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

(Together with the consolidated financial statements and consolidated directors' report of ABANCA Corporación Bancaria, S.A. and subsidiaries for the year ended 31 December 2021)

(Free 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

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

Independent Auditor's Report on the Consolidated Financial Statements

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 2021, the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of total changes in equity and the 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 2021 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.

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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 customers 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 customers, classified as financial assets at amortised cost, reflects a net balance of Euros 45,982,385 thousand at 31 December 2021, while allowances and provisions recognised at that date for impairment total Euros 849,170 thousand. For the purposes of estimating impairment, financial assets measured at amortised cost 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 allowances and provisions for credit risk varies depending on the category in which the financial asset has been included. 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 allowances and provisions consider estimates of future business performance and the market value of collateral provided for credit transactions. In the case of collective allowances and 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.	Our audit approach in relation to the Group's estimate of impairment of loans and advances to customers 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 specialists in credit risk and real estate valuation. Our procedures related to the control environment focused on the following key areas: – Identifying the credit risk management framework and assessing its alignment with the applicable accounting regulations. – Evaluating whether the loans and advances to customers portfolio has been appropriately classified based on the associated credit risk in accordance with the criteria defined by the Group, including an assessment of the criteria established for identifying and classifying refinancing and restructuring transactions. – Assessing the relevant controls relating to the information available for the monitoring of transactions. – Evaluating the relevant controls over the management and measurement of collateral and guarantees. – Evaluating the relevant controls in relation to internal models for estimating allowances and provisions for expected losses. – Evaluating the integrity, accuracy and updating of the data used and of the control and management process in place.

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Impairment of the loans and advances to customers portfolio

See notes 2.10 and 10 to the consolidated financial statements

Key audit matter	*How the matter was addressed in our audit*
The COVID-19 pandemic continues to affect the economy and business activities in the areas where the Group operates. To mitigate the impacts of COVID-19, during 2021 the Spanish government continued to launch 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 2021 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. Therefore, at 31 December 2021 the Group has recognised the adverse effects of the COVID-19 pandemic on the allowances and provisions for impairment of financial assets 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 that may not be identified in the general process. 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 customers 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 customers portfolio included the following: – With regard to the impairment of individually significant transactions, we evaluated the suitability of the discounted cash flows models used by the Bank 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 allowances and provisions estimated collectively, we evaluated the methodology used by the Group, assessed the integrity and accuracy of the input data for the process, and determined whether the calculation engine is functioning correctly by replicating the calculation process for a sample of contracts, considering the segmentation and assumptions used by the Group. – We evaluated the methods and assumptions used to estimate exposure at default, probability of default and loss given default. – In carrying out our audit procedures, we took into consideration the impacts of COVID-19 and the government aid in the parameters used to calculate the expected losses, analysing the reasonableness of the macroeconomic scenarios included in the estimation. In addition, we assessed the estimate of the additional adjustments to the expected losses not identified in the general process. – 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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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 2021, the Group held deferred tax assets on the balance sheet amounting to Euros 3,482,021 thousand, of which the recovery of Euros 796,547 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 its ability to recover 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 Bank 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 forecast profit 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's operations are based on a complex technological environment that is constantly evolving, and which must reliably and efficiently meet business requirements and ensure that the financial information is processed correctly. In this environment, it is essential to ensure appropriate management of technological risks that could impact on information systems in key areas such as data and program security, systems operations, and development and maintenance of the applications and IT systems used to prepare the financial information. We have therefore considered this a key audit matter.	With the help of our information systems specialists, we performed tests relating to internal control over the processes and systems involved in generating the financial information, in the following areas: – Understanding of the information flows and identification of the key controls that ensure the appropriate processing of the financial information. – Testing of the key automated processes that are involved in generating the financial information. – Testing of the controls over the applications and systems related to accessing and processing the information and those related to the security settings of those applications and systems. – Testing of the controls over the operation, maintenance and development of applications and systems.

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Business combinations
See note 5 to the consolidated financial statements

Key audit matter	How the matter was addressed in our audit
On 28 January 2021 all of the required conditions precedent were met for the Bank to acquire Bankoa, S.A. Subsequently, the merger by absorption of Bankoa, S.A. (the absorbed entity) into the Bank (the absorbing entity) was approved and filed at the Mercantile Registry on 12 November 2021. Furthermore, on 30 November 2021 all of the required conditions precedent were met for the Bank to acquire a significant part of the business of the Spanish branch of the Portuguese bank, Novo Bank, S.A. Pursuant to IFRS 3, the Group has recognised the identifiable assets acquired and liabilities assumed at their fair value at the acquisition date in accordance with the allocation of the price paid in the business combination (PPA - purchase price allocation). This allocation was carried out based on management's estimates, with the collaboration of independent experts. After adjusting the identifiable assets acquired and liabilities assumed to their fair value, the carrying amount identified for the two business combinations exceeded the consideration given. Therefore, in accordance with accounting standards, the Group has recognised this difference as income of Euros 205,968 thousand under "Negative goodwill recognised in profit or loss" in the consolidated income statement for 2021. This process of measuring the identifiable assets acquired and the liabilities assumed at their fair value is a complex one that requires judgement by management, and we have therefore considered it a key audit matter.	Our audit procedures mainly include the following: – Understanding of the methodology applied by management to identify and estimate the fair value of the identifiable assets acquired and liabilities assumed. – Procurement of the independent experts' reports on the identification and estimation of the fair value of the identifiable assets acquired and liabilities assumed. – Assessment, together with our valuation specialists, of the appropriateness of the methodology used by the Group and its independent experts, as well as the underlying assumptions and the mathematical accuracy in determining the fair values. In particular, we assessed the appropriateness of the purchase price allocation applied to the identifiable assets acquired and liabilities assumed. – Specific audit procedures to obtain sufficient audit evidence of the existence, completeness and accuracy of the most relevant balances on the balance sheets at the acquisition date. – Procurement of the sale-purchase deeds signed by the Bank and the sellers, wherein we considered the contractual terms relating to the aforementioned transactions, as well the existence of the pertinent administrative and regulatory authorisations. – Procurement of documentation supporting settlement of the transactions 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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Other Information: Consolidated Directors' Report

Other information solely comprises the 2021 consolidated directors' 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 directors' report. Our responsibility regarding the information contained in the consolidated directors' 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 directors' 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 directors' 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 directors' report is consistent with that disclosed in the consolidated financial statements for 2021, 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.

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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.

- 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.

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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 28 March 2022.

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

This report corresponds to stamp number 01/22/00029 issued by the Spanish Institute of Registered Auditors (ICJCE)

(Signed on original in Spanish)

On the Spanish Official Register of Auditors ("ROAC") with No. 1661

ABANCA Corporación Bancaria, S.A. and subsidiaries

Consolidated Financial Statements
31.12.21

Consolidated Directors' Report
Financial year 2021

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

ABANCA CORPORACIÓN BANCARIA, S.A. GROUP

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2021 AND 2020
(Thousands of euro)

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

ASSETS	Note	2021	2020 (*)
Cash, cash balances with central banks and other demand deposits	6	**12.461.399**	**7.155.805**
Financial assets held for trading			
Derivatives	11	139.370	142.507
Debt securities	8	-	20.981
		139.370	**163.488**
Non-trading financial assets mandatorily at fair value through profit or loss			
Equity instruments	9	144.793	201.223
Debt securities	8	1.037	27.475
Loans and advances			
Customers	10	-	-
		145.830	**228.698**
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	15.793	23.688
Debt securities	8	5.420.664	6.423.242
		5.436.457	**6.446.930**
Financial assets at amortised cost			
Debt securities	8	8.138.342	6.915.296
Loans and advances			
Credit institutions	7	986.621	417.677
Customers	10	45.982.385	39.100.191
		55.107.348	**46.433.164**
Derivatives - hedge accounting	11	**69.024**	**10.298**
Investments in joint ventures and associates	13		
Associates		156.235	143.738
		156.235	**143.738**
Assets covered by insurance or reinsurance contracts	29	**5.356**	**4.535**
Tangible assets	14		
Property, plant and equipment			
For own use		977.087	929.352
Leased out under operating leases		-	-
Investment property		243.328	280.458
		1.220.415	**1.209.810**
Intangible assets	15		
Goodwill		61.732	116.320
Other intangible assets		400.184	401.922
		461.916	**518.242**
Tax assets	28		
Current tax assets		29.807	40.377
Deferred tax assets		3.482.021	3.435.356
		3.511.828	**3.475.733**
Other assets			
Insurance contracts linked to pensions	23	160.743	145.586
Inventories	16	63.814	63.480
Other assets	17	180.876	141.098
		405.433	**350.164**
Non-current assets and disposal groups classified as held for sale	12.1	**1.376.302**	**1.276.843**
TOTAL ASSETS		80.496.913	67.417.448
MEMORANDUM ITEM: OFF-BALANCE SHEET EXPOSURES	30		
Loan commitments granted		10.798.389	9.563.391
Financial guarantees granted		1.096.905	487.874
Other commitments granted		1.884.240	1.271.400

EQUITY AND LIABILITIES	Note	2021	2020 (*)
Financial liabilities held for trading			
Derivatives	11	141.302	143.913
		141.302	**143.913**
Financial liabilities at amortised cost			
Deposits			
Central banks	18	9.765.781	8.606.725
Credit institutions	18	5.536.412	2.411.593
Customers	19	54.255.832	46.392.761
Debt securities issued	20	2.557.566	1.708.276
Other financial liabilities	22	312.087	288.793
Memorandum item: subordinated liabilities	21	*1.303.786*	*928.992*
		72.427.678	**59.408.148**
Derivatives - hedge accounting	11	**298.581**	**290.318**
Liabilities covered by insurance or reinsurance contracts	29	**1.472.238**	**1.524.048**
Provisions	23		
Pensions and other post-employment defined benefit obligations		276.155	204.274
Outstanding tax-related legal proceedings and litigation		20.976	18.356
Commitments and guarantees given		97.887	65.437
Other provisions		23.868	30.184
		418.886	**318.251**
Tax liabilities	28		
Current tax liabilities		44.250	37.771
Deferred tax liabilities		170.977	203.269
		215.227	**241.040**
Other liabilities	24	**277.170**	**288.613**
Liabilities included in disposal groups classified as held for sale	12.2	**726.602**	**626.627**
TOTAL LIABILITIES		75.977.684	62.840.958
EQUITY			
Shareholders' Equity			
Capital			
Paid-up capital	27	2.476.209	2.476.209
Share premium	27	208.791	208.791
Equity instruments issued other than capital	27		
Other equity instruments		-	-
Retained earnings	27	1.831.368	1.708.683
Other reserves	27		
Reserves or accumulated losses of investments in joint ventures and associates		22.918	5.066
Other		(91.220)	(33.533)
(-) Treasury shares		(17.395)	(17.187)
Profit attributable to the owners of the parent		323.310	160.096
(-) Interim dividend	3	(66.671)	-
		4.687.310	**4.508.125**
Accumulated other comprehensive income			
Items that will not be reclassified to profit or loss	26		
Actuarial gains or losses on defined benefit pension plans		(12.917)	(12.478)
Fair value changes of equity instruments measured at fair value through other comprehensive income		1.291	3.043
Items that may be reclassified to profit or loss	26		
Foreign currency translation		2.444	1.356
Hedging derivatives. Cash flow hedges reserve (effective portion)		(202.368)	(22.310)
Fair value changes of debt securities measured at fair value through other comprehensive income		56.748	116.367
Share of other recognised income and expense of investments in joint ventures and associates		(7.460)	(10.556)
		(162.262)	**75.422**
Minority interests (non-controlling interests)	25		
Accumulated other comprehensive income		(507)	(447)
Other items		(5.312)	(6.610)
		(5.819)	**(7.057)**
TOTAL EQUITY		4.519.229	4.576.490
TOTAL EQUITY AND LIABILITIES		80.496.913	67.417.448

(*) Presented solely for the purposes of comparison. See Note 1.2.

Notes 1 to 54 and Appendices I to IV form an integral part of the consolidated financial statements of 2021.

ABANCA CORPORACIÓN BANCARIA, S.A. GROUP

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS FOR THE ANNUAL PERIODS ENDED 31 DECEMBER 2021 AND 2020

(Thousands of euro)

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

		Income / (Expenses)	
	Note	2021	2020 (*)
Interest income	31	793.643	798.953
Financial assets at fair value through other comprehensive income		52.284	44.248
Financial assets at amortised cost		677.479	710.536
Other of interest income		63.880	44.169
Interest expense	32	(119.495)	(155.993)
NET INTEREST INCOME		674.148	642.960
Dividend income	33	5.714	4.987
Share of profit or loss of equity-accounted investees	34	(1.661)	(11.597)
Fee and commission income	35	306.001	268.109
Fee and commission expense	36	(48.476)	(33.922)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	37	106.111	213.010
Financial assets at amortised cost		8.975	161.507
Other financial assets and liabilities		97.136	51.503
Gains or losses on financial assets and liabilities held for trading, net	37	12.067	8.506
Other gains or losses		12.067	8.506
Gains or losses on non-trading financial assets mandatorily measured at fair value through profit or loss, net	37	17.712	12.594
Other gains or losses		17.712	12.594
Gains or losses from hedge accounting, net	37	(17.578)	3.384
Exchange differences, net		9.163	9.766
Other operating income	38	81.096	76.217
Other operating expenses	41	(127.360)	(122.287)
Income from assets covered by insurance or reinsurance contracts	38	111.612	106.868
Expenses from liabilities covered by insurance or reinsurance contracts	41	(76.233)	(74.645)
GROSS MARGIN		1.052.316	1.103.950
Administrative expenses		(616.637)	(601.339)
Personnel expenses	39	(375.655)	(379.296)
Other administrative expenses	40	(240.982)	(222.043)
Depreciation and amortisation	14 and 15	(92.818)	(94.990)
Provisions or reversals of provisions	23	(94.013)	38.190
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss		(64.250)	(233.281)
Financial assets at fair value through other comprehensive income		88	209
Financial assets at amortised cost	10	(64.338)	(233.490)
NET OPERATING INCOME		184.598	212.530
Impairment or reversal of impairment on investments in joint ventures or associates	13	-	(4)
Impairment or reversal of impairment on non-financial assets		(28.458)	(24.605)
Tangible assets	14	(13.217)	(21.605)
Intangible assets		(15.161)	(3.000)
Other		(80)	-
Gains or losses on derecognition of non-financial assets, net	42	(53)	582
Negative goodwill recognised in profit or loss	5	205.892	-
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	12	8.411	5.655
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS		370.390	194.158
Tax expense or income related to profit or loss from continuing operations	28	(34.250)	(33.585)
PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS		336.140	160.573
Profit or loss after tax from discontinued operations		(15.568)	(1.762)
PROFIT FOR THE YEAR		320.572	158.811
Attributable to minority interests (non-controlling interests)	25	(2.738)	(1.285)
Attributable to the owners of the parent		323.310	160.096

(*) Presented solely for the purposes of comparison. See Note 1.2.

Notes 1 to 54 and Appendices I to IV form an integral part of the consolidated financial statements of 2021.

ABANCA CORPORACIÓN BANCARIA, S.A. GROUP

(CONSOLIDATED) STATEMENTS OF COMPREHENSIVE INCOME FOR THE ANNUAL PERIODS ENDED 31 DECEMBER 2021 AND 2020

(Thousands of euro)

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

	2021	2020 (*)
PROFIT FOR THE YEAR	320.572	158.811
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss	(2.191)	7.530
Actuarial gains or (-) losses on defined benefit pension plans	(627)	11.567
Fair value changes of equity instruments measured at fair value through other comprehensive income	(2.503)	(810)
Income tax on items that will not be reclassified	939	(3.227)
Items that may be reclassified to profit or loss	(235.493)	32.515
Foreign currency translation	1.554	1.907
Exchange gains or (-) losses recognised in equity	1.554	1.907
Cash flow hedges (effective portion)	(257.226)	(49.213)
Valuation gains or (-) losses recognised in equity	(257.226)	(49.213)
Debt securities at fair value through other comprehensive income	(85.170)	108.360
Valuation gains or (-) losses recognised in equity	11.966	157.531
Transferred to profit or loss	(97.136)	(49.171)
Share of other recognised income and expenses of investments in joint ventures and associates	4.423	(14.604)
Income tax on items that may be reclassified to profit or loss	100.926	(13.935)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	82.888	198.856
Attributable to minority interests (non-controlling interests)	(2.738)	(1.285)
Attributable to the owners of the parent	85.626	200.141

(*) Presented solely for the purposes of comparison. See Note 1.2.

Notes 1 to 54 and Appendices I to IV form an integral part of the consolidated financial statements of 2021.

ABANCA CORPORACIÓN BANCARIA, S.A. GROUP

CONSOLIDATED STATEMENTS OF TOTAL CHANGES IN EQUITY FOR THE ANNUAL PERIODS ENDED 31 DECEMBER 2021 AND 2020 (*)

(Thousands of euro)

(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 as 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 (see Note 2.24)	-	-	-	-	-	-	-	-	-	-	-	-
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 items	-	-	-	231.296	(1.185)	-	(405.020)	174.910	-	-	-	1
Treasury shares purchase	-	-	-	-	-	(183)	-	-	-	-	-	(183)
Treasury shares sold or cancelled	-	-	-	-	-	213.213	-	-	-	-	-	
Share-based payments	-	-	-	-	-	324	-	-	-	-	-	
Dividends (or shareholders' remuneration)	-	-	-	-	-	-	-	(14.158)	-	-	-	
Other increases or (-) decreases in equity	-	-	-	(42.350)	25.677	-	-	-	-	(420)	(6.487)	(23.580)
Balance as 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
Effects of correction of errors	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance	2.476.209	208.791	-	1.708.683	(28.467)	(17.187)	160.096	-	75.422	(447)	(6.610)	4.576.490
Total comprehensive income for the year	-	-	-	-	-	-	323.310	-	(237.684)	(60)	(2.678)	82.888
Other changes in equity	-	-	-	122.685	(39.835)	(208)	(160.096)	(66.671)	-	-	3.976	(140.149)
Common shares issued	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-
Other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity items	-	-	-	143.928	(11.597)	-	(132.331)	-	-	-	-	-
Treasury shares purchase	-	-	-	-	-	(854)	-	-	-	-	-	(854)
Treasury shares sold or cancelled	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	489	-	-	-	-	-	489
Dividends (or shareholders' remuneration)	-	-	-	-	-	-	(27.765)	(66.671)	-	-	-	(94.436)
Other increases or (-) decreases in equity	-	-	-	(21.243)	(28.238)	157	-	-	-	-	3.976	(45.348)
Balance as at 31 December 2021	2.476.209	208.791	-	1.831.368	(68.302)	(17.395)	323.310	(66.671)	(162.262)	(507)	(5.312)	4.519.229

(*) Presented solely for the purposes of comparison. See Note 1.2.

Notes 1 to 54 and Appendices I to IV form an integral part of the consolidated financial statements of 2021.

ABANCA CORPORACIÓN BANCARIA, S.A. GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE ANNUAL PERIODS ENDED 31 DECEMBER 2021 AND 2020

(Thousands of euro)

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

	2021	2020 (*)
A) CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	4.718.458	4.364.238
1. Profit for the period	320.572	158.811
2. Adjustments for determining cash flows from operating activities	78.802	25.909
(+) Depreciation and amortisation	92.818	94.990
(+/-) Other adjustments	(14.016)	(69.081)
3. Net increase/(decrease) in operating assets	(6.924.565)	(3.662.311)
(+/-) Financial assets held for trading	25.008	39.673
(+/-) Non-trading financial assets mandatorily at fair value through profit or loss	87.823	114.959
(+/-) Financial assets designated at fair value through profit or loss	-	-
(+/-) Financial assets at fair value through other comprehensive income	1.005.154	(1.323.210)
(+/-) Financial assets at amortised cost	(8.031.790)	(2.595.732)
(+/-) Other operating assets	(10.760)	101.999
4. Net increase/(decrease) in operating liabilities	11.315.199	7.794.807
(+/-) Financial liabilities held for trading	(2.611)	27.369
(+/-) Financial liabilities designated at fair value through profit or loss	-	-
(+/-) Financial liabilities at amortised cost	11.360.475	7.657.626
(+/-) Other operating liabilities	(42.665)	109.812
5. Income tax receipts/(payments)	(71.550)	47.022
B) CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	(152.131)	(58.284)
1. Payments:	(232.064)	(173.409)
(-) Tangible assets	(44.411)	(60.229)
(-) Intangible assets	(31.956)	(36.556)
(-) Investments in joint ventures and associates	(9.733)	(12.200)
(-) Subsidiaries and other business units	(130.140)	-
(-) Non-current assets and liabilities classified as held for sale	(15.824)	(64.424)
(-) Other payments related to investing activities	-	-
2. Receipts:	79.933	115.125
(+) Tangible assets	19.227	3.108
(+) Intangible assets	-	-
(+) Investments in joint ventures and associates	-	308
(+) Subsidiaries and other business units	-	48.939
(+) Non-current assets and liabilities classified as held for sale	57.924	62.770
(+) Other receipts related to investing activities	2.782	-
C) CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	739.267	(35.393)
1. Payments:	(135.733)	(35.393)
(-) Dividends	(94.436)	(14.158)
(-) Subordinated liabilities	(1.200)	(2.302)
(-) Redemption of own equity instruments	(206)	-
(-) Acquisition of own equity instruments	-	(183)
(-) Other payments related to financing activities	(39.891)	(18.750)
2. Receipts:	875.000	-
(+) Subordinated liabilities	375.000	-
(+) Issuance of own equity instruments	-	-
(+) Disposal of own equity instruments	-	-
(+) Other receipts related to financing activities	500.000	-
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS	-	-
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	5.305.594	4.270.561
F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	7.155.805	2.885.244
G) CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (E+F)	12.461.399	7.155.805

COMPOSITION OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	2021	2020 (*)
(+) Cash	180.734	179.280
(+) Cash equivalent balances with central banks	12.093.324	6.665.907
(+) Other financial assets	187.341	310.618
(-) Less: bank overdrafts repayable on demand	-	-
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12.461.399	7.155.805

(*) Presented solely for the purposes of comparison. See Note 1.2.

Notes 1 to 54 and Appendices I to IV form an integral part of the consolidated financial statements of 2021.

ABANCA Corporación Bancaria, S.A. Group

(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, transactions and services befitting the banking business in general or directly or indirectly related thereto and which are permitted pursuant to 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 transferable 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 to that time by the entity resulting from the 2010 merger of Caixa de Aforros de Vigo, Ourense e Pontevedra and Caja de Ahorros de Galicia (hereinafter "Novacaixagalicia").

On 25 June 2014, the transfer of shares to the Spanish company Banesco Holding Financiero 2, S.L.U. (subsequently named ABANCA Holding Financiero, S.A) was completed, according to the FROB Governing Committee's resolution dated 18 December 2013 by which it was awarded 88.33% of the Bank pursuant to the competitive process for the sale of the Bank.

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

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

Dated 9 June 2019, once the conditions precedent were met and the applicable authorisations from the regulatory authorities were received, the purchase was formally completed; accordingly, that date was taken as the acquisition date for accounting purposes.

The Annual General Meeting of Shareholders of ABANCA, held on 10 June 2019, approved the take-over merger by absorption between ABANCA Holding Financiero, S.A. (absorbed company) and ABANCA Corporación Bancaria, S.A. (absorbing company), in which the former will be wound up and its assets and liabilities transferred *en bloc* to the latter, as universal successor. Once the conditions precedent provided for in the agreement were met and the applicable authorisations received, the merger was filed and registered in the Register of Companies on 18 February 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 merger project. 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). In such process, Banco Caixa Geral, S.A. was wound up and dissolved without going into liquidation, and all of its assets and liabilities were transferred *en bloc* to ABANCA Corporación Bancaria, S.A. as universal successor. On 9 December 2019, both General Meetings of Shareholders of both ABANCA and Banco Caixa Geral approved the merger of both entities. Once the conditions precedent provided for in the agreement were met and the applicable authorisations were received, the merger was filed and registered in the Register of Companies on 13 March 2020.

On 28 January 2021, once the required regulatory authorisations were received, ABANCA formalised the acquisition of Bankoa, S.A. (hereinafter, Bankoa), thereby strengthening its presence in Northern Spain, priority area in the Strategic Plan. The acquired business comprises 30 branches and 3 corporate branches located, mainly, in the Basque Country, but also in Navarre, La Rioja and Madrid, serving over 40,000 individuals and corporate customers. At the close of December 2020, Bankoa's lending portfolio amounted to €1,780 million, while its deposits amounted to €1,579 million and off-balance sheet items amounted to €1,067 million.

As part of this transaction, ABANCA and Crédit Agricole (former majority shareholder in Bankoa) reached an international commercial partnership agreement whereby each entity will become the preferred reference partner of the other in those countries where only one of them operates; therefore, Bankoa customers will also benefit from this agreement.

Dated 23 April 2021, the Board of Directors of Bankoa approved the common draft terms of merger, and dated 26 April 2021, the Board of Directors of ABANCA approved the common draft terms of merger. The merger was completed through the absorption of Bankoa (the absorbed entity) by ABANCA Corporación Bancaria, S.A. (the absorbing entity); Bankoa was wound up and dissolved without liquidation, and all of its assets and liabilities were transferred *en bloc* to ABANCA Corporación Bancaria, S.A. as universal successor. These agreements were approved in the General Meeting of Bankoa on 11 June 2021, although the final approval thereof by the General Meeting of ABANCA was not required. Once the conditions precedent provided for in the agreement were met and the applicable authorisations were received, the merger was filed and registered in the Register of Companies on 12 November 2021.

On 5 April 2021, the purchase of a significant portion of the business of the Portuguese bank Novo Banco, S.A. network in Spain was announced. Following this transaction, ABANCA has strengthened its position in the areas of personal and private banking and corporate banking, in addition to providing growth potential in lines such as insurance activity.

The acquired business contributes a business volume of €4,287 million, managed by 172 employees and a network of 102 specialised financial agents in 10 branches located in urban areas.

On 30 November 2021, once the required authorisations were received, ABANCA and Novo Banco closed the purchase and sale of a significant portion of the business of the Portuguese bank's branch in Spain. The transaction will be completed with the technological incorporation process, which is expected to be completed in the last quarter of 2022.

As at 31 December 2021, the Bank, for the development of its business, has 437 operating branches in the Autonomous Region of Galicia (477 as at 31 December 2020); 197 branches in the rest of Spain (175 as at 31 December 2020); 44 in Portugal (44 as at 31 December 2020); 1 in Switzerland (1 as at 31 December 2020), and 1 in the United States (1 as at 31 December 2020), as well as representative offices in Mexico, Panama, Venezuela, Switzerland, Germany, United Kingdom, France and Brazil.

Additionally, the Bank owns equity interests in several companies (subsidiaries and associates) that develop industrial and commercial activities. These subsidiaries, together with the Bank, constitute ABANCA Corporación Bancaria Group (hereinafter, the "Group" or "ABANCA Group"). As a result, the Bank is required to prepare and file in the Register of Companies in A Coruña 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 laws regulating their activity. The Bank is a member of the Deposits Guarantee Fund.

The registered office of the Entity is in Betanzos, A Coruña, at no. 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 consolidated financial statements of the Group for 2021 were authorised for issue by the Board of Directors of the Bank on 28 March 2022, in accordance with the financial reporting framework applicable to the Group, as set out in the Spanish Code of Commerce and related commercial 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 Circular 4/2017 of the Banco de España, of 27 November, as amended (hereinafter Circular 4/2017), and other mandatory regulations approved by the Banco de España, so that consolidated financial statements fairly present the Group's equity and financial position as at 31 December 2021 and the consolidated results of its transactions and consolidated cash flows for the annual period then ended.

The consolidated financial statements of 2021 are currently pending approval by the General Meeting of Shareholders. However, the Board of Directors of the Bank considers that these consolidated financial statements will be approved with no changes. The Annual General Meeting of Shareholders held on 16 June 2021 approved the consolidated financial statements of ABANCA Corporación Bancaria, S.A. and subsidiaries for 2020.

The accompanying consolidated financial statements have been prepared based on 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 and 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 in the IFRS

a) Changes introduced in 2021

In 2021, the following amendments to the IFRS and to IFRS interpretations (hereinafter, "IFRIC") have become effective.

Amendments to the IFRS 4 Insurance contracts

The amendments to the IFRS 4 include the option for entities whose business model is predominantly insurance to defer until 1 January 2023 the temporary exemption from applying the IFRS 9, thereby aligning it with the entry into force of the IFRS 17 Insurance regulations. These amendments came into force as of 1 January 2021, although application thereof has had no impact whatsoever on the Group since the Bank does not intend to make use of that option.

Amendments to IFRS 16 - COVID-19-related rent concessions beyond 30 June 2021

These amendments aim to extend until 30 June 2022 the term during which lessees having received COVID-19 related rent concessions (such as grace periods or rent reductions) can apply the practical expedient, thereby permitting these rent concessions to be accounted for as if they were not lease modifications.

Amendments to the IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Ibor Reform

On 27 August 2020, the IASB issued the phase 2 of the reform of the Ibor benchmark interest rates that implied amendments to the IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 intended to ensure that financial statements reflect in the best possible manner the economic effects of this reform.

Those amendments revolve around the accounting treatment of financial instruments following the introduction of a new risk-free benchmark interest rate (Risk-Free Rate or "RFR"). The amendments introduced a practical simplification for the accounting treatment of changes in cash flows from financial instruments resulting directly from the Ibor reform and whether they occur on an "economically equivalent" basis, by updating the effective interest rate of the instrument. The amendments also introduce a series of exemptions to hedge accounting requirements in order not to trigger discontinuation of certain hedge relationships. However, similar to the amendments to phase 1 (that already came into force in 2020), phase 2 amendments include no exceptions to the measurement requirements applicable to hedged items and hedging instruments under the IFRS 9 or IAS 39. Once the new benchmark has been implemented, hedged items and hedging instruments shall be measured based on the new rate and any hedge ineffectiveness shall be stated in the profit and loss statement.

So that users of financial statements can understand the effect of the reform on companies' financial instruments and risk management strategy, additional information will be required; therefore, companies shall provide additional information about:

- The nature and scope of risks arising from financial instruments subject to Ibor reform to which companies are exposed and how they manage those risks; and

- Companies' progress in completing their transition to RFR and how they are managing that transition.

Lastly, it is important to note that a large communication and training campaign is being carried out aimed at both ABANCA Group personnel and customers so that the project is properly understood.

These amendments have been applied retroactively from 1 January 2021 and have not had any significant impact on the Group.

b) Standards and interpretations that have not yet come into force as at 31 December 2021

On the date of preparation of these consolidated financial statements, new International Financial Reporting Standards and interpretations had been published, which were not mandatory as at 31 December 2021. However, in certain cases, the IASB permits to apply the amendments prior to their effective date, although ABANCA Group has not applied these amendments in advance.

Amendments to IFRS 10 and IAS 28 – Transfers of assets in transactions with associates or joint ventures

When a parent entity loses control of a subsidiary in a transaction with an associate or joint venture, there is an inconsistency between consolidation and equity accounting.

Under the consolidation framework, the parent entity fully recognises the gain resulting from the loss of control. However, under the associates and joint ventures framework, the parent entity is only required to recognise the gain to the extent of the interest that unrelated investors hold in that associate or joint venture.

In any case, the loss shall be fully recognised when the underlying assets are impaired.

The effective date for these amendments has been postponed until a broader review is completed; the IASB expects that review to result in a simplification of the accounting treatment of those transactions and of other aspects of the accounting of associates and joint ventures.

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.

Entities 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, adjustments to reflect the temporary value of money and the financial risks related to the future cash flows, and risk adjustments for non-financial risks.

The contractual profit margin of the service that represents the unearned profit.

The entity shall disaggregate the amounts recognised in the statement of profit or loss into insurance revenues, expenses of providing insurance services, and revenues or expenses of financing. Insurance revenues and expenses of providing insurance services shall exclude any investment components. Insurance revenues 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 come into effect 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 or not. The right to defer settlement shall 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 shall be retrospectively effective for annual periods beginning on or after 1 January 2022, although early application is permitted.

Amendments to IAS 1 and IFRS 2 - Disclosure of accounting policies

In October 2018, the definition of materiality was refined to make it easier to understand and apply. The definition is now aligned with IFRS Standards and the Conceptual Framework.

The IASB has recently issued amendments to IAS 1 "Presentation of Financial Statements" and updated IFRS Practice Statement 2 "Making Materiality Judgements" to support entities in presenting useful disclosures about accounting policies.

Key amendments to IAS 1 include:

- To require entities to disclose their material accounting policy information rather than their significant accounting policies.

- To clarify that accounting policies that relate to immaterial transactions, other events or conditions are themselves immaterial and, as such, need not be disclosed; and

- To clarify that not all accounting policies that relate to material transactions, other events or conditions are themselves material to the financial statements of an entity.

Additionally, IFRS Practice Statement 2 was also amended to include guidance and two additional examples to demonstrate the application of materiality to accounting policy disclosures.

The amended definition of materiality supplements the non-mandatory IFRS Practice Statement 2 issued in 2017, describing a four-step process that preparers may use to make materiality judgements and includes guidance and examples of how to make materiality judgements when preparing their financial statements.

These amendments are consistent with the refined definition of materiality:

Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make based on those financial statements.

This standard is effective for annual periods beginning on or after 1 January 2023, although earlier application is permitted.

Amendments to IAS 8 - Definition of Accounting Estimates

Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" have been issued to clarify how companies should distinguish between changes in accounting policies and changes in accounting estimates, and they are mainly focused on the definition and clarification of accounting estimates.

The amendments introduce a new definition of accounting estimates to clarify that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.

The amendments also clarify how accounting policies and accounting estimates relate to each other by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy.

The development of an accounting estimate includes both:

- Selecting a measurement technique (estimation or valuation technique), for example: an estimation technique used to measure a preventive estimate for expected credit losses when applying IFRS 9 "Financial Instruments"; and

- Choosing the inputs that will be used when applying the selected measurement technique, for example: expected cash outflows for determining a provision for guarantee obligations when applying IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates. The definition of accounting policies remains unchanged.

This standard is effective for annual periods beginning on or after 1 January 2023, although earlier application is permitted.

1.2.2 Comparative information

The information for 2020 included herein is presented solely for the purposes of comparison with the information as at 31 December 2021 and, therefore, does not constitute the Group's consolidated financial statements for 2020.

As a result of the acquisitions referred to in Notes 1 and 5 of Bankoa, S.A. and of a portion of Novo Banco's business in Spain, dated 28 January 2021 and 30 November 2021, respectively, the comparative figures presented, mainly, on the balance sheet, the statement of profit and loss and the statement of cash flows, are not directly comparable with the relevant figures for 31 December 2021.

Furthermore, certain non material information relating to 2020 has been restated for consistency with respect to 2021.

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 2021 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 period and the determination of the Group's equity are sensitive to the accounting principles and policies, measurement criteria and estimates used in preparing the financial statements. In the consolidated financial statements, Senior Management of the Group, later ratified by the Board of Directors, used estimates to quantify certain assets, liabilities, income, expenses and commitments disclosed therein. These estimates basically refer to the following:

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

2. 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 and recoverable amounts of certain tangible and intangible assets (Notes 2.15 and 2.16)

4. Estimation of provisions and contingent liabilities, which were made under certain assumptions therein contained (see Note 23).

5. Measurement of intangible assets (see Note 15).

6. Estimation of provisions for the eventual effects that may arise from legal claims in relation to the management of hybrid instruments and subordinated debt, and from claims concerning the marketing of mortgage loans that included floor clauses (see Note 23).

7. The probability of certain losses that are inherent to the Group's activity (see Note 23).

8. Measurement of goodwill on consolidation.

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

10. Estimation of the fair value of the assets acquired and liabilities assumed in the business combinations (see Note 5).

11. Measurement of non-current assets and disposal groups classified as held for sale (Note 12)

12. Estimation of mathematical provisions for life insurance (see Note 29).

As stated in Notes 1.9 and 1.11, dated 11 March 2020, the World Health Organisation declared the status of pandemic for COVID-19, and on 24 February 2022, Russia launched a military invasion of Ukraine. The greater uncertainty associated with the unprecedented nature of the above-mentioned events implies a greater degree of complexity in the making of reliable estimates and judgements.

Although those estimates were based on the best information available at the end of 2021 and with regard to the events analysed, future events may require these estimates to be substantially increased or decreased in subsequent periods. In accordance with the existing regulations and standards, any effects of the changes in accounting estimates would be recognised prospectively in the corresponding consolidated statement of profit and loss of the affected periods.

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 2021 and 2020, 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 Circular 4/2010 of the Banco de España.

1.5. Equity investments in credit institutions

In compliance with the provisions of 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 2021 and 2020 reporting dates.

1.6. Environmental impact

Given that the activities of the Group companies have no significant environmental impact, the accompanying consolidated financial statements do not contain any disclosure of environmental-related matters. 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, Circular 2/2008 of the Banco de España, 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 Banco de España, 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 Circular 3/2008 of the Banco de España that go against the aforementioned European regulation were revoked as of 1 January 2014. Furthermore, Circular 2/2014 of the Banco de España 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, the Banco de España 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.

Circular 2/2016 of the Banco de España 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) of 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 included 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 do 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 this financial year 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. On 10 February 2022, the ECB announced that it sees no need to allow banks to operate below the level of capital defined by their P2G beyond December 2022.

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 was approved, 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 secured 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. On 10 February 2022, the ECB announced that this supervisory measure excluding certain exposures will no be extended beyond March 2022.

- 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 in 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 financial assets and liabilities 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 ABANCA for 2020 following the Supervisory Review and Evaluation Process (SREP). The prudential capital requirements of said decision have remained stable for 2021 and until 1 March 2022, although during that period Pillar 2 capital requirements (P2R) have been changed. Minimum capital requirements for 2021 and up to 1 March 2022 include "Pillar 1" (4.50% CET1 and 8.00% total capital), "Pillar 2" (0.98% CET1, 1.31% Tier 1, and 1.75% total capital) and the capital conservation buffer (2.50% CET1). Accordingly, ABANCA is required to maintain, during that period, 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).

As at 31 December 2021, CET1 Ratio (Common Equity Tier 1) stands at 13.02% (13.67% as at 31 December 2020), while the Bank's Total Capital Ratio under Regulation EU 575/2013 stands at 16.93% of risk weighted assets (16.68% as at 31 December 2020). As at 31 December 2021 the Bank has a CET1 surplus of €1,644,710 thousand and its Total Capital exceeds the ECB minimum requirements by €1,527,443 thousand (€1,699,899 thousand and €1,324,342 thousand, respectively, as at 31 December 2020). With respect to article 92 of Regulation (EU) No. 575/2013, the Group has a CET1 surplus of €2,781,983 thousand, while its Total Capital exceeds minimum regulatory requirements by €2,914,610 thousand (€2,741,996 thousand and €2,595,419 thousand, respectively, as at 31 December 2020) (see Note 27).

Furthermore, in February 2022, the European Central Bank (ECB) announced its decision regarding prudential capital requirements applicable to ABANCA from 1 March 2022, following the Supervisory Review and Evaluation Process (SREP). Additionally, this decision includes a recommendation or guidance for Pillar 2 (P2G). The aggregated requirement level and the Pillar 2 guidance (P2R + P2G) from the SREP decision have improved compared with the European Central Bank's previous decision.

The decision requires ABANCA to maintain, on a consolidated basis, a minimum phased-in tier one common equity capital (CET1) of 8.125% and minimum phased-in total capital ratio of 12.50% (7.98% and 12.25%, respectively, for 2021). These minimum capital requirements include "Pillar 1" (4.50% CET1 and 8.00% total capital), "Pillar 2" (1.125% CET1, 1.50% Tier 1, and 2.00% total capital) and the capital conservation buffer (2.50% CET1).

1.7.2. Minimum reserves ratio

As at 31 December 2021, as well as throughout 2021, ABANCA Group complied with the minimum ratio requirements of Regulation (EU) 2021/378 of the European Central Bank, of 22 January 2021.

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 2021 and 2020 totalled €56,344 thousand and €54,802 thousand, respectively, and are recognised under "Other operating expenses" in the accompanying consolidated statements of profit and 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 2021 an amount of €20,276 thousand was contributed to the Spanish resolution fund (Fund for Orderly Bank Restructuring, FROB). This contribution has been recognised under the item "Other operating expenses" in the accompanying consolidated statement of profit and loss (€16,038 thousand in 2020) (See Note 41).

1.9. Events after the reporting period

In January 2022, the Single Resolution Board (SRB) notified its decision on the minimum requirement for own funds and eligible liabilities ("MREL") that ABANCA Corporación Bancaria, S.A. must meet on a consolidated basis.

This decision establishes a binding interim requirement of 14.77% of total risk exposure amount ("TREA") and of 5.19% of leverage ratio exposure ("LRE"), to be met by 1 January 2022. The final MREL requirement, to be met by the Group no later than 1 January 2024, is 18.02% TREA and 5.19% LRE. These requirements do not include capital allocated to meet the Combined Buffer Requirement of 2.5% TREA.

The MREL decision is aligned to the Group's forecasts and finance plan included in its strategic plan.

After several years of increasing tension between Russia and Ukraine, on 24 February 2022, Russia launched a military invasion of Ukraine. In response to this military action, several countries have announced significant economic sanctions against Russia and an increasing number of large public and private corporations have announced voluntary measures to restrict trade operations with Russia. These measures include plans for the disposal of assets or discontinuation of operations in Russia, for reducing exports to or imports from Russia, and for suspending the provision of services to the Russian government and to Russian companies.

The conflict in Ukraine and the impacts thereof occur at a time of significant global uncertainty and economic volatility, and those impacts will likely interact and even worsen the impact arising from current market conditions. The outbreak of war entails a significant number of impacts on the economy, such as increased energy prices, disruption of trade relations, stock market volatility, supply chain disruptions, etc. ABANCA is currently assessing the eventual indirect impacts, which will depend on the duration of the conflict and on the impacts thereof, mainly on the prices of energy, certain commodities and supplies, as well as on the inflation rate and other macroeconomic variables.

ABANCA's direct exposure to the countries in conflict is minimal (approximately €25 million); consequently, no significant direct impacts are expected.

Apart from the disclosure referred in the foregoing paragraphs, between 31 December 2021 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, establishing 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 notes relating to the average payment period to suppliers in commercial transactions, in view of the activities in which the Group is engaged, the information on deferred payments essentially reflects 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 ABANCA Corporación Bancaria, S.A. are as follows:

	2021	2020
	Days	Days
Average supplier payment period	16.93	15.94
Ratio of transactions paid	16.83	15.94
Ratio of transactions outstanding	43.14	14.70
	Amount (Thousands of euro)	Amount (Thousands of euro)
Total payments made	200,727	212,563
Total payments outstanding	738	58

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 Entity'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.
- Note 2.10 includes information on the factors taken into account for the impairment of financial assets.
- Note 3 presents the updated 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.

Following the economic contraction registered in 2020 as a result of the pandemic outbreak, which led global GDP to fall by 3.1%, in 2021 global economic activity recovered with a 5.9% growth. Global productive capacity has faced certain difficulties to meet the strong demand rebound following the easement of the most restrictive measures taken to address the pandemic. Frictions have taken the form of tensions in global supply chains and shortages for certain commodities, which have resulted in significant inflationary pressure.

In Europe, the Eurozone economy grew by 5.3% in 2021 as a whole. Among major economies, France (+7.0%) and Italy (+6.5%) led the recovery, while Germany's growth was hampered by the automotive industry's difficulties and limited to 2.8%.

In Spain, economic activity continued on a path of gradual recovery, in a context of gradual easement of pandemic containment measures and advances in the vaccination process. Except for incoming tourism and new vehicle registrations, major activity indicators were close to pre-pandemic levels.

During the last quarter of the year, notwithstanding the impact of the sixth COVID wave, the economy continued its positive performance with a 2.0% quarterly growth. In 2021 as a whole, Spain's GDP grew by 5.0%.

The labour market has registered a stronger recovery, exceeding pre-pandemic levels in both the number of registrations in the Social Security Scheme +3.0% and employed persons +1.1%. At the end of the year, unemployment stood at 13.3%, a 2.8% decrease in the year, with five tenths of a percentage reduction compared to the end of 2019. For its part, the number of workers affected by temporary suspensions of employment implemented through ERTE (Spanish acronym for "Temporary Labour Force Adjustment Scheme") fell down to 120 thousand (compared to over 930 thousand at the beginning of the year).

Inflation picked up strongly during the last months of the year, mainly conditional on the increase of energy prices. In particular, at the end of the year general inflation stood at 6.5%, the highest inflation rate registered since 1992, while underlying inflation stood at 2.4%.

Galician economy, after registering a 1.4% growth in the third quarter (3.2% year-on-year), continued growing during the fourth quarter on the road to recovery. In particular, certain indicators, such as retail sales, services turnover or exports, have exceeded pre-pandemic levels. In the labour market, in December the number of registrations in the Social Security Scheme exceeded by 2.0% pre-pandemic levels, while unemployment at the end of the year stood at 11.0%, 2.3 percentage points lower than the national average.

The main effects from COVID-19 on the accounting estimates presented in the accompanying financial statements for 2021 are disclosed in the notes relating to financial statements items where COVID-19 has a relevant impact, in particular, in Notes 7 and 9, "Debt securities" and "Loans and advances to customers", respectively, due to the impact of COVID-19 on the classification of credit exposures based on credit risk and on the estimation of the allowances required for those exposures.

Impacts arisen from COVID-19

The public health crisis created by COVID-19 since March 2020 continued early in 2021. During the first half-year, the main markets where the Group operates registered a third wave of COVID-19 infections that led to tightened containment measures. Subsequently, although control of the epidemiological situation was generally achieved during most of the second half-year thanks to the progress made in the vaccination process, the surge of the new Omicron variant —more transmissible than previous variants— in November and December has increased again health care tensions and has led to the reinstatement of certain containment measures, the effects and duration of which will be seen in 2022.

Faced with this situation, throughout 2021 some of the measures implemented the previous year were continued in order to mitigate the impact from this crisis, while new measures intended to put the economy on the road to recovery were implemented.

Financial support measures

a) Public and sectoral moratoriums

Royal Decree-Law 3/2021, of 2 February, extended until 30 March 2021 the period for applying to both legislative and non-legislative moratoriums, the maximum term of which is 9 months, including, where applicable, any period previously used.

Following this amendment, moratoriums were aligned to the date established in the reviewed European Banking Authority (EBA) Guidelines on moratoria issued in December 2020. Furthermore, the sectoral moratoriums promoted by the Spanish Banking Association (AEB, Spanish acronym for Asociación Española de Banca), the Spanish Confederation of Savings Banks (CECA, Spanish acronym for Confederación Española de Cajas de Ahorros) and by the National Association of Specialised Credit Institutions (ASNEF, Spanish acronym for Asociación Nacional de Establecimientos Financieros de Crédito), to which both Abanca Corporación Bancaria and its subsidiary Abanca Servicios Financieros, S.A.U. had adhered in 2020 and which had been in force until late September 2020, were reinstated following the issue of EBA Guidelines and extended the period for application therefore until 30 March 2021 and 31 March 2021, respectively, under terms similar to those contained in said guidelines.

b) ICO COVID-19 guarantee facilities

Following Royal Decree-Law 8/2020, of 17 March, that implied the approval by the State of a new guarantees facility for companies and self-employed workers, with a maximum amount of €100,000 million (of which over €92,500 million had been applied as at 31 December 2021), Spain enacted Royal Decree-Law 25/2020, of 3 July, approving a new facility, guaranteed by ICO on behalf of the State, for companies and self-employed workers, with a maximum amount of €40,000 million, the latest tranche of which was approved by the Council of Ministers on 28 May 2021. With regard to this new facility, as at 31 December 2021, the total guarantee amount had practically reached €10,500 million.

Additionally, in March 2021, Spain approved Royal Decree-Law 5/2021 making available €11,000 million in direct aids for companies, balance sheet restructuration and capitalisation of companies.

These direct aids were intended for viable companies from the sectors that were most affected by the pandemic, in order to channel resources to the economy as a whole and to reduce the risk of a heavy debt overhang that might hinder economic recovery. Those measures include the easing of loans for which public guarantees have been granted, thereby allowing ICO to be a party to any refinancing and restructuring processes agreed by banks with their customers.

Additionally, with the enactment of Royal Decree-Law 5/2021, the period for applying to all guarantees was extended until 31 December 2021. Lastly, on 24 November 2021 Royal Decree-Law 27/2021 was published. In line with the extended term of the European Union State Aid Temporary Framework, this Royal Decree-Law extended a further 6 months, i.e., until 30 June 2022, the period for applying to these guarantees.

c) Code of Best Practice

On 11 May 2021, the Council of Ministers approved the Code of Best Practice for the renegotiation framework for customers with guaranteed financing provided for in the above-mentioned Royal Decree-Law 5/2021, of 12 March, on extraordinary measured to support business solvency in response to the COVID-19 pandemic.

The Code of Best Practice provides mainly 3 possibilities to which debtors meeting certain specific eligibility requirements could avail themselves in order to mitigate the financial hardship arising from COVID-19: extension of the period for applying therefor (initially, applications could only be submitted until 15 October 2021); conversion of debt into shareholders' loans (initially, applications could also be submitted until 15 October 2021) and debt reductions (initially, the maximum implementation time period ended on 1 December 2022).

Finally, on 1 December 2021, the State Official Gazette published the Decision of 30 November 2021 issued by Secretary of State for the Economy and Business Support extending again the periods for applying for term extensions and conversions of debt into shareholders' loans (until 1 June 2022) and for debt reductions until 1 June 2023, thereby aligning benchmark limits to the new thresholds established in the reviewed European Union Temporary Framework.

The following breakdown of current and expired moratoria granted by the Bank as at 31 December 2021 and as at 31 December 2020 is as follows:

	Moratoria (Thousands of euro)			
	No. of customers	Current	Expired	Total
As at 31 December 2021	13,320	52,962	1,210,970	1,263,932
As at 31 December 2020	11,587	1,044,737	149,251	1,193,988

The breakdown of information on loans and advances subject to legislative and non -legislative moratoria as at 31 December 2021 is as follows:

	Gross carrying amount (thousands of euro)							Accumulated impairment, accumulated negative changes in fair value due to credit risk (thousands of euro)							Gross carrying amount (thousands of euro)
		Performing			Non-performing				Performing			Non-performing			
	Amount	Amount	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	Amount	Amount	Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition, but not credit-impaired (Stage 2)	Amount	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	**52,962**	47,865	1,656	1,465	5,097	4,578	5,071	(2,229)	(332)	-	(16)	(1,897)	(1,579)	(1,881)	1,163
of which: Households	**2,273**	2,175	409	371	98	69	72	(32)	(14)	-	(7)	(18)	(1)	(2)	59
of which: Collateralised by residential immovable property	**1,739**	1,672	409	323	67	67	67	-	-	-	-	-	-	-	45
of which: Non-financial corporations	**50,689**	45,690	1,247	1,094	4,999	4,509	4,999	(2,197)	(318)	-	(9)	(1,879)	(1,578)	(1,879)	1,104
of which: Small- and Medium-sized enterprises	**17,634**	12,635	1,247	144	4,999	4,509	4,999	(2,028)	(149)	-	-	(1,879)	(1,578)	(1,879)	1,104
of which: Collateralised by commercial immovable property	**3,777**	1,837	1,247	144	1,940	1,940	1,940	-	-	-	-	-	-	-	1,104

The breakdown of information on loans and advances subject to legislative and non -legislative moratoria as at 31 December 2020 is as follows:

	Gross carrying amount (thousands of euro)							Accumulated impairment, accumulated negative changes in fair value due to credit risk (thousands of euro)							Gross carrying amount (thousands of euro)
		Performing			Non-performing				Performing			Non-performing			
	Amount	Amount	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	Amount	Amount	Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition, but not credit-impaired (Stage 2)	Amount	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	(12,553)	(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	(3,120)	(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	(1,042)	(723)	(253)	(425)	(319)	(319)	(319)	-

The breakdown of loans and advances subject to both legislative and non-legislative moratoria by residual maturity of moratoria as at 31 December 2021 and 2020 is as follows:

As at 31 December 2021:

		Gross carrying amount (thousands of euro)							
					Residual maturity of the moratoria				
	Number of obligors (units)	Amount	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	15,204	1,275,191	-	-	-	-	-	-	-
Loans and advances subject to moratorium (granted)	13,320	1,263,932	889,354	1,210,970	44,844	2,913	950	1,196	3,059
of which: Households	-	886,867	554,404	884,594	2,182	91	-	-	-
of which: Collateralised by residential immovable property	-	800,172	509,516	798,433	1,648	91	-	-	-
of which: Non-financial corporations	-	377,065	334,950	326,376	42,662	2,822	950	1,196	3,059
of which: Small- and Medium-sized enterprises	-	224,262	199,435	206,628	11,052	2,327	-	1,196	3,059
of which: Collateralised by commercial immovable property	-	185,879	162,044	182,102	2,941	-	-	836	-

As at 31 December 2020:

		Gross carrying amount (thousands of euro)							
					Residual maturity of the moratoria				
	Number of obligors (units)	Amount	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	303,235	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	-

The breakdown of newly originated loans and advances provided under newly applicable guarantee schemes introduced in response to the COVID-19 crisis as at 31 December 2021 and 2020 is as follows:

As at 31 December 2021:

	Thousands of euro			
	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
	Amount	Of which: forborne	Public guarantees received	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	3,562,970	101,659	2,596,585	37,932
of which: Households	207,964	-	-	783
of which: Collateralised by residential immovable property	-	-	-	-
of which: Non-financial corporations	3,355,006	100,610	2,432,586	37,149
of which: Small- and Medium-sized enterprises	1,851,957	-	-	27,593
of which: Collateralised by commercial immovable property	10,957	-	-	1,809

As at 31 December 2020:

	Thousands of euro			
	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
	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 the accompanying consolidated financial statements for 2021 on a going concern basis.

