items on the agenda were approved at the meeting including, namely, the amendment of the Bylaws (articles 20 and 25) for the purpose of enabling the Shareholders e-Forum and remote participation at Annual General Meetings, the re-election and ratification of directors for the regulatory period, and resolutions relating to capital, including the reduction of capital for the amortisation of treasury shares and capital increase for the capitalisation of the issue premium. Said resolutions are detailed in the legal documentation section of the Annual General Meeting available on the corporate website.

Proposals and resolutions.

4

On 28 September 2020, approval of the Board of Directors, based on the favourable report of the Nomination Committee, of a second phase in order to continue developing the Excellence Plan, incorporating new measures to be adopted, particularly those arising from the reform of the Code of Good Governance of listed companies.



5

Furthermore, in 2020 measures were carried out to promote corporte governance good practices, within the framework of the Corporate Governance Excellence Plan. Some of the most significant changes in 2020 were as follows:

- Transparently record the services provided by external experts and a breakdown of the amounts accrued by each, in addition to the existence of any relationship or potential situation of conflicts of interests in the activities report of the Appointment Committee.
- Approve the Regulation of the Appoint Committee, which includes the content described in Technical Guide 1/2019 of the CNMV (Spanish National Securities Market Commission) on nomination and remuneration committees.
- Enable, for the first time, remote participation and delegation of vote in the last Annual General Meeting, as a result of the COVID-19 situation and pursuant to Royal Decree-Law 8/2020.

Professionalism

The information about the members of the Board of Directors is available on ABANCA's corporate website, where both the professional experience and qualifications of each of its members is provided.

Regardless of the professionalism of each of its members, there is a continuous training plan of the Board of Directors which, in 2020, focused on aspects such as the prevention of money laundering and terrorist financing, and the European (ECB) and North American (FED) regulatory framework.

Information relative to Corporate Governance and remunerations.

Remuneration

102-35, 102-36, 102-37

The remuneration of the directors is determined in accordance with the remuneration policy of the Board of Directors, updated by the shareholders at the BankAnnual General Meeting held on 10 June 2019 (which was attended by 87.33 % of the directors). The proposal had 90.87 % favourable votes.

Management Committee

102-20, 202-2

Francisco
Botas Ratera
CEO

José Eduardo
Álvarez-Naveiro Sánchez
GM Corporate Governance and Legal Affairs

Luis
Beraza de Diego
GM Business in Spain

Maria
Camino Agra
GM Human Capital

Alfonso
Caruana Cámara
GM International Business

Alberto
de Francisco Guisasola
GM Finance

Miguel Ángel
Escotet Álvarez
GM Corporate Social Responsibility and Communication

Pablo
Triñanes Lago
GM Corporate Control and Risks

José Manuel
Valiño Blanco
GM IT, Information, Processes and Operations

Pedro
Veiga Fernández
GM Strategic Planning and PMO

Juan Luis
Vargas-Zúñiga Mendoza
GM Capital Markets, Management and Institutional Distribution

José Luis
Vázquez Fernández
GM Credit

Changes in the Management Committee

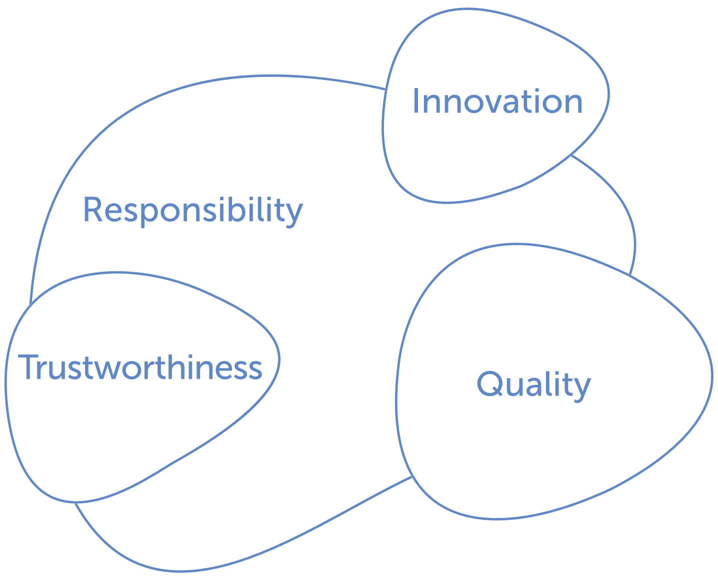
In 2020, no changes took place in the composition of the Management Committee.

In 2020, Julián José Serrapio Vigo, as general auditor, Álvaro García Diéguez, as managing director of ABANCA Insurance and Jorge Martínez Martínez, as executive manager of Means of Payment and Consumer Affairs, continued to form part of the Management Committee. All of them are invited, with the right to speak but not to vote.

GOOD governance

102-28, 103-2, 103-3

All our professional, corporate and social actions are supported by the corporate values of responsibility, quality, reliability and innovation. These four principles mark our corporate culture and the individual conduct of each of ABANCA's professionals.



Policies

102-16, 102-25, 103-3, 205-1, 205-2

ABANCA's activity is based on mandatory policies, rules and procedures aimed at ensuring responsible behaviours throughout our sphere of action.

1. Comply with the legislation on the prevention of money laundering in force at any given time and with the recommendations issued by international bodies and national and international authorities.

2. Implement rules of conduct and adequate control systems for preventing unwanted persons or collectives from accessing the Bank.

3. Establish customer acceptance / rejection policies and procedures graduated in accordance with therisk aimed at customer identification and prevention of money laundering.

4. Guarantee that all the employees are aware of them.

ABANCA's Code of Ethics and Conduct, implicitly entails a commitment to human rights. In this connection, Article 88 thereof relates to organisation, association and collective bargaining rights, in addition to the individual or collective activities carried out by the Workplace Trade Union Branch in accordance with the legally attributed functions. Article 81 rejects and penalises any type of discrimination on the grounds of gender, race, origin, condition, religion, ideology, policy, civil status or any other circumstance of a personal or social nature.

Commitment to Human Rights, is the public declaration of ABANCA's responsibility to fulfil the highest standards of respect and protection for human rights. Our commitment is based on the main international declarations on human rights, namely: the guiding principles on companies and human rights, the Ten Principles of the United Nations Global Compact, the Sustainable Development Goals (SDGs) and the principles concerning the fundamental rights established in the declaration of the International Labour Organisation.

Sustainability policy, aims to set out the Bank'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.

Anti-corruption policy, sets out the specific anti-corruption procedures to fulfil our obligations and supplement the current legislation (prevention of money laundering and terrorist financing, anti-fraud rules, RIC, etc.).

Tax policy, includes the principles that most directly affect the Bank's tax practice, such as those relating to transparency, honesty, responsibility, reliability and quality; all oriented towards reducing significant tax risks and preventing conducts susceptible of generating them.

Responsible Investment Policy, sets out the Bank's 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).

Quality policy, our commitment to continuous improvement and process and service excellence as necessary levers for offering quality services, promoting best practices in management systems, learning our internal and external customers' expectations and needs, and promoting continuous improvement actions.

Whistle-blowing channel

102-17, 103-2

The whistle-blowing channel is an internal mechanism that ABANCA implemented in 2014 wherethrough the complaints that can be made by any ABANCA Group employee, in addition to third parties which maintain a contractual labour, civil or corporate law relationship with the Bank, are received and managed.

Access to the Whistle-Blowing Channel is available on the corporate Intranet and make it possible to report all manner of professional actions that do not comply with the law or with internal regulations in a confidential, reliable and direct manner.

Singular housing management

103-2, 103-3, 203-1, 413-2

Since 2016, ABANCA has a Singular Housing Management unit wherethroughcommunication is centralised and the transversal management of all action proposals in response to possible new regulations, or needs, for protecting mortgage debtors is guaranteed, ensuring the proper resolution of situations of social vulnerability. All the proposals are derived to peaceful settlements and social housing schemes. Launches are never made when the mortgage foreclosure process affects the principal residence of persons in socially vulnerable situations.

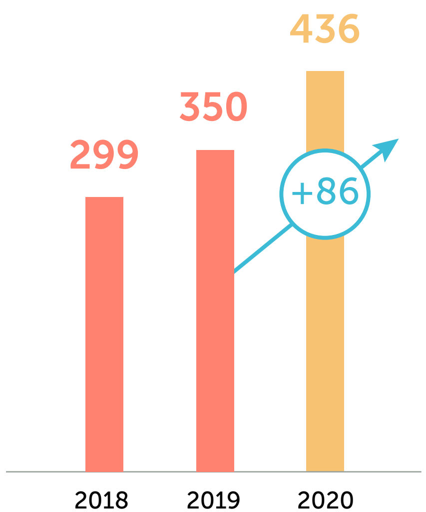
The mortgage debtor protection policy is structured around three main pillars of action: CGP, CSSRV and RSF.

Pillars of the mortgage debtor protection policy

CGP, Code of Good Practices.
CSSRV, Committee for Situations of Social and Reputational Vulnerability.
RSF, Social Housing Fund.

Code of Good Practices	2018	2019	2020
Transactions requested	**127**	**143**	**69**
Transactions performed	**40**	**21**	**13**
Viable reestructuring	18	11	12
Debt relief	1	2	0
Dation-in-payment	21	8	1
Rejected transactions	**55**	**45**	**21**
Non-compliance with requirements	55	45	21
Other causes	0	0	0

Total social housing



Cyber-security

Information Security is one of the basic pillars on which the ABANCA Group's organisation and good governance is built, and which is aimed at safeguarding the organisation's information, the assets that support it and protecting its interests and strategic objectives.

ABANCA considers that risk is inherent to its business and that the management thereof is essential to achieving its objectives and successfully executing its strategies. Therefore, ABANCA undertakes to maintain its risk level within the limits deemed acceptable in order to guarantee the confidentiality, integrity and availability of the information processed at all times.

Security management and governance forms part of the information security (cyber-security) policy and provides the principles and guidelines for safeguarding the security of ABANCA's information systems, governed by the following principles:

1. Risk management.
2. Comprehensive security.
3. Identification, protection, detection, response and recovery.
4. In-depth defence.
5. Regular re-assessment of measures.
6. Segregation of duties.

Cyber-security and information security play a highly relevant role in the functions of the data privacy and protection unit, which guarantees the proper implementation of privacy policies, rules and procedures, including adequate disclosure to customers, monitoring of rights and the principles of Privacy by Design and by Default.

Robust governance,
information security policy: last update December 2020.

Active defence
24 hours x 7 days
to prevent, detect and act on any threat.

Data protection:

+ 300
initiatives analysed.

44
external consultations to the Data Protection Officer attended.

1,954
exercises of rights executed.

The development of the corporate cyber-security training and awareness plan initiated in 2018 continued in 2020, which included the training and awareness of all employees, in addition to specific actions for key collectives such as the Board of Directors and the Management Committee, key technology equipment and IT security equipment.

Additionally, the execution of cyber-exercises helped us enormously in the need to be constantly prepared for cyber-security-related incidents and events.

We also launch customer training and awareness actions, which are key to detecting and avoiding cyber-fraud.

ABANCA uses pioneering tools to protect and monitor our customers' channels and sessions, based on artificial intelligence or machine learning to identify cyber-fraud.

A key milestone of the year was the rapid adaptation of the security paradigms to the reality of the COVID-19 pandemic and, therefore, to remote working scenarios, guaranteeing an efficient but secure and resilient work model.

Approval of more than 150 privacy providers.

Accountability, executing 41 types of controls in 9 basic lines of activity to comply with privacy.

3

Economic environment and

strategic plan

The economic rebound expected in 2020 was cut short by the COVID-19 pandemic.

ECONOMIC outlook

102-15

Economic forecasts initially pointed to an upturn in global economic activity in 2020. However, this scenario was cut short by the outbreak of the coronavirus pandemic. Indeed, the restrictions imposed on mobility and cessation of various production activities adopted by many countries to curb the expansion of the virus gave rise to rapid and intense economic contraction. In this context, it is estimated that global GDP fell 3.5 % in 2020, compared to the 2.8 % growth in 2019.

-3.5 % decline in global GDP.

In Europe, the Eurozone recorded a contraction of 6.8 % in 2020 after growing 1.3 % in 2019. Although this contraction was general, the impact was more intense in countries with a higher incidence of coronavirus and dependence on the tourism industry.

-11 % decline in Spanish GDP.

In Spain, the main activity indicators plummeted in April, coinciding with the peak of the disease and stricter containment measures. In May the restrictions were gradually lifted at a different pace between regions in accordance with the health situation. In this context, Spanish GDP fell 17.9 % in the second quarter of 2020 (-21.6 % in year-on-year terms).

-8.9 % decline in Galician GDP.

In the third quarter, the partial recovery of the economic activity prompted an upturn in quarterly GDP of 16.4 %, reducing the fall to -9.0 % in year-on-year terms. The services industry recovered partially, although with high disparity by sector. Trade, transport, hospitality and artistic and recreational activities were the worst-performing sectors, falling nearly 20 % year-on-year. In the last quarter of the year, despite the impact of the new wave of contagion, activity maintained its upward trend with quarterly growth of 0.4 %.

Overall, in 2020, GDP fell 11.0 % in Spain. Both private consumption and investment fell by 12.4 %, while public consumption grew 4.5 %, spearheaded by the measures for fighting the pandemic. Furthermore, foreign demand declined, falling both in exports (-20.9 %) and imports (-16.8 %).

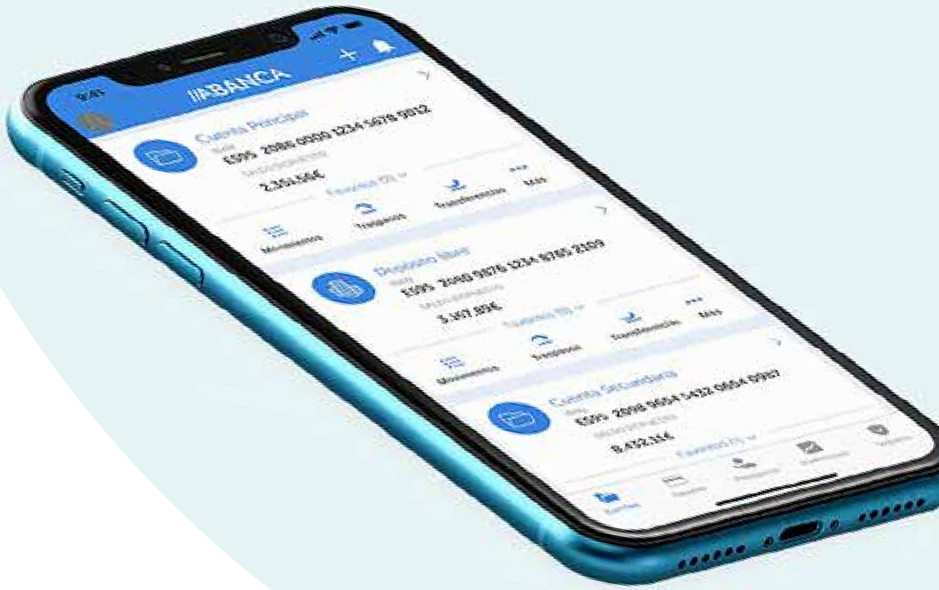
In the labour market, the EPA data for the fourth quarter of 2020 show that occupation grew by 167,000 people, such that in year-on-year terms the fall was reduced to -3.1 % (after falling 6.0 % year-on-year in the second quarter). The year ended with an employment rate of 16.1 %, up 2.3 percentage points on 2019 year-end. On the other hand, the temporary lay-offs channelled through ERTEs (Temporary Labour Force Adjustment Scheme), which reached 3.4 million in April, were reduced to 756 thousand at the end of December.

In Galicia, the impact of the crisis was less intense than in Spain as a whole, due both to the lower epidemiological incidence and its production structure (less bearing of tourism-related activities and greater bearing of essential industries). Thus, Galicia's GDP recorded a variation of -8.9 % for the year, with an impact of the crisis 2.1 percentage points lower than the whole of Spain. The labour market also saw a relative improvement in performance. Thus, the fall in occupation was reduced (-1.4 % year-on-year in the last quarter), while the unemployment rate ended the year at 11.7 %, 4.4 percentage points lower than the national average.

FINANCIAL environment

The European Central Bank launched a comprehensive stimulus package to address the economic affects of the coronavirus pandemic, supplementing the aid mechanisms implemented by different governments and European institutions. These measures include liquidity injections in the banking system to increase the amount of TLTRO III, relaxation of provisioning and capital requirements, and reinforcement of the purchasing programme. The ECB also launched a €1.85 billion pandemic emergency purchase programme (PEPP) for the purchase of assets.

The highly expansive monetary policy gave rise to new drops in interbank market rates. Thus, 12-month Euribor ended the year at new historical lows (-0.50 %), while 3-month Euribor dropped to -0.55 %.



In public debt markets, rates contracted again due to the support of the ECB. Specifically, the Spanish 10-year bond yield plummeted, recording negative values in December and ending the year at 0.06 %. Furthermore, the Spanish risk premium ended 2020 at around 60 basis points.

2018-2020 Strategic Plan

103-2, 103-3

2020 was ABANCA's third year of its 2018-2020 Strategic Plan, which defines Bank's Vision and its materialisation in strategic priorities for the three-year period: *"Convert the entity into a bank renowned for comprehensively meeting its customers financial and credit needs, anywhere in the world and using any channel, thanks to a leading Mobile Banking service and an agile, simplified and efficient organisation that leverages on digitalisation and an innovative culture. Be a bank with recurring retail activity, with ROE consistently above its cost of capital".*

In order to comply with this objective, three fundamental strategic axes were defined:

1

Transform the organisation, promoting a simpler, more agile and cooperative structure, that will allow the Bank to drive an innovative culture and further advance in the digitalisation process with an impact on efficiency levels and customer service levels.

2

Improving the customer experience, promoting an omnichannel relationship with homogeneous service levels, regardless of the channel used by the customer in its relations with the Bank, with high quality standards that will allow us to strengthen our value proposition and engagement levels supported by the competitive advantage represented by the Bank's Mobile Banking service.

3

Increase recurring return on capital, promoting the insurance activity as a first-level strategic priority, paying special attention to consumer finance an means of payment after the integration of ASF, and by becoming the reference bank for businesses and SMEs.

The aim was to achieve higher sustained growth and outperform the market, particularly regarding value-added products (insurance, investment funds and pension plans) and in SME and consumer finance, which led to revenue in excess of €95,000 million for the Bank in 2020 after taking into account recent acquisitions (Deutsche Bank's Private & Commercial Client ('PCC') Portugal, Banco Caixa Geral, S.A. and Bankoa).

In this third year, the Plan's targets for 2020 were met including, namely, the following milestones:

1. In 2020, the targets of the Strategic Plan were met 101 %, 105 % in the financial perspective, very close to those set in relation to customers and process improvementand the levels achieved are quite close to target for customer relations, and higher than the target for learning and growth (105 %).

2. Growth with sustained returns: PBT exceeded the target by €23 million. Net interest income exceeded expectations despite the impact of the change in the rate curve. Commissions were in line with the targets and the integration of the insurance business exceeded the target. The solid base of recurring revenue, added to the technological effort and cost control carried out, allowed the Bank to improve efficiency by exceeding the target. As a result of the foregoing, ROE and ROTE stood well above the targets.

3. Commercial dynamism, focused on micro and value-added products: Finance for SMEs and self-employed professionals continued to drive loans, with corporate finance growing 30 b.p. during the year. In 2020, the weight of >€1 million financing transactions stood at -188 b.p. compared to the system, consolidating the turn to micro (49.7 % with ABANCA vs. 51.1 % in the system). In value-added products, the Bank increased its market share in: investment funds (+8 b.p. in the year), pension plans (+16 bp) and life-savings insurance (+4 b.p.).

4. Risk quality: NPL ratio was reduced to 2 %, exceeding the Plan's target and becoming the Spanish bank with the lowest NPL ratio (in line with the European average) and with highest non-performing asset coverage (NPLs and foreclosures) in the industry.

5. Solvency and liquidity: ABANCA ended 2020 with a total capital ratio of around 18 % and with excess total capital of €1,699 million[1]. The financing structure is clearly based on retail deposits, which grew 11.3 % in the year.

(1) Calculated taking into account the recent AT1 issue (January 2021).

MAIN milestones 2020

102-10

1

Integration of Banco Caixa Geral

On 16 March, ABANCA completed the integration of Banco Caixa Geral, after having completed the technological migration and rebranding of the branch office network. Since then, the more than 131,000 customers and 100 branch offices of the former subsidiary of Caixa Geral de Depósitos in Spain operated, for all purposes and normally, under the ABANCA platform.

2

ABANCA with respect to COVID-19

- ABANCA arranged State-guaranteed financing transactions amounting to €3,128 million, applied credit facilities to mortgages amounting to €802 million and a further €455 million to other types of financing. Furthermore, the Bank advanced 450,000 pension payments and 3,000 ERTEs (Temporary Labour Force Adjustment Scheme) with the aim of mitigating the consequences of COVID-19 on the activity of companies, SMEs, self-employed professionals and individuals.

- The Bank acquired **medical equipment amounting to €4 million** to reinforce the capacity of Galician public hospitals against COVID-19. The clinical material included individual intensive care units (SV ventilators), PM10 and PM12 monitors, D3 defibrillators and TE7 ultrasound machines.

- **«Cubertos» distributed more than 90,000 menus,** a programme promoted by ABANCA and its Welfare Project, Afundación, in collaboration with municipal councils and social entities with the aim of guaranteeing healthy nutrition during the school summer and Christmas holidays for minors at risk of poverty or social inclusion.

- ABANCA Insurance was one of the entities **that participated in the creation of a collective insurance** aimed mainly at protecting the 700,000 healthcare professionals fighting coronavirus.

3

First Spanish bank to accedd to the Principles for Responsible Investment

ABANCA was the first Spanish bank to adhere to the PRIs in two categories: the company ABANCA Corporación Bancaria, which carries on its financial activity through its Capital Markets, Management and Distribution division in the Investment Management unit (investment manager), and the company ABANCA Insurance, through which the Group operates in the insurance sector as asset owner.

4

ABANCA adheres to the United Nations Sustainable Ocean Principles

On 7 June, ABANCA became the first Spanish bank to adhere to the Sustainable Ocean Principles, an initiative of the United Nations Global Compact Network, which defines a common framework of ocean-friendly commercial good practices for all types of business sectors and geographic regions.

5

Acquisition of Bankoa

On 29 September, ABANCA and Crédit Agricole entered into an agreement for the purchase/sale of Bankoa. At the signature, which took place in Donostia-San Sebastián, was attended by the Chairman and CEO of ABANCA, Juan Carlos Escotet Rodríguez and Francisco Botas, respectively; the Deputy CEO of Crédit Agricole, Xavier Musca, and the Chairman of Crédit Agricole Pyrénées Gascogne, Marc Didier.

6

ABANCA General Insurance

In November, ABANCA General Insurance obtained administrative authorisation from the Directorate-General for Insurance and Pension Funds (DGSFP) to carry on its activity as an insurance company. This legal requirement enables the Bank to operate in the Spanish general insurance market.

LINES of action and perspectives for 2021

102-6, 103-2

The global economy will kick off 2021 with partial economic recovery in line with the expected control of the pandemic. In particular, global GDP could grow by 5.5 % in the year according to the International Monetary Fund forecasts. Projections for the Eurozone point to a growth of 4.2 %.

In Spain, activity will still be relevantly affected at the start of 2021, progressively recovering after June as the vaccination process advances, raising growth estimates for 2021 to around 6 %.

The risks for global growth are concentrated in the possible worsening of the pandemic, with new contagion waves or delays in the vaccination process that would require establishing containment measures that hinder recovery.

In this context in which its activity will be carried on in 2021, ABANCA will implement its Strategic Plan for the period 2021-2024 that will pivot on three main strategic lines:

- Boost the generation of recurring revenue: promoting the insurance activity with the deployment of ABANCA General Insurance in joint venture with Crédit Agricole Assurances, converting us into a benchmark in customer savings assessment and maintaining our focus on consumer finance and means of payment.
- Streamline costs: optimising the omnichannel distribution model in a context of increasing digital adoption by customers, streamlining support structures and capturing the value of the synergies arising from inorganic growth.
- Exponentially transform the organisation: promoting the digitalisation of processes and development of new skills (reskilling), with a special focus on sustainability.
- Manage risks associated with the current environment, with a selective risk appetite framework (less capital-intensive sectors) and reinforcing recovery processes developing greater anticipation capacity.

4 model Business

102-2. ABANCA is currently one of the ten most important banks in the Spanish financial system in terms of volume of assets (€67,417 million in December 2020) and international presence (54 branch offices abroad distributed across 10 countries).

ABANCA develops a business model clearly focused on retail banking, specifically the provision of financial and credit services for individuals and companies (mainly SMEs and self-employed professionals), which receive individual, specialist attention in those cases where their profile so requires it. Non-performing asset management is another activity for which personalised management is offered, with action policies designed under the premise of maximising the value of these assets. Also, ABANCA operates in financial markets as a diversifying source of recurring revenue and for contributing to the optimisation of resources and risks.

One of the pillars of ABANCA's business model is to maintain the ownership of most of the financial services businesses that it provides (insurance, cards, funds, Plans, payment management, real estate servicing, etc.), with the aim of retaining the value generated within the Bank and guaranteeing high levels of customer experience by controlling the value chain. Another objective of this strategy is to become a source of diversification and generation of recurring revenue, in addition to a potential lever for capital generation.

ABANCA is committed to a customer relationship model based on omnichanelling, in which the customer decides how and when to perform their financial transactions, maintaining the traditional branch office as the centre of personalised attention and main relationship channel, complemented with the growing support of alternative channels (mobile banking, means of payment, ATMs, POS terminals, etc.).

MULTI-CHANNEL distribution

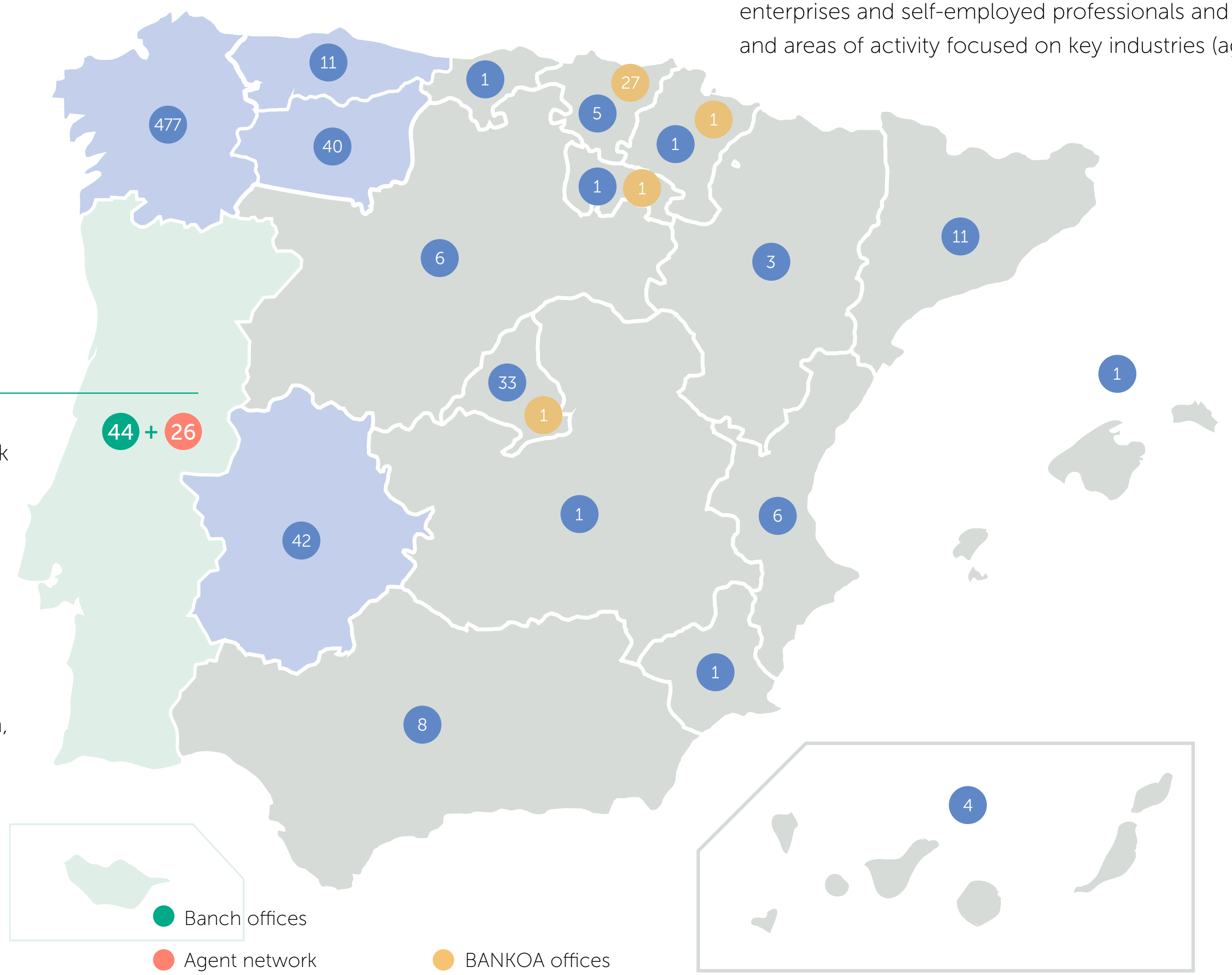
102-4, 102-6

Within this multi-channel distribution model, ABANCA positions itself in the market in a differentiated manner by geographic area:

SPAIN (682)

In 2020 the integration of Banco Caixa Geral (110 branch offices, with special presence in Extremadura) and the agreement to buy Bankoa (33 branch offices, mainly located in the Basque Country):

- In the autonomous regions of Galicia, Asturias and Extremadura and in the province of León, ABANCA has a proximity network with strong capillarity focused on families and SMEs and a specialist service for personal banking customers, micro-enterprises and self-employed professionals and corporate banking customers, and areas of activity focused on key industries (agri-food, maritime, etc.), always complemented with remote banking services that enable customers to perform their transactions.
- In the rest of Spain, ABANCA has a much more selective physical network, aimed at corporate or high net worth customers and highly dependent on remote service provision (mobile banking, ATMs, POS terminals, etc.).



PORTUGAL (70 points of sale)

The integration of Deutsche Bank PT in 2019 allowed ABANCA to gain a strong foothold in the Portuguese market and become consolidated as an Iberian bank. At 2020 year-end it had 44 operational branch offices in Portugal, supported by digital solutions (mobile banking) which, together with 26 developers, totalled 70 points of sale in the country.

INTERNATIONAL PRESENCE (10)

ABANCA's presence abroad is supplemented with two branch offices operating in Switzerland (Geneva) and the United States (Miami) and eight representative offices (France, United Kingdom, Switzerland, Germany, Panama, Brazil, Mexico and Venezuela) that focus on attending the large community of entrepreneurs and families of Spanish origin residing in European and American countries.

ABANCA ended 2020 with a network of 706 branch offices, of which 652 are located in Spain and 54 abroad, distributed across ten European and American countries.

This geographic distribution is supported on an innovative and differential model whose main characteristics are, inter alia, experience in meeting customer needs, the combination of personal and customer attention and remote banking (online and telephone), service through specialist units, simplicity and transparency in the contracting and management of products and services, and international focus.

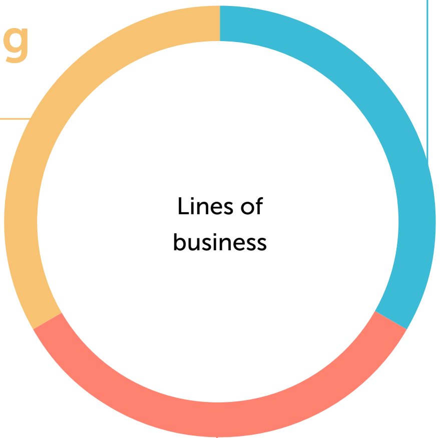
In recent years, ABANCA has continued with its network optimisation process, adjusting the branch offices based on the demography and economic activity of the area. Additionally, ABANCA has leveraged the opportunities which have arisen in the industry for acquiring businesses and banks which have allowed it to consolidate its position as an Iberian player. This focus is reflected in the acquisitions of Deutsche Bank PCB and Banco Caixa Geral, which allow inorganic growth complementary to ABANCA's retail business. Additionally, the Bankoa transaction agreed-upon in 2020 will reinforce ABANCA's position in the Basque Country.

Worth noting is the relevance of technology within the Bank's business model as a means for improving the efficiency and service provided to customers. The Bank has focused on the development of digital channels, which have grown exponentially in use since the outbreak of the COVID-19 pandemic, with 64 % of current digital customers, leveraging on a mobile banking service ranked among the most highly valued in the Spanish market and which is used by two out of every three of the Bank's individual customers.

MAIN lines of business and products

102-2, 102-6, 103-2, 103-3, FS6, FS13

ABANCA defines three priority lines of business in accordance with IAS 8 accounting policies:



1 Retail banking

The Bank's main line of activity is oriented towards all types of retail customers (individuals, companies and public administrations), which it offers a range of financial and para-financial products both through its branch office network and alternative distribution channels (mobile banking, Internet, ATMs, POS terminals, etc.).

In 2020, this line of activity accounted for 73,8 % of gross margin.

2 Wholesale banking

Basically includes treasury transactions and trading in financial markets (issues, fixed income and equities portfolio, derivatives, etc.). It also includes assessment activities in mergers and acquisitions consisting mainly of the comprehensive management of purchase/ sale transactions and shareholder movements in the Iberian market, in addition to capital increases, debt restructuring and other corporate transactions.

In 2020, this line of activity accounted for 20,2 % of gross margin.

3 Non-financial subsidiaries

Non-consolidated Group companies not classified as financial companies with the mission of supporting the productive fabric and supporting the Parent's activities.

In 2020, this line of activity accounted for 6,0 % of gross margin.

1. Retail banking

ABANCA focuses its activity on traditional, prudent, proximal and customer-oriented retail banking in which individuals, SMEs and self-employed professionals are the collectives that constitute the basic pillar on which the other specialist value propositions are supported.

In 2020 the activity of the area was highly focused on the implementation of measures for supporting society and the Bank's employees to mitigate the impact the COVID-1 pandemic including, namely:

1. Channelling of public support measures for the productive fabric: Arrangement of a COVID-19-ICO State-guaranteed credit facility amounting to €3,128 million, which accounted for 19.3 % of loans to SMEs and large companies.

2. Reinforcement of finance for companies: the «Anticipate Plan» allocates €7,900 million to financing for companies, SMEs, self-employed professionals, businesses and commercial establishments.

3. Financial relaxation measures: granting of moratoria on credits amounting to €1,194 million.

4. Support measures for vulnerable customers: granting of more than 3,000 ERTE (Temporary Labour Force Adjustment Scheme) payments amounting to more than €3.3 million, advanced payment of State benefits (unemployment, pensions) to minimise liquidity problems, condoning of POS terminal fees to 32,600 commercial establishments due to inoperability and deferment of payment of fees by the most vulnerable customers.

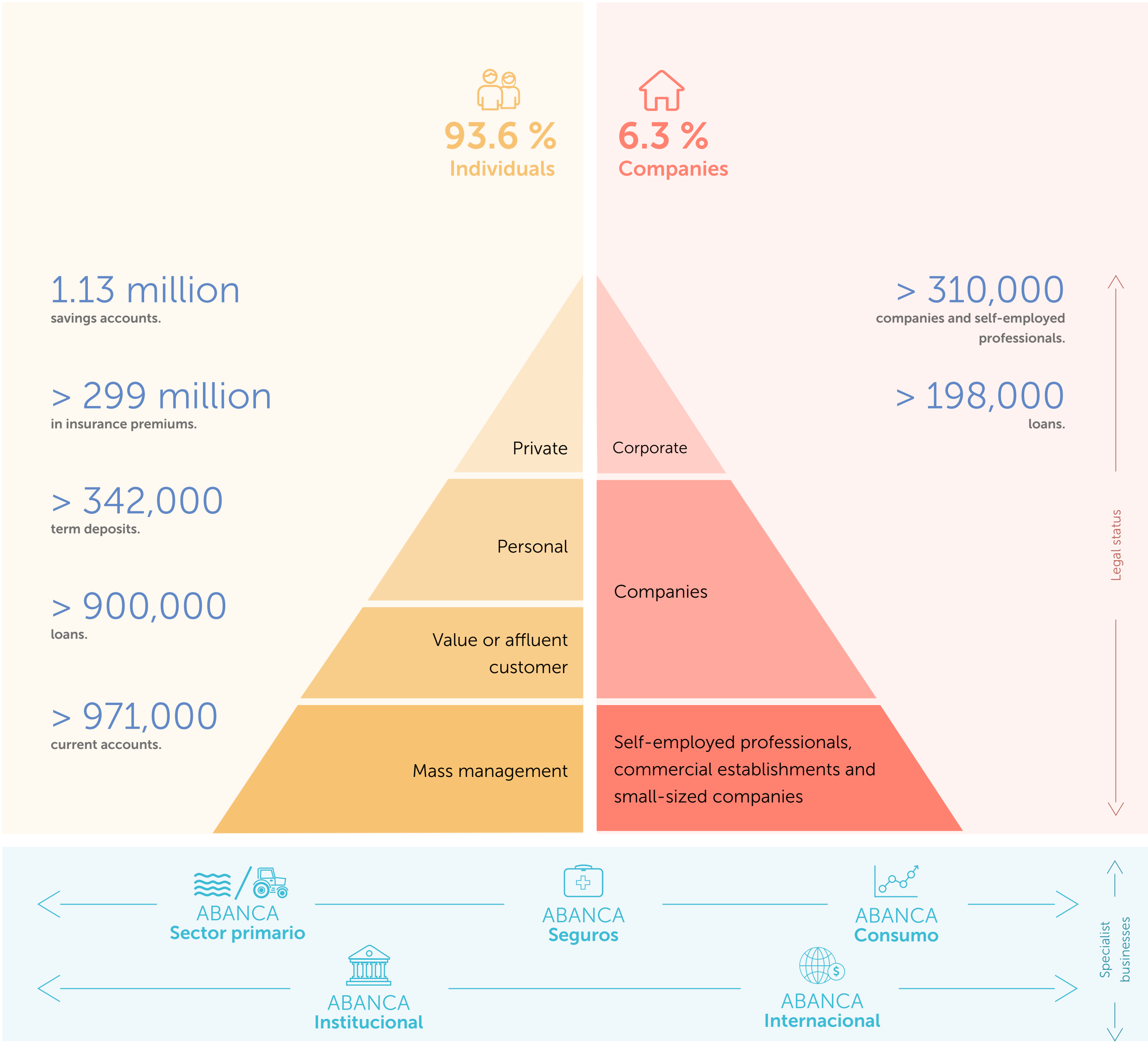
5. Promotion of remote customer service channels, maintaining personal attention at branch offices: The 30 most frequent products/ services can be contracted remotely and 75 % of those products are contracted through «ABANCA signature». At 2020 year-end, more than one million customers were active users of mobile banking. At least 70 % of the branch office network has remained open since the outbreak of the pandemic.

6. Implementation of telework: Since the start of the lockdown in March 2020, ABANCA has implemented the teleworking modality for 4,700 employees, which has had a postive impact in terms of productivity with respect to the situation prior to the lockdown. As a result of this and other measures, the impact of COVID-19 on ABANCA was well below the average of the industry.

7. Support to society: donation of 150 ICUs amounting to €4 million. Donation of 50,000 face masks and 13,000 protective face shields. Continued sponsorship of 1,749 teams and 14,500 athletes. Donation of four clinical readers which analyse up to 25,000 daily tests.

ABANCA's commercial strategy is based on segmentation by type of customer with the aim of offering different products and services adapted to their needs, based on a differentiated service model and value proposition. These products and services are offered in a multi-channel environment, broadening the possibilities of the customer-bank interrelationship.

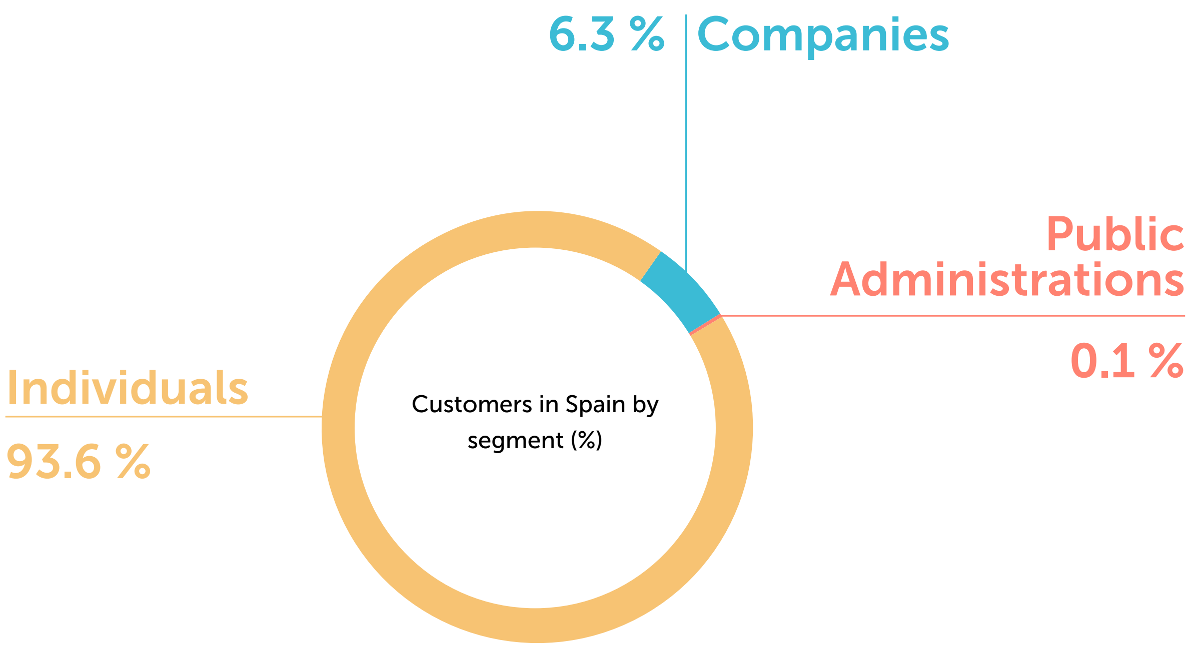
As indicated in the graph below, the segmentation is divided into two interconnected dimensions in order to provide the most personalised and professionalised possible customer service.



a) Specialisation by legal status

Individuals

Individuals represent ABANCA's main client base, accounting for 94 % of its more than two million customers in Spain and more than half of the balance of financing granted to customers.



The Bank offers this collective a wide range of products and services:

- Financing: mortgages, personal loans and consumer finance, products that offer different alternatives designed to adapt to its customers' payment capacity and preferences. ABANCA complements this offering, inter alia, with bank guarantees and credit cards. At 2020 year-end, ABANCA had arranged more than 900,000 loans with its individual customers.
- Savings: term deposits, savings books, current and home-purchase savings accounts, investment funds in their different modalities, insurance, pension plans and fixed-term and equity securities. At 2020 year-end, the Bank had approximately 1.13 million active savings accounts, more than 971,000 current accounts and more than 342,00 term deposits of individual customers.
- Insurance: ABANCA offers a wide range of insurance products aimed at meeting its customers' needs, both in the life and non-life segment (car, house, business, accident or savings, inter alia). In 2020, ABANCA issued insurance premiums amounting to more than €299 million.
- Other services: direct debits, means of payment, brokerage of securities and continued operation through a wide range of customer service channels.

ABANCA carries out a **segmented and differentiated commercial management of its individual customers** in accordance with the financial capacity of each individual customer:

1

Mass management

It is the unit with the largest customer base, which are assisted by branch office staff following value-added criteria. It is the unit with the largest customer base, which is attended by branch office employees following value-added criteria.

2

Value customers

The specialist members of the mass management unit also provide services adapted to the needs of customers with a larger number of products or services contracted with the ABANCA Group. Value customers Provides services to customers with a regular monthly income and also an additional relationship with ABANCA (mortgages, savings products, off-balance-sheet resources, bank guarantees or means of payment).

After the acquisition of Deutsche Bank PCB, ABANCA leveraged Deutsche Bank PCB's strong positioning in value-added products and experience with this type of customers to export its best practices to the management of the total customer portfolio.

3

Personal banking

Attends customers whose net worth and/or monthly income make them likely to contract alternative fixed-term products and personalised services. They are attended by specialist personal banking managers and advisors with «European Investment Practitioner» (EIP) and «European Financial Advisor» (EFA) certification, respectively, in financial markets, investment and savings products, regulations and standards, and financial planning and assessment, accredited by the European Financial Planning Association (EFPA).

4

Private banking

This unit is focused on customers with high net worth, offering them a very specific degree of personalisation, tailored to each customer. The team of professionals who make up the private banking unit includes both senior advisors and asset managers, qualified in different areas related to financial assessment and asset management, with European certifications, such as the aforementioned EFPA.

Companies

Corporate service is also a priority in ABANCA's activity, particularly that oriented towards SMEs and self-employed professionals. ABANCA has more than 310,000 customers in Spain which are companies and self-employed professionals, attended by specialist managers assigned in accordance with their specific needs.

The products and services aimed at this segment include, namely:

1

Financing

- **capital:** ABANCA provides companies with the liquidity they need to carry on their daily activity with traditional products such as discounts, advances or credit accounts, added to specific solutions such as confirming or reverse factoring.
- **Other purposes:** ABANCA provides traditional products such as loans, guarantees, overdrafts, leasing, renting, risk hedging products, etc., or specific solutions for foreign trade transactions. These include foreign trade assessment, import/export financing, foreign currency accounts, payment risk coverage and delivery of goods and international transfers, inter alia.

2

Cash savings/management

Although it shares the use of instruments common to individuals, companies have specific products such as «cash pooling» (cash management for groups of companies), current and savings accounts, deposits or joint promotion pension plans.

3

Cash savings/management

Although it shares the use of instruments common to individuals, companies have specific products such as «cash pooling» (cash management for groups of companies), current and savings accounts, deposits or joint promotion pension plans.

The complexity of the corporate business (which finances both the day-to-day activity and the expansion of any project) requires a high degree of technical and customer expertise, in addition to knowledge of financial solutions adapted to the different types of customer, to which end ABANCA has personalised attention units:

- **MCA Unit:** aimed at micro-enterprises, commercial establishments and self-employed professionals.
- **Companies and SMs Unit:** aimed at small and medium-sized companies.
- **Corporate Banking Unit:** attends large companies.

b) Specialist businesses

ABANCA
Sector primario

1

ABANCA primary sector. 203-2, FS7, FS8. ABANCA Mar and ABANCA Agro are examples of specialist services for professionals, companies, co-operatives and other primary sector agents, encompassing the entire value chain of the agriculture and livestock breeding, wine, fishing and aquaculture industries.

ABANCA Mar provides services to the maritime and fishing industry through a network of more than 100 branch offices distributed throughout the coast. Its team of professionals offers financial solutions (products and services) adapted to the characteristics and needs of the fishing and ancillary industry.

In addition to a specialist service, ABANCA Mar directly in some and in others with the collaboration of Afundación, ABANCA's Welfare Project, and its business school IESIDE, has participated in various knowledge, promotion and science initiatives. These actions took place telematically and encompassed, inter alia, fishermen's associations, Local Action Groups for Fisheries (FLAGs), the scientific sector, women's associations in the fisheries sector and the Spanish National Confederation of Shipowners.

In this regard, worth noting is ABANCA's participation in the first event of the ABANCA Observatory by IESIDE, giving support to essential industries which are strategic to our economy. ABANCA Mar also organised, or moderated, 11 digital sessions with industry companies to discuss topics such as financing, COVID and scientific aspects.

Lastly, mention should be made of the line of active collaboration with all industry collectives through the signing of 90 agreements.

Direct debits of CAP:

Leaders in Galicia, market share of

48.78 %

Extremadura, market share of

4.08 %

In León, market share of

16.02 %

ABANCA Agro provides its services and support through a range of products designed for the agriculture and livestock breeding, wine and forestry industry. This service is provided through nearly 250 branch offices attended by executives who specialise in this industry.

In 2020, mention must be made of two Sustainability actions:

- ABANCA Agro's industry offering envisages rebated conditions for investment financing which are materialised in: reduction of emissions, improvements in energy efficiency, etc.
- The commercial session with customers in digital format, in which the opportunities for the forestry industry in the field of bioeconomy and offset of CO_2 emissions were addressed.

The firm commitment to these industries is the signing of 70 collboration agreements with different sector groups and the adhesion to the Financial Management Instrument Centralised in Galicia.

ABANCA
Seguros

2

ABANCA Insurance: The development of this line of business is of key importance as a generator of recurring revenue, while making it possible to diversity the sources of generation of resources.

ABANCA's insurance business is structured on three lines of action:

1. «ABANCA Life», which develops a wide range of life products (risk and savings).
2. «ABANCA General Insurance», a joint venture with Crédit Agricole to cover the general insurance offering.
3. «ABANCA Insurance Brokerage», a brokerage line for meeting the needs of those customers who demand more personalised products due to their specific characteristics (complexity of risks, coverage volume, etc.).

This efficient structure was created after a relaunching process that redefined the organisational structure of ABANCA's insurance and pension plans business on the back of a series of acquisitions and mergers that allowed ABANCA to recover complete control over the value chain of its insurance business.

This new commercial model is backed by a team of commercial managers located at ABANCA's branch offices specialised in each area of the insurance business.

ABANCA
Consumo

3

ABANCA Consumer. This activity is managed by ABANCA Financial Services (ASF), providing consumer finance solutions both to final consumers (deferment of purchases, point-of-sale financing, etc.) and commercial establishments.

This business unit provides a specific structure focused on a point-of-sale, agents (operatorss, retailers, etc.) and pre-authorised customer credit (cards/ loans). ABANCA Financial Services has a team of managers who revitalise the activity of commercial establishments/ operatorss and give support to the branch office network. This supplemented with a call center service for telephone sales and support to commercial establishment customers.

The acquisition of Popular Servicios Financieros, E.F.C., S.A.U. in 2017 was an especially relevant event in the development of a «consumer finance» business unit, since ya que aportó un equipo especializado así como un elevado número de acuerdos con empresas y distribuidores en España y Portugal.

ABANCA
Institucional

4

ABANCA Institutional. The public sector also has a specialist area at ABANCA, where a qualified team with extensive experience offers all types of solutions for the financial needs of bodies, State-owned companies, associations, foundations, etc. Organised in a territorial network to offer a friendly and individualised assessment, the Institutional Banking coordinators personally manage an extensive portfolio of institutional customers throughout Spain. Loans, credit facilities, guarantee lines and reverse factoring are the main solutions that support the day-to-day activity of institutional customers.

Through this area, ABANCA also collaborates with tax collection agencies with the aim of improving the efficiency of the collection process in relation to taxes, charges for public services and other income. In this connection, ABANCA collaborates in the development of innovative billing solutions, as in the case of the mobile local tax collection application.

At ABANCA, institutional customers also enjoy specialist treatment when arranging aid for their projects. This area annually coordinates more than a hundred collaboration agreements with municipal councils, autonomous regions, associations, foundations, etc., for developing initiatives to promote local social, economic and cultural development.

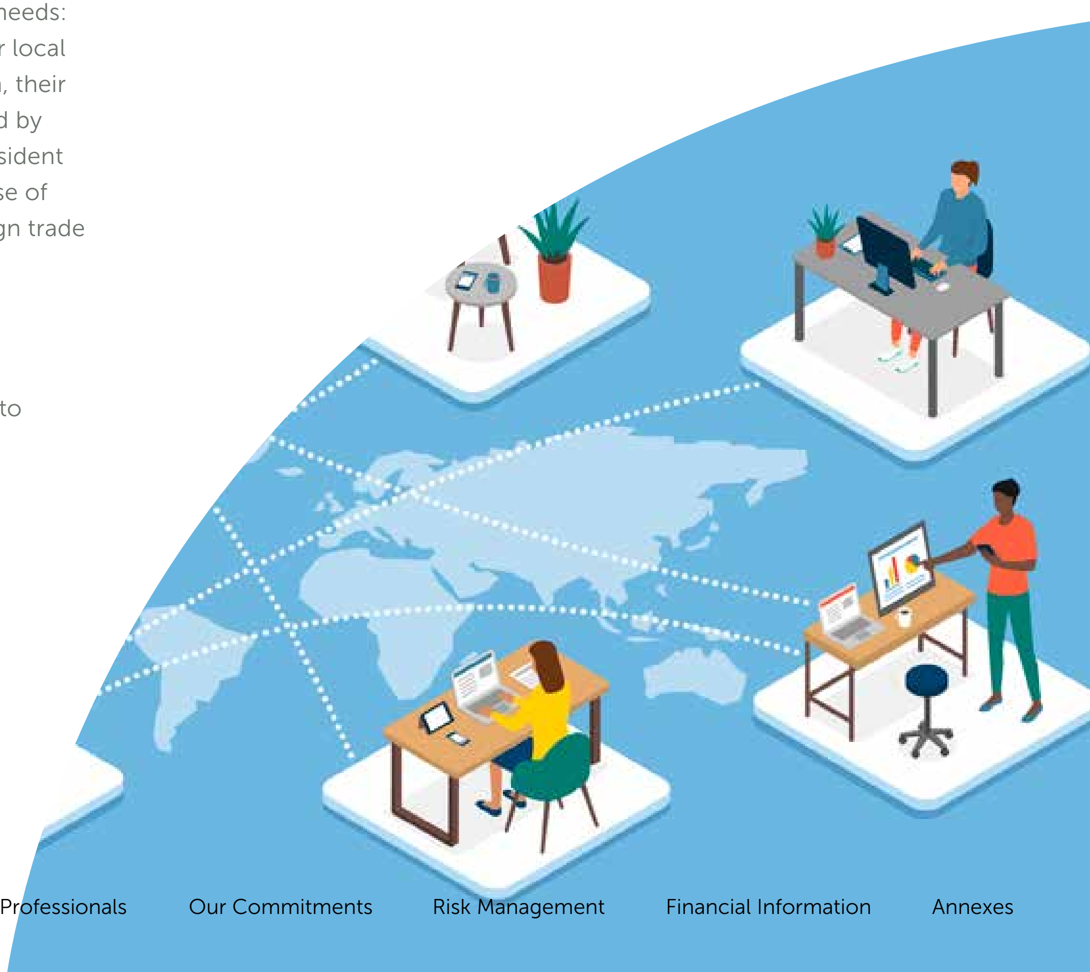
ABANCA Internacional

5

ABANCA International. 102-4, 102-6
Although ABANCA concentrates its activity and business in the Iberian market (Spain and Portugal), it has three operational branch offices outside of this area (United States, Switzerland and Mexico) and eight representative offices located in Mexico, Panama, Venezuela, Brazil, United Kingdom, France, Germany and Switzerland that give support to the Galician colony abroad and to the internationalisation of Spanish companies operating in said countries.

The central element of this model is customer attention through teams located both in Spain and in their country of residence. This model is based on customer service through teams located both in Spain and in their country of residence. Customers have up to three points of attention at their disposal, among which they can choose in accordance with their needs: in their country of residence, their local representative office and, in Spain, their reference branch office supported by managers focused on the non-resident customer segment and, in the case of business owners, ABANCA's foreign trade management team.

It implements the complementary international presence strategy in geographic areas with direct links to ABANCA's «natural» regions.



1. ABANCA Spain International.

They are customers who reside in other countries but wish to establish a banking relationship with a bank located in Spain. In December 2020, we had more than 62,000 individual customers and nearly 900 corporate customers with these characteristics, who are attended by the following teams:

In their country of residence, by ABANCA's external representative office network, with offices in:

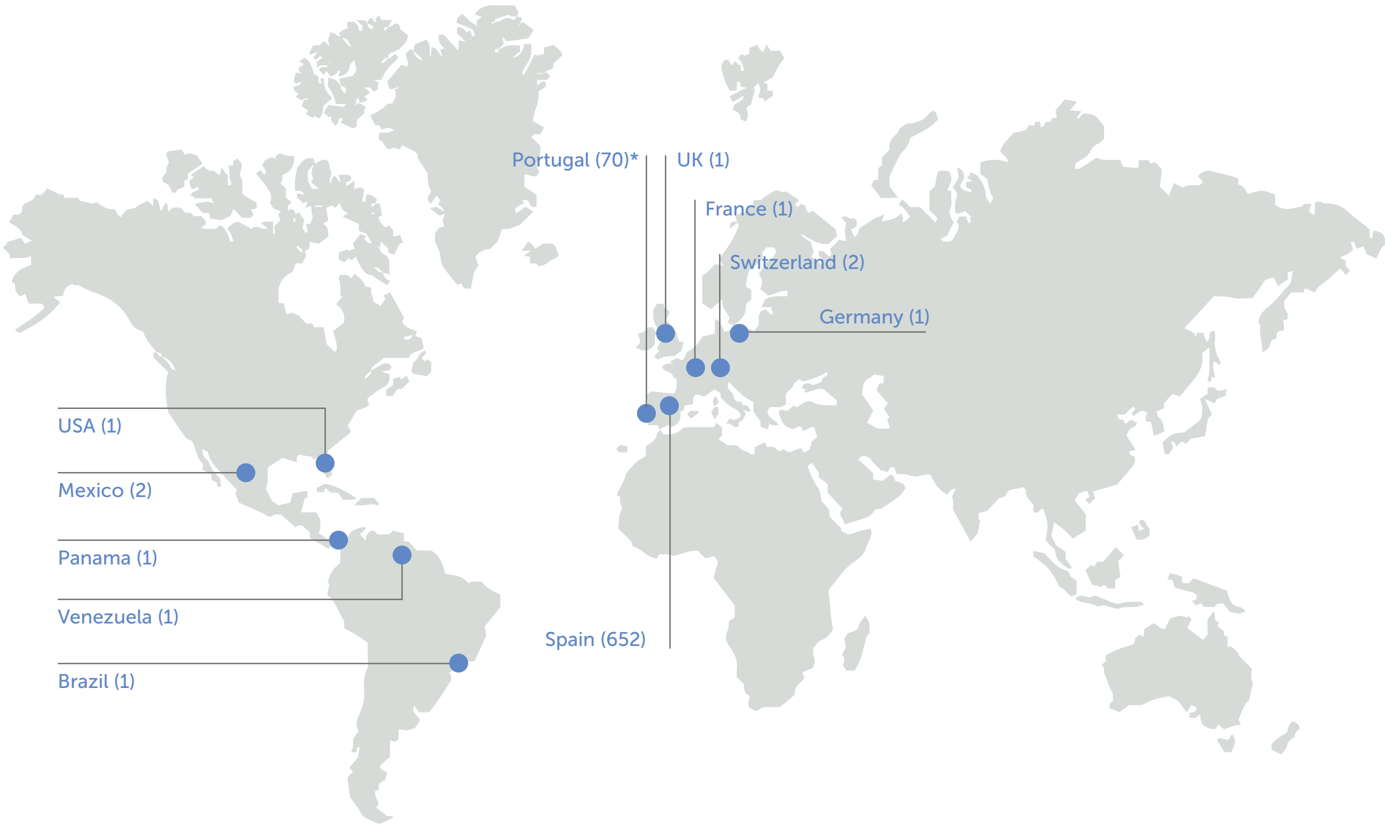
- Europe: London (United Kingdom), Frankfurt (Germany), Paris (France), Zurich and Geneva (Switzerland).

- America: Caracas (Venezuela), Rio de Janeiro (Brazil), Panama (Panama) and Mexico City (Mexico).

In Spain, when customers come to our country, by:

- Non-resident customer managers, a commercial team highly specialised in this customer segment.

- ABANCA Spain's extensive branch office network.



* Include branch offices and developers.

2. ABANCA International

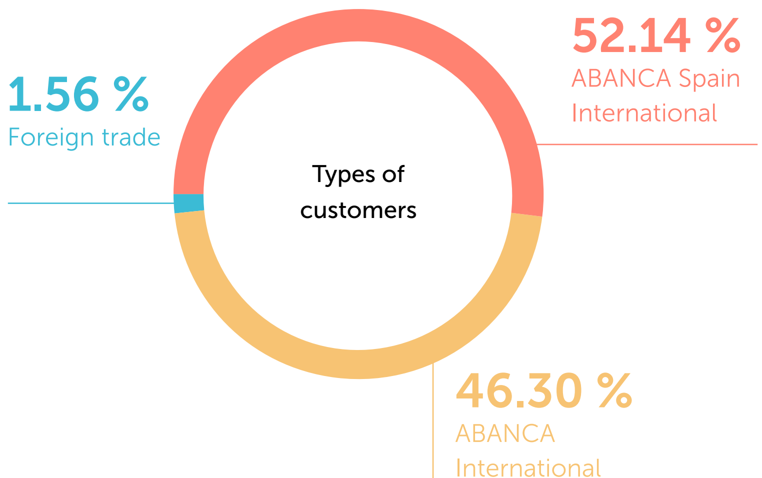
Customers who also reside in other countries but who, as opposed to the foregoing, wish to establish a banking relationship with a bank located in their country of residence. In December 2020, we had nearly 64,000 individual customers and more than 7,000 corporate customers belonging to this segment. These customers are attended at our foreign operational branch office network located in:

- Portugal, network of 44 branch offices and 26 developers.
- United States, Miami office.
- Switzerland, Geneva office.
- Mexico, Financiera SOFOM in Mexico City.

3. Foreign trade

This segment is composed of corporate customers with economic interests and headquarted in Spain. Due to their important foreign trading activity (import/export), these customers require assessment on specific financial products and services. We call this type of customers «Foreign Trade Customers» and, in December 2020, we had more than 2,000 customers attended by:

- Specialist foreign trade managers, a highly expert commercial team which advises and markets a wide range of foreign trade products and services (financing, imports and exports, documentary credits, financed remittances, international guarantees, forfeiting, international reverse factoring, forward and spot foreign currency, etc.).
- The Foreign Trade Back Office Department, which provides technical and structural support for marketing these products.



c) Recoveries and real estate assets

ABANCA pays special attention to reducing the volume of non-performing assets and to maximising their value for the Bank. The main lines of action consist of the recovery of Non-Performing Loans (NPL) and reduction of foreclosed properties, always under the premise of generating positive results for ABANCA.

The recovery of NPLs is focused on reducing non-performing and written-off loan portfolios with the aim of minimising their negative impact on results, particularly in the early stages of delinquency, to which end ABANCA has deployed a commercial network.

Beyond ordinary recovery tasks, ABANCA also manages the reduction of this NPL stock through the sale of portfolios. This activity is carried out by assessing the different divestment alternatives and strategies for these non-strategic assets, opting for the best method for obtaining the greatest value for ABANCA.

As regards the real estate asset stock, ABANCA has a team in charge of all the processes associated with this type of assets, from their incorporation (where applicable) and recording in the inventory to the prices and sale to third parties. In order to manage its real estate asset stock, ABANCA chooses mixed solutions that combine outsourcing and internal management in such as to ensure the control of the value chain and that only those transactions which are less critical in the process are subcontracted. With regard to the divestment strategy, the real estate portfolio is segmented in accordance with asset revaluation capacity, and prices are fixed with the aim of maximising returns and maintaining adequate turnover.

The result of this policy has positioned ABANCA in a leadership position in the Spanish market due to the quality of its assets, with an NPL ratio of 2.0 % at 2020 year-end and coverage for problematic assets of 72.1 %.

2. Wholesale banking

Notwithstanding the fact that ABANCA finances its loan activity with deposits from customers, with a LTD (loan/deposit) ratio of 84.3 % at 31 December 2020, the wholesale banking unit complements the Bank's commercial activity adn constitutes a complementary source of income for the income statement.

One of the main functions in this area is the investment of surplus liquidity generated by the commercial activity. Furthermore, ABANCA manages its cash positions and liabilities on the capital market to implement maturity transformation and exposure to interest rate risk. Additionally, wholesale banking gives support to the areas of the commercial network that carry out discretionary portfolio management, keeps ABANCA's managers/ customers abreast of the most standardised investment portfolios and monitors investment funds/pension plans designed by ABANCA. Furthermore, it collaborates in the distribution of cash products to the commercial network (retail, companies, corporate, Foreign Trade and institutional) and coordinates the foreign exchange and derivatives desks, with the aim of offering the best prices for these products to internal (balance sheet/trading) and external customers. Lastly, it manages the investment portfolio in listed and non-listed companies in which non-representative interests are included with the aim of generating returns for the company through dividends or gains and maximising efficiency and solvency by minimising outflow and maximising inflow of resources. This line of business also includes assessment activities in mergers and acquisitions consisting mainly of the management of foreign purchase/sale transactions and entry of shareholders in the Iberian market, in addition to capital increases, debt restructuring and other corporate transactions.

3. Non-financial subsidiaries

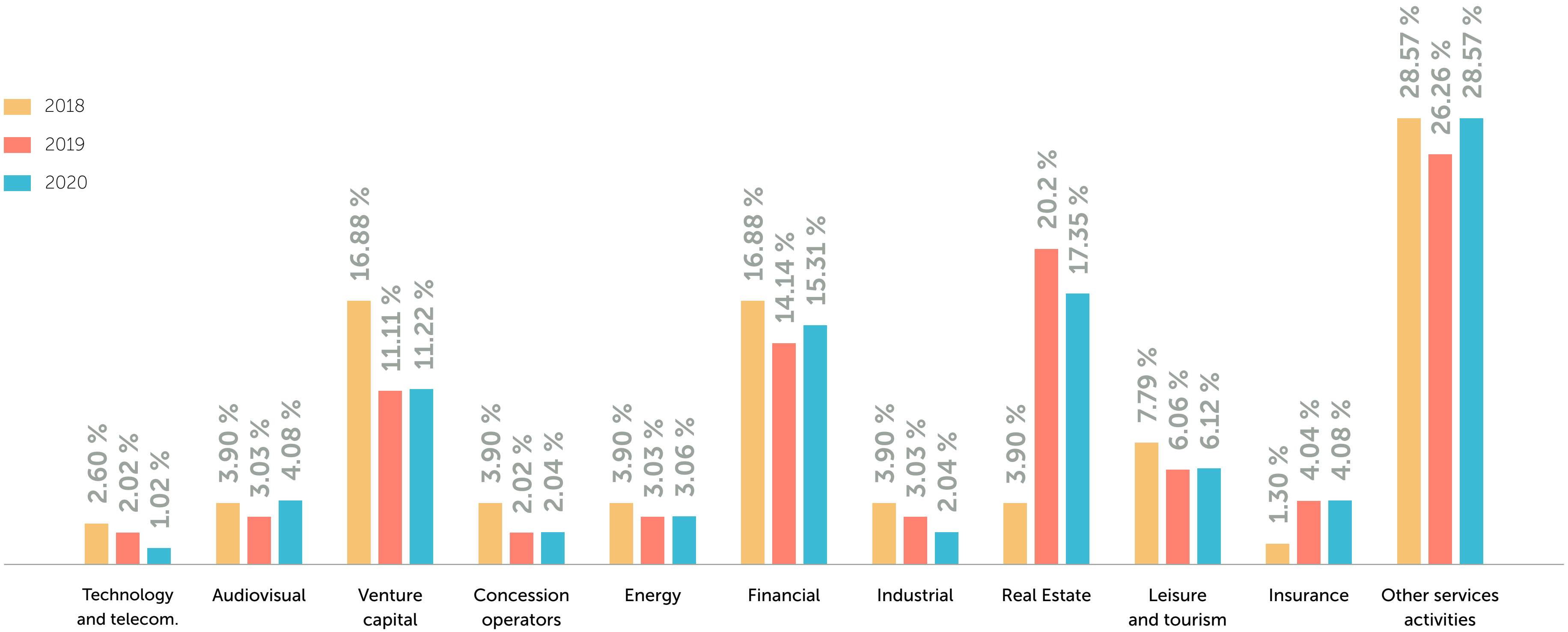
It comprises the portfolio of non-financial companies with the mission of supporting the productive fabric and supporting the Bank's activities (here we include the result of ABANCA's proprietary insurance companies, except commission income and expense, which in included in the retail segment).

In 2020 ABANCA continued with its Group investee portfolio rotation policy, divesting in those projects where the objectives envisaged on the date of acquisition of the ownership interest, in addition to making new investments in projects encompassed within the reinforcement strategy of certain areas of the Bank, such as for example investments in start-ups linked to financial services. In 2020 special emphasis was made in support for investees due to the general economic impacts arising from the COVID-19 pandemic: search for opportunities for investment/divestment, financing, etc.

Furthermore, the ISO 9001 and ISO 14001 certifications were successfully renewed in the companies ABANCA Gestión Operativa and Espacios Termolúdicos.

At 31 December 2020, the ABANCA Group maintained a consolidated investee portfolio with presence in the sectors indicated below.

Percentage distribution of investees according to sector of activity and years



SUSTAINABLE finance

103-2, 103-3, FS7, FS8, FS10, FS11

At ABANCA we help our customers in the transition towards an economy with low greenhouse gas (GHG) emissions. To this end, we contribute by financing renewable energy and energy efficiency projects, responsible investment and promote innovation in the development of new technologies for sustainable growth.

Financing of sustainable projects

ABANCA is classified among the leading Spanish banks currently developing renewable project financing agreements? In 2020, ABANCA signed a total of 35 financing transactions with ESG criteria amounting to more than €400 million.

At 2020 year-end, total project financing with environmental interaction amounted to €700 million.

Financing with interaction in environmental matters (millions of euros)

Sector activity	National	International	Total
Wind	218	70	288
Solar	333	10	343
Small-scale hydro power plant	34	0	34
Biofuel	0	0	0
Cogeneration	3	0	3
Biomass	21	0	21
Other	11	0	11
Total	620	80	700

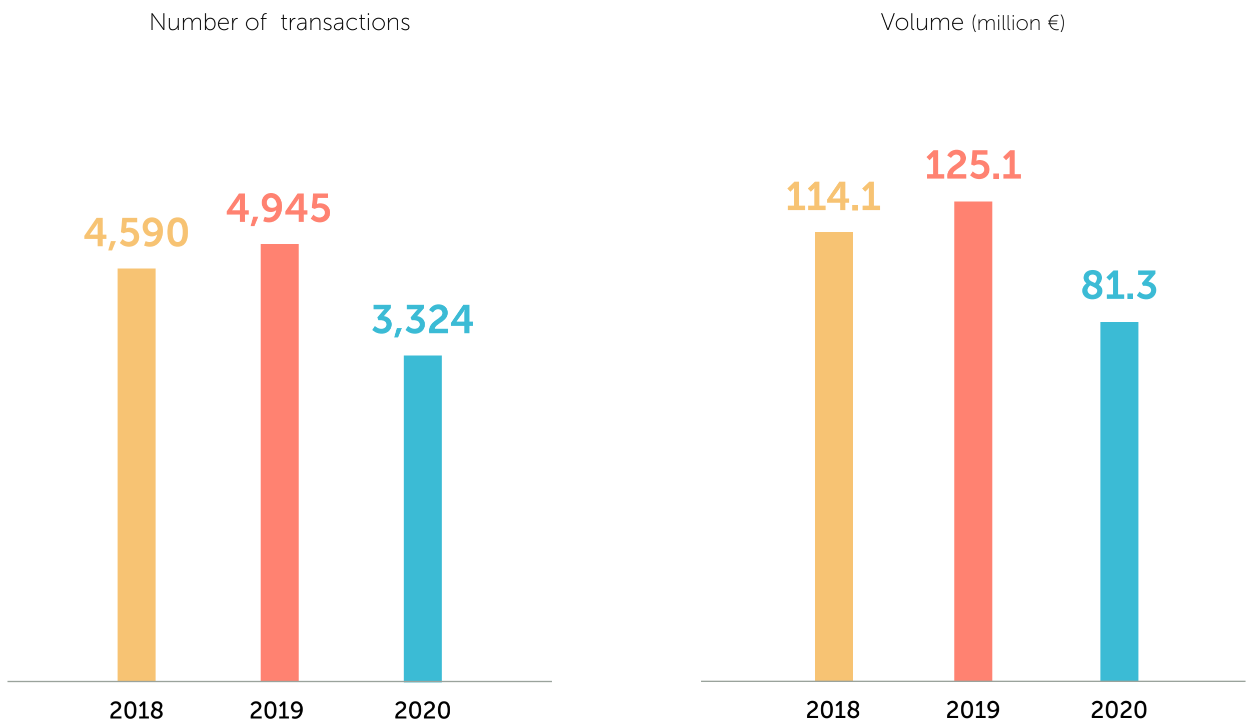
ABANCA markets various financing products whose direct aim is sustainability in the individuals segment:

- Housing reform loans for improving energy efficiency, the use of renewable energies or sustainability. It is a line within the financial offering of the Activamos Plan (collaboration agreement between ABANCA and the four Galician County Councils, aimed mainly at contributing to drive the social and economic development of the community).

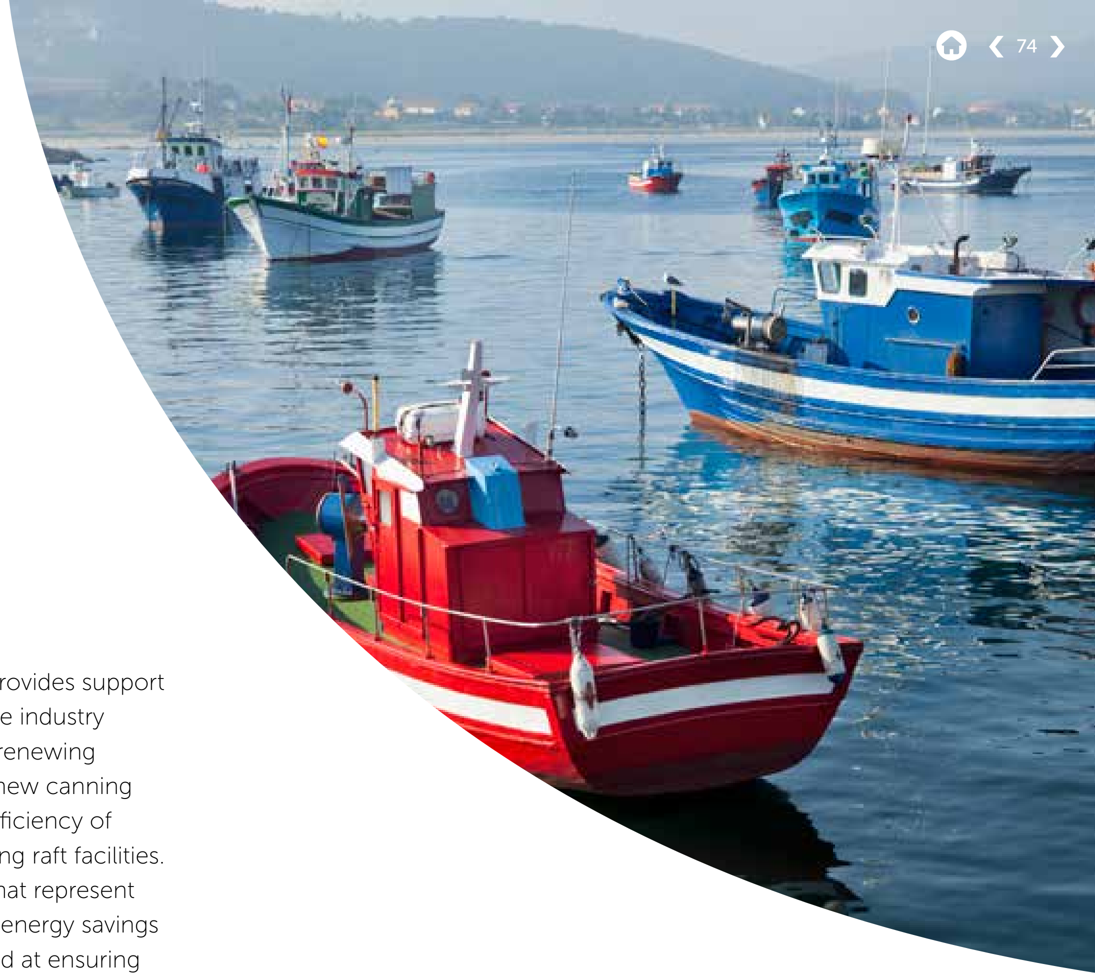
  Since 2014, the first year in which the agreement was signed with the County Councils, over 32,000 transactions were performed amounting to more than €800 million.

- Financing the acquisition of efficient vehicles: hybrids, electric, etc.

Activamos Plan arrangements



The specialist business focuses on support for the primary sector: dissemination of information on aid for business model improvement plans and assistance with formalities; financial inclusion of sector professionals; advancement of grants and finance for reducing the environmental impact and investing in social welfare projects.



Through ABANCA Agro, we provide financing for agricultural and forestry projects: aimed at improving energy efficiency, replacing conventional energy with biomass and other alternative energies, improving waste treatment, reducing CO_2 emissions, energy efficient vehicles and forest innovation projects. Apart from serving as a revitalising agent for achieving the objectives of the Common Agricultural Policy.

The ABANCA Mar team provides support to the fishing and maritime industry through investments for: renewing the fishing fleet, building new canning plants or improving the efficiency of current plants and renewing raft facilities. Summarising, measures that represent operating improvements, energy savings or impact mitigation aimed at ensuring environmental sustainability, which is vital to the survival of the industry.

Support for the maritime industry by financing investment projects of the European Maritime and Fisheries Fund (EMFF), which it subsidises, inter alia, investments that contribute to saving energy or reducing environmental impact, including waste treatment.

Socially responsible investment

In addition to financial returns for investors, ABANCA's investment activity is aimed at contributing to the sustainable and inclusive development of society.

In May 2020, the Board of Directors approved the Responsible Investment Policy, which brings together the related strategy and basic action principles with the aim of obtaining return on investment consistent with its customers' objectives and maximising social well-being. To this end, they are included in financial metrics and social, environmental and governance aspects (SEG).

The document is a reference framework for the products, investment services and assets managed and/or supervised by the Investment Management Unit under the D.G. Capital Markets, Institutional Management and Distribution and ABANCA Insurance.

Investment model

ABANCA's investment model takes into account ESG factors as a relevant variable in the decision-making process. This allows ABANCA to make better-informed decisions both in relation to the fixed-income and equities assets of the different treasury portfolios, and to the offering of financial products and services for customers.

In the model, the following are key: the application of the Principles for Responsible Investment (PRI), the Principles for Responsible Banking and the Principles of the United Nations Global Compact, in addition to promoting the integration of ESG criteria in the selection funds and asset analysis.

ABANCA carries out discretionary portfolio management through three investment options: Alpha Responsible, Alpha Exponential Future and Alpha Cyclical. All the funds included in the Alpha portfolios are managed by management companies which are signatories of the Principles for Responsible Investment (PRI).

- Alpha Cyclical: the Alpha Cyclical portfolios are based on the study of economic cycles, the portfolio invests globally in a selection of asset types, with the aim of maintaining an adequate diversification at any given time.
- Alpha Exponential Future: the strategy of the Alpha Exponential Future portfolios identifies three major megatrends, one of which is sustainability. Within this megatrend, ABANCA invests in topics linked to sustainable development such as water management, mitigation of climate change and renewable energies, inter alia.
- Alpha Responsible: the Alpha Responsible portfolios invest in a selection of international investment funds that promote environmental or social and good governance characteristics in its investment management, favouring companies and emitters with ESG good practices. These sustainable characteristics are promoted through several approaches, such as the exclusion of controversial sectors, countries or emitters and the integration of best-in-class criteria in the selected funds or the incorporation of funds linked to sustainable or impact investment topics.

At 2020 year-end, the total volume managed in these portfolios exceeded EUR 550 million.

Investment with social impact

ABANCA contributed more than €16.5 million to different banks, associations and institutions that develop social welfare projects.

€16.5 MILLION
in social investment.

Investees

Within its support to the local productive fabric, ABANCA has ownership interests in three companies that operate a total of four wind farms with a total output of 112.06 Mw. The holding in each company is less than 20 %, as detailed below:

Company	Wind farm	Output	Holding
Norvento Montouto, S.L.	Fiouco	24.00 Mw	19.90 %
	Montouto	20.46 Mw	19.90 %
Norvento Curuxeiras, S.L.	Curuxeiras	49.60 Mw	19.89 %
Norvento Curuxeiras, S.L.	Curuxeiras	18.00 Mw	19.68 %

Next steps

Our vision is to continue supporting our customers in their transition towards sustainability and progressively increasing the sustainable finance business within our sphere of action, which in turn allows us to reduce GHG intensity or total portfolio exposure.

ABANCA Digital

103-2, 103-3, FS13, FS14

ABANCA Digital, true to its objective to provide its customers with an innovative service, developed and implemented different technological solutions during the lockdown that allowed it to broaden its catalogue of contractable products and services without need to go to a branch office, thereby meeting its customers' needs.

ABANCA Signature.

Mobile banking for companies.

Close-at-hand, simplified service.

Support for local trade.

1

Expansion of remote transactions: among other products, this included remote performance of transactions, particularly financing, for individuals, self-employed professionals and companies, allowing them to:

- Request credit cards
- Arrange personal and mortgage loans with novations, subrogations and extensions.
- Avail themselves of ICO financing modalities.
- Request financial moratorium.
- Advancement of unemployment payments for customers affected by ERTEs (Temporary Collective Redundancy Schemes).

2

Close-at-hand, simplified service: the Bank's main objective for 2020 was to place online tools and services for performing transactions anywhere and any time, through a computer, mobile phone or ATM, at customers' disposal.

Maintaining the security required by PSD2 regulations also simplified digital access through the customers' identity document number and a secret credential.

3

Mobile banking for companies: during the first weeks of lockdown, ABANCA developed a corporate mobile banking app to complement its corporate mobile banking activity that allowed companies to sign transactions, make national and international transfers and consult their positions, among other transactions.

4

Support for local trade: at a time when distance selling became essential for local businesses, ABANCA provided them with tools to make selling more convenient, simple and secure: the virtual or portable POS terminals or Aplazos (payment deferral) service are two good examples.

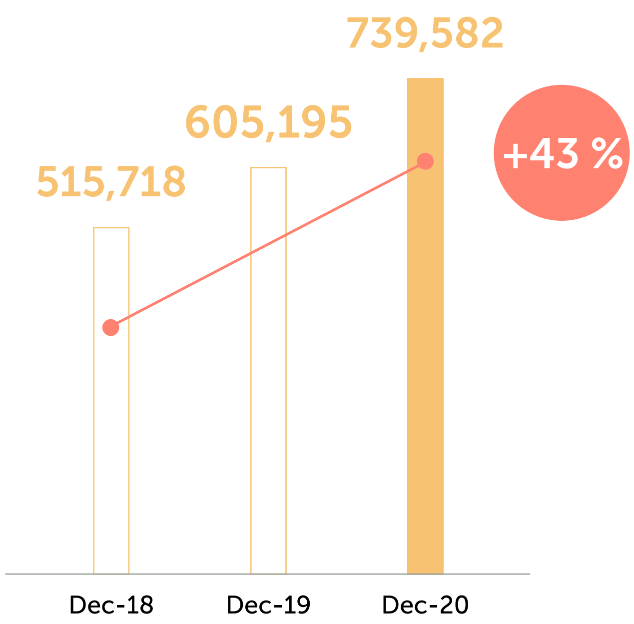
+ 162.1 %

Digital contracts in 2020.

ABANCA's mobile banking application, fully developed in Galicia and free of charge, ranks among the most highly value by bank app users, according to the impartial opinion of thousands of customers who downloaded the app and rated it in official Android and IOS terminal app stores.

Google Play	48,801 ratings.	Average score	20 % give it a rating of	58 % give it a rating of
App Store	70,958 ratings.	Average score		

Evolution of clients connected to mobile banking (units-month data)



RESPONSIBLE management

Quality

103-2, 103-3, 416-1, 417-1

Quality is one of the corporate values that underpins the future progress of the Bank. At ABANCA quality is a shared responsibility which is supported by three basic pillars:

1. **Promote** the use of Quality Management Systems.

2. **Excellence** in management and focus on results.

3. **Detect** our customers' needs and **improve** their satisfactions.

ABANCA has a quality policy that that reflects our commitment to continuous improvement and the promotion of best practices in management systems, commitment to **service excellence.**

Quality certifications and seals

In 2020, ABANCA continued to advance in its commitment to the certification of quality management systems as a means for organising our commercial and management processes and the customer experience, which serves as a lever for excellence in the service provided.

The AENOR Certification in **«Excellence in Business Banking Services»,** in force since March 2018, accredits our efforts to ensure the continuous improvement of our processes and services in order to offer our customers the best experience in a strategic and growing segment.

Our **commercial systematics**, which represents a successful transformation model, ranks among the leading banks with AENOR Certification in Excellence in Personal Banking Services, in force since December 2016.

Means of payment (credit cards) and **individual and corporate electronic banking and individual mobile banking** have become the services most highly acknowledged and valued by customers. Since 1996, their quality management system is certified according to the UNE-EN ISO 9001:2015 standard.

In December 2014 we became the first Spanish and European bank to certify the quality of a financial product **(24-hour loan)** according to the UNE 93200:2008 standard for Customer Service Charters.

Only two banks in the world, and only ABANCA in Europe, have the highest quality rating in technology, **level 5 of ICMM** (Integrated Capability and Maturity Model).

Quality.

Customer Service Charters

ABANCA stands out for being the first and only Spanish and European bank to make an effort to guarantee the transparency and quality of its products through Customer Service Charters.

These documents, which are delivered to customers when contracting products and services, explain the Bank's specific commitments to quality, obligations and rights, the agreed-upon compensation measures and suggestion and listening channels at their disposal clearly and in writing.

The charters include quantifiable objectives and indicators associated with the commitments whose measurement and degree of fulfilment is verified and publicly disclosed. (links below)

24-hour loan

- Customer Service Charter.
- Commitment compliance panel.

Mortgage Maricarmen

- Customer Service Charter.
- Commitment compliance panel.

Internal quality metrics

Measuring internal satisfaction in the execution of internal services and processes helps us to align the interests of all the participants in the different phases thereof.

SQI (ICS)

Service Quality Index

The Service Quality Index is created on the basis of the scores obtained in five dimensions, assessing the operation of the support processes, swiftness of response, absence of errors, tools and security, inter alia.

Based on our SQI, we established an internal quality rating that marks the optimum level for each internal service so that it contributes to offering the final customer the best solution and response to their needs.

In 2020, 89 % of the assessed services exceeded the established optimum internal quality level.

CES

Customer Effort Score

The Customer Effort Score (CES) assess the perception of the effort required to obtain a service or solve a problem, in the manner of a «barometer» that measures from the perception of the internal customer to the streamlining of processes, the adoption of new technologies and tools, or the greater autonomy to make decisions.

In 2020, ABANCA accelerated the agility and simplicity of its internal processes, such that internal customers acknowledged said improvement through the CES, which took a qualitative leap forward of 7 points.

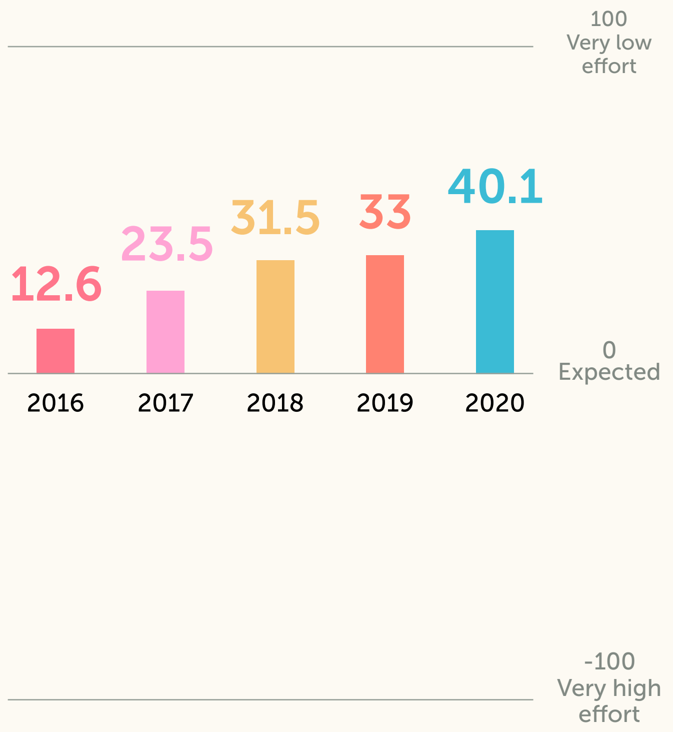
53
services assessed in 2020.

Nearly
5,000
participating employees.

Average of
730
monthly surveys.

Some
89 %
of internal services achieve the optimum level of quality.

Evolution of the customer effort score



Customer experience

102-43, 102-44, 103-2, 103-3, 416-1

Another year obtaining and sharing experiences with our customers.

Throughout 2020, our customers were obliged to change their habits and customs, giving rise to an unprecedented digital transformation process. We asked more than 80,000 customers through ABANCA Listens how they adapted to the changes we implemented as a result of COVID-19, how they adapted to communicating and performing transactions remotely, their experience and whether they are satisfied with our products and services.

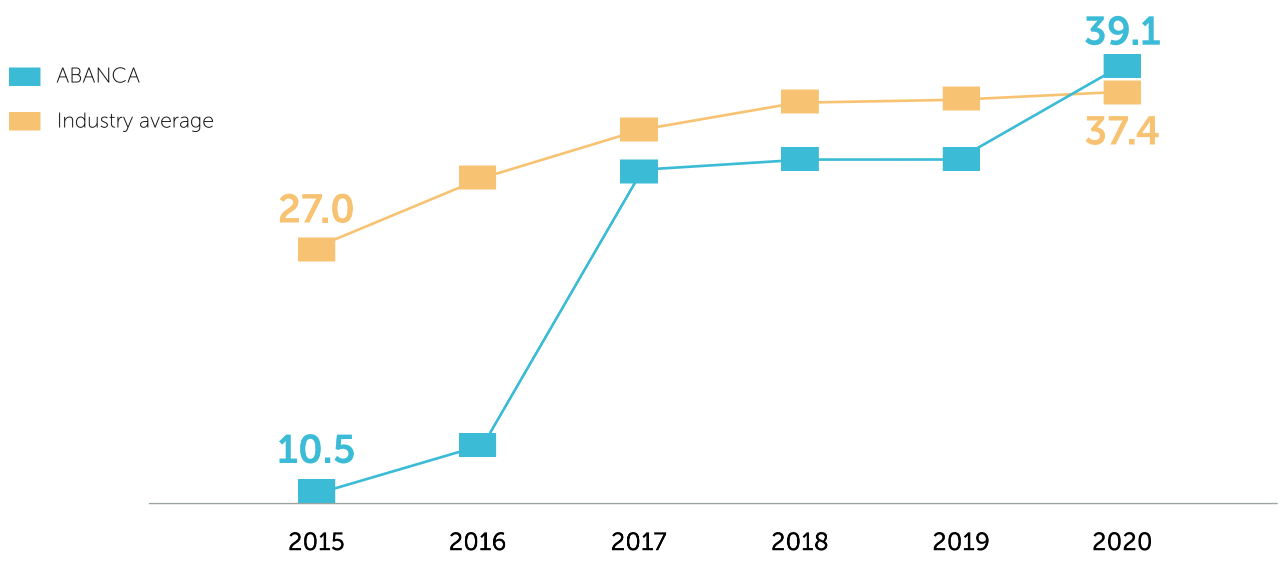
The results confirmed that we are on the right track. We were acknowledged as the best experience project by the Association for Customer Experience Development (CED) in our commitment to improve and grow based on the customer experience. Also, we increased our profitability and expanded our fan base by 10.3 %, in addition to reducing our opponents by -1.7 %. ABANCA stands as the seventh bank with the greatest emotional bond with our customers, being the second best evolution of the industry in the last five years.

We are convinced of the need to continue working in this direction, offering our customers a close-at-hand and transparent service, showing concern for them, for their personal and economic situation after this tough year and accompanying them on their journey towards digitalisation. Our customers are the focal point of our decisions and actions and, therefore, throughout the year we have prepared different protocols adapted to the new pandemic situation, in which remote commercial actions have prevailed.

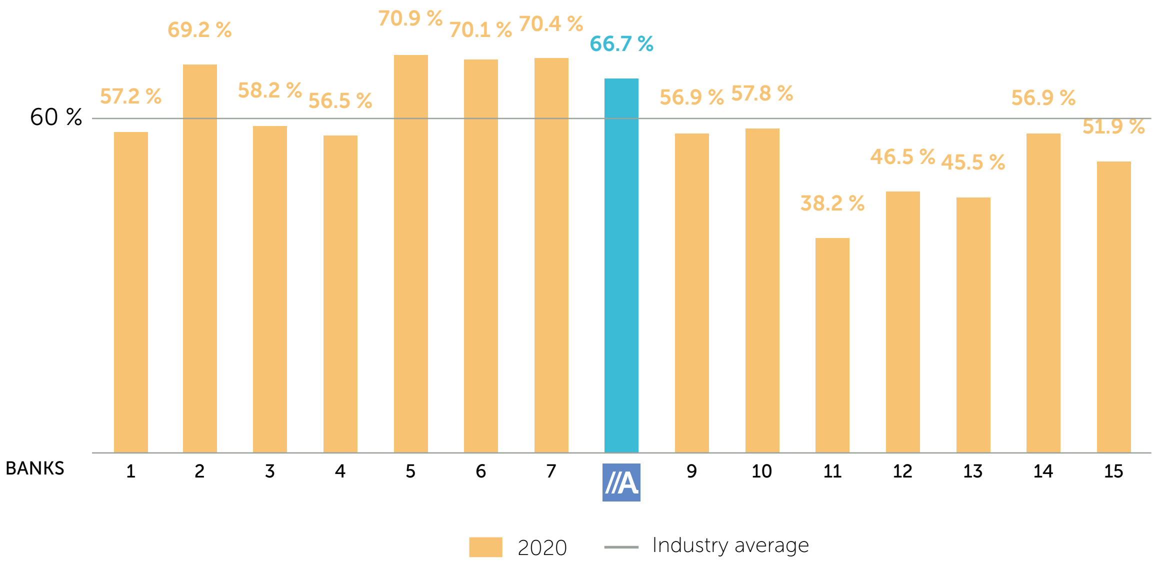
+ 80,000

customers shared their experience with others.

Emotional bond with customers



% of customers who use the mobile app every week



Source: EMO insights (data at 30 January 2020).

The use of mobile banking by ABANCA's customers is above the industry average

	//A	Industry average
Basic transactions	72 %	67 %
Personalisation	63 %	49 %
Exclusive mobile payment	44 %	39 %

Source: EMO insights

We are convinced that, now more than ever, customers need to be listened to and need us to understand their needs and expectations. To this end, ABANCA has started up three programmes:

ABANCA Listens

It is our agile, reliable and real-time customer experience tool. It is a very relevant element for managing any alert and converting discounts into opportunities.

ABANCA Collaborates

It allows us to know, first hand, what customers want, what they seek and what they miss.

Their role has been key in recent months in matters relating to omnichannelling in car insurance, card design (NX or VISA YOU), new remote banking or pay-per-use service.

Mystery

To in-person Mystery we must now add digital Mystery, which allows us to know how customers perceive different digital situations, both with us and with our competitors. The new RUTA compliance metric has been added to both Mysterys.

Claims management

102-44, 103-2, 103-3, 416-1

Protection of financial customers is essential for preserving trust and promoting the stability of the financial system.

Customer protection is an essential objective of the Bank of Spain who, through the Bank Behaviour Department, supervises bank behaviour and information transparency, in addition to the operation of Customer Attention Service (CAS).

Banks are obliged to have a CAS, which is aimed at processing and addressing their customers' complaints and claims.

CASs carry out a very relevant important control function in the detection of sources of customer dissatisfaction Said function must be integrated in the framework of the «three lines of defence» as a second «line of defence», i.e. forming part of the group of units in charge of guaranteeing adequate risk control, prudent business behaviour, compliance with laws, regulations and requirements of the Bank's supervisors, policies and internal procedures.

CASs assess the actions of the commercial areas and operating procedures in relation to customers in the event of claims or complaints. Additionally, they continuously analyse complaint and claim management information with the aim of identifying and addressing recurring or systemic problems and possible legal, operational and behavioural risk.

Therefore, CASs are a mechanism for alerting of problems arising from the marketing of products or services and/or the bank-customer relationship, allowing the Bank to adopt the necessary measures to solve said problems or preventing them from appearing.

LINES of defence

1

As a result of a claim, the Customer Attention Service (CAS):

- **Supervises and assesses** the actions of the commercial and operations areas in their customer relations.
- **Continuously analyses** the claims and the causes that motivated them.
- **Transfers** the results of the analysis to the governing body.

SINGLE register

2

Of **all** the claims.

Of the **causes** that motivate them.

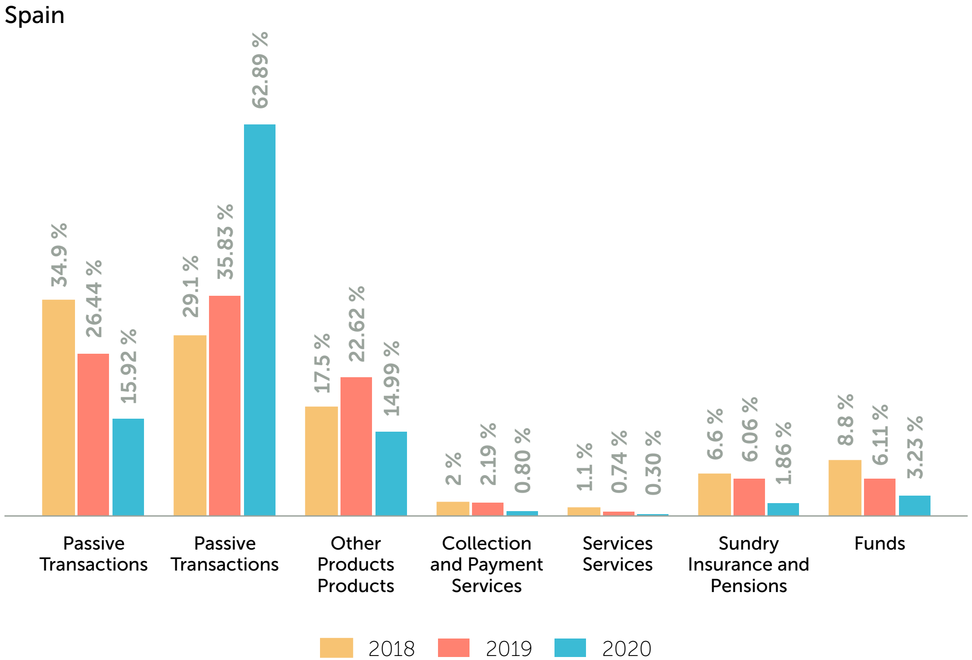
DECENTRALISED management

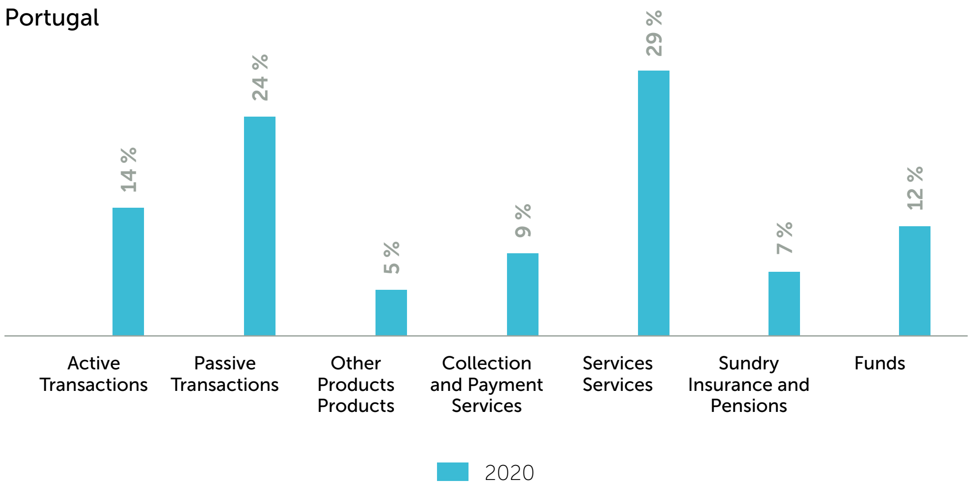
3

Through the branch office, based on its customer knowledge.

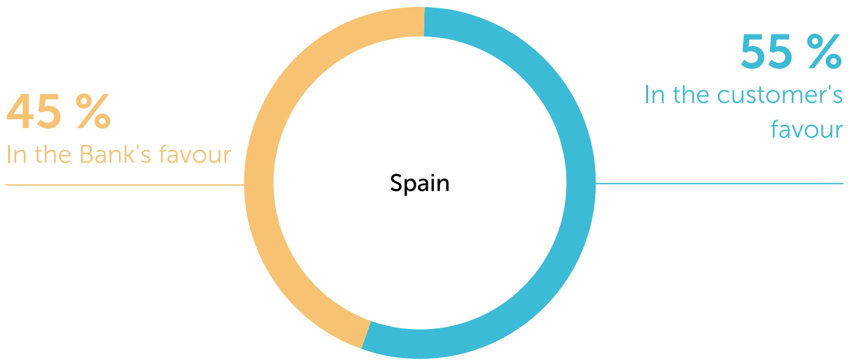
Through the CAS, those that were not satisfactorily resolved by the branch office.

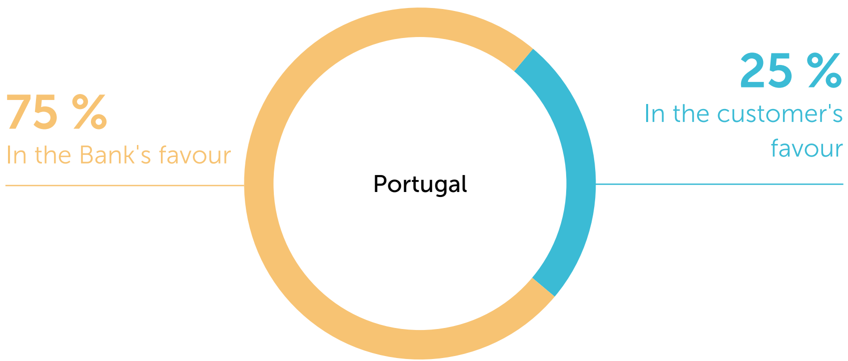
Type of claim[1]





Resolution of claims





[1] *Claims in first instance (59,905 in Spain and 613 in Portugal), from which 54,521 had been admited for processing in Spain and 613 in Portugal.*

RESPONSIBLE purchasing

102-9, 103-2, 103-3, 204-1, 412-1

The function of Procura, integrated in the D.G. Finance through the D.G. Efficiency and Procura, is governed by the Procura standard.

The **Procura standard,** updated in February 2020, details the procurement procedures that involve payments to suppliers and is mandatory for the entire organisation. Some significant aspects of the standard are:

- Centralisation of functions in a single specialised area.
- Relationship with the supplier based on continuity criteria and mutual interest.
- Information about suppliers, approval and assessment which is kept updated and fully traceable, guaranteed by the centralisation of the process and the use of purchasing platform.
- Purchasing teams specialised by service category.
- Firm commitment to transparency and efficiency as a basis for purchasing processes.

The **management framework** between the ABANCA Group's companies and their suppliers are governed by the principles of ethics, transparency and regulatory compliance.

Number of Suppliers

2,583

Total billings (millions of euros)

€216.70

% of service billings under €50,000

82.5 %

In 2020, ABANCA continued improving the procedures for assessing risk criteria in contracting processes. In this line, ABANCA embarked on a project to improve supplier management, which integrates the analysis of technological security, data confidentiality and business continuity risk in the approval process and places emphasis on the monitoring and continuous tracking of suppliers.