The following accounting principles, 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 understood as the power to govern the financial and operating policies of an entity 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 fair value at their acquisition date. 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 acquisition date.

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 and 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 acquisition date 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 the profit or loss generated between the starting date of the reporting period and the disposal date.

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 the item "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 date of acquisition 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 period is also separately recognised under "Profit or loss attributable to minority interests (non-controlling interests)" in the consolidated statement of profit and 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 2021 and 2020.

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

Changes in the consolidated Group-

Financial year 2021

On 23 February 2021, ABANCA subscribed the voluntary capital increase announced by Nueva Pescanova, S.L., following which ABANCA holds 97.48% of shares in the fishery company. This capital increase was executed through the issue of 570,404,756 shares of €0.47 nominal value each against non-cash contributions of receivables. ABANCA subscribed 569,454,334 new shares for a total nominal value of €267,644 thousand. Furthermore, during the year, ABANCA Group has purchased blocks of shares representing 0.28% of share capital of the company, and now controls 97.76% stake of the investee.

Additionally, during the year, the following transactions with a direct impact on the relationship of control, joint control or significant influence, took place: disposal of the stake interest in the company Terminal de Graneles Agroalimentarios de Santander, S.A., and incorporation of the following companies Sociedade para o Desenvolvimento de Proxectos Estratéxicos de Galicia, S.L., of which ABANCA Group holds a 38%, and Torre de Hércules Inversiones Corporativas, S.L. and Corporación Empresarial de Participación en Organizaciones de Galicia, S.L., both wholly-owned subsidiary of ABANCA Group. Additionally, following the acquisition of Bankoa Group, the following companies are included in the consolidation scope: Bankoa Gestión, S.A., S.G.I.I.C., Bankoa Kartera, S.A., and Bankoa Mediación, S.L., all fully-owned subsidiaries, and Olazabal y Huarte, S.A., where the Group has a 25.06% stake interest.

Also in 2021, ABANCA Group purchased additional shares in Txstockdata, S.L., increasing the ownership percentage from 32.98% to 46.27%. Subsequently, ABANCA group subscribed a capital increase, and increased from 46.27% to 70% its ownership interest in Txstockdata, S.L. Following this capital increase, ABANCA had control of the company, which ceased to be classified as an associate.

In June 2021, ABANCA Corporación Industrial y Empresarial, S.L.U., reduced to 51% its ownership interest in the company Inventium Consultoría de Proyectos, S.L. (formerly known as Torre de Hércules Participaciones Societarias, S.L.), following the sale of 49% of its stake.

Lastly, in August 2021 additional shares were purchased in Natur-Hotel Spa Allaríz, S.A., increasing the Group's ownership percentage from 99.13% to 100% of share capital.

Financial year 2020

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

In 2020, ABANCA Corporación Bancaria, S.A. gained control over the ownership interests in Nueva Pescanova, S.L. and R.C. Deportivo de la Coruña, S.A.D. These transactions were completed in order to restore the value of those companies within the shortest possible delay for subsequent disposal thereof; consequently these companies were reclassified as "Non-current assets and disposal groups classified as held for sale" (see Notes 5, 12 and 13.3).

In December 2020, 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 consequently been classified as "Non-trading financial assets mandatorily at fair value through profit or loss".

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 whose 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, of 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 equity 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 balance sheet Consolidated when the Group becomes party to the contract generating these financial instruments, in accordance with the terms 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 balance sheet when the obligations generated have expired or when the Group, with the intention of re-trading or cancelling the liability, redeems it.

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 based on the price established in recent transactions involving similar instruments and, in the absence thereof, based on proven measurement 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 reflected in the statement of profit and 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 date of acquisition, adjusted, where applicable, to reflect the fees and transaction costs that should be included in the calculation of the effective interest rate pursuant to IFRS 9. For financial instruments with a variable remuneration rate, 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 interest's 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 or 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 solely be reclassified if, and only 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 measured 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 and 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 and 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 and 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 the item "Financial assets designated at fair value through profit or loss" when these financial assets cannot be classified in any of the above-mentioned categories due to the entity's business model within which the instrument is held or due to 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 and 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 security 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 year. However, in the case of equity instruments at fair value through other comprehensive income derecognised, the relevant gain or loss recognised in other comprehensive income is not reclassified to the consolidated statements of profit and 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 and 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 and 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 and 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 and 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 and 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 the reporting date, which are recorded under "Financial liabilities held for trading - Derivatives" and under "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 and 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 and 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 as at 31 December 2021 and 2020 is as follows:

Market value based on	Percentage			
	2021		2020	
	Assets	Liabilities	Assets	Liabilities
Quoted price in active markets	95.23%	-	96.45%	-
Internal measurement models based on observable market data	3.56%	99.43%	2.19%	99.68%
Internal measurement models not based on observable market data	1.21%	0.57%	1.36%	0.32%

As at the end of 2021 and 2020, the breakdown of financial instruments by valuation technique, is as follows:

	Thousands of euro							
	2021				2020			
	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)	-	136,953	2,417	139,370	20,981	139,409	3,098	163,488
Non-trading financial assets mandatorily at fair value through profit or loss (assets)	78,148	-	67,682	145,830	138,441	-	90,257	228,698
Financial assets designated at fair value through profit or loss (assets)	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income (assets)	5,436,457	-	-	5,436,457	6,446,930	-	-	6,446,930
Derivatives - hedge accounting (assets)	-	69,024	-	69,024	-	10,298	-	10,298
Financial liabilities held for trading (liabilities)	-	138,779	2,523	141,302	-	139,884	4,029	143,913
Derivatives - hedge accounting (liabilities)	-	298,581	-	298,581	-	290,318	-	290,318

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

The Board of Directors of the Bank considers that financial assets and financial liabilities recognised in the consolidated balance sheet, as well as 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 and 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 and 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 and 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 and loss.

The Group discontinues hedge accounting when the hedging instrument expires or is sold, the hedge no longer qualifies for hedge accounting or the Bank 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 and 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 heading until the forecast transaction occurs, whereupon it is taken to the consolidated statement of profit and 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, the Group continues to apply NIC 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".

As at 31 December 2021 and 2020, the equivalent value, in thousands of euro, 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:

As at 31 December 2021 -

	Equivalent value in Thousands of euro	
	Assets	Liabilities
Balances in US dollars:		
Cash, cash balances with central banks and other demand deposits	34,474	-
Financial assets held for trading	11,423	-
Non-trading financial assets mandatorily at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	-	-
Financial assets at amortised cost	1,779,186	-
Other assets	44,258	-
Financial liabilities held for trading	-	11,258
Financial liabilities at amortised cost	-	1,383,183
Provisions	-	538
Other liabilities	-	3,297
	1,869,341	**1,398,276**
Balances in other currencies:		
Cash, cash balances with central banks and other demand deposits	100,943	-
Financial assets held for trading	10	-
Non-trading financial assets mandatorily at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	14,966	-
Financial assets at amortised cost	503,103	-
Other assets	8,082	-
Financial liabilities held for trading	-	12
Financial liabilities at amortised cost	-	231,107
Provisions	-	44
Other liabilities	-	6,438
	627,104	**237,601**
Total foreign currency balances	**2,496,445**	**1,635,877**

As at 31 December 2020 -

	Equivalent value in Thousands of euro	
	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

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 future 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 and loss, except exchange differences deriving from financial instruments at fair value through profit or loss, which are recognised in the consolidated statement of profit and 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 and 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 accrual's 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 such 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 balance sheet 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 by third parties to consolidated entities 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 the 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 recover in full 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 and 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 and loss for the year 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 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 income 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 reflect 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 regard to the support measures granted by ABANCA 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 sectoral 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 for 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.

Pursuant 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.

As at 31 December 2021, estimates of macroeconomic variables applied have been revised compared to those applied as at 31 December 2020 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 sectoral 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 begins to stabilise and reasonable and substantiated information is 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 and loss.

Where there is objective evidence that negative differences arising on the measurement of these assets are due to their impairment Consolidated, they are no longer recognised under "Accumulated other comprehensive income – Items that may be reclassified to profit or loss – Fair value changes of debt instruments 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 and loss. If impairment losses are subsequently reversed, these are recognised in the consolidated statement of profit and 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 and 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. 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. Accounting for lease transactions

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 regard 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 recognise 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. As at 31 December 2021, the Group has recognised right-of-use assets amounting to €55,287 thousand (See Note 14) and lease liabilities amounting to €52,603 thousand (See Note 22)(€50,910 and €52,724 thousand, respectively, in 2020).

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 and 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 balance sheet according to the nature of the asset.

Depreciation of the leased asset is recognised as an expense in the statement of profit and 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 and 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, as explained below, 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 settle directly 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 those arising from differences between previous actuarial assumptions and what has actually occurred in the plan, and from changes in the actuarial assumptions used. Group recognises any actuarial gains or 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 and 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/or losses are recognised immediately when they arise.

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

The Bank 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 to 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.

As at 31 December 2021, the Group has no amount recognised in this respect (no amount was recognised in this respect in 2020) (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 Bank to meet the commitments under the existing labour agreements, which as at 31 December 2021 totalled €98,711 thousand (€45,150 thousand as at 31 December 2020), are recognised as liabilities under "Provisions - Pensions and other post-employment defined benefit obligations" in the accompanying consolidated balance sheet (see Note 23).

2.13.2.4 ABANCA Restructuring Plan - Labour Agreements

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, as at 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. In 2021, early retirement was granted to 14 additional individuals that have timely submitted the appropriate application, which could not be granted in 2020.

In addition to the above-mentioned agreement, as a result of the take over merger of Bankoa, S.A. by ABANCA and of the incorporation of Novo Banco's personnel assigned to the business acquired by ABANCA, in 2021 the following labour agreements have been entered into with the Bank's union representatives:

- Labour Agreement dated 9 December 2021 containing early retirement provisions for employees over 55 years of age under the formula of voluntary redundancies offers for 230 employees.

- Labour Agreement dated 27 December 2021, establishing several measures to which employees may voluntarily qualify in order to complete the necessary restructuring of personnel, including geographical mobility measures (approximately 40 employees; relocation or termination with severance compensation if the employee is not willing to relocate), and termination for cause under the formula of voluntary participation of approximately 140 employees; this number may be increased, at the discretion of the Entity, if the number of applications received exceed the above-mentioned limit.

As at 31 December 2021, 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 Bank with 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

The tax expense or income related to profit or loss from continuing operations for the year is recognised in the consolidated statement of profit and loss, except when it results from a transaction recognised directly in equity, in which case it 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 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 any difference that 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 established in the tax regulations are met, considering their application in future periods probable.

Current tax assets and liabilities are taxes that are expected to be recoverable from or payable to the taxation authorities within 12 months after the date of recognition. Deferred tax assets and liabilities are those that 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 2021 and 2020 the Group only recognised 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 based on the findings of the analyses performed (see Note 28.3.a).

To this end, as at 31 December 2021 and 2020, 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 2021 and 2020.

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 consolidated sub-group headed as at 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 in the Register of Companies on 27 February 2020, ABANCA Corporación Bancaria, S.A. 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 own use 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 that 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, based on 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 "Depreciation and amortisation - Tangible assets" in the consolidated statement of profit and 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	4 to 10
Other	4 to 10

At each reporting date, the consolidated entities assess 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 estimated, and the related impairment is recognised under "Impairment or reversal of impairment on non-financial assets" in the consolidated statement of profit and loss.

Similarly, when there are indications that an impaired tangible asset has recovered its value, the consolidated entities recognise the reversal of the impairment booked in prior years with a credit to "Impairment or reversal of impairment on non-financial assets" in the consolidated statement of profit and 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 statements of profit and 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 and 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 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 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, where appropriate, impairment losses.

Intangible assets are amortised based on their useful life, using the same criteria applied to the amortisation of tangible assets, except in the case of customer relations (see Note 2.16.2). The annual amortisation for intangible assets is recognised under the item "Depreciation and amortisation – Intangible assets" in the consolidated statement of profit and 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 and 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 flows for the Group, that are largely independent of the cash flows 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 it 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 and 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 the amortisation of tangible assets (see Note 2.15). The annual amortisation for intangible assets with finite useful lives is recognised under "Depreciation and amortisation" in the consolidated statement of profit and 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 and 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 relations 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 that 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, in 2019 the Group 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, in 2019 the Bank modified the amortisation rates of these intangible assets; pursuant to the prevailing legislation, this change was prospectively applied and is considered a change in accounting estimates. Following the above-mentioned analysis, the Group considered that the useful lives of these assets should be increased from 4 to 11 years.

"Other intangible assets" basically include intangible assets generated by the acquisition of ABANCA Vida y Pensiones and ABANCA II Vida y Pensiones (companies currently merged in the downstream merger of ABANCA Holding Financiero, S.A.), as well as those generated in the business combinations arising from the purchase of Deutsche Bank's Private & Commercial Business ('PCB') Portugal, Banco Caixa Geral, S.A., Bankoa, S.A. and Novo Banco, 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 based on the best information available at each reporting date on the consequences of the outcomes of the event and 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 and loss.

2.18. Reverse repurchase agreements (repurchase agreements)

Purchases (sales) of financial instruments with an obligatory repurchase commitment at a determined price ("repos") are recognised in the consolidated balance sheet 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

In the consolidated balance sheet, "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 a foreclosed asset or received in payment of debt, the allowances or provisions for those financial assets will be estimated based on their accounting classification before the delivery thereof, treating such foreclosed asset 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 foreclosed asset 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, real estate foreclosed assets or received in payment of debt classified as "Non-current assets and disposal groups classified as held for sale" are measured at the lower of: fair value less estimated costs to sell and 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 statement of profit and 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, based on 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 Circular 4/2017 of the Banco de España 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 and loss.

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

Nonetheless, financial assets, assets arising from employee benefit plans, deferred tax assets and insurance contract assets that 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 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 of 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 and 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 and 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.

As at 31 December 2021 and 2020, 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 2021 reporting date the Company has recognised a provision of €5,223 thousand (€5,520 thousand in 2020).

As regards portfolios of insurance policies arranged prior to the entry into force of the Regulations, without cash flow matching, at the 2021 reporting date the Company has recognised a provision of €42 thousand (€130 thousand in 2020).

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 €320 thousand (€497 thousand in 2020).

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 and 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 statement of cash flows

The following terms are used in the consolidated statement of cash flows:

1. Cash flows: inflows and outflows of cash and cash equivalents, the latter being short-term investments of great liquidity and with low risk of changes in their 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 statement of cash flows, short-term investments of great liquidity and with low risk of changes in their value have been considered as "Cash and cash equivalents". The Group therefore considers the balances recognised under the line item "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 annual period ended 31 December 2021. 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 and 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 or loss for the period.

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

c. Net income and expenses recognised permanently in equity.

d. Tax expense or income related to profit or loss from 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 period, 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 and loss in the same year, or they are reclassified to another line item.

b. Amounts transferred to 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 and 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 period 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 changes 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 net equity, such as increases or decreases in assigned capital, distribution of profit or application of losses, transactions with own equity instruments, payments with equity instruments, transfers between equity line items and any other increases or decreases in consolidated equity.

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 2021 to be submitted by the Board of Directors for approval in the Annual General Meeting of shareholders, and the distribution of profit for 2020 approved in the Annual General Meeting of shareholders held on 16 June 2021, are as follows:

	Thousands of euro	
	2021	2020
Legal reserve	-	-
Voluntary reserves	233,409	94,820
Dividends	71,567	27,765
	304,976	122,585

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 31 January 2022, an interim dividend for 2021 amounting to €4,896 thousand was distributed to the shareholders and paid on 4 February 2022.

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	Thousands of euro
Profit obtained by the Bank between 01/01/2021 and 31/12/2021	304,976
Interim dividends for 2021 already paid	66,671
Interim dividend proposed on 31 January 2022	4,896

Dated 27 October 2021, the Board of Directors of the Bank approved the distribution to Shareholders of an interim dividend totalling €66,671 thousand; this interim dividend will be paid on 2 November 2021.

Supporting accounting statement	Thousands of euro
Profit obtained by the Bank between 01/01/2021 and 30/09/2021	141,220
Interim dividends for 2021 already paid	-
Interim dividend proposed on 27 October 2021	66,671

Dated 23 July 2021, the Governing Council, on a proposal by the Supervisory Board, adopted Recommendation ECB/2021/31 repealing Recommendation ECB/2020/62 on dividend distributions during the COVID-19 pandemic from September 2021. The ECB states that the capital, distribution of dividends and share repurchase plans of each entity will be assessed as part of the regular supervisory process, removing all other restrictions to the distribution of dividends and repurchase programmes that were contained in Recommendation ECB/2020/62.

In accordance with the minutes of the Board of Directors of the Bank, dated 1 March 2021, the Board of Directors of the Bank approved the distribution to Shareholders of an interim dividend for 2020 amounting to €27,765 thousand that was paid on 4 March 2021.

Supporting accounting statement	Thousands of euro
Profit obtained by the Bank between 01/01/2020 and 31/12/2020	122,585
Interim dividends for 2020 already paid	-
Interim dividend proposed on 01 March 2021	27,765

4. Remuneration of the Board of Directors and Senior Management

4.1. Remuneration of the Board of Directors

The following table shows the breakdown of the remuneration and attendance fees accrued by the Board of Directors of ABANCA Corporación Bancaria, S.A. in 2021 and 2020:

	Thousands of euro	
	2021	2020
Mr. Juan Carlos Escotet Rodríguez	275	275
Ms. Ana Da Cunha Barros	194	189
Ms. Carina Szpilka Lázaro	229	237
Ms. Leticia Iglesias Herraiz	245	253
Mr. Eduardo Eraña Guerra	224	238
Mr. José García Montalvo	275	275
Mr. José Ramón Rodrigo Zarza	296	300
Mr. Pedro Raúl López Jácome	300	300
Mr. Manuel López Figueroa (*)	200	165
Ms. Rosa María Sánchez-Yebra Alonso (**)	30	-
	2,268	2,232

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

(**) Appointed director of ABANCA Corporación Bancaria, S.A. on 29 November 2021.

The remuneration paid to Mr. Francisco Botas Ratera, ABANCA's Chief Executive Officer, for the performance of his executive functions in 2021, in accordance with the contract signed entered into by him and the Bank, amounted to €2,622 thousand (€2,588 thousand in 2020), of which €1,272 thousand relate to the variable remuneration for 2021 (€1,288 thousand in 2020 relating to the variable remuneration for 2019), including both the portion effectively settled in 2021 (i.e. 40% thereof, amounting to €509 thousand) and the portion deferred to subsequent years (60% thereof, amounting to €763 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 2021 and 2020, no remuneration in kind was paid 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 of variable remuneration, exceptional and additional to the above-mentioned variable remuneration. Following the General Meeting held on 25 June 2018, an amount of €1,170 thousand has been established in favour of ABANCA's CEO with regard to such LTI; this amount will be entirely settled in Bank shares in 2022, and the final amount will depend on the share price on the date of the LTI settlement.

Likewise, retirement premiums (pension commitment) in favour of the Chief Executive Officer were paid amounting to €65 thousand (€65 thousand in 2020). In 2021, life and disability insurance premiums amounted to €33 thousand (€31 thousand in 2020).

As at 31 December 2021, the aggregate amount of his vested rights and mathematical provisions totalled €383 thousand (€312.5 thousand as at 31 December 2020), 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 2021 (13 individuals in 2020). 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 commissions 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 €5,226 thousand in 2021 (€5,133 thousand in 2020). These amounts include total remuneration (fixed, monetary and in-kind) and variable remuneration, the latter comprising the amounts effectively paid during 2021 (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 of Shareholders held on 25 June 2018, an amount of €2,954 thousand has been established in favour of Senior Management personnel with regard to the "Long-Term Incentive 2017-2023" (LTI) linked to the fulfilment of the 2018-2020 Strategic Plan; this amount will be entirely settled in Bank shares in 2022, and the final amount will depend on the share price on the date of the LTI settlement.

During 2021 and 2020, no severance payments or termination of the employment relationship 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 Bank to pension plans for Senior Management personnel, with regard to rights for past services, totalled €1,803 thousand in 2021 (€1,692 thousand in 2020).

In 2021, contributions were made for savings or retirement schemes, either to pension plans or to supplementary insurance taken out for Senior Management personnel, amounting to €57.1 thousand (€55.5 thousand in 2020). Additionally, in 2021 contributions were made for risk contingencies (death and disability) amounting to €57.8 thousand (€66.6 thousand in 2020).

The life insurance premiums paid for Senior Management personnel (other than pension commitments) totalled €35.1 thousand in 2021 (€29.9 thousand in 2020), with an insured sum of €300 thousand per person (€300 thousand in 2020).

4.4. Senior Management indemnity clauses

As at 31 December 2021, the indemnity clauses agreed with Senior Management personnel are those generally established under labour and other applicable regulations.

5. Business combinations

The following business combinations have been completed in 2021:

a) Acquisition of Bankoa, S.A.

Following the preliminary agreement of 31 July 2020, on 29 September 2020 ABANCA and Crédit Agricole Group executed the agreement for the purchase of the shares held by the latter in Bankoa, S.A.

On 28 January 2021, following the grant of the required regulatory approvals, ABANCA formalised the acquisition of 99.81% stake in Bankoa.

Once the appropriate authorisations of the ECB and the CNMV were received on 4 January 2021 and 19 January 2021, respectively, ABANCA incorporated Bankoa into the Group in 2021, thereby strengthening its presence in Northern Spain region recognised as a priority in the ABANCA's Strategic Plan. The acquired business comprises 30 branches and 3 corporate branches located, mainly, in the Basque Country, but also in Navarre, La Rioja and Madrid, serving over 40,000 individuals and corporate customers. At the end of December 2020, Bankoa's lending portfolio amounted to €1,780 million, while its deposits amounted to €1,579 million and off-balance sheet items amounted to €1,067 million.

As part of this transaction, ABANCA and Crédit Agricole reached an international commercial partnership agreement whereby each entity became the preferred reference partner of the other party in those countries where only one party operates; this agreement will also benefit Bankoa customers.

Dated 23 April 2021, the Board of Directors of Bankoa approved the common draft terms of merger, and dated 26 April 2021, the Board of Directors of ABANCA approved the common draft terms of merger. The merger was completed through the absorption of Bankoa (the absorbed entity) by ABANCA Corporación Bancaria, S.A. (the absorbing entity); Bankoa was wound up and dissolved without liquidation, and all of its assets and liabilities were transferred *en bloc* to ABANCA Corporación Bancaria, S.A. as universal successor. These agreements were approved in the General Meeting of Bankoa on 11 June 2021, although the final approval thereof by the General Meeting of ABANCA was not required. Once the conditions precedent provided for in the agreement were met and the applicable authorisations from the Ministry of Economic Affairs and Digital Transformation were received on 27 of September 2021, the merger was filed and registered in the Register of Companies on 12 November 2021.

As scheduled, on 14 November 2021, migration to ABANCA's technological platform and rebranding were successfully and seamlessly completed.

The merger balance sheet as at 28 January 2021, the acquisition and merger date for accounting purposes showing the value of Bankoa's assets and liabilities is as follows:

	Thousands of euro		
ASSETS	Pre-PPA	PPA	Post-PPA
Cash, cash balances with central banks and other demand deposits	125,615	-	125,615
Financial assets held for trading	890	-	890
Non-trading financial assets mandatorily at fair value through profit or loss	4,955	83	5,038
Financial assets at fair value through other comprehensive income	242,986	-	242,986
Financial assets at amortised cost	1,863,670	(4,732)	1,858,938
Investments in subsidiaries, joint ventures and associates	974	(140)	834
Tangible assets	33,498	19,478	52,976
Intangible assets	2,082	2,790	4,872
Tax assets	5,505	2,371	7,876
Other assets	6,751	-	6,751
Non-current assets and disposal groups classified as held for sale	2,978	105	3,083
TOTAL ASSETS	2,289,904	19,955	2,309,859

	Thousands of euro		
LIABILITIES	Pre-PPA	PPA	Post-PPA
Financial liabilities held for trading	845	-	845
Financial liabilities at amortised cost	2,090,116	-	2,090,116
Provisions	4,774	-	4,774
Tax liabilities	11,106	7,647	18,753
Other liabilities	6,861		6,861
TOTAL LIABILITIES	2,113,702	7,647	2,121,349
Shareholder's equity and valuation adjustments	176,202	12,308	188,510
TOTAL EQUITY	176,202	12,308	188,510
TOTAL EQUITY AND LIABILITIES	2,289,904	19,955	2,309,859

As of the acquisition date, the Group adjusted the measurement and accounting treatment 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").

On the date of acquisition of the business combination, the Group measured the fair value of the acquired business and the difference between the acquisition price and the fair value of net assets acquired was as follows:

	Thousands of euro
Consideration given	122,454
Fair value of net assets acquired in 99.81% of Bankoa	188,178
Negative goodwill recognised in profit or loss	(65,724)

Consequently, ABANCA has fully recognised €65,724 thousand as income under the item "Negative goodwill recognised in profit or loss" in the statement of profit and loss for financial year 2021.

If the date of acquisition had been 1 January 2021, this business would have contributed €40,177 thousand income (gross margin) and €10,975 thousand profit after tax, respectively.

The business' revenue (gross margin) and profit after tax included as from the acquisition date in the consolidated statement of profit and loss does not significantly vary from the amounts presented in the preceding paragraph.

b) Acquisition of Novo Banco Group's network in Spain

Dated 2 April 2021, ABANCA and Novo Banco Group executed the agreement for the purchase of a significant portion of the branch in Spain of the Portuguese bank Novo Banco, S.A. The operation was publicly presented on 5 April 2021.

With this transaction, ABANCA Group seeks to strengthen its position in the areas of personal and private banking and corporate banking, in addition to providing growth potential in lines such as insurance activity. The acquired business has a business volume of €4,287 million, managed by 172 employees and a network of 102 specialised financial agents in 10 branches located in urban areas.

Once the final authorisations of the CNMV and the Government were received in 29 June 2021 and 04 October 2021, respectively, the acquisition was formalised; for accounting purposes, the acquisition date was 30 November 2021.

The incorporation balance sheet as at 30 November 2021, the acquisition date for accounting purposes, showing the value of Novo Banco's assets and liabilities, is as follows:

ASSETS	Thousands of euro		
	Pre-PPA	PPA	Post-PPA
Cash, cash balances with central banks and other demand deposits	637,111	-	637,111
Financial assets held for trading			
Non-trading financial assets mandatorily at fair value through profit or loss			
Financial assets at fair value through other comprehensive income			
Financial assets at amortised cost	1,114,887	(59,294)	1,055,593
Investments in subsidiaries, joint ventures and associates			
Tangible assets	4,918	3,200	8,118
Intangible assets	2,789	1,211	4,000
Tax assets	519	8,160	8,679
Other assets	44,800	-	44,800
Non-current assets and disposal groups classified as held for sale	3,156	82	3,238
TOTAL ASSETS	1,808,180	(46,641)	1,761,539

LIABILITIES	Thousands of euro		
	Pre-PPA	PPA	Post-PPA
Financial liabilities held for trading			
Financial liabilities at amortised cost	1,563,636	-	1,563,636
Provisions	17,976	9,606	27,582
Tax liabilities	4,216	-	4,216
Other liabilities	25,937	-	25,937
TOTAL LIABILITIES	1,611,765	9,606	1,621,371
Shareholder's equity and valuation adjustments	196,415	(56,247)	140,168
TOTAL EQUITY	196,415	(56,247)	140,168
TOTAL EQUITY AND LIABILITIES	1,808,180	(46,641)	1,761,539

As of the acquisition date, the Group adjusted the measurement and accounting treatment 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").

On the date of acquisition of the business combination, the Group measured the fair value of net asset acquired, and the difference between the acquisition price and the fair value of the business acquired was as follows:

	Thousands of euro
Consideration given	1
Fair value of the acquired business	140,168
Negative goodwill recognised in profit or loss	(140,167)

Consequently, ABANCA fully recognised €140,168 thousand as income under the item "Negative goodwill recognised in profit or loss" in the statement of profit and loss as at 31 December 2021.

If the date of acquisition had been 1 January 2021, this business would have contributed €29,779 thousand income (gross margin) and (€2,224 thousand) profit after tax, respectively.

The business' revenue (gross margin) and profit after tax included as from the acquisition date in the consolidated statement of profit and loss has amounted to €1,948 thousand and (€988 thousand), respectively.

The following business combinations were 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.L. share capital. Following this transaction, ABANCA holds 80.46% of shares in this fishery company. Subsequently, as at 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 date of acquisition of the business combination, 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.

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

	Thousands of euro
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, in the context of a debt capitalisation procedure, ABANCA Corporación Bancaria, S.A. became the main shareholder of Real Club Deportivo de La Coruña, S.A.D. with a 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 date of acquisition of the business combination, 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:

	Thousands of euro
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

6. Cash, cash balances with central banks and other demand deposits

The breakdown of this item in the consolidated balance sheet as at 31 December 2021 and 2020 is as follows:

	Thousands of euro	
	2021	2020
Cash	180,734	179,280
Cash balances with Central Banks	12,093,324	6,665,907
Other demand deposits	187,341	310,618
	12,461,399	7,155,805

Note 47 includes a breakdown of the maturity periods of these assets as at the 2021 and 2020 reporting dates, as well as the average annual interest rates.

7. Loans and advances to credit institutions

a) Breakdown-

The breakdown of this item in consolidated balance sheet as at 31 December 2021 and 2020, by currency and type of transaction, is as follows:

	Thousands of euro	
	2021	2020
Currency:		
Euro	857,612	322,952
Foreign currency	128,883	94,725
	986,495	417,677
Nature:		
Term accounts	485,657	366,314
Reverse repurchase agreements	500,838	51,363
Other accounts	-	-
	986,495	417,677
Valuation adjustments:		
Impairment losses on assets	-	-
Accrued interest	126	-
Micro-hedges	-	-
	986,621	417,677

Note 47 includes a breakdown of the maturity periods of these assets as at the 2021 and 2020 reporting dates, as well as the average annual interest rates.

b) Valuation adjustments – Impairment losses

As at 31 December 2021 and 2020, 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 as at 31 December 2021 and 2020, by classification, currency and type of transaction, is as follows:

	Thousands of euro	
	2021	2020
Classification:		
Financial assets at fair value through other comprehensive income	5,444,905	6,408,296
Non-trading financial assets mandatorily at fair value through profit or loss	1,037	27,475
Financial assets designated at fair value through profit or loss	-	-
Financial assets held for trading	-	20,981
Financial assets at amortised cost	8,183,459	6,857,899
	13,629,401	13,314,651
Currency:		
Euro	13,608,513	13,260,373
Foreign currency	20,888	54,278
	13,629,401	13,314,651
Geographical area:		
Spain	7,329,087	8,023,922
European Union (excluding Spain)	6,077,457	5,052,418
The United States of America and Puerto Rico	128,867	124,680
Rest of the world	93,990	113,631
	13,629,401	13,314,651
Nature:		
Domestic public debt		
Treasury bills, Government mid- and long-term bonds	3,602,166	4,130,234
Other book-entry debt	69,476	128,599
Foreign public debt		
Republic of Italy	5,209,440	4,012,394
Republic of Portugal	190,014	269,496
Other public debt	5,710	13,476
Issued by financial institutions	737,667	930,039
Other fixed income securities	3,814,928	3,830,413
	13,629,401	13,314,651
Valuation adjustments:		
Impairment losses on assets	-	-
Micro-hedges	(69,358)	72,343
	13,560,043	13,386,994

At the 2021 reporting date ABANCA had pledged debt securities for a nominal amount of €5,846,601 thousand (€7,477,597 thousand at the 2020 reporting date), and a market value of €5,656,603 thousand (€7,205,546 thousand at the 2020 reporting date), in order to gain access to financing from the European Central Bank.

In addition, as at 31 December 2021, the Bank had assigned securities amounting to €7,880,500 thousand to credit institutions and customers (€3,650,652 thousand as at 31 December 2020) (see Notes 18 and 19).

Note 47 includes a breakdown of the maturity periods of these assets as at the 2021 and 2020 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 €3,105,400 thousand as at 31 December 2021 (€3,208,600 thousand as at 31 December 2020).

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. As at 31 December 2021, the bonds issued by Sareb have the following characteristics:

As at 31 December 2021

ISIN	Issue	Maturity (*)	Thousands of euro		Interest rate
			Nominal	Fair value	
ES0352506317	SAREB senior bonds	31/12/2022	1,700,700	1,700,700	3-month Euribor - 3 b.p.
ES0352506341	SAREB senior bonds	31/12/2022	1,404,700	1,404,700	3-month Euribor - -15 b.p.
			3,105,400	3,105,400	

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

As at 31 December 2020-

ISIN	Issue	Maturity (*)	Thousands of euro		Interest rate
			Nominal	Fair value	
ES0352506309	SAREB senior bonds	31.12.21	1,404,700	1,404,700	3-month Euribor - 6 b.p.
ES0352506317	SAREB senior bonds	31/12/2022	1,803,900	1,803,900	3-month Euribor - 3 b.p.
			3,208,600	3,208,600	

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

Gains or losses arising from financial transactions in the portfolio of debt securities, recognised in the consolidated statements of profit and loss as at 31 December 2021 and 2020 amounted to €108,249 thousand and €214,624 thousand, respectively (see Note 37).

During 2021 and 2020, the Group sold Spanish and Italian public debt from those portfolios as well as private debt securities. Those sales were not only compliant with the Bank's investment policies and fixed income strategy, but were also consistent with the business model within which these assets were held.

b) Valuation adjustments – Impairment losses-

As at 31 December 2021, the Group has recognised under the item "Equity - Accumulated other comprehensive income" €2,136 thousand as a collective hedge for the assets in this portfolio (€1,823 thousand as at 31 December 2020).

9 Equity instruments

a) Breakdown-

As at 31 December 2021 and 2020, the breakdown, by classification, currency, listing, geographical area and type of transaction, of this item in the consolidated balance sheet is as follows:

	Thousands of euro	
	2021	2020
Classification:		
Non-trading financial assets mandatorily at fair value through profit or loss	144,793	201,223
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	15,793	23,688
	160,586	224,911
Currency:		
Euro	159,862	218,617
Foreign currency	724	6,294
	160,586	224,911
Listing:		
Listed	71,701	147,834
Unlisted	88,885	77,077
	160,586	224,911
Geographical area:		
Spain	126,554	200,401
European Union (excluding Spain)	28,778	18,308
The United States of America and Puerto Rico	4,291	5,083
Rest of the world	963	1,119
	160,586	224,911
Nature:		
Shares in Spanish companies	61,517	127,445
Shares in foreign companies	3,765	19,786
Investment funds shares/units	95,304	77,680
	160,586	224,911
Valuation adjustments:		
Impairment losses	-	-
	160,586	224,911

In 2021 and 2020, the Group received dividends totalling €5,714 thousand and €4,987 thousand, respectively, on these investments, which have been recognised under "Dividend income" in the accompanying consolidated statement of profit and loss (see Note 33).

Gains or losses arising from financial transactions in the portfolio of equity instruments recognised in the statements of profit and loss as at 31 December 2021 and 2020 amounted to €16,713 thousand and €13,510 thousand, respectively (see Note 37).

b) Acquisitions and disposals -

The acquisitions and disposals carried out by the Group during the above-mentioned reporting periods relate mainly to the sale-purchase of listed 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 as at 31 December 2021 and 2020, 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:

	Thousands of euro	
	2021	2020
Classification:		
Non-trading financial assets mandatorily at fair value through profit or loss	-	-
Financial assets at amortised cost	46,692,730	39,529,420
	46,692,730	39,529,420
Loan type and status:		
Commercial loans	1,890,855	1,414,705
Secured loans	20,692,792	19,916,296
Demand and other loans	972,978	1,196,081
Other term loans	22,140,334	16,201,209
Reverse repurchase agreements	-	-
Impaired assets	995,771	801,129
	46,692,730	39,529,420
Borrower's sector:		
Spanish public administrations	9,383,648	5,198,743
Other resident sectors	31,581,571	28,417,292
Non-resident	5,727,511	5,913,385
	46,692,730	39,529,420
Geographical area:		
Spain	40,965,219	33,616,035
European Union (excluding Spain)	4,160,350	4,531,377
The United States of America and Puerto Rico	410,277	426,653
Other OECD countries	683,392	618,237
Latin America	141,386	137,804
Rest of the world	332,106	199,314
	46,692,730	39,529,420
Type of interest rate:		
Fixed interest rate	16,253,400	10,551,402
Floating interest rate	30,439,330	28,978,018
	46,692,730	39,529,420
Currency:		
Euro	44,571,910	37,752,648
Foreign currency	2,120,820	1,776,772
	46,692,730	39,529,420
Valuation adjustments:		
Impairment losses	(849,170)	(650,229)
Accrued interest	49,768	44,312
Fees and commissions	(85,237)	(82,760)
Discount on acquisition	(23,151)	(19,249)
Micro-hedges	94,428	202,552
Transaction costs	103,017	76,145
	45,982,385	39,100,191

Note 47 includes a breakdown of the maturity periods of these assets as at the 2021 and 2020 reporting dates, as well as the average annual interest rates.

At the 2021 reporting date, the Group had pledged loans and receivables for an amount of €7,562,195 thousand (€4,778,888 thousand at 2020 reporting date) as security for the credit system operations of the European Central Bank. As at 31 December 2021, the increase in this amount is due to the fact that the Group has increased the amount drawdown under TLTRO III liquidity mechanism promoted by the European Central Bank (see Note 18).

As at 31 December 2021 and 2020, there were no loans and advances to customers for significant amounts without fixed maturity dates.

As at 31 December 2021, the Group has recognised loans and advances to customers arising from extraordinary activities of loans and advances to customers amounting to €139,247 thousand (€376,565 thousand as at 31 December 2020), 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 as at 31 December 2021 and 2020, is as follows:

	Thousands of euro	
	2021	2020
Minimum lease payments receivable	326,191	311,538
Non-guaranteed residual value	23,671	26,024
Gross lease investment (*)	**349,862**	**337,562**

(*) Includes impaired assets.

As at 31 December 2021, the accumulated allowance for uncollectible minimum lease payments receivable totals €5,986 thousand (€3,527 thousand as at 31 December 2020).

c) Securitisations-

In 2021 and 2020, the Group has carried out no securitisation transactions.

As at 31 December 2021, the carrying amount of the assets transferred totalled €2,059,927 thousand (€2,241,879 thousand as at 31 December 2020). As at 31 December 2021, 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 €2,059,927 thousand (€2,241,879 thousand as at 31 December 2020).

Details of the Group's securitisation funds as at 31 December 2021 and 2020 are provided in Appendix II.

d) Impairment losses-

Changes in the provisions for impairment losses on these assets during the periods ended 31 December 2021 and 2020 are as follows:

Financial year 2021

	Thousands of euro
Opening balance	650,229
Net charges to profit or loss for the period	105,163
Additions arising from business combinations - Bankoa	47,544
Additions arising from business combinations -Novo Banco	148,589
Transfers	
To non-current assets held for sale	-
From Other provisions	-
To provisions for foreclosed assets	-
Reversal of provisions on reclassification to write-off loans (Note 10.f)	(56,856)
Use of provisions for loan cancellation/waiver	(17,022)
Sale of loan portfolio (*)	(28,477)
Other	-
Closing balance	**849,170**
By accounting classification:	
Performing exposures (Stage 1).	165,826
Performing exposures under special monitoring (Stage 2).	155,001
Non-performing exposures (Stage 3).	528,343

Financial year 2020

	Thousands of euro
Opening balance	593,983
Net charges to profit or 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*

(*) The balance of this line item basically relates to derecognitions resulting from loan portfolios sold during 2021 and 2020.

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

Additional adjustments to expected losses

Expected losses have been supplemented with the amounts of the additional adjustments deemed appropriate to reflect the specific features of borrowers, sectors or portfolios that might not have been identified in the general process. As at 31 December 2021, in order to reflect those factors not included in impairment models, management adjustments to expected losses amounting to €73,239 thousand have been made at Group level; these adjustments are expected to be included in contract impairment models during 2022. In 2020, additional adjustments intended to address certain matters associated with the COVID-19 pandemic and amounting to €95,600 thousand were recognised in the statement of profit and loss.

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 2021

	Thousands of euro				
	Up to 6 months	Between 6 and 9 Months	Between 9 and 12 months	More than 12 Months	Total
Impaired assets	399,927	42,164	58,069	495,611	995,771
	399,927	**42,164**	**58,069**	**495,611**	**995,771**

Financial year 2020

	Thousands of euro				
	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**

As at 31 December 2021, “Impaired assets” presented in the table above include secured exposures amounting to €387,101 thousand (€426,541 thousand as at 31 December 2020). As at 31 December 2021, impaired assets under the “Up to 6 months” column include €355,147 thousand relating to non-performing exposures for reasons other than default (€227,382 thousand as at 31 December 2020). As at 31 December 2021, the increase compared to last year arises from the inclusion of impaired assets from the business combinations of Bankoa, S.A. and a significant portion of the Branch in Spain of the Portuguese bank Novo Banco, S.A.

As at 31 December 2021 and 2020, past-due amounts on assets not considered impaired totalled €31,648 thousand and €74,617 thousand, respectively. The breakdown by term of these assets is as follows:

Financial year 2021

	Thousands of euro			
	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	22,313	3,362	5,973	31,648
	22,313	3,362	5,973	31,648

Financial year 2020

	Thousands of euro			
	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

f) Derecognition of impaired financial assets from the consolidated balance sheet-

Movement in 2021 and 2020 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:

	Thousands of euro
Financial assets for which the probability of recovery is considered remote as at 1 January 2020	**3,746,910**
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 of portfolio	-
Derecognition due to other reasons (***)	(290,705)
Financial assets for which the probability of recovery is considered remote as at 31 December 2020	**3,471,261**
Additions	
Balances for which recovery during the period is considered remote (Note 10.d)	56,856
Net allowance charged to profit or loss	14,685
Other (**)	234,256
Additions arising from business combinations	216,515
Recoveries	
Cash receipt without additional refinancing	(55,510)
Derecognition due to foreclosures	(3,820)
Derecognition due to debt remission	-
Derecognition due to sale of portfolio	(37,578)
Derecognition due to other reasons (***)	(38,620)
Financial assets for which the probability of recovery is considered remote as at 31 December 2021	**3,858,045**

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

(**) The balance of this line item basically relates to past due and uncollected products.

(***) The balance of this line item basically relates to amounts considered definitively uncollectible.

Write-offs recovered in 2021 amount to €55,510 thousand and have been recognised under the item "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 and loss for 2021 (€39,922 thousand in 2020).

In 2021, this item in the accompanying consolidated statement of profit and loss also includes direct allowances amounting to €14,685 thousand for loans that were considered as write-offs in 2021 (€20,741 thousand in 2020).

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

As at 31 December 2021, financing extended for real estate construction and property development in the resident sector amounts to €595 million (€662 million as at 31 December 2020), of which €20 million are impaired assets (€18 million as at 31 December 2020), for which impairment had been recognised. At the reporting date, total accumulated impairment amounts to €14 million (€13 million as at 31 December 2020).

The figures above reflect financing extended for real estate construction and property development. Consequently, following the instructions set out by the Banco de España, 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 as at 31 December 2021 and 2020 is as follows:

Financial year 2021

	Millions of euro		
	Gross carrying amount	Excess over real guarantee value	Accumulated impairment
Financing of real estate construction and property development	595	192	(14)
Of which: non-performing	*20*	*14*	*(13)*
Memorandum Item:			
Written-off assets (*)	3,858		
Loans to customers, excluding Public Administrations and valuation adjustments (**)	38,093		
Total assets (**)	80,497		
Impairment and provisions for exposures classified as performing (***)	166		

(*) 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 2020

	Millions of euro		
	Gross carrying amount	Excess over real 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 (*)	3,471		
Loans to customers, excluding Public Administrations and valuation adjustments (**)	34,300		
Total assets (**)	67,417		
Impairment and provisions for exposures classified as performing (***)	159		

(*) 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).

The breakdown on of real estate credit risk in the resident sector, by type of related collateral, is as follows:

	Millions of euro	
	Gross carrying amount	
	31.12.21	31.12.20
Without real estate collateral	181	144
With real estate collateral	414	518
Buildings and other constructions completed		
Housing	*164*	*144*
Other	*63*	*75*
Buildings and other constructions in progress		
Housing	*148*	*242*
Other	*9*	*34*
Land		
Consolidated urban land	*30*	*23*
Other	-	-
Total	595	662

Loans to household for house purchase

Quantitative information on household loans for the purchase of housing as at 31 December 2021 and 2020 is as follows:

As at 31 December 2021-

	Millions of euro	
	Gross carrying amount	Of which: non-performing
Loans to household for house purchase	12,800	151
Without real estate mortgage	*417*	*8*
With real estate mortgage	*12,383*	*143*

As at 31 December 2020

	Millions of euro	
	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*

As at 31 December 2021 and 2020, 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:

As at 31 December 2021

	Millions of euro				
	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	2,698	3,980	4,062	1,084	559
Of which: non-performing	19	29	35	26	34

As at 31 December 2020-

	Millions of euro				
	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

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 as at 31 December 2021 and 2020.

h) Refinancing and restructuring

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

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 transactions 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 Circular 4/2017 of the Banco de España.

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 Banco de España 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, inter 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 ECB; in application of the above-mentioned regulation, in 2021 the Bank classified a gross amount of €61 million as performing (€55 million in 2020). Had the above-mentioned amendment not been applied, in 2021 the amount required for impairment losses would have increased by €2.7 million as a result of the application of the average hedging rate for performing exposures under special monitoring (€1 million in 2020). 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 and exceeding certain thresholds 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 and exceeding certain thresholds 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 that 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. As at 31 December 2021 and 2020, 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, based on which the required provision is determined and recognised.

The risk policies approved by the Group require that whenever credit transactions 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 Group 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.

As at 31 December 2021, the outstanding balances of refinancing and restructuring operations amount to €1,215,219 thousand (€1,062,858 thousand as at 31 December 2020), of which €411,213 thousand relate to impaired assets (€379,230 as at 31 December 2020), for which impairment losses had been recognised.

Total specific allowances and provisions for impairment of those assets amount to €295,972 thousand and €223,761 thousand as at 31 December 2021 and 2020, respectively.

Quantitative information by counterparty and purpose of the transaction as at 31 December 2021 and 2020, in thousands of euro, is as follows:

As at 31 December 2021

	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 administration	9	1,752	19	171	12	30	(1,311)
Other financial companies and individual entrepreneurs (financial business)	10	188	3	104	102	1	(131)
Non-financial companies and individual entrepreneurs (non-financial business)	3,015	422,938	5,331	428,811	198,656	115,657	(234,429)
Of which: financing of real estate construction and property development (including land)	*52*	*777*	*114*	*11,135*	*7,854*	*2,851*	*(5,650)*
Rest of households	2,708	34,837	7,966	326,418	280,678	8,813	(60,101)
Total	5,742	459,715	13,319	755,504	479,448	124,501	(295,972)
ADDITIONAL INFORMATION Information classified as non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-

As at 31 December 2021

	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 administration	5	1,588	10	3	3		(1,311)
Other financial companies and individual entrepreneurs	4	86	2	77	76	1	(125)
Non-financial companies and individual entrepreneurs	1,016	107,600	2,494	193,575	38,746	70,293	(198,844)
Of which: financing of real estate construction and property development (including land)	*34*	*241*	*61*	*7,081*	*5,643*	*1,108*	*(5,309)*
Rest of households	955	20,443	2,148	87,841	72,656	5,184	(50,608)
Total	1,980	129,717	4,654	281,496	111,481	75,478	(250,888)
ADDITIONAL INFORMATION Information classified as non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-

As at 31 December 2020-

	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 administration	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	-	-	-	-	-	-	-

As at 31 December 2020-

	Of which: non-performing						
	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 administration	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	-	-	-	-	-	-	-

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) as at 31 December 2021 and 2020, are as follows:

As at 31 December 2021

	Thousands of euro							
				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 administration	9,391,886	1,339	6,519	3,248	753	2,712	128	1,017
Other financial companies and individual entrepreneurs	468,792	113,415	41,221	62,459	40,060	3,541	28,366	20,210
Non-financial companies and individual entrepreneurs	17,797,149	3,490,462	2,282,368	1,768,324	1,112,878	824,374	664,856	1,402,398
Real Estate construction and property development	*602,653*	*424,168*	*26,528*	*110,436*	*180,996*	*95,807*	*8,154*	*55,303*
Civil engineering construction	*314,947*	*32,640*	*33,749*	*1,913*	*2,570*	*869*	*29,014*	*32,023*
Other purposes:	*16,879,549*	*3,033,654*	*2,222,091*	*1,655,975*	*929,312*	*727,698*	*627,688*	*1,315,072*
Large corporations	*9,060,148*	*969,376*	*1,314,886*	*679,202*	*176,225*	*209,447*	*400,714*	*818,674*
SMEs and individual entrepreneurs	*7,819,401*	*2,064,278*	*907,205*	*976,773*	*753,087*	*518,251*	*226,974*	*496,398*
Rest of households and non-profit institutions serving households	18,324,558	15,355,719	499,608	3,695,184	5,093,690	4,983,768	1,308,214	774,471
Housing	*14,836,066*	*14,327,968*	*27,723*	*3,317,851*	*4,729,516*	*4,601,696*	*1,088,454*	*618,174*
Consumer	*1,745,328*	*225,626*	*92,036*	*113,158*	*78,562*	*74,285*	*29,003*	*22,654*
Other purposes	*1,743,164*	*802,125*	*379,849*	*264,175*	*285,612*	*307,787*	*190,757*	*133,643*
TOTAL	45,982,385	18,960,935	2,829,716	5,529,215	6,247,381	5,814,395	2,001,564	2,198,096
Memorandum Item Refinancing, refinanced and restructured operations	917,550	510,940	74,768	172,789	96,364	103,897	69,796	142,862

(*) Net of valuation adjustments

As at 31 December 2020-

	Thousands of euro							
				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 administration	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*
TOTAL	39,100,191	17,869,834	2,248,112	4,335,766	5,849,703	5,411,221	2,117,480	2,403,776
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

11. Derivatives

11.1. Derivatives – hedge accounting (assets and liabilities)

11.1.1. Fair value hedges

As at 31 December 2021 and 2020, 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:

As at 31 December 2021

	Thousands of euro			
	Debit balances		Credit balances	
	Fair Value	Notional	Fair Value	Notional
Interest rate swaps (IRS)	68,946	5,315,516	121,063	2,551,290
Forward contracts	-	-	-	-
	68,946	**5,315,516**	**121,063**	**2,551,290**

As at 31 December 2020-

	Thousands of euro			
	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**

The notional amount of the contracts arranged does not represent the actual risk assumed by the Group with regard to these instruments.

As at 31 December 2021 interest rate swaps include swaps with a notional amount of €3,563,240 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 (€2,276,800 thousand as at 31 December 2020).

As at 31 December 2021, transactions designated as fair value hedges for the interest rate risk on fixed-rate deposits from credit institutions totalled €1,000,000 thousand (€1,000,000 thousand as at 31 December 2020).

11.1.2. Cash flow hedges

As at 31 December 2021 and 2020, 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:

As at 31 December 2021

	Thousands of euro			
	Debit balances		Credit balances	
	Fair Value	Notional	Fair Value	Notional
Other interest rate transactions:				
Interest rate swaps (IRS)	78	240,250	177,518	2,935,835
	78	**240,250**	**177,518**	**2,935,835**

As at 31 December 2020-

	Thousands of euro			
	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**

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.

As at 31 December 2021 and 2020, 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 2021 and 2020, in which the amounts recognised under the item "Equity - Accumulated other comprehensive income – Hedging derivatives. Cash flow hedges reserve (effective portion)" are expected to revert to future profit or loss, are as follows:

As at 31 December 2021

	Thousands of euro			
	Less than 1 Year	Between 1 and 3 Years	Between 3 and 5 Years	More than 5 Years
Credit balances (gains)	9,679	6,846	12,384	33,877
Debit balances (losses)	(14,145)	(28,522)	(97,820)	(124,667)
Total	(4,466)	(21,676)	(85,436)	(90,790)

As at 31 December 2020-

	Thousands of euro			
	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)

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 2021 and 2020, are as follows:

As at 31 December 2021

	Thousands of euro			
	Less than 1 Year	Between 1 and 3 Years	Between 3 and 5 Years	More than 5 Years
Receipts	9,670	6,746	12,384	33,977
Payments	(14,145)	(28,522)	(97,820)	(124,667)
Total	(4,475)	(21,776)	(85,436)	(90,690)

As at 31 December 2020

	Thousands of euro			
	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)**

As at 31 December 2021 and 2020, 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 percent.