Furthermore, the Bank's Outsourcing Policy was reviewed in accordance with the EBA/GL/2019/02 guide, which establishes the operating rules applicable to outsourcing of activities. The new version of the guide was approved at the meeting of the Board of Directors held in December 2020.

Note: Supplier data correspond to natural and legal persons engaged by the Procura area for ABANCA and its investees. It does not include supplies or intra-Group billing.

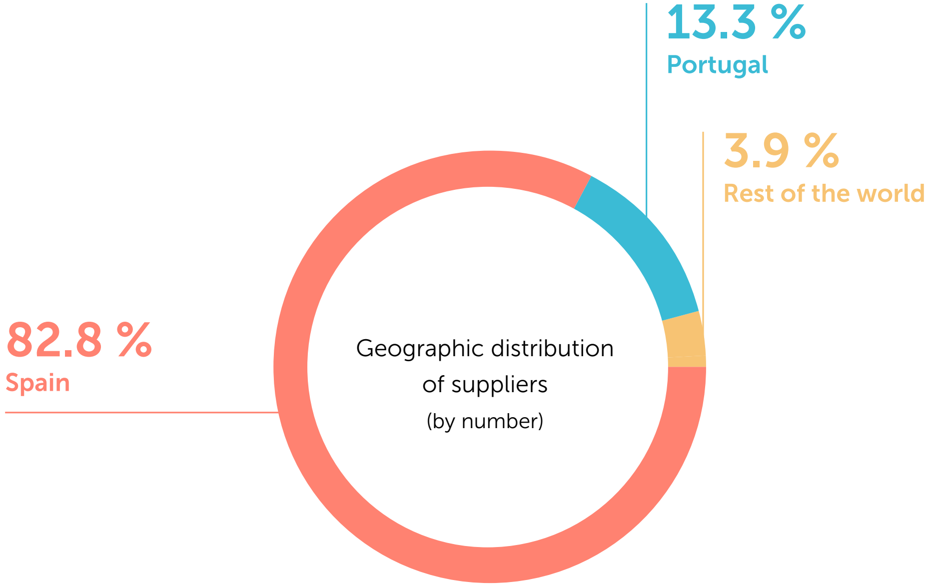
Approval and responsible behaviour of suppliers

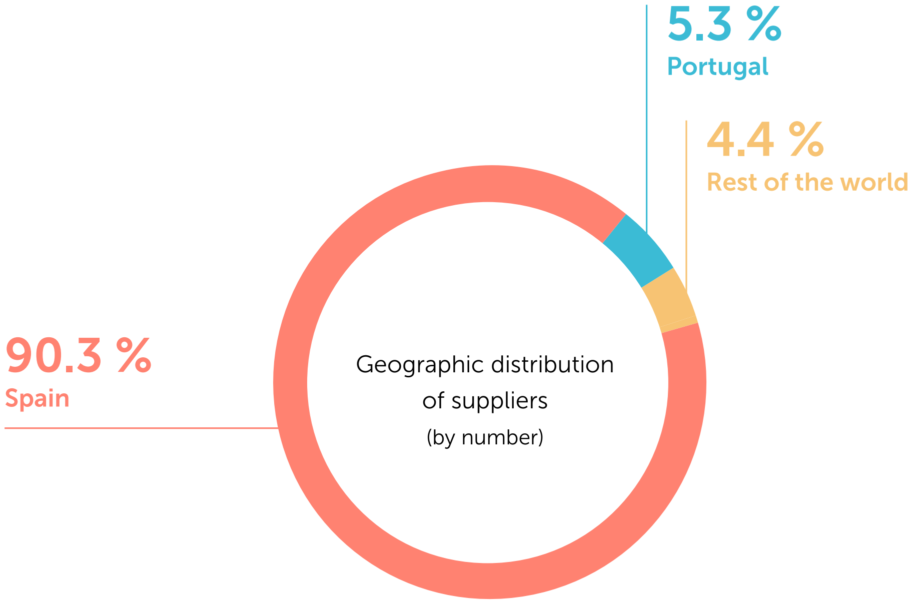
102-9, 103-1, 103-2, 204-1, 308-1, 308-2, 412-1, 414-1, 414-2

ABANCA, through the Procura area, maintains an updated supplier record on the purchasing platform. The supplier's suitability for providing services or supplying goods to the ABANCA Group is comprehensively addressed in the approval process. This approval is regularly reviewed.

Upon registration, suppliers must provide the necessary documentation for assessing the different aspects considered in the approval process including, namely:

- **Solvency and financial reliability.**
- **Incidents and previous experience as an ABANCA supplier**
- **Existence of certifications.**
- **Customer bonding.**
- Qualitative aspects, including **concentration, reputational, environmental, ethical and behavioural risk.**





Suppliers are required to acquire commitments and adopt behaviours consistent with those of ABANCA, with practices which are also based on ethics and transparency, legal compliance and the declaration of their commitment of adhesion to the good practices and principles established by ABANCA in its Anti-Corruption Policy and in its Code of Ethics and Conduct for suppliers, which guarantees compliance with the Principles of the Global Compact (414-1, 414-2). These include: ABANCA requires its suppliers to declare their enforcement of the social rights established in the internationally recognised labour provisions, which involve:

1. Prohibiting forced labour and mistreatment of employees.
2. Guaranteeing the absence of child labour.
3. Prohibiting any type of harassment or abuse.
4. Prohibiting any type of discrimination in the workplace.
5. Respecting freedom of association and the right to collective bargaining.
6. Guaranteeing a decent salary in accordance with the established agreements.
7. Providing employees with a safe and stable work environment.

ABANCA requires that its suppliers clearly commit to fulfil environmental policies.

All of ABANCA's suppliers shall undertake to act transparently and honestly in all its relationships with ABANCA and other customers, avoiding any practice that may be considered corruption and bribery.

ABANCA has a whistle-blowing channel through which the ABANCA Group's suppliers can report any breach of the Code of Ethics and Conduct, as well as any supposedly criminal or fraudulent or irregular act of which they become aware within the ABANCA Group.

100 %

of new suppliers were evaluated in accordance with environmental and social criteria.

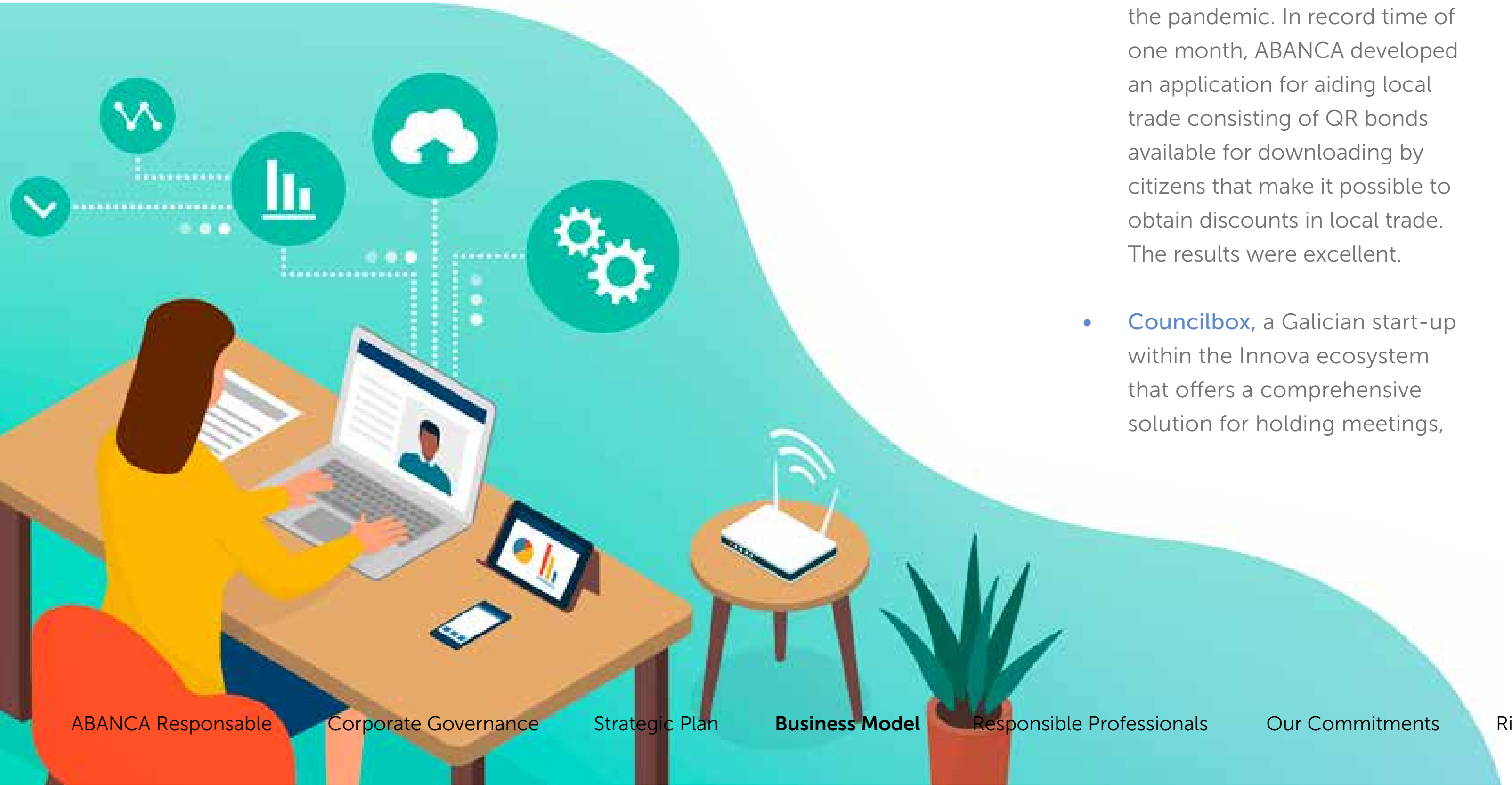
Evaluation and selection of suppliers

	2020
Number of suppliers evaluated in relation to environmental impacts	217
Number of suppliers with negative, significant, potential and real environmental impacts	0
Number of suppliers evaluated in relation to social impacts	217
Number of suppliers with negative, significant, potential and real social impacts	0

Suppliers registered on the platform in 2020.

ABANCA Innova

ABANCA Innova was created in 2017 with the aim of implementing a stable, sustainable and collaborative project to promote emerging technologies applicable to the provision of financial services in Galicia and is based on the following pillars:



TECHNOLOGICAL observatory

1

In 2020 it was clearly affected by the restrictions arising from the COVID-19 pandemic. The main milestones revolved around this situation:

- PRESCO bonds, a collaborative project aimed at providing an immediate response to the emergency situation arising from the pandemic. In record time of one month, ABANCA developed an application for aiding local trade consisting of QR bonds available for downloading by citizens that make it possible to obtain discounts in local trade. The results were excellent.
- Councilbox, a Galician start-up within the Innova ecosystem that offers a comprehensive solution for holding meetings, in-person and online, with digital minutes, electronic voting and full legal validity, recording events using blockchain technology. ABANCA's knowledge of, and close relationship with, the start-up converted the strict restrictions on mobility into an opportunity to innovate in the Bank's Annual General Meeting.
- Lannister is an assistant for recovering small amounts through a voice chatbox which automatically manages the call process, processing user responses in real time and guiding them through the debt reconciliation process. Their implementation at ABANCA Spain has been widely accepted and their use has extended to ASF.

OPEN INNOVATION

2

ABANCA launched the ABANCA-Corporate Launchpad Programme through which it became the first bank to enter into a corporate agreement with Lanzadera, a benchmark accelerator in Spain. The Programme aims to:

- In the Fintech sector, attract start-ups which are innovating in the sphere of means of payment, customer engagement, corporate solutions, asset management, «neobanks» and capital markets.
- In the Insurtech sector, seeking companies that focus on new products, fraud detection, data analysis, process automation and customer experience.

The 2020 call was a great success, with the participation of a hundred start-ups of which three were selected, which are currently developing a pilot test in collaboration with the different areas of the Bank, from insurance to digital banking, ABANCA investment or human capital.

As regards the ABANCA Innova start-up programme, the third edition was held and the fourth has been called. In the COVID-19 era, as could not be otherwise, the lockdown measures and widespread implementation of telework, required us to quickly adapt to the new circumstances. The third batch of the programme, initiated in person in January 2020, was completed telematically, performing proofs-of-concept with three start-ups selected by the Bank's business areas. micappital, CardDynamics and Lucas.

With these online dynamics already included in the methodology, at the end of the year the fourth batch was initiated fully online. What could seem a serious problem for developing the programmes became an opportunity for collaborating with the most interesting start-ups of the fintech verticals, both national and international, with the outstanding presence of the Portuguese market. The numbers of the fourth call were as follows:

- Participating start-ups: 69 (9 nationalities.
- Start-ups selected for the minors workshop: 38.
- Total start-ups analysed at Bootcamp and post-Bootcamp: 17.
- POCs underway: 3.

INTRA-ENTERPRISING

3

As regards the intra-enterprising programme, in 2020 the methodology was reconfigured to focus on autonomous and asynchronous teamwork. Therefore, we increased the number of participants:

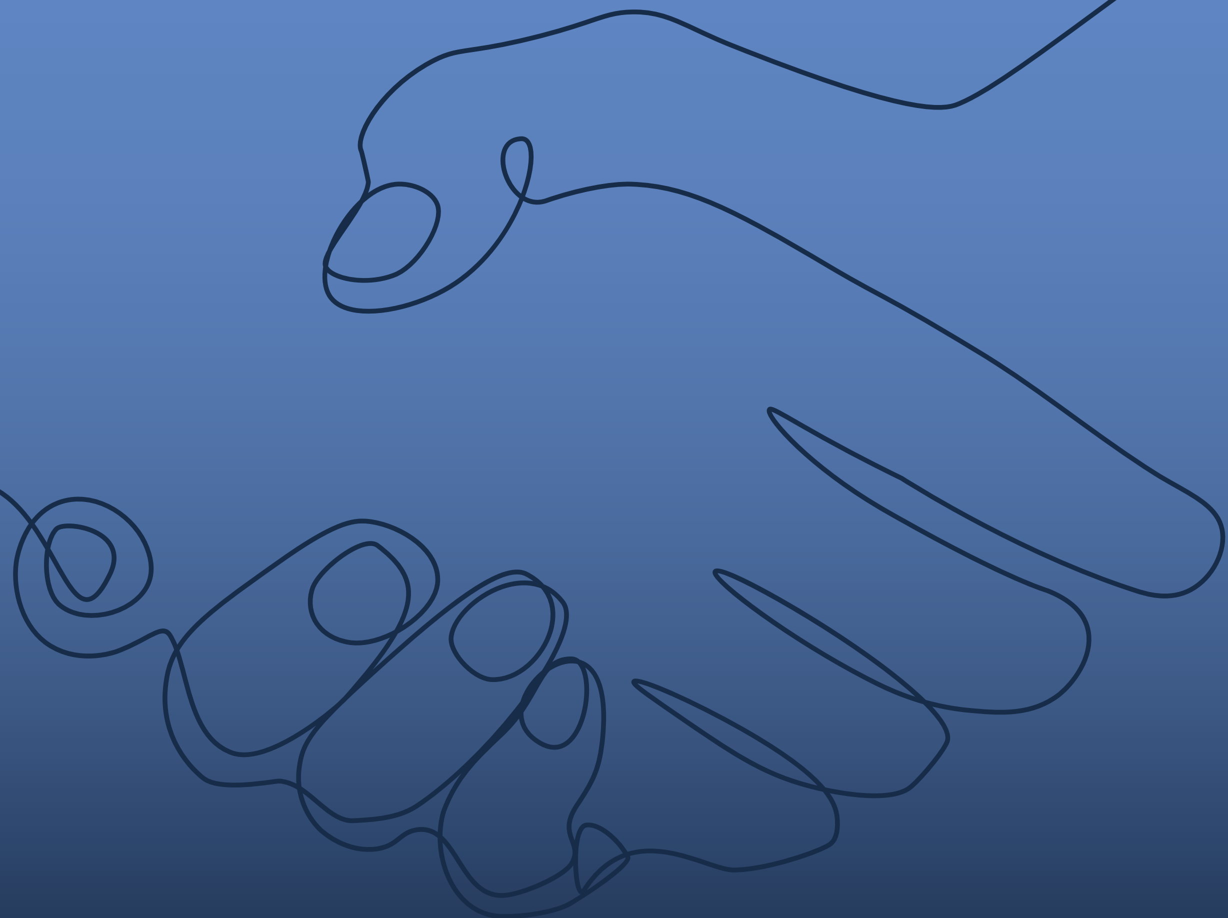
- Total number of participating employees: 61 (36 external, 4 from Portugal).
- Total employees selected: 50 (5 external, 4 from Portugal).
- Number of participating groups: 10.

Also, in 2020 one of the initiatives of the programme was implemented in 2019: ACalendar, a calendar for corporate events included in the Corporate Electronic Banking application, arose from an idea of branch office employees with the aim of optimising their customer relations and was converted into an ABANCA product through the intra-enterprising programme methodology.

5

Professionals

responsible

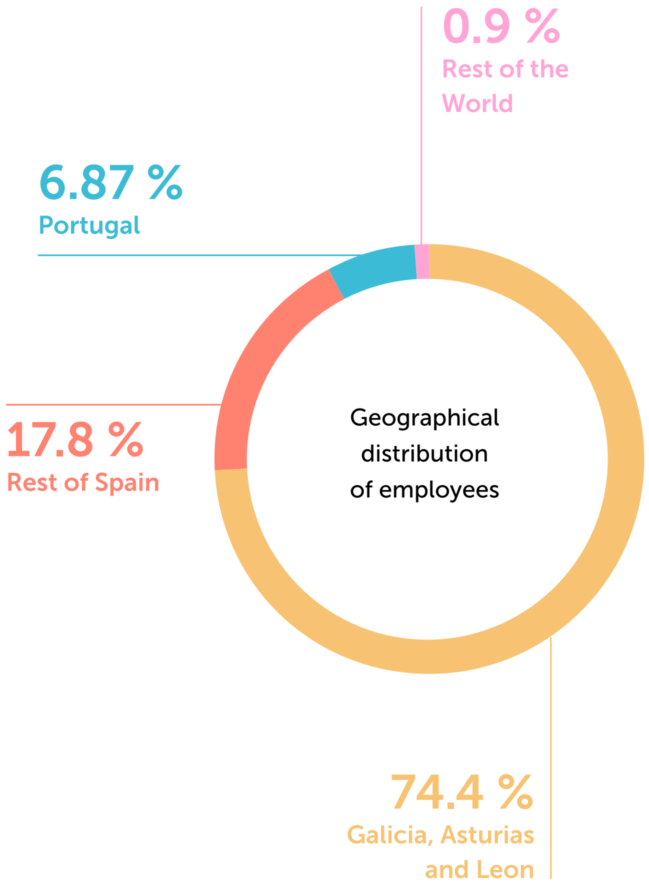


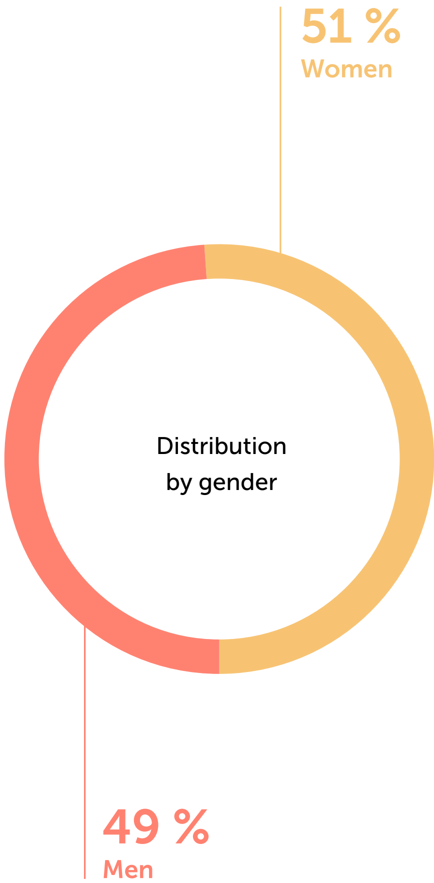
5,648
professionals.

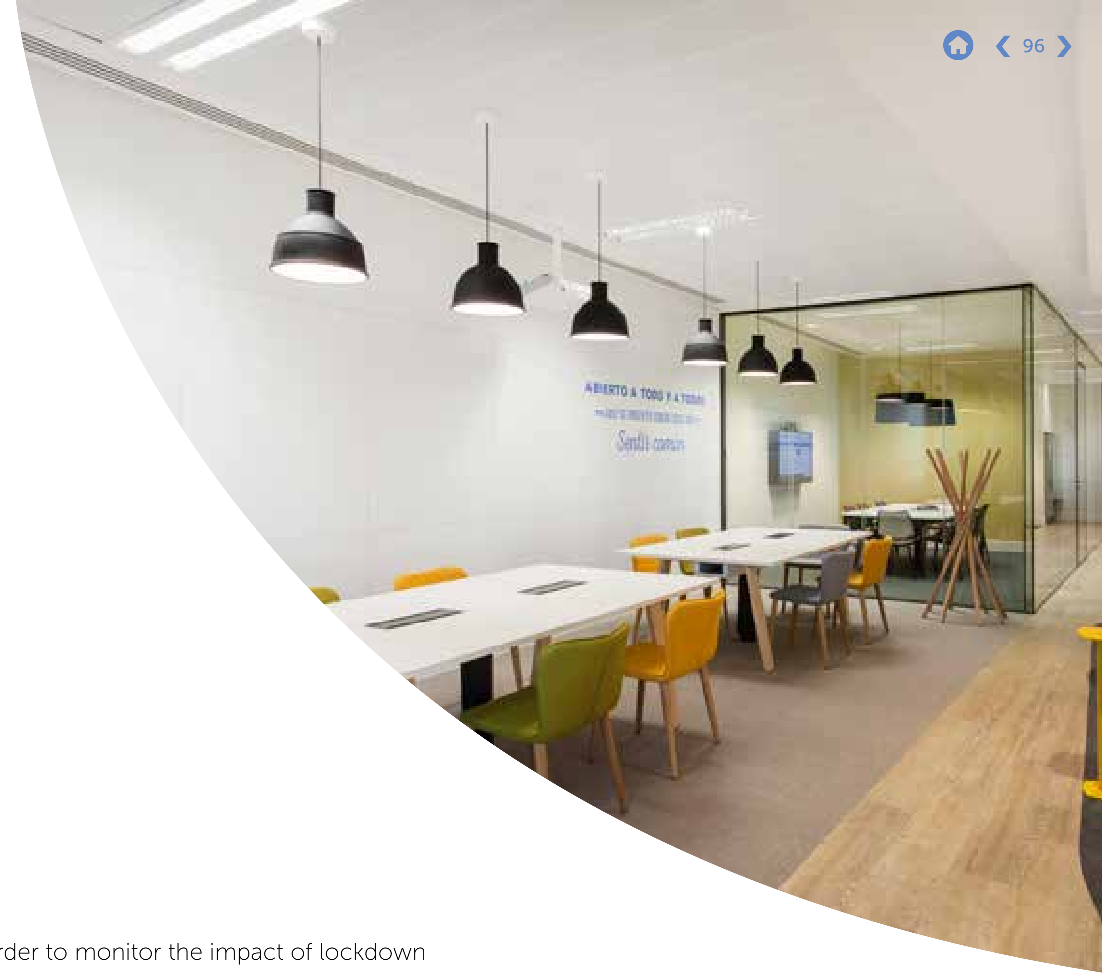
Average age
44 years old

Average seniority
15.5 years old

95.8 %
permanent contracts
excluding internships.







TRAINING

103-2, 103-3, 404-2

In 2020, ABANCA had a ratio of 51 hours of training delivered per employee and, with an investment of 1.5 million euros, a ration of €244.7 per trained employee.

Trained professionals

5,709

professionals.

94 %

of employees.

of average satisfaction.

319 training actions

237

Remote training.

82

In-person.

Response to the pandemic, and other measures that leverage collaboration, agility and productivity, with a special focus on: telework and Google G. Suite.

The initiatives already underway to promote new work methods at ABANCA have become a key instrument for maintaining the normal operation of all the Bank's units, even in the most difficult times of lockdown due to the pandemic. The availability of technical means, remote team and customer management training received and flexibility and readiness demonstrated by all employees have allowed us to continue to provide services to our customers and sustain all the internal processes in a constant, sustained manner and with the same levels of quality.

In order to monitor the impact of lockdown on our team and the effectiveness of the measures adopted to mitigate its most harmful effects, in May we launched the first of a series of pulses aimed at all employees, to which 1,879 responded. This pulse verified the positive effects of the containment actions carried out, since 94 % of employees declared that they working normally, although remotely, with the necessary means, information, skills and guidance to perform their work.

During the lockdown **94 % of our employees** declared themselves to be **in a normal state of activity.**

In successive pulses performed, the best expectations for dedication and performance were exceeded: 85 % of our team leaders considered that their level of productivity while teleworking was maintained or increased. Leveraging on the different work methods (in-person, remote and mixed) will allow us to draw on our experience and knowledge to undertake the deployment of a formal distance work plan when the health circumstances allows us to regain all the physical space in our facilities.

In 2020 we also continued to advance in ABANCA's transformation into a more agile, efficient and collaborative organisation, through projects such as OPEN or New Branch Office Model, that modified work spaces, technologies and dynamics. The implementation of the Google suite of tools gave the organisation the necessary collaborative capabilities for such purpose, thanks to its cloud technology. The «Hello Google» project began in June with the creation of the project team, which was completed in July with a group of «transformers» in charge of identifying the potentialities and needs of each of the areas. In October we undertook a second phase with the migration of **1,298** people, including «Google Helmsmen», change agents who paved the way for the rest of the organisation, guiding it in its migration in November. Accompaniment was carried out through training (**11** online courses and **43** webinars), the creation of a project website (access to information resources, new developments, etc.), in addition to specific consultation channels (change agenda chats, Atenea FAQ response application).

Remote team management and customer management programmes

The lockdown first and the personal contact restrictions later disrupted the customer relationship model and team management, mainly remote as a result of telework.
In 2020 the employees were given the necessary training to manage these new relationship environments, with the aim of providing the best remotely managed customer experience.

In April the first steps were taken, enabling the first remote training sessions for commercial team leaders, Conecta Team, in which 841 people participated. In parallel, two *online* remote team management and customer management training courses were made available to the entire organisation, Conecta Team and Conecta Customer, respectively, which were used by 1,551 professionals. As of July, ABANCA's commitment to quality service in remote customer management was broadened, reinforcing the ABANCA Conecta remote management team and implementing the omnichannel systematics model throughout the branch office network.

Cyber-security awareness-raising training plan

The development of ABANCA's digital strategy requires developing professionals' digital competencies, including those relating to cyber-security. Since 2018, a cyber-security awareness-raising and training plan is being developed. This plan envisages actions for raising awareness of professionals on the secure use of information systems (seven pills with more than 4,000 users per pill), four family cyber-security sessions for identifying and managing risk in this area, two sessions for senior managers, two specific training sessions for system administrators for identifying vulnerabilities and incident management and another session for developers with the aim of reinforcing the security of ABANCA's applications.

In order to monitor strengths and points of improvement, a maturity test was also carried out with simulated phishing, vhishing and batting attacks, with a scope of more than 1,000 people in the organisation.

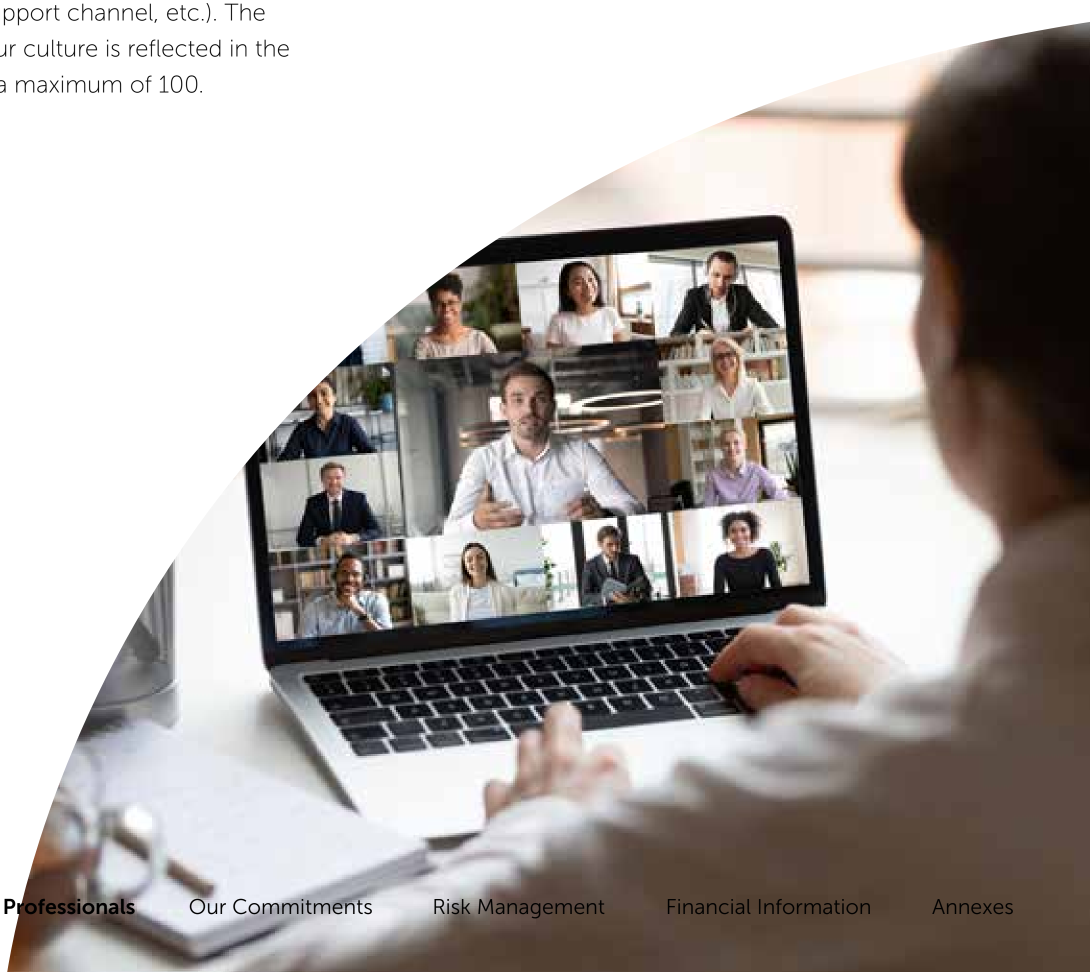
Remote team management and customer management training sessions were delivered to **2,050 people in 2020.**

CULTURE and change management

103-2, 103-3

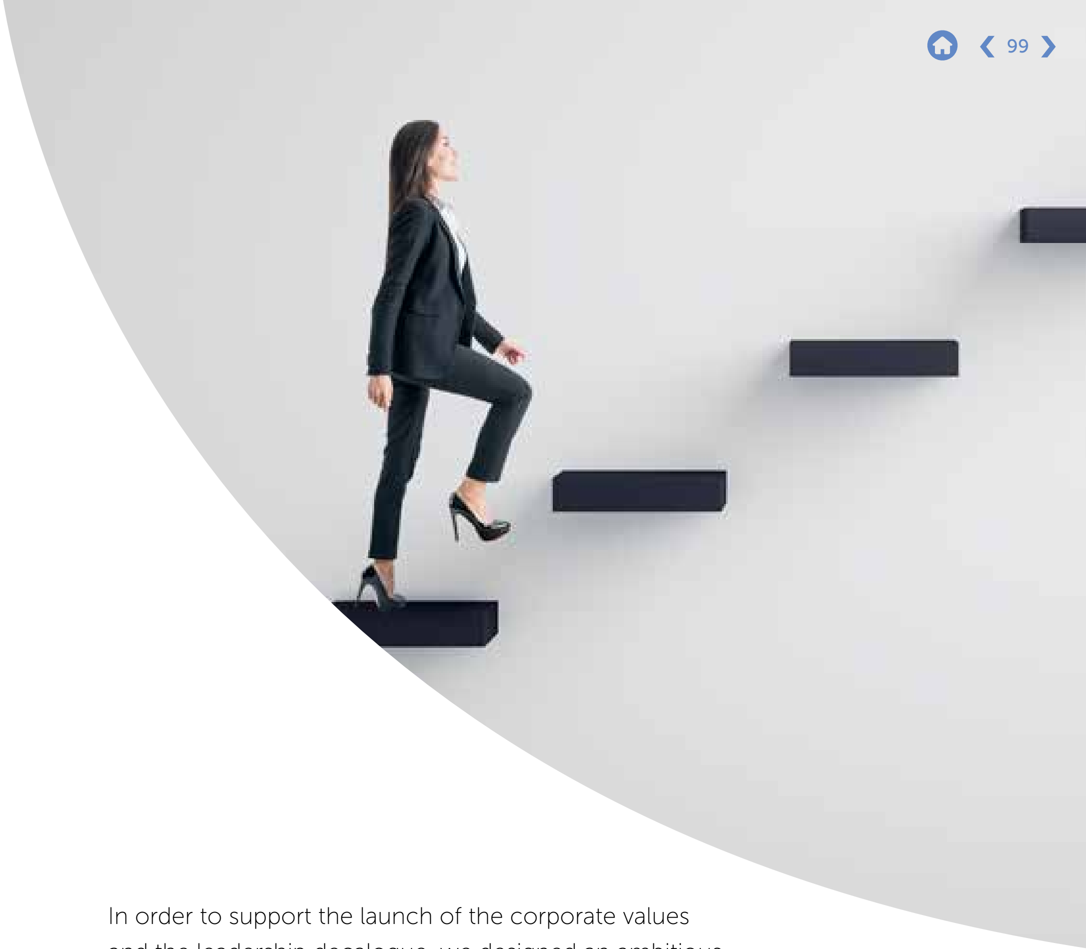
As regards employee engagement (pride of belonging) measurements in 2020, the positive consideration of the management of the pandemic in all its aspects, especially health prevention, but also of the measures for fostering friendliness/trust among employees (telework, maintenance of incentives, continuous monitoring of COVID cases, lines of economic/psychological support, etc.) and reinforcement of communication. The measurement achieved a score of 87 out of a maximum of 100, exceeding that of 2019.

Our agile and innovative culture was put to the test by the contingency of the pandemic and the data from the culture survey indicate that it was strengthened. The organisation exploited the capabilities acquired in past years to anticipate the needs of both the customer (advancement of ERTE payments, online moratorium management, ABANCA signature extension, ICOs, etc.) and the organisation (remote BCG integration mentoring, leveraging on the existing technological capabilities for teleworking, ABANCA With You personal and professional support channel, etc.). The measurement of our culture is reflected in the score of 85 out of a maximum of 100.



87 %

bank engagement ratio.



TALENT

103-2, 103-3

Corporate values, decalogue and launch of the The common journey App

At the start of 2020, and as a prelude to the new 2021-2024 strategic plan, we presented the review of the behaviours associated with corporate values and the leadership decalogue resulting from this review. In recent years, our corporate values -Responsibility, Quality, Innovation and Reliability- have accompanied and guided us in the Bank's transformation. Now, our values are maintained, but we have updated the conducts that have made us visible in order to adapt them to the new changes in the financial environment, to our new needs and to those of our customers. Our values are now leading us towards new challenges, new work, organisation and operating methods. Curiosity and versatility, agility, collaborative and team work are some of the new qualities that must prevail in the conduct of all ABANCA employees.

After reviewing and adapting our corporate values, we reinforced ABANCA's leadership style to successfully address the organisation's challenges in the new context. The new decalogue envisages the three facets of leadership: team leadership, activity leadership and self-leadership.

Managers' leadership influence their team, due to which they must provide timely and constant feedback and propose challenges that can become opportunities for growth. At the same time, at ABANCA we have values and goals to which we must contribute from every area of the Bank, acting in a coordinated manner, generously and escaping from individual protagonism. Lastly, a leader must be brave and non-conformist, always seeking to overcome challenges and assume risks in a controlled manner. These conducts are those to which all the organisation's leaders must aspire and which the teams must demand of their superiors.

In order to support the launch of the corporate values and the leadership decalogue, we designed an ambitious communication and work plan which, due to the restrictions imposed by the pandemic, had to focus on the application called «The common journey». This application, which is available to any person in the organisation who can download it on their mobile phone, has become the main tool for disseminating the values and decalogue. Through the different episodes which are published on a regularly basis, the application proposes, on one of the values or elements of the decalogue, a moment of inspiration based on a specific leader and on a close-at-hand experience at ABANCA, in order to then make an individual reflection and propose an action challenge that will materialise that ambition.

Revision of the executive and non-executive competence model

In order to reinforce the aforementioned actions, we also reviewed the organisation's competences model to include some behavioural aspects and new skills that are inferred to the new value and leadership decalogue vision. The revised competencies model has been included in the annual performance management process launched in December, in addition to the requirement profiles of all the positions in the organisation and roadmaps, and training and development resources will be assigned to the new elements for use in the individual development plans after 2021.

Career plans for critical collectives

Throughout 2020, ABANCA completed career plans specific to certain critical collectives in the business areas. These career plans acknowledge the different levels of contribution that the Bank expects within a same position in accordance with the knowledge and experience of each occupant, while pointing out the pillars on which this evolution is built and the objective criteria for considering an advance.

In this connection, we defined a career plan for the Private Banking area on the occasion of its strategic plan and subsequently launched the career plan for Personal Banking, in order to reinforce its key role in off-balance sheet business development. We also established a plan for the Customer Intelligence team, given the importance of the knowledge and experience they are acquiring and their projection for the future of the Bank's products and services.

ABANCA Conecta agreement

Further to the agreement reached for the García Barbón work centre in 2019, in November 2020 ABANCA entered into an agreement with the legal representation of employees to extend the employment conditions to the entire ABANCA Conecta Unit, a unit that seeks remote personalised value management with multi-channel vision, through the provision of the service by specialist managers and with the aim of achieving a recurring bond with a better customer experience. In the aforementioned agreement, adequate work conditions are made compatible with excellent service provision to our customers.

454

professionals were promoted to positions of greater responsibility.

88 %

of vacancies were covered by internal candidates.

SECURITY and health

103-2, 103-3, 403-2, 403-3, 403-5, 403-6, 403-7

Main measures for ensuring employees' security and health in the COVID-19 situation.

The main principles implemented since the start of the pandemic were as follows:

- **Creation of a Crisis Committee** for managing the pandemic.
- **Definition of the Contingency and Risk Prevention Plan.**
- **Preparation, implementation and regular revision of the protocols** in accordance with the regulations in force.
- **Implementation of telework.** We performed a self-assessment survey on the adequacy of teleworking and created a practical action guide for teleworking.
- **Temporary reorganisation of the branch office network.**
- **Definition and continuous update of the SARS-CoV-2 Exposure Risk assessment.** We performed the Assessment taking into account the provisions of the ACTION PROCEDURE FOR ORPS AGAINST EXPOSURE TO THE NEW CORONAVIRUS (SARS-COV-2), of the Ministry of Health, in relation to the assessment of risk of exposure to the new coronavirus (SARS-COV-2) in accordance with ABANCA's possible scenarios and requirements.

The assessment is performed taking into account the recommendations of the health authorities on the convenience of controlling the biological agent in order to protect the health of employees who are or may be exposed to said agent because of their position.

The assessment document sets out the preventive measures that were adopted by ABANCA in relation to the different situations the Bank could encounter and, thus, employees with respect to the SARS-COV-2 virus, in accordance with the procedures, recommendations, guides, etc., established by the Ministry of Health and Royal Decree 664/1997 on the protection of employees against risks related to exposure to biological agents in the workplace.

Special protection of vulnerable employees against COVID-19 identified after medical evaluation.

Preparation of the **Diagnostic test policy.**

Launch of ABANCA With You, a channel created to support employees during lockdown, both from a personal, family and professional viewpoint. Through ABANCA With You, different resources were enabled that encompass from recommendations for health and well-being (food, physical activity), medical and psychological assistance services and guides with effective teleworking practices. Overall, an offering was placed at our employees' disposal with 31 options, including services, training, digital events and recommendations, which were used on more than 18,000 occasions.

Preparation of **informative manuals for de-escalation** in Central Services and the Commercial Network. After the initial lockdown, we prepared the plan for re-opening the branch offices and returning to the central services buildings in accordance with the possibilities provided for the de-escalation phases stipulated by the Government. The process was based on the principles of maximum prudence and graduality, with the objective of protecting employees' health, following the recommendations issued by the health authorities. To this end, informative de-escalation manuals were prepared, including all the aspects that had to be taken into account to carry out the work activity with the maximum safety. We updated said manuals in accordance with the evolution of the situation, including the new measures implemented by the Health Authorities at all times.

By way of preventive measures, mention must be made of the following actions carried out:

1. Sizing of the work centres to guarantee the minimum interpersonal distance of 1.5 m and installation of screens in all the workstations of the commercial network. Installation of signs with the measures to be applied.

2. Horizontal signage to control branch traffic.

3. Provision of specific material to employees: hydroalcoholic gel, face masks, protective face shields and gloves.

4. Installation of thermographic cameras at headquarters and inclusion of thermometers in first-aid kits throughout the commercial network.

5. Daily notification to all employees to control symptoms.

Collective agreement that includes the regulation of teleworking and digital disconnection. 102-41

On 1 October 2020, the Collective Bargaining Agreement for Savings Banks, applicable to the Bank (90 % of the ABANCA Group's employees) was entered into between the employers' association for the savings bank sector and most of the union representatives, which was published in the Official State Gazette on 3 December 2020.

The collective bargaining agreement has as validity of five years (2019 to 2023) and regulates such significant or relevant matters such as salary increases, improvements in certain leaves (it regulates the start of leaves on business days, except marriage leave, a new leave for victims of gender-based violence, it alternately regulates the enjoyment of hospitalisation and surgery leave while the cause persists), new reconciliation measures are established (the possibility of accumulating breastfeeding hours and substituting them with a leave of 15 business days, it makes it possible to fractionate holidays in up to four periods, an additional reconciliation day or free leave is created), occupational health measures (all employees are acknowledged as data display screen users), maintenance of jobs (the commitment of banks in relation to the maintenance of jobs), study aid is extended to beneficiaries of total invalidity and severe disability included in the former collective bargaining agreement and, for the first time, teleworking is regulated (both derived from the COVID-19 pandemic and regular and non-regular teleworking, establishing reimbursement of expenses for different cases) and digital disconnection.

The Collective Bargaining Agreement also includes a partial agreement on registration of the workday, whose implementation at ABANCA began in January 2020, thereby fulfilling the legal obligation to establish it.

For the first time, **telework and digital disconnection are regulated.**

Healthy lifestyle actions

In 2021 the ACTIVATE YOURSELF platform will be implemented throughout the organisation, a corporate well-being platform that can be voluntarily accessed by all of ABANCA's employees. It is aimed mainly at fostering and promoting healthy lifestyle habits. To this end, we are working with an annual programme of activities and actions developed by experts based on the «ACTIVATE YOURSELF» Healthy Portal. Said portal consists of three main pillars:

- **Physical activity**

  In this section we publish all types of information and tips on sports and leisure. We publish workouts adapted to all physical conditions so that they can be done at no risk to employees.

  Also, focusing one of the main risks at ABANCA, activities aimed at caring for one's back, such as stretching exercises and/or how to adapt the workstation to correct ergonomy.

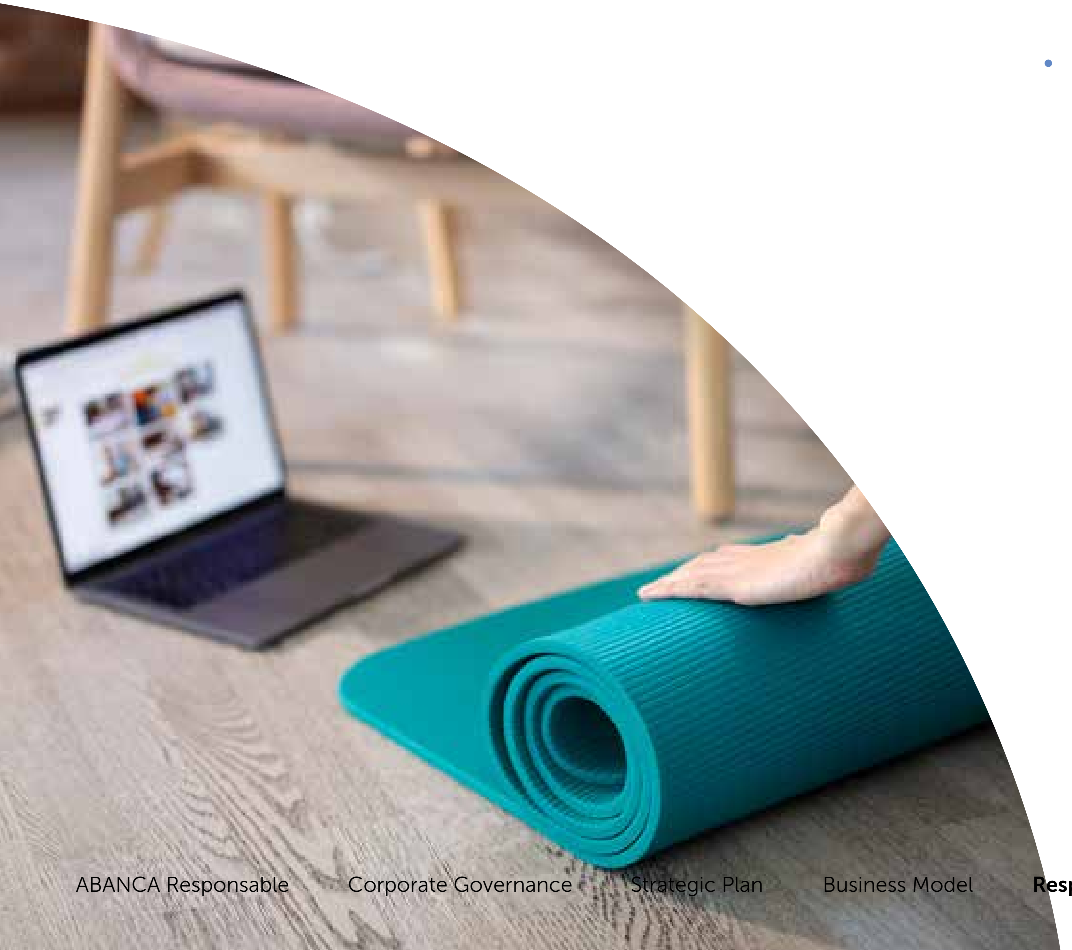
- **Healthy eating**

  In this section we publish posts for eating healthier, always with contrasted data, offering healthy recipes and menus that can be downloaded.

- **Emotional well-being**

  In this section we publish information and tips for achieving an optimal emotional state, which is reflected in the different facets of life.

In addition to the weekly publications, we organise online workshops, webinars and challenges which are programmed quarterly. Behind all these initiatives and published posts are professionals who are experts in each matter.



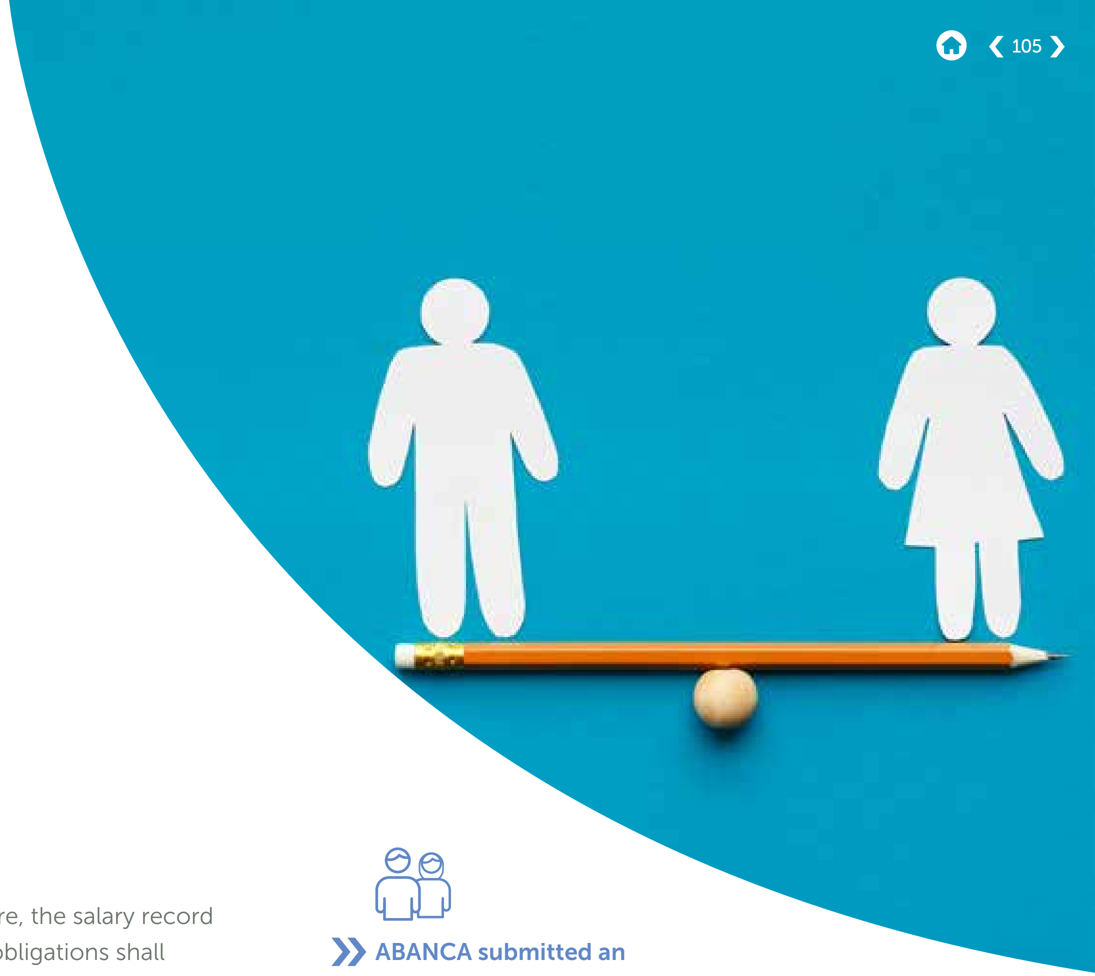
EQUAL OPPORTUNITIES AND RECONCILIATION policy

103-2, 103-3, 412-2

New requirements in pay transparency and equal opportunities (Royal Decree 13/10/2020)

The approval of Royal Decrees 901/2020, regulating equal opportunities plans and recording thereof, and 902/2020, on equal pay between men and women, coincides in time with the renewal of the 2016-2020 Equal Opportunities Plan agreed upon between ABANCA and the majority of the employees' legal representatives, such that the new requirements included in the regulations will form part of the Equal Opportunities Plan that will begin to be negotiated in 2021.

For the first time, ABANCA Group companies with more than 50 employees will need to have their own Equal Opportunities Plan, which must include the results of the pay audit with respect to men and women in the diagnosis, in addition to the objectives, measures, means and schedule for each of the matters identified in the diagnosis.



Furthermore, the salary record and audit obligations shall complete **the analysis and transparency effort** with respect to the salary gap that ABANCA already addresses in this Report and with regard to which no significant risks have been detected to date.

ABANCA submitted an ambitious Equal Opportunities Plan, approved at the start of 2016 and in force until 31 December 2020, which sets out the commitment of the Bank and its senior management to equal opportunities and which is applied to all the employees who form part of this diverse and multidisciplinary team.