As at 31 December 2021 and 2020, the breakdown, by type of hedged item, of the fair value and notional amount of derivatives designated as hedging instruments, is as follows:

As at 31 December 2021

	Thousands of euro			
	Debit balances		Credit balances	
	Fair Value	Notional	Fair Value	Notional
Credit institutions	4,715	1,000,000	-	-
Loans and advances to customers	2,771	240,250	101,128	1,753,567
Deposits from customers	-	-	-	-
Debt securities issued	-	-	20,603	1,550,000
Debt securities	61,538	4,315,516	176,850	2,183,559
Subordinated liabilities	-	-	-	-
	69,024	5,555,766	298,581	5,487,126

As at 31 December 2020-

	Thousands of euro			
	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

In 2021 and 2020, the breakdown, by type of hedged item, of gains or losses on derivatives designated as hedging instruments, is as follows:

Financial year 2021

	Thousands of euro				
	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	-	(4,740)	556	(3,566)	(3,010)
Loans and advances to customers	(17,674)	-	(106,120)	94,513	(11,608)
Deposits from customers	-	(4,767)	-	(166)	(166)
Debt securities issued	-	(5,643)	-	-	-
Debt securities	(7,291)	-	(141,990)	139,195	(2,794)
Subordinated liabilities	-	(89)	-	-	-
	(24,965)	(15,239)	(247,554)	229,976	(17,578)

Financial year 2020

	Thousands of euro				
	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

11.2. Derivatives held for trading (assets and liabilities)

As at 31 December 2021 and 2020, the breakdown, by inherent risk, of the fair value of derivatives held for trading arranged by the Group, is as follows:

	Thousands of euro			
	2021		2020	
	Debit Balance	Credit balance	Debit Balance	Credit balance
Interest rate risk	136,274	135,838	136,182	137,428
Currency risk	679	2,941	3,225	2,456
Market risk	2,417	2,523	3,100	4,029
Commodities risk	-	-	-	-
	139,370	141,302	142,507	143,913

As at 31 December 2021 and 2020, 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:

	Thousands of euro	
	2021	2020
Group companies	1,082,028	949,874
Investment property and assets for own use	55,229	56,214
Foreclosed assets or received in payment of debt	239,045	270,755
	1,376,302	1,276,843

Changes registered under this item in 2021 and 2020 are as follows:

Financial year 2021

	Thousands of euro					
	Opening balance 31.12.2020	Additions	Additions arising from business combinations	Derecognitions	Transfers	Closing Balance 31.12.2021
Cost:						
Group companies	949,874	132,154	-	-	-	1,082,028
Foreclosed assets or received in payment of debt	709,269	15,824	5,609	(86,902)	(6,516)	637,284
Investment property and assets for own use	56,214	-	-	(3,852)	5,939	58,301
	1,715,357	**147,978**	**5,609**	**(90,754)**	**(577)**	**1,777,613**
Impairment:						
Group companies	-	-	-	-	-	-
Foreclosed assets or received in payment of debt	(438,514)	(9,660)	-	46,565	3,370	(398,239)
Investment property and assets for own use	-	(3,072)	-	-	-	(3,072)
	(438,514)	**(12,732)**	**-**	**46,565**	**3,370**	**(401,311)**
Net total	**1,276,843**	**135,246**	**5,609**	**(44,189)**	**2,793**	**1,376,302**

Financial year 2020

	Thousands of euro				
	Opening balance 31.12.2019	Additions	Derecognitions	Transfers	Closing Balance 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**

Insurance policy-

The Bank's policy is to take out insurance policies to cover the potential risk to its various types of 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 stated in Note 5, dated 3 April 2020, 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 held 80.46% of shares in this fishery 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 reduced deadline, an industrial partner willing to acquire a majority stake; accordingly, the Board of Directors of the Group prepared a plan for the effective disposal of this company. Consequently, the Bank classified the investment in Nueva Pescanova, S.L. as "Non-current assets and disposal groups classified as held for sale".

Additionally, on 28 July 2020, in the context of a debt capitalisation procedure, ABANCA Corporación Bancaria, S.A. became the main shareholder of Real Club Deportivo de La Coruña, S.A.D. with a 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% of share capital. This transaction was completed for the purposes of taking part in the management and restructuring of the company, restoring its value within the shortest possible delay, and to prepare a disposal plan in order to admit new shareholders and recover the investment.

On 23 February 2021, ABANCA subscribed the voluntary capital increase announced by Nueva Pescanova, S.L., following which ABANCA holds 97.48% of shares in the fishery company. This capital increase was executed through the issue of 570,404,756 shares of €0.47 nominal value each against non-cash contributions of receivables. ABANCA subscribed 569,454,334 new shares for a total nominal value of €267,644 thousand. Furthermore, in June 2021, ABANCA has purchased a block of shares representing 0.28% of share capital of the company, and now controls 97.76% stake of Nueva Pescanova, S.L.

As disclosed in the annual financial statements for 2020, following the design and implementation of the Strategic Plan and the capitalisation of the company, the process of identification of a partner to acquire a stake in the company continues during the closing of accounts (31 March 2022) of the first full year of the Plan. The economic impact of the COVID-19 pandemic has caused this process to be slower than expected.

Consequently, the assets and liabilities arising from the consolidation of Nueva Pescanova, S.L. and Real Club Deportivo de La Coruña, S.A.D. were considered as disposal groups and as discontinued operations and were therefore 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 balance sheet. 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 and loss (the profit recognised under this item for the twelve-months period ended 31 December 2021 relates to losses from Nueva Pescanova, S.L. and from Real Club Deportivo de la Coruña, S.A.D. amounting to €15,568 thousand (€1,762 thousand related to losses from Nueva Pescanova, S.L. and from Real Club Deportivo de la Coruña, S.A.D. as at 31 December 2020).

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:

	Thousands of euro			
	Nueva Pescanova, S.L.		R.C.D. Coruña, S.A.D.	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Cash, cash balances with central banks and other demand deposits	64,831	27,715	488	438
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	139
Financial assets at amortised cost	179,316	162,253	2,760	(497)
Investments in joint ventures and associates	5,548	4,862	-	-
Tangible assets	293,753	268,529	8,468	8,863
Intangible assets	123,175	119,810	4,883	9,545
Tax assets	52,345	55,830	651	574
Other assets	345,409	290,791	401	1,022
	1,064,377	929,790	17,651	20,084

Foreclosed assets or received in payment of debt

Details of this item in the consolidated balance sheet are as follows:

	Thousands of euro	
	2021	2020
Residential assets	247,427	294,001
Industrial assets	115,045	129,603
Other assets	274,812	285,665
Gross total	**637,284**	**709,269**
Less - Impairment losses	(398,239)	(438,514)
Net total	**239,045**	**270,755**

In 2021 and 2020, several sales of assets achieved net gains of €21,143 thousand and €18,360 thousand, respectively., which were recognised under the item "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 and loss. This item also includes impairment coverages for non-current assets and disposal groups classified as held for sale amounting to €12,732 thousand and €12,705 thousand in 2021 and 2020, 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 Banco de España, 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.; Gloval 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 Banco de España, the fair value presented was obtained from estimates made by the Bank, 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.

As at 31 December 2021 and 2020, the breakdown of the carrying amount and fair value of this type of assets is as follows:

Financial year 2021

	Thousands of euro		Time since Appraisal		
	Carrying amount (Gross)	Appraisal Value	Under 12 months	Between 12 and 24 months	More than 24 Months
Foreclosed assets	637,284	482,057	379,823	52,098	50,136

Financial year 2020

	Thousands of euro		Time since Appraisal		
	Carrying amount (Gross)	Appraisal Value	Under 12 months	Between 12 and 24 months	More than 24 Months
Foreclosed assets	709,269	578,307	438,424	84,116	55,767

Details of the ageing of non-current assets held for sale as at 31 December 2021 and 2020 are as follows:

Financial year 2021

	Thousands of euro	Time on the consolidated balance sheet		
	Carrying amount (Gross)	Under 12 months	Between 12 and 24 months	More than 24 Months
Foreclosed assets	637,284	19,549	15,089	602,646

Financial year 2020

	Thousands of euro	Time on the consolidated balance sheet		
	Carrying amount (Gross)	Under 12 months	Between 12 and 24 months	More than 24 Months
Foreclosed assets	709,269	21,574	27,181	660,514

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.

As at 31 December 2021 and 2020, the breakdown of the origin of assets acquired or foreclosed, based on the purpose of the loan or credit initially granted, is as follows:

Financial year 2021

	Thousands of euro	
	Gross carrying amount (*)	Accumulated impairment
Real estate assets from financing of real estate construction and property development	354,873	248,944
Buildings and other constructions completed	81,188	47,067
Housing	*46,946*	*24,480*
Other	*34,242*	*22,587*
Buildings and other constructions in progress	47,130	35,672
Housing	*31,010*	*21,193*
Other	*16,120*	*14,479*
Land	226,555	166,205
Consolidated urban land	*149,824*	*100,387*
Rest of land	*76,731*	*65,818*
Real estate assets from mortgage loans to households for house purchase	191,050	101,322
Rest of foreclosed real estate assets or received in payment of debt	91,361	47,973
	637,284	398,239

(*) Amount before deducting, where applicable, any accumulated impairment.

Financial year 2020

	Thousands of euro	
	Gross carrying amount (*)	Accumulated impairment
Real estate assets from financing of real estate construction and property development	373,319	253,627
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 real estate assets or received in payment of debt	102,988	56,457
	709,269	438,514

(*) Amount before deducting, where applicable, 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 balance sheet as at 31 December 2021 entirely relates to the liabilities resulting from the consolidation of Nueva Pescanova, S.L. and Real Club Deportivo de la Coruña, S.A.D. (see Note 5).

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:

	Thousands of euro			
	Nueva Pescanova, S.L.		R.C.D. Coruña, S.A.D.	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Financial liabilities at amortised cost	599,298	515,635	21,709	20,982
Provisions	29,342	30,127	538	1,665
Tax liabilities	44,979	34,694	10,206	11,392
Other liabilities	17,825	10,564	2,705	1,568
	691,444	591,020	35,158	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 2021 and 2020.

13. Investments in joint ventures and associates

13.1. Investments in associates

Details of the Group's investments in associates as at 31 December 2021 and 2020, 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 as at 31 December 2021 and 2020, 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 2021 and 2020, considering impairment losses, is as follows:

	Thousands of euro	
	2021	2020
Opening balance	**143,738**	**219,493**
Purchases and capital increases	9,733	5,628
Sale of investments	-	(77)
Changes in consolidation scope and valuation adjustments	3,590	(58,119)
Additions arising from business combinations	834	-
Impairment recognised in profit or loss	-	(3,000)
Profit for the year (Note 34)	(1,660)	(11,597)
Transfer from equity instruments	-	(8,590)
Closing balance	**156,235**	**143,738**
Of which:		
Goodwill	**5,002**	**5,002**

Among the transactions completed in 2021, the following transactions are noteworthy: sale of the stake interest in the company Terminal de Graneles Agroalimentarios de Santander, S.A., and incorporation of the company Sociedade para o Desenvolvimento de Proxectos Estratéxicos de Galicia, S.L., of which ABANCA Group holds a 38% ownership interest.

Furthermore, in 2021, ABANCA Group acquired additional shares in Txstockdata, S.L., increasing its ownership percentage from 32.98% to 46.27%. Subsequently, ABANCA group subscribed a capital increase to hold a 70% ownership interest in Txstockdata, S.L. Following this capital increase, ABANCA had control of the company, which ceased to be classified as an associate.

Similarly, following the acquisition of Bankoa Group, a new associate is included in the group, Olazabal y Huarte, S.A., in which ABANCA group holds a 25.06% ownership interest.

Among the transactions carried out in 2020, the 30.09% ownership interest in Ozona Consulting, S.L. was 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 fishery company and has control of the company, which ceased to be classified as an associate (see Notes 2.1 and 5).

In December 2020, 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 consequently been classified as "Non-trading financial assets mandatorily at fair value through profit or loss" (see Note 2.1).

13.4. Goodwill

Movement in goodwill that is implicit in the cost of the equity investment during 2021 and 2020 was as follows:

	Thousands of euro	
	2021	2020
Opening balance	**5,002**	**49,778**
Change arising from acquisition of investments and changes in the consolidation scope	-	(41,776)
Impairment of goodwill	-	(3,000)
Closing balance	**5,002**	**5,002**

In 2021, no changes have been recorded in goodwill.

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 Note 5). Impairment of goodwill recognised in 2020 amounting to €3,000 thousand, relates to the investment in Transmonbús, S.L.

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 based on the budget for each company for 2021 and the business plans for subsequent years.

14. Tangible assets

As at 31 December 2021 and 2020, the breakdown of the Bank's tangible assets is as follows:

	Thousands of euro	
	2021	2020
Tangible assets		
Property, plant and equipment	977,087	929,352
For own use	977,087	929,352
Leased out under operating leases	-	-
Investment property	243,328	280,458
Net total	**1,220,415**	**1,209,810**

As at 31 December 2021 and 2020, the net balance in the foregoing table includes €86,285 thousand and €82,054 thousand, respectively, relating to items of property, plant and equipment owned by the Group located abroad.

As at 31 December 2021, the cost and accumulated depreciation of fully depreciated Property, plant and equipment for own use amounted to €346,555 thousand (€307,233 thousand as at 31 December 2020). As at 31 December 2021, investment property with a cost of €862 thousand was fully depreciated (€1,962 thousand as at 31 December 2020).

Rental income from investment property owned by the Group totalled €17,351 thousand in 2021 (€14,849 thousand in 2020). Operating expenses arising therefrom in 2021 amounted to €1,899 thousand (€1,968 thousand in 2020) (see Notes 38 and 41).

The Group's policy requires that insurance policies be purchased to cover the potential risk of damage to its various types of Property, plant and equipment and investment property.

In 2021 and 2020, the breakdown of, and changes according to the nature of the line items presented under this item are as follows:

Financial year 2021

	Thousands of euro					
	Opening balance 31.12.2020	Additions	Additions arising from business combinations	Derecognitions	Transfers	Closing Balance 31.12.2021
Cost:						
For own use:						
Computer hardware and installations	150,701	12,063	14,273	(959)	699	176,777
Furniture, motor vehicles and other installations	622,333	13,274	22,149	(17,177)	(1,150)	639,429
Buildings	789,167	615	58,508	(3,049)	8,092	853,333
Work in progress	7,303	4,448	-	-	-	11,751
Right-of-use assets	63,893	12,069	11,027	(8,019)	-	78,970
Investment property	400,387	1,942	2,138	(15,376)	(13,507)	375,584
Leased out under operating leases	-	-	-	-	-	-
	2,033,784	44,411	108,095	(44,580)	(5,866)	2,135,844
Accumulated depreciation:						
For own use:						
Computer hardware and installations	(77,751)	(13,553)	(13,531)	419	(588)	(105,004)
Furniture, motor vehicles and other installations	(432,030)	(19,228)	(14,203)	11,555	481	(453,425)
Buildings	(113,424)	(6,531)	(12,994)	825	1,521	(130,603)
Work in progress	(317)	(131)	-	-	-	(448)
Right-of-use assets	(12,983)	(8,913)	(4,983)	3,196	-	(23,683)
Investment property	(49,547)	(4,692)	(1,227)	2,240	1,659	(51,567)
Leased out under operating leases	-	-	-	-	-	-
	(686,052)	(53,048)	(46,938)	18,235	3,073	(764,730)
Impairment:						
For own use:						
Computer hardware and installations	(6,281)	-	-	-	-	(6,281)
Furniture, motor vehicles and other installations	(12,848)	(312)	-	(2,095)	-	(15,255)
Buildings	(48,411)	-	(63)	-	-	(48,474)
Work in progress	-	-	-	-	-	-
Right-of-use assets	-	-	-	-	-	-
Investment property	(70,382)	(12,905)	-	2,598	-	(80,689)
Leased out under operating leases	-	-	-	-	-	-
	(137,922)	(13,217)	(63)	503	-	(150,699)
Net total	1,209,810	(21,854)	61,094	(25,842)	(2,793)	1,220,415

Financial year 2020

	Thousands of euro				
	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, as at 31 December 2021 the Group has recognised right-of-use assets amounting to €55,287 thousand (€52,271 thousand as at 31 December 2020).

As at 31 December 2021 "Buildings" in the foregoing table includes a revaluation of €174,007 thousand (€176,784 as at 31 December 2020) 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 sheet, based on the relevant originating cash generating units (CGU), are as follows:

	Thousands of euro			
	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 as at 1 January 2020	**13,745**	**47,986**	**-**	**-**
Additions from business combinations	-	-	34,383	45,451
Adjustments to provisional values	-	-	(40,460)	(26,561)
Transfers from investments in joint ventures and associates	-	-	41,776	-
Balance as at 31 December 2020	**13,745**	**47,986**	**35,699**	**18,890**
Impairment recognised in profit or loss	-	-	-	(15,161)
Other (*)	-	1	(35,699)	(3,729)
Balance as at 31 December 2021	**13,745**	**47,987**	**-**	**-**

(*) As a result of Nueva Pescanova, S.L. debt-for-equity operation, the value of the investment has increased and the increase has been allocated to goodwill.

15.2 Other intangible assets

In 2021 and 2020, movements registered under this item in the consolidated balance sheet are as follows:

Financial year 2021

	Thousands of euro					
	Opening balance 31.12.2020	Additions	Additions arising from business combinations	Derecognitions	Transfers	Closing balance 31.12.2021
Cost:						
Administrative concessions, computer software and transfer rights	239,408	31,956	372	(2,836)	-	268,900
Other	565,362	-	8,500	-	-	573,862
	804,770	**31,956**	**8,872**	**(2,836)**	**-**	**842,762**
Accumulated amortisation:						
Administrative concessions, computer software and transfer rights	(124,817)	(10,011)	-	40	-	(134,788)
Other	(254,968)	(29,759)	-	-	-	(284,727)
	(379,785)	**(39,770)**	**-**	**40**	**-**	**(419,515)**
Impairment:						
Administrative concessions, computer software and transfer rights	(23,063)	-	-	-	-	(23,063)
Other	-	-	-	-	-	-
	(23,063)	**-**	**-**	**-**	**-**	**(23,063)**
Net total	**401,922**	**(7,814)**	**8,872**	**(2,796)**	**-**	**400,184**

Financial year 2020

	Thousands of euro				
	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**

The breakdown of intangible assets relating to the valuation of customer relations is as follows:

As at 31 December 2021-

	Thousands of euro			
	Cost	Accumulated amortisation	Impairment	Net balance
Customer relations				
Merger of ABANCA and ABANCA Holding Financiero	*227,400*	*(200,763)*	-	*26,637*
Acquisition of ABANCA Vida y Pensiones	*199,315*	*(64,344)*	-	*134,971*
Acquisition of ABANCA II Vida y Pensiones	*109,047*	*(12,722)*	-	*96,325*
Acquisition of Deutsche Bank Portugal's business	*10,500*	*(2,629)*	-	*7,871*
Acquisition of Banco Caixa Geral	*19,100*	*(3,820)*	-	*15,280*
Acquisition of Bankoa	*4,500*	*(449)*	-	*4,051*
Acquisition of Novobanco's business in Spain	*4,000*	-	-	*4,000*
Balance as at 31 December 2021	***573,862***	***(284,727)***	**-**	***289,135***

As at 31 December 2020

	Thousands of euro			
	Cost	Accumulated amortisation	Impairment	Net balance
Customer relations				
Merger of ABANCA and ABANCA Holding Financiero	*227,400*	*(185,561)*	-	*41,839*
Acquisition of ABANCA Vida y Pensiones	*199,315*	*(55,152)*	-	*144,163*
Acquisition of ABANCA II Vida y Pensiones	*109,047*	*(10,766)*	-	*98,281*
Acquisition of Deutsche Bank Portugal's business	*10,500*	*(1,579)*	-	*8,921*
Acquisition of Banco Caixa Geral	*19,100*	*(1,910)*	-	*17,190*
Balance as at 31 December 2020	565,362	(254,968)	-	310,394

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:

	Thousands of euro	
	2021	2020
Prepaid expenses	4,339	8,862
Pension plans net assets (Note 23)	11,862	8,209
Extraordinary contribution to Deposit Guarantee Fund	8,555	16,293
Payments yet to be passed onto third parties	15,935	19,905
Transactions in transit	42,049	35,623
Other	98,136	52,206
	180,876	141,098

As at 31 December 2021, "Deposit Guarantee Fund" includes €8,555 thousand (€16,293 thousand as at 31 December 2020) 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.

As at 31 December 2021 and 2020, "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

The breakdown of this item in the consolidated balance sheet as at 31 December 2021 and 2020, by classification, counterparty, nature and currency, is as follows:

	Thousands of euro	
	2021	2020
Classification:		
Financial liabilities at amortised cost	15,447,094	11,059,479
	15,447,094	**11,059,479**
Counterparty:		
Central banks	9,916,760	8,657,200
Credit institutions	5,530,334	2,402,279
	15,447,094	**11,059,479**
Nature:		
Reciprocal accounts	2,505	-
Term accounts	725,737	858,106
Repurchase agreements (Note 8)	4,731,172	1,437,520
Other accounts	9,987,680	8,763,853
	15,447,094	**11,059,479**
Currency:		
Euro	15,380,020	10,927,167
Foreign currency	67,074	132,312
	15,447,094	**11,059,479**
Valuation adjustments:		
Accrued interest	(144,946)	(41,942)
Micro-hedges	45	781
	15,302,193	**11,018,318**

As at 31 December 2021, the limit allocated by the European Central Bank for financing from the credit system against debt securities and loans totalled €5,656,603 thousand and €7,562,195 thousand, respectively, of which €9,916,760 thousand had been drawn down as at 31 December 2021 (€8,657,200 thousand as at 31 December 2020); at 31 December 2021, the total of which relates 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 (-0.5% as at 31 December 2020).

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 biannual 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 the item "Interest income and other similar income" in the consolidated statement of profit and loss and, as at 31 December 2021, amount to €87,151 thousand (€58,077 thousand as at 31 December 2020).

Note 47 includes a breakdown of the maturity periods of these liabilities at the 2021 and 2020 reporting dates, as well as the average annual interest rates.

19. Deposits from customers

As at 31 December 2021 and 2020, the breakdown of this heading in the consolidated balance sheet classified by geographical area, nature and currency, is as follows:

	Thousands of euro	
	2021	2020
Classification:		
Financial liabilities at amortised cost	54,175,981	46,294,037
	54,175,981	**46,294,037**
Geographical area:		
Spain	48,910,181	41,659,099
European Union (excluding Spain)	3,455,619	2,861,497
The United States of America and Puerto Rico	199,133	159,293
Other OECD countries	934,188	934,965
Latin America	596,640	613,707
Rest of the world	80,220	65,476
	54,175,981	**46,294,037**
Nature:		
Demand:		
Current accounts	22,458,277	15,889,919
Savings accounts	19,200,381	17,401,073
Term deposits		
Fixed-term deposits	9,330,528	10,735,378
Hybrid financial liabilities	37,467	54,535
Repurchase agreements (Note 8)	3,149,328	2,213,132
	54,175,981	**46,294,037**
Currency:		
Euro	52,630,089	44,749,848
Foreign currency	1,545,892	1,544,189
	54,175,981	**46,294,037**
Valuation adjustments:		
Accrued interest	34,667	38,937
Premiums/Discounts on assumption	29,930	38,709
Transaction costs	(10,116)	(9,059)
Micro-hedges	25,370	30,137
	54,255,832	**46,392,761**

Note 47 includes a breakdown of the maturity periods of these liabilities at the 2021 and 2020 reporting dates, as well as the average annual interest rates.

As at 31 December 2021 and 2020, "Fixed-term deposits" in the above table respectively included 6 and 7 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 RDL 24/2021, of 2 November, implementing European Union directives on covered bonds; cross-border distribution of collective investment undertakings; open data and re-use of public sector information; the exercise of copyright and related rights applicable to certain online transmissions and broadcasting of television and radio programmes; and temporary exemptions on importations and on certain supplies, and consumers; and promotion of clean and energy-efficient road transport vehicles.

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 bondholders have the special privileges established in article 90, paragraph 1, point 1 of Law 22/2003, of 9 July, on Insolvency. 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 bondholders, 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 Board of Directors hereby represents 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

As at 31 December 2021 and 2020, the breakdown of mortgage covered bond issues, and the main characteristics thereof, is as follows:

As at 31 December 2021

Designation / Issuer	Issue date	Maturity date	ISIN	Nominal amount (Thousands of euro)	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 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
				1,239,887		

(*) *The Group'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.*

As at 31 December 2020-

Designation / Issuer	Issue date	Maturity date	ISIN	Nominal amount (Thousands of euro)	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.*

These mortgage covered bonds have been issued pursuant to the provisions of RDL 24/2021, of 2 November, implementing European Union directives on covered bonds.

Movement in the nominal value of these liabilities during the year ended 31 December 2021 reflects the redemption on maturity of one issue of €300,000 thousand in mortgage covered bonds (redemption on maturity of one issue of €116,666 thousand in covered bonds in the year ended 31 December 2020).

As at 31 December 2021 and 2020, the Group had no matured mortgage covered bond issues.

Qualitative information on mortgage market activities

As at 31 December 2021 and 2020, the breakdown of Mortgage Loans by eligibility for mortgage market purposes is as follows:

	Thousands of euro	
	Nominal amount	
	2021	2020
Total loans (*)	18,100,092	17,690,150
Mortgage bonds issued		
Of which: loans recognised as assets	-	-
Mortgage transfer certificates issued		
Of which: loans recognised as assets	*2,003,915*	*2,178,802*
Mortgage loans pledged as collateral to secure financing received	-	-
Mortgage loans that back the issue of mortgage bonds and mortgage covered bonds (**)	16,096,177	15,511,348
i) Ineligible loans (***)	5,284,995	5,062,911
- *Loans meeting the eligibility requirements, except the limit requirement of Article 5.1 of Royal Decree 716/2009*	*4,350,846*	*4,076,742*
- *Other ineligible loans*	*934,149*	*986,169*
ii) Eligible loans (****)	10,811,182	10,448,437
- *Loans backing mortgage covered bond issues (*****)*	-	-
- *Loans qualifying for backing mortgage covered bond issues*	*10,811,182*	*10,448,438*
- *Non-qualifying amounts*	*58,830*	*59,826*
- *Qualifying amounts*	*10,752,352*	*10,388,612*

(*) 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:

As at 31 December 2021

	Thousands of euro	
	Mortgage loans that back the issue of mortgage bonds and mortgage covered bonds	Of which: eligible loans (*)
TOTAL	16,096,177	10,811,182
TRANSACTION ORIGINATION		
Originated by the Entity	13,914,288	10,022,182
Subrogated from other entities	59,898	45,327
Other	2,121,991	743,673
CURRENCY		
Euro	15,775,543	10,811,182
Other currencies	320,634	-
PAYMENT STATUS		
Performing	15,779,304	10,737,955
Other status	316,873	73,227
AVERAGE RESIDUAL MATURITY		
Up to 10 years	2,947,193	1,543,191
10 to 20 years	5,913,953	4,246,001
20 to 30 years	6,669,166	4,931,293
More than 30 years	565,865	90,697
INTEREST RATES		
Fixed interest rate	778,033	299,777
Variable remuneration rate	15,318,144	10,511,405
Mixed interest rate	-	-
HOLDERS		
Legal entities and individual entrepreneurs	2,674,336	843,075
Of which: Real estate construction and property development	*348,175*	*163,627*
Rest of households	13,421,841	9,968,107
TYPE OF COLLATERAL		
Completed assets/buildings	15,554,660	10,563,439
Housing	13,751,770	10,034,021
Of which: social housing	*716,654*	*13,751,770*
Offices and commercial premises	664,988	268,500
Other buildings and constructions	1,137,902	260,918
Assets/buildings under construction	430,608	202,369
Housing	381,792	185,982
Of which: social housing	*18,778*	*365*
Offices and commercial premises	9,402	2,208
Other buildings and constructions	39,414	14,179
Land	110,909	45,374
Consolidated urban land	66,694	21,718
Rest of land	44,215	23,656

(*)Pursuant to article 3 of Royal Decree 716/2009, without deducting the computation limits set forth in article 12 of Royal Decree 716/2009.

As at 31 December 2020-

	Thousands of euro	
	Mortgage loans that back the issue of mortgage bonds and 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.

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.

	As at 31 December 2021			
	Principal drawn compared to the latest available appraisal (*LTV*) (Thousands of euro)			
	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 bonds and mortgage covered bonds (*)	3,229,196	4,242,245	3,339,741	10,811,182
Housing collateral	*2,945,036*	*3,935,226*	*3,339,741*	*10,220,003*
Other real estate collateral	*284,160*	*307,019*	-	*591,179*

(*) Pursuant to article 3 of Royal Decree 716/2009, without deducting the computation limits set forth in article 12 of Royal Decree 716/2009.

	As at 31 December 2020			
	Principal drawn compared to the latest available appraisal (*LTV*) (Thousands of euro)			
	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 bonds and 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.

The breakdown of the available balances under mortgage loans backing the issue of mortgage bonds and mortgage covered bonds are as follows:

	Thousands of euro	
	Undrawn principals (*)	
	31.12.2021	31.12.2020
Mortgage loans that back the issue of mortgage bonds and mortgage covered bonds		
Total	558,315	346,321
Potentially eligible (**)	348,782	143,100
Ineligible	209,533	203,221

(*) 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.

As at 31 December 2021 and 2020 and during the years then ended the Group had no replacement assets tied to the issue of mortgage bonds and mortgage covered bonds.

Mortgage securities

As at 31 December 2021 and 2020, the breakdown of outstanding mortgage securities issued by the Group is as follows:

As at 31 December 2021

	Nominal amount (Thousands of euro)	Average residual maturity (*)
MORTGAGE SECURITIES		
Mortgage bonds issued (**)	-	
Of which: recognised as liabilities	-	
Mortgage covered bonds issued (**)	2,989,886	
Of which: recognised as liabilities	*1,989,886*	
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	1,239,887	
Residual maturity, up to one year	129,630	
Residual maturity, more than one year and up to two years	100,000	
Residual maturity, more than two years and up to three years	-	
Residual maturity, more than three years and up to five years	610,257	
Residual maturity, more than five years and up to ten years	400,000	
Residual maturity, over ten years	-	
Mortgage bonds issued	-	-
Issued to the public	-	-
Other issues	-	-
Mortgage transfer certificates issued (***)	2,003,915	247
Issued to the public	-	-
Other issues	2,003,915	247

(*) *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.*

As at 31 December 2020-

	Nominal amount (Thousands of euro)	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	*2,289,886*	
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	
Mortgage bonds issued	-	-
Issued to the public	-	-
Other issues	-	-
Mortgage transfer certificates issued (***)	2,178,802	259
Issued to the public	-	-
Other issues	2,178,802	259

(*) 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-

As at 31 December 2021 and 2020 the breakdown, by classification and nature, of the balance of this item in the consolidated balance sheet is as follows:

	Thousands of euro	
	2021	2020
Classification:		
Financial liabilities at amortised cost	2,525,000	1,650,995
	2,525,000	1,650,995
Nature:		
Mortgage securities	1,750,000	1,750,000
Other non-convertible securities	500,000	-
Own securities	(1,000,000)	(1,000,000)
Subordinated liabilities	1,275,000	900,995
	2,525,000	1,650,995
Currency:		
Euro	2,525,000	1,650,995
	2,525,000	1,650,995
Valuation adjustments:		
Accrued interest	34,783	33,997
Micro-hedges	8,249	33,041
Transaction costs	(10,466)	(9,757)
	2,557,566	1,708,276

The currency of these marketable securities was the Euro for all issues.

Note 47 includes a breakdown of the maturity periods of these securities at the 2021 and 2020 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 as at 31 December 2021 and 2020 are as follows:

As at 31 December 2021

Designation	Number of Securities	Thousands of euro 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				

As at 31 December 2020-

Designation	Number of Securities	Thousands of euro 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				

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 2021 and 2020 were as follows:

	Thousands of euro
2020 Opening balance	800,000
Issues	1,000,000
Redemptions	(50,000)
2020 Closing balance	1,750,000
Issues	-
Redemptions	-
2021 Closing balance	1,750,000

During the annual period ended 31 December 2021, no mortgage covered bonds have been issued.

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 floating interest, payable quarterly in arrears, at a EUR 3M + 0.15% (floor 0%) rate until 5 June 2025. These bonds will mature on 5 June 2025, subject to ABANCA's option to redeem them early under certain circumstances.

In 2021, no issues have matured (€50.000 matured in 2020).

In the table above, the 2021 closing balance includes €1,000,000 relate to issues included in the Group's treasury stock (€1,000,000 thousand in 2020).

c) Other non-convertible securities -

Dated 1 September 2021, ABANCA laid down the economic conditions for an issue of €500.000 thousand in ordinary bonds with a 0.5% coupon; the maturity date of these bonds is 8 September 2027. This issue was paid up and closed on 8 September 2021. These Bonds are eligible for MREL purposes. Furthermore, an amount equivalent to the amount of the issue is expected to be allocated to the eligible green business lines as provided in ABANCA's framework of sustainable development goals so that those Bonds are additionally considered as green bonds. The issue was exclusively addressed to professional customers and eligible counterparties.

As at 31 December 2020, there are no issuances included under the portfolio "Other non-convertible securities".

d) Other convertible securities -

As at 31 December 2021 and 2020, the Group had nil issues included under "Other convertible securities".

21. Subordinated liabilities

a) Breakdown-

As at 31 December 2021 and 2020 the breakdown, by classification and nature, of the balance of this item in the balance sheet is as follows:

	Thousands of euro	
	2021	2020
Classification:		
Financial liabilities at amortised cost	1,275,000	900,995
	1,275,000	900,995
Nature:		
Subordinated liabilities	1,275,000	901,200
Own securities	-	(205)
	1,275,000	900,995
Valuation adjustments:		
Accrued interest	30,665	30,667
Micro-hedges	299	348
Transaction costs	(2,178)	(3,018)
	1,303,786	928,992

Note 47 includes a breakdown of the maturity periods of these liabilities at the 2021 and 2020 reporting dates, as well as the average annual interest rates.

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 life span of the bond issue. Interest will be 7.5% p.a. until 02 October 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.

The payment of the dividend associated to these instruments is recognised in equity under the item "Other reserves".

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.

Dated 11 January 2019, the Group laid down the economic conditions for an issue of €350,000 thousand in subordinated notes. These 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 bonds 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.

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 bonds 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 7 January 2021, ABANCA reopened the debt market by laying down the economic conditions for an issue of €375,000 thousand in perpetual bonds. This issue was paid up and closed on 20 January 2021. Perpetual bonds were issued at par value and will bear a fixed annual interest payable quarterly in arrears and subject to review throughout the life span of the bond issue. Interest will be 6% p.a. until 20 July 2026; thereafter, the interest rate will be reviewed every fifth year by applying a 6.57% 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.

Furthermore, as at 31 December 2021, the balance includes €1,200 thousand redeemed from the issue of simple subordinated bonds known as "Obligaciones subordinadas Banco Etcheverría" (€1,200 thousand as at 31 December 2020).

b) Changes-

Changes recorded in the balance of this item (nominal value) during 2021 and 2020 were as follows:

	Thousands of euro
2020 Opening balance	**903,500**
Redemptions	(2,300)
2020 Closing balance	**901,200**
Issues	375,000
Redemptions	(1,200)
Balance as at 31 December 2021	**1,275,000**

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.

As 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 €1,674 thousand (€2,945 thousand as at 31 December 2020). To address any liabilities that might arise from these proceedings, the Group has recognised a provision of €1,674 thousand (€2,945 thousand as at 31 December 2020) (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 the item "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 as at 31 December 2021.

22. Other financial liabilities

The breakdown of the balance of this item in consolidated balance sheet at 31 December 2021 and 2020 is as follows:

	Thousands of euro	
	2021	2020
Payment obligations	54,908	46,813
Bonds received	1,492	1,174
Tax collection accounts		
Central Government	14,920	13,328
Autonomous governments	1,364	1,232
Social Security administration	1,727	1,682
Outstanding payment orders and traveller's cheques	42,377	32,599
Transactions on stock exchanges or organised markets		4,301
pending settlement	4314	
Financial guarantees	22,606	11,539
Other	168,379	176,125
	312,087	288,793

Note 47 includes a breakdown of the maturity periods of these liabilities at the 2021 and 2020 reporting dates, as well as the average annual interest rates.

In the above table, "Other" include the following:

- €6,654 thousand as at 31 December 2021 (€12,896 thousand as at 31 December 2020) relating to the extraordinary contribution approved by the Management Committee of the Deposit Guarantee Fund for Credit Institutions in 2012, estimated based on contributions as at 31 December 2011 and payable through annual instalments over a period of ten years (see Notes 1.8 and 17).

- €52,603 thousand as at 31 December 2021, relating to the recognition of lease liabilities as a result of application of IFRS 16 – "Leases" (€51,814 thousand 31 December 2020) (see Note 2.12).

- €57,272 thousand as at on 31 December 2021 relating to forward transactions from ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A. (€69,424 thousand as at 31 December 2020).

23. Provisions

The breakdown of this item in the consolidated balance sheet as at 31 December 2021 and 2020 is as follows:

	Thousands of euro	
	2021	2020
Pensions and other post-employment defined benefit obligations	276,155	204,274
Outstanding tax-related legal proceedings and litigation	20,976	18,356
Commitments and guarantees given	97,887	65,437
Other provisions	23,868	30,184
	418,886	**318,251**

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:

	Thousands of euro	
	2021	2020
Defined benefit plans:		
Post-employment commitments	176,904	158,553
Early retirement commitments and labour agreements (*)	98,711	45,150
Other commitments	540	571
	276,155	**204,274**

(*) As at 31 December 2021, this item includes €98,711 thousand relating to existing labour agreements (€45,150 thousand as at 31 December 2020). See Note 2.13.

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 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 2021, contributions made by the Group to external pension funds amounted to €10,200 thousand recognised under the item "Personnel expenses" in the statement of profit and loss for the reporting period (€9,466 thousand in 2020) (see Note 39).

Bankoa and Novobanco employees that have joined ABANCA in 2021 have all been included, effective as at 1 January 2022, in the defined contribution Pension Plan for ABANCA Personnel. Any economic rights (savings or retirement) accrued prior to 1 January 2022 will be transferred either to the Pension Plan for ABANCA Personnel (rights accrued in Novo Banco) or to other externalization vehicles (individual VWOs, etc.). This way, the entire active headcount of ABANCA Corporación Bancaria will be subject to the collective agreement on Supplementary Welfare of 4 December 2019 (defined contribution system), except for 3 employees (from the extinguished C. Rural de León) whose defined benefits have been externalized to an insurance policy taken out with ABANCA Vida.

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. As at 31 December 2021 and 2020, the Group has not made any payments in connection with this item.

At the end of 2021, the Bank only has defined benefit commitments (in addition to the above-mentioned 3 active employees from C.R. León) to retired employees; these commitments are fully insured through either policies taken out by the Pension Plan for ABANCA Personnel or other policies taken out by the Entity. Except for a reduced number of retired employees from Bankoa, whose benefits were already accrued, fully insured and outsourced to EPSV EMPLEADOS BANKOA (insurance policies taken out with Vidacaixa and Mapfre), there were no defined benefit pension commitments with personnel assumed from Bankoa and Novo Banco. In Novo Banco, ABANCA did not assume any commitment whatsoever to retired or early retired employees from that entity.

Consequently, the policies taken out with Fidelidade (retired employees from BCG), Vidacaixa (retired employees from BCG and Bankoa), and Mapfre (retired employees from Bankoa) cover defined benefit (already accrued) commitments to retired or early retired employees.

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.

Details of the present value of post-employment and other long-term employee benefit commitments undertaken by the Bank, according to how these commitments are covered, at fair value of the plan assets to cover the commitments, pursuant to the provisions of Circular 4/2017 of the Banco de España as amended, are as follows:

	Thousands of euro	
	2021	2020
Present value of accrued commitments	602,365	601,889
Pension Plans	319,698	328,621
Insurance policies	282,667	273,268
Other commitments (pre-2011 early retirements, partial retirements, Portugal loyalty bonus and labour agreements)	98,711	45,150
	701,076	647,039
Less – Fair value of plan assets	436,783	450,974
Net liabilities	**264,293**	**196,065**
Of which:		
"Unrecognised pension assets"	-	-
"Pension assets" (Note 17)	(11,862)	(8,209)
"Provisions- Pensions and other post-employment defined benefit obligations"	276,155	204,274
"Provisions - Pensions and other post-employment defined benefit obligations"	**276,155**	**204,274**
"Insurance contracts linked to pensions"	**160,743**	**145,586**
Group companies	149,541	134,317
Other entities	11,202	11,269

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 -0.26% and 0.40%
Expected rate of return	Between -0.27% and 0.40%
Mortality tables	PER2020_Col_1er.orden
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 +/- 6.72%. 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 +/- 5.16%. 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.

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 as at 31 December 2021, 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 2021 and 2020 are shown below:

	Thousands of euro
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**
Net allowance charged to profit or loss	
Allowance for restructuring costs (*)	*67,000*
Finance cost (Note 32)	*1,521*
Rate of return of assets	*(1,541)*
Personnel expenses (Note 39)	*3,854*
Allowances for pension funds	*(14,736)*
Transfer from other provisions	-
Changes in value recognised in equity	439
Application of balances	15,344
2021 Closing balance	**276,155**

(*) Amount of the provision recognised as a result of labour agreements entered in December 2021 (see Note 2.13.2.4).

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 2021 and 2020 was as follows:

	Thousands of euro	
	2021	2020
Present value of obligations as at 1 January	45,150	17,179
Transfer from other provisions	-	43,400
Current service cost	-	-
Restructuring costs	67,000	-
Interest cost	(79)	4
Past service cost	3,779	5,810
Disposals	-	-
Benefits paid	(14,433)	(16,578)
Actuarial (gains)/losses	(1,356)	(1,758)
Other changes (reduction of obligations)	(1,356)	(2,336)
Other changes	6	(571)
Present value of obligations at year-end	**98,711**	**45,150**

The Group recognises actuarial gains and losses on defined benefit post-employment plans in equity, as stipulated in Circular 5/2013.

The breakdown, by nature thereof, of assets linked to the Pension plans at the 2021 and 2020 reporting dates are as follows:

	Thousands of euro	
	2021	2020
Equity instruments	1,482	2,898
Insurance policies	429,878	439,464
Other	5,423	8,612
	436,783	**450,974**

Movements in the present value of the obligation accrued for defined benefit post-employment commitments in 2021 and 2020 were as follows:

	Thousands of euro	
	2021	2020
Present value of obligations as at 1 January	601,889	642,291
Additions arising from business combinations	2,666	-
Current service cost	1,221	1,075
Interest cost	1,679	3,905
Past service cost	229	1,405
Disposals	(4,585)	(19,260)
Benefits paid	(32,790)	(33,880)
Actuarial (gains)/losses (*)	20,874	5,780
Other changes	11,182	573
Present value of obligations at year-end	**602,365**	**601,889**

(*) In 2021, includes demographic actuarial gains of €22,621 thousand, financial actuarial losses of €1,747 thousand. In 2020, included demographic actuarial gains of €6,012 thousand, financial actuarial losses of €11,792 thousand.

Changes in the fair value of plan assets in 2021 and 2020 were as follows:

	Thousands of euro	
	2021	2020
Fair value of assets as at 1 January	450,974	498,575
Adjustments for business combinations	2,594	(27,911)
Expected rate of return of plan assets	1,211	2,865
Actuarial gains/(losses)	11,290	17,178
Contributions	(11,300)	(7,898)
Benefits paid	(23,812)	(24,700)
Disposals	(72)	(7,137)
Other changes	5,898	2
Fair value of assets at the reporting date	**436,783**	**450,974**

Changes in the fair value of reimbursement rights in 2021 and 2020 were as follows:

	Thousands of euro	
	2021	2020
Fair value of reimbursement rights as at 1 January	145,586	142,406
Adjustments for business combinations	-	27,911
Expected rate of return of plan assets	419	995
Actuarial gains/(losses)	9,145	(3,358)
Contributions	314	(10,615)
Benefits paid	(8,798)	(8,726)
Disposals	11,161	(3,027)
Other changes	2,916	-
Fair value of reimbursement rights at the reporting date	**160,743**	**145,586**

Total expense recognised in the statement of profit or loss in 2021 and 2020 was as follows:

	Thousands of euro	
	2021	2020
Current service cost	1,221	1,075
Past service cost	4,008	7,215
Net interest cost	389	1,044
Of which:		
Interest cost	*1,600*	*3,909*
Expected rate of return of plan assets	*(1,211)*	*(2,865)*
Expected rate of return of reimbursement rights	(419)	(995)
Actuarial (gains)/losses on LTRR	(1,356)	(1,758)
Disposals	(14,737)	(11,431)
Total	**(10,894)**	**(4,850)**

Changes in valuation adjustments in equity due to actuarial gains and losses in 2021 and 2020 were as follows:

	Thousands of euro
2020 Opening balance	**(20,550)**
Additions arising from business combinations	-
Changes in actuarial losses and gains	8,072
2020 Closing balance	**(12,478)**
Additions arising from business combinations	-
Changes in actuarial losses and gains	(439)
2021 Closing balance	**(12,917)**

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 2021 and 2020 is as follows:

Financial year 2021

	Thousands of euro			
	Provisions for outstanding tax-related legal proceedings and litigation	Provisions for commitments and guarantees given	Other Provisions	Total
Balance as at 1 January 2021	18,356	65,437	30,184	113,977
(Net) Allowance to profit or loss for the period	24,785	7,631	9,159	41,575
Provisions used and others	(22,165)	(1,767)	(21,245)	(45,177)
Additions from business combinations	-	26,586	5,770	32,356
Transfers	-	-	-	-
Other changes	-	-	-	-
Balance as at 31 December 2021	**20,976**	**97,887**	**23,868**	**142,731**

Financial year 2020

	Thousands of euro			
	Provisions for outstanding tax-related legal proceedings and litigation	Provisions for commitments and guarantees given	Other Provisions	Total
Balance as at 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 others	(5,979)	(2,934)	(20,776)	(29,689)
Transfers	-	-	(58,404)	(58,404)
Other changes	-	-	-	-
Balance as at 31 December 2020	**18,356**	**65,437**	**30,184**	**113,977**

As at 31 December 2021, "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 €3 million relate to the provision for the contingent liability arising from the judgement on claims relating to mortgage floor clauses (€5 million as at 31 December 2020); €3 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 as at 31 December 2020); approximately €2 million relate to the provision for eventual contingent liabilities stemming from the management of hybrid equity instruments and subordinated debt (€3 million as at 31 December 2020) and €16 million relate to the provision to cover commitments with third parties in connection with the activity of the Bank (€21 million as at 31 December 2020).

The amount relating to the existing guarantee set out in the sale-purchase agreement related to the floor clauses is recognised under the item "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:

	Thousands of euro	
	2021	2020
Salaries payable	52,992	59,061
Other accrued expenses	144,436	136,889
Transactions in transit	42,751	71,651
Lease transactions	2,570	1,939
Other	34,421	19,073
	277,170	**288,613**

As at 31 December 2021 and 2020, "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.

As at 31 December 2021 "Other accrued expenses" includes €50,550 thousand (€50,687 thousand on 31 December 2020) 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 or loss for the year.

The breakdown, by entity, of "Equity - Minority interests (non-controlling interests)" in the consolidated balance sheet as at 31 December 2021 and 2020 is as follows:

	Thousands of euro	
	2021	2020
Other minority interests	(5,819)	(7,057)
	(5,819)	**(7,057)**

Changes in 2021 and 2020 in this item of the consolidated balance sheet are summarised as follows:

	Thousands of euro	
	2021	2020
Opening balance	(7,057)	1,135
Attributable profit for the period	(2,738)	(1,285)
Other equity instruments issued	-	-
Reclassification of other equity instruments	-	-
Changes in the consolidation scope, valuation adjustments and other	3,976	(6,907)
Closing balance	**(5,819)**	**(7,057)**

26. Accumulated other comprehensive income

a) Financial assets at fair value through other comprehensive income

As at 31 December 2021 and 2020, this item in the consolidated balance sheet includes the net amount of fair value changes in debt instruments and equity instruments at fair value through other comprehensive income. The table below offers a breakdown of the different types of securities included under the balance of this item:

	Thousands of euro	
	2021	2020
Equity instruments	1,291	3,043
Debt instruments	56,748	116,367
	58,039	**119,410**

b) Cash flow hedges (effective portion)-

This item in the consolidated balance sheet reflects the portion of the net change in value of financial derivatives designated as cash flow hedging instruments determined to be an effective hedge (see Note 11).

c) Foreign currency translation-

This item in the consolidated balance sheet reflects the portion of 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 of investments in joint ventures and associates

This item reflects in the consolidated balance sheet reflects the net amount of valuation adjustments for equity-accounted investees.

	Thousands of euro	
	2021	2020
Autoestrada do Salnés, Concesionaria da Xunta de Galicia, S.A.	(1,193)	(1,211)
Transmonbús, S.L.	89	41
Imantia Capital S.G.I.I.C., S.A.	12	(32)
Empresa Naviera Elcano, S.A.	(5,012)	(8,375)
Grupo Empresarial Copo, S.A.	(629)	(252)
Nueva Pescanova, S.L. (*)	(727)	(727)
	(7,460)	(10,556)

(*) Profit or loss generated prior to the date of acquisition of control (see Note 2.1)

27. Shareholders' Equity

The item "Shareholders' Equity" in the accompanying consolidated balance sheet reflects equity contributions made by shareholders, retained profits recognised through profit or loss and other capital instruments of a permanent nature.

Changes in the different line items of the consolidated balance sheet for the years ended 31 December 2021 and 2020 are shown in the accompanying "Consolidated statement of changes in equity".

Capital

As at 31 December 2021, 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 (€2,476,209 thousand, divided into 2,251,099,000 shares of €1.10 each as at 31 December 2020).

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 transaction 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 had an impact on the Bank's solvency nor 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 were registered in the Register of Companies.

As at 31 December 2021 and 2020, the shareholders of the Bank are as follows:

Shareholders	Percentage of Interest 2021	2020
Juan Carlos Escotet Rodríguez	43.50%	84.75%
Escotet Family Office S.L.	41.25%	-
Other shareholders	14.74%	14.72%
Treasury shares	0.51%	0.53%
	100.00%	100.00%

The Bank's shares are not listed on the stock exchange.

Treasury shares

At the 2021 reporting date, the breakdown of treasury shares held by the Entity was as follows:

	No. of Shares	Nominal amount (Thousands of euro)	Average purchase price (euro)	Total acquisition cost (Thousands of euro)
Treasury shares	11,406,929	12,548	1.5249	17,395

At the 2020 reporting date, the breakdown of treasury shares held by the Entity was as follows:

	No. of Shares	Nominal amount (Thousands of euro)	Average purchase price (euro)	Total acquisition cost (Thousands of euro)
Treasury shares	11,890,957	13,080	1.4454	17,187

As stated in the "Capital" section of Note 27, dated 30 December 2020 the Bank registered in the Register of Companies 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.

Solvency disclosure

As at 31 December 2021 and 2020, 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	
	31.12.2021	31.12.2020
Capital ratios		
Eligible Common Equity Tier 1 capital (thousands of euro) (a)	**4,250,748**	**4,087,843**
Eligible Additional Tier 1 capital (thousands of euro) (b)	625,000	250,000
Eligible Tier 2 capital (thousands of euro) (c)	650,000	650,193
Exposure (thousands of euro) (d)	32,639,224	29,907,708
Common Equity Tier 1 capital ratio (CET 1) (A)=(a)/(d)	13.02%	13.67%
Additional Tier 1 capital ratio (AT1) (B)=(b)/(d)	1.91%	0.84%
Tier 1 capital ratio (Tier 1) (A)+(B)	14.93%	14.51%
Tier 2 capital ratio (Tier 2) (C)=(c)/(d)	1.99%	2.17%
Total capital ratio (A)+(B)+(C)	**16.93%**	**16.68%**

	31.12.2021	31.12.2020
Leverage		
Tier 1 capital (thousands of euro) (a)	4,875,748	4,337,843
Exposure (thousands of euro) (b)	78,588,146	65,720,653
Leverage ratio (a)/(b)	6.20%	6.60%

Share premium

The Recast Text of the Companies Law expressly allows the use of the share premium to increase capital and does not set any specific restriction on its availability.

As stated in the "Capital" section of Note 27, dated 30 December 2020 the Bank registered in the Register of Companies 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.

Legal reserve

In accordance with article 274 of the Recast Text of the Companies Law, companies that generate a profit for the year 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. As at 31 December 2021 and 2020, the Group has appropriated to this reserve the minimum amount required by law.

Retained earnings

As at 31 December 2021 and 2020, the breakdown of the balance of these reserves is as follows:

	Thousands of euro	
	2021	2020
Reserves in the Bank and subsidiaries		
ABANCA Corporación Bancaria, S.A.	5,348,274	5,300,956
Torre de Hércules Participaciones Societarias, S.A.	(3,669)	(3,669)
ABANCA Corporación Industrial y Empresarial, S.L.U.	(847,038)	(897,762)
Corporación Empresarial de Representación Participativa, S.L.	(39,215)	(39,236)
Espacios Termolúdicos, S.A.	34	969
Sentir Común México, S.A. DE C.V. SOFOM	(22,248)	(22,064)
ABANCA Operador de Banca Seguros, S.A.	2,967	2,967
Torres del Boulevar, S.L.U.	(62,465)	(62,411)
Abanca Invest	20	-
Laborvantage – Investimentos Imobiliários e Turísticos Lda.	5,665	7,416
Jocai XXI, S.L.	(26,226)	(26,245)
ABANCA Corporación, División Inmobiliaria, S.L.U.	(2,694,103)	(2,665,609)
Sogevinus, S.G.P.S., S.A.	11,313	11,375
ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A.U.	99,352	91,300
Nueva Pescanova, S.L.	(45,823)	(29,479)
R.C. Deportivo de la Coruña, S.A.D.	(2,916)	306
Other	16,226	6,336
	1,740,148	**1,675,150**
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
Fomento de Iniciativas Náuticas, S.L.	(6,424)	(5,245)
Desarrollos Inmobiliarios Fuenteamarga, S.L.	(234)	(236)
Transmonbús, S.L.	20,415	19,089
Empresa Naviera Elcano, S.A.	59,207	57,676
Grupo Empresarial COPO, S.A.	7,038	3,564
Terminal de Graneles Agroalimentarios de Santander, S.A.	-	(14,228)
ABANCA Generales de Seguros y Reaseguros, S.A.	(18,108)	(15,464)
Other	(6,526)	(7,640)
	33,918	**16,066**
Jointly-controlled entities		
Desarrollos Albero, S.A.	(11,000)	(11,000)
	(11,000)	**(11,000)**

Profit or loss attributable to the Group

The breakdown of the consolidated companies' contribution to pre-tax profit, including consolidation adjustments, for the 2021 and 2020 annual periods is as follows:

	Thousands of euro	
	2021	2020
Subsidiaries:		
ABANCA Corporación Bancaria, S.A.	258,498	144,578
ABANCA Corporación Industrial y Empresarial, S.L.U.	26,143	3,853
Espacios Termolúdicos, S.A.	(902)	(934)
Torres del Boulevar, S.L.U.	139	(60)
Laborvantage – Investimentos Imobiliários e Turísticos Lda.	1,385	(24)
Jocai XXI, S.L.	20	25
ABANCA Corporación División Inmobiliaria, S.L.U.	8,043	(10,164)
Sogevinus, S.G.P.S., S.A.	4,595	(225)
ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A.U.	59,906	61,430
Sentir Común México, S.A. DE C.V. SOFOM	118	(97)
ABANCA Servicios Financieros, E.F.C., S.A.	8,739	6,056
Nueva Pescanova, S.L.	-	(14,493)
Other	5,367	1,317
	372,051	191,262
Associates		
ABANCA Generales de Seguros y Reaseguros, S.A.	(4,313)	(2,662)
Sodiga Galicia, S.C.R., S.A.	-	(287)
Transmonbús, S.L.	350	984
Grupo Empresarial COPO, S.A.	(513)	3,208
Other	2,815	1,653
	(1,661)	2,896
	370,390	194,158

Distributable items

Based on the definition of "Distributable items" contained in article 4, paragraph 1, point 128 of CRR, as at 31 December 2021 ABANCA Corporación Bancaria, S.A.'s "Distributable items" totalled €1,276,327 thousand (€1,072,544 thousand as at 31 December 2020).