Integration of Banco Caixa Geral

In October 2019, ABANCA completed the acquisition of Banco Caixa Geral, the Spanish subsidiary of the Portuguese bank Caixa Geral de Depósitos. After months of negotiations, in April 2020 the corresponding agreements were entered into between ABANCA and the majority of the employees' legal representatives aimed at harmonising the employment conditions of the employees of Banco Caixa Geral being integrated in ABANCA, regulating the substitution of their former collective bargaining agreement by that in force at ABANCA in relation to salaries, complementary employee welfare system, social benefits, geographic mobility and related compensation, etc. Furthermore, the employment conditions arising from the integration of the two business networks was agreed upon with the large majority of the employees' legal representatives.

Parallel to the integration process, a comprehensive training plan was defined, accompanied by a mentoring process for branch offices and professionals during their first steps at ABANCA, with the aim of ensuring the necessary operational capabilities and favouring their immersion in the organisational culture. The main challenge of this milestone was to perform this accompaniment remotely as a result of the decreed lockdown measures. The organisation's technological capability since previous years was key to this process. Forty-five ABANCA professionals performed remote mentoring functions for three weeks, achieving knowledge transfer ratios of more than 80 %.

Bankoa

After the pre-agreement announcement in July, ABANCA and Crédit Agricole entered into an agreement for the purchase/sale of Bankoa in September. With the acquisition of Crédit Agricole's retail banking business in Spain, we reinforced our presence in Cantabria, considered a priority area in our Strategic Plan. Specifically, the agreement allows us to grow in the Basque Country, a high-value market due to its financial soundness (it is the Spanish community with the highest rating) and economic dynamism (with GDP per capita 30 % higher than the State average).

Bankoa, which provides services to more than 40,000 individual customers and companies, operates in accordance with a specialist business model focused on companies, SMEs and asset management. The bank is renowned in the industry for its solvency, asset quality and profitability.

In addition to incorporating 30 offices and three enterprise agencies, located mainly in the Basque Country, but also in Navarre, La Rioja and Madrid, its acquisition represents a major reinforcement for ABANCA in strategic business segments, such as companies and asset management, and opens new possibilities for growth in working capital, business, consumer and insurance finance.

Bankoa's staff is composed of 257 highly qualified professionals with proven experience.

As part of the transaction, ABANCA and Crédit Agricole also entered into an international commercial collaboration between ABANCA and Crédit Agricole whereby each would become a preferential reference partner of the other in those countries where only one of them operates.

The purchase represents the fifth successful corporate transaction performed by ABANCA since its creation in 2014.

6 Our commitments

ABANCA facing the pandemic

2020 will remain in the collective memory as one of the most exceptional in our recent history. All our spheres of socialisation -from family to work- were affected by the consequences of COVID-19, which led to the acceleration of digital communication and knowledge and cultural dissemination models, paradigm shifts and even reformulations in action priorities.

ABANCA diligently adopted the measures established by the health authorities and official bodies of the autonomous regions for addressing the health crisis situation caused by COVID-19.

Initiatives for EMPLOYEES: Contingency plan

The Bank developed a contingency plan defined in accordance with the different scenarios that arose and the main measures implemented since the start of the pandemic which are set out in the Security and Health section of this Report and are summarised in the following points:

- **Creation of a Crisis Committee** for managing the pandemic.
- **Definition of the Contingency and Risk Prevention Plan.**
- **Preparation, implementation and regular revision of the protocols** in accordance with the regulations in force.
- **Implementation of telework.**
- **Temporary reorganisation of the branch office network.**
- **Definition and continuous update of the SARS-CoV-2 Exposure Risk assessment.**
- **Special protection of vulnerable employees against COVID-19.**
- Preparation of the **Diagnostic test policy.**
- **Launch of ABANCA With You,** a channel created to support employees during lockdown, both from a personal, family and professional viewpoint.
- Preparation of **informative manuals for de-escalation** in Central Services and the Commercial Network.

By way of preventive measures, mention must be made of the following actions carried out:

1 **Sizing of work centres** to guarantee the minimum interpersonal distance.

2 **Horizontal signage to control branch traffic.**

3 **Provision of specific material to employees:** hydroalcoholic gel, face masks, protective face shields and gloves.

4 **Installation of thermographic cameras** at headquarters **and inclusion of thermometers** in first-aid kits throughout the commercial network.

5 **Daily notification to all employees to control symptoms.**

In the case of Afundación's sociocultural spaces, Afundacion's headquarters and centres were re-opened to the public after carefully and thoroughly examining each case and in compliance with the recommendations issued by the health authorities to convert Afundación's spaces into safe places. The new accesses, incoming/outgoing traffic flows and opening hours were redefined in order to effectively manage all these variables. Constant cleaning and ventilation processes were reprogrammed and the climate control systems of each building were individually analysed. Also, the centres were equipped with specific signage and disinfecting gels in each area of Afundación's headquarters and centres.

Initiatives for CUSTOMERS: support, business continuity and communication

Traditional retail banking, close-at-hand and aimed at individuals, SMEs and self-employed professionals, is a basic pillar on which ABANCA's specialist value propositions are built.

In 2020, ABANCA's activity focused on the implementation of customer support measures for attenuating the COVID-19 impact including, namely:

1

Maintenance of services at branch offices.

The branch office network continued to provide services to citizens during the alarm state, assisting customers who needed in-person attention or to perform any of the few transactions that cannot be performed through our remote channels or self-service devices. At least 70 % of the branch office network has remained open since the outbreak of the pandemic.

2

Reinforcement of digital channels.

Customers were able to take advantage of the different functionalities at their disposal through mobile banking and electronic banking. The 30 most frequently requested products and services can be remotely contracted and 75 % of these products are contracted through the "ABANCA signature" service.

3

Pension advances.

A collective which is specially vulnerable to this health emergency is the elderly customers segment, for whom ABANCA offered them the possibility of advancing their pension payments, making a total of 450,000 advances.

4

Advanced payment of ERTEs (Temporary Labour Force Adjustment Scheme).

ABANCA advanced 3,171 unemployment payments to customers in Galicia affected by ERTEs (Temporary Labour Force Adjustment Scheme) arising from the COVID-19 crisis.

5

Anticipate plan.

ABANCA's «Advance Plan» was aimed mainly at companies, SMEs, self-employed professionals, businesses and commercial establishments, to which it allocated EUR 7,900 million in credit facilities.

6

Rent forgiveness for Social Housing Fund families.

On 24 March, ABANCA forgave three months of rental payments of families residing in Social Housing Fund dwellings and affected by the COVID-19 pandemic.

7

State-guaranteed financing operations.

After the announcement of the State guarantee scheme by the Government, ABANCA adapted its internal processes so as to expedite the arrangement of State-guaranteed financing operations, arranging operations amounting to €3,128 million.

8

Extension of financial moratorium.

ABANCA extended the number of financial moratoria scenarios with the aim of reinforcing the protection of its individual customers against the economic consequences of the health emergency, granting financial moratoria amounting to €1,257 million. The beneficiaries of this extension were natural persons, including self-employed professionals, mortgage and personal transaction owners, who were able to defer their principal instalments by up to 12 months in the case of mortgages and up to 6 months in the other cases.

9

Reactivation plan.

Through the Reactivation Plan signed with the four Galician County Councils, ABANCA placed different financial products at its beneficiaries' disposal designed to meet the needs of families, SMEs, self-employed professionals and local corporations. The philosophy of maximum facility of access to credit was materialised in the absence of appraisal, early repayment fees, the existence of flexible repayment terms and the possibility of availing themselves of grace periods in certain cases.

10

Support for the Regional Business Confederation of Extremadura (CREEX).

Companies based in Extremadura were able to increase their competitiveness or promote their investments through financing alternatives designed for CREEX associates. A product offering with special conditions, such as credit facilities, commercial discount lines, guarantees and reverse factoring.

Initiatives for SOCIETY: listen and respond to its needs

1

Donation of medical supplies.

The Bank acquired medical supplies amounting to €4 million to reinforce the capacity of Galician public hospitals against COVID-19. The clinical material included individual intensive care units (SV ventilators), PM10 and PM12 monitors, D3 defibrillators, TE7 ultrasound machines and clinical readers capable of analysing 25,000 daily tests.

It also donated 50,000 face masks and 13,000 protective face shields, and enabled a Red Cross donation button in the ABANCA Pay application.

2

Creation of collective insurance for healthcare professionals.

ABANCA Insurance was one of the banks that participated in the creation of collective insurance aimed mainly at protecting the 700,000 healthcare professionals fighting coronavirus.

3

«Cubert@s» programme.

Afundación, ABANCA's Welfare Project, diligently addressed one of the main concerns that arose from health crisis: continue to meet the basic nutritional needs of schoolchildren after the end of the school year and subsequent closure of school dining halls and meal grants. The «Cubert@s» programme arose to address this social upturn, providing more than 90,000 nutritionally balanced and healthy menus over the summer and Christmas holiday periods, when schools and conciliation centres are closed. To this end, in collaboration with local corporations and social entities, ABANCA's Welfare Project acted decisively in the seven Galician cities where the more than 200 people, professionals and volunteers of ABANCA and Afundación coordinated and distributed menus at points specifically enabled for such purpose.

Given the high degree of fulfilment of this social programme, during the Christmas holidays Afundación implemented the «Cubert@s Nadal» programme and collaborated in the «Debuxando sorrisos» campaign, collecting 32,370 kilos of food and guaranteeing 2,334 toys for children at Christmas.

4 Continuity in support for sports.

ABANCA paid sports clubs with which it has sponsorship agreements the full amount corresponding to the 2020/21 season, despite the suspension of competitions arising from the pandemic. The Bank's decision was aimed at providing clubs with a budgetary stability that will enable them to continue with their sports project and maintain jobs.

ABANCA's sports sponsorship programme is developed along two main lines:

- ABANCA is a sponsor, in some cases the main sponsor, of the main Galician masculine and feminine football teams (RC Celta de Vigo, RC Deportivo de La Coruña, CD Lugo) and basketball teams (Obradoiro CAB Santiago, CB Breogán Lugo), in addition to Club Balonmano Ademar León.
- The Bank collaborates with Fundación Deporte Galego within the framework of the Galician High-Performance Team Sponsorship Plan. Through this Plan, the Bank provides support to 181 clubs from 34 sporting disciplines, with a total of 1,749 teams and 14,500 athletes.

5 ABANCA Observatory by IESIDE.

The Bank launched the ABANCA Observatory by IESIDE, an initiative that combines our commitment to knowledge dissemination and our desire to contribute to the recovery of economic activity after the health emergency. The Observatory, launched in collaboration with the Intercontinental Higher Education Business Institute (IESIDE), aims to provide Galician society, and especially its productive fabric (self-employed professionals, commercial establishments, businesses, SMEs, companies and corporations) with information about the evolution of the Community they serve in order to make informed decisions.

The first edition was published in May 2020, coinciding with the start of the de-escalation after the impact of the first wave of the pandemic. Subsequent editions have been published on a regular basis in accordance with the successive phases of the health emergency and the Galician economy.

In order to prepare the different reports, more than 182 million credit card transactions performed by out customers were analysed. The information was processed anonymously and structured in six major industries: food, pharmacy, transport, retail trade, leisure and other activities.

6

Afundación TV.

ABANCA's Welfare Project worked intensively to consolidate the shift to digital from the start of the lockdown in order to offer online and telephone accompaniment. With the essential support of the technology area and the entire team of the content development departments, we were able to migrate most of the activities of ABANCA's Welfare Project to a new digital platform: first, Afundación at home and, at present, Afundación TV. As a result, ABANCA's Welfare Project accompanied citizens in those complicated months through its online proposals, maintaining the same level of excellence, while IESIDE without walls became, in turn, a pioneer higher education institution in Spain in the programming and emission of live virtual master classes and academic encounters.

Virtual visits to Afundación's exhibition halls, fully online exhibitions through Agalería, the new virtual museum space of ABANCA's Welfare Project, analytical videos on the different works of the Afundación Art Collection, colloquiums, conferences, commented classical music auditions, family cooking classes, storytelling, scientific experiments, literary encounters, music workshops, virtual summer camps for children and youths, values-based family theatre, seminars on the proper use of new technologies, etc. All these cultural and educational proposals, in which interaction with the audience was fostered, together with many other activities, converted Afundación TV into a benchmark during the lockdown period, consolidating its live broadcasts in its main programme, Directos de Afundación. Thus, from recitals such as that offered by soprano Ainhoa Arteta to the verdict and award celebrations of some of the institution's characteristic competitions were broadcast through this new platform. Furthermore, initiatives focused on the management of emotions, as a result of the lockdown period, aimed at both adults and families. A comprehensive programme led by the expert Leandro Fernández Macho or the *mindfulness* family sessions with psychologist Belén Colomina are two examples of Afundación's proposals for contributing to mitigate the possible effects of stress or anxiety throughout this period.

The implementation of Afundación TV favoured the development of a school programme designed to adapt to the new realities upon returning to school after the holidays. Maintaining our firm commitment to content based on the promotion of basic values, the Educational Area of Afundación, ABANCA's Welfare Project, developed a hybrid programme with both virtual and in-person activities. This allowed teachers and students to participate in a wide range of activities both at the schools, with the presence of Afundación's professionals, and via streaming through Afundación TV including, namely, the new STEAM classroom (science, technology, electronics, arts and mathematics).

7

60+, we accompany you.

The new challenges arising from the pandemic required an effective change in approach, also in Afundación's 60+ Area The importance of accompaniment and contact determined the development of the «60+, we accompany you» programme. Through this programme, a full Afundación team and volunteers stayed in permanent contact with elderly people affected by the loneliness arising from the stringent social distancing measures. This initiative, initially limited to members of the Afundación's 60+ spaces and subsequently extended to nursing homes in Galicia, made a total of 10,078 telephone calls, made possible by the participation of 21 people from the Afundación team and 62 volunteers.

After this accompaniment initiative, Afundación's 60+ Area, one of whose lines of action is research in the field of active ageing, carried out a study on strategies for helping elderly people address the crisis. The qualitative and quantitative analysis of the telephone interviews made during the lockdown phase reveal the large diversity of the collective, with very different characteristics and needs and different ways of managing the crisis. Some 74 % of elderly people positively approached the lockdown and, of these, 49 % coped serenely, with their material and emotional needs met, assisted by their families, neighbours and maintaining their independence. The interviews also revealed that 26 % of elderly people found the lockdown difficult. Of these, 11 % with moderate difficulty, while another 11 % found it severely difficult and experienced anxiety, nervousness and fear. The accompaniment programme focused mainly on this last group through the volunteering action.

8

Manufacture and delivery of medical supplies.

The Afundación Vigo Home-School, supported by alumni and Afundación and ABANCA volunteers, strove to produce, at times of extreme scarcity of materials, more than 67,385 individual protection equipment, 45,396 face masks, 16,879 protective face shields and more than 100 white coats, which were distributed to the different State law enforcement agents (local and national police and Civil Guard offices), the Galicia Autonomous Community Government, prisons (whose distribution was made possible by the collaboration of Correos Vida volunteers), healthcare institutions, municipal councils of municipalities with a population of less than 30,000, collaborating companies or nursing homes, among other destinations.

To the people who volunteered in the Afundación Vigo Home-School we must add the invaluable support of a network of local seamstresses, who were ultimately in charge of sewing all this protective material, and volunteer taxi drivers, who selflessly collaborated in their distribution.

9

Charity account in favour of SERGAS

ABANCA organised, together with the three main Galician football team, a FIFA 20 charity tournament with the aim of raising funds to contribute to mitigate the effects of coronavirus. The Galician Health Service was the recipient of the donations made by the people who collaborated with this charitable cause.

In 2020 we addressed worrying and highly complex realities, requiring a high degree of effort, commitment, creativity and reorientation in order to jointly mitigate, insofar as possible, the adverse effects of the pandemic. At ABANCA we remain by people's side accompanying, helping and offering social, cultural and educational proposals that will allow us to continue progressing as a unified society, even under circumstances determined by complex challenges.

TAX
to education

103-2, 103-3, 203-1, 413-1

ABANCA assumes that the real challenge of education is to respond to a changing environment. Afundación, ABANCA's Welfare Project, addresses this challenge at its institute for higher education (IESIDE and vocational training centres) through a transformative model based on innovation, internationalisation and multiculturality, sustainability and training good practices.

217,423

participants in educational projects of Afundación, ABANCA's Welfare Project.

REGULATED TRAINING

- **IESIDE**
  4,331 students
- **Vocational training**
  827 students
  - Afundación Vigo Home-School
  - A Coruña Vocational Training School
- **Libraries**
  33,814 users
- **Afundación Zalaeta Nursery School**
  92 seats
- **Afundación Pontevedra Nursing Home**
  139 seats

NON-REGULATED TRAINING

- **Values education**
  - **Performing arts**
    74,672 students
  - **Plastic arts**
    11,275 students
  - **Financial education**
    92,273 students

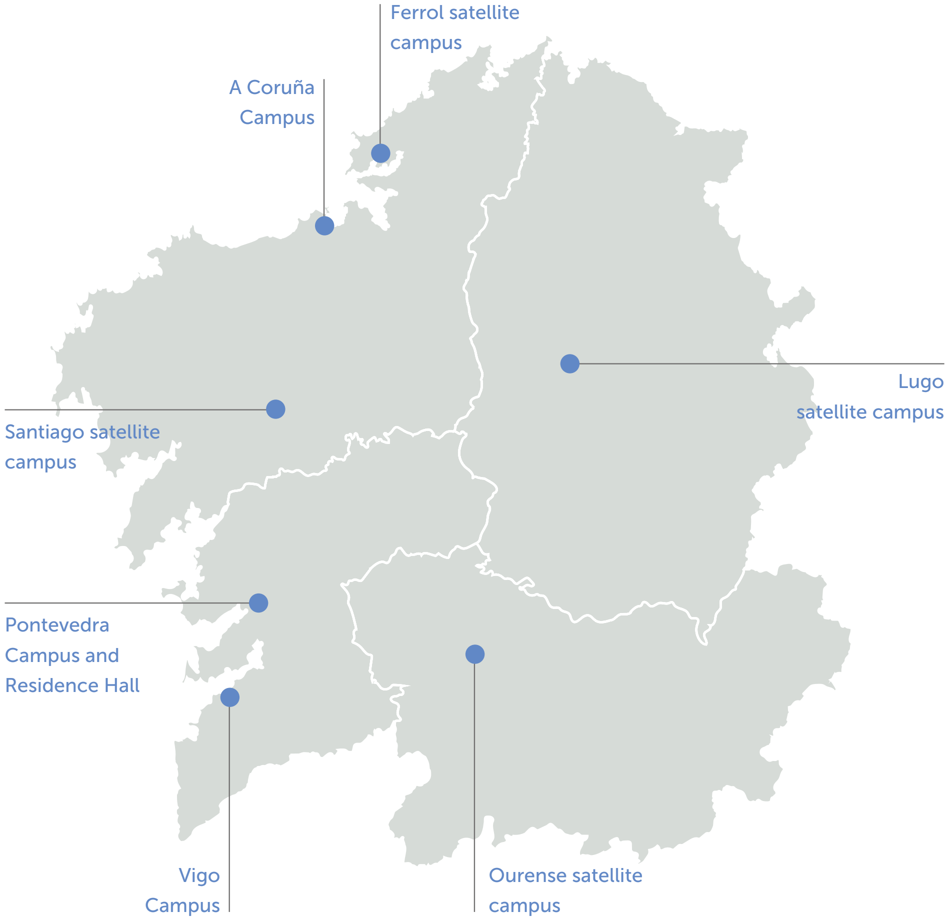
EDUCATION and knowledge

From the first stages of academic life to further training for adults, Afundación promotes continuous learning. This comprehensive programme is delivered at IESIDE, its vocational training centres, its nursery school, its library network, its environmental education centre (Naturnova) or at its headquarters and centres and, since March 2020, also through Afundación TV and IESIDE WITHOUT WALLS.

Regulated training

IESIDE

In the sphere of higher education, with more than 60,000 alumni, IESIDE is the benchmark private, not-for-profit institute for higher education in north-eastern Spain since 1987. Its degrees, official and own, cover a wide spectrum in the context of business management through programmes such as its Degree in Business Administration; master degree programmes such as MBA (in its university and *executive* versions), Financial Management, Marketing Management, International Businesses and Digital Marketing; medium-term programmes (Sales Management, *Corporate Compliance* and *Big Data*); and in-company training projects.
It has three campuses, a residence hall and a network of additional infrastructures.



IESIDE is a university centre attached to the University of Vigo and business institute, in which the principles of social responsibility, volunteering and environmental sustainability constitute cross-cutting values present both in the academic programme and in the extracurricular proposals developed by the institute and which have led the institute to form part of international initiatives such as Principles for Responsible Management Education, the Sustainable Development Solutions Network and the UNEP FI (United Nations Environment Programme Finance Initiative), being the first university institution in Europe to adhere to it.

Technological innovation, one of its pillars and which has allowed it to achieve the Type 2 Advanced IT level established by the Conference of Rectors of Spanish Universities (CRUE Spanish Universities), has proved essential throughout the year. The advanced development of its *online* platform made it possible, in just 12 hours, to migrate all the programmes to the digital environment and enable telematic and synchronous video communications, keeping up the academic work pace. This allowed students, teachers and other teaching, administrative and services staff to continue carrying out their activities over the *online* platforms.

The institute's purpose of serving as a higher education centre with a commitment to public service, providing elite education accessible to society as a whole gave the final impulse to the programme already under way and in line with the shift to digital already implemented at the institute: IESIDE WITHOUT WALLS. It is a virtual portal where master classes, seminars, colloquiums, conferences or any other educational activity of interest to students and teachers are broadcast are broadcast, together with IESIDE's academic study areas. Thus, the «IESIDE Society and Economy Forum», which kicked off in its in-person modality at the beginning of March with a paper delivered by the Managing Director of FUNCAS, Carlos Ocaña Pérez de Tudela, was held in subsequent sessions, in this new digital environment.

Throughout the year, a considerable number of *master classes* and colloquiums were organised through IESIDE WITHOUT WALLS. These included, namely, the cycle of conferences organised in collaboration between IESIDE and Singularity University, located in Silicon Valley. The prompt analysis carried out by renowned professionals from the fields of medicine, biotechnology, geopolitics and sociology on the impact of COVID-19 on the different spheres of our lives was one of the success factors of these 22 sessions that only IESIDE, through an extraordinary agreement entered into with Singularity University, was able to broadcast free of charge.

Through this same platform, IESIDE organised and broadcast the *live sessions,* with the participation of speakers of international prestige such as Mauro Guillén, Chair of International Business Management at the Wharton School of Economics of the University of Pennsylvania; Roberto Álvarez del Blanco, lecturer in Brand Strategy at NYU Stern School of Business, and Ana Teresa Tavares-Lehmann, former Secretary of State of Industry of the Government of Portugal.

IESIDE WITHOUT WALLS.

In relation to international projection, in 2020 IESIDE embarked on an internationalisation plan that encompassed its entire training offering. Thus, the Exponential MBA, the first and only MBA in Spain to apply an exponential approach to MBA contents, brought together students from six countries and was strengthened by the introduction of a stay in Lisbon at the NOVA School of Business & Economics, leader in Portugal, which stands out among the best European business schools. In the Degree in Business Administration, a sustainable pioneering experience in intercultural negotiation, the Global Team Project Galicia-China, which included the participation of 40 from IESIDE and UIBE (Beijing). In response to the restrictions on international mobility, the first virtual edition of the International Summer School was held in July and included the participation of 20 participants from China.

Furthermore, impulse was given to global training across the executive portfolio. Through the agreement entered into with the London School of Economics (LSE Ideas) and Porto Business School, the participants of the Executive MBA in 2021 will be able to specialise in Global Geostrategy and will boost their *networking* with the Portuguese business fabric. An international stay in accordance with the field of specialisation has been included in the six professional master's degree courses. France (leadership and people management), Israel (digital management), United States (marketing), China (international business), Germany (finance) and The Netherlands (sustainability). This decisive international commitment positions IESIDE as a leading institution in Galicia in management training with a global focus.

Executive MBA landing.

In relation to the **university degrees delivered at IESIDE,** it should be noted that, according to the results of the satisfaction surveys carried out by the University of Vigo on the students in the 2019-2020 school year, the institute stood out once again for its training quality as the most highly rated centre with a score of 3.90 out of 5.00. As regards the official degrees delivered at IESIDE, the Degree in Business Administration (ADE) ranked third among the degrees with a score of 3.69 out of 5.00 and the Master's Degree Course in Business Administration (MBA), which ranked fourth among the postgraduate degrees with a score of 4.29 out of 5.00.

In 2020 the agreement with Singularity University, entered into in 2019 and which culminated in the creation of the SingularityU Galicia Chapter, acted as one of the dynamising factors of IESIDE's new master's degree proposal: the Exponential MBA, whose first edition took place during the 2020-2021 school year. It is the first, and only, official MBA in Spain that applies exponential applications in its implementation. This new vision of the business world, which transcends the linear model in favour of an exponential model, favours greater and faster growth and development of the line of business. Students complement their training with the Advanced Certificate in Exponential and Digital Business and the From Creativity to Innovation Certificate, issued by the NOVA School of Business & Economics of Lisbon.

In the sphere of executive education, the technological model developed by IESIDE, which enables dual presence (physical and/or remote), enabled master's degree programme students to conclude their training in the first semester of 2020 with the maximum guarantees of academic quality. In the second semester, new specialist programmes with a dual delivery model were started up in the sphere of Sales Management, Corporate Compliance and *Business Intelligence.*

Also, **IESIDE completely renewed its executive education offering** with the design of 18 new degrees that will be implemented in 2021. Said offering consists of eight master's degrees, eight specialist programmes and two expert programmes aimed at upskilling professionals and executives in aspects such as corporate management, sustainable businesses, international business and digital management. Through this renewal, the institution's offering will be more flexible, specialised and international than ever, in order to continue being the leading executive education institution in Galicia.

Exponential landing.

Vocational training centres

Furthermore, the two vocational training centres of ABANCA's Welfare Project, the Afundación Vigo Home-School and the Afundación A Coruña Vocational Training Centre, seek to train competent students committed to their environment and with the flexibility to adapt to a changing job market. The aim is to promote innovation, internationalisation and sustainability through transformative education, promoting a syllabus with high potential for society. Students are encouraged to develop their enterprising spirit through the organisation of contests and prizes that acknowledge their ingenuity and creativity. Therefore, the educational model implemented at the two centres is characterised in that it promotes comprehensive training grounded on technical knowledge and personal growth in values, to which end participation in a wide range of volunteering programmes is encouraged.

Both centres worked intensively, after the suspension of in-person classes due to the pandemic, to consolidate their immediate shift to digital, transitioning from a fully classroom training model, virtual at first and then hybrid. In record time, the Afundación Vigo Home-School and Afundación A Coruña Vocational Training Centre enabled new digital spaces to continue with the classes, thanks to the impulse given to online teaching mechanisms and channels. After the in-person classes were resumed, the combination of in-person and digital has become an added value that characterises these two centres, hiring benchmarks in their respective areas of speciality in Galicia.

The enterprising and innovative vocation transmitted at both centres, grounded on ethical values and volunteering, was reflected, for example, in the immediate response given by the Afundación Vigo Home-School to the acute need for protective material. Both staff and alumni, which were subsequently joined by more collectives, made all types of useful materials as a first line of defence, which were distributed among different essential and front-line bodies and institutions since March 2020.

With regard to the academic programme, in the 2019-2020 school year the A Coruña centre implemented the advanced Application Development cycle, which implies broadening the offering with the inclusion of the programmes with the greatest professional projection and the option of completing a double degree with the Multiplatform Applications Development cycle, which can be completed in three courses. This new possibility is added to the consolidation of the bilingual initiative in 2020, with English as the second language, inaugurated in the previous school year.

Child education

The Afundación Zalaeta Nursery School is a benchmark centre in the city of A Coruña. Each year, the 92 seats offered for girls and boys aged between 0 and 3 are covered. The school is characterised in that it fosters respect for the environment while promoting volunteering initiatives -in which the whole family participates- to stress the importance of having a society committed to values of respect.

The school's closure in March due to the high incidence of contagion of COVID-19 motivated the rapid reorientation of the teaching activity towards other communication channels. Thus, a stable and consolidated contact was maintained through regular telephone calls from the school to the girls and boys, evidencing the importance of school/family interaction to improve the educational processes.

At the end of the lockdown period, as in all Afundación's centres, the Afundación Zalaeta Nursery School reopened its doors as a safe space, adapted in compliance with the recommendations of the health and educational authorities.

Cyber-security workshops.

Values training

In this area, knowledge is promoted through plural and up-to-date contents delivered in participatory environments among audiences of all age groups, from adults to youth, for whom a programme grounded on values and through which aspects of financial, environmental and cultural education are specifically developed. Scenic and educational activities that complement artistic initiatives emphasise the importance of ethically grounded learning.

Values education for environmental sustainability

The extracurricular activities programmed by Afundación in the fields of plastic and performing-musical arts and stimulation of reading, aimed at a school audience, are designed to strengthen the transmission of values of coexistence and respect that coadjuvate in the continuous social improvement process, while introducing younger students to the awareness and enjoyment of culture.

The intensive promotion of art through exhibitions organised by Afundación and whose cornerstone is its Art Collection is open to the school audience through the theoretical and practical activities programmed by a multidisciplinary team in accordance with the event organised. The challenges arising from the singular context of 2020 required a quick and effective response from the teams involved in the development of extracurricular training activities, which were undertaken with the firm commitment to continue developing high-level initiatives in compliance with the measures imposed by the health authorities, an objective achieved through the implementation of a hybrid system, with the STEAM Classroom as its insignia, in which both classroom and digital coexist and complement each other.

The suspension of teaching activities at school centres triggered the search for alternatives to resume the interrupted syllabus. The implementation of Afundación TV allowed ABANCA's Welfare Project to become the benchmark entity in its field, also in the digital channel, after organising, in record time, educational contents grounded on values such as family cooking courses, theatre plays for school children performed by companies of renowned prestige, musical and singing workshops, plastic arts workshops, scientific experiments, seminars on cyber-security and social media, etc. This programme was structured into periodically updated sections in which the active participation of girls and boys was encouraged through live encounters. Additionally, all the sessions are integrated in a live repository accessible at any time and any place with an Internet connection.

One of these permanent sections was developed by the Afundación Santiago de Compostela Library, with the broadcast of weekly storytelling sessions and information on essential books and authors that make up its comprehensive child and youth collection. Furthermore, the professionals of the Educational Area experimented with varied and innovative plastic art techniques in Afundación TV, through works linked to the entity's Art Collection and samples accessible through virtual visits. These proposals were complemented with cooking workshops aimed at the special context of families, offering healthy, nutritionally balanced recipes easily prepared by girls and boys.

Also, through **Naturnova** interesting scientific experimentation challenges were proposed using everyday elements and promoting the value of recycling and respect for the environment.

Experiments with Naturnova.

Interactive recreation of rising sea levels.

During the summer holidays, ABANCA's Welfare Project maintained its multidisciplinary summer camp proposals in the digital channel. With a permanent daily broadcast, always available in the Afundación TV repository, live and interactive proposals were designed for all ages, from nursery school to Baccalaureate.

Upon returning to the classroom after the summer, the Afundación team involved in the Educational Area developed its hybrid school programme, which implements the extracurricular proposals at school centres. We have also been incorporating new formats, STEAM Classroom (science, technology, engineering, art and mathematics) since October 2020.

The performing arts returned to school through Afundación TV, broadcasting, in one day, the theatre play especially represented at the Afundación Vigo Theatre, which was followed by a live encounter with the cast on the same digital platform. School children were able to continue enjoying the performing arts proposals of companies such as Mamá Cabra, Odaiko Percussion Group, Caramuxo Teatro, Teatro dos Ghazafelhos, Píscore, On Stage Company and Percuseve through Afundación TV.

Family theatre.

ABANCA and Afundación have organised digital financial education programmes that reached more than 92,000 people through the digital channels and in-person activities.

Financial education activities programme.

Training from childhood

During this school year, marked by the health crisis, we included a new proposal for children in virtual format in our activities catalogue. It is a video game, *The crazy adventure of saving,* in which, through the adventures of a group of friends from the Very Crazy planet, participants become aware that money is earned with effort, in addition to learning the importance of saving and solidarity.

Additionally, other proposals designed for this collective, such as the Financial Grand Prix, an in-person activity for primary school children in which they learn the importance of money management, which was organised with a smaller number of participants, and theatre plays, which took place via *streaming*. Thus, the girls and boys enjoyed the theatre play *Labyrinth,* in which topics such as responsible consumption were addressed.

Secondary education and baccalaureate.

For young secondary school students, we organised another edition of the cycle of conferences «Ready to take the leap», adapting its in-person format at school centres to a *streaming* version. In this edition, the papers *Walking through an expensive life to a financially responsible behaviour* and *Are you aware of the world you live in and in which you will work?*

We also developed a new *online* format of the programme promoted by Junior Achievement and the AEB, «Your finance, your future». The activity, aimed at young people aged between 13 and 15, is structured into three sessions where students reflect on how to make prudent and sound financial decisions, learn to prepare a balanced budget and become aware of the importance of saving and sustainability.

The crazy adventure of saving.

The new normality.

Your finance, your future.

Partnership between ABANCA and FUNCAS

Also, coinciding with Financial Education Day, the General Manager of CSR, Sustainability and Communication of ABANCA and Chairman of Afundación, Miguel Ángel Escotet, and the Managing Director of FUNCAS, Carlos Ocaña, renewed, for the third consecutive year, the agreement reached by the entities with the aim of collaborating to improve the level and quality of citizens' financial knowledge. Specifically, the Bank and its Welfare Project organise, within the framework of this partnership, the educational programmes Young Business Talents and Segura-Mente ABANCA.

The first initiative is aimed at promoting an enterprising culture among young pre-university students. Through a business simulator, they can live the experience of managing a company and observing how every decision they take affects the evolution of the business. In the last edition, more than 11,000 young students from 447 school centres across Spain participated.

The second initiative, Segura-Mente ABANCA, is aimed at sensitising primary and secondary school children and basic vocational training students on the importance of preventing risks and properly planning expenses, in addition to concepts related to the Sustainable Development Goals (SDGs). In this third edition, the programme continued to collaborate with school centres and the offering was broadened with the aim of achieving a more attractive proposal and in accordance with the participants' age by planning a trip and virtually completing the different stages of St. James's Way, in order to adapt to the transformation brought about by COVID-19 in the field of teaching.

The Spanish economy during the pandemic Carlos Ocaña.

Young business talents.

Segura-Mente ABANCA.

Transparent Accounting.

Economics and business in times of COVID.

The financial galaxy contest

In 2020, ABANCA also launched the third edition of the financial skills contest, The Financial Galaxy, aimed at individuals, in the Bank's "Cuentas Claras" (Transparent Accounting) blog. The participants had to put their knowledge of topics such as personal finance, cyber-security or financial concepts of the specialist blog glossary to the test.

Afundación TV broadcast a live talk show, "Economics and business in times of COVID" with financial information and training videos for entrepreneurs and micro-enterprises. Between April and May, several successful entrepreneurs, investors and business owners collaborated with this project, sharing their actions to address and overcome the difficult situation caused by COVID-19. Thus, during a series of "CEO Talks", they discussed their experience managing their companies in the current situation: Miguel Álvarez, from *La Tagliatella* spoke about the hospitality sector and the new normality; Andrés Casal, CEO of WETACA, spoke about new business models and *How to grow 50 % in times of crisis*; and Roberto Domínguez, CEO of Don Disfraz, spoke about *B2C* logistics and strategies.

The second cycle of talks on «Economics and business in times of COVID. Investor Tips: VC (Venture Capital)» with investors featured the collaboration of José Bayón, CEO of ENISA (which reports to the Ministry of Economy, Industry and Competitiveness), who discussed the manner in which ENISA approached its public support for financing start-ups and SMEs during the pandemic. Adrián García, Chairman of Endeavour, spoke about how to inspire a new generation of high-impact entrepreneurs. Andrés Fernández, CEO of Zendal, a group of companies engaging in the research and development of biological products, closed the cycle with a presentation on how the healthcare sector is addressing the current COVID-19 scenario.

Activities for seniors

Activities aimed at people aged over 55 focused mainly on the «Manage your accounts with ABANCA mobile» and «Make your life easier with ABANCA ATMs» workshops, which made it possible, on the one hand, to broaden training in self-management of personal finance and, on the other, to reduce the number of visits to branch offices, thereby minimising risks in the current health context as part of the financial education programme developed by the Bank in collaboration with Afundación throughout the past year.

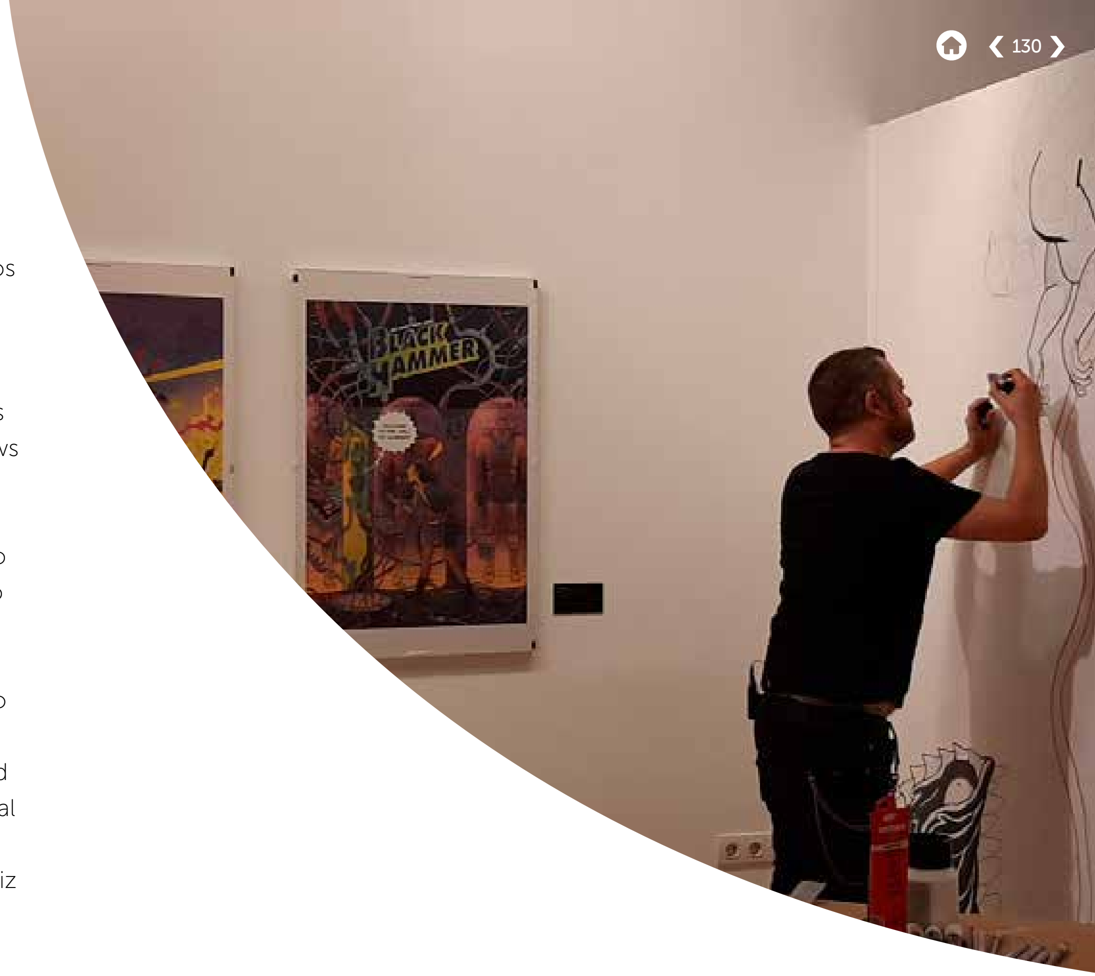
Adult training

Lifelong learning, at any age, is one of the essential spheres of action of ABANCA's Welfare Project. By addressing a wide range of topics, the conferences, seminars, workshops and courses organised by Afundación highlight the importance of knowledge as a mechanism for consolidating social progress.

The restrictions on in-person training activities imposed as a result of COVID-19 motivated the transfer of all these proposals to Afundación TV's digital channel. Through live programming and enabling interactive participation, ABANCA's Welfare Project placed itself at the citizens' disposal to continue dynamising progress and mitigating the possible adverse effects of the health crisis.

Therefore, the proposals put forward encompass a wide thematic variety with the aim of being of interest to most of society. In the cultural sphere, which includes literary, musical and oenological proposals, Afundación TV broadcast programmes such as, for example, "Foro Vino XXI", in which Xoán Cannas analyses aspects relating to viticulture with renowned industry professionals; "Audiciones de música clásica comentadas", hosted by Teresa Adrán and with pieces interpreted by the Royal Philharmonic Orchestra of Galicia; "A colección na casa", with detailed and individualised analyses of pieces from the Afundación Art Collection prepared by the entity's specialists; "Diálogos con Pepe Solla", in which current artistic, literary or business issues are analysed by renowned professionals invited to the programme, which is hosted by the famous Galician chef; "Vamos al cine", which reviews famous works and figures of the seventh art with Asier Mensuro; "Quino: Mafalda, su creador y su mundo", a tribute with Horacio Altuna, Manel Fontdevila and Asier Mensuro to the emblematic Argentinian creator; "Coloquio sobre Sacrificio e ascensión. A exposición de David Rubín", where Santiago Segura and David Rubín discuss the latter's professional career as a strip cartoonist; and "O ceo da boca", which reviews the essential works and figure of contemporary Galician literature with award-wining poetess Estíbaliz Espinosa.

Environmental sustainability as one of the areas of greatest scientific interest was the main topic of virtual encounters such as "Faladoiros de ciencia", with María Canosa and Andrea Muras; "Mulleres de mar", a micro-story project and round table featuring three women: Rita Vidal, Rosa Chapela and Jenifer Suárez, whose professions are linked to the marine environment; and "Comprometidos con el medioambiente y los océanos" and the Map with the interactive recreation of rising sea levels, spaces promoted on the occasion of Environment Day and Oceans Day.



Mulleres de mar.

Sports, essential to the full development of people, were represented in Afundación TV through the presentations made on the occasion of "High altitude challenges. FID City of León ABANCA 2020", which featured the participation of Edurne Pasabán, Juanito Oiarzabal and Carlos Soria. The most participative proposal focused on this topic was «Venture out at home», a physical maintenance programme with Sofía de Toro and Martín de la Puente.

Furthermore, the cycle of conferences "Education in the 21st century", a meeting and exchange forum in the field of pedagogy, early care and teaching, aimed at the educational community as a whole, featured the participation of such prestigious speakers as José Antonio Marina, César Bona, Rafa Guerrero, Anna Sans, Víctor Arufe and Javier Urra. In addition to the conferences and subsequent rounds of questions in which conference speakers and the audience shared their opinions, Afundación organised a series of talks hosted by Anna sans in which special emphasis was placed on certain learning disorders, the early detection of which contributes to the normalisation of certain difficulties, such as dyscalculia, ADHD, visuo-spatial disorders, etc.

TAX commitment

103-2, 103-3, 413-1

At ABANCA we carry out our social action bearing in mind our corporate values, which are grounded on ethics and on transparency: reliability, innovation, quality and responsibility.

Corporate and institutional volunteering

203-2

Afundación, ABANCA's Welfare Project, promotes the volunteering programme within its strategic lines and commitment to society, aware that the impact caused by coronavirus in 2020 requires a rapid, coordinated response to meet the immediate needs of whoever requires it. In this line, Afundación supports the common objective of administrations and social entities to mobilise the solidarity of citizens and companies, fostering volunteering and shared responsibility to build a more equitable and unified society.

Therefore, in a context of major difficulties due to the situations caused by COVID-19, various activities in benefit of society were programmed, which required considerable adaptation and shift to the social sphere, and even made it possible to increase the impact of the actions carried out in some spheres with respect to 2019, totalling more than 30,000 hours of volunteering actions dedicated by the more than 500 volunteers who participated in the different initiatives.

The participants in the volunteering programme carried out activities in benefit of society, focused on the environmental, social and educational spheres.

+ 30,000 h

of volunteering actions.

+ 500

volunteers.

Environmental actions

More than 540 kilos of waste removed from sandbanks and 1,480 kilos of invasive exotic species.

Coastal cleaning was one of the main pillars of the environmental volunteering programme for the first quarter of the year, together with the planting of autochthonous species in natural environments of special interest and the removal of invasive exotic species. With the actions organised in this context, we achieved four Sustainable Development Goals (SDGs): SDG 10 Reduced inequalities, SDG 13 Climate action, SDG 14 Life below water and SDG 15 Life on land.

A group of 61 volunteers of ABANCA and its Welfare Project, Afundación, travelled to the A Lanzada beach (O Grove) to collaborate with Grupo Naturalista Hábitat in the context of the «Working to improve the natural heritage» programme in one day in which 422.5 kilos of waste were removed from the sandbank, declared a Special Conservation Zone under the Red Natura 2000 network.

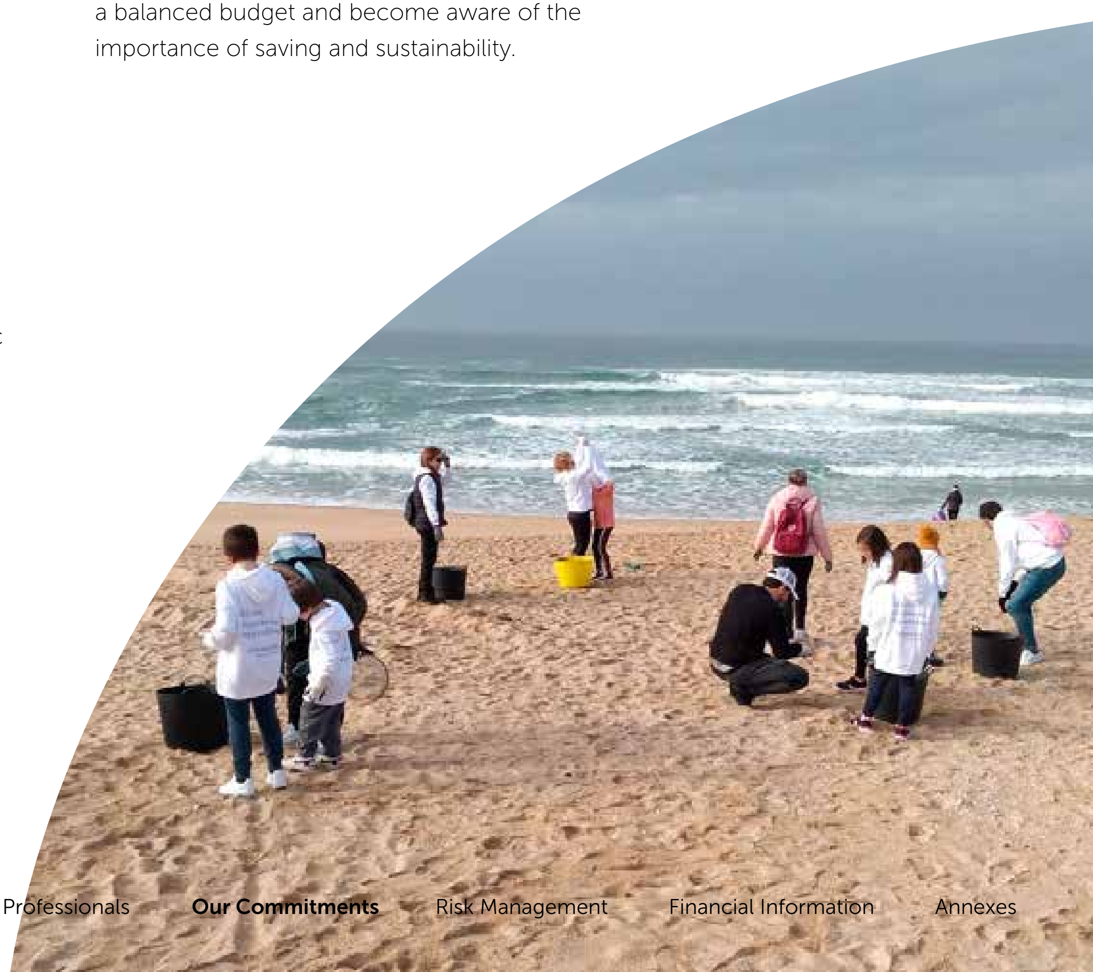
Another group of 20 volunteers travelled to Baldaio, a natural space belonging to the Red Natura 2000 network, for cleaning purposes, an activity also organised in collaboration with Grupo Naturalista Hábitat and also with the Carballo City Council. In this action, 68 kilos of waste were removed, most of which fishing tackle, cotton buds and microplastics.

Another of the activities of the «Working to improve the natural heritage» programme are reforesting actions. Thus, in Coruxo (Vigo), more than 50 volunteers participated in this initiative, planting a total of 300 autochthonous trees that will contribute to improve the current situation of this natural space. Similarly, 16 volunteers removed 30 cubic metres of Acacia dealbata, an invasive exotic species from Australia, in Guitiriz (Lugo). Lastly, 27 volunteers removed 1,480 kilos of the exotic plant known as cat's claw (Carpobrotus edulis) and 49.5 kilos of plastic waste washed ashore in recent storms, in Doniños beach (Ferrol).

All the activities concluded with an interpretative route organised with the aim of sensitising the participants, especially the youngest, on the importance of preserving the natural and landscape heritage of each of the natural spaces.

Educational actions

A total of 15 volunteers from ABANCA and Afundación taught the new online Financial Education Programme sponsored by Junior Achievement and AEB "Your finances". This course, aimed at young people between 13 and 15, is organized in three one-hour sessions per week taught by a volunteer. In them, students reflect about prudent and correct financial decision making, learn to elaborate a balanced budget and become aware of the importance of saving and sustainability.



Social actions

In the last year 2020 the first programme «Cubertos», sponsored by ABANCA and Obra Social Afundación, in collaboration with local governments and social entities, was launched with the aim of guaranteeing healthy nutrition during the school summer and Christmas holidays for minors at risk of poverty or social inclusion. Thanks to this project, solidarity menus were delivered in the seven biggest cities in Galicia during the school summer and Christmas holidays. More than 200 people, volunteers and professionals from ABANCA and Afundación, were in charge of delivering more than 90,000 menus. Afundación carried on with this initiative in the Christmas holidays and lauched "Cubert@s Nadal", which allowed to deliver 16,500 menus, including special menus to enjoy with the family in Christmas Eve and Christmas Day. Apart from that, the campaign "Drawing smiles", which allowed to collect 32,370 kilos of food and 2,334 toys, was developed.

Menus were delivered in A Coruña, Lugo, Ourense, Pontevedra, Santiago, Vigo and Ferrol in collaboration with local administrations and different social entities, depending on the city. For that, multiple collection points were prepared in suitable locations in order to facilitate accessibility for the most vulnerable families, suited to their needs.

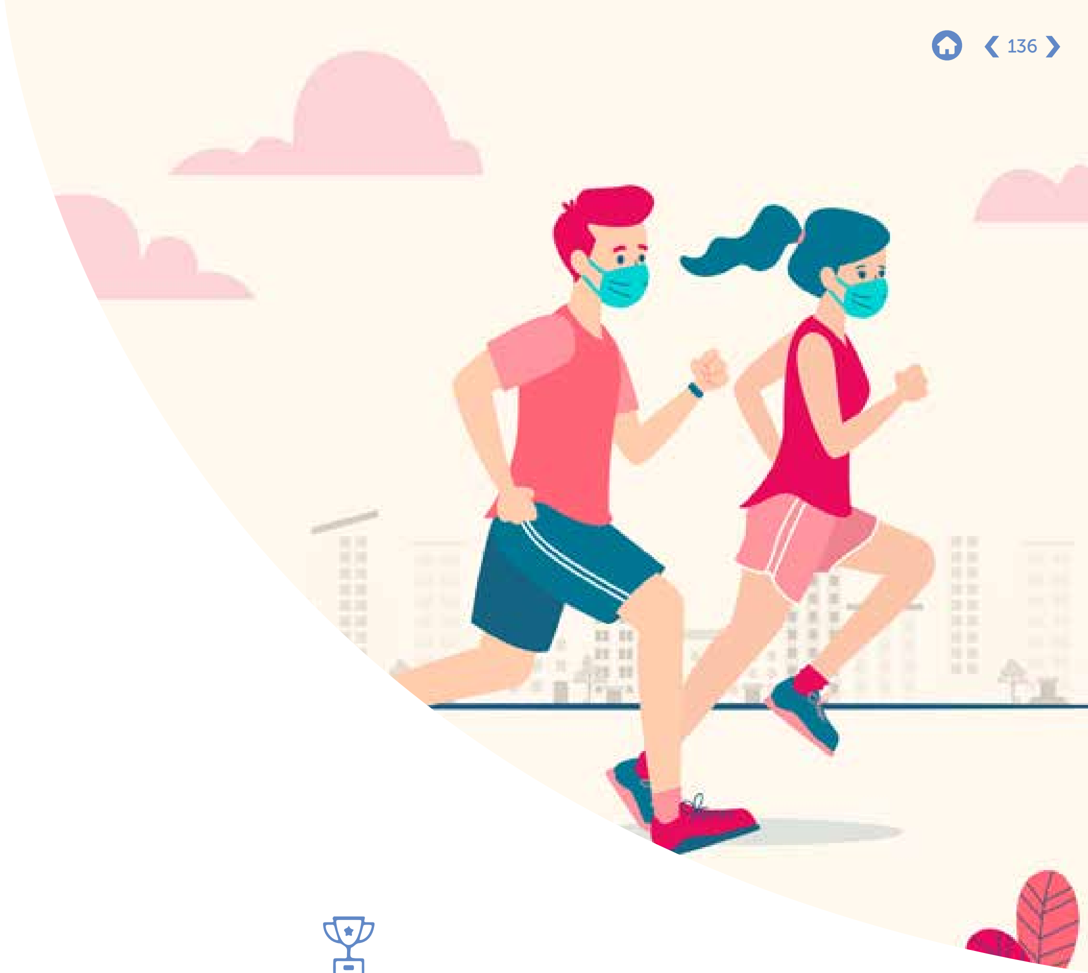
At the beginning of the pandemic and in collaboration with Active Ageing and Volunteering, the platform "+60, we are with you" was created, with a network of volunteers and professionals from Afundación to learn how to confront the situation of the shareholders of the spaces +60 and take advantage of their experience. The initiative, later extended to all the population +60 in Galicia, allowed to listen to 10,078 phone calls thanks to the involvement of 21 people from Afundación and 62 volunteers who also informed and advised and actively listened people who were feeling more affected by the loneliness that resulted from the strict measures of social distancing.

+ 10,078

Calls managed in the programme «+60, we are with you».

+ 90,000

nutritionally balanced menus delivered in the programmes "Cubertos" and "Cubert@s Nadal".



Support for sports

All the initiatives encouraged by the Bank in this area aim at spreading the intrinsic values of sports to society, such as perseverance, fair game, compromise, equality, teamwork, the drive to improve and team spirit.

1

Basic sport We support and encourage basic sport in Galicia through the sponsorship agreement with the Fundación Deporte Galego, reaching more than one thousand teams and more than ten thousand athletes in 25 disciplines.

2

Professional sport We are linked to the five largest major-league sports teams in Galicia: RC Celta, CD Lugo, RC Deportivo, Obradoiro and Breogán. Strengthening agreements and being by their side at key moments, like the anniversary of the Compostela basketball uniform.

3

Sports Sponsorship The health situation has provoked cancellations, changes or deferments for many of the signed sponsorship agreements. Even in this situation, ABANCA has maintained its largest contracts to support the sectors hit hardest by this crisis.

Active Ageing

At Afundación, we join seniors on their journey, offering proposals and opportunities to improve their quality of life and well-being. More longevity, heterogeneity and new profiles of people reaching retirement age, with more active and independent lifestyles, bring us to constantly innovate our proposals, counting on their direct participation to do this, so we can adapt to their needs and expectations.

During lockdown, as part of its social commitment, the entity implemented an online companionship program for seniors, developed by the entity's employees and volunteers, based on which they dove deeper into a research study on *The strategies of individuals +60 during the COVID-10 lockdown*, following one of the essential axes of this area, focused on identifying key action points and resolution mechanisms and strategies.

The value of experience

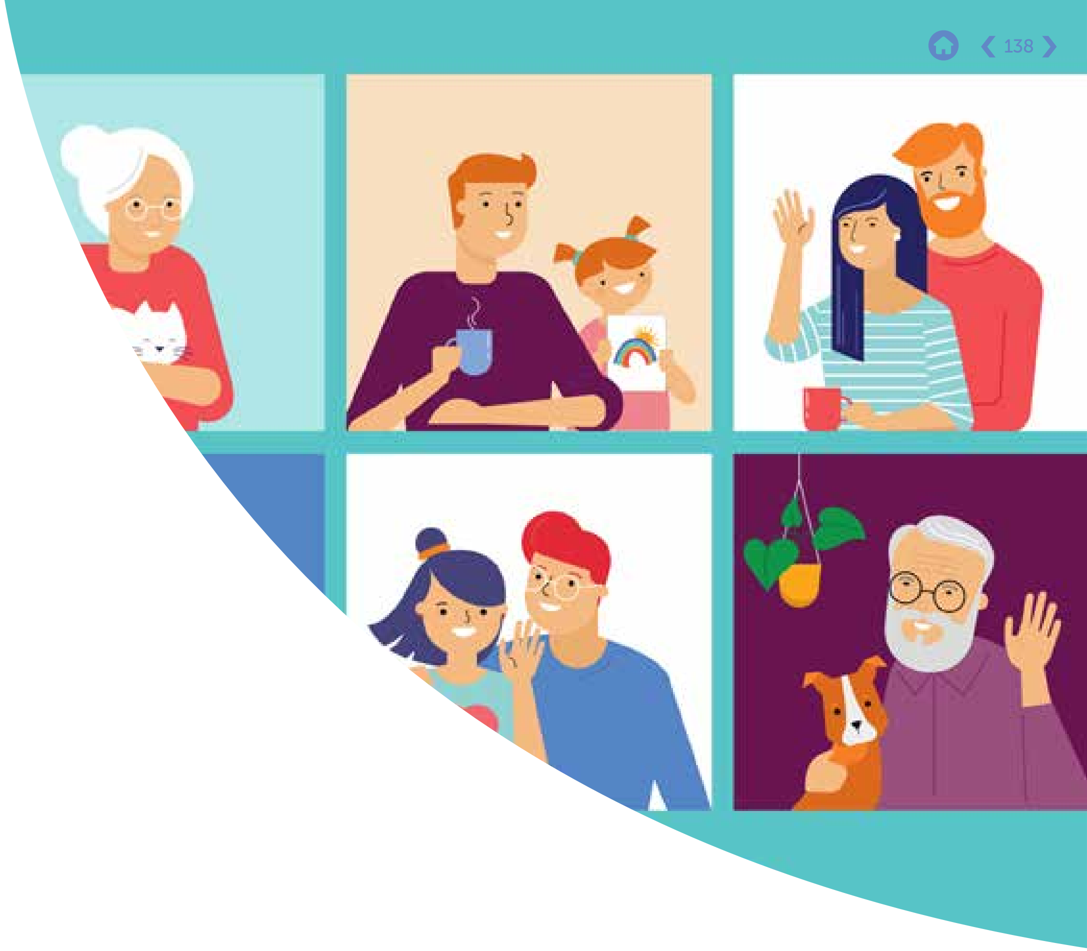
Putting seniors' talent and knowledge to use so that young people can learn from the experience of previous generations is the essence of this line of action, around which they have been developing rather relevant programs such as, "Tell me about immigration," and, "We are talking about school," two references in its scope.

In 2020, there was a new proposal, "Stories Lived," aimed at putting value into seniors' lives, helping them be able to capture their legacies in a book. This program invites these heroes to revisit their life's path, connecting with significant movements from a renewed point of view, giving a more positive sense to their own existence and to the life project they are still developing. It is conceived as a tool of self-knowledge and a starting point for thinking about the present and what they truly want for the future.

"Stories Lived" uses the Envita web platform as support, specifically designed to guide the collection of stories by adding texts and images with guidance and along a timeline. In this way, memories are activated and content is added to the book of life, chapter by chapter, based on the different stages of life: childhood, youth, adult life and senior life. The team of professionals at Afundación accompanies participants at all times, through in-person and/or online group sessions, based on the health standards in force and individual preferences. All of that ends up forming a community to share, relate and learn about lived experiences.

12,476
participants in activities for seniors.

10,000+
companionship calls for seniors.



Active Companionship

With the goal of continuing to work toward eradicating age prejudice, a phenomenon called ageism, Afundación's online companionship initiative, "+60, we are with you," was able to learn how people over 60 were facing the lockdown situation, to learn about their experience and their strategies, and spread this knowledge. Thus, through a sample taken of the conversations held, it was concluded that the majority of seniors, 74 %, handled this period well, deploying better resources to approach it more positively than the younger people, contradicting negative stereotypes of seniors, where they tend to be represented homogenously and from a perspective of deficiency, of shortage.

The study conducted among the people contacted through "+60, we are with you," detected different strategies for growth, among which were diversification of entertainment strategies, social relations, the capacity for battling isolation using digital resources that would allow them to often contact friends and family, and also the development of creative activities that provided an outlet to escape this complex situation.

Likewise, interesting relative data were obtained, such as differences by gender. Among them, the most significant is that women have faced lockdown with greater difficulty than men, which is explained by the fact that 30 % of women sampled live alone compared to only 10 % of men. As far as differences by type of habitat, another notable aspect, it is concluded that seniors in rural areas have experienced lockdown noticeably better than those in urban areas.

This program, with a theoretical-practical approach, also showed that 26 % of people contacted were handling lockdown with difficulty, some even with great difficulty, expressing anxiety, nerves or fear. "+60, we are with you," revealed the companionship efforts of the Afundación team in more vulnerable individuals, the majority of which have a small social and family support network. The concern for being alongside these people also brought Afundación to implement another of its strategic axes in this program: volunteer work. Thus, progressively, volunteers from ABANCA and Afundación were added to this initiative, at first limited to members of the Afundación +60 spaces, and then expanding to residences throughout the Galician territory.

Education for longevity

With a view toward improving the understanding of the phenomenon of ageing, and of driving innovative initiatives that contribute to changing this process into a source of opportunities, in 2020 the Active Ageing department launched the project "Education for longevity." As a starting point for this initiative, it presented, in collaboration with the Spanish National Research Council (CSIC) General Foundation, "For now, eat drink and be 100," an exposition designed to offer a scientific view of the phenomenon of longevity, which goes through the ageing processes of the individual and collective society. A polyhedric project in which ideas such as longevity, healthy ageing, elderly vitality, or investment in old age, are approached from different perspectives. This is an invitation for all ages to think about their future, and a direct invitation to seniors to live this stage to the fullest.

Structured as five sections, this exposition invites you to walk along the path of life, and face the process of ageing, showing those factors that could determine whether said itinerary is followed in the best possible conditions. Thus, it shows that constant learning, optimum nutrition, physical exercise and social relationships are some of the aspects that, in large part, influence this process. Matters of general interest are also analysed, such as the effects of retirement on each individual, current maintenance of a state of well-being, medical and technological advances in ageing, or the functioning of pension and health care systems.

In order to make the approach to this new social reality called the revolution of longevity from different perspectives possible, Afundación designed a whole program of parallel activities, which included a cycle of conferences, inaugurated by the CSIC Lead Scientist Dolores Puga, with the presentation, "The Longevity Revolution," and which was interrupted as a result of the pandemic. They also launched a cycle of thematic cinema; they organised open-door day workshops in the Afundación +60 Space in Pontevedra to share the initiatives that were being developed and intergenerational activities, where the students held dialogue and reflected with members of the centre about ageing, how seniors face this stage of life and the importance for all generations of being connected, understanding each other, talking and mutually learning.

13,379

members of +60 spaces.

365 days in Afundación TV +60

The end of attendance in all non-essential activity during the strict lockdown period and the later phasing-open of spaces as decreed by the competent health authorities was the trigger for the transfer of all activities, wherever possible, to digital platforms. Proposals usually developed with +60 individuals have a two-fold challenge, given the lesser connection with technology of this cohort compared to other social groups. However, the ABANCA Social Work Ageing Department, through data collected in a study on new technologies and +60 individuals in 2019, was able to plan its strategy in this field with full information.

Just like they had launched "+60 let us join you," on Afundación TV a direct program was started with Sandra Roco, Yoga At Home, and during one-hour weekly sessions, users/spectators could exercise their bodies and minds under the guidance of a well-known professional from the city of A Coruña. In this same sense, furthermore, they held workshops for improving the emotional situation that both Leandro Fernández Macho and Belén Colomina or Rafael Guerrero offered from the ABANCA Social Work digital content platform.

The Afundación +60 spaces resumed its in-person activity in the last quarter of 2020 to face the repercussions of the pandemic on seniors, more vulnerable to COVID-19 but who also suffered the negative effects of inactivity, the reduction in social relationships and changes in routine.

Thus, during the phasing-open period, members of the Active Ageing team carried out the work of redesigning and adapting their usual activity to the new health circumstances. Personal well-being, cognitive training, active leisure time and digital culture, more relevant than ever, returned to Afundación +60 spaces to continue offering initiatives in transformative education and personal growth, at the same time responding to the demand of users to resume in-person activity in their respective centres.

In this sense, a survey held prior to opening up the spaces had already shown that 83 % of members were in favour of resuming in-person activities. It should also be pointed out that, even though most tech-savvy users (80 % of people show they have been connected to the Internet every week or day within the last month) 86 % stated their preference for fully in-person activities or some time-sensitive online content, and 75 % considered the content of the proposals as important as the relationships made. Starting with the gradual re-opening of centres, in September, there were a total of 2,407 registrations for in-person activities in this area.

Ultimately, the results emphasise the importance of Afundación +60 spaces as communal centres where the activities encourage, at the same time, social relationships, in an environment of warmth, affection and friendliness.

COMMITMENT to culture

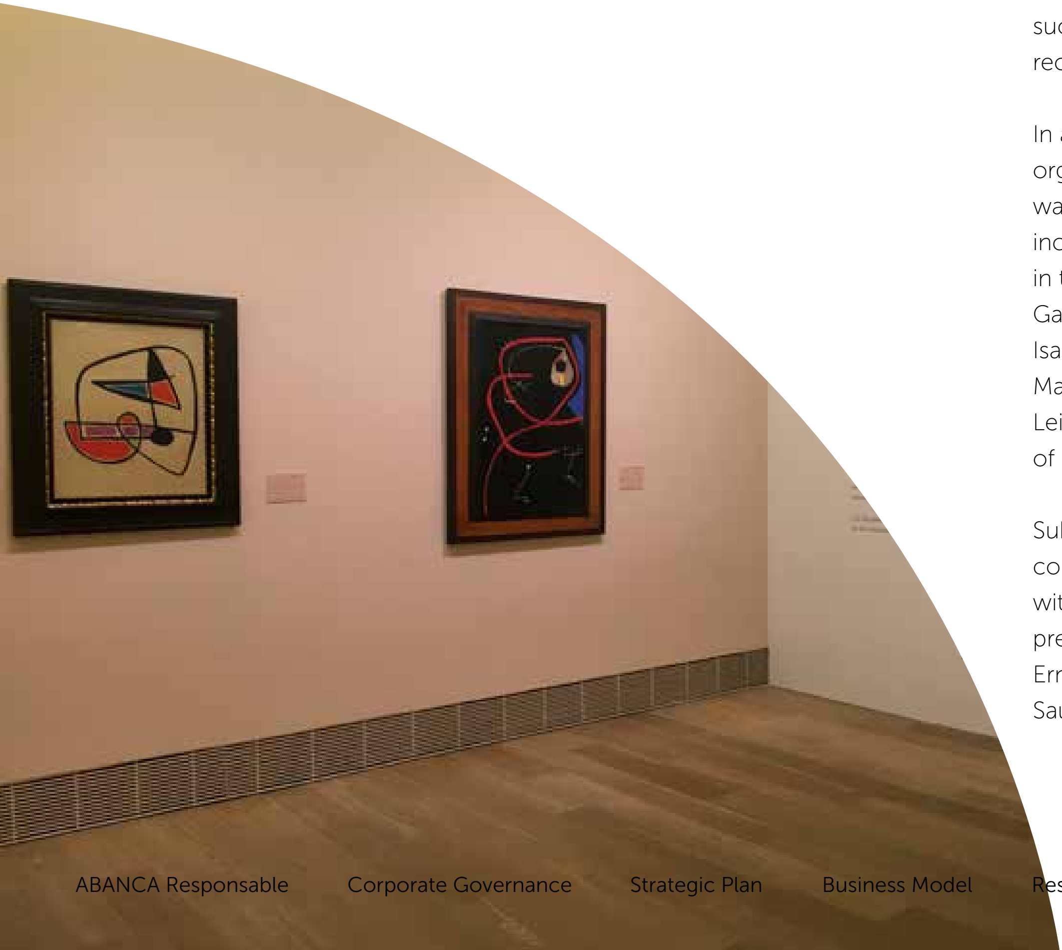
103-2, 103-3, 203-1, 413-1

For ABANCA, culture is a transformative means that makes personal development possible through experimentation and knowledge. Afundación, ABANCA Social Work, runs multiple programs in different fields to boost that personal development.

Artistic Heritage

ABANCA Collection

On 8 October 2015, **the ABANCA Art Collection was declared, as a whole, an Asset of Cultural Interest (BIC).**



1,369
works.

255
artists.

Artistic Collection

A total of 1,369 works of art form a collection, the backbone of which is modern and contemporaneous art. Among the more than two hundred artists represented, we can discover different themes and styles, as well as works made in various media and formats such as painting, sculptures, photographs, recordings, drawings and installations.

In a first moment of the formation and organisation of the collection, the main goal was to consolidate the Galician artistic fund, including the work of the most significant artists in the history of modern and contemporaneous Galician art: Castelao, Laxeiro, Arturo Souto, Isaac Diaz Pardo, Luís Seoane, Urbano Lugrís, Maruja Mallo, Leopoldo Nóvoa or Francisco Leiro, and many others, together constitute one of the pillars of this set.

Subsequently, the collection has been completed with the addition of works by artists with renowned national and international prestige. Figures such as Salvador Dalí, Max Ernst, George Braque, Manolo Millares, Antonio Saura, Eduardo Chillida, Cristina Iglesias, Juan Muñoz, Juliâo Sarmento, Sean Scully, Susana Solano, Miquel Barceló, etc., stand out. But without a doubt, the presence of Pablo Ruiz Picasso merits special attention, a creator for which the ABANCA Art Collection conserves five works from different periods within the artist's long production time.

The result is a set of great artistic interest in learning about the evolution and movements that have defined the history of 20th-century and 21st-century art.

Bibliographical Collection

The Bibliographical Collection, formed by 3,199 records (3,217 volumes), divided into 69 incunabulums, 11 facsimiles, 530 works on economy and other disciplines, 257 autographs and 2,350 historic works from the 16th to the 20th centuries. With great thematic variety in a humanist interpretation of culture, this bibliographical collection has in itself special value as a cultural legacy for the generations to come and it has been an Asset of Cultural Interest (BIC) since last 7 September, thus recognising the historical and documentary value of this collection.

Since November 2013, and through a consignment, the bibliographical and documental fund enriches the catalogue of publications from the Galicia Library. In this way, one of the essential objectives within a policy of social responsibility is achieved: sharing the broad artistic heritage with society, since it can be consulted by researchers and the general public.

Furthermore, the documents can be viewed online since they are being digitised and occupying a specific and relevant space within the Galicia Digital Library.

In 2020 the bank presented a totally renewed website for the ABANCA Collection. A new broadcasting channel that will contribute to the approach of this rich artistic and bibliographical heritage for all society and will make it easier to view both by researchers and the general public.

This new digital space has a simple structure that facilitates navigation and a design based on current trends that seeks the best user experience regardless of the device they are using.

Likewise, and within our commitment to the dissemination of art, two paintings by Joan Miró of the ABANCA Collection, have been able to be displayed in the Asturias Fine Arts Museum between July and October. "Tête d'homme III" and "Tête, oiseaux" were created by Miró more than four decades apart. Aside from the montage prepared by the Asturian art gallery, the two works from the ABANCA Collection not only could speak to each other, giving evidence of two different creative moments along the same life path of the Catalonian artist, but also with other works from the museum's permanent collection, among which stood out the lithograph "La grande Écaillère," a work created by Miró in 1975. Along with the pieces cited, the exposition space dedicated to the guest works was completed by the presence of important contemporaneous artists such as Pablo Picasso, María Blanchard, Salvador Dalí, Joaquín Torres García and Tsuguharu-Léonard Forjita, showing the rich scene through which the work of Joan Miró travelled. The sampling was visited by a total of 27,765 people.

Afundación Art Collection

In the Culture Department, the Afundación Art Collection stands out for its visibility and repercussion, one of the most complete in the community for more than five decades, whose fund includes significant pieces of Spanish creation. Composed of more than 5000 works, it is one of the most complete institutional collections of the community, and it covers the broadest panorama of Galician art starting with the 19th century. Its importance was worth the declaration as an Asset of Cultural Importance (BIC) in 2015, from the Galician Government, thus ratifying a project started more than fifty years ago.

ABANCA Collection.

Afundación Collection.

3,217

records.

69

incunabulums.

11

facsimiles.

530

Works on Economy and other disciplines.

257

Autographs.

2,350

Historic works from the 16th to the 20th centuries.

Culture

- **Afundación Expositions**
  In-person Expositions: **55,150** attendees.
  Street exhibitions: **55,400** attendees.
  Agalería Virtual Museum: **20,818** visits.
- **Performing and cinematographic arts**
  Performing arts: **25,132** attendees.
  Cinema: **1,196** attendees.

Culture is, for Afundación, a transformative means that makes personal development possible through experimentation and knowledge, while at the same time it encourages social strengthening through shared values and the approach to cultural diversity. Its different programs in the fields of visual, performing, musical and audio-visual arts; and international publications, awards and events, in which more than 150,000 people participate, seek to foster those values.

Culture has been manifested, throughout 2020, as the indispensable companionship to continue progressing, as individuals and as a community. Through the Afundación TV digital channel, ABANCA Social Work continued alongside society, offering expositions, concerts or publications, of established or young talents under the auspices of its poetic, journalistic and artistic contests.

The determining impulse of Afundación should be added to this transfer to the digital world, in favour of incorporating new and participatory technologies, already implemented previously. The displays of ABANCA Social Work, for example, offered participatory innovations such as the application of virtual reality, through an algorithm that allows the visitor to take their photo with the appearance of a tangible work; augmented reality, through mobile devices, to see the creative process behind every work; or interactive devices adapted to health regulations.

Visual Arts

Within the segment of visual arts and after the closure of all non-essential in-person activities decreed by the health authorities, Afundación threw itself into transferring all of those susceptible to adapting to this new operation to its new online content channel. During the first weeks of home lockdown, the Afundación team developed an intense task of digitising the displays that were being exhibited at the entity's locations at the time. This is how "Nuestro planeta", "Fóra de foco. Artistas foráneos na Colección Afundación", "Con D de arte. Unha ollada infantil á Colección de Arte Afundación máis contemporánea", "Castelao grafista (facsímile)" and the anthology exposition "Sacrificio e ascensión. 15 años de cómic de David Rubín", maintained their accessibility through Afundación TV, along with the complementary extracurricular activities designed by the entity's Education Department, to which were added other educational proposals developed ad hoc.

The new virtual content platform of ABANCA Social Work allowed it to continue to fulfil its priority objectives in the framework of the Afundación Art Collection as well, among others, being its vocation for museum studies. The first months of 2020, after the emergence of COVID-19, evidenced this commitment through, for example, the exposition "Fóra de foco. Artistas foráneos na Colección Afundación", in which a selection of never-before-displayed works from this important fund were shown. It also pursued this purpose with the scheduling of the proposal "Con D de arte. Unha ollada infantil á colección Afundación", aimed at a younger audience.

The eruption of the health crisis provoked the transfer of all of this activity to Afundación TV, where the vocation of disseminating the Afundación Art Collection was maintained.

In this same line, ABANCA Social Work created a museum, entirely digital, called Agalería, inaugurated in the month of June, which has already taken on two exhibitions: "O mar nas coleccións ABANCA e Afundación" and "Mirar de nuevo. La mujer contra el tiempo".

Con D de arte.

Afundación TV – Culture.

Fora de Foco.

Agalería, web.

Agalería, video.

Once the gradual re-opening of non-essential activity was authorised, and the safety standards were established by the competent health authorities, Afundación re-structured the conditions for access, hygiene and disinfection stations, and the hours for opening and closing their spaces, to continue offering first-class cultural proposals to citizens in a safe way. Furthermore, conscious of the greater risks in this situation for certain groups, ABANCA Social Work threw itself into consolidating its hybrid offer, where the digital and the in-person co-exist and complement each other, in favour of social progress through culture. In this way, displays as relevant as "Sacrificio e ascensión. 15 anos de cómic de David Rubín", "Castelao grafista (facsímile)", "Cromática. III Muestra Internacional de Ilustración Contemporánea", "Papiromates. Matemáticas + creatividade = papiroflexia", or "Nuestro planeta" could be viewed in person and virtually.

On the other hand, the exhibition activities of Afundación were approached, based on the situation caused by the pandemic, from an innovative viewpoint that allowed it to conflate a broad dissemination to the public, in person, guaranteeing at all times compliance with health regulations. Just as in 2018, when the entity had broken the rigid concept of exhibition as being bound to a limited space, in 2020, the disruptive approach of expositions was implemented at street level. In collaboration with local corporations, the outdoor spaces in the towns and cities became open-air exhibition halls. The samples "Vivir el mar", presented at different geographical locations in Galicia throughout the second half of 2020, and "Galicia en vilo", belonging to the dual project "Miradas desde el confinamiento", in which professional photographs were exhibited of this extraordinary circumstance, were references for this new exposition concept of Afundación. In this last case, a link was established in clear allusion to the experiences during lockdown, between the outdoor space and the indoor space, at Afundación A Coruña, where the display "Primavera tras la ventana" was displayed, composed of images from those who participated with their photographs about this period in the Afundación Covid Album photography contest.

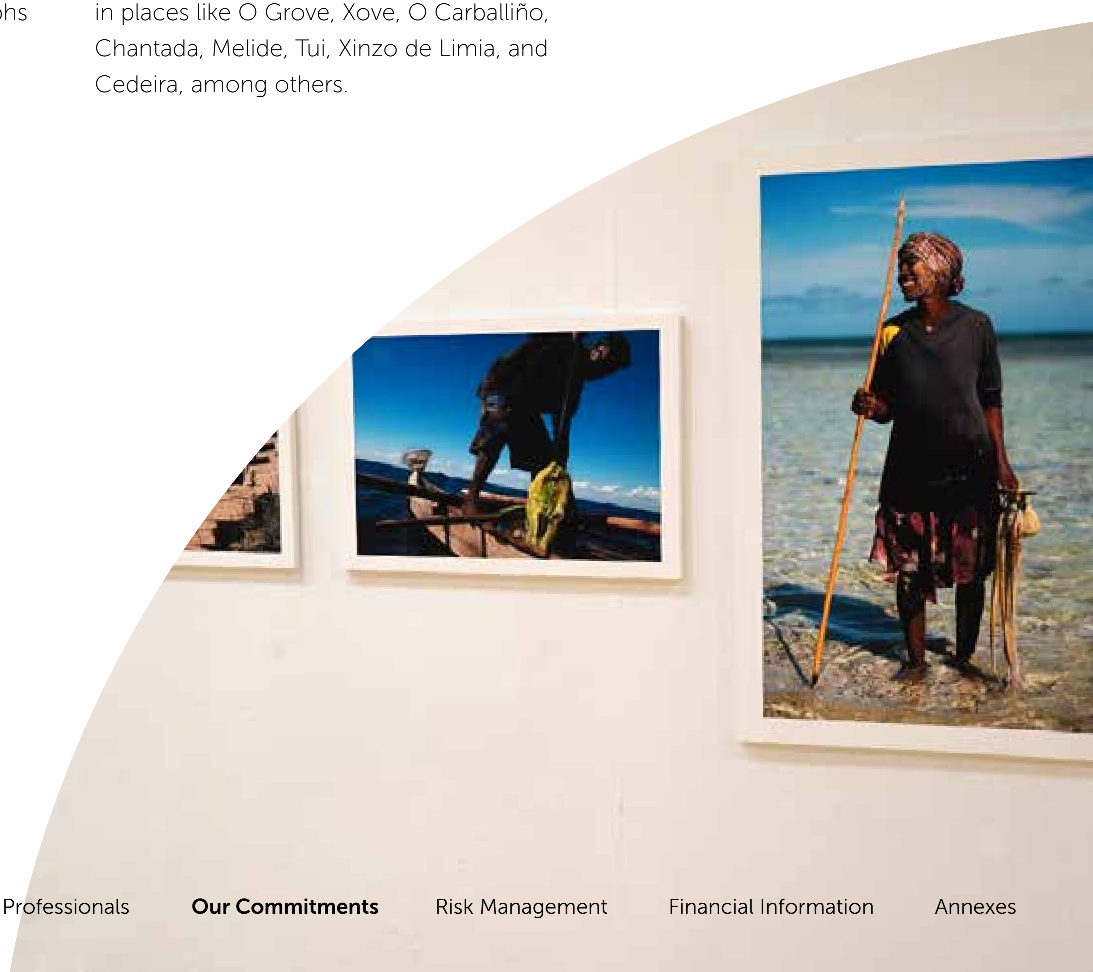
"Sacrificio e ascensión. A exposición de David Rubín".

"Quino: Mafalda, su creador y su mundo".

Miradas desde el confinamiento.

Corrente cultural.

The authorisation for developing in-person activities for Afundación meant rapid re-activation, with full guarantees of compliance with health regulations, of the project "Corrente cultural", in collaboration with ABANCA and local Galician corporations. This program, essential for full dissemination of the exhibition arts across the Galician region, transcending normal cultural circuits, is one of the preferred lines of action of the entity's Cultural Department. Thus, «Nós tamén fomos emigrantes», «Auga, o sangue da terra», «Fillos do océano» and «Múltiple. A arte do gravado de Picasso a Barceló» were able to be seen in places like O Grove, Xove, O Carballiño, Chantada, Melide, Tui, Xinzo de Limia, and Cedeira, among others.



Performing Arts

ABANCA Social Work has four spaces of renowned prestige among performing arts and musical companies and producers, at both the national and international levels. Furnished with first-class equipment, the Afundación Vigo Theatre, the Auditorium at Afundación Pontevedra, the ABANCA Auditorium at Santiago de Compostela, or the Auditorium at Afundación A Coruña all have the latest updates to favour the versatility of its facilities and the capacity to take on different activities simultaneously.

Within the scope of scheduling related to the performing arts, Afundación launches its Season Passes for the theatre every year, which occurs at Afundación Vigo Theatre and Afundación Pontevedra. In 2020, these locations took up, through the month of March, the proposals of *Curva España*, from Chévere; *Esperando a Godot*, *La golondrina* and *El coronel no tiene quien le escriba*. The order to halt all non-essential in-person activity caused the suspension, following the orders of health authorities, of all performing arts activity.

At the same time, the Classic Season Pass for ABANCA Social Work, after the in-person show held in the first quarter of 2020, starring the Royal Philharmonic Orchestra of Galicia, had to be suspended due to the restrictions provoked by the pandemic. The team from the ABANCA Social Work Culture Department continues working on different proposals for resuming in-person activity.

The quick creation of the Afundación TV digital content platform allowed, to the extent that activities could be susceptible to re-configuration, the transfer of the in-person proposals to the virtual channel. Thus, in the month of October 2020, the concerts included in the IKFEM Festival were broadcasted directly, held in the Eurocity Tui-Valença in person, and among the recitals was one by the acclaimed opera singer, Ainhoa Arteta. In addition to the rigorous direct broadcasting of its concert "Canciones del recuerdo", Afundación TV offered an interview with the artist the day before the interview to all people registered as public.

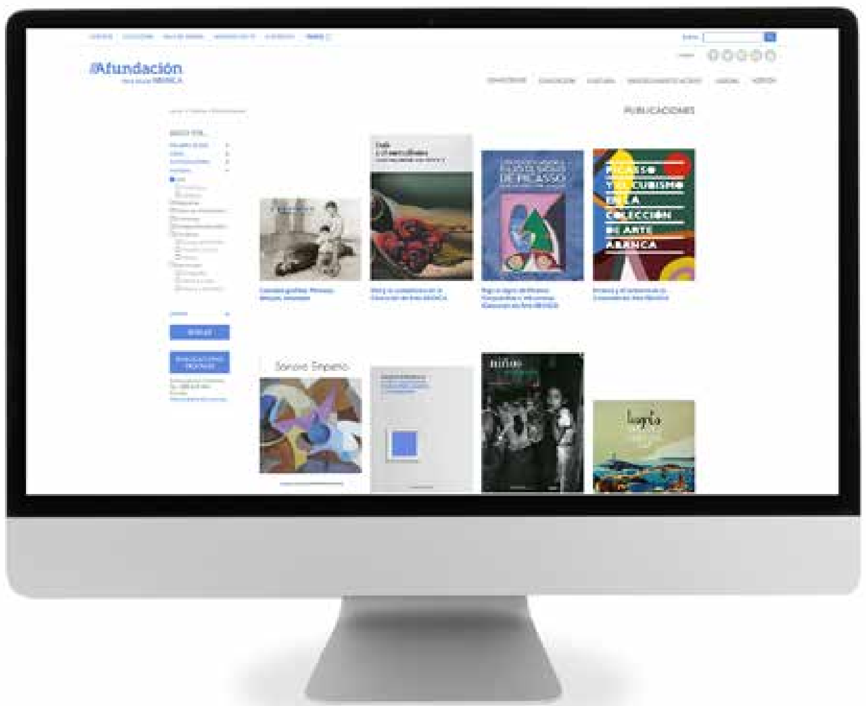
The Royal Philharmonic Orchestra of Galicia, one of the emblematic groups in the genre of classical music, was the star of two direct broadcasts on Afundación TV, of the recitals included in the cycle "Emocións naturais. Natureza vida e amor".

Performance by Ainhoa Arteta.

Chat with Ainhoa Arteta – 2020 IKFEM Festival.

Awards and Publications

The drive for transformation in the field of virtual environments was a determining factor for the year 2020. The digitisation projects already started along that line by Afundación in the field of its publications allowed it to be able to offer society part of its collection through a new digital content platform that ABANCA Social Work implemented in 2020. Thus, for example, such demanding volumes as *175 drawings from Castelao*, *Empresarios de Galicia* or *Tempos de festa en Galicia* (volumes I and II), among others, were available for download or online viewing, openly and free of charge.



The Afundación publications collection has a bibliographical catalogue of almost two thousand titles. Sales from the entity's *online* store surpassed 300 copies. Since the "Afundación At Home" portal was implemented in mid-March, later called Afundación TV, the Publications Department added a selection of more than a dozen books from its collection in free-access digital format to the online resources. Since then, users of the portal have downloaded those works more than 1800 times.

In the same way, the celebration of the resolution acts and delivery of Afundación awards were re-broadcasted directly on Afundación TV. This was also the channel used by the different jurors, in combination with the in-person modality, based on current health regulations, to develop their deliberation sessions.

Within the framework of the two Afundación journalism contests, Francisco Fernández del Riego (Galician) and Julio Camba (Castilian), the entity revitalises the creation in the scope of journalistic media. With a dual Galician-Castilian orientation, these awards invite a wide participation of articles, which transcends national context. In this sense, the Afundación Francisco Fernández del Riego Award decision this year recognised author and bagpiper Cristina Pato, whose most-recent residence is in New York, for her article entitled "Realidades paralelas", appearing in *La Voz de Galicia*. Míriam Ferradáns and Diego Giráldez were recognised as finalists. The Afundación Julio Camba Journalism award, already in its XLI edition, distinguished the author and mathematician from Lugo Luis Pousa for "En Madrid llueve mal" (*La Voz de Galicia*). Marta Villar Rodríguez and Noemí Sabugal reached the category of finalists in this edition.

The literary competition, the Afundación Poetry Award, developed in collaboration with PEN Centre of Galicia, has become one of the most relevant mentions in the panorama of Galician lyrical poetry. The promotion of Galician talent in this field is one of the foundational purposes of this competition. In this new edition, XVII, the panel distinguished Oriana Méndez for her collection Internal, confirming the trend already noted in recent encounters of the existence of a renewed poetic power in today's Galicia.

The traditional Afundación Belenes Competition was also developed in a new digital format. Thus, based on photographs of creations sent in by participants, the awards were determined for the different categories and these same images made up the display that reflected the creativity presented.

COMMITMENT to the environment

ABANCA has taken another step in its involvement to face the climate emergency: from adherence to various international collective commitments to calculating its carbon footprint or reduction of energy consumption, an essential part of the energy efficiency and environmental strategy.

Adaptation and mitigation of climate change

International Collective Commitments

102-11, 201-2

At ABANCA, we work to implement the objectives related to commitments that the entity has to sustainability and that are gathered in the ABANCA chapter responsible for this Report.

Specifically with the environment, we recognise the urgency and importance of implementing measures at the corporate level and bringing awareness to our stakeholders. To do this, every year we conduct a study to adapt best practices and international standards in this context.

Global Energy Efficiency Plan

103-2, 103-3

In line with the energy and environmental policy, and the sustainability policy, approved in 2018 and 2019 respectively, ABANCA set the new guidelines for action in its global energy efficiency plan, which began implementation in 2020. The main strategic guidelines on energy are:

1. **Reduction** of energy consumption.
2. **Certification** that the sources of the energy consumed are renewable.
3. **Study of and compensation** for its carbon footprint, through innovative projects that have a positive impact on the protection and sustainable development of the local environment.
4. **The awareness and education** of primary stakeholders.

One point on the plan to highlight is the energy management system, which is presented as a fundamental element of energy efficiency, a hub for all of the control and management of energy consumed in the organisation. The goal is for there to be an energy savings plan, derived from a study or assessment, and for this to furthermore guarantee continuous improvement.

The energy efficiency software was launched in 2019 at the headquarters with a greater energy expense, to later undergo a scaled deployment to other bank properties. The goal is to have greater control over energy consumption, simplifying its management and being able to identify where it is produced.

In 2020, it continued to deepen the efficient management of resources, as such:

- It began an automatic shut-down program for climate control systems in a total of 356 offices.
- It continued the obsolescence project started in 2018, by updating and replacing 41 obsolete refrigeration units for other, more efficient ones and the resulting energy savings, as well as avoiding CO_2 emissions associated with refrigerant gas leaks. Likewise, LED-illumination systems were installed in high-consumption areas and offices.

The result is a reduction of consumption and emissions, a better analysis of the investments in energy efficiency and the establishment of procedures optimised to the operation of our facilities.

At the end of fiscal year 2020, the bank was able to reduce its electricity consumption by 6 %, exceeding the goal set in 2019 of 5 %.

Environmental Footprint

103-2, 103-3, 302-1, 302-3, 302-4,305-1, 305-2, 305-3, 305-5

ABANCA is an entity committed to the environment and, therefore, it measures, manages and implements measures to reduce its own environmental footprint. An ad hoc tool has been designed to calculate the carbon footprint. The reference documentation for developing the tool is as follows:

- Greenhouse Gas Protocol family of standards and directives, developed by the World Resources Institute and the World Business Council for Sustainable Development.
  - The Greenhouse Gas Protocol Revised Edition. A Corporate Accounting and Reporting Standard, 2004.
  - GHG Protocol Scope 2 Guidance. An amendment to the GHG Protocol Corporate Standard, 2015.
  - Corporate Value Chain (Scope 3) Accounting and Reporting Standard. Supplement to the GHG Protocol Corporate Accounting and Reporting Standard, 2011.
- ISO 14064-1. Greenhouse Gases, Part 1: Specification with guidance, at the organisation level, for the quantification and reporting on emissions and removals of greenhouse gases.

The emission factors used for the calculation are as proposed by the different official agencies, such as DEFRA (Department for Environment, Food & Rural Affairs – U.K. Government) or MITECO (Ministry for Ecological Transition and the Demographic Challenge).

Based on the calculation resulting for fiscal year 2019, a primary reduction goal was established for 2020 of 50 % for scope 2, since that is where the entity has a higher level of emissions. This goal was greatly exceeded, having reduced its scope 2 emissions by more than 78 %.

Emissions (tCO_2eq)

	2019	2020	Variation
Alcance 1[(1)]	1,849	1,450	-13.72 %
Alcance 2	7,029[(3)]	1,493	- 78.75 %
Alcance 3[(2)]	3,105[(3)]	1,048	- 66.26 %
Total	11,983	3,991	- 65.48 %

Consumption

	2019	2020	Variation
Water (m^3)	38,672.00	31,430.00	-18.73 %
Paper (t)	341.80	303.93	-11.08 %
Energy (GJ)	95,839.79	91,511.88	- 4.52 %

(1) *Direct emissions derived from the consumption of refrigerant gases and fuels..*

(2) *This covers the emissions associated with employee travel, losses in the transmission and distribution of electricity, and the extraction, production and transport of fuels consumed..*

(3) *Data from 2019 differ from those reported in the MCRS2019 because some calculations have been adjusted according to the emission factors of the supplying companies.*

100% Guarantee of Origin of renewable Energy

ABANCA signed an agreement with Iberdrola in February 2020, under which it would supply the company in all of its branches and offices in Spain with all of its electricity, coming from, as of the date of signature, renewable sources (wind, solar or hydro-electric energy).

The agreement, which lasts for 23 months, guarantees that Iberdrola will supply ABANCA energy with "Guarantees of Origin" from the National Commission on Markets and Competition (CNMC), which will allow it to reduce its environmental impact and thus collaborate on environmental sustainability.

With this measure, the emission of 3,624 tons of CO_2 was prevented in 2020, thus making progress toward the goal of becoming a carbon-neutral entity.

ABANCA contributes in this way to the Sustainable Development Goal (SDG) "Affordable and Clean Energy," one of the bank's priorities.

With the guarantee of origin of the energy we prevented **the emission of 3,624 tn of CO2 in 2020.**

Carbon Footprint Compensation Project

In addition to reducing emissions through the 100 % renewable source guarantee contract, a forestry report has been produced for certain parcels in Galicia, to determine their CO_2 uptake.

This would allow it, in 2021 to draft a footprint compensation plan through innovative projects with a positive impact on the protection and sustainable development of the local environment. Said plan will be carried out gradually, until the long-term goal of being a carbon-neutral entity is reached.

Waste management and minimisation: Zero Waste

Waste generation is one of the most complex environmental goals faced by modern societies. The increased generation of waste at the global scale is constant.

When waste is managed adequately, it can become a resource to contribute to saving raw materials and can guarantee economic sustainability, with a positive effect on the conservation of natural resources and ecosystems.

1

Zero Waste Project Launch This initiative began in September at our corporate offices at Rúa Nueva 30 y calle Olmos (A Coruña) and Recoletos 4 (Madrid), with the removal of wastebaskets and the installation of recycling points called Eco Corners.

Each floor has its own Eco Corner, located in an area near the IT and picnic areas, with the purpose of facilitating the collection, classification and recovery of the waste that we generate as efficiently as possible, as well as its re-integration to the system as new resources or secondary raw materials.

- **The Zero Waste project** is framed by the lines of work covered in the bank's Energy and Environmental Policy, which seeks to establish the most adequate environmental management mechanisms in our organisation.

  In this sense, according to the principle of full transparency toward society, as set forth in our Sustainability Policy, it provides that an audit be carried out, to allow us to obtain the AENOR Zero Waste certificate over the short term.

2

Digital Transformation: reduction of paper consumption. The most important initiative in the area of paper reduction is the implementation of ABANCA Signature on the different portfolio products. What ABANCA Signature allows is a signature using remote channels (Electronic Banking and Mobile Banking) on the documents and contracts for products that are included in this system.

The improvement of processes to digitise and classify documentation in the document managers, which accelerate and facilitate the process, and the progressive implementation of the system for different products have supported the use of physical documentation less often and has had a direct impact on the reduction of printed materials.

- **Furthermore, since 2016,** the work philosophy of "Zero Paper" has been encouraged at our centres, attempting to print the least number of documents possible without losing functionality or quality of work.

    1. Removal of a total of 338 printers, 83 % of the total, with the goal of reducing black-and-white prints by 15 % and colour by 30 %.
    2. Equipment in the meeting rooms with a system for sharing presentations and being able to show the information digitally and avoid printing.

- **In 2015, a progressive process to remove the bankbook format**, achieving almost half of new accounts being opened without a bankbook.

- **Furthermore, the number of mailings has significantly been reduced** primarily because of two measures:

    1. A monthly correspondence email blast.
    2. Boosting the migration of customers to electronic correspondence.

- **The Din A4 paper that we use at ABANCA is elemental chlorine-free paper (ECF),** which also has other certifications at the production level, among which stand out the FSC (Forest Stewardship Council) Chain of Custody Certificate and PEFC (Programme for Endorsement of Forest Certification) or the EU Ecolabel, which is granted to those products that guarantee a high level of environmental protection throughout their life cycle.

Correspondence Volume (thousands of mailings)

	2019	2020
Total	10,467.20	10,287.40
Variation (%)	-11.02 %	-1.72 %

Paper Consumption (t)

	2019	2020
Paper	341.80	303.93
Variation (%)	-22.9 %	-11.1 %

3

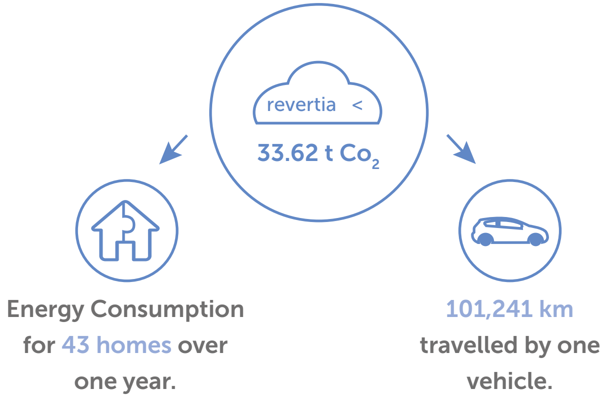
Electronic Waste Management Improper treatment of electronic wastes poses serious problems for health, due to the fact that they contain hazardous components that contaminate the air, water and soil. Year after year, we progress toward a circular economy model as a new economic paradigm and alternative to the current model of production and consumption.

The goal at hand is for electronic devices to be able to have a second life, thus reducing the notable environmental impact that this type of waste generates through their refurbishment.

During 2020, the company Revertia withdrew more than 208 tons of electronic waste from our facilities. Of all the waste managed, they have been able to re-use 277 desktop computers, which suggests 51 % re-utilisation for this type of device. The rest of the equipment that has not been able to be restored has been sent to treatment plants to proceed with proper recycling and evaluation.

Within this re-utilisation process, life-cycle analysis (hereinafter, LCA) is made. The LCA is a tool used to evaluate environmental loads associated with a product, taking into account its full cycle. It identifies, quantifies and characterises the different potential environmental impacts associated with each stage of a product's life cycle.

The percentages of re-utilisation attained have allowed 33.6 tons of CO_2 have been saved that would have otherwise been released into the atmosphere.



References for calculating vehicle emissions:
Average vehicle (internal combustion) emissions are taken into account from tourism in Europe for different technologies: EURO 3, 4 and 5. Furthermore, an approach of from cradle to grave (or well to wheels) is followed, i.e., it includes production of the fuel through to its emissions after being consumed in the vehicle.

Initiatives for biodiversity protection and sensitisation

1

One of the sensitisation actions for the protection and care of the environment and social development that has been taken in 2020 is the customer “Happy Birthday” campaign. With a personalised email, ABANCA allows a customer’s wish to become reality as part of the corporate volunteer program, which the entity has carried out due to its environmental and social commitment.

More than 600,000 customers have received the message and 95,347 wishes have become reality, mostly in social action activities, due to the current health crisis (food collection, senior care or production of sanitary materials).

In a new edition, wishes can become volunteer hours for social aid and waste pick-up on the ocean floors, beach clean-up, awareness of sustainability in the fishing sector, reforestation actions, or elimination of invasive species that can damage autochthonous flora.

2

ON Territorial Conservation Plan: PLANCTON. Afundación ABANCA Social Work, in collaboration with the ABANCA Sustainability and ABANCA Sea divisions, has been the beneficiary of the Subsidy Announcement for the Pleamar Program, co-funded by the European Maritime Fisheries Fund, to start up the PLANCTON project in 2020.

PLANCTON is a multidisciplinary plan to awaken a sustainability conscience in society in general, in the fishing sector in particular, and to act responsibly in the marine Special Avian Protection Zones (ZEPA) of Galicia.

This project is sponsored by Afundación in collaboration with the main associations, federations and groups in the fishing and seafood sector, at both the autonomous and national levels. Entities from the adjacent social fabric also collaborate, third sector, sports entities, naturalists.

The overall goal of the project is to foster the conservation and sustainability of socioeconomic actions in the marine ZEPAs of Galicia. The specific objectives are as follows:

- Reduce the quantity of waste existing in coastal regions and the ocean.
- Sensitise the fishing sector about sustainable practices.
- Grow knowledge about the biodiversity of RN 2000 (Nature Network 2000).
- Train the fishing sector on the economic sustainability of their business.
- Integrate equality and sustainability to the project.

World Environment Day. ABANCA and its Social Work, Afundación, during the month of June launched an intense program of activities to promote sustainability, with the motive of World Environment Day and World Oceans Day.

María Mendiluce, a member of the Executive Committee for the World Business Council for Sustainable Development (WBCSD) and CEO of We Mean Business, one of the most influential organisations in environmental and climate relations and corporate policy, opened the cycle of conferences with the presentation, "Corporate Leadership for Sustainable Development After COVID-19", where she analysed how the virus is affecting larger global trends, the objectives of sustainable development, and the major priorities on climate change, and what the corporate and governmental response should be.

Throughout the month, professionals and professors of national and international prestige gave free virtual sessions, live and direct, through conferences, presentations, colloquia, and interviews broadcasted on Afundación TV. This, the Secretary General of the Spanish Fishing Confederation, Javier Garat, spoke about the "Contribution of fishing to sustainable oceans: the view of the international fishing sector"; Nieves Cifuentes, the Corporate Officer of Environment and Sustainability of Naturgy, addressed it as "To the Energy of the Future: from homo sapiens to the circular economy.

Likewise, in the colloquium, "Women of the Sea," the perspective of three professionals of the sector is offered: the president of the National Association of Fisherwomen, Rita Míguez de la Iglesia; mariner and fisherwoman Jenifer Suárez Silva; and manager of the CETMAR Vigo Fishing Socio-Economic Department, Rosa Chapela Pérez.