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 in the Register of Companies (see Note 1), 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 2021, the Consolidated Tax Group, which has been assigned number 343/15, includes the following subsidiaries:

Subsidiaries	T.I.N.
ABANCA Corporación, División Inmobiliaria, S.L.U.	B-70.193.321
ABANCA Corporación Industrial y Empresarial, S.L.U.	B-15.125.057
ABANCA Gestión Operativa, S.A.	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
Alisios Sea Farm, S.L.	B-06.923.585
Clínica Deportivista, S.L.	B-15.745.334
Complejo Residencial Marina Atlántica S.L.	B-36.968.071
Corporación Empresarial de Participaciones en Organizaciones de Galicia, S.L.	B-67.912.980
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
Deporhostelería Playa Club, S.L.	B-15.080.419
Deportiendas, S.L.	B-15.799.018
Espacios Termolúdicos, S.A.	A-15.945.793
Insuiña, S.L.U.	B-36.021.954
Jocai XXI, S.L.U.	B-15.939.689
Natur-Hotel Spa Allaríz, S.A.	A-32.277.246
Novapesca Trading, S.L.U.	B-36.724.847
Nueva Pescanova Biomarine Center, S.L.U.	B-94.151.719
Nueva Pescanova, S.L.	B-94.123.908
Pescanova España, S.L.U.	B-94.123.916
Quaere Investment, S.L.	B-70.485.651
Torre de Hércules Inversiones Corporativas, S.L.	B-05.347.273
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 based on accounting profit or loss, which is not necessarily the same as the taxable income/tax loss and based on the balances of payables and receivables accrued between companies in the Consolidated Tax Group.

The fact that the Bank 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 Value Added Tax (VAT) returns under the special regime for Tax Groups set forth in Title IX, Chapter IX of Law 37/1992, of 28 December, which regulates this tax, as subsidiary of ABANCA Corporación Bancaria, S.A., the parent.

As at 31 December 2021, the following companies are considered Group subsidiaries for VAT purposes:

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 Inversiones Corporativas, S.L. Inventium Consultoría de Proyectos, S.L. (formerly named Torre de 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 2021 and 2020 with the taxable income of the Consolidated Tax Group is as follows:

	Thousands of euro	
	2021	2020
Net profit for the reporting period	336,140	160,573
Income tax	34,250	33,585
Permanent differences	(141,796)	(184,440)
Temporary differences		
Originating in the reporting period	92,571	216,164
Originating in prior periods (net)	(52,583)	-
Consolidation differences	(18,425)	(77,756)
Tax base	**250,157**	**148,126**
Tax loss carryforwards	**(62,539)**	**(23,831)**
Tax base for the reporting period	**187,618**	**124,295**

When reconciling the consolidated accounting profit for 2021 and 2020 with the taxable income for the period, consideration has been given to the limits applicable for 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 additional provision 15 of the aforementioned Law.

On 29 December 2021, the Official State Gazette published Law 22/2021 whereby, from 2022, the minimum tax payable by financial institutions under corporate income tax in Spain is set at 18% of Tax base (provided tax base is positive). The change introduced by this tax regulation does not modify the recoverability term for the Group's deferred tax assets.

Taxes taken to equity

Irrespective of income tax charged to the consolidated statement of profit and loss, in 2021 and 2020 the tax effect of applying the applicable regulations in connection with measurement of fixed-income and equity securities measured at fair value through other comprehensive income, measurement of derivatives designated as cash flow hedges, and other insignificant items, has resulted in an income tax income of €101,865 thousand recognised directly in equity as at 31 December 2021 (expense of €17,162 thousand as at 31 December 2020) (see the "Consolidated Statement of recognised income and expense").

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.

As at 31 December 2021 and 2020, the breakdown of the items "Deferred tax assets" and "Deferred tax liabilities" in the consolidated balance sheet is as follows:

	Thousands of euro			
	2021		2020	
	Tax assets - deferred	Tax liabilities - deferred	Tax assets - deferred	Tax liabilities - deferred
Amortisation of goodwill arising from BNP branches	4,416	-	5,953	-
Allowance for pension fund (net)	108,828	-	97,362	-
Credit loss and impairment coverage	2,193,715	-	2,198,536	-
Foreclosed properties	553,161	-	553,162	-
Fixed-income and equity portfolios valuation adjustments	8,764	(32,225)	536	(40,552)
Adjustments arising from foreign branches	36,917	-	36,328	-
Accelerated depreciation and amortisation Royal Decree-Law 3/1993	-	(71)	-	(70)
Depreciation and amortisation of revalued assets	1,234	(14,377)	1,586	(17,103)
Adjustments to fair value of business combinations and other consolidation adjustments	-	(122,255)	-	(141,633)
Unused deductions	18,635	-	23,539	-
Tax credits, tax loss carryforwards	1,210,505	-	1,231,801	-
Other	55,898	(2,049)	60,068	(3,911)
Total	**4,192,073**	**(170,977)**	**4,208,871**	**(203,269)**
Recognised under the item "Deferred tax assets" and "Deferred tax liabilities"	**3,482,021**	**(170,977)**	**3,435,356**	**(203,269)**

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. This revaluation was carried out in 2005, but was presented in the consolidated balance sheet as at 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 year 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 fiscal assets that meets the legal requirements to be considered as monetisable 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.

As a result of applying the above-mentioned regulation, the Tax Group has estimated the deferred fiscal assets to be recognised by the different Group companies as at 31 December 2021. The deferred tax assets identified amount to €2,685,474 thousand (€2,697,511 thousand as at 31 December 2020). Pursuant to the CIT Law, these deferred assets are eligible for monetisation and recovery thereof is therefore ensured through the mechanisms therein set forth. In 2015, Spain completed the regulation of monetisable fiscal assets.

In 2021, 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 €34,250 thousand and was recognised under the item "Tax expense or income related to profit or loss from continuing operations" in the accompanying statement of profit and loss for the year (€33,585 thousand in 2020). 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 the item "Tax expense or income related to profit or loss from continuing operations" on the statement of profit and loss mainly includes the amount relating 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.

As at 31 December 2021 and 2020, the breakdown of deferred tax assets recognised in the consolidated balance sheet is as follows:

	Thousands of euro	
	2021	2020
Deferred tax assets qualifying for monetisation:		
On credit loss	2,055,998	2,067,693
On pensions	76,314	76,656
On foreclosed assets	553,162	553,162
Subtotal: Balance of deferred tax qualifying for monetisation	**2,685,474**	**2,697,511**
Deferred tax assets non qualifying for monetisation:		
Fixed-income and equity portfolios valuation adjustments	8,764	536
On business plan	729,626	666,040
On deferred tax liabilities with similar reinvestment deadline	16,497	21,084
On other consolidation adjustments	41,660	50,185
Subtotal: Balance of deferred tax not qualifying for monetisation	**796,547**	**737,845**
Total deferred tax assets recognised	**3,482,021**	**3,435,356**

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 €2,685,474 thousand as at 31 December 2021 (€2,697,511 thousand as at 31 December 2020). 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). Since 2014, the Bank and its Taxation Group have 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 forecast 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 €796,547 thousand as at 31 December 2021 (€737,845 thousand as at 31 December 2020), which are in addition to the aforementioned assets convertible into receivables (deferred tax credits) of €2,685,474 thousand (€2,697,511 thousand as at 31 December 2020).

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 the item "Tax expense or income related to profit or loss from continuing operations" in the accompanying statement of profit and loss includes the amount of the above-mentioned financial contribution, amounting to €31,194 thousand in 2021 (€32,670 thousand in 2020).

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 Circular 4/2017 of the Banco de España 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:

Financial year	Amount included (net) (Thousands of euro)	Amount yet to be included (net) (Thousands of euro)
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 2021, 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 €18,635 thousand. In 2020, tax credits amounted to approximately €23,539 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, as at 31 December 2021 and 2020, after calculating the corporate income tax provision, the Tax Group has unused cumulative individual tax loss carryforwards amounting to €4,035,016 thousand and €4,106,001 thousand, respectively. When calculating the tax loss carryforwards for 2021 and 2020, 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) that, 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 2021 or 2020.

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.

The European Commission has appealed this annulment. 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 regime of tax neutrality 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.

- By a public deed dated 2 November 2021, authorised by Mr. Francisco M. Ordóñez Armán, Notary Public, and recorded under number 2,891 in his protocol, the merger through absorption of Bankoa, S.A. (absorbed entity) by ABANCA Corporación Bancaria, S.A. (absorbing entity) was executed. As a result of this merger, ABANCA Corporación Bancaria, S.A. acquired *en bloc* the assets and liabilities of Bankoa, S.A., and the latter was dissolved and extinguished without going into liquidation.

In regulating the accounting obligations applicable to said special regime, section 1 Article 86 CIT requires the acquiring entity to include certain disclosures in the Notes. Given the size of those disclosures, the information is herein presented aggregated by asset types, although itemised information for each acquired item is available at the registered address of the Company.

c) *Other transactions undertaken during the year eligible to the regime of Title VII, Chapter VII of the CIT Law-*

Dated 2 April 2021, ABANCA Corporación Bancaria, S.A. and Novo Banco, S.A. (hereinafter, "the parties") entered into an agreement for the purchase and sale of Novo Banco's operations in Spain conducted by the latter's branch in Spain. The business transferred to Abanca comprised all the assets, liabilities, rights and obligations, excluding certain specific assets and liabilities, assigned by Novo Banco to that branch's operations, which were mainly conducted though bank offices.

Subsequently, dated 30 November 2021 the parties executed a public deed of notarisation of the above-mentioned private agreement, evidence of the fulfilment of conditions precedent and transfer of business, authorised by Ms. María del Rosario de Miguel Roses, Notary Public in and for Madrid, recorded under no. 4,232 in her protocol.

Previous Additional Provision 8 of CIT (hereinafter "A.P. 8") allows the application of the special regime of Chapter VII, Title VII CIT, including the effects thereof on any other taxes, to transfers of businesses or assets/liabilities, irrespective of the manner thereof, completed between credit institutions under bank restructuring regulations, even if said transactions are not included among the transactions listed in articles 76 and 87 CIT.

In this regard, although the parties consider that the above-mentioned transaction can qualify for the neutrality regime of Corporate Income Tax Law, provided the specific requirements of said regulation are met, in consideration to the principle of prudence, the accompanying financial statements do not include the effects arising from the application of that neutrality regime, pending confirmation of that criterion by the appropriate administrative agencies.

d) Transactions undertaken during prior years pursuant 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). The 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 disaggregated for every asset at the registered address of each company required to disclose:

Originating Entity	Operation completed	Financial year	Thousands of euro Carrying Amount of Securities Delivered	Thousands of euro 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
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 Grupo 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	-	-
	Merger by absorption of Daenpa, S.L.U. and Hispano-Lusa Compañía Tecnológica de Edificación, S.A. by ABANCA Corporación, División Inmobiliaria, S.L.U.	2019	-	-
ABANCA	Downstream merger of Abanca Holding Financiero	2020	-	-
ABANCA	Merger by absorption of Banco Caixa Geral	2020	-	-

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.

e) 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 as at 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 as at 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	Thousands of euro
Buildings own use	157,008
Rented buildings	11,088
Total	**168,096**

28.5 Tax periods open to inspection

In January 2022, the Spanish Tax Authority gave the Bank and the Group notice of the opening of inspection proceedings on tax periods between February 2018 and 2020; in the case of Corporate Income Tax, the inspection proceedings extend to tax years 2017 to 2020.

Consequently, as at 31 December 2021 the Bank the Group has opened for inspection by the taxation authorities all main applicable taxes for the tax periods beginning on or after 2018 (on or after 2017 in the case of Corporate Income Tax) in accordance with article 66 et seq. of the General Tax Law 58/2003, of 17 December.

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:

As at 31 December 2021 and 2020 "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:

As at 31 December 2021 and 2020 "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:

	Thousands of euro	
	2021	2020
Provisions for life insurance		
Provision for unearned premiums	27,015	25,507
Mathematical provision	586,928	605,849
Provision for life insurance policies where the investment risk is borne by the policyholder	672,422	685,611
Provision for claims	41,665	40,199
Provision for bonuses and rebates	1,824	2,802
Provisions for accounting mismatches	142,384	164,080
	1,472,238	1,524,048

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.

As at 31 December 2021 and 2020, the breakdown of the maximum risk assumed by the Group in respect of financial guarantees is as follows:

	Thousands of euro	
	2021	2020
Bank guarantees and other indemnities	1,889,802	1,164,829
Irrevocable documentary credits	133,053	86,820
Credit derivatives sold	303,982	195,270
Other documentary credits	219,347	122,063
Other contingent commitments	331,499	90,310
Other	103,462	99,982
	2,981,145	**1,759,274**

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 the item "Fee and commission income" and "Interest income" in the consolidated statement of profit and 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 the item "Provisions – Commitments and guarantees given" (see Note 23).

As at 31 December 2021, the Group has guarantees extended by third parties amounting to €78,595 thousand (€54,000 thousand as at 31 December 2020).

30.2. Assets pledged as collateral

As at 31 December 2021, the carrying amount of the Group's financial assets pledged as collateral for certain liabilities or contingent liabilities assumed by the Group totals €13,218,798 thousand (€11,984,434 thousand as at 31 December 2020) (see Notes 8 and 10).

30.3. Loan commitments granted

As at the end of 2021 and 2020, the amounts available under the financing contracts extended by the Group are as follows:

	Thousands of euro	
	2021	2020
Immediately available:		
Credit cards	1,733,439	1,618,038
Public administrations sector	2,135,518	1,847,680
Other sectors	2,430,227	2,232,155
	6,299,184	5,697,873
Available subject to conditions:		
Public administrations sector	253,468	417,098
Other sectors	4,245,737	3,448,420
	4,499,205	3,865,518
	10,798,389	9,563,391

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 the item "Provisions – Commitments and guarantees given" (see Note 23).

As at 31 December 2021 and 2020 the breakdown of items not included in the balance sheet regarding customer funds managed by the Group is as follows:

	Thousands of euro	
	2021	2020
Investment funds (*)	9,085,595	6,241,378
Pension funds	1,891,073	1,589,959
Securities deposited by third parties (**)	5,209,591	3,687,794
Insurance products	1,513,545	1,501,082
	17,699,804	13,020,213

(*) As at 31 December 2021, the value of secured funds for which the Bank has provided a guarantee totals €475,476 thousand (€615,902 thousand as at 31 December 2020).

(**) As at 30 December 2021 and 2020, this item includes structured products amounting to €413,509 thousand and €506,688 thousand, respectively.

30.4. Assets received as collateral

As at 31 December 2021 and 2020, the breakdown of assets received as collateral for loans over which the Group has the powers of disposal is as follows:

	Thousands of euro	
	2021	2020
Customer deposits pledged	348,643	384,086
Customer securities pledged	829,323	459,770
Investment funds shares/units pledged	140,198	58,484
	1,318,164	902,340

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.

The breakdown of the most significant sources of interest income accrued by the Group during the annual periods ended 31 December 2021 and 2020 is as follows:

	Thousands of euro	
	2021	2020
Deposits in Central banks	87,151	58,077
Deposits in credit institutions	7,894	6,477
Loans and advances to customers	600,031	616,982
Debt securities	75,253	69,136
Non-performing loans	22,876	32,098
Rectification of income originating from accounting hedges (Note 11.1.3)	(24,965)	(17,535)
Other income	25,403	33,718
	793,643	798,953

The breakdown of the amounts recognised under the item "Interest income" in the accompanying consolidated statements of profit and loss for 2021 and 2020, by portfolio of financial instruments that originated them, is shown below:

	Thousands of euro	
	2021	2020
Financial assets at fair value through other comprehensive income	52,284	44,248
Financial assets at amortised cost	677,479	710,536
Financial assets held for trading	153	140
Rectification of income originating from accounting hedges (Note 11.1.3)	(24,965)	(17,535
Other income	88,692	61,564
	793,643	798,953

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.

The breakdown of this item in the consolidated statements of profit and loss for 2021 and 2020 is as follows:

	Thousands of euro	
	2021	2020
Deposits from Central banks	5	-
Deposits from credit institutions	18,470	27,959
Deposits from customers	53,553	72,931
Debt securities issued	7,438	7,830
Other non-convertible securities	-	-
Subordinated liabilities	36,150	36,187
Rectification of costs originating from accounting hedges (Note 11.1.3)	(15,239)	(13,180)
Cost attributable to pension funds created (Note 23.a)	1,521	3,537
Other charges	17,597	20,729
	119,495	155,993

The breakdown of the amounts shown in the table above, by portfolio of financial instruments that originated them, is as follows:

	Thousands of euro	
	2021	2020
Financial liabilities at amortised cost	116,843	146,277
Rectification of costs originating from accounting hedges (Note 11.1.3)	(15,239)	(13,180)
Other costs	17,890	22,896
	119,495	155,993

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 and loss for 2021 and 2020 is as follows:

	Thousands of euro	
	2021	2020
Equity instruments classified as:		
Non-trading assets mandatorily at fair value through profit or loss (Note 9)	5,524	4,916
Financial assets at fair value through other comprehensive income (Note 9)	190	71
	5,714	4,987
Nature of capital instruments:		
Listed	1,646	2,635
Unlisted	4,068	2,352
	5,714	4,987

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.

The breakdown of this item of the consolidated statement of profit and loss for 2021 and 2020 is as follows:

	Thousands of euro	
	2021	2020
Associates:		
Grupo Empresarial COPO, S.A.	(513)	3,208
Transmonbús, S.L.	350	984
Nueva Pescanova, S.A.	-	(14,493)
ABANCA Generales de Seguros y Reaseguros, S.A.U.	(4,313)	(2,662)
Imantia Capital, S.G.I.I.C, S.A.	1,354	668
Other	1,461	698
	(1,661)	(11,597)

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 2021 and 2020, broken down according to the main sources thereof, is as follows:

	Thousands of euro	
	2021	2020
Fee and commission income:		
Arising from guarantees and contingent commitments	25,199	20,370
Arising from collection and payment services	120,265	113,206
Arising from exchange of foreign currencies and banknotes	283	260
Arising from non-banking services	112,386	85,205
Arising from securities services	10,477	8,611
Other	37,391	40,457
	306,001	**268,109**

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 2021 and 2020, classified by the main sources thereof, is as follows:

	Thousands of euro	
	2021	2020
Fees and commissions assigned to other entities and correspondents	4,310	2,918
Other fees and commissions	44,166	31,004
	48,476	**33,922**

37. Gains or losses on financial assets and liabilities

This note groups together the following line items from the consolidated statement of profit and 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".

"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 subsidiaries, 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" includes 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 or losses arising from hedging instruments and those items included in fair value hedges, as well as the ineffective portion of hedging instruments in cash flow hedges and hedges of net investments in foreign transactions recognised in the statement of profit and loss.

The breakdown of this item of the accompanying statements of profit and loss for 2021 and 2020 is as follows:

	Thousands of euro	
	2021	2020
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	106,111	213,010
Gains or losses on financial assets and liabilities held for trading, net	12,067	8,506
Gains or losses from hedge accounting, net (Note 11)	(17,578)	3,384
Gains or losses on non-trading financial assets mandatorily measured at fair value through profit or loss, net	17,712	12,594
	118,312	237,494

The breakdown, by nature of the financial instruments that gave rise to these balances, of this item in the accompanying consolidated statements of profit and loss for 2021 and 2020 is as follows:

	Thousands of euro	
	2021	2020
Debt securities (Note 8)	108,249	214,624
Equity instruments (Note 9)	16,713	13,510
Derivatives	10,855	6,008
Other	(17,505)	3,352
	118,312	237,494

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 and loss for 2021 and 2020 is as follows:

	Thousands of euro	
	2021	2020
Income from investment properties and operating leases (Note 14)	17,351	14,849
Sales and income from the provision of non-financial services	46,026	36,684
Other	17,719	24,684
	81,096	76,217

The item "Income from assets covered by insurance or reinsurance contracts" in the consolidated statement of profit and loss includes insurance premiums collected and insurance or reinsurance income accrued by subsidiaries. During the annual period ended 31 December 2021, €111,612 thousand were recognised under this item (€106,868 thousand in 2020).

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 schemes, remuneration based on own equity instruments and expenses capitalised as part of the value of assets.

The breakdown of "Personnel expenses" in the consolidated statements of profit and loss for 2021 and 2020 is as follows:

	Thousands of euro	
	2021	2020
Salaries and wages	275,605	276,967
Social Security contributions	73,397	72,231
Contributions to defined benefit plans (Note 23.a)	94	721
Contributions to defined contribution plans (Note 23.a)	10,200	9,466
Termination benefits (Note 23.a)	4,066	6,110
Other personnel expenses	12,293	13,801
	375,655	**379,296**

(*) As at 31 December 2021, €306 thousand relate to termination benefits paid by several Group companies that do not imply changes under "Pension funds and other similar obligations" (€300 thousand as at 31 December 2020).

The Group's average headcount in 2021 and 2020, distributed by professional category and gender, as well as the number of employees as at 31 December 2021 and 2020, are as follows:

Financial year 2021

	Average number of employees			Number of Employees at 31.12.2021	
	Men	Women	Total	Men	Women
Senior Management	12	1	13	12	1
Managers and Technicians	2,069	1,659	3,728	2,167	1,766
Other administrative and commercial personnel	865	1,413	2,278	821	1,377
Auxiliary personnel	52	28	80	47	31
	2,998	**3,101**	**6,099**	**3,047**	**3,175**

In addition to the figures presented in the tables above, as at 31 December 2021, Nueva Pescanova, S.L. and Real Club Deportivo de la Coruña, S.A.D. had 9,035 employees (5,747 men and 3,288 women) and 153 employees (132 men and 21 women), respectively.

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, as at 31 December 2020, Nueva Pescanova, S.L. and Real Club Deportivo de la Coruña, S.A.D. had 10,227 employees (6,338 men and 3,889 women) and 189 employees (149 men and 40 women), respectively.

As at 31 December 2021 and 2020, the Group had 67 employees with a disability rating of 33% or above.

In addition to the figures presented in the tables above, as at 31 December 2021, Nueva Pescanova, S.L. and Real Club Deportivo de la Coruña, S.A.D. had 126 and 1 employees with a disability rating of 33% or above, respectively (130 and 1 employees, respectively, as at 31 December 2020).

40. Other administrative expenses

The breakdown of this item in the consolidated statements of profit and loss for 2021 and 2020 is as follows:

	Thousands of euro	
	2021	2020
Property, fixtures and materials	28,344	27,803
Information technology	77,914	57,563
Advertising and publicity	29,845	32,463
Communications	15,059	17,995
Taxes	9,906	11,465
Outsourced administrative services	32,912	35,189
Legal expenses and attorney fees	4,559	4,507
Technical reports	12,789	8,740
Surveillance and security carriage services	6,121	5,882
Entertainment and personnel service expenses	2,931	2,787
Insurance premiums	3,660	3,106
Governing and control bodies	3,132	3,013
Other expenses	13,810	11,530
	240,982	**222,043**

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 2021 and 2020, as follows:

	Thousands of euro	
	2021	2020
Statutory audit services	1,328	981
Other assurance services	513	357
Other	8	6
Total services invoiced by KPMG Auditores, S.L.	**1,849**	**1,344**

Other assurance services mainly relate to limited audits of the 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 annual periods ended 31 December 2021 and 2020, as follows:

	Thousands of euro	
	2021	2020
Audit services	407	409
Tax advice services	-	-
Other assurance services	40	43
Other services invoiced	372	991
	819	1,443

The amounts detailed in the tables above include the total fees for audit services rendered in 2021 and 2020, irrespective of the date of invoice thereof, while the fees for other services reflect services billed during 2021 and 2020.

External auditors, other than KPMG, invoiced the Group the following fees and expenses for professional services during the annual periods ended 31 December 2021 and 2020:

	Thousands of euro	
	2021	2020
Audit services	240	45
Other assurance services	59	-
Tax advice services	138	212
Other services invoiced	6,594	7,569
	7,031	7,826

41. Other operating expenses and expenses from liabilities covered by insurance or reinsurance contracts

The breakdown of this item of the consolidated statements of profit and loss for 2021 and 2020 is as follows:

	Thousands of euro	
	2021	2020
Contribution to Deposit Guarantee Fund and Resolution Fund (Note 1.8)	76,620	70,840
Investment property expenses (Note 14)	1,899	1,968
Other	48,841	49,479
	127,360	122,287

The balance under “Other” includes expenses associated with deposit, taxes and to non-recurring services, such the operational management of claims relating to floor clauses. Additionally, the balance includes €19,632 thousand (€16,547 thousand in 2020) relating to sales and income from the provision of non-financial services (see Note 38).

"Expenses from liabilities covered by insurance or reinsurance contracts" of the consolidated profit and loss statements 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 2021, €76,233 thousand were recognised under this item (€74,645 thousand in 2020).

42. Gains or losses on derecognition of non-financial assets, net

The breakdown of this item of the consolidated statements of profit and loss for 2021 and 2020 is as follows:

	Thousands of euro	
	Gains / (Losses)	
	2021	2020
On disposals of tangible assets	6,091	6
On disposals of investments	-	390
Other	(6,144)	186
	(53)	582

As at 31 December 2021 and 2020, 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 and loss in 2021 and 2020 originating from transactions carried out with related parties, other than those included in the relevant Note, are as follows:

	Thousands of euro			
	2021			
	Senior Management and Board of Directors	Associates	Joint Ventures	Other related parties
ASSETS:				
Deposits in credit institutions	-	-	-	11,125
Loans and advances to customers	3,892	33,041		96,836
Of which:				
Repayments, cancellations and recognitions during the period	*522*	*8,139*	-	*2,965*
Grants, drawdowns and derecognitions during the period	*8*	*10,190*	-	*10,028*
Other assets	-	-	-	-
LIABILITIES:				
Deposits in credit institutions	-	-	-	-
Deposits from customers	25,164	35,854	-	14,313
GAINS AND LOSSES:				
Debit				
Interest expense	22	-	-	-
Fee and commission expense	-	3	-	34
Credit				
Interest income	22	682	-	922
Fee and commission income	28	187	-	33
MEMORANDUM ACCOUNTS	-	10,650	-	40,132

	Thousands of euro			
	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

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's business and is addressed to the various categories of retail customers (individuals, businesses and public administrations) to whom a range of financial and parafinancial services through either the branch network or alternative distribution channels (the Internet, on-line banking, mobile banking, etc.) are provided. In the retail banking business line, individuals and small enterprises are considered strategic.

2. Wholesale banking: relates to activity in markets (treasury, issuances, fixed-income portfolio, etc.), as well as to the management of the equity portfolio where ABANCA does not hold significant ownership interests. This business line also includes advisory activities in mergers 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's profit.

44.2. Basis and methodology used in the preparation of the information by business segments

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 business line were a separate business and the net interest and revenues of the business lines are calculated by applying arm's length transfer prices to the corresponding assets and liabilities that are in line with arm's length rates. Returns from the equity portfolio are distributed among the business lines based on their respective percentage interest.

Administrative expenses include direct and indirect costs and are distributed among the business lines and support service units based on the internal use made of the services.

The assets distributed among the different business segments include the trading and securities portfolio and receivables from financial institutions and customers, net of the corresponding provision for losses. The liabilities distributed among the different business segments include marketable debt securities issued and payables to financial institutions and customers.

44.3. Segment reporting

The following tables show the information by business segment:

Financial year 2021

	Thousands of euro			
	Retail banking	Wholesale banking	Non-financial subsidiaries	Total
Net interest income	**628,172**	**21,038**	**24,938**	**674,148**
Dividend income (Note 33)	-	5,714	-	5,714
Share of profit or loss of equity-accounted investees (Note 34)	-	-	(1,661)	(1,661)
Fee and commission income and expense (Notes 35 and 36)	257,525	-	-	257,525
Gains or losses on financial assets and liabilities (Note 37) (*)	-	118,312	-	118,312
Exchange differences, net	4,136	5,016	11	9,163
Other operating income and expenses (Notes 38 and 41) (**)	(85,311)	12,765	61,661	(10,885)
Gross margin	**804,522**	**162,845**	**84,949**	**1,052,316**
Personnel expenses (Note 39)	(349,917)	(10,379)	(15,359)	(375,655)
Other administrative expenses, depreciation and amortisation	(276,208)	(19,066)	(38,526)	(333,800)
Provisions or reversal of provisions, and impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(97,866)	(60,013)	(384)	(158,263)
Net Operating Income	**80,531**	**73,387**	**30,680**	**184,598**
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	(11,645)	(3,381)	(13,432)	(28,458)
Gains or losses on derecognition of non-financial assets, net (Note 42)	102	(156)	1	(53)
Negative goodwill recognised in profit or loss	205,892	-	-	205,892
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	21,144	(12,733)	-	8,411
Profit before tax from continuing operations	**296,024**	**57,117**	**17,249**	**370,390**

(*) *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 financial assets and liabilities mandatorily at fair value through profit or loss, net; and gains or losses from hedge accounting, net.*

(**) *"Other income and expenses" includes 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.*

	Thousands of euro			
	Retail banking	Wholesale banking	Non-financial subsidiaries	Total
Total Assets	46,754,205	31,364,855	2,377,853	80,496,913
Total Liabilities	50,140,420	27,930,834	2,425,659	80,496,913
Pooling	**(3,386,215)**	**3,434,021**	**(47,806)**	**-**

Financial year 2020

	Thousands of euro			
	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 reversal 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 financial assets and liabilities mandatorily at fair value through profit or loss, net; and gains or losses from hedge accounting, net.*

(**) *"Other income and expenses" includes 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.*

	Thousands of euro			
	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)**	**-**

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. Notable among the techniques used are: 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; 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 as at 31 December 2021 and 2020 in a "normal market conditions" scenario is as follows:

As at 31 December 2021

	Thousands of euro						
	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)	12,461,399	393,341	523,607	69,450	223	-	13,448,020
Loans and advances to customers (Note 10)	417,787	1,502,843	2,126,322	6,146,313	19,720,833	16,068,287	45,982,385
Fixed income portfolio (Note 8)							
Financial assets held for trading	-	-	-	-	-	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	1,037	1,037
Financial assets at fair value through other comprehensive income	-	-	-	-	1,736,281	3,684,383	5,420,664
Financial assets at amortised cost	-	-	-	3,109,307	1,294,838	3,734,197	8,138,342
Equity portfolio (Note 9)							
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	144,793	144,793
Financial assets at fair value through other comprehensive income	-	-	-	-	-	15,793	15,793
Investments in joint ventures or associates (Note 13)	-	-	-	-	-	156,235	156,235
Trading derivatives (Note 11)	139,370	-	-	-	-	-	139,370
Insurance contracts linked to pensions (Note 23)	160,743	-	-	-	-	-	160,743
Assets covered by insurance or reinsurance contracts (Note 29)	5,356	-	-	-	-	-	5,356
Derivatives – hedge accounting (Note 11)	69,024	-	-	-	-	-	69,024
Non-current assets and disposal groups classified as held for sale (Note 12)	1,376,302	-	-	-	-	-	1,376,302
Tangible assets (Note 14)	1,220,415	-	-	-	-	-	1,220,415
Intangible assets (Note 15)	461,916	-	-	-	-	-	461,916
Tax assets (Note 28)	-	-	-	-	-	3,511,828	3,511,828
Other assets (Notes 16 and 17)	244,690						244,690
Total as at 31 December 2021	**16,557,002**	**1,896,184**	**2,649,929**	**9,325,070**	**22,752,175**	**27,316,553**	**80,496,913**
LIABILITIES:							
Deposits from Central Banks and credit institutions (Note 18)	-	2,918,634	865,437	1,883,121	9,493,961	141,040	15,302,193
Deposits from customers (Note 19)	41,295,734	4,190,436	1,761,767	5,292,226	1,314,745	400,924	54,255,832
Debt securities issued (Note 20)	-	-	-	-	-	2,557,566	2,557,566
Other financial liabilities (Note 22)	1,531,086	-	-	-	-	-	1,531,086
Trading derivatives (Note 11)	141,302	-	-	-	-	-	141,302
Derivatives – hedge accounting (Note 11)	298,581	-	-	-	-	-	298,581
Liabilities covered by insurance or reinsurance contracts (Note 29)	1,472,238	-	-	-	-	-	1,472,238
Provisions (Note 23)	418,886	-	-	-	-	-	418,886
Equity (Notes 25, 26 and 27)	-	-	-	-	-	4,519,229	4,519,229
Total as at 31 December 2021	**45,157,827**	**7,109,070**	**2,627,204**	**7,175,347**	**10,808,706**	**7,618,759**	**80,496,913**

As at 31 December 2020-

	Thousands of euro						
	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 as at 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 as at 31 December 2020	**36,648,762**	**3,957,782**	**2,324,490**	**5,879,915**	**12,691,041**	**5,915,458**	**67,417,448**

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 that are 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 as at 31 December 2021 and 2020, together with their respective carrying amounts at those dates, is as follows:

As at 31 December 2021

	Thousands of euro	
	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)	13,448,020	13,448,020
Loans and advances to customers (Note 10) -		
Financial assets at amortised cost	*45,982,385*	*48,842,813*
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	*1,037*	*1,037*
Financial assets at fair value through other comprehensive income	*5,420,664*	*5,420,664*
Financial assets at amortised cost	*8,138,342*	*8,256,689*
Financial assets held for trading	-	-
Equity portfolio (Note 9) -		
Non-trading financial assets mandatorily at fair value through profit or loss	*144,793*	*144,793*
Financial assets at fair value through other comprehensive income	*15,793*	*15,793*
Derivatives held for trading (Note 11)	139,370	139,370
Derivatives – hedge accounting (Note 11)	69,024	69,024
Liabilities:		
Deposits from Central Banks and Credit Institutions (Note 18)	15,302,193	15,158,851
Deposits from customers (Note 19)	54,255,832	54,354,746
Debt securities issued (Note 20)	2,557,566	2,668,054
Other financial liabilities (Note 22)	312,087	312,087
Derivatives held for trading (Note 11)	141,302	141,302
Derivatives – hedge accounting (Note 11)	298,581	298,581
Non-current liabilities and disposal groups classified as held for sale (Note 12)	726,602	726,602

As at 31 December 2020-

	Thousands of euro	
	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*
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

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 the item "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 measurement 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 measurement 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 items of the consolidated balance sheet as at 31 December 2021 and 2020, excluding valuation adjustments, as well as their annual average interest rates, is as follows:

As at 31 December 2021

	Thousands of euro							
	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)	12,274,058	-	-	-	-	-	12,274,058	(0.35%)
Deposits in credit institutions (Note 7)	187,341	393,215	523,607	69,450	223	-	1,173,836	0.05%
Loans and advances to customers (Note 10)	417,787	1,502,843	2,126,322	6,146,313	19,720,833	16,778,632	46,692,730	1.18%
Debt securities (Note 8)	-	-	-	279,046	4,304,966	9,045,389	13,629,401	0.33%
	12,879,186	1,896,058	2,649,929	6,494,809	24,026,022	25,824,021	73,770,025	
LIABILITIES:								
Deposits from Central Banks and credit institutions (at amortised cost) (Note 18)	-	2,917,486	865,097	1,908,952	9,614,574	140,985	15,447,094	(0.70%)
Deposits from customers (at amortised cost) (Note 19)	41,234,957	4,184,267	1,759,175	5,284,438	1,312,810	400,334	54,175,981	0.06%
Debt securities issued (at amortised cost) (Note 20)	-	-	-	-	-	2,525,000	2,525,000	3.28%
	41,234,957	7,101,753	2,624,272	7,193,390	10,927,384	3,066,319	72,148,075	

(1) *These average interest rates include the effects of the hedges arranged by the Group.*

As at 31 December 2020-

	Thousands of euro							
	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 in 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.*

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 activity of 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 Director's Report.

48. Exposure to Credit Risk

48.1. Credit risk management objectives, policies and processes

Credit risk is the possibility of the Entity 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 is 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, fostered by:

- 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, Operational and Reputational Risk, and Strategic Risk Regulatory Projects.

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, 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 among the strategic priorities of the Group is to continue 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 allows 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 Banco de España, 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 based on the target risk profile. The strategies, 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 Risk Appetite Framework and the Recovery Plan for their submission 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 both matters.
- 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 ensure 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), Banco de España (BE), Single Resolution Board, 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 Banco de España.

- 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 Banco de España 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 all necessary information to the central credit register (CIRBE) of the Banco de España. 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 Bank 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), loss given default (LGD) and significant increase in credit risk (quantitative SICR), within the scope of both IFRS9 and IRB.

- To develop and implement credit risk measurement methods within the scope of both ICAAP and Stress Testing.

- 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 Bank, monitoring their predictive capability.

- To monitor the positive predictive capability of the credit risk tools available within the Bank, 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, Portugal) 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.

- To provide advice to ABANCA subsidiaries in assessing the impact on Solvency of 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 Bank 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 Commission, 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 consolidated balance sheet that include *en 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, 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 that 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, the committee at the required level of authorisation approves all transactions.

For 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 Bank'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 Executve Credit Commission.

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 Executive Credit Commission 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 based on 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 Executive Credit Commission. 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 that 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 the following 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.

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 for 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 as at 31 December 2021 and 2020 for each type of financial instrument, without deducting collaterals or any other credit enhancements received to ensure repayment by borrowers:

As at 31 December 2021

	Thousands of euro							
	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	-	1,037	-	4,558,019	8,138,342	-	-	12,697,398
Loans and advances	-	-	-	-	47,084,252	-	-	47,084,252
Total debt instruments	**-**	**1,037**	**-**	**4,558,019**	**55,222,594**	**-**	**-**	**59,781,650**
Guarantees extended:								
Financial guarantees	-	-	-	-	-	-	431,314	431,314
Other guarantees extended	-	-	-	-	-	-	2,222,255	2,222,255
Total guarantees extended	**-**	**-**	**-**	**-**	**-**	**-**	**2,653,569**	**2,653,569**
MAXIMUM EXPOSURE LEVEL TO CREDIT RISK	**-**	**1,037**	**-**	**4,558,019**	**55,222,594**	**-**	**2,653,569**	**62,435,219**

As at 31 December 2020-

Type of instrument	Thousands of euro							
	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	-	-	-	-	-	-	-	-
Marketable securities	20,981	27,475	-	5,543,853	6,915,296	-	-	12,507,605
Loans and advances	-	-	-	-	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**

The following should be taken into account with respect to the information shown in the above table:

- “Debt instruments” recognised in the assets of the consolidated balance sheet Consolidated 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 collaterals 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 Banco de España. 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 as at 31 December 2021 and 2020 is as follows:

Financial year 2021

	Thousands of euro							
	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	-	-	498,310	-	-	-	-	498,310
Marketable securities	-	-	-	-	-	3,208,600	-	3,208,600
Loans and advances	18,815,595	253,921	306,737	333,569	50,634	2,298,292	-	22,058,748
Debt instruments	18,815,595	253,921	805,047	333,569	50,634	5,506,892	-	25,765,658
Guarantees extended	-	60,122	1,382	417	-	103	-	62,024
Other exposures	-	12,367	-	-	-	-	-	12,367
Total covered amount	18,815,595	326,410	806,429	333,986	50,634	5,506,995	-	25,840,049

Financial year 2020

	Thousands of euro							
	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	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**

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 and loss, as the 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 remuneration rate transactions, 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 Board of Directors of the Bank approves the objectives in respect of interest rate risk management at strategic level while the Group's Assets and Liabilities Committee for achieving and controlling those objectives define the procedures.

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 as at 31 December 2021 and 2020 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.

As at 31 December 2021

	Millions of euro							
	Term to Review of effective interest rate or to maturity							
	Up to 1 Month	Between 1 and 3 Months	Between 3 Months 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	8,348	11,064	15,876	70	1	1	1	2
With fixed interest rate	13,346	1,752	2,644	3,678	2,210	2,140	2,069	4,867
	21,694	12,816	18,520	3,748	2,211	2,141	2,070	4,869
Financial Liabilities								
With variable remuneration rate	9,925	2	5	-	-	-	-	-
With fixed interest rate	10,596	3,862	18,809	3,999	5,424	1,011	6,110	11,598
	20,521	3,864	18,814	3,999	5,424	1,011	6,110	11,598
Expressed in foreign currencies:								
Financial assets								
With variable remuneration rate	322	438	211	22	-	-	-	-
With fixed interest rate	207	143	259	89	72	35	28	88
	529	581	470	111	72	35	28	88
Financial Liabilities								
With variable remuneration rate	-	-	64	-	-	-	-	-
With fixed interest rate	310	164	607	110	69	-	57	131
	310	164	671	110	69	-	57	131
Total Assets	22,223	13,397	18,990	3,859	2,283	2,176	2,098	4,957
Total Liabilities	20,831	4,028	19,485	4,109	5,493	1,011	6,167	11,729

As at 31 December 2020-

	Millions of euro							
	Term to Review of effective interest rate or to maturity							
	Up to 1 Month	Between 1 and 3 Months	Between 3 Months 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	5,138	10,297

49.2 Interest rate risk sensitivity analysis

Information included in this section on the sensitivity to interest rate risk of the consolidated statement of profit and loss 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 as at 31 December 2021, determined applying the criteria established by the Banco de España, 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 and 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 Banco de España 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 arising from 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 all interest rate curves on the market with respect to the figures as at 31 December 2021 and 2020 is as follows:

	Thousands of euro			
	2021		2020	
	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	63,890	904,453	133,271	1,280,365
200 b.p. reduction of Euribor	(60,346)	(197,716)	(21,426)	(46,881)

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). 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 business lines 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 business lines,

(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 in 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 occurred within 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 in 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 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 to be able to act on this for 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 2021 and 2020, the net position in foreign currency must not exceed 2% of eligible capital. This limit stands at 0.02% in 2021 (0.03% in 2020).

As at 31 December 2021 and 2020, 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 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:

As at 31 December 2021-

	Thousands of euro				
	Total	Spain	Other European Union	America	Rest of the world
Central banks and credit institutions	14,186,561	12,690,354	665,134	124,687	706,386
Public administration	21,590,173	16,209,673	5,374,216	5,288	996
Central Government	*12,078,244*	*6,699,325*	*5,373,631*	*5,288*	-
Other Public administrations	*9,511,929*	*9,510,348*	*585*	-	*996*
Other financial companies and individual entrepreneurs	796,585	502,528	131,242	39,995	122,820
Non-financial companies and individual entrepreneurs	21,402,869	17,528,115	2,213,991	874,264	786,499
Real Estate construction and property	*1,161,058*	*1,123,979*	*29,072*	*3,462*	*4,545*
Civil engineering construction	*323,050*	*322,490*	*560*	*0*	*0*
Other purposes:	*19,918,761*	*16,081,646*	*2,184,359*	*870,802*	*781,954*
Large corporations	*11,053,939*	*8,541,124*	*1,576,596*	*450,868*	*485,351*
SMEs and individual entrepreneurs	*8,864,822*	*7,540,522*	*607,763*	*419,934*	*296,603*
Rest of households	18,339,886	15,938,239	1,882,877	171,111	347,659
Housing	*14,838,733*	*13,069,753*	*1,366,974*	*121,519*	*280,487*
Consumer	*1,744,047*	*1,595,049*	*119,750*	*14,748*	*14,500*
Other purposes	*1,757,106*	*1,273,437*	*396,153*	*34,844*	*52,672*
TOTAL	76,316,074	62,868,909	10,267,460	1,215,345	1,964,360

A breakdown by Autonomous Region is as follows:

	Thousands of euro							
	AUTONOMOUS REGIONS							
	Total	Andalusia	Catalonia	Galicia	Madrid	Valencian Community	Basque Country	Other
Central banks and credit institutions	12,690,354	19,298	308,395	132,649	12,120,793	67,245	15,965	26,009
Public administration	16,209,673	857	2,644	2,087,851	725,160	1,122,231	304,531	11,966,399
Central Government	*6,699,325*	-	-	-	-	-	-	*6,699,325*
Other Public administrations	*9,510,348*	*857*	*2,644*	*2,087,851*	*725,160*	*1,122,231*	*304,531*	*5,267,074*
Other financial companies and individual entrepreneurs	502,528	-	17,788	57,272	400,344	69	24,595	2,460
Non-financial companies and individual entrepreneurs	17,528,115	588,232	1,266,482	5,888,083	5,720,713	515,646	1,239,674	2,309,285
Real Estate construction and property development	*1,123,979*	*25,250*	*33,502*	*465,985*	*381,169*	*18,274*	*92,826*	*106,973*
Civil engineering construction	*322,490*	*2,259*	*121*	*156,555*	*154,148*	*87*	*2,350*	*6,970*
Other purposes:	*16,081,646*	*560,723*	*1,232,859*	*5,265,543*	*5,185,396*	*497,285*	*1,144,498*	*2,195,342*
Large corporations	*8,541,124*	*347,418*	*880,224*	*1,772,710*	*3,430,208*	*290,801*	*681,634*	*1,138,129*
SMEs and individual entrepreneurs	*7,540,522*	*213,305*	*352,635*	*3,492,833*	*1,755,188*	*206,484*	*462,864*	*1,057,213*
Rest of households	15,938,239	700,086	1,406,585	8,031,158	1,840,793	783,115	881,747	2,294,755
Housing	*13,069,753*	*625,330*	*1,317,872*	*5,948,376*	*1,664,149*	*702,235*	*809,859*	*2,001,932*
Consumer	*1,595,049*	*19,724*	*28,931*	*1,280,067*	*65,747*	*21,179*	*42,371*	*137,030*
Other purposes	*1,273,437*	*55,032*	*59,782*	*802,715*	*110,897*	*59,701*	*29,517*	*155,793*
TOTAL	62,868,909	1,308,473	3,001,894	16,197,013	20,807,803	2,488,306	2,466,512	16,598,908

As at 31 December 2020:

	Thousands of euro				
	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 administration	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*
TOTAL	62,162,115	50,447,365	9,529,748	1,151,152	1,033,850

A breakdown by Autonomous Region is as follows:

	Thousands of euro							
	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 administration	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
TOTAL	50,447,365	1,230,216	2,703,350	19,123,771	13,581,720	2,253,517	1,050,281	10,504,510

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 Bank, 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 2021 and 2020 are shown below:

Financial year 2021

Complaints received	Complaints Resolved (*)	Complaints Resolved In favour of the customer	Complaints Resolved Submitted Online	Average Resolution Time (days)
38,008	46,212	10,295	22,530	10

(*) Including resolved claims that were received in 2020.

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.

The types of complaints received are as follows:

Complaint Type	Number	
	2021	2020
Credit Products	9,300	9,523
Deposit products	17,309	37,719
Other banking products	7,401	7,921
Collection and payment services	502	487
Investment services	131	181
Insurance and plans	1,081	1,126
Other	2,284	1,949
Total	**38,008**	**58,906**

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 Banco de España, 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 2021 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 Recast Text of the Companies Law.
In 2021, directors have refrained from taking part in the discussion of and voting on matters addressed by the Board of Directors or by its Commissions on 22 instances. Of the above-mentioned instances, 18 instances related to investment proposals, financing proposals or other risk transactions with companies related to several directors; 2 instances related to remuneration issues; and 2 instances related to other transactions with related parties.

ABANCA Corporación Bancaria Group

Fully consolidated companies as at 31 December 2021

(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		Thousands of euro – Investee Data (*)				
			Direct	Indirect	Total Assets	Total Liabilities	Equity	Profit or loss for the period	Date of Financial Statements
ABANCA Corporación Industrial y Empresarial, S.L.	A Coruña	Holding	100.00%	-	1,278,532	6,339	1,272,193	35,737	Dec-21
ABANCA Corporación División Inmobiliaria, S.L.U.	A Coruña	Real estate management	100.00%	-	830,811	36,529	794,282	3,257	Dec-21
ABANCA Servicios Financieros, E.F.C., S.A.	A Coruña	Financing	99.00%	1.00%	469,179	434,166	35,013	5,925	Dec-21
Bankoa Gestión, S.A., S.G.I.I.C.	Donostia	CIS Management company	100.00%		6,009	1,780	4,229	949	Dec-21
Bankoa Kartera, S.A.	Donostia	Holding	100.00%		8,172	2	8,170	198	Dec-21
Bankoa Mediación, S.L.	Donostia	Insurance	100.00%		169	-	169	(13)	Dec-21
Complejo Residencial Marina Atlántica, S.L.	A Coruña	Real estate	100.00%	-	3,868	-	3,868	276	Dec-21
Sogevinus, S.G.P.S., S.A.	Oporto	Holding - Wineries	100.00%	-	183,803	79,591	104,212	3,849	Dec-21
Laborvantage Investimentos Inmobiliarios Lda.	Oporto	Real estate	100.00%	-	27,290	543	26,747	1,244	Dec-21
Sentir Común México, S.A. DE C.V. SOFOM	México	Financing	0.00%	99.99%	62,488	57,297	5,191	118	Dec-21
Natur-Hotel Spa Allaríz, S.A.	Allariz	Hospitality	94.11%	5.89%	3,454	2,281	1,173	83	Dec-21
Simeon Sacv México	México	Financing	100.00%	-	122	112	10	6	Dec-20
Simeon Inversiones CA Venezuela	Venezuela	Financing	100.00%	-	-	-	-	-	Dec-18
Nueva Pescanova, S.L. Group(**) (***)	Pontevedra	Wholesale trade	97.76%	-	1,089,403	811,138	278,265	(8,502)	Dec-21
Real Club Deportivo de La Coruña, SAU Group (**)	A Coruña	Sports club	76.66%	-	17,693	71,218	(53,525)	(10,456)	Dec-21
ABANCA Mediación, Correduria de Seguros Generales, S.A.	A Coruña	Insurance brokering	-	100.00%	1,185	(7)	1,192	509	Dec-21
Vibarco, Sociedad Unipersonal, S.L.	Vigo	Holding - Wineries	-	100.00%	789,144	787,417	1,727	(4)	Dec-21
Quaere Investment, S.L.	A Coruña	Holding	-	100.00%	3	-	3	-	Dec-21
ABANCA Invest, S.A.	A Coruña	Holding	-	100.00%	2,129	45	2,084	(685)	Dec-21
Inventium Consultoria de Proyectos, S.L.	A Coruña	Consulting	-	51.00%	3,295	1,109	2,186	1,985	Dec-21
Txstockdata, S.L.	Pontevedra	Other financial services	-	70.00%	563	52	511	(85)	Dec-21
Torres del Boulevar, S.L.	A Coruña	Real estate development	-	100.00%	3,929	1,490	2,439	97	Dec-21
Corporación Empresarial de Tenencia de Activos de Galicia, S.L.	A Coruña	Services	-	100.00%	215	8	207	20	Dec-21
Espacios Termolúdicos, S.A.	A Coruña	Health and Leisure services	-	100.00%	11,408	8,543	2,865	(618)	Dec-21
ABANCA Mediación, Operador de Banca-Seguros Vinculado, S.A.	A Coruña	Insurance	-	100.00%	31,700	28,332	3,368	232	Dec-21

This Appendix forms part of the notes to the consolidated financial statements as at 31.12.21.

ABANCA Corporación Bancaria Group

Fully consolidated companies as at 31 December 2021

(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		Thousands of euro – Investee Data (*)				
			Direct	Indirect	Total Assets	Total Liabilities	Equity	Profit or loss for the period	Date of Financial Statements
ABANCA Gestión Operativa, S.A.	A Coruña	Operational services	-	100.00%	1,350	133	1,217	88	Dec-21
Corporación Empresarial de Participación en Organizaciones de Galicia, S.L.	A Coruña	Other financial services	-	100.00%	5	-	5	-	Dec-21
Torre de Hércules Inversiones Corporativas, S.L.	A Coruña	Other financial services	-	100.00%	13	2	11	7	Dec-21
Corporación Empresarial y Financiera de Galicia, S.L.U.	A Coruña	Clerical services	-	100.00%	212	3	209	14	Dec-21
Corporación Empresarial de Representación Participativa, S.L.	A Coruña	Financing	-	100.00%	7,301	194	7,107	60	Dec-21
Jocai XXI, S.L.	A Coruña	Real estate development	-	100.00%	1,119	378	741	14	Dec-21
ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A.	A Coruña	Insurance	-	100.00%	1,798,068	1,610,399	187,669	37,570	Dec-21

(*) Data taken from the latest available unaudited interim 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.