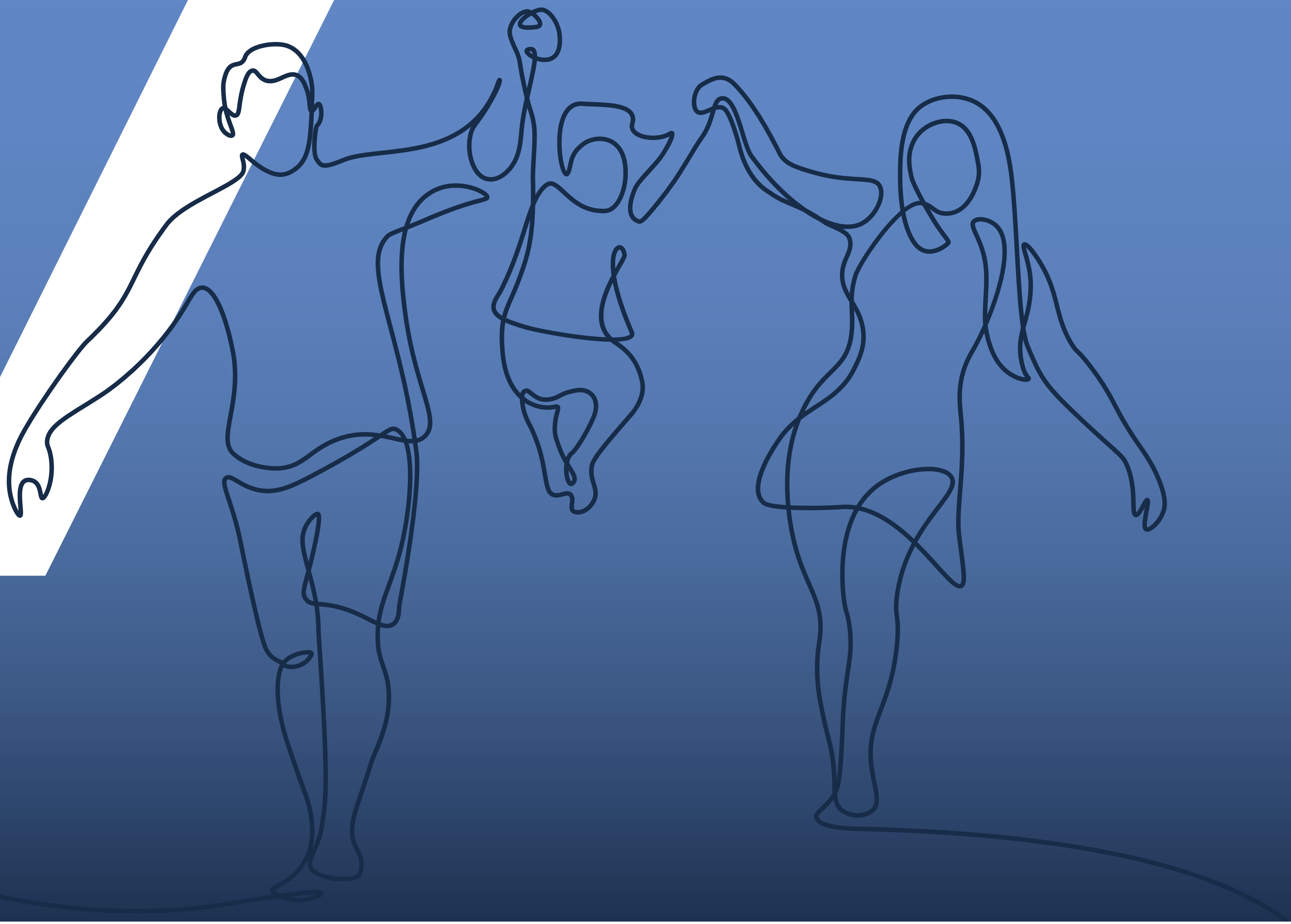
The schedule also included a virtual exhibition, "The sea in the ABANCA and Afundación art collections". Made up of 50 works by 28 artists who interpret the sea and the oceans from different perspectives, it is shown in a new space, a virtual art gallery for the 21st century that has the goal of illustrating the possibilities of the new technologies applied to art and culture to the public.

On the other hand, an interactive map is available that virtually recreates an estimation, based on global data projections originating from scientific studies, of sea level elevation at different points on the Iberian Peninsula by 2100.

7

Risk Management

Comprehensive



103-2, 103-3, 207-2. The quality of risk management, for the ABANCA Group, constitutes a priority axis of action. The risk policy of the Group is aimed at maintaining a medium-low profile for the whole of its risks, with its risk model being a key factor for achieving its strategic objectives.

The organisational model to control and manage the Group's risks follows the directives of the Basil Committee on Banking Supervision (BCBS), establishing an umbrella of risk management that encompasses the entire organisation that is broken down into three differentiated lines of defence:

1. **First line of defence:** functions of management and control realised by the Group's units, understood as business units and the credit unit. The primary controls on the activity are found at this line.

2. **Second line of defence:** functions of control carried out according to a comprehensive risk management, through the General Office of Corporate and Control and Risks and the General Office of Corporate Governance and Legal Affairs, in the areas that they have competence. Establishes regulations and monitors compliance by the first line of defence.

3. **Third line of defence:** functions of supervision realised through internal auditing.

With this model, the Group seeks to orient the Entity toward the best banking practices, encouraging a culture of risk in the entire organisation, carrying out the comprehensive management of risks (credit, market, liquidity, interest, operational, security and continuity...), which guarantees the solvency and resilience of the Entity given the risk profile defined by government agencies.

To guarantee adequate control of credit risk, within the General Office of Corporate Control and Risks is the comprehensive risk management department, which is responsible for defining policies and procedures for risk management based on the determined objective risk profile; it continuously reviews the policies to adjust them to legislation and the bank's strategy.

Likewise, within this general office is an internal validation and risk data control unit, whose function is framed by guaranteeing the quality of the different risk measurements and assessments, together with the establishment of measures to guarantee the quality of risk information.

The Group has an advanced level of maturity in the management of profitability adapted to risk, using the RAROC methodology in the origination of operations and the monitoring of the profitability-risk binomial, and it continues to evolve toward the use of Capital Allocation strategies, to guide strategic decisions. It therefore has a reinforced framework of control (over solvency) that prevents it from incurring risks not aligned with the Group's risk profile, applying the methodology of disaggregated data control charts and identification of strengths.

Thus, the Group has implemented a comprehensive risk management system, in which the definition and control of risk appetite is one of the key elements, with it being absolutely necessary to guarantee compliance with the desired risk profile and to be coherent and consistent with the approved annual budget, in the medium-term strategic plan, as well as in the day-to-day risk management.

The Group defines risk appetite as the quantity and types of risk that is considered reasonable to assume in the execution of a business strategy, such that it can maintain its ordinary activity given the occurrence of unexpected events. To do this, drastic scenarios are considered that could have a negative impact on its capital, liquidity and/or profitability levels.

The entity carries out active management of its entire risk life, from pre-analysis, through analysis/concession, tracking, and through to the extinction of the same. The primary risks are not only analysed at the time they originate or when irregular situations arise in the ordinary recovery process, but this is done continuously.

Comprehensive risk management is also supported with credit management tools, such as scoring models (individuals, self-employed professionals and micro-SMBEs), rating systems (exposures with medium and large enterprises) and pre-classifications (large customers).

The information and exposure aggregation systems that are available to the Bank allow it to track the exposures, verifying systematic compliance with the approved limits, as well as adopting, when necessary, the pertinent corrective measures. Periodically, there is systematic tracking of the status of the bank's main portfolios, which is regularly presented to the Board of Directors.

The bank has a risk limit system that is updated at minimum every year and deals with credit risk, as well as the different exposures of market risk, both from negotiation and liquidity, and structural exposures, over which exhaustive control is carried out, elevated to the highest governing bodies in the bank.

The Group continues to make progress in the evolution of IRB models, with this being one of its strategic lines.

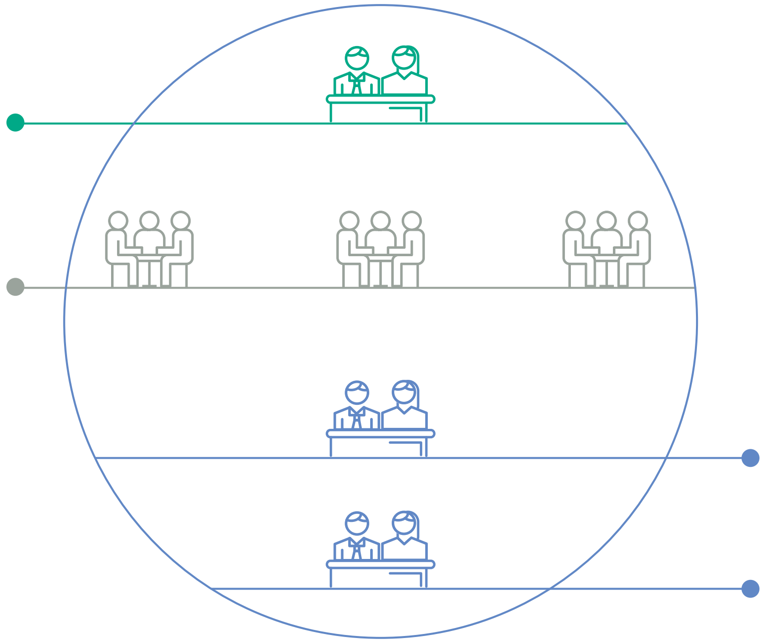
DEPARTMENTS responsible for the elaboration and management of risk

The **Board of Directors** has been entrusted with the function of establishing the Entity's general risk policy, authorising the system of established control limits, and periodically tracking compliance with the same, as well as determining the framework for risk appetite.

The **Comprehensive Risk Commission** evaluates the management and control of risks to guarantee the content, integrity and efficacy of risk appetite framework, advising the Board as to the risks. To do this, it conducts a periodic review of the Group's risk profile and is responsible for global risk control. Furthermore, it ensures that the Group's actions are consistent with the level of risk tolerance for the same, establishing global limits on the main risk exposures, conducting a review and taking the necessary actions in the event of deviations.

The **Audit and Compliance Commission** has, among its functions, that of supervising the efficacy of internal control and risk management systems.

The **Delegated Credit Commission** has been delegated authorities that correspond to the Board of Directors regarding the concession and tracking of financing operations.



The **Executive Committee** is the committee responsible for proposing and tracking the entity's strategic plan, annual global budget, and annual operating plan. It also approves the entity's annual general objectives and their distribution through lines of business, responsibility centres and segments; and it makes decisions related to the corporate world or the day-to-day tracking of the Entity.

The **Assets and Liabilities Committee (ALCO)** is the body responsible for designing the financial strategy, including, among others, capital adequacy policies, rate setting, funding strategy, and investment strategy and policies, ensuring their compliance. It also defines the operational objectives in terms of financial management (of balance, liquidity and margin), in order to comply with strategic objectives. It is responsible for the proper implementation of asset and liability management strategies, following up on commercial policy.

RISK tolerance level

102-15

As an essential element of risk management, the bank has defined a risk appetite framework (RAF) through which the governing bodies for the Group specifically define the desired and maximum risk levels (appetite and tolerance) that they are willing to assume, based on the entity's strategic plan.

This exercise was done, both at the level of global risk and for each of the relevant risks to which the Group is exposed in the development of its activity. The highest-level representatives for the bank and its governing bodies are involved in the bank's RAF determination. The comprehensive risk management unit, within the General Office of Corporate Control and Risks, is responsible for defining and proposing the RAF for approval by the bank's governing bodies, and based on the strategy the latter have defined. Once the RAF is defined, follow-up and control reports are made in this unit as often as required by the governing bodies.

Specifically, the document is approved by the Board of Directors, with prior approval from the comprehensive risk commission. In addition, the members of the Executive Committee have a very active participation in the conceptualisation and establishment of appetite, based on the strategic planning defined for the Bank.

The definition of appetite and tolerance is made by selecting from a set of indicators, qualitative and quantitative, after calibrating the desired (appetite) and maximum (tolerance) levels.

In defining the RAF, all 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 will be taken into account at all times within the normal circuits for analysis and approval of operations. Specifically, the primary risks of the activity to be monitored are:

Solvency risk. This is the probability of suffering losses due to failure to follow capital solvency coefficients and this could put the Entity's future viability at risk. 103-3

Business risk. The risk that the entity will experience a substantial reduction in gains due to adverse business decisions or those not complying with the execution of the entity's strategy. This risk also includes the risk of foreclosed assets on the balance sheet.

Credit risk. This is defined as the probability that the Entity will suffer losses due to non-compliance with obligations on the part of the counterparty. This risk also includes concentration risk, either sectoral or individual.

Liquidity risk. This is an entity's capacity to finance its growth and fulfil its payment obligations on time, without suffering unacceptable losses.

Market risk. This is the risk of suffering losses and, therefore, the risk of a negative impact on the Group's profits and capital, by keeping positions open in the financial markets as a consequence of an adverse movement of financial variables that determine market value, or realising those positions, either as an investor or because of negotiation portfolios. Within market risk also falls the interest rate risk in the banking book (IRRBB), with this being understood as the risk of suffering losses in terms of intermediary margin and economic value of owned resources, given adverse movements in market interest rates.

Non-financial risk:

> Operational: this is the risk of losses resulting from deficiencies or failures in internal processes, human resources, or systems, or even derived from external circumstances, including legal risk.

> ICT risk: this is the risk of loss due to a breach of confidentiality, a failure in the integrity of systems or data, inappropriate or lack of availability of systems or data, or an inability to change the ICT with a reasonable time and cost when the environment or business requirements change.

> Reputational risk: this is linked to the perception that different stakeholders have of the Group that it relates to, both internal and external, in the development of its activity, and that could have an adverse impact on the results or expectations for developing the business. It also includes Climate risk as the risk of the Entity not assessing, analysing, preventing, or mitigating the negative impacts of its decisions and activities in the environment, with a special focus on climate change.

> Behavioural risk: this is the current or future risk that the Entity could suffer from losses arising from inadequate provision of financial services, even in intentional or negligent cases. (Internal fraud is included.)

For the assessment of each of these types of risks, ABANCA uses regulatory or internal methodologies defined based on the guidelines and recommendations established by the regulatory agency, as well as best market practices. The monitoring of these risks is done monthly, following the defined methodology and being verified as falling within the established risk profile.

ABANCA's global risk framework covers the framework of policies, standards and procedures aimed at risk control and tracking. Different controls are established within these, aimed at mitigating the risks and obtaining the risk level desired by the Entity.

Along this line, the entity follows a dynamic model where the control mechanisms are reference, reviewing them at least annually, and seeking continuous improvement for the different processes and procedures established.

As regards the **Environmental, Social and Governance Risks (ESG)**, it should be highlighted in that in fiscal year 2020, the environmental and climate risk management policy was defined and established as part of the credit risk policies manual. This policy has the goal of limiting and mitigating the impact of climate change and the potential toxic effects on the environment deriving from the activity of granting credit to customers.

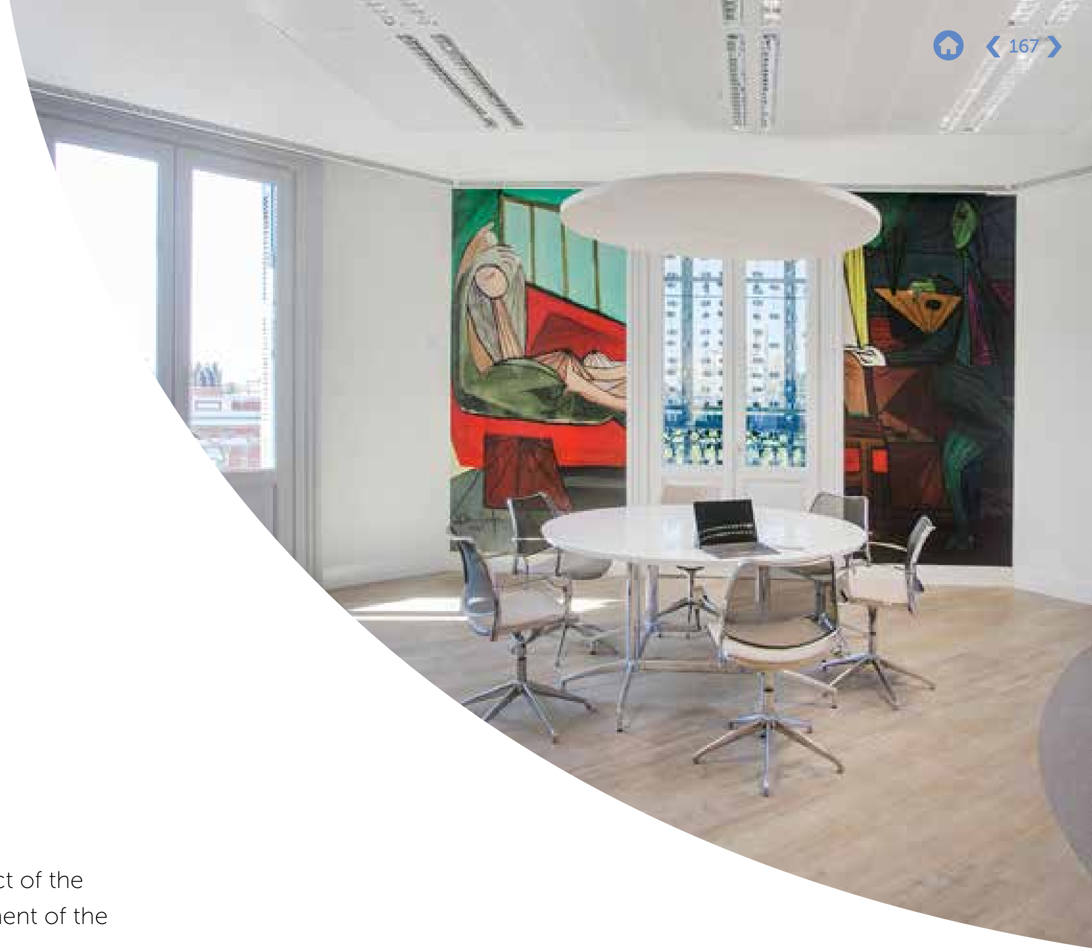
As declared in the ABANCA Sustainability Policy, the entity considers the Environmental, Social and Governance (ESG) aspects key in the processes of risk analysis and in taking decisions on our ordinary activity.

The risks related to climate change can materialise through "traditional" risks, like credit risk. In relation to this point, we must point out the essential role that the financial sector has in transforming the economy toward a more sustainable model, lowering carbon emissions, by channelling financial resources to more respectful and beneficial projects for the environment, promoting their development, and de-incentivising those activities that are more harmful or injurious to it.

In this sense, considering that some sectors where it operates could have a significant social and environmental impact, and in the framework of a decision-making process that is ethical, responsible and committed to the environment and to society as a whole, the Entity considers it essential to identify, evaluate and manage the environmental and climate risk associated with these exposures.

That is why the Entity has worked to identify those sectors or activities that involve a greater negative impact on the environment (by identifying the more intensive economic sectors as far as CO_2 emissions into the atmosphere), and for those customers it applies a more demanding admission process, and it will be required in their requests to make an explicit climate risk assessment in the analysis process, which is specified in the impact assessment for the following risks, in the customer's business model:

- Physical risks: these are risks that arise from the physical effects of climate change, and they include:
  - Acute physical risks, which arise from individual events, specifically events related to climate, such as storms, floods, fires or heatwaves that could damage the production facilities or interrupt value chains.



– Chronic physical risks, which arise from more long-term climate changes, such as temperature changes, rising sea level, reduced water availability, loss of biodiversity, and changes in land and soil productivity.

- Transition risks: these are the risks that arise from a transition to a low-carbon and climate-resistant economy, and also include:

  – Measures taken to transform the economy to a more sustainable system (political, legal and technological risks).

  – Changes in consumer behaviour and preferences, driven by more environmental awareness (market and reputational risks).

It should be highlighted that ABANCA has a very diversified asset portfolio, not detecting any levels of concentration in sectors/customers that could be affected by the risk of climate change. Based on this, it is foreseeable that climate risk will not entail a relevant short-term impact on the Entity's business model or strategic plan.

Finally, in relation to possible emergent risks, we highlight the focus on monitoring and managing technological risk, with a special focus on cybersecurity and managing the COVID health crisis, with the anticipation of covering the needs of our customers in that process, minimising the impact of the health crisis with proper management of the portfolio's credit rating.

To date, this impact has not manifested as deterioration in the credit profile of our portfolios, due in large part due [sic] to the extraordinary measures taken to face the economic and social impact generated by this Government situation, both solutions for liquidity (through loans with ICO (Official Credit Institute) backing) and temporary suspension on the repayment of debt (mortgage and non-mortgage moratoriums), and specifically for the more vulnerable sectors, such as tourism and transportation.

8

Information

Financial

RISK QUALITY

Leader in asset quality

2.0 %
NPL ratio

81.2 %
Non-performing loans coverage

€273 million
Prudence and in advance provisions

Lending portolio

- Greater weight of. sectors with better performance
- Galicia greater resilience to the crisis

- Leader in asset quality, lower non-performing loans ratio (2.0 %) with greater coverage of non-performing loans (81.2 %) in the system.
- Effort in advancing provision to face 2021 with soundness.
- The lending portfolio is aimed at sectors with better performance.
- Galicia is one of the regions with the greatest resilience to the crisis, thanks to the opening-up abroad and weight given to the food and agriculture sector.

SOLVENCY AND LIQUIDITY

17.9 %
Total capital ratio*

Great reception by the market of the recent issuance of AT1 (Jan-21)

€1,699 million
Total excess capital*

+11.3 %
Deposits from customers

- Total capital ratio of 17.9 %, greatly exceeding regulatory requirements.
- 1,699 million excess of total capital on regulatory requirements.

PROFITABILITY

€160.1 million
Attributable profit

+12.4 %
Basic margin

Revenue growth triples cost growth

- Recurring revenues for bank products and service provisions increased by +12.4 %.
- Increased efficiency thanks to the rationalisation of costs and synergies captured from the incorporations.

CUSTOMER SUPPORT

> €95,000 million
Business volume

> 1,000,000
Mobile banking users

> €3,100 million
ICO Loans program

Proactive strategy channelling support measures for enterprises and households

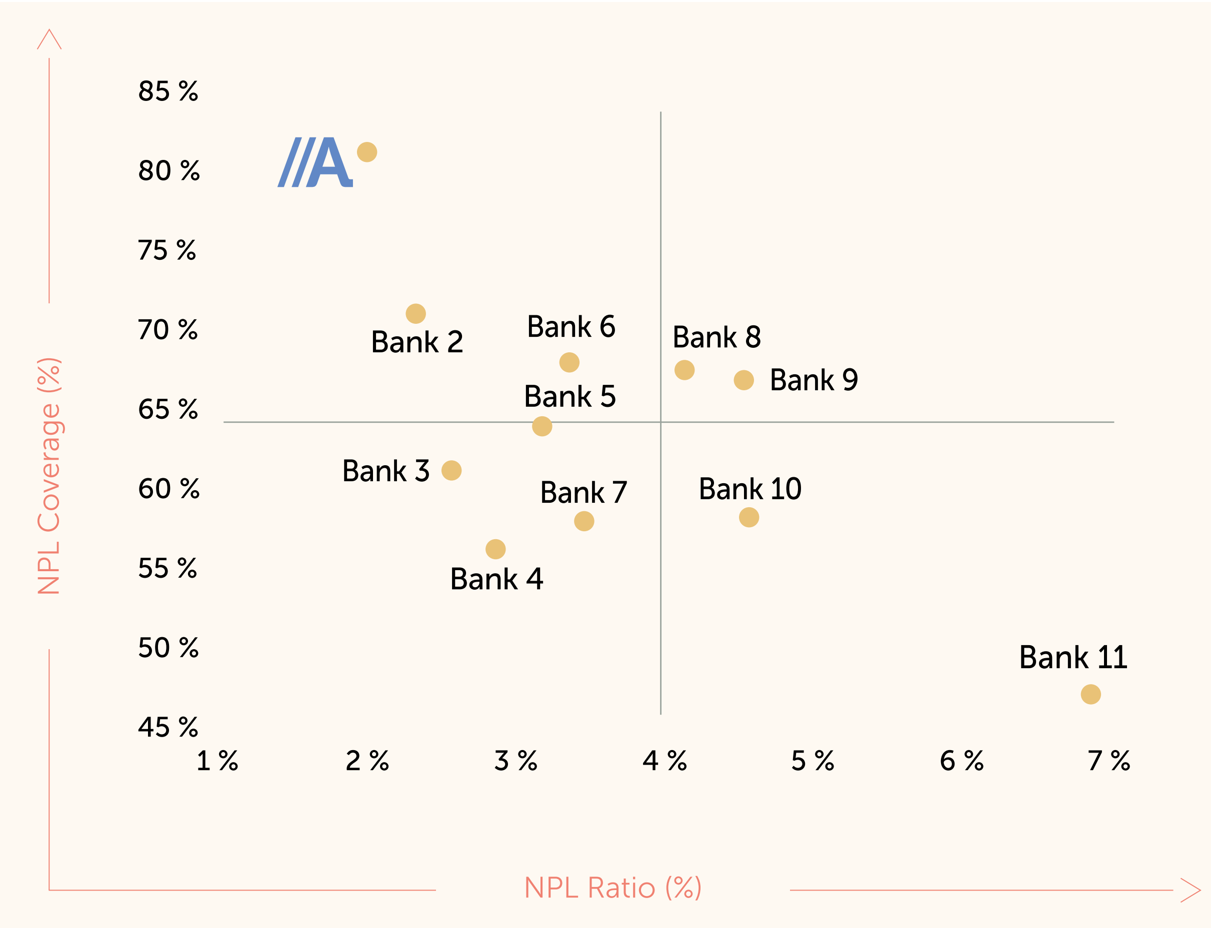
- The entity raised its business volume above EUR 95,000 million, considering the incorporations of Bankoa, which suggests an increase of 12.7 % during the year.
- ABANCA exceeds one million mobile banking users, thanks to having one of the most valued apps on the market.
- Proactive channelling strategy for financial support measures translates into > €3,100 million through ICO credits and more than EUR 1,200 million in financial flexibility for families.

/ **Calculated taking into account the recent issuance of AT1 (Jan-21)*

ASSET RATING

103-3

Best bank in the sector in terms of credit quality



2,0 %
NPL ratio.

1ª

81,2 %
non-performing loan coverage.

27,7 %
Texas ratio.

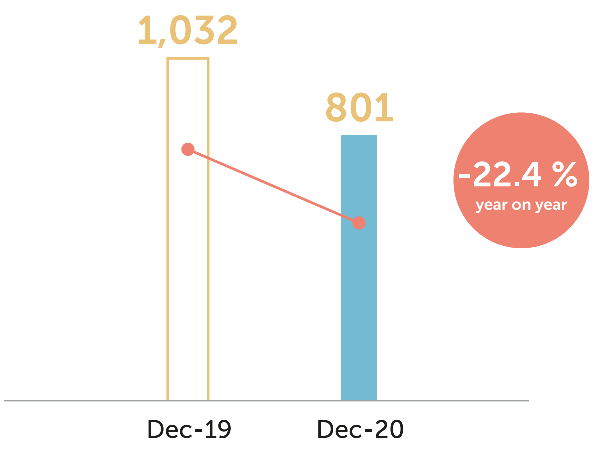
NPL balance.
-22,4 %
VS. 2019

sale of non-performing loans portfolio despite the difficult market context.
~250 M€
NPL balance.

The reduction of 22.4 % of non-performing loans allows it to achieve a NPL ratio 50 % lower than the sector

The 22.4 % reduction in non-performing loans this year placed the NPL ratio at 2.0 %, practically half of the Spanish average (3.8 %) and clearly below the European average (2.9 %). To this it's the most recent portfolio sale made by the entity, for the amount of €250 million.

Non-performing loans evolution
(million euros)

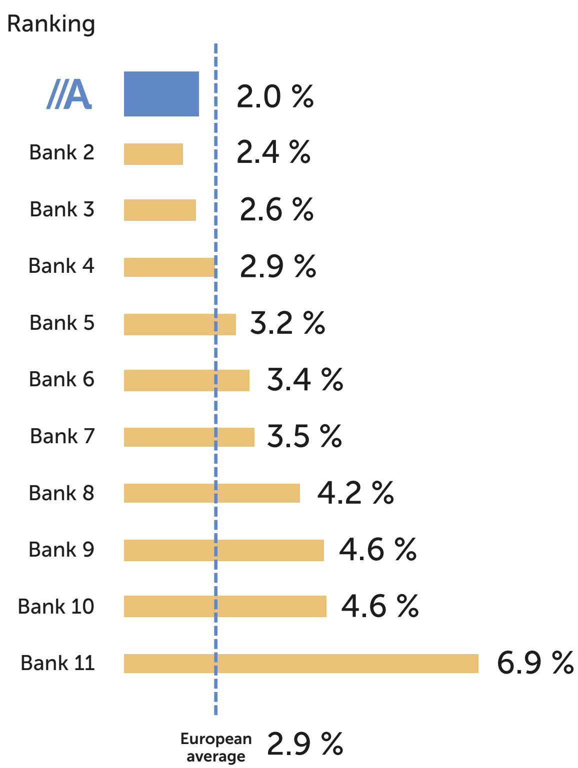


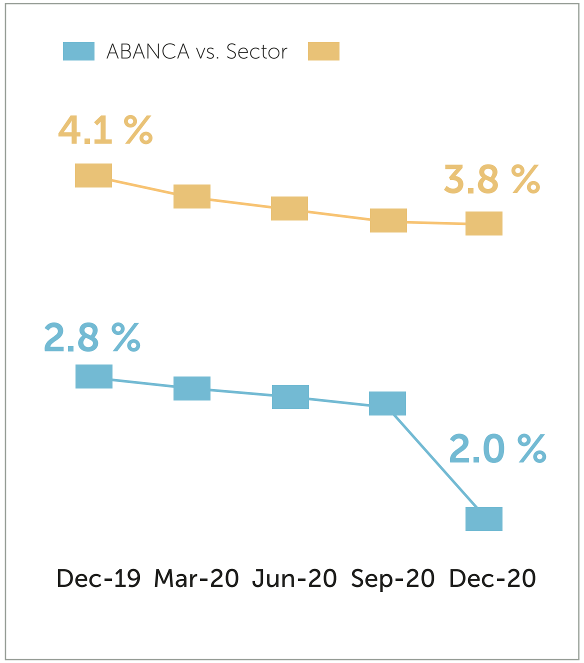
SALE OF NON-PERFORMING LOAN PORTFOLIO

~250 M€
NPL BALANCE

~20 %
COVERAGE

NPL ratio (%)

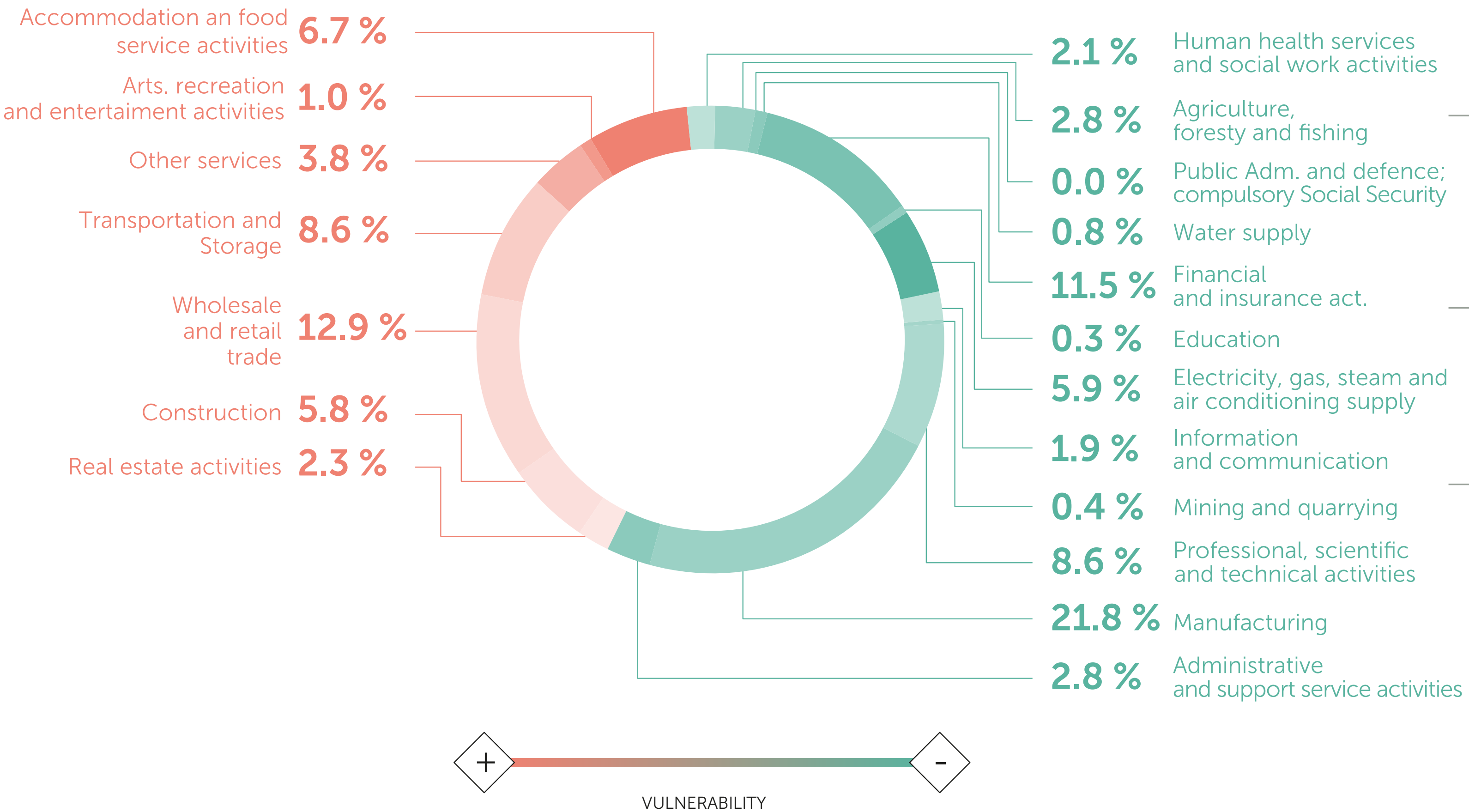




Spanish bkn. sector: data of BdE: Nov 20.
European sector: latest available data pursuant to EBA Transparency Exercise 2020 (Jun 20 data).

Diversified Credit Portfolio

This high asset quality is reinforced by two additional strong points: the diversification and orientation of the portfolio toward sectors with better performance during this crisis.



Limited exposure in those sectors most exposed to COVID-19 impairment.

-63pb

Reduction in the weight of the most vulnerable sector vs in 2019.

101.7 %

NPL coverage in SMEs and corporations.

29.7 %*

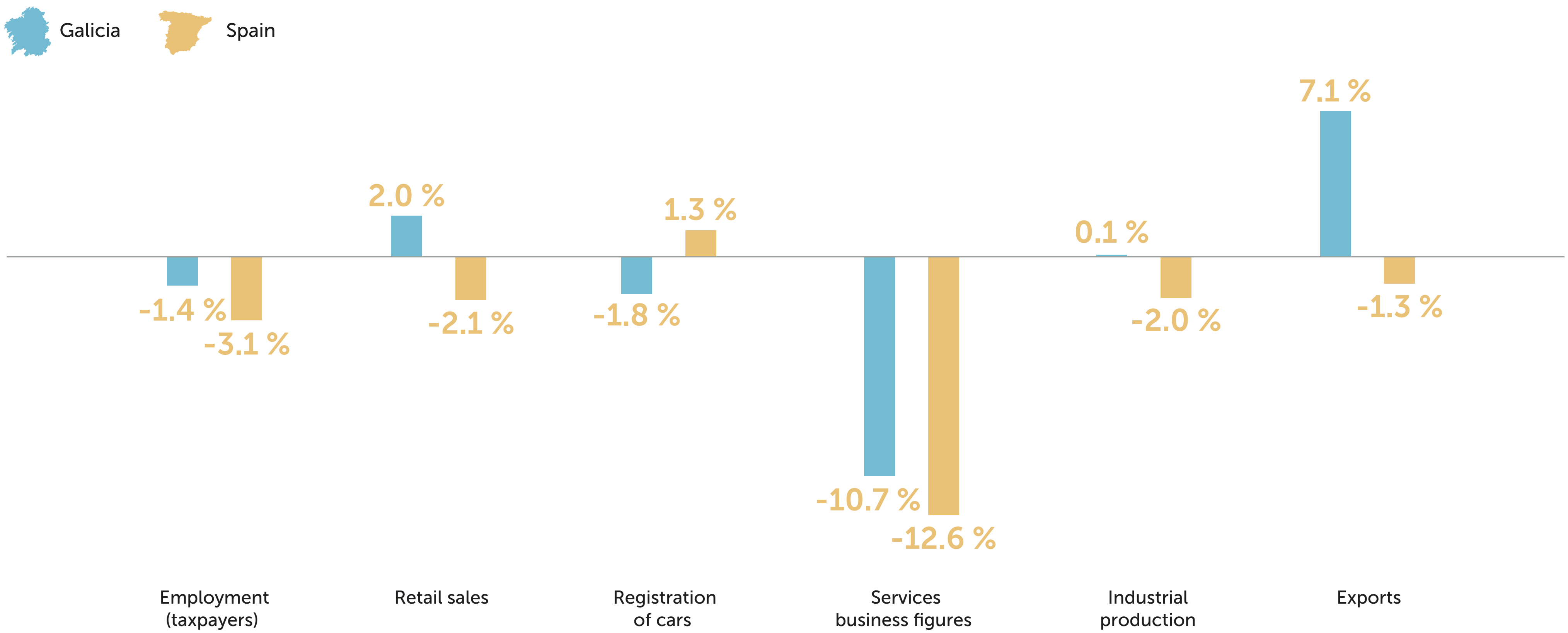
Leding to SMEs and Corporations was **reinforce by state-guaranteed transations.**

* *Calculated as Total lending to customer with ICO loans / Total lending to SMEs and corporations.*

Resilience of the Galician economy, primary market of ABANCA

The main economic indicators available for 4Q2020 show better performance from Galicia.

Industry and foreign trade, with greater relevance for the economic structure of Galicia, present a more favourable evolution than services.

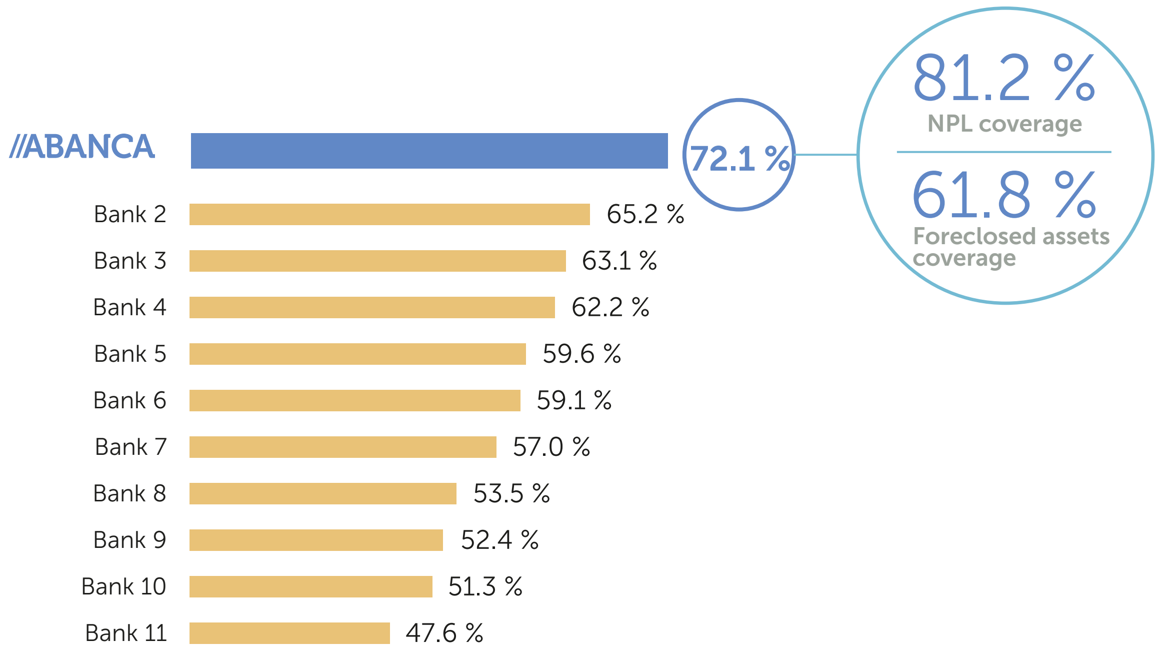


/ year-on-year variation, considering moving quarterly averages of the last available month (December or November).

The coverage rate exceeds 100 % in SMEs and corporations

The non-performing asset coverage ratio has reached 72.1 %, the highest in the sector. Coverage for non-performing loans is 81.2 % (especially highlighting the coverage rate of 101.7 % in SMEs and corporations), while foreclosed asset coverage is 61.8 %.

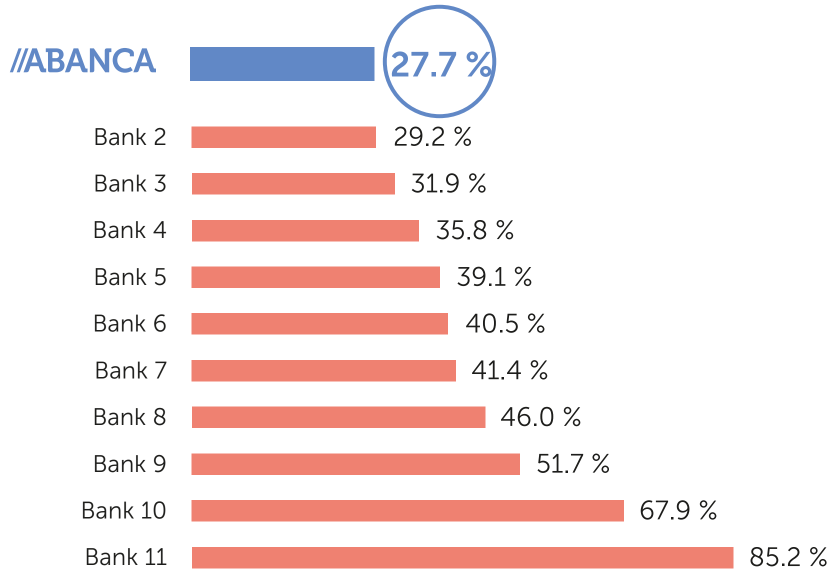
Non-performing assets coverage
Coverage / non-performing assets



Solid coverage ratios, with the Texas ratio for the first time being lower than 30 %

All of the above makes it possible for ABANCA to present itself as the first Spanish financial entity with such financial soundness, as verified by its Texas ratio, at 27.7 %, below the 30 % threshold.

Texas ratio
Non-performing assets / (Coverage + Capital)

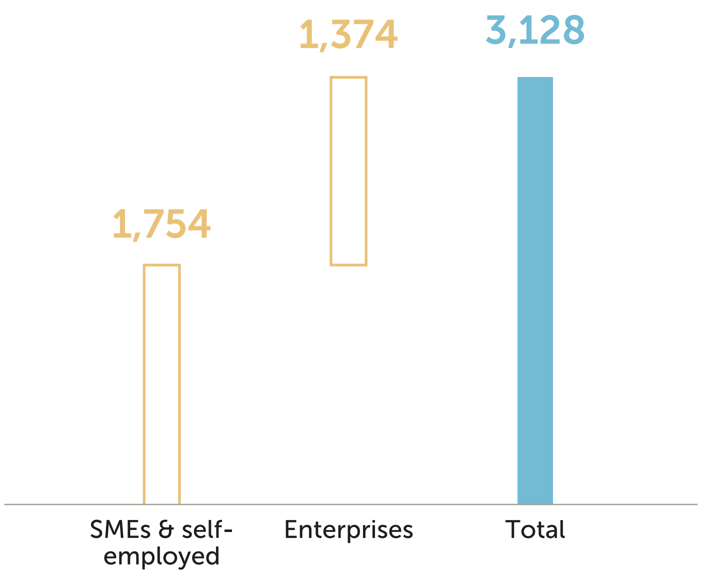


Leading the financial support of families and enterprises

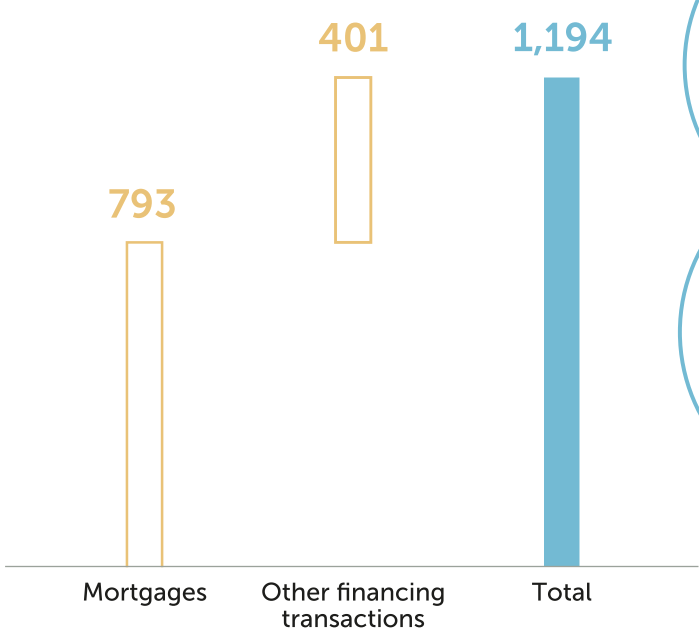
ABANCA's comprehensive support strategy for society to face the effects of COVID-19 translated into the formalisation of financing operations with ICO guarantee, in the amount of €3,128 million (€1,754 million for SMEs and autonomous entities and €1,374 million for enterprises). The formalisations of ICO operations have resulted in 19.3 % of ABANCA's total credit going to SMEs and large enterprises.

ABANCA further applied moratorium measures on payments in the amount of EUR 1,194 million, of which 793 million correspond to mortgages and 401 to other financing operations. This suggests that it has been supported to 5.5 % of the mortgage portfolio and 5.8 % of the consumer loans portfolio in these difficult times.

ICO transactions granted
(million euros)



Financial flexibility
(million euros)



Effectivenes of financial support measures for customers to overcome COVID impact

<1 %
of expires moratoriums had to be reclassified to non-performing

19.3 % of lending to SMEs and corporations

5.5 % of the mortgage portfolio were reinforced with financial flexibility measures

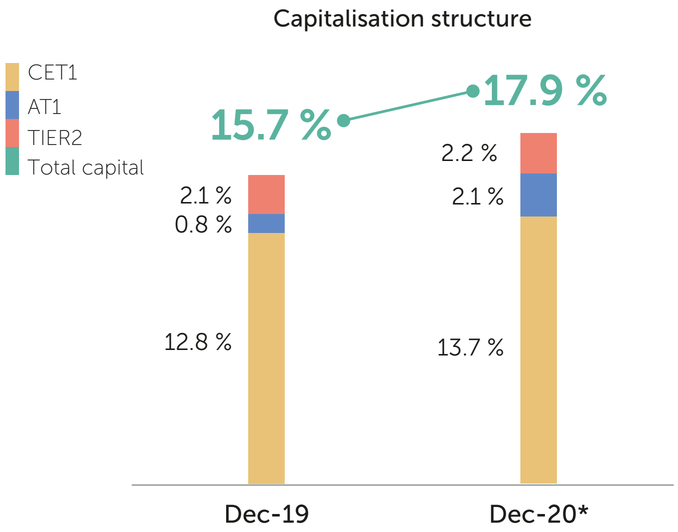
5.8 % of the consumer loan portfolio was reinforced with financial flexibility measueres

/ The amounts related to financial flexibility do not include the balances corresponding to the loan portfolio sold in December '20.

SOLVENCY and liquidity

103-3

ABANCA continues to show a solid solvency position. At the end of 2020, the capital ratio increased up to 17.9 %, a level situated at 568 b.p. (1.7 billion) above the total capital requirements. The highest-quality. capital ratio, CET1, rose to 13.7 %, with an excess of 568 b.p. (EUR 1,699 billion) above the requirements.



568 pb
EXCEEDING CET1 CAPITAL REQUIREMENTS

568 pb
EXCEEDING TOTAL CAPITAL REQUIREMENTS*

1,699 M€
EXCEEDING CET1 CAPITAL REQUIREMENTS

1,700 M€
EXCEEDING TOTAL CAPITAL REQUIREMENTS*

With the recent issuance (Jan-21) **ABANCA has completed its debt requirements** classified as AT1 and Tier2.

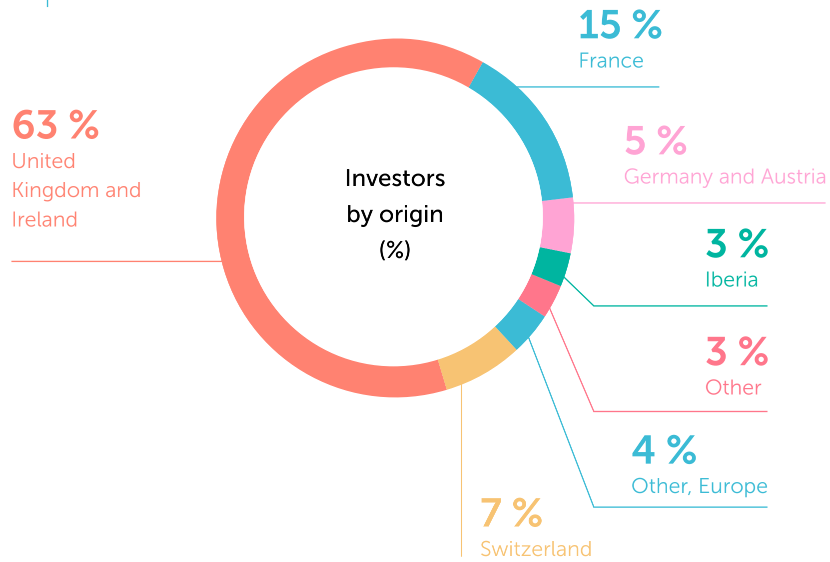
The recent issuance allows to **expand the buffer on the established requirements** thanks to an even more diversified capital structure.

\/ Calculated taking into acount the recent issuance of AT1 (Jan-21).

Successful issuance of AT1

In the first days of 2021, ABANCA issued AT1 bonds, the first of the year in the sector, with a demand equivalent to 5.7 times its offer and an issued amount of EUR 375 million. After this issuance, ABANCA has met the debt requirements classified as AT1 and Tier 2, and has expanded its buffer above the regulatory requirements.

AT1 | 20 Jan 2021
€375 million



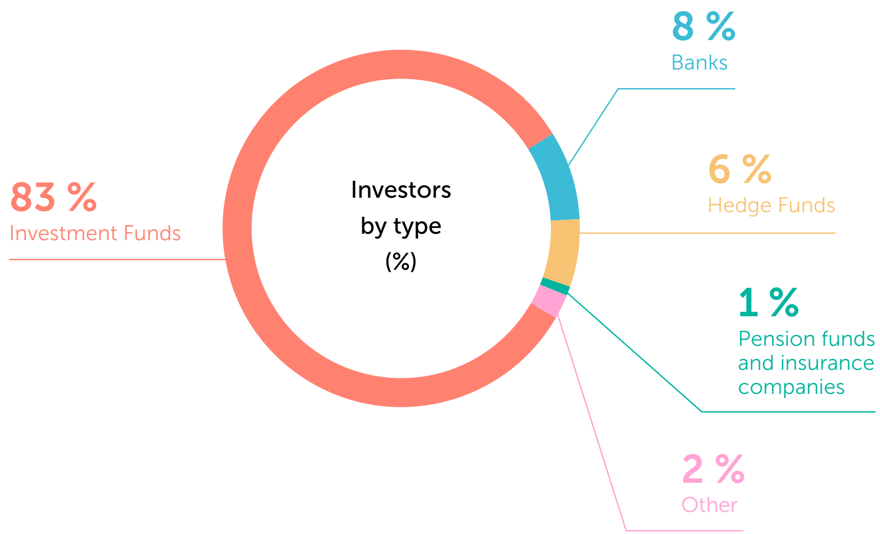
//ABANCA opened the European AT1 debt market

Solid placement of the issuance...

- **> 200 investors** participated in the operation, mostly **investment funds.**
- Demand of funds for **more than EUR 2.1 billion.**
- **x 5.7 demand on top of amount issued.**

...beating its previous records

- **x 3.8** times more demand than in the opening issuance of 2018.
- Final price **50-85 bp** lower than the Initial indicative price.



The issuance allows the capital ratio of ABANCA to be

17.9 %

with an excess of

€1,700 million

above regulatory requirements.

Ratio and total excess capital including the recent AT1 issuance (Jan-21).