(**) Registered under the item "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 balance sheet.

(***) The result of (8,502) thousand euros is produced in 12 months and corresponds to two partial years of Nueva Pescanova S.L., which tallies with the twelve months of the closing of the ABANCA Group's calendar year.

ABANCA Corporación Bancaria Group

Fully consolidated companies as at 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		Thousands of euro – Investee Data (*)				
			Direct	Indirect	Total Assets	Total Liabilities	Equity	Profit or loss for the period	Date of Financial Statements
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 Allaríz, S.A.	Allariz	Hospitality	94.11%	5.02%	3,391	2,298	1,093	(201)	Dec-20
Simeon Sacv México	México	Financing	100.00%	-	122	112	10	6	Dec-20
Simeon Inversiones CA Venezuela	Venezuela	Financing	100.00%	-	-	-	-	-	Dec-18
Nueva Pescanova, S.L. Group(**)(***)	Pontevedra	Wholesale trade	88.41%	-	936,499	912,854	23,645	(39,154)	Dec-20
Real Club Deportivo de La Coruña, SAU Group (**)	A Coruña	Sports club	76.67%	-	21,744	64,364	(42,620)	(3,753)	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

Appendix I

ABANCA Corporación Bancaria Group

Fully consolidated companies as at 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		Thousands of euro - Investee Data (*)				
			Direct	Indirect	Total Assets	Total Liabilities	Equity	Profit or loss for the period	Date of Financial Statements
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

(*) Data taken from the latest available unaudited interim 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.

(**) Registered under the item "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 balance sheet.

(***) The result of (39,154) thousand euros is produced in 12 months and corresponds to two partial years of Nueva Pescanova S.L., which tallies with the twelve months of the closing of the ABANCA Group's calendar year.

ABANCA Corporación Bancaria Group

Associates as at 31 December 2021

(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		Thousands of euro				
					Investee Data (*)				
			Direct	Indirect	Total Assets	Total Liabilities	Equity	Profit or loss for the period	Date of Financial Statements
Parque Tecnológico de Galicia, S.A.	Ourense	Technological park	37.34%	-	10,364	2,799	7,565	(93)	Dec-21
Cidade Universitaria, S.A.	Vigo	Infrastructures	32.43%	-	8,338	1,518	6,820	(67)	Dec-21
Cidade Tecnolóxica de Vigo, S.A.	Vigo	Infrastructures	25.07%	-	10,302	1,404	8,898	(64)	Dec-21
Obenque, S.A.	Madrid	Real estate	26.98%	-	608	145	463	(32)	Dec-21
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%	34,282	19,305	14,977	4,135	Dec-21
Sociedade para o Desenvolvimento de Proxectos Estratéxicos de Galicia, S.L.	Santiago de Compostela	Holding	-	38.00%	7,248	2,024	5,224	224	Dec-21
Pazo de Congresos de Vigo, S.A.	Vigo	Construction	-	22.22%	76,833	66,887	9,946	20,269	Dec-16
FIGrupo Marinas, S.L.	A Coruña	Maritime services	-	33.00%	4,719	455	4,264	(270)	Nov-21
Autoestradas do Salnés, S.C.X.G., S.A.	Ourense	Construction Highway concessionaire	-	30.00%	46,029	41,763	4,266	233	Dec-21
Transmonbús, S.L.	Lugo	Transport	-	33.96%	206,802	161,171	45,631	(1,573)	Sep-21
Muéstralo Organización de Eventos Feriales, S.L.	Vigo	Event organisation	-	25.00%	1,089	1,063	26	(42)	Dec-21
Viñedos y Bodegas Dominio de Tares, S.A.	León	Winegrowing	-	40.55%	7,019	2,068	4,951	142	Dec-21
Empresa Naviera Elcano, S.A.	Madrid	Maritime transport	-	20.25%	817,135	503,664	313,471	(426)	Dec-21
Grupo Empresarial COPO, S.A.	Pontevedra	Holding	-	35.64%	118,803	59,933	58,870	8,623	Dec-20
Desarrollos Inmobiliarios Fuenteamarga, S.L.	Madrid	Timber processing	-	33.00%	446	732	(286)	-	Dec-21
ABANCA Generales de Seguros y Reaseguros, S.A.U.	A Coruña	Insurance	-	50.00%	41,248	19,400	21,848	(8,533)	Dec-21
Olazabal y Huarte, S.A.	Vitoria	Iron foundry	-	25.06%	4,411	1,542	2,869	(981)	Dec-21
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 2021 are not available, the column "Date of Financial Statements" 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 as at 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		Thousands of euro				
					Investee Data (*)				
			Direct	Indirect	Total Assets	Total Liabilities	Equity	Profit or loss for the period	Date of Financial Statements
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%	118,803	59,933	58,870	8,623	Dec-20
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 2020 are not available, the column "Date of Financial Statements" 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)

As at 31 December 2021:

Securitisation Fund	Entity	Origination date	Total exposures securitised at origination date	Total exposures securitised at 31.12.21
HT ABANCA RMBS II FT	ABANCA CORPORACIÓN BANCARIA, S.A.	12/2017	900,000	670,041
HT ABANCA RMBS I FT	ABANCA CORPORACIÓN BANCARIA, S.A.	05/2016	900,000	634,476
IM BCG RMBS 2 FT	ABANCA CORPORACIÓN BANCARIA, S.A. (*)	11/2013	1,300,000	755,410
			3,100,000	2,059,927

As at 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

(*) Addition arising from business combinations.

ABANCA Corporación Bancaria, S.A.

BALANCE SHEET AS AT 31 DECEMBER 2021 AND 2020
(Thousands of euro)

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

ASSETS	Note	2021	2020 (*)
Cash, cash balances with central banks and other demand deposits	5	12.460.551	7.146.693
Financial assets held for trading			
Derivatives	10	139.370	142.507
Debt securities	7	-	20.981
		139.370	163.488
Non-trading financial assets mandatorily at fair value through profit or loss			
Equity instruments	8	49.348	47.746
Debt securities	7	1.037	27.475
Loans and advances			
Customers	9	-	-
		50.385	75.221
Financial assets at fair value through other comprehensive income			
Equity instruments	8	-	-
Debt securities	7	4.558.019	5.543.853
		4.558.019	5.543.853
Financial assets at amortised cost			
Debt securities	7	8.138.342	6.915.296
Loans and advances			
Credit institutions	6	1.027.084	464.217
Customers	9	46.796.329	39.979.502
		55.961.755	47.359.015
Derivatives - hedge accounting	10	69.024	10.298
Investments in subsidiaries, joint ventures and associates	12		
Subsidiaries		2.183.253	2.119.438
Associates		5.829	4.668
		2.189.082	2.124.106
Tangible assets	13		
Property, plant and equipment			
For own use		905.606	861.295
Leased out under operating leases		-	-
Investment property		171.716	200.500
		1.077.322	1.061.795
Intangible assets	14		
Goodwill		-	-
Other intangible assets		139.757	130.589
		139.757	130.589
Tax assets	26		
Current tax assets		21.272	44.190
Deferred tax assets		2.888.377	2.833.187
		2.909.649	2.877.377
Other assets			
Insurance contracts linked to pensions	15	160.743	145.586
Inventories		1.513	1.252
Other assets		174.045	132.001
		336.301	278.839
Non-current assets and disposal groups classified as held for sale	11	375.253	372.249
TOTAL ASSETS		80.266.468	67.143.523
MEMORANDUM ITEM: OFF-BALANCE SHEET EXPOSURES	27		
Loan commitments granted		10.883.814	9.739.362
Financial guarantees granted		1.096.905	496.561
Other commitments granted		1.899.951	1.286.217

EQUITY AND LIABILITIES	Note	2021	2020 (*)
Financial liabilities held for trading			
Derivatives	10	141.302	143.913
		141.302	143.913
Financial liabilities at amortised cost			
Deposits			
Central banks	16	9.765.781	8.606.725
Credit institutions	16	5.536.354	2.411.529
Customers	17	56.886.822	48.924.288
Debt securities issued	18	2.557.566	1.708.276
Other financial liabilities	20	165.538	144.459
Memorandum item: subordinated liabilities	19	*1.303.786*	*928.992*
		74.912.061	61.795.277
Derivatives - hedge accounting	10	298.581	290.318
Provisions	21		
Pensions and other post-employment defined benefit obligations		276.155	204.274
Outstanding tax-related legal proceedings and litigation		20.976	18.356
Commitments and guarantees given		97.887	65.437
Other provisions		15.064	22.150
		410.082	310.217
Tax liabilities	26		
Current tax liabilities		36.726	33.000
Deferred tax liabilities		46.694	66.490
		83.420	99.490
Other liabilities	22	247.803	259.976
TOTAL LIABILITIES		76.093.248	62.899.191
EQUITY			
Shareholders' Equity			
Capital			
Paid-up capital	25	2.476.209	2.476.209
Share premium	24	208.791	208.791
Equity instruments issued other than capital	24		
Other equity instruments		-	-
Retained earnings	24	1.527.031	1.438.968
Other reserves		(95.386)	(55.495)
(-) Treasury shares	25	(17.395)	(17.187)
Profit for the year		304.976	122.585
(-) Interim dividend	3	(66.671)	-
		4.337.555	4.173.871
Accumulated other comprehensive income	23		
Items that will not be reclassified to profit or loss			
Actuarial gains or losses on defined benefit pension plans		(12.917)	(12.478)
Fair value changes of equity instruments measured at fair value through other comprehensive income		-	-
Items that may be reclassified to profit or loss			
Foreign currency translation		-	-
Hedging derivatives. Cash flow hedges reserve (effective portion)		(202.368)	(22.310)
Fair value changes of debt securities measured at fair value through other comprehensive income		50.949	105.249
Non-current assets and disposal groups classified as held for sale		-	-
		(164.336)	70.461
TOTAL EQUITY		4.173.219	4.244.332
TOTAL EQUITY AND LIABILITIES		80.266.468	67.143.523

This Appendix forms part of the consolidated notes at 31.12.21

ABANCA Corporación Bancaria, S.A.

STATEMENTS OF PROFIT AND LOSS FOR THE ANNUAL PERIODS ENDED 31 DECEMBER 2021 AND 2020
(Thousands of euro)

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

	Note	Income / (Expenses) 2021	2020 (*)
Interest income	28	766.959	778.365
Financial assets at fair value through other comprehensive income		31.762	22.665
Financial assets at amortised cost		671.317	711.531
Other of interest income		63.880	44.169
Interest expense	29	(151.155)	(189.398)
NET INTEREST INCOME		615.804	588.967
Dividend income	30	4.783	1.140
Fee and commission income	31	275.973	252.480
Fee and commission expense	32	(36.375)	(28.154)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	33	102.044	208.351
Financial assets at amortised cost		8.975	161.507
Other financial assets and liabilities		93.069	46.844
Gains or losses on financial assets and liabilities held for trading, net	33	12.067	8.506
Other gains or losses		12.067	8.506
Gains or losses on non-trading financial assets mandatorily measured at fair value through profit or loss, net	33	3.069	(1.708)
Other gains or losses		3.069	(1.708)
Gains or losses from hedge accounting, net	33	(17.578)	3.384
Exchange differences, net		9.187	9.761
Other operating income	34	22.753	34.673
Other operating expenses	37	(108.197)	(106.154)
GROSS MARGIN		883.530	971.246
Administrative expenses		(555.083)	(543.201)
Personnel expenses	35	(351.719)	(356.053)
Other administrative expenses	36	(203.364)	(187.148)
Depreciation and amortisation	13 and 14	(73.735)	(75.979)
Provisions or reversals of provisions	21	(93.395)	35.340
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss		(81.377)	(223.092)
Financial assets at fair value through other comprehensive income		(18.024)	209
Financial assets at amortised cost	9	(63.353)	(223.301)
NET OPERATING INCOME		79.940	164.314
Impairment or reversal of impairment on investments in subsidiaries, joint ventures or associates	12	52.301	(4)
Impairment or reversal of impairment on non-financial assets		(13.946)	(20.304)
Tangible assets	13	(13.866)	(20.304)
Other		(80)	-
Gains or losses on derecognition of non-financial assets, net	38	150	(146)
Negative goodwill recognised in profit or loss	2.22	205.968	-
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	11	(2.026)	2.059
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS		322.387	145.919
Tax expense or income related to profit or loss from continuing operations	26	(17.411)	(23.334)
PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS		304.976	122.585
Profit or loss after tax from discontinued operations		-	-
PROFIT FOR THE YEAR		304.976	122.585

This Appendix forms part of the consolidated notes at 31.12.21

ABANCA Corporación Bancaria, S.A.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE ANNUAL PERIODS ENDED 31 DECEMBER 2021 AND 2020

(Thousands of euro)

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

	2021	2020 (*)
PROFIT FOR THE YEAR	**304.976**	**122.585**
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss	**(439)**	**8.071**
Actuarial gains or (-) losses on defined benefit pension plans	(627)	11.531
Fair value changes of equity instruments measured at fair value through other comprehensive income	-	(1)
Income tax on items that will not be reclassified	188	(3.459)
Items that may be reclassified to profit or loss	**(234.358)**	**44.901**
Foreign currency translation	-	-
Exchange gains or (-) losses recognised in equity	-	-
Cash flow hedges (effective portion)	(257.226)	(49.213)
Valuation gains or (-) losses recognised in equity	(257.226)	(49.213)
Debt securities at fair value through other comprehensive income	(77.571)	113.357
Valuation gains or (-) losses recognised in equity	15.558	160.021
Transferred to profit or loss	(93.129)	(46.664)
Income tax on items that may be reclassified to profit or loss	100.439	(19.243)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**70.179**	**175.557**

This Appendix forms part of the consolidated notes at 31.12.21

ABANCA Corporación Bancaria, S.A.

STATEMENTS OF TOTAL CHANGES IN EQUITY FOR

THE ANNUAL PERIODS ENDED 31 DECEMBER 2021 AND 2020 (*)

(Thousands of euro)

(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 period	(-) Interim dividends	Accumulated other comprehensive income	Total
Balance as 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 (see Note 2.21)	-	-	-	-	-	-	-	-	-	-
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 period	-	-	-	-	-	-	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 purchase	-	-	-	-	-	(183)	-	-	-	(183)
Treasury shares sold or cancelled	-	-	-	-	-	213.213	-	-	-	213.213
Transfers between equity items	-	-	-	184.515	-	-	(359.425)	174.910	-	-
Share-based payments	-	-	-	-	-	324	-	-	-	324
Dividends (or shareholders' remuneration)	-	-	-	-	-	-	-	(14.158)	-	(14.158)
Other increases or (-) decreases in equity	-	-	-	1.877	(18.204)	-	-	-	-	(16.327)
Balance as at 31 December 2020	2.476.209	208.791	-	1.438.968	(55.495)	(17.187)	122.585	-	70.461	4.244.332
Effects of correction of errors	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Opening balance	2.476.209	208.791	-	1.438.968	(55.495)	(17.187)	122.585	-	70.461	4.244.332
Total comprehensive income for the period	-	-	-	-	-	-	304.976	-	(234.797)	70.179
Other changes in equity	-	-	-	88.063	(39.891)	(208)	(122.585)	(66.671)	-	(141.292)
Common shares issued	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-
Other equity instruments issued	-	-	-	-	-	-	-	-	-	-
Treasury shares purchase	-	-	-	-	-	(854)	-	-	-	(854)
Treasury shares sold or cancelled	-	-	-	-	-	-	-	-	-	-
Transfers between equity items	-	-	-	94.820	-	-	(94.820)	-	-	-
Share-based payments	-	-	-	-	-	489	-	-	-	489
Dividends (or shareholders' remuneration)	-	-	-	-	-	-	(27.765)	(66.671)	-	(94.436)
Other increases or (-) decreases in equity	-	-	-	(6.757)	(39.891)	157	-	-	-	(46.491)
Balance as at 31 December 2021	2.476.209	208.791	-	1.527.031	(95.386)	(17.395)	304.976	(66.671)	(164.336)	4.173.219

This Appendix forms part of the consolidated notes at 31.12.21

ABANCA Corporación Bancaria, S.A.

STATEMENTS OF CASH FLOWS FOR THE ANNUAL PERIODS ENDED 31 DECEMBER 2021 AND 2020

(Thousands of euro)

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

	2021	2020 (*)
A) CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	4.788.154	4.417.345
1. Profit for the period	304.976	122.585
2. Adjustments for determining cash flows from operating activities	35.126	(89.350)
(+) Depreciation and amortisation	73.735	75.979
(+/-) Other adjustments	(38.609)	(165.329)
3. Net increase/(decrease) in operating assets	(6.943.778)	(3.727.782)
(+/-) Financial assets held for trading	25.008	39.673
(+/-) Non-trading financial assets mandatorily at fair value through profit or loss	29.791	(8.499)
(+/-) Financial assets designated at fair value through profit or loss	-	-
(+/-) Financial assets at fair value through other comprehensive income	985.834	(1.393.480)
(+/-) Financial assets at amortised cost	(7.977.473)	(2.512.288)
(+/-) Other operating assets	(6.938)	146.812
4. Net increase/(decrease) in operating liabilities	11.463.380	8.048.616
(+/-) Financial liabilities held for trading	(2.611)	27.369
(+/-) Financial liabilities designated at fair value through profit or loss	-	-
(+/-) Financial liabilities at amortised cost	11.457.728	7.874.014
(+/-) Other operating liabilities	8.263	147.233
5. Income tax receipts/(payments)	(71.550)	63.276
B) CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	(213.563)	(120.487)
1. Payments:	(227.876)	(147.808)
(-) Tangible assets	(63.542)	(52.134)
(-) Intangible assets	(28.168)	(32.472)
(-) Investments in subsidiaries, joint ventures and associates	-	(60.004)
(-) Other business units	(129.954)	-
(-) Non-current assets and liabilities classified as held for sale	(6.212)	(3.198)
(-) Other payments related to investing activities	-	-
2. Receipts:	14.313	27.321
(+) Tangible assets	2.306	-
(+) Intangible assets	-	-
(+) Investments in subsidiaries, joint ventures and associates	-	197
(+) Other business units	-	
(+) Non-current assets and liabilities classified as held for sale	9.225	27.124
(+) Other receipts related to investing activities	2.782	-
C) CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	739.267	(35.393)
1. Payments:	(135.733)	(35.393)
(-) Dividends	(94.436)	(14.158)
(-) Subordinated liabilities	(1.200)	(2.302)
(-) Redemption of own equity instruments	(206)	-
(-) Acquisition of own equity instruments	-	(183)
(-) Other payments related to financing activities	(39.891)	(18.750)
2. Receipts:	875.000	-
(+) Subordinated liabilities	375.000	-
(+) Issuance of own equity instruments	-	-
(+) Disposal of own equity instruments	-	-
(+) Other receipts related to financing activities	500.000	-
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS	-	-
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	5.313.858	4.261.465
F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	7.146.693	2.885.228
G) CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (E+F)	12.460.551	7.146.693

COMPOSITION OF CASH AND CASH EQUIVALENTS ATTHE END OF THE YEAR	2021	2020 (*)
(+) Cash	180.726	179.276
(+) Cash equivalent balances with central banks	12.093.324	6.665.907
(+) Other financial assets	186.501	301.510
(-) Less: bank overdrafts repayable on demand	-	-
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12.460.551	7.146.693

This Appendix forms part of the consolidated notes at 31.12.21

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)

	Thousands of euro					
Country	Income tax expense	Profit before tax	Gross margin	Headcount (*)	Activity	Main company
Spain	31,921	352,518	963,816	5,609	Financial	ABANCA Corporación Bancaria S.A.
Portugal	1,979	14,704	75,702	561	Financial	ABANCA Corporación Bancaria S.A.
Other	350	3,168	12,798	52	Financial	Sentir Común México S.A. de CV SOFOM ENR

(*) 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 2021, the Group's return on assets, calculated as the result of dividing the “Consolidated profit for the year” by “Total assets”, is 0.4%.

In 2021, 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, S.A. GROUP

Consolidated Directors' Report for
the period ended 31 December 2021

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

1. Scope, sphere and global framework of the Directors' Report

This directors' report of ABANCA Corporación Bancaria S.A. (hereinafter Group ABANCA or the Group) describes the initiatives, business performance and results of the Group in 2021.

2. Economic and financial environment

Economic environment

- Following the economic contraction registered in 2020 as a result of the pandemic outbreak, which led global GDP to fall by -3.1%, in 2021 global economic activity recovered with a 5.9% growth. Global productive capacity has faced certain difficulties to meet the strong demand rebound following the easement of the most restrictive measures taken to address the pandemic. Frictions have taken the form of tensions in global supply chains and shortages for certain commodities, which have resulted in significant inflationary pressure.

- In Europe, the Eurozone economy grew by 5.3% in 2021 as a whole. Among major economies, France (+7.0%) and Italy (+6.5%) led the recovery, while Germany's growth was hampered by the automotive industry's difficulties and limited to 2.8%.

- In Spain, economic activity continued on a path of gradual recovery, in a context of gradual easement of pandemic containment measures and advances in the vaccination process. Except for incoming tourism and new vehicle registrations, major activity indicators were close to pre-pandemic levels.

- During the last quarter of the year, notwithstanding the impact of the sixth COVID wave, the economy continued its positive performance with a 2.0% quarterly growth. In 2021 as a whole, Spain's GDP grew by 5.0%.

- The labour market has registered a stronger recovery, exceeding pre-pandemic levels in both the number of registrations in the Social Security Scheme (+3.0) and employed persons (+1.1%). At the end of the year, unemployment stood at 13.3%, a 2.8% decrease in the year, with five tenths of a percentage reduction compared to the end of 2019. For its part, the number of workers affected by temporary suspensions of employment implemented through ERTE (Spanish acronym for "Temporary Labour Force Adjustment Scheme") fell down to 120 thousand (compared to over 930 thousand at the beginning of the year).

- Inflation picked up strongly during the last months of the year, mainly conditional on the increase of energy prices. In particular, at the end of the year general inflation stood at 6.5%, the highest inflation rate registered since 1992, while underlying inflation stood at 2.4%.

- In 2021, Galician economy grew by 5.2%, outperforming by two tenths of a percentage the growth rate of Spain as a whole. With this growth, in 4Q 2021 the gap (in terms of GDP) with pre-pandemic levels has been reduced to -2.3%, compared to a -4.0% gap for Spain as a whole. In the labour market, in December the number of registrations in the Social Security Scheme exceeded by 2.0% pre-pandemic levels, while unemployment at the end of the year stood at 11.0%, 2.3 percentage points lower than the national average.

Financial environment

- Economic recovery and inflationary pressure have led the major central banks to begin a gradual withdrawal of monetary stimuli. In the United States, the Federal Reserve announced that it would start raising interest rates in March 2022 and that it would simultaneously start a process of balance sheet reduction. In Europe, the European Central Bank began the last quarter of 2021 by lowering the pace of monthly net asset purchases under the pandemic emergency purchase program (PEPP) and by announcing that in March 2022, it will advance in the monetary easing process.

- In this context, public debt yields have registered an increasing trend since late in July. In particular, at the end of December, the yield from Spain's 10-year bond reached 0.60% (+54 basis points in the year) and the Bund's IRR increased to -0.18% (+40 b.p. in 2021). Thus, at the end of the year Spain's risk premium stood at around 75 basis points. In the interbank market, 12m-Euribor closed 2021 at -0.50%.

- Retail credit in Spain increased by 0.4% during the year, conditional on the increase in house loans (+1.2%) and loans to companies (+0.3%) that offset the reduction in consumer loans (-1.6%). With respect to new lending, retail credit decreased by -9.5% in the year due to the decline in new loans to companies (-16.2%), conditional on the baseline effect from publicly guaranteed facilities granted in 2020. Conversely, new consumer loans and home loans increased by 6.5% and 39.4%, respectively.

- In 2021, individual customers' funds increased overall by 7.1% in Spain, with advances in both deposits (+4.6%) and investment funds, the equity of which increased by 15.7% in the year as a whole.

3. Relevant events in 2021

- In 2021, the following securities issues were completed:

  - Dated 7 January 2021, ABANCA reopened the debt market by laying down the economic conditions for an issue of €375 million in perpetual bonds. This issue 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 issue 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.

  - Dated 1 September 2021, ABANCA laid down the economic conditions for an issue of €500 million in ordinary bonds ("the Bonds"). This issue was paid up and closed on 8 September 2021.

    These Bonds are eligible for MREL purposes. Furthermore, an amount equivalent to the amount of the issue is expected to be allocated to the eligible green business lines as provided in ABANCA's framework of sustainable development goals so that those Bonds are additionally considered as green bonds.

    The issue was exclusively addressed to professional customers and eligible counterparties.

- On 28 January 2021, once the required regulatory approvals were granted, ABANCA Group formalised the acquisition of Bankoa.

- On 23 February 2021, ABANCA Group subscribed the voluntary capital increase announced by Nueva Pescanova, S.L., following which ABANCA holds 97.48% of shares in the fishery company.

- On 5 April 2021, the purchase of Novo Banco Group's network in Spain was announced. Following this transaction, ABANCA Group has strengthened its position in the areas of personal and private banking and corporate banking, in addition to providing growth potential in lines such as insurance activity.

  The above-mentioned announcement stated that Novo Banco contributed a business volume of €4,287 million, managed by 172 employees and a network of 102 specialised financial agents in 10 branches located in urban areas.

This transaction presents a low execution risk, implies a minimum consumption of capital, and will producing significant synergies.

On 30 November 2021, once the required authorisations were received, ABANCA Group and Novo Banco, S.A. closed the purchase and sale of the Portuguese bank's business in Spain. The transaction will be completed with the technological incorporation process, which is expected to be completed in the last quarter of 2022.

- The Boards of Directors of both Bankoa and ABANCA Group respectively approved on 23 and 26 April 2021 the common draft terms of merger. The merger was completed through the absorption of Bankoa, S.A. (the absorbed entity) by ABANCA Corporación Bancaria, S.A. (the absorbing entity); Bankoa was wound up and dissolved without liquidation, and all of its assets and liabilities were transferred *en bloc* to ABANCA Corporación Bancaria, S.A. as universal successor.

  The incorporation was completed on November 2021, following completion of the last two outstanding processes: branding and migration of activities to ABANCA Group's technological and operational platform. The process has been completed as scheduled, and without any incidents in the services rendered to the customer base of either the Group or Bankoa.

- Changes in ABANCA Corporación Bancaria, S.A. credit ratings in 2021 were as follows:

  - 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 22 June 2021, DBRS Ratings GmbH (DBRS Morningstar) upgraded the ABANCA outlook to stable and affirmed ABANCA long- and short-term issuer ratings at BBB and R-2 (high), respectively.

  - Dated 13 July 2021, Moody's Investor Service upgraded one notch ABANCA Corporación Bancaria, S.A. long-term issuer rating, from Ba1 to Baa3, thereby placing it in the investment grade category, while affirming the stable outlook. Short-term rating was upgraded from NP ("Not Prime") to P-3. The other ratings were affirmed without changes.

  - On 10 September 2021, Fitch Ratings upgraded ABANCA outlook to stable and affirmed ABANCA long-term issuer rating at BBB-. The short-term issuer rating was affirmed at F3.

- With regard to ESG (Environmental, Social and Governance), on 13 May 2021 ABANCA Group presented its Action Plan for Responsible and Sustainable Banking for the 2021-2024 period, which will revolve around three main lines of action: environmental, socioeconomic and good governance. With this plan, the Group will achieve carbon-neutrality in its operations and will have a sustainable alternative for its financial products in 2024. The Group's objective is to reach zero emissions attributable to portfolio by 2050.

- On 27 October 2021, the Board of Directors of ABANCA CORPORACIÓN BANCARIA, S.A. unanimously approved the appointment of Ms. Rosa Sánchez-Yebra Alonso. The Board of Directors also approved her appointment as member of the Comprehensive Risk Commission.

4. Activities of associates included in ABANCA Group as at 31 December 2021

4.1. Strategy

2021 has been the first year of the new ABANCA Group's Strategic Plan that will be implemented during the 2021-24 four-year period. The Plan clearly differentiates between short- and medium-term: short-term affected by the uncertainty initially associated with the pandemic, and medium-term focused on the creation of a sustainable ecosystem.

The 2021-24 Strategic Plan pivots on four major strategic lines:

- Increasing the generation of recurring revenues: this will mainly be achieved by promoting the insurance business with the deployment of Abanca Seguros Generales; becoming a reference in customer savings advisory services while focusing on consumer financing, means of payment, finance for SMEs and self-employed workers; and boosting the attraction of value-added customers.

- 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.

- Management of risks associated with the current context, with a selective risk appetite framework (less capital-intensive and more sustainable sectors) and strengthening recovery process by developing a greater anticipation.

- Exponential organisational transformation: promoting digitisation of processes and reskilling, with a special focus on digitisation and sustainability.

In 2021, the objectives for this first year of the Plan have been exceeded: despite the continued negative yield curve performance and a context characterised by the uncertainty and restrictions arising from the pandemic, PBT has been higher than expected. Following the take over merger of Bankoa in the first quarter of 2021 and the incorporation of Novo Banco's business in Spain during the fourth quarter of the year, managed business volume exceeds €108,000 million, an 18.8% increase compared with the same period last year.

Despite the difficulties caused by the COVID context, in 2021 as in prior years the Bank has remained on the trend of achieving the targets defined in the Plan, with the following noteworthy milestones:

- Increased profitability with improved recurring income: profits have exceeded the target for the year, with an attributable profit of €323 million, a 101.9% increase compared to the same period last 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.

- Growth in both Insurance and savings counselling: launching of own insurance products (Abanca Seguros Generales) at the heart of the strategy. Premiums issued through the bancassurance channel have increased by 28 b.p., with improvements in all insurance classes. In value-added products, the bank has also significantly increased its market share in investment funds (+62 b.p.) and pension plans (+14 b.p.).

- Commercial dynamism focused in supporting business and productive fabric: financing to SMEs and self-employed workers remained a pillar for credit growth, with a 43 b.p. increase in the corporate segment. The volume of performing loans is over €45,000 million, an 18.8% increase compared with December 2020.

- Risk quality: NPL ratio stands at 2.1%, well below the plan's target, with the industry's higher coverage (76.4%) of non-performing assets.

- Solvency and liquidity: ABANCA Group has closed 2021 with a 16.9% total capital ratio and with a total capital surplus of €1,527 million. The financing structure remains clearly based on retail deposits, which have grown by 17.0% during the year and have led to LTD being at 92.3%.

4.2. Business and results

At the end of December 2021, ABANCA Group's balance sheet stands at €80,497 million. At the end of the year, the Group's non-performing loans ratio stands at 2.1% while coverage of non-performing loans and non-performing assets have increased to 85.3% and 76.4%, respectively.

a) Results

ABANCA Group has posted an attributable profit of €323.3 million, a 101.9% increase on the same period a year ago.

At the end of December 2021, the most recurring income items from the statement of profit or loss of ABANCA Group have continued to perform well. Net interest income has increased by 4.9% conditional on the dynamism and good price management in the retail business and by the optimisation of the Bank's funding position through the TLTRO III program. Additionally, net fee and commission income has also increased by 10.0% conditional on the good performance from value-added services to customers. In addition to operations in Portugal, with a particularly significant 12.3% year-on-year increase in net fee and commission income, the recent acquisition of Bankoa and Novo Banco Spain has 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 €931.7 million, a 6.2% increase compared to the same period a year ago.

Similarly, net trading income has amounted to €118.3 million, while exchange gains totalled €9.2 million and dividend income was €5.7 million.

Excluding the incorporation costs already arising from the acquisition of Bankoa and Novo Banco, at the end of December 2021, operating expenses amounted to €691.2 million, 0.7% less compared to the same period a year ago. This change results from an increase in the recurrent expenditure basis represented by Bankoa and Novo Banco Spain's incorporation. Excluding that effect for the purposes of like-for-like comparative figures, operating expenses would have decreased by 4.3% compared to the same period a year ago, driven down by the cost streamlining measures implemented recently and to the synergies arising from the incorporation processes.

The Group's cost to income ratio now stands at 67.4%. Furthermore, ABANCA Group's basic margin, excluding recurrent operating expenses, has reached €241 million, a 33.0% increase compared with the results achieved in December 2020.

Finally, cost of risk (CoR) stands at 0.30% as a result of the prudential policy retained by the entity notwithstanding the indications of economic recovery that have started to be seen during 2021.

b) Business

In 2021, the above-mentioned incorporation of Bankoa's and Novo Banco Spain's business has been completed, a circumstance that has led to the significant increases recorded in the main items of the Group's balance sheet.

In terms of new production, ABANCA Group has proven dynamic in the marketing of both lending and deposit products, and major business lines have already exceeded pre-pandemic growth rates. This can be seen in first home mortgage loans (€1,071 million) and finance for SMEs and self-employed workers (€2,422 million) (40.9% and 9.5%, respectively, more than in 2019), as well in net subscriptions of investment funds (€1,313 million), which have tripled the volume achieved in 2019. Operations in Portugal have showed a similarly good trend, with €133.9 million in first home mortgage loans and €1,102 new subscriptions of off-balance sheet products; both figures are well above their respective targets.

At the end of the year, ABANCA Group's business volume was €108,682 million, an 18.8% increase compared to December 2020. The Group has achieved this growth thanks to a balanced performance from loans and advances to customers and total customer funds.

At the end of December 2021, the performing loans portfolio amounted to €45,557.7 million, with an 18.8% increase on the same period last year.

The fixed-income portfolio stands at €13,560.0 million, up by 1.3% compared to December 2020, 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 2021, ABANCA Group 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 €62,699.3 million, a 19.7% year-on-year increase.

With regard to the composition of this balance, demand deposits represent 66% of total customer funds, term deposits represent 13% and off-balance sheet funds represent another 21%. At the end of December 2021, the balance of the latter amounted to €12,906.0 million (a 31.2% increase compared to December 2020).

Apart from the impact on the balance sheet of ABANCA Group arising from Bankoa and Novo Banco's business, the Group has continued to register a positive performance from relevant items such as performing loans portfolio and customers' funds. Excluding the effect from Bankoa's incorporation, these items would have changed by 11.7% and 10.6%, respectively. Excluding this effect, off-balance sheet funds performed positively, increasing by 12.5% compared to the same period a year ago.

The insurance business has continued to show the dynamism of past annual periods, as testified by €337.3 million premiums from general insurance and life risk policies underwritten during the reporting period, a 12.8% increase compared to same period a year ago. Particularly noteworthy is the performance of car insurance premiums (an 18% increase), payment protection insurance premiums (a 16% increase), life risk insurance premiums (a 13% increase), as well as corporate insurance premiums (a 12% increase).

c) Risk quality, solvency and liquidity

At the end of December 2021, ABANCA Group's non-performing loans stand at €995.8 million, bringing its NPL ratio to 2.1%. This figure has been affected by the incorporation of Bankoa and Novo Banco Spain's business in ABANCA Group's balance sheet. Excluding the impact from both incorporations in order to ensure comparability with last year's figures, the balance of non-performing loans has decreased by 3.6% compared to the end of 2020.

Impairment allowances stand at €849.2 million —thanks to the ordinary provisions established by the Group—, leaving the non-performing loans coverage ratio at 85.3%.

Foreclosed assets have fallen by €72.0 million compared with December 2020, and currently only represent 0.3% of the Group's balance sheet, while the coverage ratio stands at 62.5%. The foregoing figures, together with the figures for non-performing loans, resulted in total coverage of non-performing assets rising to 76.4%.

ABANCA Group's solvency level continues to be broadly above the requirements of the regulator, as shown by its 16.9% Total Capital ratio and 13.0% CET1 ratio.

With liquid assets plus issuance capacity of €22,720 million, the Group easily meets ECB requirements in terms of both short-term Liquidity Coverage Ratio (LCR) and long-term Net Stable Financing Ratio (NSFR).

d) Other information

At the close of 2021, ABANCA Group has an operational network of 634 branches in Spain, of which 437 are located in Galicia and 197 elsewhere in Spain.

At the close of December, ABANCA Group has 44 branches (and another 25 points of sale) in Portugal.

The Group's presence is completed with a further two branches, in Switzerland and Miami, and with representative offices in Brazil, Mexico, Panama, Venezuela, Switzerland, Germany, United Kingdom and France.

As at 31 December 2021, the Group has 6,222 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 Companies 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. Group presents the mandatory non-financial information in a separate report entitled "ABANCA Corporate and Social Responsibility Report 2021", which is an integral part of the consolidated directors' report.

4.4. Transactions involving the portfolio of investees

On 28 January 2021, following the grant of the required regulatory approvals, ABANCA Group formalised the acquisition of Bankoa. Moreover, the following companies were included in the consolidation scope: Bankoa Gestión, S.A., S.G.I.I.C., Bankoa Kartera, S.A., and Bankoa Mediación, S.L., all fully-owned subsidiaries, and Olazabal y Huarte, S.A., where the Group has a 25.06% stake interest.

On 23 February 2021, ABANCA Group subscribed the voluntary capital increase announced by Nueva Pescanova, S.L., following which ABANCA holds 97.48% of shares in the fishery company. Additionally, during the year, ABANCA Group has purchased a block of shares representing 0.28% of share capital of the company, and now controls 97.76% stake of the investee.

Particularly noteworthy among the most significant investments in the year until September are the incorporation of the following companies Sociedade para o Desenvolvimento de Proxectos Estratéxicos de Galicia, S.L., in which ABANCA Group holds a 38%, and Torre de Hércules Inversiones Corporativas, S.L. and Corporación Empresarial de Participaciones en Organizaciones de Galicia, S.L., wholly-owned subsidiaries of ABANCA Group.

Additionally, ABANCA Group purchased additional shares in Txstockdata, S.L., increasing its ownership percentage from 32.98% to 70.00%. Similarly, additional shares were purchased in Natur-Hotel Spa Allaríz, S.A., increasing the Group's ownership percentage from 99.13% to 100% of share capital.

Dated June 2021, ABANCA Group reduced to 51% its ownership interest in the company Inventium Consultoría de Proyectos, S.L. (formerly known as Torre de Hércules Participaciones Societarias, S.L.), following the sale of 49% of its stake.

Lastly, among the most relevant divestments completed during the year until December 2021, attention should be drawn to the following sales: 4.48% of Euskaltel, S.A.; 5.05% of Media Capital Portugal, SGPS, S.A., and 31.56% of the investment in Terminal de Graneles Agroalimentarios de Santander, S.A.

5. Exposure to market, credit, liquidity, interest rate, currency and operational risk

For each of the risk types inherent to its financial activities, ABANCA Group 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 to reduce capital consumption, in accordance with the retail profile of the Group.

At the close of December 2021, 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. As at 31 December 2021, the value at risk of the trading portfolio stood at €348 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 Group; 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. As at 31 December 2021, ABANCA Group had non-performing loans totalling €996 million, for which provisions of €849 million have been registered.

- **Liquidity risk:** Management thereof is based on the existence of an annual liquidity plan designed based on 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 €16,494 million at the end of December 2021, a volume that allows x 4.4 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 Group to variations in the interest rate. At the close of December 2021, a 200 b.p. rise in interest rates would have a positive effect of €904 million on the economic value and a positive impact of +€64 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 transactions; at the end of December 2021, the equivalent euro value of the global position of the Group was 0.02% of own funds, well below the maximum threshold of 2%.

- **Operational risk**: It is 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 2021, ABANCA Group has continued some of the strategic actions focused on its digital transformation, and has launched some new actions.

The most relevant lines of work include:

- Firma ABANCA: new products have been added in order to facilitate remote contracting using this service allowing customers to execute contracts on a remote basis.

- Electronic banking for individuals: new functions have been introduced (infographics of functions based on each customer, function display by products and incorporation of support documents).

- APPUNTAME Service: a new online service has been implemented enabling customers to manage comprehensively their collections in a quick and easy way.

- GOIN (Investment Order Manager): a new tool developed by the Bank has been implemented to streamline transactions with investment products.

- AUTOMATION: automation of processes has continued, with a significant increase in productivity from different areas of the Bank, a reduction in operational risk and the improvement of response times to customers.

7. Activities and outlook for 2022

Following the rebound registered in 2021, global economy growth will continue in 2022, albeit at a slower pace. According to the International Monetary Fund forecasts, global GDP could grow by 4.4% in the year. For the Eurozone, forecasts point to a 4.0% GDP growth.

For Spain, forecasts show an acceleration of activity in the second and third quarters of the year, conditional on the implementation of European funds, the recovery of the international tourism sector and the stabilisation of consumption growth. Thus, GDP is forecast to grow by circa 5.7% in the year as a whole.

In the short- and medium-term, the main risks to economic growth arise from the recent developments in the Russia-Ukraine conflict, that have increased the pressure on commodities prices and caused the persistence of high inflation rates and have further hampered the recovery of global supply chains. These factors may result in growth rates lower than those forecast for the central scenario.

In a context in which the business is likely to be conducted in 2022, the Group will implement its 2021-2024 four-year Strategic Plan based on four main strategic lines: increase of the generation of recurring revenues; cost efficiency; management of risks associated with the current context and exponential organisational transformation.

8. Subsequent events

- In January 2022, the Single Resolution Board (SRB) notified its decision on the minimum requirement for own funds and eligible liabilities ("MREL") that ABANCA Corporación Bancaria, S.A. must meet on a consolidated basis.

  This decision establishes a binding interim requirement of 14.77% of total risk exposure amount ("TREA") and of 5.19% of leverage ratio exposure ("LRE"), to be met by 1 January 2022. The final MREL requirement, to be met by ABANCA Corporación Bancaria, S.A. on a consolidated basis no later than 1 January 2024, is 18.02% TREA and 5.19% LRE. These requirements do not include capital allocated to meet the Combined Buffer Requirement of 2.5% TREA. The MREL decision is aligned to the Group's forecasts and finance plan included in its strategic plan.

- After several years of increasing tension between Russia and Ukraine, on 24 February 2022, Russia launched a military invasion of Ukraine. In response to this military action, several countries have announced significant economic sanctions against Russia and an increasing number of large public and private corporations have announced voluntary measures to restrict trade operations with Russia. These measures include plans for the disposal of assets or discontinuation of operations in Russia, for reducing exports to or imports from Russia, and for suspending the provision of services to the Russian government and to Russian companies.

  The conflict in Ukraine and the impacts thereof occur at a time of significant global uncertainty and economic volatility, and those impacts will likely interact and even worsen the impact arising from current market conditions. The outbreak of war entails a significant number of impacts on the economy, such as increased energy prices, disruption of trade relations, stock market volatility, supply chain disruptions, etc. ABANCA is currently assessing the eventual indirect impacts, which will depend on the duration of the conflict and on the impacts thereof, mainly on the prices of energy, certain commodities and supplies, as well as on the inflation rate and other macroeconomic variables.

  ABANCA's direct exposure to the countries in conflict is minimal (approximately €25 million); consequently, no significant direct impacts are expected.

9. Seventh additional provision of the Securities Market Law. Annual corporate governance report of issuers other than listed companies

In compliance with the seventh additional provision of the Securities Market Law[1], ABANCA Corporación Bancaria, S.A. hereby expressly states its voluntary adherence to the recommendations of the Code of Good Governance of listed companies. Of the 64 recommendations of the Code of Good Governance (excluding 6 recommendations that do not apply), ABANCA fully complies with 55 recommendations and partially complies with 3 recommendations.

Recommendations numbers 2, 11, 19, 34, 37 and 38 are not applicable. The three recommendations partially complied with are recommendations number 3, 18 and 25.

Section 10 of Abanca Corporación Bancaria, S.A. Directors' Report includes a voluntary disclosure of the degree of compliance with all recommendations from the Code of Good Governance of listed companies.

[1] "*The provisions of article 540 of the Recast Text of the Companies Law, as approved by Royal Legislative Decree 1/2010, of 2 July, shall not apply to issuers other than listed public limited companies that issue securities traded in regulated markets based or operating in a Member State. It will suffice for these entities to include in their respective directors' reports a reference, where appropriate, to the good governance code applied, stating the recommendations of that code that do not apply and a description of the main features of their internal control and risk management systems in connection with financial reporting.*"

9.1. Internal control and risk management systems related to the financial reporting process (ICFR)

9.1.1. Entity's control framework

The Board of Directors of Abanca Corporación Bancaria, S.A. (hereinafter, "the Bank" or "the Entity") is responsible for the implementation and maintenance of Internal Control over Financial Reporting (hereinafter, "ICFR") that is appropriate and effective.

Article 27 of the Bank's Articles of Association establishes that the Board of Directors will assume, on a non-delegation basis, any authorities legally reserved to the Board of Directors, as well as any other authorities necessary for a responsible discharge of its general oversight authority. Additionally, article 4.1 of the Rules of Procedure of the Board of Directors states that the Board of Directors' functions include, among other, "approving the Company's major policies and strategies, as well as the monitoring and overseeing their implementation".

Moreover, in the Bank's organisational chart, the General Comptroller and Accounting Department, reporting to the General Division of Finance, is responsible for the implementation, maintenance and development of the general framework for internal control over financial reporting, in order to enable the Bank to ensure the appropriateness of the information prepared.

Additionally, article 5.3 of the Rules of Procedure of Audit and Compliance Commission lists the functions attributed to the Commission in connection with internal control and reporting systems and internal auditing, which include, among other, the following competences:

- To verify the appropriateness and comprehensiveness of internal control systems and to review the appointment and replacement of the individuals responsible for those systems.

- To be informed of and to oversee the preparation, presentation and comprehensiveness of the Entity's and, where applicable, the Group's mandatory financial reporting.

- To oversee the effectiveness of the Entity's internal control, internal auditing and risk management systems, in order to ensure that major risks are appropriately identified, managed and reported.

The General Division of Human Capital, reporting to the Chief Executive Officer, has defined a Positions Map that is flexible for the organisation and transparent for employees.

The Organisational Chart and its reporting units are available on the corporate intranet.

The Bank's current organizational structure seeks to ensure a robust internal control over financial reporting.

In August 2014, the Board of Directors of the Bank approved ABANCA Code of Ethics and Conduct. The Code of Ethics and Conduct, a general policy, pivots on the values of Responsibility, Reliability, Quality and Innovation, and its 139 articles are included in those four chapters or sections in addition to a last section governing the Ethics Committee. Currently, the Code of Ethics and Conduct also includes the Anti-corruption Policy and the Entity's commitment to Human Rights.

All ABANCA members are entitled and bound to be familiar with the Code, to adhere thereto and to inform any third parties that might be subject to any provision thereof. To this end, the Code of Ethics is always available to employees on the intranet.

ABANCA Code of Ethics and Conduct contains specific provisions relating to the preparation of financial reporting (particularly, articles 9, 10 and 73, the latter of which states that "ABANCA will efficiently disseminate its institutional reports and will take measures to ensure that financial reporting, and any other information issued in the framework of its corporate communications, is complete, accurate, true, symmetrical, equitable and useful over time"). With regard to transaction recording, article 30 bis of the Code states that "everyone in ABANCA is under the obligation of appropriately accounting, recording and documenting all income and expenses, as well as any other accounting item, without omitting, concealing or altering any data or information whatsoever, in order to ensure that accounting and operational records fairly reflect the reality and may be verified by control units and by internal and external auditors. Income and expenses must be duly authorised, proportionate, and must reflect services effectively rendered and a legitimate economic purpose.

In July 2017, the Board of Directors of ABANCA approved the anti-corruption policy, which implied the amendment of article 12 of the Code of Ethics and Conduct to include that policy as an appendix/integral part of the Code of Ethics; in December 2020, the Board of Directors approved the inclusion of the Commitment to Human Rights assumed by ABANCA in the Code.

As the Code of Ethics and Conduct, the Anti-corruption Policy applies to all members of the governing body, management team and employees of the Bank, as well as to any individuals or entities involved in the provision of third-party services whose adherence thereto must be required in the opinion, and under the sole responsibility, of the relevant procurement committees. All the above-mentioned individuals must be familiar with and adhere to the Anticorruption Policy.

To monitor the implementation of and compliance with the Code of Ethics and Conduct, the Bank has created an Ethics Committee responsible for ensuring compliance with the rules of ABANCA Code of Ethics. The functions of the Ethics Committee include also the promotion of training in ethics matters, solving any queries and conflicts of interest that may be submitted to the Committee, analysing reported breaches of the Ethics Code and, where appropriate, penalising said breaches. The Committee is formed by the Chief Executive Officer, the head of the General Division of Human Capital, the General Auditor, the head of the General Division of Corporate Social Responsibility, the head of the General Division of Corporate Control and Risks, and the head of the General Division of Corporate and Legal Matters.

Additionally, to ensure the appropriate compliance with the provisions of the Code of Ethics and Conduct, the Bank has a Reporting Channel overseen by the Audit Commission and managed by the Internal Audit Unit, in addition to an application for reporting and managing possible conflicts of interests, incompatibilities, etc. between ABANCA and its personnel (conflicts of interest application), managed by Human Capital (Labour Consulting). The reporting channel and the application for reporting conflicts of interests are available to all employees on the intranet, under the tab Know ABANCA-Ethics Channels.

Moreover, the Securities Markets area has specific Internal Conduct Rules. The purpose thereof is to align the Bank's, its governing bodies', employees' and representatives' operations to the rules of conduct contained in the Securities Market Law and its implementing regulations. Additionally, in compliance with the above-mentioned regulations, the Entity has implemented a Conflicts of Interest Policy. All the foregoing in order to promote market transparency and to preserve at all times investors' legitimate interests. The Compliance Committee that reports to the Audit and Compliance Commission implement this policy.

In accordance with the provisions of the Code of Ethics and Conduct of ABANCA Corporación Bancaria S.A. (hereinafter, ABANCA), of article 12 of the Rules of Procedure of the Board of Directors and of Abanca Group's Manual and Policy for Criminal Risk Prevention, the Entity has implemented a mechanism (Reporting Channel) allowing any internal interest grouping, professionals and/or employees of ABANCA group, as well as any employees of Services or Goods Providers having access to information during the performance of their respective functions with ABANCA Group, to report, confidentially, any breach of the Code of Ethics and Conduct or of the Securities Markets Area's internal conduct rules, any suspected criminal offence, fraud or irregularity, irrespective of the nature or amount thereof, they may identify within the Group.

The implementation of the Reporting Channel seeks the following objectives:

- To establish an effective measure for preventing and identifying unlawful or irregular conduct.

- To enable control measures over the Entity's activities.

- To contribute to the permanent improvement of ABANCA's internal processes and policies for managing and monitoring any unlawful or irregular conduct that may occur.

To this end, the following basic principles have been defined:

- Ensuring that the reporting person's identity remains confidential and that the reporting person is protected against retaliation.

- Processing of personal data in strict compliance with the provisions of Regulation (EU) 2016/679 of the European Parliament and of the Council, of 27 April 2016, on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, of with the provisions of Organic Law 3/2018, of 5 December, on the protection of personal data and the guarantee of digital rights, and of any other applicable legal provisions.

- In-depth analysis of the facts reported in order to ensure the veracity of the reported breach.

- Presumption of innocence and respect of the rights of the individuals allegedly involved.

- Rigour in any measures taken as a result of the reports received, which must be reasoned and justified.

- Bona fide. Any individual submitting a report shall do so in accordance with the irrevocable bona fide principle, supported by sufficient reasons and objective evidence proving the existence of a breach.

The following mechanisms have been implemented for the submission of anonymous or confidential reports:

- Internal web app: the reporting channel app is available to any internal or external employee with access to the Intranet; this app will assign a unique random number to the report and a unique password to the reporting person.

- E-mail: if the reporting person does not have access to the Intranet, or does not want to use the reporting channel app, an e-mail address is available to report breaches: canaldenuncia@abanca.com.

Furthermore, in order to ensure the Reporting Channel the effective operation, correct implementation, review, oversight and update, supervisory bodies are required to provide appropriate support for the reporting channel. Consequently, the following has been established:

- The Group's Audit and Compliance Commission will oversee the correct functioning of the Reporting Channel.

- The Ethics Committee will decide on the investigated breach, and will approve or ratify the sanctions to be applied pursuant to the Entity's disciplinary system.

- Human Capital will monitor and, where necessary, enforce any disciplinary measures approved by the Ethics Committee.

- Internal Audit will handle, in the capacity of Reporting Channel administrator, any reported breaches and report on any matters that should be investigated.

Additionally:

o Matters from or in connection to which any criminal liability may arise will be reported to the internal bodies with competence over criminal risk prevention.

o Reports on possible breaches of the existing Anti-Money Laundering and Counter-Terrorism Financing regulations committed internally by any employee, officer or agent will be submitted to the Technical Unit on Anti-Money Laundering that will report them to the Internal Control Body.

o Reports on possible or actual breaches of Securities Market or market abuse regulations will be submitted to the Department of Securities Market Conduct that will report them to the Internal Control Body.

o Reports on any significant data security breaches or privacy breaches will be submitted to the Data Protection Officer.

o An annual report on the operation of the Reporting Channel will be submitted to the Audit and Compliance Commission.

- The Entity's objective is that any employee involved in the different processes for financial reporting preparation receive training and refresher courses specifically designed to ensure the appropriate discharge of their respective duties. To this end, the Entity strives to offer a Training Plan on accounting and financial matters adapted to each position and duty of the personnel involved in the preparation and review of financial reporting.

- As in previous years, in 2021 the Entity has established a training plan for the personnel involved in the different processes associated with preparation of financial reporting; this plan supplements previous years' actions on accounting and financial matters and is specifically adapted to each position of the personnel involved. The 2021 training plan for the General Comptroller and Accounting Department has included 65 training courses, 36 of which were accessed on the training library. These courses totalled 629.5 hours, representing 20.31 training hours per person on average when considering the department's headcount as at 31 December (excluding staff incorporated in November from acquires businesses). Thirteen of those courses referred to matters specifically relating to accounting standards, auditing, internal control and risk management, and were attended by 96 employees. Particularly noteworthy are the courses on IFRS 9: Impairment of financial assets; Hedge accounting; Amendments to the Spanish General Chart of Accounts; Comprehensive cost model; TTI; Comprehensive cost model; IBOR benchmark rates transition; MIFID II and RAROC. In addition to the focus on Cybersecurity, Data Protection and Sustainable Finance, supplemented with the development of Leadership and Team Management skills.