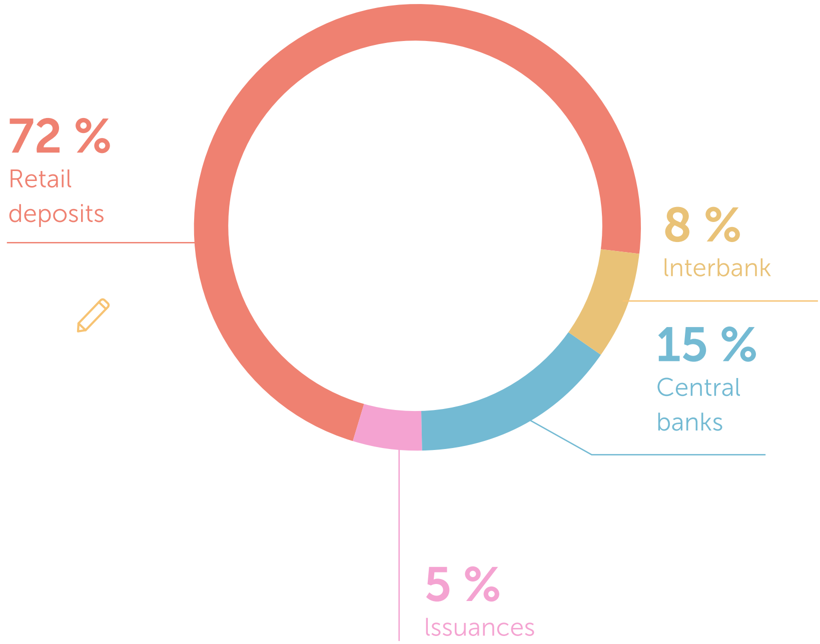
Comfortable liquidity position supported by retails deposits

ABANCA has a comfortable liquidity position based on retail deposits, the main component of its financing structure, which makes up 72 % of the total. This entity has a retail loan to deposits ratio (retail LTD) of 91.9 % and has €18,750 million at its disposal, between the capacity for issuing bonds (€5,288 million) and liquid assets (€13,462 million). With this it covers more than four times its expected maturities.

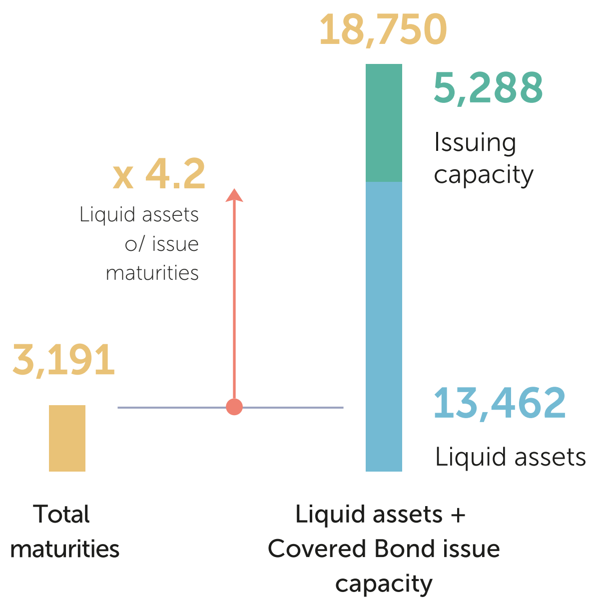
The net stable funding ratios (NSFR) and liquidity coverage ratios (LCR) are, respectively, situated at 132 % and 291 %, levels that more than comply with Basel III regulatory requirements.

Funding structure

91.9 % LTD retail



Wholesale funding ratio
(million euros)



132 % NSFR
NET STABLE FUNDING RATIO

291 % LCR
LIQUIDITY COVERAGE RATIO

COMPLYING WITH BASEL III

INCOME STATEMENT

102-7, 103-3

The income statement for the entire year reflects robust growth of the NII (+11.9 %) and of revenues from services provided (+14.0 %), which make way for an increase of 12.4 % in the basic margin. On the contrary, expenses experienced much less growth, 3.9 %, thanks to the implementation of efficiency measures and the synergies coming from business integrations made.

(millions)	2020	Var. 2020/2019
NET INTEREST INCOME	643.0	11.9 %
Revenues from services provided	234.2	14.0 %
BASIC MARGIN	877.1	12.4 %
Dividends and share of profit or loss of equity-accounted investees	-6.6	-
Gains or losses on financial assets and liabilities (net)	237.5	94.5 %
Other (net)	-4.1	29.0 %
GROSS MARGIN	1,104.0	21.2 %
Operating expenses	696.3	3.9 %
PRE-PROVISION MARGIN	407.6	69.3 %
Provisions and impairments	195.1	-
Credit allocations	273.4	-
One-off recoveries and others	-78.3	-
Other	-18.4	-
PBT	194.2	-54.9 %
Taxes and other	34.1	35.3 %
ATTRIBUTED PROFIT	160.1	-60.5 %

The basic margin grows 12.4 % while expenses only by 3.9 % thanks to the efficiency measures implemented and the synergies found in the incorporation.

Reinforcement of provisions in the face of the uncertainty resulting from COVID-19.

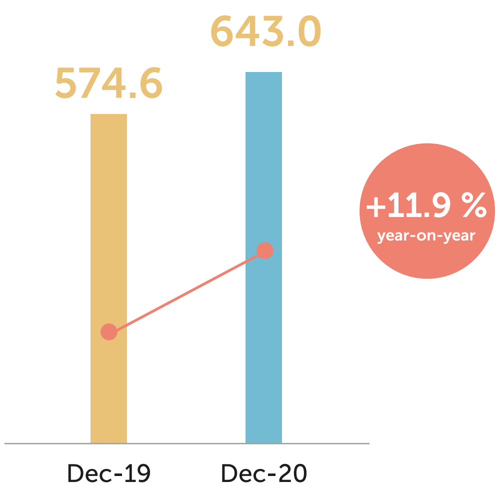
ABANCA obtains 160 million profite after allocating 273 to reinforce provisions.

/Date of incorporation DB Portugal PCB: 09-June-2019. Date of incorporation BCG: 01-September-2019.

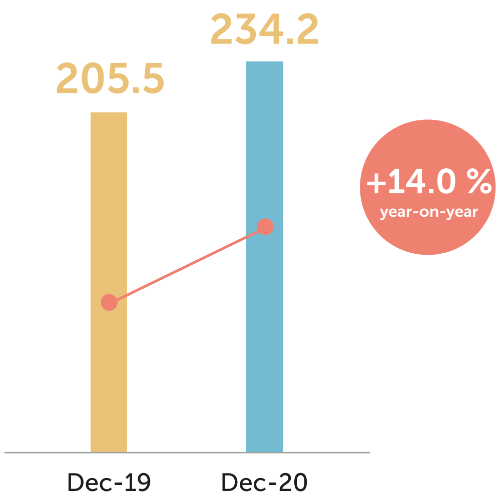
Growth of NII and revenues from services provided

To highlight the robust growth of the NII, 11.9 % and the good performance of revenues from services provided, which reached 14.0 % thanks to the momentum of those products that offer greater value to the customer.

Evolution of net interest income
(million euros)



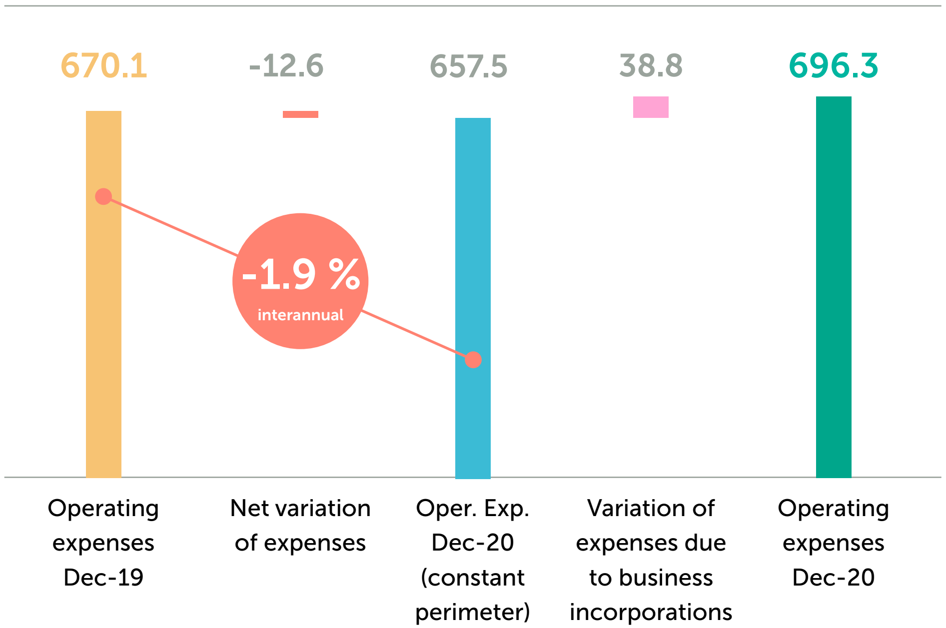
Revenues from services provided
(million euros)



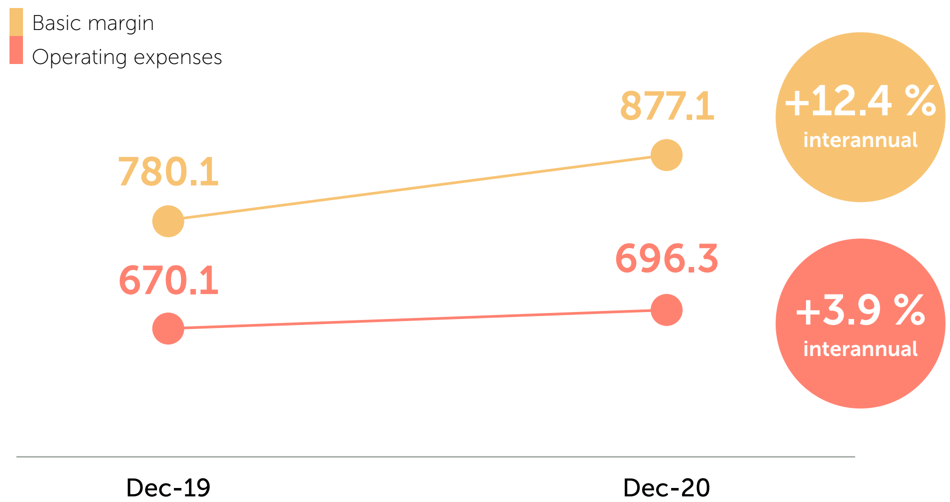
Improved efficiency

Sustained by efficient control of expenses, ordinary costs are reduced by 1.9 % after discounting the expenses for recently-acquired business, thanks to rationalisation projects.

Operating expenses
(million euros)



Basic margin evol. & operating expenses
(million euros)



Reduction in
1.9 %
ordinary expenses thanks to streaming projects.

Synergies attained in incorporations exceeded objectives set.

63.1 %
cost to income ratio.

X 3
increase of recurring revenue vs. expenses.

Prudent provisions policy to face 2021

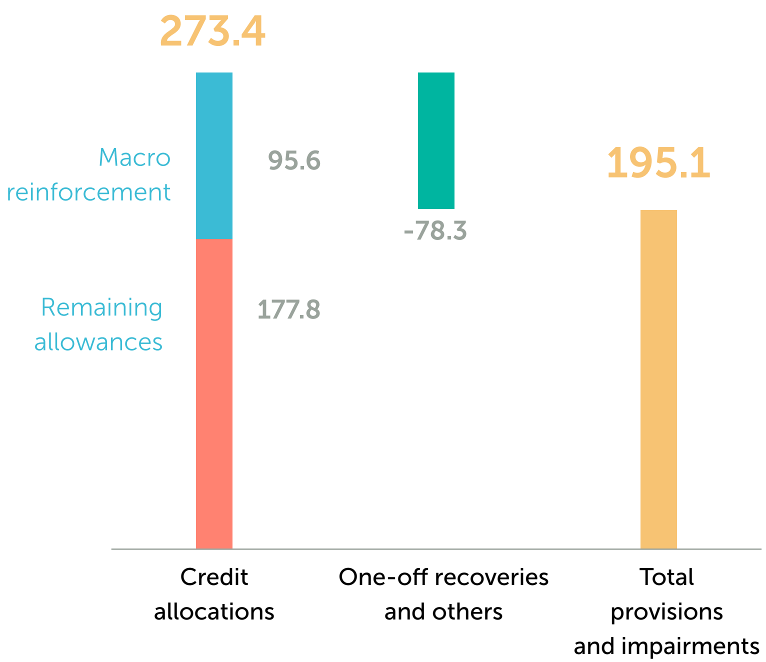
Provisions of EUR 273 million made during the year put the cost of risk at 0.70 %.

0.70 %
cost of risk.

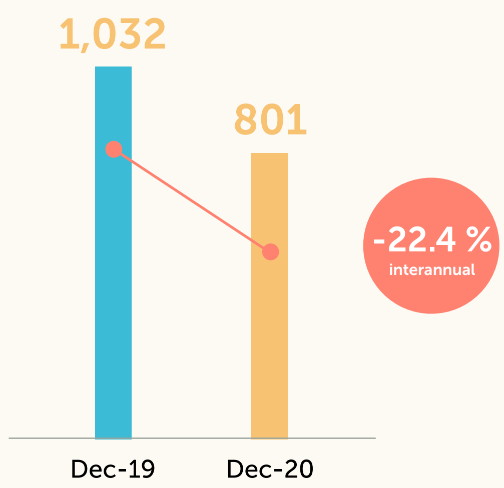
Non-performing loans ratio.
2.0 %
best non-performing loans ratio of the system

Non-performing loans coverage
81.2 %
Effort on provision: COVID situation resistance.

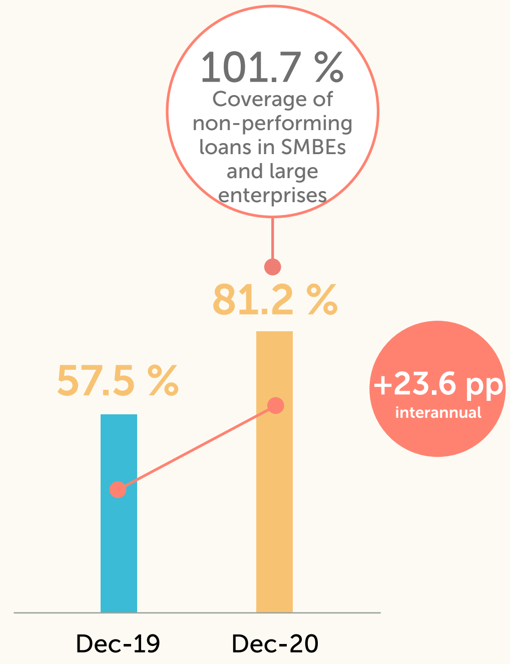
Provisions and impairments
(million euros)



Evolution of non-performing loans
(million euros)



Coverage of non-performing loans
(%)

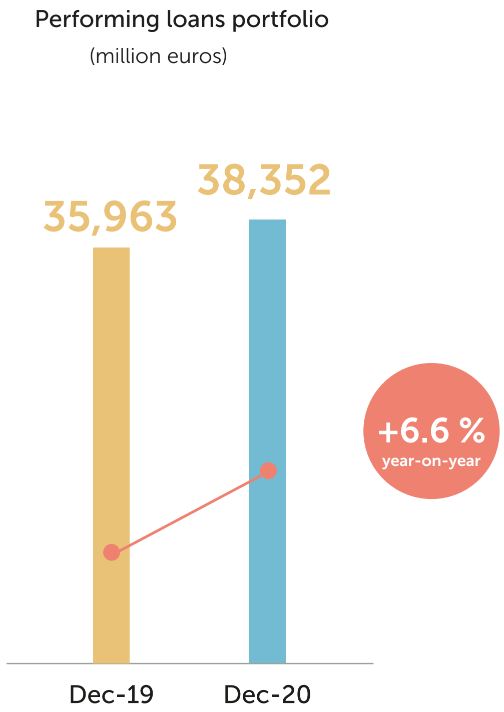


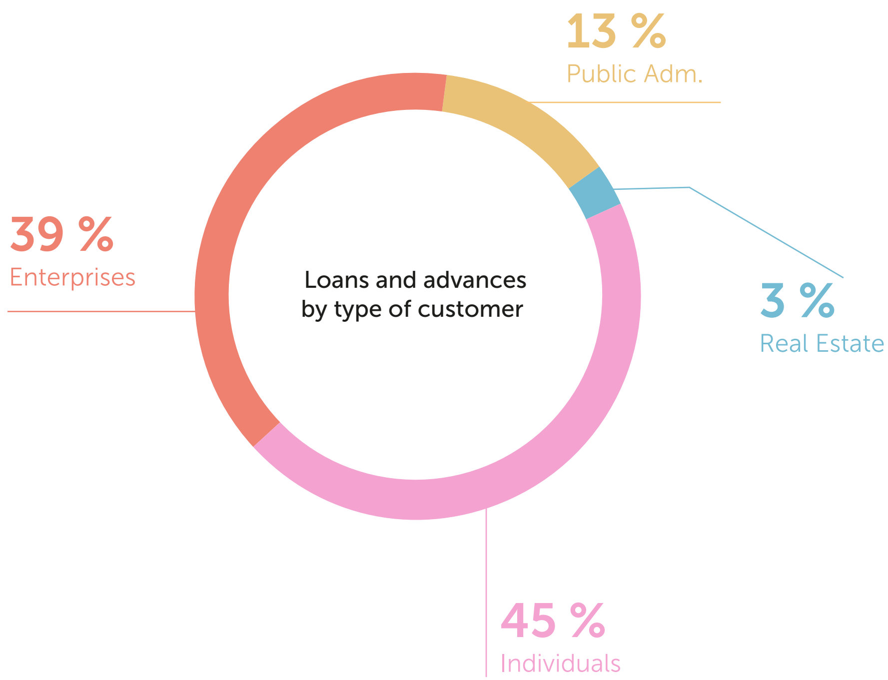
The business volume grew 7.5 %

The business volume increased by 7.5 % thanks to the balanced growth of credit (6.6 % interannual) and customer funds (8.5 %), reaching EUR 91,480 million. Considering the incorporation of Bankoa, ABANCA already surpasses the €95,000 million business volume, 12.7 % over last year.

The performing credit portfolio increased by 6.6 %

The performing credit portfolio, focused on funding the productive fabric –enterprises and families– grew by 6.6 %.

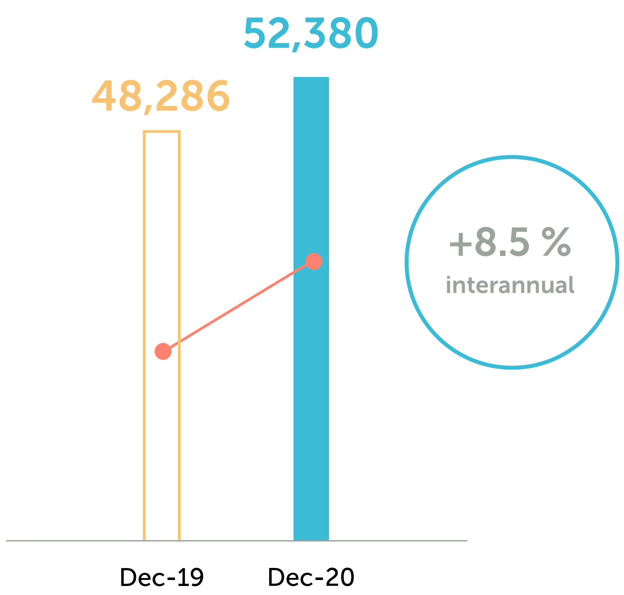




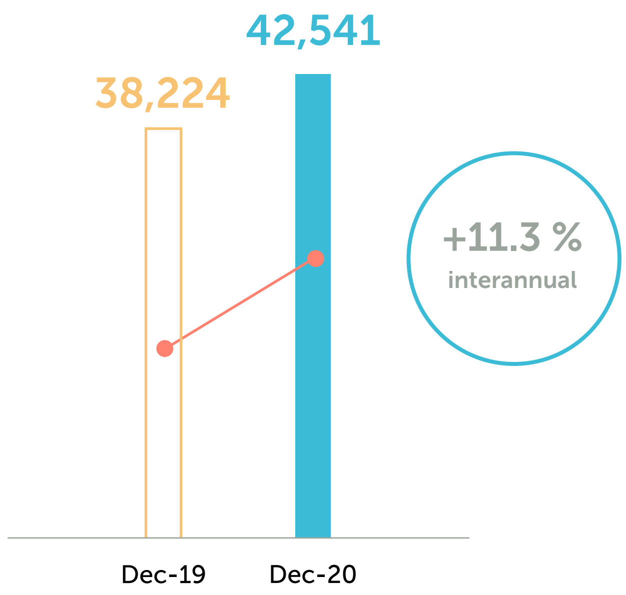
ABANCA manages more than €52,000 million in customer funds, with a growth of 8.5 % in the period.

Customer funds reached €52,380 million, after growing 8.5 % this year. Deposits from customers, the main component of the bank's financing structure, grew 11.3 % and reached €42,541 million.

Total customer funds
(million euros)



Deposits from customers
(million euros)



Dynamism in insurance sales and off-balance sheet funds

Insurance and the uptake of off-balance sheet funds show the same rising trend. The off-balance sheet funds grew 10.1 % compared to March, which allowed market market share in investment funds (16 b.p.), pension plans (11 b.p.) and life-savings insurance (4 b.p.) to grow.

The general insurance and life insurance premiums grew by 14.%, with a very homogenous performance in the different segments: +17 % in health and business insurance; and +16 % in home and life insurance.

8.3 %
market share in Spain for net subscriptions for investment funds in the fourth quarter.

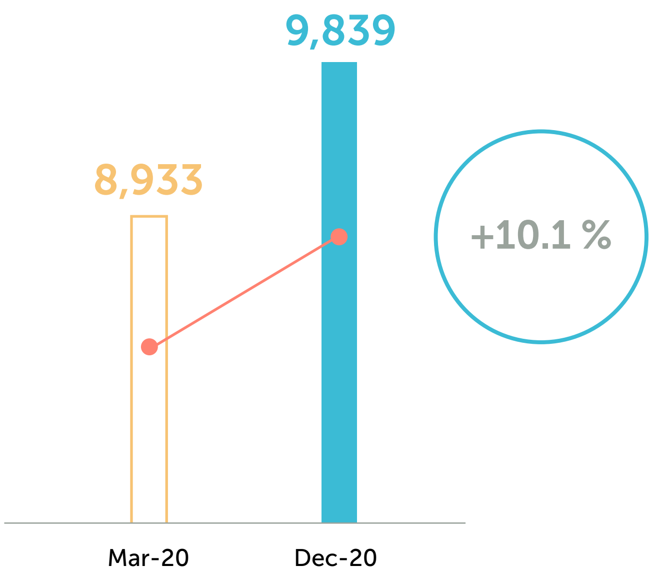
market share

+ 16 bp
interannual
investment funds

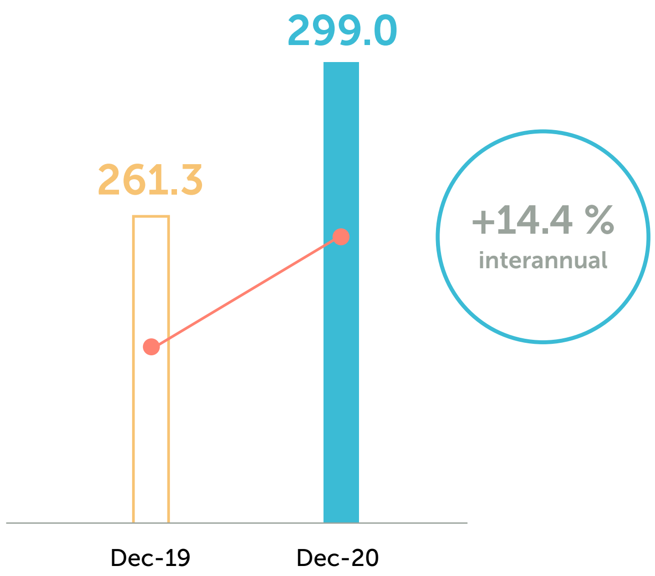
+ 11 bp
interannual
pension plans.

+ 4 bp
interannual
Life-savings insurance.

Off-balance sheet funds
(million euros)



Premiums of general and life-risk insurance
(million euros)



+ 17 %
insurance premiums, Business.

+ 17 %
insurance premiums, Health.

+ 16 %
Insurance premiums, Life.

+ 16 %
insurance premiums, Car.

Source: Spain market share: Latest information available INVERCO (Dec-20), ICEA (Dec-20) and V2 (Dec-20).

ECONOMIC value generated, distributed and retained

The goal of ABANCA to contribute to the development of its surroundings translates into the commitment to achieve this from its two main financial and social elements. The **economic value generated** by ABANCA in 2020 reached €1,329.9 million, 13.5 % over the 2019 amount.

For its part, the **economic value distributed** was €652.6 million. If we include the amount channelled through Afundación ABANCA Social Work, the **total economic value distributed** was €662.7 million.

The **economic value retained** has been €667.2 million, 77.2 % more than in 2019, which has been allocated to the entity's capital.

Economic Value Generated, Distributed and Retained (201-1)

(EUR thousands)	2019	2020
Gross margin	910,836	1,103,950
Income from removing assets not classified as non-current assets held for sale	43,492	582
Goodwill	231,679	0
Allowance for provisions[2]	35,384	219,700
Income from non-current assets held for sale	-50,309	5,655
Economic value generated	1,171,082	1,329,887
Suppliers - general administrative expenses (except fees)	195,661	194,005
Employees - personnel expenses	356,564	379,296
Public Admin. - income tax + and fees for general admin. expenses.[1]	35,692	45,050
Shareholders - dividends	189,067	27,765
Community (without foundation)	7,427	6,473
Economic value distributed	784,411	652,589
Foundation	10,100	10,100
Total economic value distributed	794,511	662,689
Economic value retained	376,571	667,198

[1] Shows the amount of income tax on the consolidated public statement. Does not include indirect taxes (VAT, Equity Transfer/Documented Legal Acts Tax) or Social Security contributions, shown under the headings of general administrative expenses and personnel expenses.

[2] Total amount of allowances for provisions shown on the Consolidated Public Income Statement. The 2019 data has been modified compared to what is shown in the 2019 Report.

TAX Commitment

103-2, 103-3, 207-1, 207-2 207,3

The ABANCA fiscal strategy is aligned with the values that make up the entity's corporate culture and the fiscal risk profile, under which the Group has traditionally been characterised for managing compliance with its tax obligations, all of this in conformance with strategic principles used to develop the ABANCA fiscal policy published on the company's website, and which can be summarised in the following points:

- **Responsible payment of taxes.**
- **Compliance with regulations.**
- **Fiscal transparency.**
- **Loyal collaboration with the Tax Administration.**
- **Establishment of control mechanisms.**

ABANCA Corporate Fiscal Policy.

Two operations stand out from fiscal year 2020 within the regime of fiscal neutrality established in Title VII, Chapter VII, of Law 27/2014, of 27 November, on Corporate Tax (Special regime for mergers, splits, asset contributions, securities exchange, and change of address for a European Company or European Cooperative, from one European Union member-state to another):

- **Merger by acquisition of the company ABANCA HOLDING FINANCIERO, S.A.** (acquired company) by ABANCA CORPORACIÓN BANCARIA, S.A. (acquiring company), recorded in the public instrument granted on 14 February 2020 before Notary Francisco M. Ordóñez Armán, with protocol No. 290. As a consequence of this inverse merger operation, ABANCA CORPORACIÓN BANCARIA, S.A. acquired the equity, both assets and liabilities, of ABANCA HOLDING FINANCIERO, S.A., en bloc, which was then dissolved and extinguished without liquidation.

- **Merger by acquisition of the company BANCO CAIXA GERAL, S.A.** (acquired company) by ABANCA CORPORACIÓN BANCARIA, S.A. (Acquiring company), in the public instrument granted on 5 March 2020 before Notary Francisco M. Ordóñez Armán, with protocol No. 407. As a consequence of this operation, ABANCA CORPORACIÓN BANCARIA, S.A. acquired the equity, both assets and liability, of BANCO CAIXA GERAL, S.A., en bloc, which was then dissolved and extinguished without liquidation.

Tax per country (thousand €) (207-4)

Country	Expense for corporate tax	Pre-Tax Income	Gross Margin	No. of employees	Primary	CompanyActivity
Spain	32,464	177,063	1,027,661	5,276	Financial	ABANCA Corporación Bancaria, S.A.
Portugal	756	16,528	65,484	554	Financial	ABANCA Corporación Bancaria, S.A.
Switzerland	278	2,628	5,807	11	Financial	ABANCA Corporación Bancaria, S.A.
USA	0	-1,964	2,077	15	Financial	ABANCA Corporación Bancaria, S.A.
Other	87	-97	2,921	29	Financial	S. Común México, S.A., de CV SOFOM ENR

appendices

MAIN metrics

Employees

Total No. of employees and distribution by gender (102-7, 405-1)

	2018	2019	2020
	4,903	5,788	5,648
- Women	51.2 %	50.3 %	51 %
- Men	48.8 %	49.7 %	49 %

Despite the situation with COVID-19, ABANCA has not used any ERTE (Temporary Labour Force Adjustment Scheme).

Workforce breakdown by location and gender (405-1)

	2018	2019	2020			
	Total	Total	Women	Men	Total	%
Galicia, Asturias and León	4,075	4,262	2,260	1,942	4,202	74.4 %
Rest of Spain	721	1,077	410	593	1,003	17.8 %
Abroad	107	449	210	233	443	7.8 %
Total	4,903	5,788	2,880	2,768	5,648	100.0 %

Geographic distribution abroad (405-1)

	2018	2019	2020
Germany	1	1	1
Brazil	4	4	4
United States	10	13	13
France	2	2	1
England	3	3	2
Mexico	12	14	17
Panama	2	2	2
Portugal	59	396	388
Switzerland	13	12	14
Venezuela	1	2	1
Total	107	449	443

Workforce distribution by category and age (405-1)

	2018	2019	2020			
	Distrib.	Distrib.	< 30	30-50	> 50	Distrib.
Upper management	0.3 %	0.2 %	0.0 %	30.8 %	69.2 %	0.2 %
Management	1.4 %	1.5 %	0.0 %	61.2 %	38.8 %	1.4 %
Middle management	21.7 %	24.6 %	0.4 %	77.1 %	22.5 %	21.3 %
Skilled workers	76.6 %	73.8 %	9.8 %	68.7 %	21.5 %	77.1 %
Total	100.0 %	100.0 %	7.6 %	70.3 %	22.1 %	100.0 %

Distribution of new hires by gender and location (401-1)

	2019		2020	
	Women	Men	Women	Men
Galicia, Asturias and León	56 %	44 %	57 %	43 %
Rest of Spain	42 %	58 %	51 %	49 %
Abroad	29 %	71 %	31 %	69 %
Total	51 %	49 %	53 %	47 %

Distribution of new hires by age and location (401-1)

	2019			2020		
	<30	30-50	>50	< 30	30-50	> 50
Galicia, Asturias and León	75.9 %	24.1 %	0.0 %	62.4 %	37.1 %	0.5 %
Rest of Spain	54.7 %	39.6 %	5.7 %	48.8 %	46.5 %	4.7 %
Abroad	12.5 %	79.2 %	8.3 %	13.8 %	82.8 %	3.4 %
Total	67.2 %	31.1 %	1.6 %	55.2 %	43.3 %	1.4 %

Average turnover by age and gender (401-1)

	2018	2019	2020		
	Total	Total	Women	Men	Total
Under age 30	26.4 %	31.0 %	23.3 %	20.1 %	21.9 %
Between ages 30 and 50	2.7 %	2.9 %	2.5 %	2.4 %	2.4 %
Over age 50	3.6 %	3.4 %	14.7 %	20.6 %	18.3 %
Total	4.8 %	5.1 %	6.2 %	8.7 %	7.4 %

Average turnover by location and gender (401-1)

	2018	2019	2020		
	Total	Total	Women	Men	Total
Galicia, Asturias and León	4.6 %	4.8 %	5.0 %	7.6 %	6.2 %
Rest of Spain	5.9 %	6.8 %	12.9 %	11.8 %	12.3 %
Abroad	5.6 %	3.8 %	6.7 %	10.3 %	8.6 %
Total	4.8 %	5.1 %	6.2 %	8.7 %	7.4 %

Turnover rate calculated as the number of employees who have exited throughout 2020 across the workforce at the end of the year.

Distribution of employment contract modalities, by professional classification and gender (102-8)

		2019			2020		
		Women	Men	Total	Women	Men	Total
UPPER MANAGEMENT	Total	1	12	13	1	12	13
	Indefinite contract	1	12	13	1	12	13
	Temporary contract	0	0	0	0	0	0
	Part-time	0	0	0	0	0	0
MANAGEMENT	Total	14	70	84	14	66	80
	Indefinite contract	14	70	84	14	66	80
	Temporary contract	0	0	0	0	0	0
	Part-time	0	0	0	0	0	0
MIDDLE MANAGEMENT	Total	450	971	1,421	378	826	1,204
	Indefinite contract	450	971	1,421	378	826	1,204
	Temporary contract	0	0	0	0	0	0
	Part-time	0	0	0	0	0	0
SKILLED WORKERS	Total	2,445	1,825	4,270	2,487	1,864	4,351
	Indefinite contract	2,251	1,678	3,929	2,277	1,710	3,987
	Temporary contract	194	147	341	210	154	364
	Part-time	0	0	0	0	0	0

No significant variations were produced in the workforce throughout the year, so data are reported exclusively at the close of the fiscal year.

Distribution of employment contract modalities, by age and gender (102-8)

		2019			2020		
		Women	Men	Total	Women	Men	Total
< age 30	Total	240	199	439	236	194	430
	Indefinite contract	91	80	171	92	88	180
	Temporary contract	149	119	268	144	106	250
	Part-time	0	0	0	0	0	0
Between ages 30 and 50	Total	2,193	1,847	4,040	2,162	1,807	3,969
	Indefinite contract	2,149	1,821	3,970	2,097	1,761	3,858
	Temporary contract	44	26	70	65	46	111
	Part-time	0	0	0	0	0	0
> age 50	Total	477	832	1,309	482	767	1,249
	Indefinite contract	476	830	1.306	481	765	1,246
	Temporary contract	1	2	3	1	2	3
	Part-time	0	0	0	0	0	0

No significant variations were produced in the workforce throughout the year, so data are reported exclusively at the close of the fiscal year.

Distribution of employment contract modalities, by region and gender (102-8)

		2019			2020		
		Women	Men	Total	Women	Men	Total
Galicia, Asturias and León	Total	2,252	2,010	4,262	2,260	1,942	4,202
	Indefinite contract	2,086	1,899	3,985	2,084	1,821	3,905
	Temporary contract	166	111	277	176	121	297
	Part-time	0	0	0	0	0	0
Rest of Spain	Total	442	635	1,077	410	593	1,003
	Indefinite contract	418	606	1,024	379	566	945
	Temporary contract	24	29	53	31	27	58
	Part-time	0	0	0	0	0	0
Abroad	Total	216	233	449	210	233	443
	Indefinite contract	212	226	438	207	227	434
	Temporary contract	4	7	11	3	6	9
	Part-time	0	0	0	0	0	0

No significant variations were produced in the workforce throughout the year, so data are reported exclusively at the close of the fiscal year.

Number of exits by gender, age and professional classification

		2018	2019	2020		
		Total	Total	Women	Men	Total
Upper management	Under age 30	0	0	0	0	0
	Between ages 30 and 50	0	0	0	0	0
	Over age 50	0	0	0	0	0
	Total	0	0	0	0	0
Management	Under age 30	0	0	0	0	0
	Between ages 30 and 50	1	0	0	1	1
	Over age 50	1	6	0	1	1
	Total	2	6	0	2	2
Middle management	Under age 30	0	0	0	0	0
	Between ages 30 and 50	1	10	0	8	8
	Over age 50	4	16	3	3	6
	Total	5	26	3	11	14
Skilled workers	Under age 30	2	1	1	0	1
	Between ages 30 and 50	20	21	11	10	21
	Over age 50	20	12	5	9	14
	Total	42	34	17	19	36

Note: Furthermore, a total of 225 people (114 men and 81 women) have exited the entity under incentivised voluntary resignations and measures to replace geographic mobility, established in the employment agreements signed with the legal representation of the workforce on 14 and 21 April 2020, agreements negotiated due to the BCG integration but aimed toward the entire Bank workforce meeting the conditions or requirements established therein.

Employees with disability (405-1)

	2018	2019	2020		
	Total	Total	Women	Men	Total
Employees with disability (No.)	66	76	31	35	66
Employees with disability (%)	1.35 %	1.31 %	1.08 %	1.26 %	1.17 %

Note: As 1.17% of the workforce is Spanish, it does not thus comply with the General Law on the Rights of Persons with Disabilities and their Social Inclusion (formerly the LISMI, Law on the Social Inclusion of Invalids), which establishes the obligation to have at least 2% employees with disabilities, so alternative measures have been taken, such as collaborations with special employment centres.

Average remuneration by category

	2018	2019	2020		
	Total	Total	Women	Men	Total
Management	112,382	116,613	100,497	115,856	113,296
Middle management	55,645	54,165	50,582	58,771	56,194
Skilled workers	38,160	37,946	36,086	40,935	38,156

Only the fixed salaries of personnel in Spain and Portugal are taken into account, 95 % of the scope.

Average remuneration by gender and age

	2018	2019	2020		
	Total	Total	Women	Men	Total
Under age 30	19,627	20,677	20,577	22,412	21,403
Between ages 30 and 50	43,138	42,318	38,622	47,090	42,466
Over age 50	55,223	52,839	45,760	60,293	54,660

Only the fixed salaries of personnel in Spain and Portugal are taken into account, 95 % of the scope.
Included in the normalised annual base salary (100 % of payroll) are the salary items for collective agreements, functional and personal accessories.

(102-39)

	2018	2019	2020
Increase percentage ratio for total annual compensation	12.36 %	8.24 %	-5.38 %

The data has been calculated taking into account the average salary increase for the workforce.

(202-1)

	2018	2019	2020
Starting salary ratio compared to local minimum wage	1.6	1.3	1.2*

The starting base salary for any worker on payroll, regardless of their gender, is 1.2 times the local minimum wage.

The ratio has been calculated as a weighted average between the result of dividing the base salary established in the ABANCA Corporación Bancaria Collective Agreement by the Interprofessional Minimum Wage established in Spain, and the equivalent ratio in Portugal.

Wage Gap (405-2)

	2020
Spain	- 5.38 %
Portugal	-5.25 %

The wage gap is calculated as the difference of the median salaries (fixed and variable compensation) between women and men, expressed as a percentage over the median salary for men, based on a multiple linear regression model that, with identical characteristics, differentiates the wage solely based on gender.

The multiple linear regression model explains salary as fixed and variable compensation, based on the gender variable and other relevant factors, e.g., age, seniority, contract, level of responsibility, company, location, and area.

Homogeneous groups of less than 10 people have been excluded, since there is not a sufficient sample to infer statistically robust conclusions.

Average compensation for executives

	2018	2019	2020		
	Total	Total	Women	Men	Total
Compensation to upper management*	386,000	375,285			396,385
Compensation to board members	258,000	266,419	226,333	261,514	249,566

*For protection of data, as there is only one woman in upper management, this information is not broken down by gender. Fixed, variable and in-kind compensation has been taken into account for the 13 people considered upper-management personnel, to calculate the amount for 2020.

Education and Training

	2018 Total	2019 Total	2020 Total
Remote (No.)	89	168	237
In person (No.)	233	259	82
Mixed	6	7	0
Total	328	434	319

LCI (Real Estate Credit Law) Training

	2019 Total	2020 Total
New LCI certification programmes	4	2
Participants in LCI certification programmes	2,234	1,481
Certified professionals (No.)	1,463	3,294
Professionals certified as required (%)	43.05 %	85.12 %

MIFID II Training

	2019 Total	2020 Total
New MIFID certification programmes	3	1
Participants in MIFID certification programs	435	14
Certified Professionals (No.)	2,707	3,044
Professionals certified as required (%)	94.43 %	93.21 %

Total annual training hours (404-1)

	2018	2019	2020		
	Total	Total	Women	Men	Total
Upper management and management	3,366	2,572	279	2,526	2,805
Middle management	57,938	70,493	14,576	34,499	49,075
Skilled Workers	224,982	232,578	138,019	98,870	236,889
Total	286,286	305,643	152,874	135,895	288,769

Average annual training hours (404-1)

	2018	2019	2020		
	Total	Total	Women	Men	Total
Upper management and management	39	24	19	31	29
Middle management	54	48	38	40	39
Skilled Workers	57	51	56	52	54
Total	56	50	53	48	51

The data are added to the figures from the dataset for training held with BCG professionals for integration to the ABANCA Group.

Employees who have received training on asset-laundering prevention (205-2)

	2018	2019	2020			
	Total (%)	Total (%)	Galicia, Asturias and León	Spain	Abroad	Total (%)
Upper management	100 %	100 %	12	1	0	100 %
Management	94 %	82 %	69	10	3	92 %
Middle management	94 %	72 %	879	225	108	94 %
Skilled workers	83 %	79 %	3,182	736	286	90 %
Total	86 %	77 %	4,142	972	397	91 %

The data are added to the figures from the dataset for training held with BCG professionals for integration to the ABANCA Group.

Commitment from Employees

	2018	2019	2020
Employees	88 %	85 %	87 %

	2020	
Percentage of employees who actively participate based on employee participation surveys (for example, climate survey)	Engagement: 67.3 %	Culture: 63.6 %

99.4 % survey coverage of the workforce at the close of the fiscal year.

Employees who have received a performance evaluation (%) (404-3)

	2018	2019	2020		
	Total	Total	Women	Men	Total
Upper management	100 %	100 %	100 %	100 %	100 %
Management	97 %	95 %	100 %	100 %	100 %
Middle management	99 %	98 %	99 %	99 %	99 %
Skilled workers	95 %	92 %	95 %	95 %	95 %
Total	96 %	93 %	96 %	96 %	96 %

Employees under collective agreement by country (%) (102-41)

	2018	2019	2020
Spain	100 %	100 %	100 %
Portugal	100 %	100 %	100 %
Germany	0 %	0 %	0 %
Brazil	100 %	100 %	100 %
France	100 %	100 %	100 %
England	0 %	0 %	0 %
Mexico	0 %	0 %	0 %
Panama	0 %	0 %	0 %
United States	100 %	100 %	100 %
Switzerland	100 %	100 %	100 %
Venezuela	0 %	0 %	0 %
Total	99.6 %	99.6 %	99.6 %

Absenteeism due to accidents

	2020		
	Women	Men	Total
No. of accidents with WORK RELEASE EXCLUDING DURING TRAVEL	7	2	9

The types of accidents occurred in 2020 were: falls at the same or different level, injuries from objects (mobile or fixed), entrapment by or between objects, over-exertion, stumbling, and robbery.

Parental leave (401-3)

	2018	2019	2020		
(401-3)	Total	Total	Women	Men	Total
Maternal/ paternal leave	192	190	90	96	186
Leave taken	95.8 %	100.0 %	100.0 %	100.0 %	100.0 %
Reincorporations	100.0 %	100.0 %	100 %	100 %	100 %
Leaves from the previous year that remain in the company for 12 months	100.0 %	97.8 %	98.1 %	97.6 %	97.9 %

	2020		
(403-10)	Women	Men	Total
Victims of fatal work accidents			
No. of victims	0	0	0
Death rate	0	0	0
COVID19			
No. of leaves	279	180	459
Hours of absence	16,230	13,661	29,891
Absenteeism			
Hours of absence	204,733	120,687	325,420
Occupational disease			
No. of cases	0	0	0

Absenteeism: includes leaves for common illness, work accident and COVID.

Frequency and severity indices (403-2, 403-9)

		2018			2019			2020	
		Women	Men		Women	Men		Women	Men
Accident frequency index	0.2	1.4		2.3	0.9		1.51	0.43	
Severity index		0.0	0.0		0.1	0.1		0.05	0.03

Frequency index = (number of accidents with leave / number of estimated hours worked) x 10^6.
Severity index = (number of days lost per accident with leave / number of estimated hours worked) x 10^3.

Responsible purchasing

Billing to foreign suppliers [1] (€)

	2018	2019	2020
Germany	€ 1,390,377.34	€ 24,281.98	€ 670,661.95
Argentina	€ 11,923.16	€ 8,754.23	€ 3,841.20
Belgium	€ 418,768.72	€ 566,847.66	€ 550,515.02
Canada			€ 27,830.00
United States	€ 2,269,549.69	€ 1,620,864.20	€ 1,994,002.11
France	€ 3,710,165.38	€ 3,369,183.25	€ 2,861,436.83
Ireland	€ 2,238,174.50	€ 105,235.16	€ 696,966.34
Italy	€ 3,647.00	€ 398.00	€ 596,568.37
Luxembourg	€ 6,614.18	€ 7,269.43	€ 121,929.40
Mexico	€ 24,335.88	€ 299,998.80	€ 393,664.22
The Netherlands	€ 1,185.80	€ 2,117.50	€ 12,167.16
Panama			€ 6,942.16
Portugal	€ 114,742.21	€ 451,135.83	€ 11,595,903.17
United Kingdom	€ 860,995.98	€ 2,010,677.26	€ 609,630.91
Czech Republic			€ 2,570.22
Romania			€ 37,026.00
Sweden	€ 24,200.00	€ 18,150.00	€ 18,150.00
Switzerland			€ 22,595.60
Venezuela			€ 29,479.27
Others			€ 845,559.82
Total	€ 11,074,679.84	€ 8,484,913.30	€ 21,097,439.75

The supplier data correspond to physical and legal entities hired by the Procurement Department for BANCA and its associate companies. Supplies and intra-Group billing are not included.