9.1.2. Assessment of financial reporting risks

The process of identification of risks and controls of activities and transactions that may have a material impact in the financial statements is completed every year, using the latest available financial information as basis.

However, when circumstances previously unidentified arise during the financial year and show possible errors in financial reporting or significant changes in the Group's operations, the Entity assesses the existence of new risks that should be added to those previously identified.

For the identification the risks, the following criteria apply:

- Risk identification will be basically performed for the risks of error or fraud in financial reporting presented to markets.

- Risks will be identified by the relevant General Division, supported by the areas responsible for the selected processes that are being reviewed.

- For the identification of risks of error, any errors affecting the consolidated financial reporting of the Group Abanca Corporación Bancaria, S.A. will be considered.

- The process is oriented to the identification of risks of material error.

In any case, risks will refer to possible (deliberate or accidental) errors within the scope of financial reporting objectives: (i) existence and occurrence; (ii) integrity; (iii) measurement; (iv) presentation; and (v) rights and obligations.

Furthermore, the impact of the above-mentioned objectives on each item from the Financial Statements may be: low, medium or high.

The Entity has implemented a Consolidation Process detailing monthly actions for the consolidation scope review to be performed by the Group and Subsidiaries Control and Consolidation Unit reporting to the General Comptroller and Accounting Department. With this process, the Entity ensures that changes in the consolidation scope during any financial reporting period are correctly included in the Group's consolidated financial statements.

The impact of other risk types (operational, technology, financial, legal, reputational, environmental, etc.) will also be considered for the identification of risks of error in financial reporting.

The Policy for identification of processes, relevant areas and risks associated with financial reporting provides that the appropriate General Divisions will be responsible for executing the risks and controls identification process and that the Audit and Compliance Commission, acting through the Internal Audit function, and the General Comptroller and Accounting Department are responsible for overseeing the process.

9.1.3. Control activities

The Entity has implemented a procedure for the review and authorisation of financial reporting presented to markets with the legally required frequency; this information is prepared by the General Division of Finance or by the appropriate General Divisions at the request of the former. Oversight of this procedure is assigned to the General Comptroller and Accounting Department and to Internal Audit.

Within the General Division of Finance, the department of Accounting and Auditing is responsible for the accounting records relating to any transactions completed within the Entity, and for performing the above-mentioned main control activities, including the Closing of accounts procedure and the review of significant Judgements and Estimates based on pre-defined materiality thresholds. These areas are also responsible for preparing, on a general basis, the Entity's financial reporting based on the existing accounting records; within the preparation process, additional control procedures have been defined and implemented to ensure the quality and reasonability of the information for its subsequent presentation to Senior Management.

Within the process for preparing this information, the General Division of Finance or, where appropriate, the General Comptroller and Accounting Department, requests the assistance of the other General Divisions and/or Units responsible for obtaining certain supplementary information whose disclosure is required in regular financial reports. Similarly, upon completion of the process for preparing financial reporting, the revision and final authorisation thereof, prior to publication, is requested from the above-mentioned departments and individuals responsible therefor.

The Audit and Compliance Commission also participates in the revision process, and submits to the Board of Directors a report on its conclusions on financial reporting submitted by the General Comptroller and Accounting Department. The Board of Directors is ultimately responsible for approving any financial reporting to be regularly published by the Entity. These functions are included in the Rules of Procedure of the Board of Directors. Performance of these functions is recorded in the minutes of the meetings of the Board.

ICFR description is reviewed by the General Comptroller and Accounting Department and Internal Audit, as well as by the above-mentioned governing bodies as part of the periodical financial reporting presented by the Entity to markets.

With regard to the activities and controls directly associated with transactions that may have a material impact on the financial statements, the Entity has implemented a GRC tool that optimises and tests procedures, risks matrixes and controls for any significant process relating to the generation, development and preparation of financial reporting.

The most significant processes (distinguishing between business and transversal processes) associated with the Entity's financial units, for which the above-mentioned documentation is available, are as follows:

Specific **business processes** associated with the relevant units (items from the Financial Statements) are as follows:

1. Loans/Credits and Guarantees
2. Wholesale/Syndicated
3. Credit loss allowances
4. Debt securities and Other equity instruments
5. Hedging and trading derivatives (assets and liabilities)
6. Foreclosed assets
7. Marketable debt securities
8. Investments
9. Tax assets and liabilities/Income tax
10. Demand and term accounts

Transversal processes applicable to the Entity as a whole:

1. Closing of accounts
2. Consolidation
3. Judgements and estimates
4. General IT controls

The above-mentioned tool includes:

- A description of process-related activities, including the particularities of any given product or operation.

- The identification of any relevant risks; to this end, the units involved in the process identify the main financial reporting risks associated with the process and that may have a material impact in the Financial Statements of the Entity.

- The identification and description of the controls applied in connection with any previously identified risks. Supporting evidence of the existence of each identified control is also provided.

The General Division of Finance, using the information obtained from the different units of the Entity, is responsible for the judgements, estimates, projections, accounting policies and critical assumptions of the Entity, while the Board of Directors is ultimately responsible for their approval with in the framework of the annual financial statements. The major estimates identified by the Entity are as follows: Useful lives of tangible and intangible assets; Measurement of certain financial assets; Fair value of certain non - financial assets; Income tax; Integrity/accuracy of the consolidation scope; Provisions for future contingent liabilities, and Impairment losses on certain financial assets.

9.1.4. Policies and procedures for the internal control of information systems (including, among other, access security, change control, operation, continuity and segregation of functions) supporting the Entity's relevant procedures in relation with the preparation and publication of financial reporting.

The Entity has implemented a process of general IT controls, including the appropriate risk and control matrix detailing the risks and controls referred to access security, change control, operation, continuity and segregation of functions.

Additionally, IT systems supporting the processes on which the Entity's financial reporting is based are subject to internal control policies and procedures to ensure the integrity of the preparation and publication of financial reporting.

In particular, policies have been implemented for:

- Access security: a policy has been implemented for controlling logical access to ABANCA information systems (applications, databases, communication devices and computer hardware and software); this policy defines the necessary requirements for controlling access to systems and the measures to ensure the protection of the information processed. Specific procedures have also been implemented for the different activities included within the scope of identity and access management; these procedures include all stages of user access lifecycle, from registration to modification of authorisations and deregistration of users in the systems.

Access control to resources and user identification and authentication are fundamental control objectives. Information must be protected by controls intended to reduce the risk of abuse, loss, alteration, destruction and unauthorised processing or access to the information processed by ABANCA, including the following:

- User identification, authentication and access management
- Access privileges management
- Password management
- Database access control management
- Operating system access control management
- Network access control management

- <u>Business continuity</u>: the Entity has implemented a Business Continuity Plan to ensure the continuity of critical technology services and business processes in case of disaster. Strategies have been developed to ensure the recovery of information systems within the shortest possible delay; these strategies are regularly tested. Additionally, the Entity has continuity plans for certain contingency scenarios that are also regularly tested.

- <u>Segregation of functions</u>: the development and operation of financial reporting systems is performed by a group of professionals with clearly distinct and segregated functions:

• The individuals responsible for Entity's projects carry out functional analyses, management of development projects, progressive and operational management, and incorporation testing.

• Development teams comprise in-house staff and staff from partner companies performing technological design, building and testing under the development methodologies defined by the Entity. The person responsible for the Entity's project validates such works performed by external suppliers, prior to deployment.

• The different Units reporting to the IT Operations Departments are responsible for the operation of IT systems.

- <u>Change management</u>: changes and developments in the systems supporting the Entity's financial reporting are managed in accordance with a formally defined and institutionalised approach. The Entity is certified as level 5 (optimised) CMMI (Capability Maturity Model Integration), and development activities are conducted in the "CGDN+" tool, that supports demand management, technology project management and incidents and issues management. This tool is the central axis of the technological service and enables process automation, user visibility, direction of development activities and project predictability improvement through a quantifiable and predictable monitoring of projects' performance against the defined objectives.

- <u>Incident management</u>: the main objective of the policies and procedures implemented in this matter is to solve incidents within the shortest possible delay. Efficiency in incident management is achieved by an adequate risk assessment, by prioritising and tracking incidents by criticality, by reducing communication times and, lastly, by determining issues and identifying proposals for improvement. Tracking of incidents' evolution and necessary improvement plans are monitored through CGDN+, the integrated management tool.

9.1.5. Internal control policies and procedures to monitor the management of activities subcontracted to third parties, and the assessment, calculation or measurement activities commissioned to independent experts that may have a material impact on the financial statements.

The Bank has implemented a General Purchase Policy (Procurement Policy) that governs the procedures for purchasing goods and services. Purchase procedures require that service request, approval, contracting, monitoring and payment be segregated.

Additionally, the Bank has implemented an Outsourcing of Services Policy, the latest update of which was approved by the Board of Directors on 29 November 2021. This policy defines a number of criteria to meet the requirements of EBA/GL/2019/02, including the rationale for and viability of any outsourcing; the management, monitoring and control of risks inherent to outsourcing, etc. especially when the outsourcing relates to critical activities.

The rationale for the outsourcing of services considers, inter alia, the following factors: applicable regulatory provisions; impact on the entity's business; operational adequacy of the activity; proven necessity (in business, operational or regulatory terms); proven impossibility for the service being performed in-house, and economic rationale based on: cost-benefit analysis and prioritisation of the existing outsourcing capacity; the Entity's ability and experience to efficiently oversee outsourced services and to adequately manage risks; business continuity plans, where applicable considering the criticality of the outsourced function or service.

Third party providers selection and assessment is based on several factors intended to ensure that the provider: has the competence, capacity and experience and, in any case, the authorisations for performing, reliably and in a professional manner, the outsourced function or service required under the applicable existing regulations; complies with the most relevant applicable laws and regulations; efficiently performs the outsourced function or service; adequately monitors the performance of the outsourced function o service, and has personnel with the appropriate qualifications and experience to perform the outsourced function or service in accordance with the applicable regulations; notifies any event that may have a significant impact on the effective performance of the outsourced function or service; cooperates with the supervisory authority in all matters relating to the outsourced activities; adequately manages the associated risks; has implemented appropriate measures to ensure the protection of the Entity's confidential information, and has implemented, applies and maintains a contingency plan to ensure the continuity of its business and to limit losses in case of serious business incidents.

The Bank uses, among others, reports issued by independent experts on the measurement of operations that may potentially have a material impact on the financial statements. In 2020, third parties engaged in connection with measurements and calculations by independent experts related to: i) actuarial calculation studies; ii) legal and tax consultancy services; iii) appraisal of foreclosed properties and properties given as collateral in the Entity's lending transactions; and, iv) measurement of certain financial assets in compliance with applicable accounting regulatory framework.

Independent experts' appraisals and measurements used in matters relevant for the generation of financial reporting are included in the circuit of review procedures performed by control units, internal audit and external auditors.

The outsourcing of any activity must always be supported by a service agreement entered by and between the Bank and the provider and clearly specifying the service provided.

9.1.6. Information and communication

On 1 January 2018, Circular 4/2017 on public and confidential financial reporting standards and financial statements models came into force. This Circular is intended to adapt the accounting treatment by Spanish credit institutions of the changes in the European accounting framework arising from the adoption of two new International Financial Reporting Standards (IFRS) —IFRS 15 and IFRS 9—, which have modified the criteria for measurement of revenue and financial instruments, respectively. The latter are particularly relevant for credit institutions.

The Accounting and Auditing Unit, reporting to the General Comptroller and Accounting Department, is responsible for the identification and interpretation of changes in accounting policies, as well as for the definition and solution of any doubts arising from or in connection with the interpretation of the Bank's accounting procedures.

The Entity has a Manual of Accounting Policies, whose objective is to establish the accounting principles governing the activities of ABANCA Corporación Bancaria, S.A. and the companies included in ABANCA Corporación Bancaria Group for the preparation of their financial statements. This manual is updated by the General Comptroller and Accounting Department and approved by the Comprehensive Risk Commission.

To supplement the above-mentioned manual, the Entity has several documents that form an accounting circuit, provide a detailed explanation of all possible events that may occur in an agreement or transaction and describe the main characteristics of administrative operations, tax regulations and the accounting criteria and standards applied. The documentation relating to the above-mentioned accounting circuits is stored by the General Comptroller and Accounting Department and is regularly updated by the Accounting and Auditing Unit.

9.1.7. Mechanisms for capturing and preparing financial reporting in uniform formats, applicable to all the units of the Entity or the Group, supporting major financial statements and notes as well as any information required on ICFR.

The Bank's systems are fully integrated and the recording of transactions automatically triggers the accounting thereof as well as the updating of inventories.

Regulatory reporting is performed using the "Pyramid" tool; this tools was designed for the purpose of providing a dynamic tool enabling the capture, in a simple and swift manner, of data from various Accounting Statements, while complying with the requirements of Banco de España for structure of Statements, magnetic medium, data validation, etc. The main features of "Pyramid" are as follows:

- Accounting Statements browser.
- Accounting Statements viewer.
- File generator.
- File importer.
- Balance editor.
- Databases.
- Automated generation and submission of information in XBRL format, Banco de España format (BECA), internal format (VAR).
- Submission control queries.
- Possible errors and solutions.
- Generation of Banco de España format file correcting a previously submitted statement.
- Out-of-program balances.

For preparation of consolidated reporting, most Group companies have SAP; consequently, the Group's financial reporting ins captured and prepared using uniform formats.

9.1.8. Oversight of the system functioning

Article 5 of the Rules of Procedure of Audit and Compliance Commission states that the functions attributed to the Audit and Compliance Commission in connection with internal control and reporting systems and internal auditing, include the following:

- To verify the appropriateness and comprehensiveness of internal control systems and to review the appointment and replacement of the individuals responsible for those systems;

- To be informed of and to oversee the preparation, presentation and comprehensiveness of the Entity's and, where applicable, the Group's mandatory financial reporting; and to ensure compliance with regulatory requirements, the appropriate definition of the consolidation scope and the correct application of accounting criteria, submitting, where appropriate, recommendations or proposals to the Board intended to ensure the integrity of financial reporting;

- To oversee the effectiveness of the Entity's internal control, internal auditing and risk management systems, in order to ensure that major risks are appropriately identified, managed and reported; and to discuss with the external auditor any significant weakness identified, if any, in internal control during the audit work, without thereby breaching the external auditor's independence. To this end, the Commission may, where appropriate, submit recommendations or proposals to the Board together with the respective follow-up periods.

- To oversee and ensure the independence and effectiveness of the internal audit function; to propose the selection, appointment, reappointment and dismissal of the General Auditor; to propose Internal Audit Regulations; to propose the orientation and annual working plan of the internal audit function, ensuring that its activities are mainly focused on risks relevant for the Entity; to propose the budget and resource plan for the internal audit function, having previously considered the scope and resources of the internal audit function; to receive regular reports on the activities of the internal audit function and on any issues identified during internal audit work, and to ensure that the reported conclusions and recommendations are duly considered by Senior Management. The General Auditor will have full access to the Audit and Compliance Commission, through the Chair thereof;

- To establish and oversee a mechanism enabling employees to report, on a confidential basis, any potentially relevant irregularities, in particular financial and accounting irregularities, identified within the Entity; and

- To review the Entity's accounts; to ensure that all legal requirements are met and that generally accepted accounting principles are correctly applied; and to report on the proposed modification of accounting principles and policies submitted by Management.

The Entity's Internal Audit Regulations, approved by the Board of Directors, include a detailed explanation of the Purpose and Mission of this unit:

- The purpose of ABANCA's Internal Audit Unit is to provide independent and objective assurance and consultancy services, designed to aggregate value and improve the Entity's operations. Internal audit mission consists in enhancing and protecting the organisation's value, providing assurance, consultancy and risk-based analysis services. The Internal Audit Unit contributes to the achievement of the Entity's objectives, providing a systematic and disciplined approach to assess and improve the effectiveness of governance, risk management and control processes.

The Internal Audit Regulations establishes that Internal Audit assessments should ensure the following:

- Risks relating to the achievement of the Entity's strategic objectives are adequately identified and managed.

- Entity members' actions comply with the policies, regulations and procedures of ABANCA.

- The results of operations or programs are consistent with the defined targets and objectives.

- Operations or programs are carried out in an effective and efficient manner.

- The risk of fraud and the likelihood of occurrence thereof are adequately managed by the Entity.

- The established processes and systems enable compliance with the policies, procedures, laws and regulations that may have a significant impact on the Entity.

- The information and the means used to identify, measure, analyse, classify and report that information, are reliable and comprehensive.

- Resources and assets purchased for good and valuable consideration are efficiently used and adequately protected.

The Internal Audit function is authorised, acting with full autonomy and independence, to access any information relevant for the performance of its duties.

Every year, the Internal Audit Unit submits to the Audit and Compliance Commission the plan of activities for the financial year, and regularly reports to the Commission on the level of implementation thereof.

The Commission is also entitled to request, at any given time, Internal Audit to perform works not included in the above-mentioned plan.

At the meetings of the Commission, Internal Audit reports on the results of its work and on the follow-up of its requests and recommendations, and may propose to the Commission any additional actions deemed appropriate.

Article 12 of the Rules of Procedure of the Audit and Compliance Commission states that "for the appropriate performance of its duties, the Audit and Compliance Commission will establish, acting through its Chair and without prejudice to the involvement of other Commission members, a communication channel for regular and effective communication with its usual interlocutors, including mainly, and among others, the lead auditor responsible for the audit of the financial statements as defined in the Accounts Auditing Law (where applicable, the auditor or auditors designated by the relevant audit firm as lead auditors for auditing the financial statements).

Paragraph 2.4 of article 2 states that the functions of the Commission include "acting as a communication channel between the Board of Directors and the external auditor; assessing the results of each audit and the management team's response to every recommendation issued by the external auditor, and, if any discrepancy arises with regard to the principles and criteria applicable in preparing financial statements, to mediate between the former and the latter. The Commission shall also ensure that Senior Management gives due consideration to the recommendations issued by the external auditor"; and paragraph 2.6 states "ensuring that the external auditor meets every year with the Board of Directors to report on the work done and on the evolution of the Entity's accounting situation and risks".

In performing its duties, Internal Audit will collaborate with supervisory authorities and will provide any information requested by supervisory authorities.

10. ALTERNATIVE PERFORMANCE MEASURES (APMs)

In addition to the financial information contained in this document prepared in accordance with International Financial Reporting Standards (IFRS), this report includes certain management measures of performance or APMs, which comply with the "ESMA Guidelines on Alternative Performance Measures" dated October 5, 2015 with the aim of contributing to a better understanding of the Group's financial evolution.

These APMs are used in the Entity's planning, operational and financial decision-making and are commonly used in the financial sector as indicators to monitoring institutions' assets, liabilities and economic/financial positions.

These measures have not been audited, reviewed or subject to review by ABANCA's auditors. In addition, many of these APMs are based on ABANCA's internal estimates, assumptions and calculations, which, as used by ABANCA, may not be comparable to other measures with similar titles used by other entities.

The APMs used by ABANCA Group is presented in detail below, as well as how they are calculated:

Average Total Assets ("ATA"): Simple average of the total consolidated assets of all the quarterly balance sheets of the current year (including the one corresponding to December of the previous year) applying semi-sum to the extremes.

- **Target:** It shows the size of a financial entity. Average balances are used to assess this magnitude in a period, beyond a particular moment.

		Millions of euro	
		31.12.2021	31.12.2020
Numerator	1/2 Dec year-1 Total Assets	67,417.45	58,879.32
	+ Mar year Total Assets	70,471.17	58,912.09
	+ Jun year Total Assets	73,523.08	63,326.12
	+ Sep year Total Assets	73,995.76	64,451.87
	+1/2 Dec year Total Assets	80,496.91	67,417.45
Denominator	1 to 4 (Depending on the date)	4	4
ATAs		**72,986.80**	**62,459.62**

Net fees and commissions: Fee and commission income minus fee and commission expense.

- **Target:** It is an indicator of profitability and measures the result obtained by the provision of services.

		Millions of euro	
		31.12.2021	31.12.2020
	Fee and commission income	306.00	268.11
Minus	Fee and commission expense	48.48	33.92
Net fees and commissions		**257.53**	**234.19**

Basic margin: Net interest income plus net fees and commissions.

- **Target:** It is a profitability indicator, used by ABANCA to measure the volume of income linked to ABANCA Group's main activity.

		Millions of euro	
		31.12.2021	31.12.2020
	Net interest income	674.15	642.96
Plus	Net fees and commissions	257.53	234.19
Basic margin		**931.67**	**877.15**

Operating expenses: It is the sum of operating expenses (personnel expenses plus other administrative expenses) and depreciation and amortisation.

- **Target:** It shows the level of the most recurrent expenses of the banking activity of an entity throughout a period.

		Millions of euro	
		31.12.2021	31.12.2020
	Administrative expenses	616.64	601.34
Plus	Depreciation and amortisation	92.82	94.99
Operating expenses		**709.46**	**696.33**

Commercial margin: It is the difference between the quarterly average return on the performing loans portfolio and the quarterly average cost of retail deposits (on demand and term deposits).

- **Target:** It is a profitability indicator and measures the return obtained by the Group derived from the financing and deposit-taking activity.

		%	
		31.12.2021	31.12.2020
	Return of the performing loans portfolio (rate) (*)	1.28	1.55
Less	Cost of retail funds (rate) (**)	0.01	0.04
Commercial margin		**1.27**	**1.52**

Source: ABANCA internal information under management criteria.
(*) Interest income of performing loans portfolio divided by the average of performing loans portfolio.
(**) Interest expense of retail deposits divided by the average of retail deposits.

Cost to income ratio: Quotient between operating expenses and gross margin.

- **Target:** This ratio is relevant in the financial sector as it shows what percentage of the Group's gross margin is necessary to cover the entity's operating expenses

		Millions of euro, except %	
		31.12.2021	31.12.2020
Numerator	Administrative expenses	616.64	601.34
Plus	Depreciation and amortisation	92.82	94.99
Denominator	Gross margin	1,052.32	1,103.95
Cost to income ratio		**67.4%**	**63.1%**

Return on Equity ("ROE"): Net profit divided by shareholders' equity.

- **Target:** It shows the level of profitability that the entity obtains on its shareholders' equity.

		Millions of euro, except %	
		31.12.2021	31.12.2020
Numerator	Profit for the year/period attributable to the owners of the parent	323.31	160.10
Denominator	Average of the shareholders' equity (*)	4,616.01	4,477.95
ROE		7.0%	3.6%

(*) Calculated as the simple average of the quarterly shareholders' equity of the current fiscal year (including the amount corresponding to December of the previous year) applying semi-sum of the extremes.

Return on Tangible Equity ("ROTE"): relationship between the profit obtained and the tangible equity of the entity.

- **Target:** Measures the level of profitability that the entity obtains on its own funds, excluding the intangible assets.

		Millions of euro, except %	
		31.12.2021	31.12.2020
Numerator	Profit for the year/period attributable to the owners of the parent	323.31	160.10
Denominator	Average of the shareholders' equity (*)	4,616.01	4,477.95
Minus	Average of the intangible assets (**)	473.48	510.46
ROTE		7.8%	4.0%

(*) Calculated as the simple average of the quarterly shareholders' equity of the current fiscal year (including the amount corresponding to December of the previous year) applying semi-sum of the extremes.
(**) Calculated as the simple average of the quarterly intangible assets of the current fiscal year (including the amount corresponding to December of the previous year) applying semi-sum of the extremes.

Retail Loan to Deposit ("LtD") ratio: loans and advances to customers with respect to deposits from retail customers.

- **Target:** Relevant ratio in the financial sector since it measures the liquidity of an entity understood as the relationship between the funds available to it thanks to the retail deposits it manages with respect to the volume of loans granted to customers.

		Millions of euro, except %	
		31.12.2021	31.12.2020
Numerator	Net loans and advances to customers	45,982.39	39,100.19
Minus	Reverse repurchase agreements	-	-
Denominator	Gross deposits from customers	54,175.98	46,294.04
Minus	Securitisation	-	-
Minus	Repurchase agreements	3,142.83	2,213.13
Minus	Covered bonds issues classified as deposits from customers	1,239.89	1,539.89
Minus	Other long-term funding classified as deposits from customers	-	-
Retail Loan to Deposits ("LtD") ratio		**92.3%**	**91.9%**

Performing Loans Portfolio: Portfolio of loans granted by the entity that are not classified as non-performing.

- **Target:** It stands for the Group's loan volume after excluding loans with doubtful recoverability.

		Millions of euro	
		31.12.2021	31.12.2020
	Gross loans and advances to customers	46,692.73	39,529.42
Minus	Reverse repurchase agreements	-	-
Minus	Extraordinary activities (*)	139.25	376.57
Minus	Impaired assets in loans and advances to customers	995.77	801.13
Minus	Advance to Social Security due to extra payment	-	-
Performing loans portfolio		**45,557.71**	**38,351.73**

(*) For more information on "Extraordinary activities", see Note 10 of the Consolidated Annual Accounts for the years 2020 and 2021.

NPL ratio: Non-performing loans with respect to total gross loans and advances to customers (for the calculation, the items corresponding to extraordinary activities and reverse repurchase agreements are eliminated from the denominator).

- **Target:** Currently, it is one of the most relevant ratios in the financial sector and shows the quality of the entity's loan investment, to the extent that it reflects the level of impaired loans with respect to the total volume of loans.

		Millions of euro, except %	
		31.12.2021	31.12.2020
Numerator	Impaired assets in loans and advances to customers	995.77	801.13
Denominator	Gross loans and advances to customers	46,692.73	39,529.42
Minus	Reverse repurchase agreements	-	-
Minus	Extraordinary activities (*)	139.25	376.57
NPL ratio		**2.1%**	**2.0%**

(*) For more information on "Extraordinary activities", see Note 10 of the Consolidated Annual Accounts for the years 2020 and 2021.

NPL coverage ratio: Impaired accumulated losses with respect to impaired loans and advances to customers.

- **Target:** It is currently one of the most relevant indicators in the financial sector and shows the level of credit provisions that the entity has already registered in its balance sheet with respect to the total number of impaired loans.

		Millions of euro, except %	
		31.12.2021	31.12.2020
Numerator	Accumulated impairment losses of loans and advances to customers	849.17	650.23
Denominator	Impaired assets in loans and advances to customers	995.77	801.13
NPL coverage ratio		**85.3%**	**81.2%**

Non-performing assets ("NPA"): Sum of the total non-performing loans and gross foreclosed assets or received in payment of debt.

- **Target:** It is an indicator of asset quality and shows the size of the portfolio of non-performing assets in the entity's total balance sheet.

		Millions of euro	
		31.12.2021	31.12.2020
	Impaired assets in loans and advances to customers	995.77	801.13
Plus	Gross foreclosed assets or received in payment of debt	637.28	709.27
NPA		**1,633.05**	**1,510.40**

NPA ratio: Non-performing assets divided by gross loans and advances to customers plus gross foreclosed assets.

- **Target:** The entity uses this ratio to measure the quality of the ABANCA Group's balance sheet.

		Millions of euro, except %	
		31.12.2021	31.12.2020
Numerator	NPA	1,633.05	1,510.40
Denominator	Gross loans and advances to customers	46,692.73	39,529.42
Minus	Reverse repurchase agreements	-	-
Minus	Extraordinary activities (*)	139.25	376.57
Plus	Gross foreclosed assets or received in payment of debt	637.28	709.27
NPA ratio		3.5%	3.8%

(*) For more information on "Extraordinary activities", see Note 10 of the Consolidated Annual Accounts for the years 2020 and 2021.

NPA coverage ratio: Accumulated impairment losses of loans and advances to customers and of foreclosed assets divided by non-performing assets (non-performing loans plus gross foreclosed assets).

- **Target:** ABANCA Group uses this ratio to measure the level of coverage of non-performing assets and is also an indicator of asset quality. It shows the level of impairment that the entity has already recorded in its balance sheet with respect to total non-performing assets.

		Millions of euro, except %	
		31.12.2021	31.12.2020
Numerator	Accumulated impairment losses of loans and advances to customers	849.17	650.23
Plus	Accumulated impairment losses of foreclosed assets or received in payment of debt	398.24	438.51
Denominator	Impaired assets in loans and advances to customers	995.77	801.13
Plus	Gross foreclosed assets or received in payment of debt	637.28	709.27
NPA coverage ratio		76.4%	72.1%

Coverage of foreclosed assets ratio: Accumulated losses due to impairment of foreclosed assets with respect to foreclosed assets.

- **Target:** ABANCA Group uses this ratio to measure the level of coverage of foreclosed assets and is also an indicator of asset quality. It shows the level of impairment that the entity has already recorded in its balance sheet with respect to total foreclosed assets.

		Millions of euro, except %	
		31.12.2021	31.12.2020
Numerator	Accumulated impairment losses of foreclosed assets or received in payment of debt	398.24	438.51
Denominator	Gross foreclosed assets or received in payment of debt	637.28	709.27
Coverage foreclosed assets ratio		**62.5%**	**61.8%**

Texas Ratio: Non-performing assets and non-performing debt securities divided by the sum of paid-up capital, share premium, retained earnings, other reserves, and risk hedging for debt securities and impairment losses of non-performing assets.

- **Target:** The lower this ratio, the greater the bank's ability to counteract potential losses from non-performing assets.

		Millions of euro, except %	
		31.12.2021	31.12.2020
Numerator	NPA	1,633.05	1,510.40
Plus	Non-performing debt securities	-	-
Denominator	Paid-up capital	2,476.21	2,476.21
Plus	Share premium	208.79	208.79
Plus	Retained earnings	1,831.37	1,708.68
Plus	Other reserves	(68.30)	(28.47)
Plus	Risk hedging for debt securities	2.14	1.82
Plus	Accumulated impairment losses of loans and advances to customers	849.17	650.23
Plus	Accumulated impairment losses of foreclosed assets or received in payment of debt	398.24	438.51
Texas ratio		**28.7%**	**27.7%**

Off-balance sheet funds: Investment funds, pension funds, structured products and savings insurance are grouped in this category.

- **Target:** Includes those customer balances that, not being within the entity's balance sheet, are marketed by it.

		Millions of euro	
		31.12.2021	31.12.2020
	Investment funds	9,085.60	6,241.38
Plus	Pension funds	1,891.07	1,589.96
Plus	Structured products	415.79	506.69
Plus	Insurance products	1,513.55	1,501.08
Off-balance sheet funds		**12,906.00**	**9,839.11**

Retail Business Volume: Sum of the total loans and advances to customers, deposits from customers and off-balance sheet funds.

- **Target:** This measure shows the level of business with customers that the entity manages and that, therefore, can generate profitability.

		Millions of euro	
		31.12.2021	31.12.2020
	Net loans and advances to customers	45,982.39	39,100.19
Minus	Reverse repurchase agreements	-	-
Plus	Gross deposits from customers	54,175.98	46,294.04
Minus	Securitisation	-	-
Minus	Repurchase agreements	3,142.83	2,213.13
Minus	Covered bond issues classified as deposits from customers	1,239.89	1,539.89
Minus	Other long-term financing classified as deposits from customers	-	-
Plus	Off-balance sheet funds	12,906.00	9,839.11
Retail Business Volume		**108,681.66**	**91,480.32**

Retail Business Volume per employee: Sum of the total loans and advances to customers, deposits from customers and off-balance sheet funds, over the workforce associated with banking activity.

- **Target:** This productivity measure shows the level of business with customers managed by each of the entity's bank employees.

		Millions of euro, except %	
		31.12.2021	31.12.2020
Numerator	Retail Business Volume	108,681.66	91,480.32
Denominator	Banking activity employees (units)	5,753	5,437
Retail Business Volume per employee		**18.9**	**16.8**

Corporate and Social Responsibility Report

ABANCA 2021

Contents

About this report

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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.

1. 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, non-financial information and diversity in Spain (hereinafter, Law 11/2018).

In this context, ABANCA includes the consolidated statement of non-financial information 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 results included in this consolidated Statement of Non-Financial Information were prepared pursuant to Spanish Corporate Law and the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards), the international reporting framework envisaged in the aforementioned Law 11/2018, in its exhaustive option, following the criteria of the GRI standards applicable to each subject area included in the aforementioned table. The information included in this statement of non-financial of information, which is an integral part of the Consolidated Directors' Report and which accompanies the Consolidated Financial Statements for 2021, 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 2021 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.

2. Scope of the information

The financial information included in the Report was taken from the Consolidated Financial Statements for the year ended 31 December 2021, together with the Directors' Report for said year, due to which it makes reference to the ABANCA Group. Nueva Pescanova, S.L. and Real Club Deportivo de La Coruña, S.A.D. were not included within the scope of the Report, since they were recognised under "Non-current assets and disposal groups classified as held for sale".

The information relative to Human Capital does not include the employees of non-financial investees (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. In the case of Training, which has the same scope, training data are included since May for the Bankoa collective and since October for the Novo Banco collective, at which time they were provided access to the learning platform. Furthermore, as regards data relating to salaries, absenteeism and accident rates, in addition to not including the previously indicated employees, do not include information on employees outside of Spain and Portugal either, which account for 1% of total employees.

With regard to information related to the environment for 2021, energy consumption and emissions corresponding to ABANCA's activities in Spain, Portugal and most of its financial investees, where most of its offices and employees are located, are reported. Therefore, data relating to consumption and emissions in other countries, non-financial investees or the financial investees of Txstockdata, S.L. and Invertium Consultoría de Proyectos, S.L., which account for 5% of total employees, are not included either.

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

This report informs of the activity carried on by ABANCA Corporación Bancaria, S.A. in 2021 in the context of the relationship with our customers and stakeholders (suppliers, regulators, society in general, etc.).

By definition, our business activity is the ultimate destination of our collective efforts. However, as this Report shows, ABANCA plans, designs and executes its actions with a much broader perspective, which is not limited to optimising our financial activity, but rather takes into account, in its entirety, the network of links and impacts deriving therefrom and that not only extend to our stakeholders, namely our customers, but also to society as a whole.

This integral conception of our role as an organisation that seeks to become an agent of positive change not only in economic, but also in social, cultural, educational and environmental terms, is structured into our Responsible and Sustainable Banking Action Plan 2021-2024.

This Plan is focused on ABANCA becoming a relevant actor in the field of sustainability and supporting sustainable economic activity. To achieve this, our Entity incorporates the environmental, social and governance (ESG) aspects in our management, business and risk model, and accompanies our customers in the transition to sustainability. Specifically, our ultimate goal for 2024 is to ensure that our operational footprint is carbon-neutral and to have a sustainable alternative for our financial products.

In 2021, we achieved our first milestones, which included, namely, the launch of three sustainable investment funds: ABANCA Renta Fija Transición Climática 360, FI, ABANCA Renta Variable ESG 360, FI and ABANCA Renta Fija ESG 360, FI. Another achievement was the launch of our first green bond issue amounting to €500 million and a demand greater than triple the amount issued. This allowed us to reinforce our anti-crisis buffers and advance in the fulfilment of our minimum requirements for equity and eligible liabilities (MREL).

We are actively reducing the environmental footprint of our spaces. New spaces are built on the basis of the most stringent sustainability criteria and our A Coruña (ABANCA and ABANCA Seguros) and Madrid head offices are AENOR Zero Waste certified.

This effort includes our long-term agreement with Endesa to meet our electricity demand in Spain and Portugal with Galician wind energy; the collaboration in the development of the Datadis data supply platform and the incorporation of its information in our management system to optimise consumption; the support for the open letter launched by the We Mean Business Coalition calling on G20 leaders to take decisive action on climate change during the COP26, in order to prevent global warming from exceeding 1.5ºC. It is a further step in our will to contribute to promote a greener economy, as part of our adhesion to the Net Zero Banking Alliance, launched in 2021, and to the other projects launched since 2019 by the United Nations Environment Programme Finance Initiative (UNEP FI).

ABANCA is also committed, since its beginnings, to the principles of the Global Compact and forms part of the Global Network, and especially to Human Rights, materialised in its Commitment to Human Rights.

The Next Generation Funds are a great tool. They represent "a great opportunity" to shift the transformation of the economy towards a more sustainable paradigm. In 2021 we laid the foundations, with a view to 2022 and the coming years, to be ready to fulfil our role in channelling resources towards the fabric of production, contributing to start up new projects that will help reactivate the economy.

As part of this process, we created the specialist unit Next Generation ABANCA; we participated in the constitution of Impulsa Galicia; we established more than 100 contacts with the business fabric; and we launched our first specific finance products.

In terms of Business, 2021 was the first year of the successful incorporation of Bankoa; the definitive completion of the acquisition of the business of Novo Banco in Spain, whose incorporation will take place at the end of 2022; and the launch of our first proprietary general insurance products in the automobile segment.

ABANCA and Afundación's commitment to education was rewarded with the "Finance for everyone" prize, awarded by the Banco de España and the CNMV (Spanish National Securities Market Commission) in the "Best financial education initiative" category. The prize-winning action, Segura-Mente ABANCA, forms part of a broad financial education programme that reached a record number of 123,170 beneficiaries.

We end this summary with an achievement in which we take particular pride: the start up of the Intercontinental Business University (UIE), promoted by Afundación and ABANCA. It will start to offer its degrees in the academic year 2022- 2023 as a private, not-profit, public service university, open to collaboration with the Galician university system, and committed to the sustainable development of our society, culture and economy.

The year 2021 boosted ABANCA's trajectory of growth, transformation and social commitment since 2014, laying the groundwork for major projects in coming years for the benefit of all those who form part of the Entity, our customers and 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

5,979
professionals.

€351.9 million
personnel expenses.

97.67%
of employees with permanent employment contracts.

16.47 years old
average length of service at the company.

€1.6 million
investment in training.

Customers

Society

€2.2 million
customers.

47%
market share deposits in Galicia[1].

€15 million
social investment.

123,170
beneficiaries of the financial education programme.

Business

16.9%
ratio of total capital.

2.1%
NPL ratio.

> €108,000 million
revenue.

> 1,100,000
mobile banking users.

Suppliers [2]

€201.22 million
in payments to suppliers.

1,988
approved suppliers.

91.10%
Spanish suppliers (by invoiced amount).

[1] As at September 2021, last available figure.

[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.

It is part of ABANCA, of its values and of what it has strived to achieve since its beginnings, to promote sustainable development out of respect for society and the environment in which it operates.

Action model

103-2, 103-3

The Bank has aligned sustainability with its transformation strategy and has defined an action model that places it at the centre of decision-making. It thus advances in its commitment to economic and social progress and the well-being of the people, which it has maintained since its beginnings, although reformulated to adapt it to the current context.

The vision to build under this concept is the Entity's new way of operating that will allow us not only to survive in such a changing environment, but also to prosper, be more efficient and gain market share without compromising our original values.

In order to work towards and achieve this vision, in May 2021 ABANCA presented its Sustainability Plan, a responsible and sustainable banking action plan. The plan included the roadmap for the period 2021-2024, coinciding with the Entity's global strategic plan.

In order to achieve these goals, the Entity has established three main lines of action, on which it has been working for some time now, but with renewed impetus:

- The **environmental line**: in response to the concern for the climate emergency and contribution to the protection of biodiversity. Further information about the plans and initiatives under way and that allow us to mitigate the potential impact of our activity can be found in the chapter on environment.
- The **socio-economic line**: it is about the recovery and transformation of the economy towards a sustainable model. About social welfare, whose executor is Afundación, ABANCA's Social Welfare Project.
- **Good governance**: a management model aimed at providing a swift response to stakeholders' needs and with a special focus on new risks.

The focus is to work step by step, following standards and criteria endorsed by the regulator, supervisor and market, which includes national and international responsibility practices and standards, with the aim of meeting stakeholders' needs and that goes beyond legal requirements, to manage change in the most efficient and inclusive way possible.

The coordination work for implementing the action plan is initially carried out by the social responsibility and sustainability area, incorporated in the General Office of Corporate Social Responsibility and Communication.

The Social Responsibility and Sustainability Committee is the body that oversees the strategic lines in relation to social responsibility and sustainability, in addition to the function of putting forward proposals to the corresponding governing bodies, and the Management Committee oversees policies.

We work towards this end within a corporate framework that impregnates the whole Entity and the whole Group through a common Sustainability Policy, which aims to bring together the basic and strategic action principles and commitments aimed at fostering sustainability and evaluating their strategic impact, as well as promoting and managing the initiatives designed to address the challenges posed by climate change from an environmental, social and governance viewpoint. In 2021, the annual review was carried out to adapt the policy to the new plan and actions in order to continue advancing in this area.

In addition to the Sustainability Policy, the Code of Ethics and Conduct and the other policies included in the chapter on Good Governance (Responsible Investment and Integration of Sustainability Risks, Energy and Environment Policy, etc.) form part of the corporate framework that guides our actions in favour of the balance between economic growth, respect for the environment and social well-being. Step by step, we aim to align it with the principles of the commitments made and the 2030 Agenda.

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.

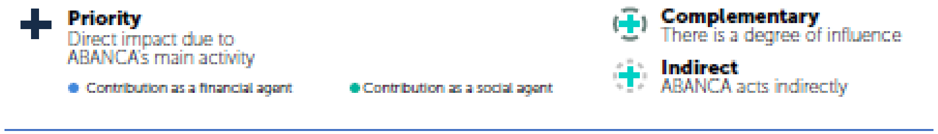
As our main premise, at ABANCA we assume that all the SDGs are correlated, due to which there will always be an impact and, thus, readiness to act on each one of them.

Also, prioritisation and contribution to the goals will be updated in line with ABANCA's strategy and its corresponding activity.

1. Identification of priority SDGs

We have prioritised our initial direct action, a total of 4 + 4 objectives, due to their high impact, bearing and level of influence on which our lines of action in the economic, social and environmental sphere will be focused. The following documents 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.
- The UN classification and recommendation by sector.



3. Analysis of the contribution to priority SDGs

We analysed the Entity's progress in the contribution to the SDGs identified as priority

		2020	2021
	Number of employees with internal promotion	454	336
	Number of employees whose performance was evaluated	96%	94%
	Percentage of women in the Board of Directors	30%	36.4%
	Percentage of independent directors	66.6%	72.7%
	Number of customers connected to mobile banking	739,582	834,817
	Increase in digital contracts	162.1%	5.8%
	Number of collaboration agreements with fishing industry agents	90	91
	Hours dedicated to environmental voluntering	921	3,617
	Paper consumption	303.93 t	215.06 t
	Investment in training	€1.5 million	€1.6 million
	Number of participants in Afundación educational projects, ABANCA's Welfare Project	183,609	185,862
	Number of participants in plastic and performing arts	157,696	351,793
	Beneficiaries of the financial education programme	92,273	123,170
	Number of dwellings intended for social housing	436	440
	Number of participants in the Afundación active ageing programme	22,554	49,126
	Water consumption	31.430 m^3	28.003 m^3
	Emissions avoided by reusing electronic waste	33.6 t CO_2	77.4 t CO_2
	Emissions avoided by using 100% renewable energy	3,624 t	3,427 t
	Reduction in electricity consumption.	Up 6% on 2019	Up 5.5% on 2020
	Ending balance of financed renewable energy projects	€700 million	€736.8 million
	Reduction in GHG emissions	Up 78% on 2019	Up 28% on 2020
	Generation of renewable energy in proprietary photovoltaic plant	391.8 GJ	392.97 GJ

4. Contribution as a financial agent

- **SDG 8: Decent work and economic growth**

  We have a people management model aimed at guaranteeing the well-being, attraction, development and retention of 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.
  - 97.7% of employees with permanent employment contracts.
  - ABANCA Corporación Bancaria, S.A. Collective Bargaining Agreement.
  - Update of the Quality Policy
  - Commitment to Human Rights.
  - Health and Safety Committee.
  - Regulatory employee training and development.
  - Investment in new branch office and headquarters model.
  - Quality policy and service.
  - Variable and Flexible Remuneration System (REFLEX)
  - Corporate Governance Excellence Plan.
  - Balanced staff, where 50.9% of permanent contracts correspond to women and 49.1% to men.
  - ABANCA Innova: technological observatory, intra-enterprising, startups programme, Ithium project acceleration and development programme.
  - The economic value generated by ABANCA in 2021 reached €1,453.29 million, 9.3% over the 2020 amount.

- **SDG 9: 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.
  - Promotion of Mobile Banking and ABANCA Digital: Mobile Banking has more than 1.1 million users and is among the best valued of the Spanish financial system by the users.
  - 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.
  - ABANCA is the benchmark bank for businesses and SMEs and its strategic plan includes the objective of outperforming the market in this segment.
  - Opening in Madrid of the "Espacio Serrano 45" branch office, an innovative centre equipped with the most advanced technology and reformed on the basis of the most demanding sustainability criteria.

- **SDG 14 & 15: protection of biodiversity**

  One of the key aspects of sustainable development is local action, where entities 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 Core business and origins reside. That's why we favour initiatives that promote adequate environmental protection and conservation, particularly in our immediate surroundings: the ocean and our forests.

SDG 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.
- Living Networks project.
- ON Territorial Conservation Plan (PLANCTON)
- Removal of 19 tonnes from sandbanks and seabeds.

SDG 15: Life on land

- Environmental sustainability initiatives launched in conjunction with the forestry sector.
- Reforestation and ecosystem cleaning actions through corporate volunteering. A total of 1,700 trees have been planted.
- Energy and Environmental Policy.
- Reduction in the use of paper both in branch office networks and corporate headquarters.
- ON Territorial Conservation Plan (PLANCTON)
- 20 biodiversity protection actions

5. Contribution as a social agent

- **SDG 4: Quality education**

At ABANCA's Social Welfare Project, Afundación, we foster a transformative education model based on innovation, internationalisation and multiculturalism, sustainability and good training practices.

- We promote higher education with the Intercontinental Higher Education Business Institute (IESIDE).
- Regulated Training (5,206 beneficiaries).
- Non-Regulated Training (180,596 beneficiaries).
- Conferences, courses and sessions.
- Startup of the Interncontinental Business University (UIE) as a project aimed at the creation of economic, social and cultural value.

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.
- Staff SDG awareness.
- Development plan aimed at so-called soft skills and hard skills.

- **SDG 10: Reduced inequalities**

  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 (Plan Activamos): 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.
  - Financial Education Programme: 123,170 digital and face-to-face beneficiaries
  - We are the sole sponsor of Afundación.
  - Singular Housing Management Unit: the only liaison, negotiation and management channel between local authorities, platforms for people affected by mortgages (PAHs) and other associations.
  - New Equality Plan for the period 2021-2025.
  - Renewal of the principles of the Equality Policy.
  - Continuation of the Gender and Equality Training Plan.

- **SDG 12: Responsible consumption and production**

  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 based on 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 e-mail.
  - Creation of indirect jobs by hiring local providers.
  - Energy and Environmental Policy Update.
  - Energy Management System.
  - Global Energy Efficiency Plan
  - Guarantee of origin of consumption of renewable energy.

- **SDG 13: Climate action**

  Our commitment to the climate emergency is materialised through initiatives:

  - Measurement of the carbon footprint and reduction goals.
  - Actions for raising awareness on environmental conservation.
  - 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.
- Environmental volunteering.
- Adhesion to the Net Zero Banking Alliance
- Adoption of EU Taxonomy
- Financing of renewable energy projects: exceeded €820 million in 2021

Partnerships for the goals

102-12, 102-13, 201-2

Every year the Entity aims to increase its partnerships and the relationship with its stakeholders, a key element of the corporate strategy and culture that allows us to provide solutions, actions and forums to seek sustainable development and contribute to progress.

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 the advances in collaboration at the local and international level are as follows:

1. **Principles of the UN 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 2021, the organisation participated in several SDG good practices dissemination campaigns through the Network's COMPARTE platform and media.

   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.

2. **Principles for Responsible Banking (PRB)**

   In 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 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.

This document includes the progress in the implementation of the principles in the Entity. 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 the RBP Table.

The progress achieved in implementation from the signing of the Principles are as follows:

- **Alignment**: we studied ABANCA's relationship with the 17 SDGs, which resulted in the prioritisation of eight direct action goals.

- **Impact and Target Setting**: the Responsible and Sustainable Banking Action Plan 2021-2024 has been prepared, in which the Entity's strategy is embodied in three lines of action: environmental, socio-economic and governance.

- **Customers and users**: the Bank accompanies its customers in the transition to a low-emission economy by providing a portfolio of sustainable products aimed at protecting the planet and people.

- **Stakeholders**: ABANCA works proactively on the growth and construction of a network of alliances to provide solutions and actions that seek sustainable development and contribute to the progress of society.

- **Governance and culture**: all of ABANCA's activity is regulated by internal policies and procedures that guarantee the Entity's responsible conduct. The Sustainability Programme, implemented within the CSR and Communication Division, 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, Social Responsibility and Sustainability Committee, giving rise to actions that require the approval of the Board of Directors. The Social Responsibility and Sustainability Committee is in charge of putting forward the Policy to the corresponding governing bodies and to the Management Committee, of proposing the strategic reputation management lines, establishing management and control measures for social responsibility, of selecting and reviewing the key performance indicators and of reviewing and approving the corporate responsibility programmes.

- **Transparency and responsibility**: since 2018 we include our Statement of Non-Financial Information, ABANCA's performance in the SDGs and the progress in the implementation of the Principles for Responsible Banking in the Corporate and Social Responsibility Report.

In preparing this Report, ABANCA took into account the criteria of the Global Reporting Initiative Sustainability Reporting Standards (GRI) and the information stipulated by Law 11/2018 on the disclosure of non-financial information is offered. This report was independently verified by KPMG Asesores, S.L.

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.

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.

   Adhesion to these principles has led ABANCA to prepare a Policy of Sustainable Investment and incorporation of sustainability risks, reviewed in 2021 to adapt it to the new requirements of the regulation and approved by the Board of Directors. The policy establishes that ABANCA undertakes to base its actions on the development of the six Principles for Responsible Investment (PRI):

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. **Net Zero Banking Alliance.**
   In May 2021, ABANCA reinforced its commitment with the objective of reducing emissions established in the Paris Agreement with the adhesion to the Net Zero Banking Alliance, a project promoted by the Financial Initiative of the United Nations Environment Programme as part of the Glasgow Financial Alliance for Net Zero (GFANZ).

   The alliance brings together banks around the world with the aim of fulfilling the banking sector's ambition of aligning its climate commitments with the objectives of the Paris Agreement through collaboration, rigour and transparency.

   In this way, ABANCA undertakes to carry out the transition of all the operational emissions attributable to the loans and investments portfolio to align them with the Net-Zero routes for 2050, in line with a maximum temperature increase of 1.5 °C higher than pre-industrial levels by 2100.

   ABANCA has reinforced its commitment to the objective of reducing emissions established in the Paris Agreement, coinciding with the celebration of the COP26.

   The Bank endorsed the open letter launched by the We Mean Business Coalition calling on G20 leaders to take decisive action on climate change.

   The support to this global corporate initiative, signed by companies and organisations around the world, is a further step in the Bank's intention to contribute to promote a greener, carbon-neutral economy as part of its adhesion to the different climate action commitments.

7. **Associations within our sphere of activity:**
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 €567,318.69 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, fisheries and industrial sectors, in addition to non-profit organisations or institutions throughout our sphere of action, allocating €115,312.30 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.

   In 2021, to advance in the strategy to promote sustainability, ABANCA joined EnergyLab's board of trustees, one of the most cutting-edge Galician technology centres and a benchmark for sustainable technology, wherein the regional government is already represented through Inega, universities and other private entities.

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 risks and opportunities within the framework of our Social Responsibility.

- **Employees:** ABANCA's people management model is aimed at guaranteeing well-being and attracting, developing and retaining the best talent by 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 to achieve 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 maintaining rationalisation in the consumption of resources and in the acquisition of environmentally-friendly products and services and 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 sphere 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 with European legislation.

On 1 March 2021, the Board of Directors approved the Communication Policy, which 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 to helping to achieve its strategic objectives through the dissemination of information under the criteria of transparency, veracity, rigour, coherence, efficiency, fairness, responsibility and sustainability.

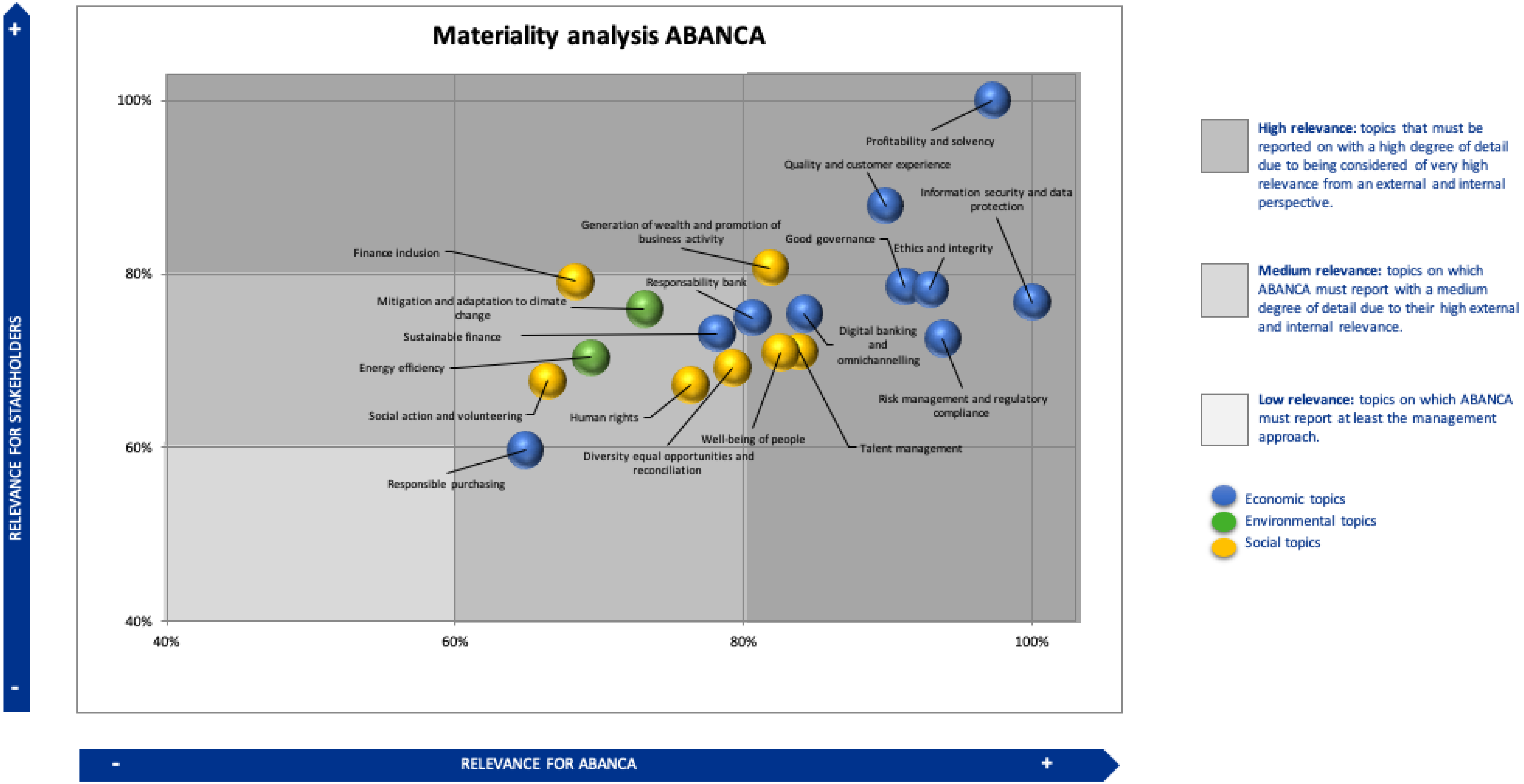
Stakeholders	**Continuous dialogue**	**Regular dialogue**
Employees	Intranet Corporate website People managers Whistle-blowing channel	Working climate survey Employees’ representatives Work sessions Training sessions
Customers	Commercial Network Commercial website Social media Customer service helpline Customer attention service	Satisfaction surveys Focus group
Shareholders and investors	Corporate website Shareholder Relations Office	Calling of Annual General Meetings Permanent contact channel with shareholders and investors
Suppliers	Purchasing Board Specialist managers Commercial website Whistle-blowing channel	Regular meetings Satisfaction survey
Company	Commercial Network Commercial and corporate website CSR mailbox Communication Department Social media	Meetings with social agents Communication to supervisors Corporate communications

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: Foundation, which establish that relevant topics are those that *"can reasonably be considered important for reflecting the organisation's economic, environmental, and social impacts, or influencing the decisions of stakeholders and, therefore, can 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, in addition to relating each of the material topics to the Sustainable Development Goals (SDG), the Principles of the Global Compact and the Principles for Responsible Banking.

Material topics	GRI Standard	Contents	Coverage				SDG related	Non-financial information law
			Origin		Implication			
			Inside	Outside	Direct	Indirect		
1 Profiability and solvency	GRI 103 Management approach 2016 GRI 201 Economic performance 2016	103-1 a 103-3 201-1 a 201-4	•	•	•	•	ODS 8 ODS 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 a 102-39 103-1 a 103-3 415-1	•		•		ODS 16	Employmento 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 a 103-3 205-1 a 205-3 206-1	•	•	•	•	ODS 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 a 103-3 207-1 a 207-4 307-1 419-1	•	•	•	•	ODS 16	Management approach Tax-related information Environmental management Tax-related information
5 Responsability bank	GRI 103 Management approach 2016 GRI 102 General disclosures 2016	102-12, 102-40 a 102-44 103-1 a 103-3	•	•	•	•	ODS 1 ODS 8	Information by company Management approach
6 Sustainable finance	GRI 103 General disclosures 2016 Industry supplement	103-1 a 103-3 FS7, FS8, FS10, FS11	•	•	•	•	ODS 1 ODS 8 ODS 10 ODS 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 a 103-3 416-1, 416-2 417-1 a 417-3 FS6, FS13, FS14	•	•	•		ODS 1 ODS 8 ODS 10 ODS 12 ODS16	Management approach Consumers
8 Responsibility purchasing	GRI 102 General disclosures 2016 GRI 103 Managemente approach 2016 GRI 204 Procurement practices 2016 GRI 308 Supplier environmental assessment 2016 GRI 414 Supplier social assessment 2016	102-9 a 102-10 103-1 a 103-3 204-1 308-1 a 308-2 414-1 a 414-2	•	•	•	•	ODS12	Management approach Subcontractors and suppliers

Material topics	GRI Standard	Contents	Coverage				SDG related	Non-financial information law
			Origin		Implication			
			Inside	Outside	Direct	Indirect		
9 Digital banking and omnichannel	GRI 103 Management approach 2016	103-1 a 103-3	•	•	•		ODS 9	Management approach
10 Information security and data protection	GRI 103 Management approach 2016 GRI 418 Customer privacy 2016	103-1 a 103-3 418-1	•	•	•		ODS 16	Management approach Consumers
11 Energy efficiency	GRI 103 Management approach 2016 GRI 302 Energy 2016	103-1 a 103-3 302-1 a 302-5	•	•	•	•	ODS 7 ODS 8 ODS 12	Management approach Sustainable use of resources
12 Mitigation and climate change	GRI 103 Management approach 2016 GRI 305 Emissions 2016	103-1 a 103-3 305-1 a 305-7	•	•	•	•	ODS 13 ODS 15	Management approach Climate change
13 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 a 412-3	•	•	•	•	ODS 1-17	Management approach Application of due diligence procedures
14 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	102-8 103-1 a 103-3 202-1 a 202-2 401-1 a 401-3 404-1 a 404-3	•		•		ODS 1 ODS 3 ODS 4 ODS 5	Employment Management approach Training
15 Diversity, equal opportunities and reconciliation	GRI 103 Management approach 2016 GRI 405 Diversity and equal opportunities 2016	103-1 a 103-3 405-1 a 405-2	•		•		ODS 5 ODS 8 ODS 10	Equal opportunities Labour organitation Universal accessibility for disabled people
16 Well-being of people	GRI 403 Occupational health and safety 2018 GRI 402 Labour/management relation 2016	403-1 a 403-10 402-1	•		•		ODS 3 ODS 8	Health and safety Social relation
17 Generation of wealth and promotion of business activity	GRI 103 Management approach 2016 GRI 203 Indirect economic impact 2016	103-1 a 103-3 203-1, 203-2	•	•	•	•	ODS 1/ ODS 2/ ODS 3/ ODS 7/ ODS 8/ ODS 9/ ODS 10/ ODS 11/ ODS 17	Management approach
18 Social action and volunteering	GRI 103 Management approach 2016 GRI 203 Indirect economic impacts 2016 GRI 413 Local communities 2016	103-1 a 103-3 203-2 413-1, 413-2	•	•	•	•	ODS 1 / ODS 2 ODS 3 / ODS 8 ODS 10/ ODS 17	Management approach Corporate commitments to sustainable development
19 Financial inclusion	GRI 103 Management approach 2016 GRI 203 Indirect economic impacts 2016	103-1 a 103-3 203-1, 203-2	•	•	•	•	ODS 1 ODS 5	Management approach

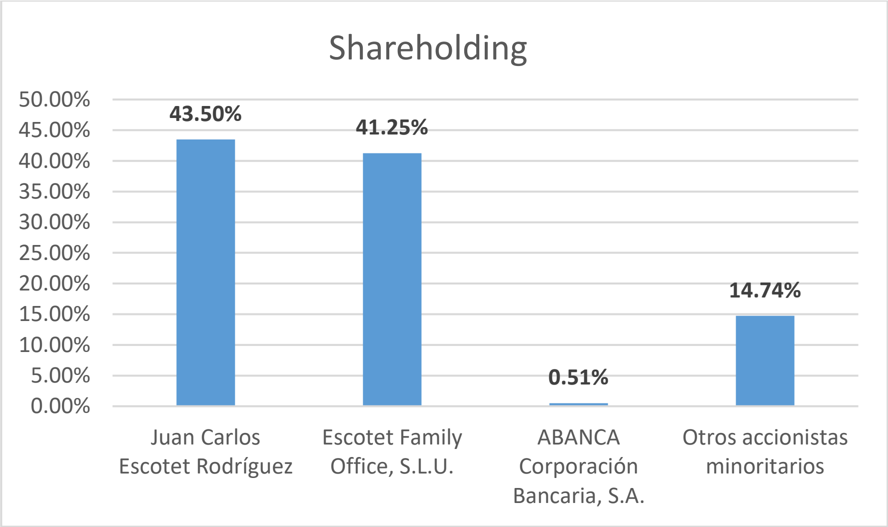
2

Corporate governance

Shareholder structure

102-5

ABANCA has two reference shareholders, Juan Carlos Escotet Rodríguez and Escotet Family Office, S.L.U., who held 43.50 % and 41.25% of the share capital as at 31 December 2021, respectively. ABANCA Corporación Bancaria, S.A. has treasury shares amounting to 0.51 % of the Bank's share capital, while the other non-controlling interests hold 14.74%.



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.

1. 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.

2. Board of Directors

102-22, 102-23, 102-24, 102-31, 405-1

It held a total of 11 meetings in 2021 attended by all the members and is made up of 11 members.

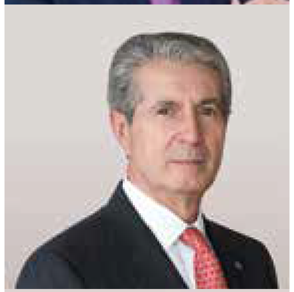
Chairman
Juan Carlos Escotet Rodríguez
Proprietary director
Appointment: June 2017 [3]

Director
Ana da Cunha Barros
Independent director
Appointment: July 2019
Other positions: Comprehensive Risk Commission

Director
José García Montalvo
Independent director
Appointment: August 2014
Other positions: Audit and Compliance, Remuneration, Comprehensive Risk Commissions.

Director
Manuel López Figueroa
Independent director
Appointment: October 2019
Other positions: Delegate Credit Committee

CEO
Francisco Botas Ratera
Executive
Appointment: June 2014
Other positions: Delegate Credit Committee



Director
Eduardo Eraña Guerra
Independent director
Appointment: October 2016
Other positions: Nomination and Sustainability Committee.

Director
Leticia Iglesias Herraiz
Independent director
Appointment: May 2018
Other positions: Audit and Compliance, Remuneration, Comprehensive Risk Commissions.

Director
Pedro Raúl López Jácome
Other non-executive
Appointment: June 2014
Other positions: Delegate Credit, Audit and Compliance, Nomination and Sustainability Committees, Remuneration.

[3] Was Deputy Chairman from June 2014 to June 2017.

Director
José Ramón Rodrigo Zarza
Independent director
Appointment: August 2014
Other positions: Delegate Credit, Audit and Compliance, Nomination and Sustainability Committees.

Director
Carina Szpilka Lázaro
Independent director
Appointment: June 2014
Other positions: Audit and Compliance, Remunerations Committee.

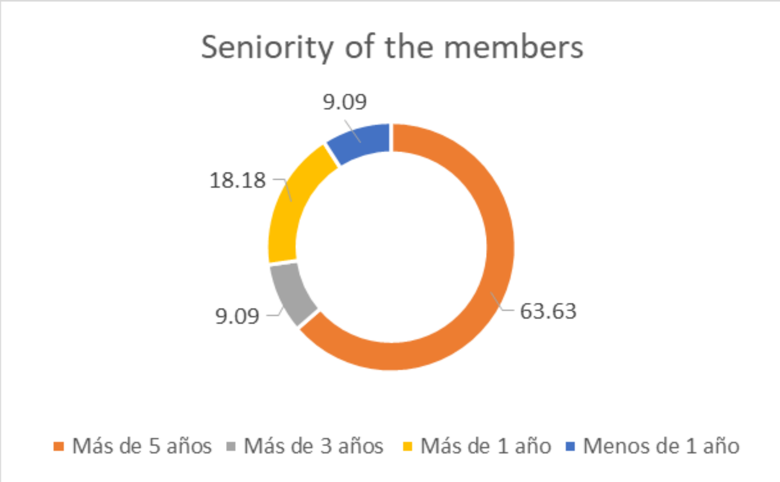
Deputy Secretary
María Consolación Borrás Retamero
(non-director)

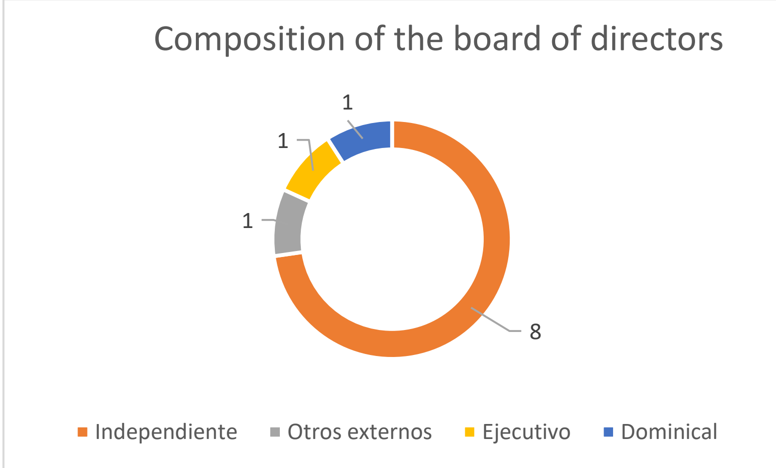
Director
Rosa María Sánchez Yebra Alonso
Independent director
Appointment: November 2021
Other positions: Comprehensive Risk Commission

Secretary
José Eduardo Álvarez-Naveiro Sánchez
(non-director)

- **In accordance with Article 529, twelfth of the Corporations Act,** "independent directors shall be considered hose 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, 72.72% of the directors are independent.





Distribution, by sex and age, of the Board of Directors 405-1	2019					2020					2021				
	Women		Men		%	Women		Men		%	Women		Men		%
	Nº	%	Nº	%	Total	Nº	%	Nº	%	Total	Nº	%	Nº	%	Total
Under 30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Between 30 and 50 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Over 50	3	33.3%	6	66.6%	100%	3	30.0%	7	70.0%	100%	4	36.4%	7	63.6%	100%
TOTAL	3	33.3%	6	66.6%	100%	3	30.0%	7	70.0%	100%	4	36.4%	7	63.6%	100%

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 Policy for the Selection and Continuous Evaluation 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.

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:

a. **To 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.

b. **To guarantee the integrity of the accounting and financial information systems,** including financial and operational control, and compliance with the applicable legislation.
c. **To approve all sorts of investments or transactions of a strategic nature,** unless their approval corresponds to the shareholders at the Annual General Meeting.
d. **To formulate the separate and consolidated financial statements** and other financial information that the company must disclose on a regular basis, in addition to the proposed distribution of results.
e. **To actively participate in the management of all the substantial risks** envisaged in solvency regulations, to 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.
f. **To 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 that is sustainable in the long term and 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 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*".

Committees 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 director	March 2020
Pedro Raúl López Jácome	Director	Other non-executive	August 2014
José Ramón Rodrigo Zarza	Director	Independent director	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 director	August 2018
José García Montalvo	Director	Independent director	May 2018[4]
Pedro Raúl López Jácome	Director	Other non-executive	August 2014
José Ramón Rodrigo Zarza	Director	Independent director	August 2014
Carina Szpilka Lázaro	Director	Independent director	December 2014
José Eduardo Álvarez-Naveiro Sánchez	Secretary (non-director)		

COMPREHENSIVE RISK 102-30

Director	Position	Category	Appointment
José García Montalvo	Chairman	Independent director	September 2018[5]
Ana da Cunha Barros	Director	Independent director	October 2020
Leticia Iglesias Herraiz	Director	Independent director	September 2018
Rosa María Sánchez-Yebra Alonso	Director	Independent director	November 2021
José Eduardo Álvarez-Naveiro Sánchez	Secretary (non-director)		

NOMINATION AND SUSTAINABILITY COMMITTEE102-24

Director	Position	Category	Appointment
Eduardo Eraña Guerra	Chairman	Independent director	October 2016
Pedro Raúl López Jácome	Director	Other non-executive	June 2016
José Ramón Rodrigo Zarza	Director	Independent director	December 2014
José Eduardo Álvarez-Naveiro Sánchez	Secretary (non-director)		

REMUNERATION

Director	Position	Category	Appointment
Carina Szpilka Lázaro	Chairwoman	Independent director	June 2016
José García Montalvo	Director	Independent director	August 2014
Pedro Raúl López Jácome	Director	Other non-executive	June 2016[6]
José Eduardo Álvarez-Naveiro Sánchez	Secretary (non-director)		

[4] Was Chairman from August 2014 to August 2018
[5] Was director from August 2014 to September 2018
[6] Was Chairman from August 2014 to June 2016

Changes in the Board of Directors in 2021

The Board of Directors, in its session held on 28 June 2021, agreed to approve, at the proposal of the Nomination and Sustainability Committee, the appointment of Ms. Rosa María Sánchez-Yebra Alonso as independent director of ABANCA Corporación Bancaria, S.A., to whose appointment on 21 October 2021 the European Central Bank did not oppose, which will take effect, pursuant to the applicable regulation, from the date of her acceptance on 29 November.

Operation and relevant matters in the year

102-26, 102-27, 102-29, 102-34

a. The Annual General Meeting was held on 28 June 2021. The shareholders at the Meeting approved all the decisive agenda points, namely, for such purposes, the amendment of the Bylaws (introductory section and articles 20, 25 and 38). In order to reflect the Company's objective, vision and values, the possibility of holding Annual General Meetings exclusively online was established and the remittance of voting confirmation to shareholders who have voted electronically, which is only required of listed companies, was regulated. All pursuant to the amendments to the Consolidated Spanish Limited Liability Companies Law (RD Law 1/2010, of 2 July) implemented by Law 5/2021, of 12 April. The resolutions are detailed on the corporate website, under the Annual General Meeting section.

b. Furthermore, in 2021 measures were carried out to promote corporate governance good practices, within the framework of the Corporate Governance Excellence Plan. Some of the most significant measures were:
   - Approving a Communication Policy in order to ensure the quality of the economic and financial information that it is adequately disseminated and known, facilitating its disclosure to the market, investors and other stakeholders.
   - Amending the Regulation of the Board of Directors and the Policy for the Selection and Continuous Evaluation of the Suitability and Qualification of directors for the purpose of regulating that they inform and, where appropriate, resign in the event of any situation that may affect them, related or not to their performance in the Company, that may damage the credit and reputation of the Company and, in particular, of any criminal prosecution in which they are investigated.
   - Attributing environmental and social functions to the Nomination Committee, consequently modifying its name to Nomination and Sustainability Committee.
   - Broadcasting the 2021 Annual General Meeting live via the corporate website.
   - Approving a specific Regulation for the Annual General Meeting.
   - Including a virtual induction plan in the welcome pack for new Board members, thereby advancing in virtual training and informative formats.

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 are provided.

Regardless of the professionalism of each of its members, there is a continuous training plan for the Board of Directors which, in 2021, focused on aspects such as the evolution and state of the art of ICT risks, sustainability and climate change, and US banking regulation.

Remuneration

102-35, 102-36, 102-37

The remuneration of directors is determined in accordance with the Board of Directors' remuneration policy, updated by the shareholders at the Bank's Annual General Meeting held on 28 June 2021 (which was attended by 91.85% of the directors). The proposal had 99.29% favourable votes.

3. 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

María
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-Zuñiga Mendoza
GM Capital Markets, Management and Institutional Distribution

José Luis
Vázquez Fernández
GM Credit

Changes in the Management Committee

In 2021, no changes took place in the composition of the Management Committee.

In 2021, Julián José Serrapio Vigo, as general auditor, Álvaro García Diéguez, as managing director of ABANCA Seguros, and Jorge Martínez Martínez, as general 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.

3

Economic environment and strategic plan

Economic outlook

102-15

Following the economic contraction registered in 2020 as a result of the pandemic outbreak, which led global GDP to fall by (3.1%), in 2021 global economic activity recovered with a 5.9% growth. Global productive capacity has faced certain difficulties to meet the strong demand rebound following the easement of the most restrictive measures taken to address the pandemic. Frictions have taken the form of tensions in global supply chains and shortages for certain commodities, which have resulted in significant inflationary pressure.

In Europe, the Eurozone economy grew by 5.3% in 2021 as a whole. Among major economies, France (+7.0%) and Italy (+6.5%) led the recovery, while Germany's growth was hampered by the automotive industry's difficulties and limited to 2.8%.

In Spain, economic activity continued on a path of gradual recovery, in a context of gradual easement of pandemic containment measures and advances in the vaccination process. Except for incoming tourism and new vehicle registrations, major activity indicators were close to pre-pandemic levels.

During the last quarter of the year, notwithstanding the impact of the sixth COVID wave, the economy continued its positive performance with a 2.0% quarterly growth. In 2021 as a whole, Spain's GDP grew by 5.0%.

The labour market has registered a stronger recovery, exceeding pre-pandemic levels in both the number of registrations in the Social Security Scheme (+3.0%) and employed persons (+1.1%). At the end of the year, unemployment stood at 13.3%, a 2.8% decrease in the year, with five tenths of a percentage reduction compared to the end of 2019. For its part, the number of workers affected by temporary suspensions of employment implemented through ERTE (Spanish acronym for "Temporary Labour Force Adjustment Scheme") fell down to 120 thousand (compared to over 930 thousand at the beginning of the year).

Inflation picked up strongly during the last months of the year, mainly conditional on the increase of energy prices. In particular, at the end of the year general inflation stood at 6.5%, the highest inflation rate registered since 1992, while underlying inflation stood at 2.4%.

Galician economy, after registering a 5.2% growth in 2021, exceeding the overall rate for Spain by two tenths. In terms of GDP, this narrowed the gap with pre-pandemic levels to -2.3% in 4Q 2021 compared to -4.0% for the whole of Spain. In the labour market, the number of registrations exceeded pre-pandemic levels by 2.0%, while the unemployment rate ended the year at 11.0%, 2.3 percentage points below the national average.

Financial environment

Economic recovery and inflationary pressure have led the major central banks to begin a gradual withdrawal of monetary stimuli. In the United States, the Federal Reserve announced that it would start raising interest rates in March 2022 and that it would simultaneously start a process of balance sheet reduction. In Europe, the European Central Bank began the last quarter of 2021 by lowering the pace of monthly net asset purchases under the pandemic emergency purchase program (PEPP) and by announcing that in March 2022, it will advance in the monetary easing process.

In this context, public debt yields have registered an increasing trend since late in July. In particular, at the end of December, the yield from Spain's 10-year bond reached 0.60% (+54 basis points in the year) and the Bund's IRR increased to -0.18% (+40 b.p. in 2021). Thus, at the end of the year Spain's risk premium stood at around 75 basis points. In the interbank market, 12-month Euribor closed 2021 at -0.50%.

2021-2024 Strategic Plan

103-2, 103-3

2021 was the first year of ABANCA's new Strategic Plan, which will be implemented in the four-year period 2021-2024. The Plan clearly differentiates between the short and medium term in the Bank's scope of operations: a short term conditioned by the uncertainty associated with the early days of the pandemic and a medium term marked by the focus on sustainable growth.

The 2021-2024 Plan pivots on four main strategic lines:

- Increase of the generation of recurring revenue: It will be mainly articulated by promoting the insurance activity with the deployment of the company ABANCA Seguros Generales (ASG), converting us into a benchmark in customer savings assessment and maintaining our focus on consumer finance and means of payment, financing SMEs and businesses and boosting the acquisition of value customers.
- Cost efficiency: 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.
- Management of risks associated with the current environment, with a selective risk appetite framework (less impacted and more sustainable sectors) and reinforcing recovery processes by developing greater anticipation capacity.
- Exponential transformation of the organisation: promoting the digitalisation of processes and development of new skills (reskilling), with a special focus on digitalisation and sustainability.

In 2021 the objectives marked for this first year of the Plan were achieved, exceeding expected PBT by €7.7 million despite a yield curve that has maintained its negative dynamics and an environment marked by uncertainty and restrictions arising from the pandemic. Revenue exceeded €108,000 million with an annual growth of 18.8%, spearheaded by the incorporation of Bankoa in the first quarter and of the Novo Banco business in Spain in the fourth quarter.

Despite the difficulties arising from the COVID context, in 2021 the dynamic of compliance with the objectives established in the Plan from previous years was maintained, reaching a global compliance of 103%, and highlighting the following milestones:

- Profitable growth with improved recurrence: a PBT of €323 million was reached, up 102% on the previous year, beating recurring revenue targets with interest income that exceeded expectations, as with the basic margin, after incorporating commission income and the contribution from the insurance business.
- Growth in insurance and savings counselling: with the launch of proprietary insurance products (ABANCA General Insurance) as the focal point of the strategy. The insurance activity contributes €96 million to the income statement in 2021, after increasing the share of premiums written in the insurance banking channel, with improvement in all the lines. In value-added products, the Bank increased its market share significantly in: investment funds (+62 b.p. in the year) and pension plans (+62 b.p.).

- Selective credit growth focused on supporting the business fabric: financing for SMEs and self-employed professionals continued to drive loans, with corporate financing growing +43 b.p. during the year, reaching a normal credit volume in excess of €45,000 million, up 19% on 2020 year-end.
- Risk quality: the NPL ratio was reduced to 2.13%, clearly exceeding the Plan's target and ABANCA became the Spanish Entity with the lowest NPL ratio (in line with the European average) and with a higher non-performing asset coverage (NPLs and foreclosures), which reached 76.4%, the highest in the Spanish sector.
- Solvency and liquidity: ABANCA ended 2021 with a total capital ratio of around 17% and with excess total capital of €1.527 million. The financing structure continues to be clearly based on retail deposits, which grew 17% in the year, with LTD of 92.3%.

Main milestones 2021

102-10

a. AT1 bond issues

ABANCA closed the AT1 bond issue with overdemand and at a very low interest rate. The issue of €375 million aroused great interest in the market, generating a demand of more than €2,100 million, an amount representing 5.7 times the amount of the issue, and was fully placed in approximately three hours among mainly European institutional investors.

Despite the difficult economic context in which it was made, remuneration was set at 6%, an interest rate 150 basis points lower than that recorded in the previous issue of this type of debt made by ABANCA, which reflects the favourable market perception of the Entity's positive evolution in recent years.

b. ABANCA will be emission-neutral

ABANCA will achieve carbon neutrality in its activity and will have a sustainable alternative for its financial products in 2024. These are two of the objectives of the Responsible and Sustainable Banking Action Plan 2021-2024, presented by the Bank's Chairman, Juan Carlos Escotet Rodríguez and the CEO, Francisco Botas, in Santiago in May. In line with the objectives of the Paris Agreement, the Bank aims to achieve the zero emissions attributable to its portfolio by 2050.

The action plan includes the roadmap and the objectives established by the Bank for the coming years with the aim of becoming a relevant actor in the sphere of sustainability; supporting sustainable economic activity by incorporating environmental, social and governance (ESG) aspects in the management, business and risk model; and accompanying its customers in the transition to sustainability.

The actions envisaged to drive an environmentally-friendly economic and social model is structured on three main lines of action on which the Bank has been working for some time now: environment, with measures for addressing the climate emergency; socio-economic, aimed at driving recovery and transformation towards sustainable development; and good governance, embodied in a management model aimed at stakeholders' needs and with a special focus on new risks.

c. Moody's upgraded ABANCA to investment grade with a stable outlook

On 14 July 2021, the rating agency increased ABANCA's long-term rating (long-term bank deposits) by one notch from Ba1 to Baa3, upgrading it to investment grade while maintaining its stable outlook. After this decision, ABANCA has investment grade in its Moody's, Fitch and DBRS ratings. The change in rating was due to the agency's new methodology and to its recognition of the Bank's financial profile, which it considered stable in the current economic context. In its rating, Moody's highlighted ABANCA's resilience, asset quality, solvency and expected rate of return.

d. ABANCA drove the insurance business with its first own general products and an omnichannel model

Through its subsidiary ABANCA General Insurance, it launched its first proprietary insurance products: car insurance and life and payment protection insurance. They are the first insurance products of a differential, customer-oriented offering with simple, innovative and modular products that can be personalised with optional covers and pay-per-use. In addition, customers can take out and manage their policies via a digital platform accessible both from the office and from the remote channels.

The incorporation of ABANCA Seguros Generales in joint venture with Crédit Agricole Assurances has enabled the Entity to make a qualitative leap in the insurance business and manage its own products in non-life branches. In addition to developing the new products, it will be fully responsible for managing loss occurrences through a specialised and polyvalent team with autonomous decision-making capacity, who will accompany the customer from the notification of the loss occurrence to the repair service and/or indemnity.

e. ABANCA closed its first green bond issue

On 1 September, ABANCA closed the economic terms for its inaugural €500 million issue of Senior Preferred bonds. The ratings obtained from Fitch (BBB-) and Moody's (Baa3) confer investment grade status on the bonds, allowing the Bank to access the most demanding part of the investment spectrum. The issue aroused great interest among investors, with a demand that tripled the amount issued. The issue was placed among professional customers and eligible counterparties, with significant presence of specialised investors with ASG profile.

With this issue, ABANCA continues to advance in its roadmap in the fulfilment of our minimum requirements for equity and eligible liabilities (MREL) established by the regulator. With this issue, the Entity has already exceeded MREL requirement marked for 2022 by more than 150 basis points. After this placement, ABANCA increased its anti-crisis buffers in addition to fulfilling one of the objectives established in the Bank's Responsible and Sustainable Banking Action Plan 2021-2024.

f. Acquisition of the business of Novo Banco, S.A.

On 30 November 2021, once the applicable authorisations from the Ministry of Economic Affairs and Digital Transformation were received , ABANCA and Novo Banco S.A. closed the purchase and sale of the Portuguese bank’s business in Spain. The signing act took place in ABANCA's institutional head office in Madrid and included the participation, on ABANCA's behalf, of its Chairman, Juan Carlos Escotet Rodríguez, and its CEO, Francisco Botas, while Novo Banco was represented by its CEO, Antonio Ramalho.

With this transaction, ABANCA's revenue exceeds €107,000 million and reinforces its positioning in two priority areas of activity: the personal and private banking business and the corporate business. The acquisition, which involves the incrporation of the acquired business for accounting purposes, has a low execution risk and minimum use of capital, around 25 basis points in CET1, less than that initially estimated.

g. "50 masterpieces from the ABANCA Collection" exhibition

On 13 October, the exhibition entitled "50 masterpieces from the ABANCA Collection" was presented at the Fines Arts Museum of Asturias. The exhibition constitutes one of the Asturian museum's main focuses for 2021 and offers the possibility of taking an extensive tour of one of the most exciting and richest periods in the history of contemporary art: from the emergence of the first avant-garde movements in the first decades of the 20th century to the present day.

h. Incorporation of Bankoa

In November, ABANCA completed the incorporation of Bankoa with the performance of the last two transactions of the process: the implementation of the trademark and the transfer of the activity to ABANCA's technological and operational platform.

The technological migration and rebranding put an end to a process initiated in July 2020 with the announcement of the preliminary agreement between ABANCA and Crédit Agricole for the purchase and sale of Bankoa. The definitive agreement was entered into two months later, in September of the same year. The transaction was signed in January 2021, after which Bankoa was incorporated for all legal and accounting purposes in the ABANCA Group. The Bankoa merger process was approved by ABANCA's Board of Directors in April.

i. Inauguration of Madrid Espacio Serrano 45

On 2 December, ABANCA inaugurated Madrid Espacio Serrano 45, an innovative centre equipped with the most advanced technology and built to the highest sustainability standards, in line with the Entity's commitment to the environment. With Espacio Serrano 45, the Entity takes a decisive step forward in the evolution of its commercial model and in the way of relating to its customers, with the aim of offering them a differential experience and convenience with the minimum environmental impact.

The new space, which occupies 630 square metres and is located in one of the most unique and economically vibrant districts of the capital, is characterised by its sustainable design and construction and open interior architecture, transparent and with different natural elements, which adapts to the customers, offers them convenience and connects them with nature.

Lines of action and perspectives for 2022

102-6, 103-2

The global economy will continue to expand in 2022, although at a slower pace after the rebound in 2021. The global GDP could grow by 4.4% in the year according to the International Monetary Fund forecasts. Projections for the Eurozone point to a growth of around 4.0%.

In Spain, forecasts point to an acceleration of the activity in the central quarters of the year due to the capitalisation of the European funds, the recovery for the international tourist sector and the stabilisation of the growth in consumption. As a result, growth of 5.7% is expected for the year as a whole.

The main risks for growth in the short and medium term derive from the recent events in the Russia-Ukraine conflict, accentuating the pressure on prices of raw materials and motivating the persistence of high inflation levels and hindering the standardisation of global supply chains, factors that could generate growth rates lower than those projected in the main scenario.

In this context in which activity will foreseeably be carried on in 2022, ABANCA will continue to execute the Strategic Plan for the four-year period 2021-2024.

4
Business model

102-2
ABANCA is currently one of the most relevant banks in the Spanish financial system (seventh bank by asset volume in December 2021) with strong asset quality levels (the second-lowest rate of non-performing loans and the highest levels of non-performing asset coverage of the sector), profitability, solvency, liquidity and efficiency that reinforce the sustainability of its business model.

ABANCA's business model is clearly focused on retail commercial banking, specifically the provision of financial and credit services for individuals and companies (mainly SMEs and self-employed professionals) through a multichannel distribution platform (branch offices, mobile banking, ATMs, payment methods, etc.). NPL management, although it has progressively lost bearing in recent years after its strong reduction (€-3,145 million since 14 December, around -66%), is a priority for the Bank, to which end an action policy designed under the premise of maximising the value of these assets is implemented. 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 businesses through which it provides financial services (insurance, cards, funds, plans, payment management, real estate servicing, etc.), with the aim of retaining the value generated within the Entity 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.

Distribution channels

102-4, 102-6
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.).

1. Branch Office Network

Within this multi-channel distribution model, ABANCA positions itself in the market in a differentiated manner by geographic area:

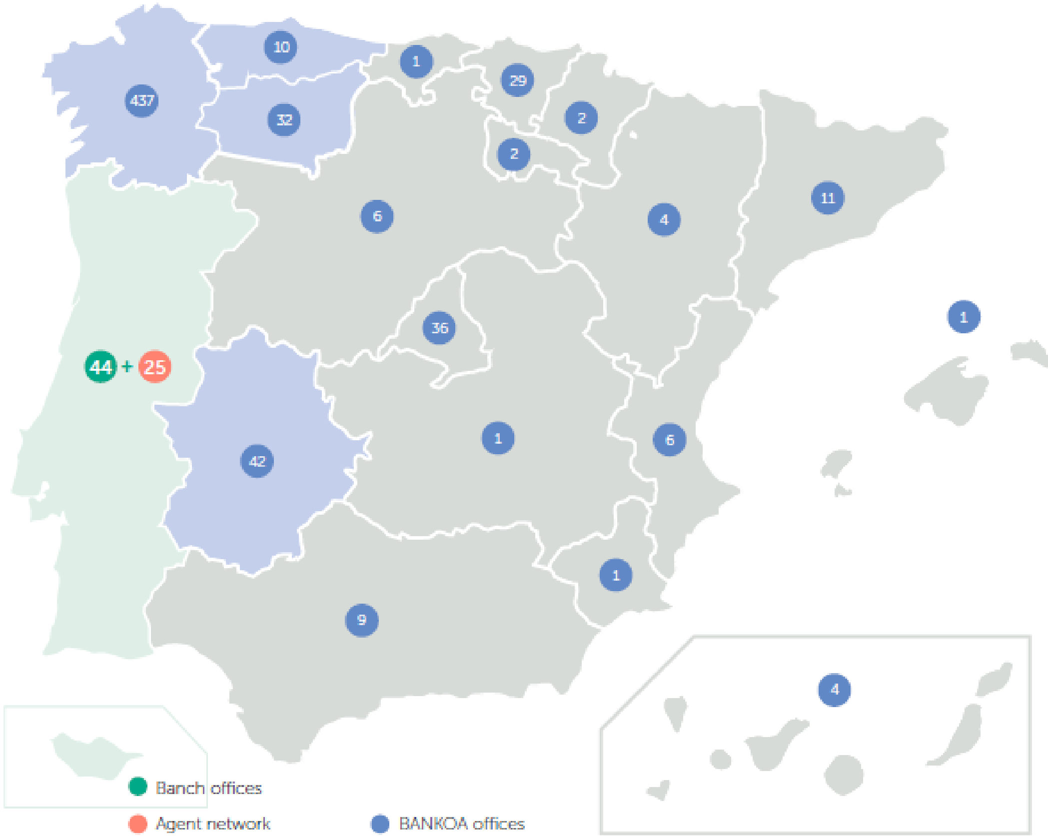
c. Spain, where in 2021 it reinforced its presence with the incorporation of Bankoa (33 branch offices, most of which located in the Basque Country) and Novobanco (10 branch offices):

- 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 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.). The acquisition of Bankoa has reinforced the presence of ABANCA in the Basque Country, especially in the corporate and private banking segments.

d. **Portugal**, since the Portuguese market plays a special role in ABANCA's long-term plans due to its close economic relationship with Spain. ABANCA's position in Portugal focuses on private banking, SMEs, insurance, consumption and digital solutions. ABANCA has 44 operational branch offices in Portugal, supported by digital solutions (mobile banking) which, together with 25 developers, totals 69 points of sale in the country.

e. **International presence**, 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) focused on assisting the large community of entrepreneurs and families of Spanish origin in European and American countries.

ABANCA ended 2021 with a network of 688 branch offices, of which 634 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 digital channels (online and mobile banking, ATMs, etc.), 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 to advance in its network optimisation process, adjusting the branch offices based on the demography and economic activity of the area. Additionally, ABANCA has leveraged the opportunities that have arisen in the sector to acquire businesses and banks which have allowed it to improve its positioning as an Iberian operator, such as Deutsche Bank PCB in Portugal and Banco Caixa Geral, Bankoa and Novobanco in Spain.

2. Digital channels

a. ABANCA Digital

103-2, 103-3, FS13, FS14

ABANCA has a virtual banking service (electronic, telephone and mobile banking) which is used by 68% of its customers. ABANCA's mobile banking has more than 1.1 million users and is among the best valued of the Spanish financial system by the users (according to Google Play Store and Apple Store).

In order to adapt to new customer habits, ABANCA has implemented a digitalisation strategy, accelerated by the outbreak of the COVID-19 pandemic. In addition to reinforcing the capabilities of its virtual banking, it has launched several payment tools (ABANCA Pay, ABANCA Cash, Samsung Pay and contactless technology) and products adapted to the demands of digital customers. ABANCA also launched ABANCA Conecta, a new customer relationship model that complements its remote communication tools with incorporated and personalised management through an agent.

This digital strategy has enabled ABANCA to continue to increase the number of active digital customers, with a special focus on electronic and mobile banking to perform all manner of transactions and manage and contract products over the website and by telephone. In 2021, 85% of ABANCA's customers used remote services for their queries and transactions and 70% of the bank's transactions were performed via digital channels.

Mobile banking plays an active role in driving the digital transformation undertaken by ABANCA within its omnichannel strategy. Beyond all manner of transactional operations such as product consultations, money transfers, mobile cash withdrawals from ATMs or payment of bills with a photograph, the App includes new commercial possibilities. Among them, the most frequent are the arrangement of loans, contributions to plans or funds, insurance policy management or deferral of card payments, inter alia.

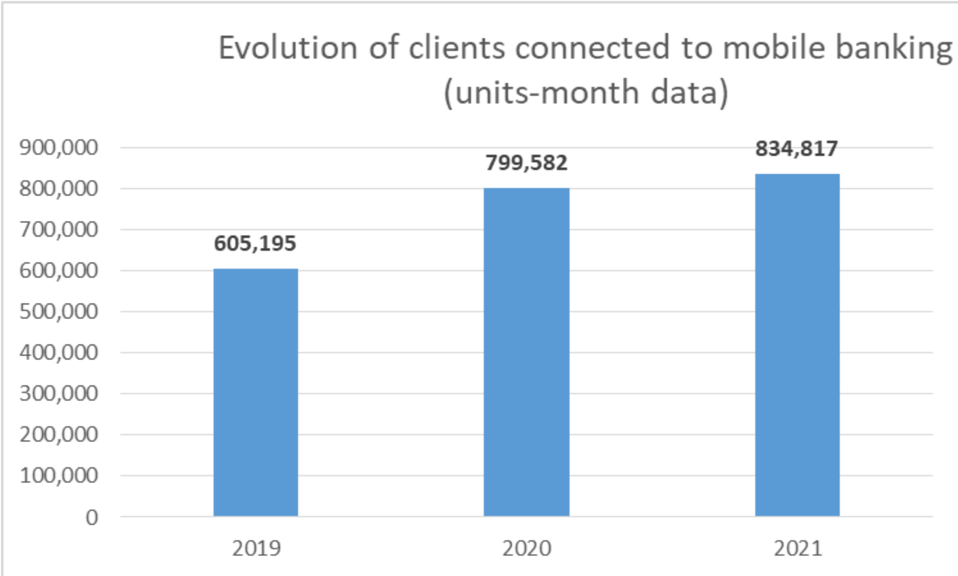
ABANCA's mobile banking is among the most highly valued by the Spanish financial system by the users (according to Google Play Store and Apple Store) and is used by two out of every three of the Bank's private customers.

Google Play

52,569 ratings	Average score 4.2 out of 5	Some 17.6% of users gave it a 4-star rating	63% of users gave it the maximum rating

App Store	**82,270 ratings**	Average score 4.5 out of 5		

This technological potential contributes to drive the Bank's digital business, since its digital channels account for 90% of transfers or the purchase and sale of relevant values and figures and increasingly important in contributions to pension plans, formalisation of pre-authorised loans or credit card limit extensions. All without forgetting that the App already records more than 22.5 million monthly connections, equally contributing to avoid having to make numerous visits to branch offices and avoid using paper-based documents.



Since it was launched, the Entity's mobile banking service has evidenced its technological leadership capacity in the financial sector. Created and developed by the Bank in Galicia, this App was one of the first among Spanish banks to incorporate fingerprints or facial identification, as a recognition method, adopt the highest security standards or obtain Ilunion certification that guarantees that the application is fully accessible to disabled persons.

New digital registration process: we have carried out an in-depth revision and optimisation process of the digital registration form, which facilitates onboarding of new customers in the Bank. As a result, this process can be performed quickly and easily, making it possible to complete in just a few minutes and using only a web browser and the camera of your device.

The main improvements incorporated were, inter alia, as follows:

- users remain in the same channel at all times, their web browser, where they complete all the necessary steps in an end-to-end process: provide their particulars, provide the documentation required by the regulation and electronic signature of their new products;
- the registration form optimally adapts to and can be displayed on all devices, whether a smartphone, a PC or a tablet;
- validation of the customer's identity is performed in a quick and convenient manner for the user through a video-selfie and biometric technology.

This significant improvement took place thanks to the major effort made by many of the Bank's units, based on the feedback provided by customers through multiple internal and external sources, and thanks to the adoption of cutting-edge technologies.

b. ATMs

ABANCA offers its customers a network of 1,136 ATMs that continuously include new functionalities that make it possible to easily perform practically all the operations usually performed by a customer. Also, ABANCA has a wide network of point-of-sale terminals (51,675 units) and card fleet (2.7 million units).

These alternative channels to branch offices play a relevant role in improving the bank's efficiency, making it possible to reduce recurring transactional activity in branch offices in favour of a more personalised commercial activity and with higher added value for customers.

Main lines of business and products

102-2, 102-6, 103-2, 103-3, FS6, FS13

ABANCA defines three priority lines of business:

- **Retail banking**: constitutes the Bank's main line of activity, around which ABANCA's most recurring activity is carried on and is oriented towards all types of retail customers (individuals, companies and public administrations), offering 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.). Within this line of activity, individuals and small companies are considered strategic.

  In 2021, this line of activity accounted for 76% of gross margin and 80% of the Bank's PBT, accounting for 58% of assets and 62% of liabilities.

- **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.

  This line of activity accounted for 15% of gross margin and the Bank's PBT, accounting for 39% of assets and 35% of liabilities.

- **Non-financial subsidiaries**: portfolio of non-financial companies aimed to supporting the production fabric and the activities of the Parent, also contributing to ABANCA's results.

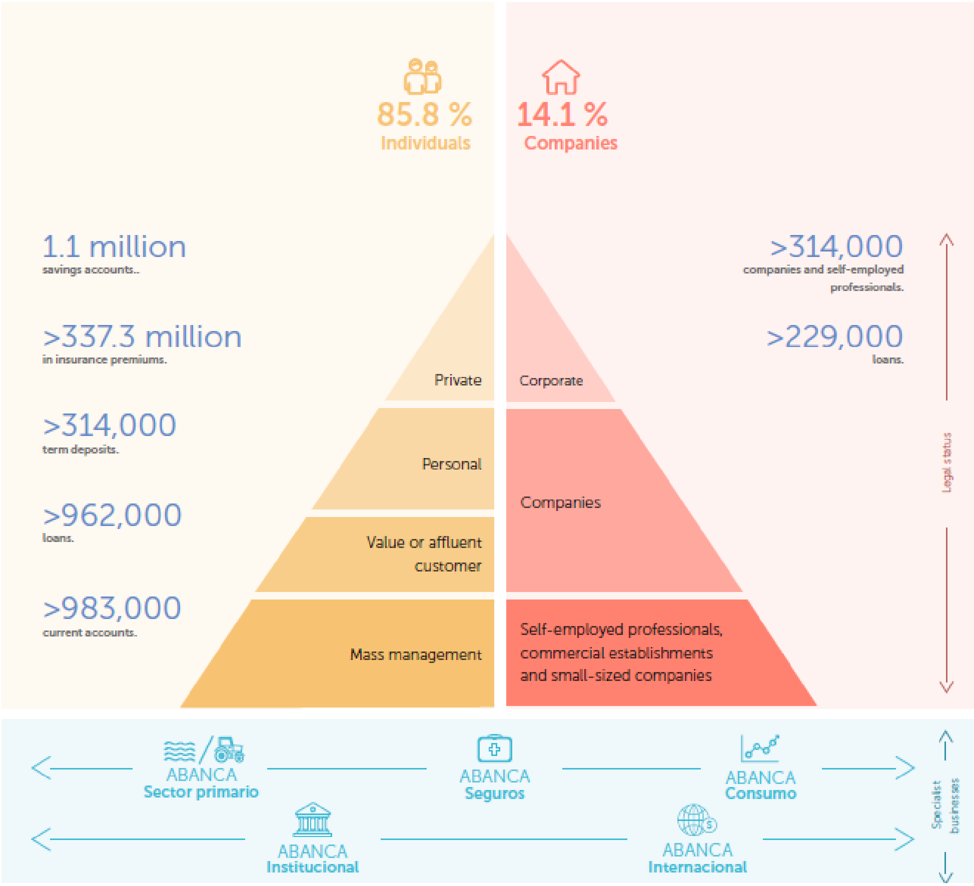
In 2021, this line of activity accounted for 8% of gross margin and 5% of the Bank's PBT, accounting for 3% of assets and liabilities.

1. Retail banking

ABANCA focuses its most recurring activity in 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 specialised value propositions are supported.

ABANCA's commercial strategy is articulated through segmentation by type of customer with the aim of offering 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 customer segmentation is divided into two interconnected dimensions in order to provide the most personalised and professionalised possible customer service.



Segmentation by legal status

The first dimension classifies the customers by their legal nature and, on this basis, identifies more detailed categories:

Customers in Spain by segment	%
Individuals	85.8%
Companies	14.1%
Public Administrations	0.1%

a. Individuals

Individuals represent ABANCA's main client base, accounting for 86% of its 2.2 million customers in Spain and the 40% of the balance of financing granted to customers.

The Entity 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.
- **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.
- **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).
- **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:

- **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 are assisted by branch office employees following value-added criteria.

- **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. These customers are assisted by specialist managers with whom they maintain a specific financial relationship.

  After the acquisition of Deutsche Bank PCB, ABANCA leveraged on 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.

- **Personal banking**: Assists customers whose net worth and/or monthly income make them likely to contract alternative deposits 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).

- **Private Banking**: this unit focuses on customers with high net worth, offering them highly personalised services, tailored to each customer's needs. 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.

b. Companies

Corporate service is also a priority in ABANCA's activity, particularly that oriented towards SMEs and self-employed professionals. ABANCA has more than 304,000 customers in Spain which are companies and self-employed professionals (14.1% of the total), assisted by specialist managers assigned in accordance with their specific needs.

The products and services aimed at this segment include, namely:

- 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.
- 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.
- Other products and services: insurance, e-Commerce, different lines of assessment on commercial reports, State aid and subsidies, bidding and public procurement projects, etc. Furthermore, the corporate segment has a specific electronic banking service.

The complexity of the corporate business requires a high degree of technical and customer expertise, in addition to knowledge of financial custom-made solutions, to which end ABANCA has personalised attention units:

- **MCA Unit:** aimed at micro-enterprises, commercial establishments and self-employed professionals.

- **Companies and SMEs Unit:** aimed at small and medium-sized companies.

- **Corporate Banking Unit**: assists large companies. Leveraging its know-how, it also provides structures with "tailored" financing, in specialised formats (syndicated loans, project funding, tax lease, leveraged buy-outs of top-level securities, etc.), operating both at origin and in secondary market purchases of syndicated loans and search for international options, mainly in dollars.

Segmentation by specialist business

Additionally, the ABANCA Group segments its business in interconnected specialist areas for the following sectors:

a. 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, fisheries and aquaculture industries.

ABANCA Mar provides services to the maritime and fisheries industry through a network of 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 fisheries and ancillary industry.

ABANCA Agro provides its services and support through a range of products designed for this collective (economic aid to those affected by fires, aid for livestock breeders, etc.). This service is provided through a large network of branch offices attended by executives who specialise in this industry.

b. ABANCA Seguros

The development of this line of business is of key importance as a generator of recurring revenue, while making it possible to diversify the sources of generation of resources.

ABANCA's insurance business is structured on three lines of action:

- **ABANCA Vida y Pensiones**, which develops a wide range of life products (risk and savings).
- **ABANCA Seguros Generales**, a joint venture with Crédit Agricole to cover the general insurance offering.
- **ABANCA Seguros Correduría**, 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 commercial model is backed by a team of commercial managers located at ABANCA's branch offices specialised in each area of the insurance business.

In 2021, ABANCA General Insurance launched its two first products, the car insurance "Copiloto" and life-payment protection insurance, while implementing the "Flat Rate" insurance service, a pioneer service in the Spanish market.

c. 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 (operators, retailers, etc.) and pre-authorised customer credit (cards/loans). ABANCA Financial Services has a team of managers who revitalise the activity of commercial establishments/operators and give support to the branch office network. This supplemented with a call center service for telephone sales and support to commercial establishment customers.

d. 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.

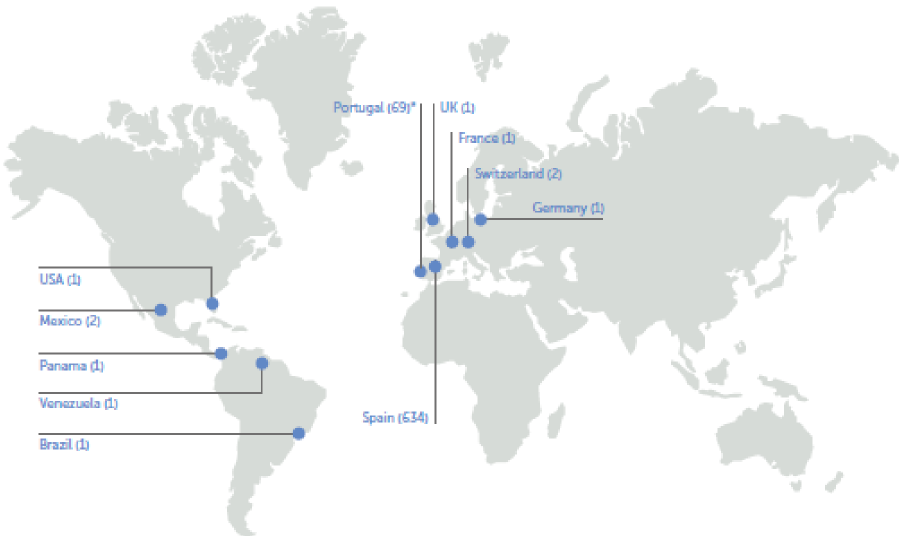
Through this area, ABANCA also collaborates with tax collection agencies with the aim of improving the efficiency of the collection process in relation to taxes, charges for public services and other income. In this connection, ABANCA collaborates in the development of innovative billing solutions, as 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.

e. ABANCA International

203-2, FS7, FS8

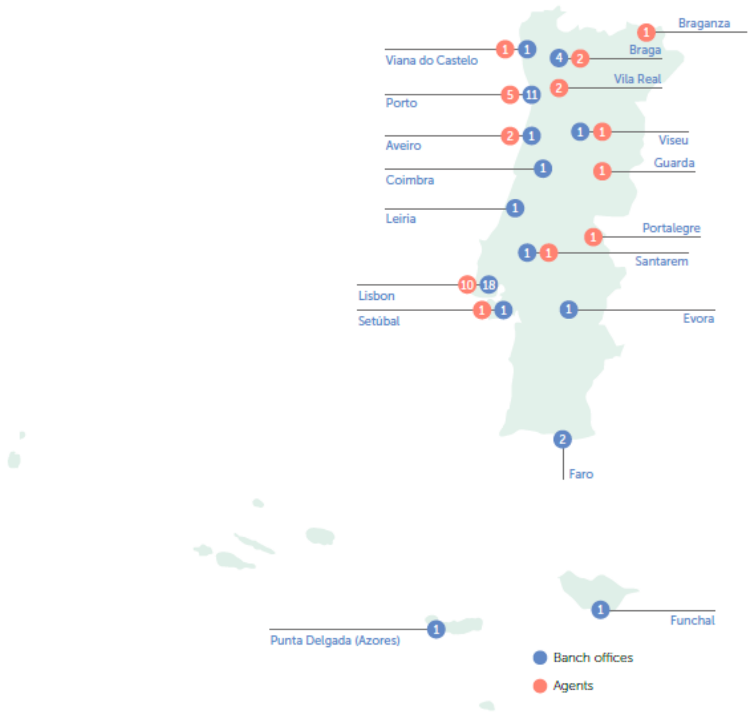
Although ABANCA concentrates its activity and business in the Iberian market (Spain and Portugal), it has 2 operational branch offices outside of this area (the United States and Switzerland) and 8 representative offices located in Mexico, Panama, Venezuela, Brazil, United Kingdom, France, Germany and Switzerland that give support to the Galician colony abroad and to the internationalisation of Spanish companies operating in said countries.