GRI CONTENT INDEX

102-55

GRI STANDARD		CONTENT	NUMBER OF PAGES AND/OR DIRECT RESPONSES	OMISSIONS	EXTERNAL VERIFIC.	BEGINNING OF GLOBAL PACT	SDG
GRI 101: Foundations 2016							
GENERAL CONTENT							
Organisation Profile							
GRI 102: General Disclosures 2016	102-1	Name of the organization	ABANCA Corporación Bancaria, S.A.		Yes. Page 227		
	102-2	Activities, brands, products, and services	54, 57 The corporate purpose of ABANCA Corporación Bancaria S.A, includes: a) The undertaking of all kinds of activities, operations and services typical of the banking business and in general or related directly or indirectly with the same and which are permitted by current legislation, including the rendering of investment services and auxiliary services and the undertaking of insurance brokerage activities; and b) the acquisition, possession, enjoyment and disposal of all kinds of transferable securities.		Yes. Page 227		
	102-3	Location of. headquarters	Cantón Claudino Pita, 2 Betanzos (A Coruña).		Yes. Page 227		
	102-4	Location of operations	55, 66		Yes. Page 227		
	102-5	Ownership and legal form	30		Yes. Page 227		
	102-6	Markets served	52, 55, 57, 66 ABANCA carries out its activity according to the standards and regulations of Spain; practically all its income and Yes. Pg. 172 expenses are generated in this market.		Yes. Page 227		
	102-7	Scale of the organization	8, 179, 191		Yes. Page 227		
	102-8	Information on employees and other workers	193-195		Yes. Page 227	6	8, 10
	102-9	Supply chain	88-89		Yes. Page 227		
	102-10	Significant changes to the organization and its supply chain	50		Yes. Page 227		
	102-11	Precautionary Principle or approach	150		Yes. Page 227		
	102-12	External initiatives	17		Yes. Page 227		
	102-13	Membership os associations	23		Yes. Page 227		
Strategy							
GRI 102: General Disclosures 2016	102-14	Statement from senior decision-maker	5		Yes. Page 227		
	102-15	Key impacts, risks and opportunities	46, 163		Yes. Page 227		
Ethics and integrity							
GRI 102: General Disclosures 2016	102-16	Values, principles, standards, and norms of behavior	40		Yes. Page 227	10	16
	102-17	Mechanisms for advice and concerns about ethics	42		Yes. Page 227	10	16

GRI STANDARD		CONTENT	NUMBER OF PAGES AND/OR DIRECT RESPONSES	OMISSIONS	EXTERNAL VERIFIC.	BEGINNING OF GLOBAL PACT	SDG
General Content							
Governance							
GRI 102: General Disclosures 2016	102-18	Governance structure	30		Yes. Page 227		
	102-19	Delegation authority	35		Yes. Page 227		
	102-20	Executive-level responsibility for economic, environmental, and social topics	39		Yes. Page 227		
	102-21	Consulting stakeholders on economic, environmental and social topics.	24		Yes. Page 227		16
	102-22	Composition of the highest governance body and its committees	31, 35		Yes. Page 227		5, 16
	102-23	Chair of the highest governance body	31		Yes. Page 227		16
	102-24	Nominating and selecting the highest governance body	31, 36		Yes. Page 227		5, 16
	102-25	Conflicts of interest	40 ABANCA has a current Code of Ethics and Conduct that obliges professionals within the organisation to declare the existence or non-existence of any conflict of interest with respect to the ethics code. There are three declarations: non-existence of conflict, participation in companies or activities outside of ABANCA and potential conflict to state situations other than participation in companies or activities that could involve conflict. All employees have the duty to keep their information up to date about possible conflicts of interest, remitting the corresponding declaration through the ABANCA ethics channel. The internal conduct rules impose obligations to state conflicts by certain professionals within the organisation to control the possible interested use of privileged information in financial markets.		Yes. Page 227		16
	102-26	Role of highest governance body in setting purpose, values and strategy	37		Yes. Page 227		
	102-27	Collective khowledge of highest governance body	37		Yes. Page 227		4
	102-28	Evaluating the highest governance body's performance	40		Yes. Page 227		
	102-29	Identifying and managing economic, environmental, and social impacts	37		Yes. Page 227		16
	102-30	Effectiveness of risk management processes	36		Yes. Page 227		
	102-31	Review of economic, environmental, and social topics	31		Yes. Page 227		
	102-32	Highest governance body's role in sustainability reporting	The Board of Directors, the highest decision-making body for the Company, except on matters reserved for the General Assembly, approves, in a way that cannot be delegated, the main lines of the Company's policies and strategies. The Board of Directors is also responsible for approving the sustainability report.		Yes. Page 227		
	102-33	Communicating critical concerns	35		Yes. Page 227		
	102-34	Nature and total number of critical concerns	37		Yes. Page 227		
	102-35	Remuneration policies	38		Yes. Page 227		
	102-36	Process for determining remuneration	38		Yes. Page 227		
	102-37	Stakeholders' involvement in remuneration.	38		Yes. Page 227		16
	102-38	Annual total compensation ratio	The ratio is 11.74 for ABANCA España. The information has been calculated based on compensation actually received in 2020.		Yes. Page 227		

GRI STANDARD		CONTENT	NUMBER OF PAGES AND/OR DIRECT RESPONSES	OMISSIONS	EXTERNAL VERIFIC.	BEGINNING OF GLOBAL PACT	SDG
General Content							
	102-39	Percentage increase in annual total compensation ratio	197 -5,38 %		Yes. Page 227		
Participation of stakeholders							
GRI 102: General Disclosures 2016	102-40	List of stakeholder groups	24		Yes. Page 227		
	102-41	Collective bargaining agreements	103, 201 99.6 % of employees from ABANCA and investees, which make up its financial perimeter, are covered by a collective agreement based on the activity sector to which they belong and which regulates their work schedule. In all countries with a significant presence, there is a collective agreement applied (Spain, Portugal, Switzerland, USA, France and Brazil), not having the agreement but having state laws (similar to the workers' statute in Spain) in countries such as Panama, Great Britain, Germany, Mexico and Venezuela.		Yes. Page 227	3	8
	102-42	Identifying and selecting stakeholders	24		Yes. Page 227		
	102-43	Approach to stakeholder engagement	26, 84		Yes. Page 227		
	102-44	Key topics and concerns raised	26, 84, 86		Yes. Page 227		
Reporting practice							
GRI 102: General Disclosures 2016	102-45	Entities included in the consolidated financial statements	More information in Appendix I to the Annual Consolidated Account Statements.		Yes. Page 227		
	102-46	Defining report content and topic Boundaries	27		Yes. Page 227		
	102-47	List of material topics	27		Yes. Page 227		
	102-48	Restatement of information	There has been no reformulation of information compared to the 2019 Report.		Yes. Page 227		
	102-49	Changes in reporting	3		Yes. Page 227		
	102-50	Reporting period	2020 calendar year.		Yes. Page 227		
	102-51	Date of most recent report	2019		Yes. Page 227		
	102-52	Reporting cycle	Annual.		Yes. Page 227		
	102-53	Contact point for questions regarding the report	ABANCA Corporación Bancaria, S.A. Cantón Claudino Pita, 2 Betanzos 981 187 000 www.abanca.com		Yes. Page 227		
	102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared with exhaustive adherence to GRI standards.		Yes. Page 227		
	102-55	GRI content index	204		Yes. Page 227		
	102-56	External assurance	227		Yes. Page 227		
Material topics							
Profitability and solvency							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	26, 27		Yes. Page 227		
	103-2	The management approach and its components	48, 52		Yes. Page 227	7	8, 9, 13
	103-3	Evaluation of the management approach	48, 164, 176, 179		Yes. Page 227		
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	187		Yes. Page 227		8, 9
	201-2	Financial implications and other risks and opportunities due to climate change	17, 150		Yes. Page 227	7	13

GRI STANDARD		CONTENT	NUMBER OF PAGES AND/OR DIRECT RESPONSES	OMISSIONS	EXTERNAL VERIFIC.	BEGINNING OF GLOBAL PACT	SDG
Material topics							
	201-3	Defined benefit plan obligations and other retirement plans	With the collective agreements on complementary social contributions, of 04/12/2019 and 21/10/2020, there are not currently any commitments for contributions or benefits defined with the active personnel. The only commitments for a defined contribution or benefit that currently exist are liabilities before 1 January 2020, which have chosen to receive their contributions as annuity income, income that is fully insured (policy) and funded, with there thus being no contributions accrued as of 31 December 2020 pending funding in Spain. With respect to the plan for Portugal, for a benefit defined for personnel with the highest seniority, the commitment accrued as of 31 December 2020 is fully funded (Pension Plan and Internal Fund). As regards the retirement or pre-retirement plans in Spain, there are commitments for contributions under the special agreement to social security until reaching the age of 63, which will be provisioned in full. As regards the challenges indicated in the report from last year, the BCG pension system has been integrated with the Bank's system and it has been possible for plan participants to make voluntary contributions.		Yes. Page 227		
	201-4	Financial assistance received from government	During 2020, the ABANCA Group granted € 166,631.30 of our investment to training through FUNDAE.		Yes. Page 227		
Good governance							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	26, 27		Yes. Page 227		
	103-2	The management approach and its components	40		Yes. Page 227	10	16
	103-3	Evaluation of the management approach	40		Yes. Page 227		
GRI 415: Public Policy 2016	415-1	Political contributions	As presented in the Code of Ethics and Conduct, ABANCA will guide its activity with public representatives following the principle of political neutrality, and will avoid this being used as an asset or liability to violate current law or to achieve illegitimate or inappropriate ends.		Yes. Page 227	10	16
Ethics and integrity							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	26, 27		Yes. Page 227		
	103-2	The management approach and its components	40		Yes. Page 227	10	16
	103-3	Evaluation of the management approach	42		Yes. Page 227		
GRI 205: Anti-Corruption 2016	205-1	Operations assessed for risk related to corruption	40		Yes. Page 227	10	16
	205-2	Communication and training about anti-corruption policies and procedures	40, 200		Yes. Page 227	10	16
	205-3	Confirmed incidents of corruption and actions taken	It is certified that two cases of corruption were detected in 2020, one case of undue appropriation at ABANCA and one of use of confidential Information to personal benefit by an employee of the Entity. Both people were dismissed (disciplinary dismissal).		Yes. Page 227		
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Through the channels available for that purpose, there is no record of having been charged in regard to legal proceedings for causes related to monopolistic and anti-free competition practices. Likewise, having searched the electronic files at the bank, none of the legal proceedings filed against ABANCA have this as a subject.		Yes. Page 227		16

GRI STANDARD		CONTENT	NUMBER OF PAGES AND/OR DIRECT RESPONSES	OMISSIONS	EXTERNAL VERIFIC.	BEGINNING OF GLOBAL PACT	SDG
Material topics							
Risk management and regulatory compliance							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic its Boundary	26, 27		Yes. Page 227		
	103-2	The management approach and its components	160, 188 According to its Ethics Code, ABANCA is committed to competing in markets honestly and fairly. Likewise, it is committed to hiring suppliers within a framework of free competition and far from any foreign connection or interference in ABANCA's interests.		Yes. Page 227	8	16
	103-3	Evaluation of the management approach	160, 188		Yes. Page 227		
GRI 207: Tax 2019	207-1	Approach to tax	188		Yes. Page 227		
	207-2	Tax governance, control, and risk management	160, 188		Yes. Page 227		
	207-3	Stakeholder engagement and management of concerns related to tax	188		Yes. Page 227		
	207-4	Country-by-country reporting	89	This information is partially unavailable. It is being prepared for its reporting in 2022	Yes. Page 227		
GRI 307: Environmental compliance 2016	307-1	Non-compliance with environmental laws and regulations	ABANCA has no record of having received any notification, through the channels available for such purpose, of the imposition of significant fines or sanctions related to non-compliance with environmental standards.		Yes. Page 227	8	16
GRI 419: Socio-economic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	ABANCA has no record of having received, through the channels available for such purpose, any significant fine or sanction for non-compliance with laws or standards on social or economic matters.		Yes. Page 227		16
Human rights							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	26, 27		Yes. Page 227		
	103-2	The management approach and its components	9, 40		Yes. Page 227	1, 2	1-17
	103-3	Evaluation of the management approach	9, 40		Yes. Page 227		
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	No significant investment contracts and agreements have been identified including human rights clauses in 2020, as there are no risks that would make this necessary.		Yes. Page 227		5, 8
GRI 412 Human rights Evaluation 2016	412-1	Operations that have been subject to human rights reviews or impact assessments	88, 89		Yes. Page 227	1	
	412-2	Employee training on human rights policies or procedures	105		Yes. Page 227	1	
	412-3	Significant investment and contracts that include human rights clauses or that underwent human rights screening	No contracts or agreements have been identified as having human rights in 2020, so there are not considered to be any risks that make it necessary.		Yes. Page 227	2	
Sustainable finance							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	26, 27		Yes. Page 227		
	103-2	The management approach and its components	72		Yes. Page 227		1, 8, 9, 10, 12, 16
	103-3	Evaluation of the management approach	72		Yes. Page 227		
"OTHER INDICATORS: Product Portfolio"	FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	11, 63, 72		Yes. Page 227		1, 8, 9, 10

GRI STANDARD		CONTENT	NUMBER OF PAGES AND/OR DIRECT RESPONSES	OMISSIONS	EXTERNAL VERIFIC.	BEGINNING OF GLOBAL PACT	SDG
Material topics							
	FS8	Monetary value of products and services desgined to deliver a specific environmental benefit for each business line broken down by purpose	11, 63, 72				
"OTHER INDICATORS: Asset Holdings"	FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on evironmental or social issues.	11, 72		Yes. Page 227		10
	FS11	Percentage of assets subject to positive and negative environmental or social issues	11, 72		Yes. Page 227		10
Quality and customer experience							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	26, 27		Yes. Page 227		
	103-2	The management approach and its components	80, 84, 86		Yes. Page 227		1, 8, 9, 10, 12, 16
	103-3	Evaluation of the management approach	80, 84, 86		Yes. Page 227		
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the healt and safety impacts of product and service categories	80, 84, 86		Yes. Page 227		
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	ABANCA has no knowledge of having incurred any non-compliance with regulations or voluntary codes related to impacts of products and services on health and safety during their life cycle.		Yes. Page 227		16
GRI 417: Marketing and Labelling 2016	417-1	Requirements for product and service and labeling	80		Yes. Page 227		12
	417-2	Incidents of non-compliance concerning product and service information and labeling	No sanctions have been received in 2020 regarding standards or transparency with consumers.		Yes. Page 227		16
	417-3	Incident of non-compliance concerning marketing communications	No non-compliance has been produced in 2020 that has brought on any significant sanctions for this reason.		Yes. Page 227		16
"OTHER INDICATORS: Product Portfolio"	FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector.	57		Yes. Page 227		1, 8, 9
"OTHER INDICATORS: Local Communities"	FS13	Access points in low-populated or economically disadvantaged areas by type	57, 78		Yes. Page 227		1, 8, 10
	FS14	Initiatives to improve access to financial services for disadvantaged people.	78		Yes. Page 227		1, 8, 10
Responsible purchasing							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	26, 27		Yes. Page 227		
	103-2	The management approach and its components	88		Yes. Page 227		5, 8, 12, 16
	103-3	Evaluation of the management approach	88		Yes. Page 227		
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	88, 89		Yes. Page 227		8
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	89		Yes. Page 227		
	308-2	Negative environmental impacts in the supply chain and actions taken	89		Yes. Page 227		
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	89, 90		Yes. Page 227		5, 8, 16
	414-2	Negative social impacts in the supply chain and actions taken	89, 90		Yes. Page 227		5, 8, 16

GRI STANDARD		CONTENT	NUMBER OF PAGES AND/OR DIRECT RESPONSES	OMISSIONS	EXTERNAL VERIFIC.	BEGINNING OF GLOBAL PACT	SDG
Material topics							
Digital Banking and Omnichannel Retailing							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	26, 27		Yes. Page 227		
	103-2	The management approach and its components	78		Yes. Page 227		9
	103-3	Evaluation of the management approach	78		Yes. Page 227		
IT security and data protection							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	26, 27		Yes. Page 227		
	103-2	The management approach and its components	ABANCA is obliged to provide maximum protection to the personal and private information of its customers and employees, as set forth in its Code of Ethics and in current legislation on privacy, data protection, and bank secrecy. Data protection and the right to privacy are considered in all fields of the entity's management, which has strict internal standards and holds specific training courses for the workforce. Likewise, ABANCA registers all files with the General Data Protection Registry in its possession that have personal data, and all employees have access to a security document that establishes the measures necessary for guaranteeing the security of files with personal data and processing centres, etc. Furthermore, it prohibits access to searching customer data that are not strictly necessary for the job. If this were possible and carried out, it would be subject to sanction, even if it has no transcendence abroad.		Yes. Page 227		16
	103-3	Evaluation of the management approach	40				
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	ABANCA has not received, through the channels available for this purpose, any sanctions from the Spanish Data Protection Agency (AEPD).		Yes. Page 227		16
Energy efficiency							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	26, 27		Yes. Page 227		
	103-2	The management approach and its components	150		Yes. Page 227	7, 8, 9	7, 8, 12, 13
	103-3	Evaluation of the management approach	150		Yes. Page 227		
GRI 302: Energy 2016	302-1	Energy consumption within the organization	152		Yes. Page 227	7, 8	7, 8, 12, 13
	302-2	Energy consumption outside of the organization	One of the most relevant energy consumptions outside of the organisation is consumption associated with employee travel. Data on CO_2 emissions caused by these activities are reflected in the content.		Yes. Page 227	8	7, 8, 12, 13
	302-3	Energy intensity	16,20 GJ/employee		Yes. Page 227	8	7, 8, 12, 13
	302-4	Reduction of energy consumption	152		Yes. Page 227	8, 9	7, 8, 12, 13
	302-5	Reductions of energy requirements. of products and services		Not applicable. Due to the characteristics of the activity sector of ABANCA, in which financial products and services are offered, therefore there are no energy requirements. associated with their production	Yes. Page 227	8, 9	7, 8, 12, 13
Climate change							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	26, 27		Yes. Page 227		
	103-2	The management approach and its components	152		Yes. Page 227	7, 8, 9	3, 12, 13, 14, 15
	103-3	Evaluation of the management approach	152		Yes. Page 227		
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	152		Yes. Page 227	7, 8	3, 12, 13, 14, 15
	305-2	Energy indirect (Scope 2) GHG emissions	152		Yes. Page 227	7, 8	3, 12, 13, 14, 15

GRI STANDARD		CONTENT	NUMBER OF PAGES AND/OR DIRECT RESPONSES	OMISSIONS	EXTERNAL VERIFIC.	BEGINNING OF GLOBAL PACT	SDG
Material topics							
	305-3	Other indirect (Scope 3) GHG emissions	152		Yes. Page 227	7, 8	3, 12, 13, 14, 15
	305-4	GHG emissions intensity	0.71 t CO_2 eq/employee		Yes. Page 227	8	13, 14, 15
	305-5	Reduction of GHG emissions	152		Yes. Page 227	8, 9	13, 14, 15
GRI 305: Emissions 2016	305-6	Emissions of ozone-depleting substance (ODS)		Not applicable. Due to the characteristics of the activity sector of ABANCA, in which financial products and services are offered, they are not associated with the use or production of substances that deplete the ozone layer.	Yes. Page 227	7, 8	3, 12
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions		Not applicable. Due to the characteristics of the activity sector of ABANCA, in which financial products and services are offered, therefore there are no significant atmospheric emissions associated with their production	Yes. Page 227	7, 8	3, 12, 14, 15
Talent management							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	26, 27		Yes. Page 227		
	103-2	The management approach and its components	98, 99		Yes. Page 227	6	1, 4, 5, 8, 10
	103-3	Evaluation of the management approach	98, 99		Yes. Page 227		
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	The starting base salary for anyone in the workforce, regardless of their gender, is 1.2 times the local minimum wage		Yes. Page 227	6	1, 5, 8
	202-2	Proportion of senior management hired from the local community	39		Yes. Page 227	6	8
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	192		Yes. Page 227	6	5, 8, 10
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	All ABANCA employees have the same benefits, with the exception of contributions to pension plans, a 50 % contribution to health insurance, and access to the Flexible Spending plan, benefits to which either temporary or indefinite contracts have access.		Yes. Page 227		5, 8
	401-3	Parental leave	202		Yes. Page 227	6	5, 8
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	199-200		Yes. Page 227	6	4, 5, 8, 10
	404-2	Programs for upgrading employee skills and transition assistance programs	96		Yes. Page 227		8
	404-3	Percentage of employees receiving regular performance and career development	201		Yes. Page 227	6	5, 8, 10
Diversity, equality and inclusion							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	26, 27		Yes. Page 227		
	103-2	The management approach and its components	105		Yes. Page 227		5, 8, 10
	103-3	Evaluation of the management approach	105		Yes. Page 227		
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	191, 196		Yes. Page 227	6	5, 8
	405-2	Ratio of basic salary and remuneration of women to men	198		Yes. Page 227	6	5, 8, 10

GRI STANDARD		CONTENT	NUMBER OF PAGES AND/OR DIRECT RESPONSES	OMISSIONS	EXTERNAL VERIFIC.	BEGINNING OF GLOBAL PACT	SDG
Material topics							
Individual well-being							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	26, 27		Yes. Page 227		
	103-2	The management approach and its components	101			3	3,8
	103-3	Evaluation of the management approach	101		Yes. Page 227		
GRI 402: Labor/Management Relations 2016	402-1	Minimum notice periods regarging operational changes	The minimum period is as established by the legislation of each country.		Yes. Page 227	3	8
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	99.2 % of workers have legal representation for workers with competences in health and safety.		Yes. Page 227		3.8
	403-2	Hazard identification, risk assessment and incident investigation	101, 202		Yes. Page 227		3.8
	403-3	Occupational health services	101		Yes. Page 227		3.8
	403-4	Worker participation, consultations and communication on occupational health and safety	All topics related to Health and Safety for ABANCA Corporación Bancaria are handled by the Health and Safety Committee, which holds a meeting every three months. In addition, panels can be established to tackle more specific themes or projects, such as the Protocol for pregnancy, recent delivery, or nursing, which was presented and approved in the Safety Committee in 2020. The company has delegates for prevention that act as workers' representatives, with specific functions for workplace risk prevention. In 2020, due to the need to take measures against exposure to and for prevention of SARS-Cov-2, numerous extraordinary meetings of the Health and Safety Committee were held for the purpose of keeping the workforce's representation permanently informed about the measures being adapted.		Yes. Page 227		
	403-5	Worker training on occupational health and safety	101		Yes. Page 227		3.8
	403-6	Promotion of worker health	101		Yes. Page 227		3.8
	403-7	Prevention and mitigation of ocupational health and safety impacts directly linked by business relationships	101		Yes. Page 227		3.8 3,8
	403-8	Workers covered by a occupational health and safety management system	99.2 %		Yes. Page 227		3.8
	403-9	Work-related injuries	202		Yes. Page 227		3.8
	403-10	Work-related ill health	202 No cases or deaths have been produced that were related to Occupational diseases or similar.		Yes. Page 227		3.8
Generation of wealth and boost of entrepreneurial activity							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	26, 27		Yes. Page 227		
	103-2	The management approach and components	57, 118		Yes. Page 227		1, 3, 5, 8, 9, 11
	103-3	Evaluation of the management approach	57, 118		Yes. Page 227		
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and supported services	118, 141		Yes. Page 227		5, 9, 11
	203-2	Significant indirect economic impacts.	63, 133		Yes. Page 227		1, 3, 8
Social action and volunteer work							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	26, 27		Yes. Page 227		
	103-2	The management approach and its components	118, 132, 141		Yes. Page 227	1	1, 2, 3, 8, 10, 17
	103-3	Evaluation of the management approach	118, 132, 141		Yes. Page 227		

GRI STANDARD		CONTENT	NUMBER OF PAGES AND/OR DIRECT RESPONSES	OMISSIONS	EXTERNAL VERIFIC.	BEGINNING OF GLOBAL PACT	SDG
Material topics							
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	118, 132, 141		Yes. Page 227	1	
	413-2	Operations with significant negative impacts actual and potential negative impacts on local communities	42		Yes. Page 227		2
Financial inclusion							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	26, 27		Yes. Page 227		
	103-2	The management approach and its components	118		Yes. Page 227		1, 5 ,8, 10
	103-3	Evaluation of the management approach	118		Yes. Page 227		

CONTENTS REQUIRED BY LAW 11/2018

Contents Law 11/18	Materiality	Location in this report	GRI Content
General Information			
A brief description of the business model, which includes its business environment, organisation and structure	Material	8, 52, 57, 179, 191	GRI 102-2 GRI 102-7
Markets in which it operates	Material	52, 55, 57, 66	GRI 102-3 GRI 102-4 GRI 102-6
Objectives and strategies of the organisation	Material	5, 48	GRI 102-14
Main factors and trends that can affect its future evolution	Material	5, 46, 163	GRI 102-14 GRI 102-15
Reporting framework used	Material	3, 204	GRI 102-54
Principle of materiality	Material	27	GRI 102-46 GRI 102-47
Environmental issues			
Management approach: description and results of policies related to these issues, as well as the main risks related to those issues related to group's activities	Material	149, 163	GRI 102-15 GRI 103-2
General Detailed Information			
Detailed information about the current and foreseeable effects of the company's activities on the environment and, if applicable, health and safety	Material	149, 163	GRI 102-15
Environmental assessment or certification procedures	Material	71	GRI 103-2
Resources dedicated to the prevention of environmental risks	Material	77	GRI 103-2
Application of the principle of precaution	Material	150	GRI 102-11
Quantity of provisions and guarantees for environmental risks	Material	See note 1.6. of the annual account statements	GRI 103-2
Contamination	**No material**	**3**	**N/A**
Circular economy and waste prevention and management	**No material**	**3**	**N/A**
Sustainable use of resources			
Water consumption and supply according to local limitations	No material	3	N/A
Consumption of raw materials and measures adopted to improve their efficient use	No material	3	N/A
Direct and indirect energy consumption	Material	152	GRI 302-1 GRI 302-3
Measures taken to improve energy efficiency	Material	149-153	GRI 103-2 GRI 302-4
Use of renewable energy	Material	152-153	GRI 302-1
Climate change			
Greenhouse gas emissions generated as a result of the company's activities, Including the use of the produced goods and services	Material	152	GRI 305-1 GRI 305-2 GRI 305-3 GRI 305-4
Measures adopted to be adapted to the consequences of climate change	Material	17, 149-153	GRI 103-2 GRI 201-2

Contents Law 11/18	Materiality	Location in this report	GRI Content
Reduction goals voluntary established for the medium and long terms, to reduce greenhouse gas emissions and the means implemented for such purpose	Material	152	GRI 305-5
Protection of biodiversity	**No material**	**3**	**N/A**
Social and personnel-related issues			
Management approach: description and results of policies related to these issues, as well as the main risks related to group's activities	Material	94	GRI 102-15 GRI 103-2
Employment			
Total number and distribution of employees, by country, gender, age, and professional category	Material	191	GRI 102-8 GRI 405-1
Total number and distribution of work contract modalities and the annual average of indefinite contracts, temporary contracts, and part-time contracts, by gender, age, and professional category	Material	193-195	GRI 102-8
Number of dismissal, by gender, age, and professional category	Material	196	GRI 103-2 GRI 401-1
Average compensations and their evolution, disaggregated, by gender, age, and professional category, or equal value	Material	197	GRI 103-2 GRI 405-2
Wage gap, the compensation for equal positions or average for the company	Material	198	GRI 103-2
Average compensation for board members and executives, including variable remuneration, allowances, indemnities, payment to long-term savings pension systems and any other perception disaggregated by gender.	Material	198	GRI 405-2 GRI 103-2 GRI 405-2
Implementation of policies on the right to disconnect from work	Material	103	GRI 103-2
Number of employees with disability	Material	196	GRI 405-1
Work Organisation			
Working time organisation	Material	103	GRI 103-2
Number of hours absenteeism	Material	202	GRI 403-9
Measures aimed at facilitating enjoyment of conciliation and encouraging co-responsible exercise of these by both parents	Material	103	GRI 103-2 GRI 401-3
Health and Safety			
Occupational health and safety conditions	Material	101-104	GRI 103-2 GRI 403-1 GRI 403-2 GRI 403-3 GRI 403-7
Occupational accidents, specifically their frequency and severity, as well as occupational diseases; disaggregated, by sex	Material	202	GRI 403-9 GRI 403-10
Social relations			
Organisation of social dialogue, including procedures for informing and consulting personnel and negotiating with them	Material	25, 38, 99, 103, 201	GRI 103-2
Percentage of employees covered by collective agreement by country	Material	103, 201	GRI 102-41
Balance of collective agreements, particularly in the field of occupational health and safety	Material	212	GRI 403-4
Training			
Policies implemented in the field of training	Material	96	GRI 103-2 GRI 404-2
Total quantity of training hours by professional category	Material	199-200	GRI 404-1
Universal accessibility			
Universal accessibility of persons with disabilities	Material	78	GRI 103-2
Equality			
Measures adopted to promote equal treatment and opportunities for women and men	Material	41, 105	GRI 103-2

Contents Law 11/18	Materiality	Location in this report	GRI Content
Equality plans, measures adopted to promote employment, protocols against sexual harassment and gender discrimination	Material	105	GRI 103-2
Policy against all discrimination and, if applicable, diversity management	Material	41, 105	GRI 103-2
Respect for human rights			
Management approach: description and results of policies related to these issues, as well as the main risks related to those issues linked to group´s activities	Material	9, 40	GRI 102-15 GRI 103-2
Application of due diligence procedures			
Application of due diligence procedures in the matter of human rights and prevention of risks of violating human rights and, if applicable, measures for mitigating, managing and repairing possible abuses committed	Material	40, 42, 88, 105, 208	GRI 102-16 GRI 102-17 GRI 412-1 GRI 412-2 GRI 412-3
Complaints for cases of human rights violations		208 In 2020, no complaints of human rights violations were received through the ethics channel and no convictions for human rights violations were handed down.	GRI 103-2 GRI 406-1
Measures implemented to promote and comply with provisions in the fundamental ILO conventions related to this respect, through the freedom of association and the right to collective negotiation; The elimination of discrimination in employment and the workplace; the elimination of forced or obligatory labour; the effective abolition of child labour	Material	41	GRI 103-2
Fight against corruption and bribery			
Management approach: description and results of policies related to these issues, as well as the main risks related to those issues linked to group´s activities	Material	41	GRI 102-15 GRI 103-2
Measures adopted to prevent corruption and bribery	Material	40-42, 200, 207	GRI 103-2 GRI 102-16 GRI 102-17 GRI 205-2 GRI 205-3
Measures to fight against money laundering	Material	40-42, 200, 207	GRI 103-2 GRI 102-16 GRI 102-17 GRI 205-2 GRI 205-3
Contributions to non-profit foundations and entities	Material	23, 187, 207	GRI 102-13 GRI 201-1 GRI 415-1
Information about society			
Management approach: description and results of policies related to these issues, as well as the main risks related to those issues linked to group´s activities	Material	109-148	GRI 102-15 GRI 103-2
Company's commitments to sustainable development			
The impact of the company's activity on employment and local development	Material	63, 88, 133	GRI 103-2 GRI 203-2 GRI 204-1
The impact of the company's activity on local comunities and in the territory	Material	42, 118, 132, 141	GRI 413-1 GRI 413-2
The relationships maintained with actors from local communities and the modalities for dialogue with these	Material	26, 84, 118, 132, 141	GRI 102-43 GRI 413-1
Actions of association or sponsorship	Material	187	GRI 103-2 GRI 201-1
Sub-contracting and suppliers			
Inclusion of social matters, gender equality, and environmental issues in the purchasing policy	Material	88-89	GRI 103-2
Consideration in relationships with suppliers and sub-contractors under its social and environmental responsibility	Material	88-89	GRI 102-9 GRI 308-1 GRI 414-1

Contents Law 11/18	Materiality	Location in this report	GRI Content
Supervision and audit systems and their results	Material	88-89	GRI 102-9 GRI 308-2 GRI 414-2
Consumers			
Measures for consumers' health and safety	Material	80, 84, 86	GRI 103-2 GRI 416-1
Complaint system, complaints received and their resolution	Material	86-87, 210 Complaints in first instance (59,905 in Spain and 613 in Portugal), from which 54,521 had been admited for processing in Spain and 613 in Portugal.	GRI 103-2 GRI 418-1
Tax information			
Profit obtained country by country	Material	189	GRI 103-2 GRI 207-4 a, b (i, ii, iii, vi, viii), c
Profit taxes paid	Material	189	GRI 103-2 GRI 207-4 a, b (i, ii, iii, vi, viii), c
Public subsidies received	Material	207	GRI 201-4

UNEP FI, UNITED NATIONS PRINCIPLES OF RESPONSIBLE BANKING

Reporting and Self-Assessment Requirements	High-level summary of ABANCA 's response	Reference(s)/ Link(s)to bank's full response/ relevant information
Principle 1: Alignment. **We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.**		
1.1 Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.	ABANCA develops a business model focused on retail banking, centred around providing financial services and individual and company (essentially SMEs and autonomous entities) pensions, which receives individual and specialised attention in those cases where their profiles require it. ABANCA stands behind a customer relationship model based on the omnichannel system, where they decide how and when to conduct their financial operations, keeping the traditional office as a personalised service centre and the main relationship channel, complemented with growing support from alternative channels. The main geographic market of ABANCA is Spain, where 652 of the 706 total offices are concentrated. In Galicia, Asturias and Extremadura, and in the province of León, ABANCA has proximity network available with strong capillarity. In the rest of the Spanish territory, it has a much more selective physical network. The presence of ABANCA abroad is complemented by three operational branches in Switzerland (Geneva), the United States (Miami) and Mexico, and eight representational offices (France, United Kingdom, Switzerland, Germany, Panama, Brazil, Mexico and Venezuela), centred around attending to the large community of Spanish entrepreneurs and families living in European and American countries.	Chapter 4, Business Model (page. 53) from the 2020 Corporate Social Responsibility Report (MCRS2020)
1.2 Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks. .	ABANCA has a strong will for its activity to serve as momentum for social improvement and sustainable growth, and we are committed to doing it with transparency and in line with the ten principles of the Global Pact The bank strives to align its global strategy with the SDGs and best practices in order to guarantee its contribution as a financial services provider and a member of the community. Objective have been prioritised for initial direct action, a total of 4+4 objectives, due to their elevated impact, repercussion, and level of influence on what will impact the lines of action in the economic, social and environmental scopes. These are: • Contribution as a financial agent: SDG 8, 9, 14 y 15. • Contribution as a social agent: SDG 4, 10, 12, 13. In 2020, we participated in several SDG good practices dissemination campaigns using the COMPARTE Platform, and the Global Pact Network's communication media. The sustainability team, as representatives for the entity, participated in the programme SDG Ambition. ABANCA participates in the UNEP FI Collective Commitment to Climate Action, and the Agreement on climate in the Spanish banking sector, and it has signed the UNEP FI Principles of Responsible Investment, and the Global Pact Principles for a Sustainable Ocean.	Section "Action model" from Chapter 1, ABANCA Responsible (page 9) of MCRS2020. Section "Contribution to SDGs" from Chapter 1, ABANCA Responsible (page 11) of MCRS2020. Chapter "Our Commitments" (page 108) of MCRS2020. Section "Partnerships for achieving objectives" from Chapter 1, ABANCA Responsible (page 17) of MCRS2020.

Reporting and Self-Assessment Requirements	High-level summary of ABANCA 's response	Reference(s)/ Link(s)to bank's full response/ relevant information

Principle 2: Impact and Target Setting.
We will work to continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis: Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements: a. Scope: The bank's core business areas, products/ services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis. b. Scale of Exposure: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies. c. Context & Relevance: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/ regions in which it operates. d. Scale and intensity/salience of impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity/ salience of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services. (your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d)) Show that building on this analysis, the bank has • Identified and disclosed its areas of most significant (potential) positive and negative impact. • Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts.	ABANCA has updated its materiality study with the objective of identifying relevant matters for the entity and its stakeholders. The methodology used in the study is based on the directives in the Global Reporting Initiative (GRI) standards. A roadmap has been defined specifying the next steps in the process of implementing the Principles of Responsible Banking. The goal of ABANCA to contribute to the development of its surroundings translates into the commitment to achieve this from its two main financial and social elements. The next step, the analysis of the bank's impact on GDP and employment in Galicia, is being realised by the ABANCA Strategic Planning Department, together with the Economic Modelling and Analysis Group (GAME), [through] a study of the impacts of ABANCA in Galicia: - Direct: through the ABANCA accounting information related to all the income and expenses for all items in 2020, as well as employees according to the productive process. This is how the added value and employment generated directly by ABANCA is estimated. - Indirect: these are estimated using the Leontief model, built based on information from the input-output framework of Galicia 2016, using accounting data collected in the company related to purchases (intermediary consumptions and [sic] investments) made in 2020. - Induced: also estimated using the Leontief model, based on both intermediary consumptions in investments and payment of wages, dividends and taxes. In this case, it is assumed that all income generated directly and indirectly by ABANCA activity is used by the different agents that receive it (employees, companies, administration) to finance domestic demand in Galicia.	Section "Materiality analysis" from Chapter 1, ABANCA Responsible (page 26) of MCRS2020. Section "Principles of Responsible Banking" from Chapter 1, ABANCA Responsible (page 18) of MCRS2020. Section "Economic value generated, distributed and retained" from Chapter 8, Financial Information (page 187) of MCRS2020. Section "ABANCA in the face of COVID" from Chapter 6, Our Commitments (page 109) of MCRS2020.

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.

ABANCA has identified the material subjects of the entity and will continue identifying its impacts, boosting the positive and reducing the negative.

Reporting and Self-Assessment Requirements	High-level summary of ABANCA 's response	Reference(s)/ Link(s)to bank's full response/ relevant information

Principle 2: Impact and establishment of objectives.
We will continuously work to augment our positive impacts will reducing the negative impacts, and we manage the risks for people and the environment resulting from our activities, products and services. With this goal, we will establish and publish objectives where we might have the most significant impacts.

Reporting and Self-Assessment Requirements	High-level summary of ABANCA 's response	Reference(s)/ Link(s)to bank's full response/ relevant information
2.2 Target Setting Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified "areas of most significant impact", resulting from the bank's activities and provision of products and services. Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline. Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society's goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.	At ABANCA, we work to implement the objectives related to commitments that the entity has to sustainability. Although we have taken steps since the signing of the Principles for Responsible Banking, the first strategy of corporate sustainability will be launched in 2021, and developed in three spheres of action: Environmental, Socio-Economic and Good Governance - aligned with ESG aspects of sustainability - and this allows us to classify the priority tactics and projects for each line. Environmental Line: ABANCA is an entity committed to the environment and, therefore, it measures, manages and implements measures to reduce its own environmental footprint. Emissions reduction objective: • An objective was established to consume 100 % renewable energy in 2020. • Based on the calculation resulting for fiscal year 2019, a primary reduction goal was established for 2020 of 50 % for scope 2, since that is where the entity has a higher level of emissions. • The reduction objective for 2021, for scope 2 emissions, is 75 %. • Part of the Collective Commitment to Climate Action is a commitment to publish the decarbonisation objective for the loan portfolio. Waste management and minimisation objective: • ABANCA proposes that its waste, classified as "waste fractions", does not exceed 10 % of the total of all headquarters and offices with zero-waste measures implemented. • In 2021, ABANCA has the objective of obtaining AENOR Zero-Waste certification in its main headquarters (La Coruña and Madrid), and for the headquarters at its affiliate ABANCA Insurance. Socio-Economic Line: ABANCA develops and executes its social projects aimed at more vulnerable groups, through its Social Work, Afundación. • The economic contribution to the Social Work, as the sole sponsor, is 3 % of the profits. ABANCA assumes that the true challenge of education is responding to an ever-changing environment. Afundación faces this challenge in its institution of higher education (IESIDE, the Intercontinental Business Institute for Higher Learning, and the professional training centres), through a transformative model based on innovation, internationalisation and multiculturality, sustainability, and good education practices. The following objectives, among others, have been proposed for 2021 in relation to the number of participants in its social actions, particularly in the matter of education: • 15,000 attendees of the Afundación Active Ageing Programme. • 14,000 participants of the Digital Culture Programme for seniors. • 150,000 participants in projects under the Education and Knowledge Department. Sustainable business objectives: In addition to maintaining volumes of the product catalogue in sustainable finance: • Focal point for channelling investment funds into ESG. • Design of sustainable or green financing products. • In the Climate Action Report published in September 2020, ABANCA sets the objective of increasing the number of renewable energy projects, which in turn is aligned with the objective to reduce the company's emissions. Good Governance Line: Equality objective: • The representation of either women or men cannot be greater or less than 40-60 % of the entire workforce. • To advance in the attainment of a workforce that is balanced in the levels of positions with responsibility, the objective is established of establishing a minimum increase of 1 % in the representation of the minority gender between levels I and IV, and 2 % between 1 and VII. • The number of females as members of the board of directors should be at least 40 % of all members in 2022, and before that it can be no less than 30 %. • The number of independent board members will represent the majority in the composition of the Board of Directors. Sustainability training and education objective: • In 2021, ABANCA has proposed for 15 % of its employees to receive training in Sustainable Finance, and for 100 % to receive training in regulatory affairs.	Section "Collective Commitment to Climate Action" from Chapter 1, ABANCA Responsible (page 21) of MCRS2020. Section "Commitment to the environment" from Chapter 6, Our Commitments (page 149) of MCRS2020. Section "Commitment to society" from Chapter 6, Our Commitments (page 132) of MCRS2020. Section "Sustainable Finance" from Chapter 4, Business Model (page 72) from the 2020 Corporate Social Responsibility Report (MCRS2020) Section "Training" from Chapter 5, Responsible Professionals (page 96) of MCRS2020. Section "Board of Directors" from Chapter 2, Governing Bodies (page 31) of MCRS2020.

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Target Setting.

ABANCA will work to establish more objectives aligned with the commitments it has undertaken.

Reporting and Self-Assessment Requirements	High-level summary of ABANCA 's response	Reference(s)/ Link(s)to bank's full response/ relevant information
Principle 2: Impact and establishment of objectives. **We will continuously work to augment our positive impacts will reducing the negative impacts, and we manage the risks for people and the environment resulting from our activities, products and services. With this goal, we will establish and publish objectives where we might have the most significant impacts.**		
2.3. Plans for Target Implementation and Monitoring Show that your bank has defined actions and milestones to meet the set targets. Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.	In the 2021-2024 Strategic Plan, Sustainability will be one of the strategic focuses, and to do that a Sustainability Plan will be defined with a strategy that incorporates a series of KPIs, which will measure the performance of the objectives defined above and help us develop a responsible entity model as a social reference, and satisfy the needs of stakeholders and contribute to the transformation to a responsible and sustainable banking model. Tracking of the KPIs is done quarterly and overseen by the Strategic Planning Department.	

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.

The bank will ensure tracking and proper development of the objectives that are established.

Reporting and Self-Assessment Requirements	High-level summary of ABANCA 's response	Reference(s)/ Link(s)to bank's full response/ relevant information

Principle 2: Impact and establishment of objectives.
We will continuously work to augment our positive impacts will reducing the negative impacts, and we manage the risks for people and the environment resulting from our activities, products and services. With this goal, we will establish and publish objectives where we might have the most significant impacts.

Reporting and Self-Assessment Requirements	High-level summary of ABANCA 's response	Reference(s)/ Link(s)to bank's full response/ relevant information
2.4 Progress on Implementing Targets For each target separately: Show that your bank has implemented the actions it had previously defined to meet the set target. Or explain why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target. Report on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures).	For the three lines of action (ESG), there is a series of actions or projects implemented that will help us achieve the objectives and measure progress using milestones: Environmental Line: Emissions reduction objective: • Annual calculation of carbon footprint. • Consumption of renewable energy: The Procurement Department has formalised the certified contract for renewable energy with an energy supplier. ABANCA has achieved a reduction of 78 % in the scope 2 emissions. We have avoided 3,658 Tn in CO_2 emissions with the energy Source Guarantee. • Global Energy Efficiency Plan: In line with the energy and environmental policy and the sustainability policy, ABANCA has set new guidelines for action over the next few years in its global energy efficiency plan, which began implementation in 2020. Waste management and minimisation objective: • The Zero-Waste Project launched in September 2020 at our corporate headquarters, at Rúa Nueva 30 y calle Olmos (A Coruña) and Recoletos 4 (Madrid). This is a multidisciplinary project in which the Maintenance, Human Capital, Marketing, Communications, and CSR-Sustainability Departments all participate. In addition to having the support of suppliers to clean the buildings and a consulting firm that is an expert in environment, for the management and treatment of waste. Socio-Economic Line: Social impact objectives: Afundación has defined an annual action plan, with four areas of action (seniors, culture, education, and volunteer work and social mediation) that will be the pillars to address in 2021. For each one, there is a series of programmes and projects being started. Sustainable business objectives: • The sustainability strategy that was launched in 2021 was an attempt to progress in a sustainable business model. Good Governance Line: Equality objective: The following objectives have been established in the entity's Equality Plan, seeking to achieve greater representation of both genders at all levels of the organisation: • Women make up 51 % of our workforce. Within the framework of the Plan for Excellence in Governance, a series of measures are being taken to drive best corporate governance practices. • 30 % of the members of the Board of Directors are women. • The current composition of the ABANCA Board is 70 % independent board members. Sustainability training and education objective: • The Board of Directors' Annual Training Plan, which includes sustainability as a thematic element. • The Plan for Sustainable Finance Training, which starts with a series of clips, and will be completed by specific training based on sustainability management categories. Plan driven by the CSR-Sustainability and Human Capital-Training Departments	Section "Commitment to the environment" from Chapter 6, Our Commitments (page 149) of MCRS2020.

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets.

We will continue implementing actions to achieve the objectives.

Reporting and Self-Assessment Requirements	High-level summary of ABANCA 's response	Reference(s)/ Link(s)to bank's full response/ relevant information
Principle 3: Clients and Customers. **We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations..**		
3.1. Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.	All of ABANCA's activity is regulated by internal policies and procedures that ensure the entity's responsible behaviour and constitute the corporate framework, which guides our actions with the necessary reach for balance between economic growth, respect for the environment, and social welfare: • Sustainability policy. • Policy for Responsible Investment. • Code of Ethics and Conduct. • Commitment to Human Rights. • Anti-Corruption Policy. • Quality Policy. • Energy and Environmental Policy. •	Section "Good Governance" from Chapter 2, Governing Bodies (page 40) of MCRS2020. Section "Commitment to the environment" from Chapter 7, Risk Management (page. 118) of MCRS2020.
3.2 Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/ implemented, products and services developed, and, where possible, the impacts achieved.	At ABANCA we help our customers with the transition to a low GHG-emissions economy. To this end, we contribute by financing renewable energy and energy efficiency projects, responsible investment and promote innovation in the development of new technologies for sustainable growth. ABANCA offers several financing products with the direct purpose of sustainability in the individual and busines segments, focusing on the first sector. Within the Afundación Education Programme, environmental sustainability was the star in several virtual encounters. It also has financial education programmes to help retail customers gain knowledge and skills for managing their finances.	Section "Sustainable Finance" from Chapter 4, Business Model (page 72) of MCRS2020. Section "Commitment to education" from Chapter 6, Our Commitments (page 118) of MCRS2020.

Reporting and Self-Assessment Requirements	High-level summary of ABANCA 's response	Reference(s)/ Link(s)to bank's full response/ relevant information
Principle 4: Stakeholders **We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.**		
4.1 Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.	One of ABANCA's priorities is to maintain a fluid and permanent dialogue with all its stakeholders through the different communication channels, which allows us to identify their material aspects and associated risk and opportunities within the framework of our Social Responsibility. ABANCA has a large toolbox available for consultation, where it values the opinion of and dialogue with stakeholders. The groups consulted have been: • Employees • Customers • Shareholders and investors • Suppliers • Company Furthermore, ABANCA participates in the working groups corresponding to the commitments the entity has undertaken, which have the goal of drafting and implementing a set of measures that they will take in constant dialogue with its customers and its stakeholders. The bank has started the BANCA Observatory by IESIDE, launched in collaboration with the Intercontinental Business Institute for Higher Learning (IESIDE), has the objective of contributing to Galician society, particularly to its productive fabric (autonomous entities, professionals, trading companies, SMBEs, enterprises, corporations), data on the progress of the Community that serve as support for its decisions.	Section "Dialogue with stakeholders" from Chapter 1, ABANCA Responsible (page 24) of the MCRS2020. Section "Culture and Change Management" from Chapter 6, Responsible Professionals (page 98) of the MCRS2020. Sections "Quality) (page 80), "Customer experience" (page 84), "Claims management" (page 86) and "Responsible purchasing" (page 88) from Chapter 4, Business Model of the MCRS2020. Section "Partnerships for achieving objectives" from Chapter 1, ABANCA Responsible (page 17) of the MCRS2020. Section "ABANCA in the face of COVID" from Chapter 6, Our Commitments (page 109) of the MCRS2020.

Reporting and Self-Assessment Requirements	High-level summary of ABANCA 's response	Reference(s)/ Link(s)to bank's full response/ relevant information
Principle 5: Governance and Culture. **We will implement our commitment to these Principles through effective governance and a culture of responsible banking.**		
5.1 Describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.	The Board of Directors is the owner of the ABANCA Sustainability Policy and is responsible for its approval. The General Office of Corporate Social Responsibility and Communication has the function of implementing the strategy for social responsibility and executing the action plans on the subject agreed by the governing bodies.	Section "Principles of Responsible Banking" from Chapter 1, ABANCA Responsible (page 18) of the MCRS2020. Section "Good Governance" from Chapter 2, Governing Bodies (page 40) of the MCRS2020.
5.2 Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.	It is guaranteed that employees know the policies, standards and procedures that sustain ABANCA's activity and that ensure the development of responsible behaviours throughout or scope of action.	Section "Good Governance" from Chapter 2, Governing Bodies (page 40) of the MCRS2020.
5.3 Governance Structure for Implementation of the Principles Show that your bank has a governance structure in place for the implementation of the PRB, including: a. target-setting and actions to achieve targets set b. remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.	The ABANCA Sustainability Department, transversal throughout the organisation and part of the Sustainability Programme created after signing the PRB, is responsible for implementing the Principles, the establishment of objectives in this scope, and their tracking. ABANCA has a Sustainability Committee, with participation of the CEO and the President, with the function of proposing the measures for managing and controlling social responsibility, selecting and reviewing the key performance indicators, and reviewing and approving the corporate responsibility programmes to the corresponding governing bodies and to the Executive Committee. And from here come the actions that require approval by the Board of Directors.	Section "Principles of Responsible Banking" from Chapter 1, ABANCA Responsible (page 18) of the MCRS2020.

Please provide your bank's conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.

The ABANCA governance structure favours the proper implementation of the Principles of Responsible Banking.

Reporting and Self-Assessment Requirements	High-level summary of ABANCA 's response	Reference(s)/ Link(s)to bank's full response/ relevant information
Principle 6: Transparency and Accountability We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.		
6.1 Progress on Implementing the Principles for Responsible Banking Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).	• Corporate framework for a growing responsible and sustainable banking model: ABANCA has a corporate framework of policies and practices that promote responsible conduct, encourage sustainable practices and permit sustainable economic activities. • The SDGs with greatest impact for the entity have been identified, and the progress indicators analysed. • We have signed different initiatives to integrate national and international best practices into our action plan, about which we report our activity and progress on those commitments:	Section "Contribution to SDGs" from Chapter 1, ABANCA Responsible (page 11) of the MCRS2020.
Show that your bank has considered existing and emerging international/ regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.	ABANCA, since its constitution, has been a member of the Global Pact Spanish Network. Since 2019, the organisation has been a member of the Global Pact Spanish Network and reports its actions and progress on the 10 principles in the Annual Progress Report. It has also signed the Collective Climate Action Commitment, thus taking on a commitment to align its portfolio with the climate objectives in the Paris Accord. In September 2020, on account of the first anniversary of its signing, we published our first report on Climate Action to report the annual progress of measures related to the commitments undertaken.	Section "Report on Climate Action" from Chapter 1, ABANCA Responsible (page 21) of the MCRS2020.
Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/ regional good practices and has made progress on its implementation of these Principles.	As a signatory of the UNEP FI Principles of Responsible Investment, we have incorporated [these] into the process of analysing and investing with our Socially Responsible Investment products, [combining] financial criteria with ESG criteria when it comes to selecting the assets to invest in.	Section "Socially Responsible Investment" from Chapter 4, Business Model (page 75) of the MCRS2020.
	In the 2020 Corporate Social Responsibility Report, information is provided about the implementation of the PRB and the progress on their implementation.	Section "Good Governance" from Chapter 2, Governing Bodies (page 40) of the MCRS2020.
	In preparing this Report, ABANCA took into account the criteria of the Global Reporting Initiative Sustainability Reporting Standards (GRI) and offers the information stipulated by Law 11/2018 on the disclosure of non-financial information.	Chapter "Our Commitments" (page 108) of the MCRS2020 Section "GRI Table" (page 204) and "EINF Table" (page 214) from the Appendix to the MCRS2020.
	The report has been independently verified by KPMG Asesores SL.	Section "Verification Report" (page 227) from the Appendix to the MCRS2020.

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking.

Through the annual Corporate Social Responsibility Report, verified by an external auditor, we report on our progress related to responsible banking.

KPMG Asesores, S.L.
Pº de la Castellana, 259 C
28046 Madrid

Independent Assurance Report on Corporate and Social Responsibility Report of Abanca Corporación Bancaria, S.A. and subsidiaries for the year 2020

(Free translation from the original in Spanish.
In case of discrepancy, the Spanish language version prevails.)

To the shareholders of Abanca Corporación Bancaria, S.A.:

We have been engaged by Abanca Corporación Bancaria, S.A. management to perform a limited assurance review of the accompanying Memory on Corporate and Social Responsibility for the year ended 31 December 2020 of Abanca Corporación Bancaria, S.A (hereinafter, the Parent Company) and subsidiaries (hereinafter, the Group), prepared in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards),in its comprehensive option, and with the Sector Supplement "Financial Services" (hereinafter, the Report).

In addition, pursuant to article 49 of the Spanish Code of Commerce, we have performed a limited assurance review to verify that the Consolidated Non-Financial Information Statement (hereinafter NFIS) for the year ended 31 December 2020, of the Group, included in the Report which forms part of the Group's 2020 consolidated Directors' Report, has been prepared in accordance with the contents required by prevailing mercantile legislation.

The Report includes additional information to that required by GRI standards in its comprehensive option and prevailing mercantile legislation governing non-financial information that has not been the subject of our assurance engagement. In this regard, our work was limited only to providing assurance on the information contained in the "GRI Content Index" and the "Contents required by Law 11/2018" of the accompanying Report.

Director ´s responsibilities

Management of the Parent Company is responsible for the preparation and presentation of the Report in accordance with the GRI Standards in its comprehensive option, in accordance with each subject area in the "GRI Content Index" of the aforementioned Report.

The Board of Directors of the Parent Company is responsible for the contents and the authorization for issue of the NFIS which has been prepared in accordance with the contents required by prevailing mercantile legislation and GRI Standards, in its comprehensive option, in accordance with each subject area in the "Contents required by Law 11/2018" of the aforementioned Report.

This responsibility also encompasses the design, implementation and maintenance of internal control deemed necessary to ensure that the Report is free from material misstatement, whether due to fraud or error.

The directors of the Parent Company are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for preparing the Report was obtained.

Our Independence and quality control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including international independence standards) issued by the Internal Ethics Standards Board for Accountants (IESBA), which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team was comprised of professionals specialised in reviews of non-financial information and, specifically, in information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed.

We conducted our review engagement in accordance with International Standard on Assurance Engagements, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000 (Revised), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the Performance Guide on assurance engagements on the Non-Financial Information Statement issued by the Spanish Institute of Registered Auditors (ICJCE).

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently, the level of assurance provided is also lower.

Our work consisted of making inquiries of management, as well as of the different units of the Parent Company that participated in the preparation of the Report, in the review of the processes for compiling and validating the information presented in the Report and in the application of certain analytical procedures and sample review testing described below:

- Meetings with the Parent Company personnel to gain an understanding of the business model, policies and management approaches applied, the principal risks related to these questions and to obtain the information necessary for the external review.
- Analysis of the scope, relevance and completeness of the content of the Report based on the materiality analysis performed by the Parent Company and described in the section "Materiality analysis" considering the content required by prevailing mercantile legislation.
- Analysis of the processes for compiling and validating the data presented in the Report for 2020.

- Review of the information relating to the risks, policies and management approaches applied in relation to the material aspects presented in the Report for 2020.
- Corroboration, through sample testing, of the information relative to the content of the Report for 2020 and whether it has been adequately compiled based on data provided by information sources.
- Procurement of a representation letter from the Directors and management.

Conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that:

a.) The Memory on Corporate and Social Responsibility of Abanca Corporación Bancaria, S.A. and subsidiaries for the year ended 31 December 2020 has not been prepared, in all material respects, in accordance with the GRI Standards, in its comprehensive option, and the Sectorial Supplement "Financial Services", as described in point 102-54 of the GRI content index.

b.) The NFIS of Abanca Corporación Bancaria, S.A. and subsidiaries for the year ended 31 December 2020 has not been prepared, in all material respects, in accordance with the contents included in prevailing mercantile legislation and with the GRI Standards, in its comprehensive option, in accordance with each subject area in the "Contents required by Law 11/2018" of the Report.

Use and distribution

In accordance with the terms of our engagement, this Independent Assurance Report has been prepared for Abanca Corporación Bancaria, S.A. in relation to its Memory on Corporate and Social Responsibility and for no other purpose or in any other context.

In relation to the Consolidated NFIS, this report has been prepared in response to the requirement established in prevailing mercantile legislation in Spain, and thus may not be suitable for other purposes and jurisdictions.

KPMG Asesores, S.L.

(Signed on original in Spanish)

Patricia Reverter Guillot

26 de marzo de 2021

An ABANCA edition

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