* Including branch offices and developers.

The central element of this model is customer attention 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.

- **ABANCA Spain International.**
  They are customers who reside in other countries but wish to establish a banking relationship with an entity located in Spain. In December 2021, we had more than 61,000 individual customers and almost 1,300 corporate customers with these characteristics, who are attended by the following teams:
  - In their country of residence, by ABANCA's external representative office network:
    - ✓ Europe: London (United Kingdom), Frankfurt (Germany), Paris (France), Zurich (Switzerland) 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.



- **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 2021, we had almost 64,000 individual customers and more than 8,500 corporate customers belonging to this segment. These customers are assisted at our foreign operational branch office network located in:
  - Portugal, network of 69 points-of-sale.
  - The United States, Miami office.
  - Switzerland, Geneva office.
  - Mexico, Financiera SOFOM in Mexico City.

- **Foreign trade**

  This segment is made up of companies residing in Spain but that carry out significant foreign trade activity (import or export). These customers require a specialised service model with assessment and a range of specific financial products and services. We call this type of customers "COMEX customers". In December 2021 we had more than 2,000 "COMEX customers", which are attended by:
  - The team of specialist foreign trade managers, a manager profile with great expertise, which advise and market 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 currencies, etc.).
  - The Foreign Trade Back Office Department, which provides technical and structural support for marketing these products, both in Spain and in the external branch office network.

  ABANCA's national and international network, which gives service to our international customers, is reflected in this table. As can be observed, in addition to our extensive networks in Spain and Portugal, we are present in the main European and American markets.

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 2.14% at 2021 year-end and coverage for problematic assets of 76.4%. Since 2014 the Entity has reduced its volume of NPLs and foreclosures by €-3,145 million (-66%).

2. Wholesale banking

Notwithstanding the fact that ABANCA finances its loan activity with deposits from customers, with a LTD (loan/deposit) ratio of 84.7% at 31 December 2021, the wholesale banking unit complements the Bank's commercial activity and 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

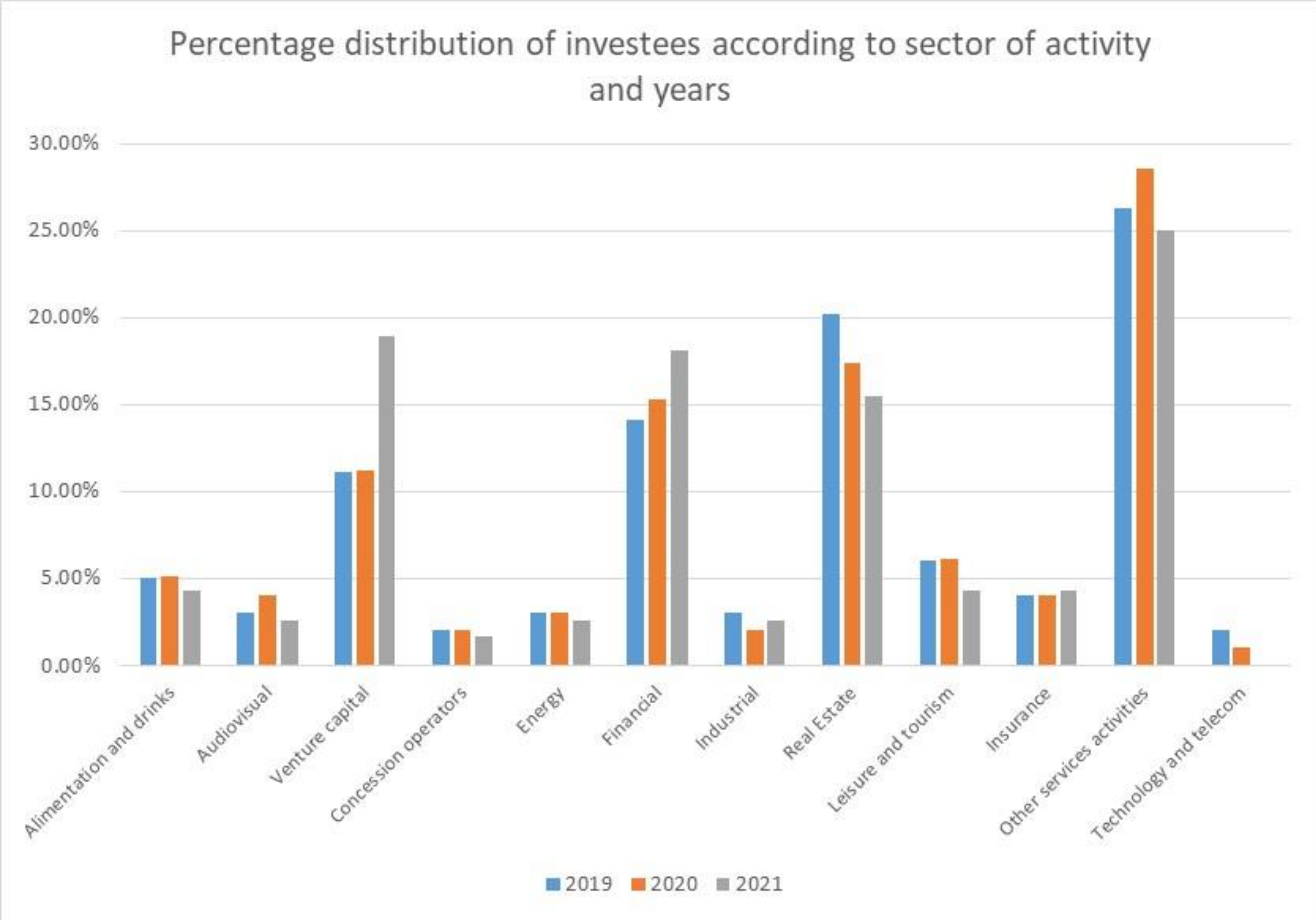
It comprises the portfolio of non-financial companies with the mission of supporting the productive fabric and supporting the Bank's activities (here we include the result of ABANCA's proprietary insurance companies, except fee and commission income and expense, which is included in the retail segment).

In 2021, 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 startups linked to the Bank's strategic pillars or business development projects in medium-sized companies and with growth potential. In 2021 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.

Lastly, after the startup of the Group's Investment Banking service, aimed at the assessment and intermediation of M&A transactions for the Bank's customers and non-customers, the first mandates received from third parties were executed in 2021, successfully concluding the first transactions.

At the close of 2021, the ABANCA Group maintains a portfolio of consolidated investees with presence in the food and beverage, leisure and tourism, insurance, finance and infrastructure sectors, and other sectors such as information technologies and telecommunications, automotive, naval, real estate, energy, etc.



Sustainable finance

103-2, 103-3, FS7, FS8, FS10, FS11

The Entity's efforts are aimed, first and foremost, at becoming a local dynamiser of sustainability, both through our financial activity and through that of Afundación, its Social Welfare Project. In both cases, we used the concept of support to the transition to an economy following ESG (Environmental, Social and Governance) criteria, from a progressive and incremental approach, namely the first green emission, project finance operations for renewable energies, self-consumption, sustainable mobility and the launch of new investment options with sustainable bias. All this effort is under way, paying special attention to the supervisor's new disclosure requirements and to the new needs arising from the adaptation of our economic activity to the established criteria, especially regarding EU Taxonomy.

1. Action plan

The Responsible and Sustainable Banking Action Plan establishes the roadmap and objectives for the coming years, incporporating the environmental, social and governance (ESG) aspects in the management, business, risk models, and in the decision-making process. Also, consistent with our business model focused on people and SMEs, we will accompany our customers in the transition to a new economic model based on sustainability, both through the financial activity and with training projects or advisory channels.

The actions envisaged to drive an environmentally friendly economic and social model are structured around three main lines of action on which the Bank has already been working for some time now:

a. environmental, with measures for addressing the climate emergency;
b. socio-economic, aimed at driving recovery and transformation towards sustainable development;
c. good governance, which is embodied in a business model that pays special attention to new stakeholder needs and specific to the new risks.

Within the socio-economic line of action, ABANCA has continued to adapt its product and service portfolio to offer a sustainable alternative to its catalogue, always from a progressive, incremental and complementary standpoint that will prove useful to support our customers' efforts in the transition towards more environmentally-friendly business models. In this context, we consider it crucial to channel finance and investment towards projects with the potential to transform the traditional economy, introducing new green and social lines of business which, in addition to being effective, respect the adaptation times of each customer. It is essential to harmonise development in innovation with our customers' capabilities and the Bank's activity is critical to achieve it, always meeting the criteria and expectations set by the regulator.

This harmonisation between development and capabilities is reflected in the training process of our distribution network teams, which establishes information and training levels and defines the necessary training mechanisms prior to effectively marketing each product. The innovation, training, marketing sequence is critical for the Bank's ESG strategy and perfectly defines how we interpret our role in the economic transition to the new business model at the same time as it maintains our marketing strength permanently updated and, therefore, capable and effective for our Bank to develop that dynamising role.

a. Channelling of finance for sustainable projects

ABANCA continues working on the transition to an economy with low greenhouse gas (GHG) emissions. To this end, since our beginnings we have supported the financing of energy projects that use more efficient technologies and that allow us to contribute positively to mitigate the harmful effects of climate change.

The Entity continues to be ranked among the main Spanish banks that promote the **financing of renewable energy projects**, working from its specialist financing area, added to the efforts of the branch office network teams for other customer segments.

In 2021, the financing projects that include criteria of sustainability and transition to an economy with low CO_2 emission intensity exceeded €820 million.

Financing with interaction in environmental matters (millions of euro)

	2020			2021		
	National	International	**Total**	National	International	Total
Wind	218	70	**288**	178	69	**247**
Solar	333	10	**343**	489	10	**499**
Small-scale hydro power plant	34	0	**34**	18	0	**18**
Cogeneration	3	0	**3**	2	0	**2**
Biomass	21	0	**21**	14	0	**14**
Other[7]	11	0	**11**	15	25	**40**
Total	**620**	**80**	**700**	**716**	**104**	**820**

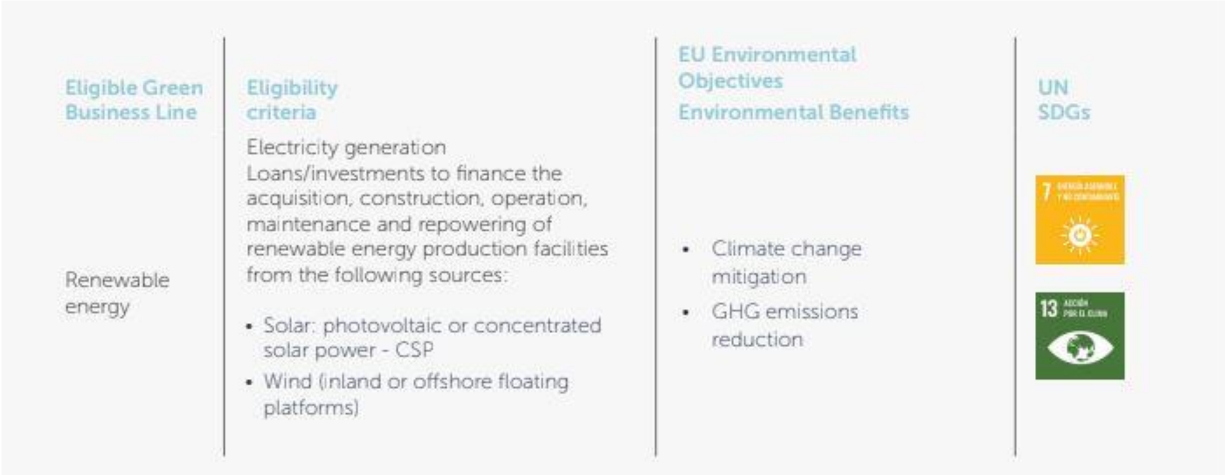
b. Sustainable markets and wholesale financing

Although the Bank's financing model is largely drawn from its customer base, wholesale financing through capital markets is crucial to properly articulate the transition to the new economy. In this regard, we published our **Framework for Emissions with Sustainable Development Goals**, with a very innovative and demanding approach, which is based on data quality and project traceability rather than on pure volume, developed in accordance with the 2021 Principles for Green Bonds, 2021 Principles for Social Bonds and 2021 Principles for Sustainability Bonds published by the International Capital Market Association.

Within this framework, ABANCA has successfully placed its first €500 million issue of Senior Preferred green bonds. In addition to the financial quality, reflected in the ratings obtained from Fitch (BBB-) and Moody's (Baa3), which give the bonds Investment Grade status, our investors appreciated the rigour in the ESG approach, endorsed by Sustainalytics' opinion of the framework and corroborated by the broad interest sparked by the issue, which includes the leading representatives of the sustainable investment, with the noteworthy participation of the "Dark Green" sector.

[7] Includes, for example, transactions that finance regasification plants.

ABANCA's Framework for Emissions with Sustainable Development Goals initially focuses on the renewable energy line of business:



From the publication of the Taxonomy Regulation, which establishes the formal framework for classifying investments considered sustainable and specifically the two delegate acts that complement it and which establish the technical criteria applicable to the impact evaluation and classification of the objectives; at ABANCA, we have begun to incorporate the criteria, under the approach of the best possible and gradual effort in the operating procedures and disclosure of information.

An example of this is the evaluation and selection of eligible projects, which is done individually as a step incorporated in the risk assessment. In this regard, ABANCA has implemented a marking system which, at business unit level, applies the corresponding label to each financing operation of the type defined aligned with the Taxonomy regulation. This label must be validated by the risk committee of the level adequate to the operation and includes the necessary data and metrics to calculate the impact assessment, if necessary.

Analysis of the contribution to priority SDGs and alignment with the environmental objectives of the EU Taxonomy	**2021**
Ending balance of financed renewable energy projects (in millions of euro)	736.8

c. Design of a sustainable product catalogue

ABANCA works to meet both customers' demand for sustainable products and the requirements of regulatory and supervisory entities. As a result of this line of work, the Bank markets several products ultimately aimed at achieving sustainability, aimed at both individual customers and self-employed professionals, SMEs, companies and homeowners' association.

Renewable energies

We developed a line aimed at financing installations for self-consumption and storage of renewable energies for all types of customers. Specifically for individuals (families and self-employed professionals) and homeowners' associations, there are installations that can be subsidised within the limits established by the self-consumption plan. The plan is aimed at promoting the execution of systems linked to self-consumption and storage, with renewable energy (RE) sources, in addition to the implementation of renewable heating systems in the residential sector, within the framework of the Recovery, Transformation and Resilience Plan (RTRP).

Energy efficiency in households

In order to facilitate the execution of these projects and supplement the European funds received with financing, the Bank is adhered to the collaboration protocol formalised by the Institute for Diversification and Energy Savings (IDAE) with the financial entities interested in these programmes and that have specific products, aimed mainly at homeowners' associations.

Sustainable mobility

ABANCA launched its first financing products on the market for actions linked to the Next Generation EU recovery fund, in addition to the Moves III Plan, an initiative of the Ministry for the Ecological Transition and the Demographic Challenge (MITECO), to promote sustainable mobility.

d. Driving recovery and transformation

One of the objectives of the sustainable finance strategy is to support our customers' transition to sustainability.

With regard to the work carried out by the **specialist business** team, it focuses on supporting the primary sector: from the dissemination of information on aid for business model improvement plans and assistance with formalities; financial inclusion of sector professionals; to the advancement of grants and finance for reducing the environmental impact and investing in social welfare projects.

Next Generation ABANCA

ABANCA has created a new internal unit, Next Generation ABANCA, to closely collaborate with the different public administrations and companies, accompanying them in the development of investment projects that will transform the economy in the coming years, providing knowledge and information on the different calls.

It is also in charge of facilitating access to the financing market, creating specific products that can advance the amount of the aid, in addition to supplementing its amount, to ensure the feasibility of each of the project phases.

Collaboration agreements

We continue with the **Plan Activamos**, a collaboration agreement between ABANCA and the four Galician provincial councils, whose main objective is to drive the social and economic development of the community.

The loans will be managed through the homeowners' associations and the financing is aimed at maintaining or improving the safety of the building, its accessibility, the installation or modernisation of the lifts, the implementation of energy saving installations and thermal insulation, in addition to improving the habitability, health and watertightness of community facilities.

Plan Activamos arrangements	**2019**	**2020**	**2021**
Number of transactions	4,945	3,324	4,050
Volume (millions of euros)	125.10	81.30	100.09

ABANCA has entered into an agreement with the EIF (European Investment Fund) to support the growth and development of Spanish small and medium-sized companies (SMEs) affected by the economic crisis arising from COVID-19.

Under the agreement, the EIF provides a guarantee of €350 million which has allowed our Bank to create a financing portfolio of up to €500 million so that Spanish SMEs can mitigate the economic consequence of the pandemic. The agreement is backed by the European Guarantee Fund (EGF), which allocates to this end part of the €540,000 million of the EU's rescue package approved in response to the economic impact of the pandemic. Thanks to the guarantee of the EIF under the European Guarantee Fund, ABANCA offers more favourable financing to SMEs and small and mid cap companies in those sectors especially exposed to the COVID-19 pandemic, supporting the recovery of its liquidity and the conservation of employment in the country.

ABANCA and its Social Welfare Project also renewed the collaboration agreement they maintained with the Galician Association of Family Businesses (AGEF) to carry out associative and training activities on the dissemination of the importance of the family-owned business fabric and its social and economic role, and to promote enterprising through an educational programme in primary and secondary schools. The agreement gives special emphasis to the objectives of family-owned businesses of reinforcement and continuity, improved legal and tax environment and promotion of entrepreneurship.

e. Socially responsible investment

ABANCA has implemented a responsible investment strategy supported on the following pillars:

a) Incorporation of environmental, social and governance (ESG) sustainability risks in investment decision-making, as a way of contributing to better long-term risk management of investments and to the identification of opportunities arising from sustainability.
b) Strengthening of the investment plan introducing material ESG considerations in the investment process that will enable better informed decision-making.
c) The inclusion of sustainability criteria in the investment process is considered a good practice by the Bank's customers, which is reflected in the higher demand for products and services related to responsible investment.

In 2021, the Bank modified its Responsible Investment and Integration of Sustainability Risks Policy to include the strategy and basic action principles in this regard. We seek to obtain a return on investment consistent with our profitability objectives and, in turn, consistent with the satisfaction for the sustainability and environmental respect objectives of the customers themselves, without forgetting social well-being. The new metrics, specific to the control and evaluation of these factors, will be included in the Entity's information systems so that the impact of our activity is measurable and traceable and, therefore, can be presented to society in an understandable and homogeneous way.

In regulatory terms, the Policy responds to the obligations of Regulation (EU) 2019/2088 of the European Parliament and of the Council, of 27 November 2019 (or SFDR Regulation), on the disclosure of information relating to sustainability in the financial services sector. In particular, the Policy ultimately aims to inform of how sustainability risks are incorporated in the investment and assessment decision-making processes.

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 Seguros.

Alpha 360 investment model

ABANCA's investment model, Alpha 360, 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 incorporation of ESG criteria in the selection funds and asset analysis.

All the funds included in the Alpha portfolios are managed by the signatory management companies of the Principles for Responsible Investment (PRI) and, during the fund selection process, a negative filter is applied to those funds managed by non-signatory entities of the Principles for Responsible Investment.

The Alpha model offers four investment strategies:

- 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 identifies three main megatrends linked to sustainable development: innovation, demography and sustainability. At least 75% of the portfolio is invested in sustainable funds classified as Article 8 or 9 under the SFDR.
- 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, the integration of best-in-class criteria in the selected funds and the incorporation of funds linked to sustainable or impact investment topics.
- ABANCA 360 portfolio: it is an innovative and simple product that allows us to offer an investment opportunity for all types of customer profiles that demand a professionalised management of their portfolio and with a minimum investment threshold among the lowest of the sector. The customer not only receives a service adapted to their risk profile, but is also aware of the strategy followed by their investment implemented by ABANCA brand passive management.
  The ABANCA 360 portfolio makes it possible to create diversified portfolios that fulfil principles that go beyond the search for return on investment: they included in the analysis of environmental, social and good corporate governance (ESG) criteria throughout the process, which is why they can be classified in Article 8 of the SFDR (EU Sustainable Finance Disclosures).
  It is a product that includes three sustainable ABANCA brand investment funds that seek to promote investment under ESG criteria: ABANCA Renta Variable ESG 360, FI, ABANCA Renta Fija ESG 360, FI and ABANCA Renta Fija Transición Climática 360. These funds are classified as Article 8 or 9 under the SFDR.

The Alpha Exponential Future Portfolio, Alpha Responsible Portfolio and ABANCA 360 Portfolio are classified as an Article 8 product under the European Union's Sustainable Finance Disclosure Regulation or SFDR, on promoting environmental and social characteristics.

Socially responsible investment	**2020**	**2021**
Total Volume AUM managed at GDC (millions of euro)	576.84	1,245.62
Total volume managed classified according to the SFDR criterion (millions of euro)	436.45	1,095.76
Percentage of AUM included in sustainable strategies, classified as Article 8 according to the SFDR criterion.	75.7%	88.0%

f. Financing of sustainable projects

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 19%, as detailed below:

ABANCA Investments with interaction in environmental matters (millions of euro)				
	2020		**2021**	
Sector of activity	**Output (Mw)**	**Holding (%)**	**Output (Mw)**	**Holding (%)**
Norvento Montouto, S.L.				
– Fiouco	24.00	19.90%	24.00	19.90%
– Montouto	20.46		20.46	
Norvento Curuxeiras, S.L.	49.60	19.90%	49.60	19.90%
Norvento Sasdónigas, S.L.	18.00	19.68%	18.00	19.68%
Total	**112.06**	**< 20%**	**112.06**	**< 20%**

2. Information relative to the adaptation of European Taxonomy and disclosure on Article 8 of Regulation 2020/852

a. Precedents and regulatory justification

In June 2020, Regulation (EU) 2020/852 (hereinafter, "Taxonomy Regulation" or "Taxonomy") was published, which establishes the formal framework for classifying investments considered sustainable and whose ultimate purpose is to modify the economic flows and direct them towards purposes and activities with a positive impact on the climate and environmental figures defined by the framework itself.

In addition to the Regulation, two supplementary delegated acts were also published: the Delegated Act of 4 June 2021, establishing the technical criteria applicable to impact evaluation and classification of the mitigation objectives and adaptation of climate change, and the Delegated Act of 6 July 2021, detailing the disclosure requirements of companies obliged to publish non-financial information on the sustainable economic activities defined in the Regulation, in accordance with Directive 2013/34/EU (Directive NFRD).

The latter delegated act defines a methodology and templates that establish the principles and forms that financial entities must observe to analyse and publish the different items and assets, and how these contribute to some of the sustainability objectives established by the Taxonomy. In particular, in indicator is established that all financial entities must publish, the Green Asset Ratio (GAR), that determines the degree of alignment of the Bank's balance with the sustainable objectives of the Regulation, considering that an activity is aligned when, in addition to being classified in a typology established in the Taxonomy, it meets the required technical and screening criteria.

Provisionally, and due to the difficulties of calculating alignment in the current state of development of the necessary information structures, entities must report the calculation of the ratio in accordance with their "eligibility" instead of their alignment. The regulation determines that eligibility will be determined by the classification in an activity in the Taxonomy, without further evaluation or verification than the mere reference in the regulation. In the absence of other, higher-quality data, internal Bank information was used.

Lastly, worth mentioning is the publication of two FAQ documents relative tot he second Taxonomy delegated act, in December 2021 and February 2022, by the European Commission. In these documents a double approach is established with respect to the publication of eligibility information, one mandatory, based on the public information on the counterparties, and another voluntary, based on internal estimates and criteria.

However, and due to the lack of information in this first year of application of the delegated act by the counterparties, the Entity has given priority to the voluntary approach based on internal information, in order to ensure greater transparency and with the aim of reflecting ABANCA's exposure to green activities as realistically as possible. This is true to the extent that the mandatory calculation criterion of the Eligibility Ratio excludes all credit granted to non-financial corporations not subject to the Non-Financial Reporting Directive (NFRD) from the consideration of eligibility, which excludes by default the credit granted to all small and medium-sized companies, regardless of the activity in which they engage.

b. Determination and methodology

Taking into account the provisional and temporary nature of the calculation of the eligibility ratio for 2022 and 2023, ABANCA has applied the criteria of a) best possible effort and b) respect for the literal nature of the criteria for obtaining the necessary information. The ratios required in the 2021 NFIS are as follows:

- Proportion of assets associated with eligible and non-eligible economic activities (as eligibility is defined above), according to the Taxonomy.
- Proportion of exposures to Central Governments, Central Banks and supranational issuers over total assets.
- Proportion of derivative positions over total assets.
- Proportion of exposures to entities not subject to the obligation of publishing non-financial information pursuant to Directive 2013/34/EU over total assets.
- Proportion of exposures to the trading book and demand interbank loans over total assets.

However, pursuant to the Regulation itself, certain exposures have been excluded from the scope of the main ratio, not appearing neither in the numerator nor in the denominator.

- Exposures to central banks.
- Exposures associated with sovereign issuers.

- Trading book.

Additionally, the Regulation establishes that some exposures can under no circumstances be aligned with the Taxonomy and, therefore, have been excluded from the numerator of the eligibility ratio. These exposures are:

- Derivatives.
- Demand interbank loans.
- Cash and cash equivalents.
- Other assets.

As regards the methodology for calculating the eligibility ratio and the data obtainment process, ABANCA has opted for a solution integrated with the financial reporting information that is compliant with regulatory requirements. The aim is to have a solution for sustainability disclosures that allows the Entity to include new areas of information in a continuous and flexible way, in addition to ensuring the maximum consistency of the information, supported in a single centralised data dictionary that enables the traceability and reconciliation of the data, and minimises errors and manual data processing.

Additionally, and based on the approach applied by ABANCA based on its understanding of the requirements which, according to its current definition, is subject to some limitations, it is important to take into account the following considerations that were taken into account when making the calculations:

- The Entity encountered limitations on the availability of all the necessary information, due to the fact that the ABANCA and Novobanco systems are in the process of being incorporated. For this reason, the application used to generate the ratios did not include said information when obtaining the information from the Entity's own system (as Novobanco's data were not yet available). Therefore, the information used accounts for 97% of the Group's total assets, being a material figure that adequately reflects the Group's current ratios.

- The information used as a basis for calculating the indicators in the case of loans and advances, debt securities and investment in subsidiaries and associates is expressed in gross amounts.

- The Group information used was obtained from the confidential Financial Statements (scope of prudential consolidation), which differ from the consolidated public Financial Statements in that they are different scopes of consolidation (scope of prudential consolidation vs scope of confidential consolidation).

- It should be noted that, given that some exposures (derivatives, interbank loans, etc.) are only excluded from the numerator but not from the denominator in the calculation of the eligibility ratio, under no circumstances will 100% of eligible assets under the Taxonomy be reached.

- The Taxonomy Regulation does not currently cover all the activities carried out and that entities can finance. Equally important, it should be noted that those activities not included as eligible are not necessarily considered harmful for the environment.

- The exposures of the homes portfolio include, inter alia, all the loans guaranteed by residential real estate, given that they can be potentially aligned following the criteria of the Taxonomy Regulation in accordance with their levels of energy efficiency.

- The calculation was made online with the voluntary approach that tries to complement the data and, therefore, includes approximations in relation to:
  - Non-financial companies: both those which are subject to the Non-Financial Reporting Directive (NFRD) and those which are not.
  - The purpose was taken into account or internal Entity information on transactions was used.

The consideration of approximations is deemed appropriate to fully meet the requirements of the aforementioned delegated acts, taking into account that: on the date of issue of ABANCA's 2021 NFIS, the customers and other counterparties with which the Entity interacts had not yet informed of their obligation or non-obligation to present their corresponding NFISs relative to sustainability. ABANCA has considered those counterparties with the category of "non-financial companies" which, due to their size, are considered "SMEs", as entities not obliged to report non-financial information, pursuant to the definitions of Recommendation 2003/361/EC of the Commission, of 6 May 2003, on the definition of micro-enterprises, small and medium-sized companies, and large companies with less than 500 employees.

- In order to determine the calculation of eligibility, the individual analysis carried out on the renewable energy financing transactions (wind and photovoltaic farms) was also taken into account, which, in our opinion, meet the technical requirements for alignment with the EU Taxonomy Regulation.

The result of applying this methodology is that, at 2021 year-end, ABANCA had an eligibility ratio of 42.72%. Applying the mandatory approach, which excludes any financing granted to small and medium-sized companies (not subject to the NFRD) from the numerator, regardless of the eligibility of their activity and the transactions for whose identification of the purpose internal information from the Entity was used, the eligibility ratio would stand at 30.95%.

c. Eligibility ratios according to EU taxonomy

Proportion of eligible economic activities	**Millions of euro**	**%**	**%**
Proportion of eligible assets	22,795	42.72%	30,95%[8]
Proportion of non-eligible assets	30,570	57.28%	
Portfolios included within the scope of the ratios of eligible and non-eligible activities	**53,366**	**100.00%**	

Proportion of exposure in total assets	**Millions of euro**	**%**
Exposure to regional governments, central banks and supranational issuers	23,671	30.68%
Exposure to derivatives	69	0.09%
Exposure to companies not obliged to present non-financial information (applying the mandatory approach)	12,006	15.56%
Trading book	114	0.15%
Interbank loans	188	0.24%
Total assets for calculating the eligibility ratio	**77,151**	**100.00%**

[8] Eligibility ratio applying the mandatory approach

- In the numerator, amount of €22,795 million, which is broken down as:
    - Investment portfolio to financial companies with economic purposes defined as eligible: €346 million
    - Investment portfolio to non-financial companies with economic purposes defined as eligible: €6,905 million
    - Portfolio of eligible homes (including loans guaranteed with residential real estate, building renewal loans and car loans): €15,155 million
    - Portfolio of security interests obtained by take-over (foreclosed residential or commercial properties): €389 million

- In the denominator, Total Assets amounting to €53,366 million, product of the sum of:
    - Loans and advances, debt securities and non-trading equity instruments admissible in the calculation of the eligibility ratio: €33,115 million
    - Security interests obtained by take-over: €389 million
    - Other assets (derivatives, interbank loans, cash and other assets): €19,862 million

Our business strategy, specifically sustainable finance to support our customers in the transition, is indicated at the start of this chapter. This strategy is aligned with climate and environmental risk management, as explained in the chapter on Risk Management.

ABANCA Innova

203-2

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:

1. Technological observatory

a. **Sandbox BdE**: we participate by supporting the proposal of Galician company GodEnigma in the first call of the Banco de España's regulatory sandbox. The Ithium100 project is an advance payment on order platform built on blockchain technology that provides access to the financing of customers in the earliest phases of the business. The platform is based on the immutability and transparency characteristics of blockchain technology to ensure negotiation and facilitate the approval of bids. The test conducted within the context of the sandbox includes the collaboration of companies of the Galician group Abeirar and ABANCA's financing. The pilot will be developed from September 2021 to February 2022, in accordance with the standards established in the Banco de España's sandbox, in order to ensure its validation as an approvable product and its subsequent implementation in the market.

b. **New internal proof of concept process**: at ABANCA Innova, we have driven the initiative of developing a specific process within the Entity that enables collaboration with suppliers in a proof of concept environment in an agile and delimited manner. This provides us with tools for collaborating with startups to test the products or services they offer and which are interesting for the Bank's business areas, avoiding cumbersome tendering processes that do not help expedite this type of market validations.

A specific process has been defined within the Entity's innovation processes that supports these initiatives, establishing a limited risk context provided that it allows these tests to be conducted at reduced cost, risk and effort. A specific and empowered work team is in charge of performing all the validations in order to consider that the proposal fits within this limited risk environment. As a result, we aim to have a channel for conducting these pilots that will enable their formalisation in a period of less than two months for an execution of pilots of up to three months in most cases.

c. **QR Wallet Payments Platform**: following the success of the 2020 PRESCO bonds, several institutions have decided to place the model at citizens' disposal, obtaining the following volumes:
   - 351,005 users registered on the platform.
   - 7,043 commercial establishments.
   - €30 million in sales.

2. Open innovation

a. **Merlin+Lanzadera**: Lanzadera, one of the benchmark accelerators in Spain, has launched a new collaboration format for open innovation called "hub". The hub is comprised of a driving corporation and one or more facilitating corporations. The driving corporation proposes a challenge for Lanzadera to find startups that will be supported by the facilitating corporations with the aim of overcoming the challenge.

   Lanzadera has invited ABANCA to participate in retailtech hub promoted by Merlin Properties, a listed company that engages in the acquisition and management of tertiary real estate assets in the Iberian Peninsula. This hub also includes the participation of Google and VISA as facilitators. The challenge focuses on finding innovative solutions for shopping centres so that customers choose this option over others within their reach. Merlin has 15 shopping centres in the Iberian Peninsula, including Marineda City, located in A Coruña.

   The aim is to implement the selected startup solution in one of Merlin's shopping centres, improved through the facilitators' contributions.

b. As regards the **ABANCA Innova startups programme**, in 2021 we successfully complete the execution of the proposals selected in the 2020 startups programme. The three selected initiatives were received with great interest by the sponsored business areas and they are all in the process of extending throughout the Bank's processes.
   - **KYCredit** provides services for different industries (financial, insurance, retail) that make it possible to reduce the risks of fraud and/or credit with their counterparties.
   - **Bigle Legal** is a software solution which allows companies to automate the process of creating their legal documents, eliminating human error and saving time and money.
   - **Ironchip** prevents a remote attacker from accessing its service if it does not have a specific mobile device in a certain geo-position. This will make it possible to avoid phishing problems, remote attacks or sim swapping, inter alia.

3. Intra-enterprising

In 2021 the intra-enterprising programme focused on the development of four initiatives that were presented at the innovation hub with great interest.
   - **HipotecaDiY** is a mortgage that is fully managed online until the formalisation phase. Customers can arrange their mortgages when and where they want and, since they are responsible for making all the arrangements, they are paid for their time in return. It is, therefore, the first remunerated mortgage loan.

- **//Adonde** is a solution for the flexible management of workspaces. It is an integrated, modular, scalable and fully configurable software. It allows the employee to book the room or workstation that best meets their needs in a matter of seconds.
- **//Acompaña**: this project is a functionality of mobile banking that allows the customer to know the availability of their manager and interact with them in real time. It uses a "traffic light" system through which it shows different statuses: available, I have a moment, in a meeting and disconnected.
- **Perfílate**, a digital and conductual tool that, through a profiling process, leads customers to their ideal product. It is a service that seeks to increase the sale of investment funds through digital channels, generating appetite for investment funds and presenting historical returns from portfolios adapted to their investment profile.

5

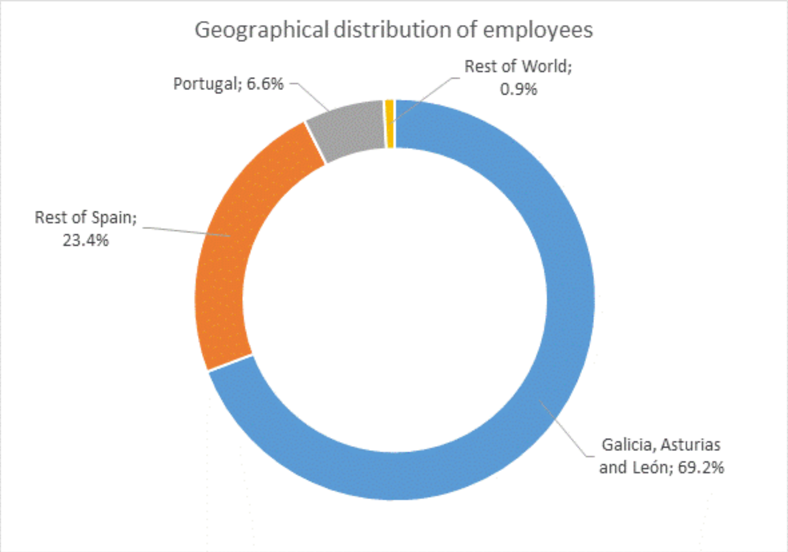
Responsible professionals

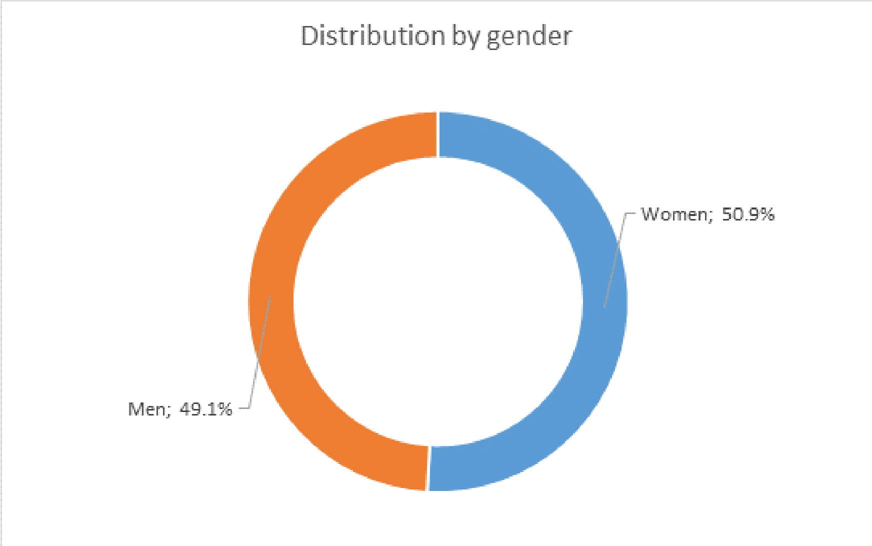
5,979
professionals

Average age
44.87 years

Average seniority
16.47
years

97.7%
permanent contracts
excluding internships





Talent

103-2, 103-3, 404-2, 412-2

1. ABANCA Evoluciona Project (reskilling and upskilling)

Companies have undergone major internal changes in recent years, renewing the corporate culture, digitalising ourselves and promoting creativity and innovation among our employees. Similarly, our employees have been obliged to embrace continuous learning to avoid being left behind in the labour market. Indeed, the digital revolution is imposing an overly demanding pace, continuously creating new professions and roles for which there is a shortage of adequately qualified employees.

This means that the new labour market entails the transformation of the most routine and mechanical jobs, easily robotisable, into tasks and functions with higher added value. The key to employment in the near future does not only lie in the appearance of new jobs, but rather that most existing jobs evolve.

The new needs in response to changes in the market or in organisations' objectives make it important to undertake reskilling and upskilling processes in order to equip employees with new knowledge to meet business needs.

The difference between the two concepts lies in the training and development objective: while upskilling seeks to equip employees with new skills to optimise their performance, reskilling, also known as professional recycling, seeks to train employees to adapt them to new job roles in the company.

In general terms, the former creates more specialised employees and the latter creates more versatile ones.

When it comes to training and developing our employees, companies must take into account both so-called hard skills and soft skills. Hard skills are an employee's technical skills that allow them to perform certain work, such as handling certain software programs, whereas soft skills refer to emotional intelligence, communication capacity, change management and other personal and interpersonal skills that help an employee to work efficiently in a modern company.

At ABANCA, we understand reskilling and upskilling as a continuous process that involves detecting business needs, evaluating employee skills, identifying the gaps to be addressed and designing development and training plans aimed at closing said gaps. All this accompanied by continuous monitoring and evaluation that allows them to adapt to the company's needs at any given time.

ABANCA's reskilling and upskilling process has begun with the professionals most closely linked to the commercial network, since many of the strategies and improvements made in this part of the organisation (reorganisation of branch offices, reduced opening hours at the cash desk, operational improvements, remote commercial channels, etc.). This process implies equipping our employees with new skills in order to achieve greater specialisation and training them in new duties that will allow them to be more versatile in their professional performance. Evoluciona ABANCA already involves more than 500 professionals in this first phase between participants, mentors and tutors.

Evoluciona ABANCA has development and training plans for the different groups, adapted to their needs and grouped under a common framework through a specific SITE. Each group has a Development and Training Plan with all the available actions that will allow them to keep track of their progress. They can also access the training tools from different devices in order to perform scheduled actions with greater flexibility.

These development plans give special importance to the development of soft skills, such as change management, communication, emotional intelligence, problem solving or digital culture, and which are highly important to effectively work in an organisation. Said development plans include a triple training offering:

- GOODHABITZ self-development platform: an online training platform with more than 80 courses aimed at personal and professional development.
- IESIDE reskilling seminars: webinar sessions on different topics delivered by prestigious speakers, focuses on digital culture, change management, communication, emotional intelligence and problem solving and analysis.
- OVERLAP workshops: training itineraries on commercial skills and networking with activities for putting that learned into practice.

Evoluciona ABANCA is a magnificent opportunity to grow as people, update capabilities and adapt to the changing scenario in which we find ourselves, fostering collaborative work and being more polyvalent, versatile, flexible and agile.

2. Career plans for critical collectives

For ABANCA, it is increasingly important to have a personalised value proposition for the Entity's critical collectives, those in which we invest more time and effort to attract, development and retain. To this end, in 2021, we defined and implemented specific career plans for customer intelligence and digital marketing teams, and for specialist personal banking and private banking managers.

The specific career plans for these collectives include:

- A scheme for recognising the different levels of contribution that people in these teams can eventually make, identifying criteria in relation to the knowledge, experience and expected results associated with each of the contribution levels.
- Professional development programmes that combine:
  - onsite and remote training actions, leveraging the resources of business schools and world-class technology benchmarks.
  - experiences in those areas where service is provided to bring together the different perspectives and exchange knowledge on specific problems.
  - participation in cross-cutting projects to enhance the vision of the bank and the business.
- Remuneration benchmarks that reflect the greatest contribution of each of the levels, with the possible inclusion of incentive schemes to achieve strategic objectives.

This initiative will be extended to the other critical collectives in 2022.

3. Diversity and inclusion

The Nomination and Sustainability Committee of the Board of Directors is responsible for evaluating the necessary balance of knowledge, capacity, diversity and experience in the Board, and for establishing a representation target for the gender less represented therein. For the purpose of favouring gender diversity, the committee will propose measures that promote the existence in Society of real equal opportunities, regardless of gender or other attributes other than meritocracy and adequacy of the person (their training, experience and skills) to the function to be discharged.

Consequently, the Board of Directors approved, in its session of 1 March 2021, the renewal of the principles for ABANCA's equality policy. As explained in these principles, the responsibility for managing the equality policy is shared among all hierarchical levels, starting with the Management Committee and extending to all employees, and will be periodically evaluated by the Board of Directors itself.

In December 2021 the new 2021-2025 Equality Plan was signed by the vast majority of the employees' representatives (all the trade unions, except CIG), which contains a series of measures for guaranteeing real equality of treatment and opportunities between men and women at ABANCA and overcoming any possible inequalities that may exist on the grounds of gender.

Working in conjunction with the communication and marketing teams, we built an integrated communication, sensitisation and training plan for the entire workforce that integrates the commitments acquired in the new Equality Plan with a positive and entrepreneurial vision of the challenges we face in terms of equality and diversity:

//ABANCA iguales

This integrated plan contains actions scheduled in accordance with the different target audiences:

Audience	**Objective**
Board of Directors and Management Committee	Share and agree upon a positive, companywide approach to diversity and materialise the promotion of its benefits by the senior management.
All personnel.	Communicate the progress made in equality and diversity challenges, and reinforce diversity management best practices. It will be articulated through relevant stories published on the portal every month and open technical sessions every quarter, with external specialists.
Group of 25 women and men with the potential to successfully assume positions of greater responsibility.	Talent development programme aimed at this group to have access to diverse talent with which to fill upcoming promotions in the Business areas.
Teams involved in selection and recruiting (human capital, talent and business partners). People responsible for teams (directors, managers, etc.).	Gain awareness of unconscious biases and apply techniques to offset their possible effects. Promote a common vision of the positive aspects of a diverse team. It will be done based on interactive sessions with self-knowledge tests, practical cases and tools to aid the decision-making process.

The messages that will be conveyed through the different actions reinforce the two governing principles of the plan:

- We firmly believe that diversity at all levels improves the organisation's bottom line and the commitment of the people who form part of each of the companies.
- Our commitment to use formulas that foster co-responsibility and allow employees to work and contribute 100% but with greater flexibility, instead of working and contributing less through reduced workday formulas that are detrimental to these groups less represented in executive positions in the medium term.

Culture and change management

103-2, 103-3

1. **Engagement survey**

   In 2021 we carried out two engagement surveys to measure professionals' level of connection and commitment to the organisation. Even acknowledging the burnout caused by the prolonged pandemic, the global result of 85% in the year remained within the corporate target, well above industry and country ratios. The factors that most influence the fact that ABANCA has such high levels for the fifth consecutive year are perception of job stability, organisational leadership and alignment with strategy.

85% bank engagement ratio

2. **Work sessions on the manager's decalogue**

   Throughout the year we have maintained periodic work sessions with the executive team to explore the contents of the manager's decalogue we launched in 2020. The sanitary circumstances required all these sessions to be held in virtual format, but this did not prevent the team from taking the opportunity to jointly celebrate our achievements as ABANCA and experience first-hand the new functionalities of Google Meets to share ideas and dynamise meetings.

   These sessions replace the face-to-face sessions planned in 2020 to complete the communications launched on values and leadership through the corporate portal and the work on each behaviour that has been done through the app “El viaje común” ("The common journey"). In fact, the refocusing of all this initiative to virtualise it in the context of the pandemic and the use of the app earned ABANCA the first GREF prize to the best training initiative in 2021, awarded by the group responsible for training and development of financial and insurance entities. This initiative, led by Human Capital, promotes learning through the life story of well-known world leaders who, in turn, were inspired by other leaders. The challenge was to mobilise the entire workforce, avoiding traditional approaches, reinforcing learning through example and action.

   In order to give continuity to some of the concerns that have arisen from the work sessions on the decalogue, some smaller teams have voluntarily formed to identify actions and establish specific action plans to mobilise the key levers for success.

3. **Listening spaces, approximation of central services to business**

   With the aim of driving the customer focus and continuous improvement, in 2021 we reinforced the Listening Spaces that were being implemented at territorial level, including supervisors responsible for the main branch office service areas. These spaces are meetings where these supervisors listen to business professionals' proposals to improve ABANCA's service quality in their spheres of responsibility. We have carried out 18 sessions with the participation of 300 people from all territorial areas, together with the managers of the loan approvals, insurance, risks, payment methods, anti-money laundering, compliance and customer care units. As a result of this dialogue, improvements were identified in key areas for the Entity that have entailed major improvements for the branch offices.

4. Internal coaching culture

Two-and-a-half years ago we initiated a internal pilot coaching experience for profiles excluded from ordinary programmes with external coaches. The experience was very positive, due to which we launched a reinforcement programme for the group of internal coaches through external certification to reinforce the capabilities of the internal school and extend this executive coaching method to more people.

As a result of this programme, ABANCA won a runner-up prize in the AECOP 2021 "Coaching Culture in the Company" Awards, a company that has been implementing its coaching programmes since 2015.

Training

103-2, 103-3, 404-2

1. 2021 training plan

The focus of training in 2021 was placed on addressing the Bank's major business challenges, which were:

Off-balance sheet investor attraction support plan:

The quality of the investment advice received by our customers is a key aspect for ABANCA. In order to reinforce our advisors' capabilities, this year we implemented a specific plan that combines different initiatives such as the organisation of three quarterly market sessions in which the Bank's vision is shared, the evolution of our portfolios is analysed or training is provided in new product developments such as 360 discretionary management portfolios, a differential product in the market.

All these sessions were complemented with the inclusion of a specific assessment "site", with access to the entire commercial network, market reports, training pills, access to webinars, etc.

Online training resources were created and made available to the network with sessions recorded by the Investment Manager and his team with the aim of discovering the network, always supported by the Personal Banking team to clarify any doubts, in which more than 1,400 people participated.

All this accompanied by specific training aimed at personal banking advisors focused on tax and success planning, international economy, portfolio management, etc. In addition to the creation of a specific personal banking talent pool under the Evoluciona ABANCA programme, to prepare future possible roles of the segment.

Support for the launch of new ABANCA insurance products:

For the launch of ABANCA Seguros, a training plan was designed aimed mainly at internalising the changes in the marketing model. This itinerary was organised so that each person cold gradually acquire the necessary capabilities, based on the internalisation of the transformation of the model until consolidating the technical knowledge of the product ranges explored.

To this end, Intranet notes and videos, online courses and 20 reinforcement webinars were carried out, which were attended by practically all commercial network employees, which positively valued the application used to house these courses, the practicality of the course structure designed and the accompaniment of the subject matter experts through the video conferences offered at different times and on different days.

Implementation of omnichannel systematics:
We have accompanied the change in habits in the consumption of the Company's financial services, reinforcing remote customer management capabilities based on a omnichannel relationship model.

This training included the participation of all the roles of the branch office network, focusing more on the figures of specialist digital managers, directors and deputy directors, with the aim of converting them into change advocates.

To guarantee the adoption of the relationship model, random simulated conversations were held, called "remote conversation samples", similar to mystery shopping, and workshops to reinforce the model based on its findings.

More than 2,000 employees of the commercial network have received the training and a total of 350 professionals have participated in these remote conversation sample sessions, which were followed and accompanied by regional directors and branch office directors. After the training and subsequent practice sessions, a level of adoption of the omnichannel relationship model of 8 out of 10 was achieved, representing an improvement of more than 3.5 points compared to the initial measurement.

Accompanying the career transition processes arising from the optimisation of the branch office network, automation and digitalisation.
ABANCA's training service has maintained its A rating (satisfactory service) in the Service Quality Score (SQS), also receiving the GREF Award (group of training managers of financial and insurance entities) for the best training initiative of the year for #elviajecomún, the training app for disseminating ABANCA's values and leadership by example and internal and external success stories.

2. Coursera experience

In October, a group of more than 50 people tested the Coursera online training platform for technical profiles.

The objectives pursued with this test were as follows:

- To value this platform as a lever for the reskilling process in which we are immersed, where specialisation and speed of change (especially in technology and analysis tools) make it unfeasible for a training area to keep the training contents of this subject matter updated, passing from a proactive role as a supplier of training contents to a role as a supplier of a learning space/platform where the employees themselves orients and takes the necessary actions.
- To evaluate whether the contents offered are actually leveraged by our employees (prestigious universities, relevant and updated courses, adaptable levels of complexity, etc.).
- To experiment with the different ways of structuring the training offering (academies, skill sets, recommendations, free search, etc.).
- To get a real sense of the collective use and navigation within the platform.

Very good results were obtained in the pilot. Participants' satisfaction was high or very high, saying that they would recommend the use of the platform to their colleagues in 100% of cases. 75% extend the recommendation to their team and 65% also to their superiors.

The main benefits perceived for ABANCA are as follows:

- 78%: Improved productivity
- 56%: Retention of the best talent
- 33%: Attraction of new talent
- 33%: Maintenance of low turnover levels
- 22%: Increased internal mobility

After this test, ABANCA agreed to acquire a number of Coursera licences in the coming years. Licences will be assigned based on the following criteria:

- Specialisation, prioritising the areas of technology, data analytics and intelligence.
- Potential, prioritising people identified with potential for their development and those in reskilling and upskilling processes.
- Satisfactory use: we will monitor the use of each licence, requiring a reasonable use and aligned with work needs, in addition to a minimum number of hours of use every six months and a final certification of the courses.

3. Training in cybersecurity and secure development

In 2021 we reached the end of the training and awareness plan initiated in 2018, reinforcing it with a specific secure development plan in which more than 170 professionals from the technology area participated and which will extend to the first quarter of 2022. At the end of the three-year cycle, the balance is more than 15 different actions organised with more than 35,000 participations therein. The maturity test with simulated attacks conducted in 2021 demonstrates the effectiveness of the actions carried out, since it reflects an improvement in the reaction to phishing attacks, in all its parameters. Also in 2021, we validated the proposal for the plan that will give it continuity after 2022.

4. Business management development programme (BMDP)

The business management development programme, initiated in 2019, is another important pillar of our training plans in the professional development of key groups within the organisation. In 2021 we finalised said programme, whose purpose was to train 13 business leaders, area and segment directors with vision of the transformation that is taking place spearheaded by the digital revolution and the capabilities required to be successful in this new environment. The programme, developed in conjunction with IESIDE, was divided into five modules, with topics such as new business challenges in the financial sector, digital marketing or leadership and organisational change, together with the development of an application project for ABANCA. The programme received one of the highest scores by the participants, 9 out of a maximum of 10. This programme will be the basis of the one that will be implemented in 2022 for another talent group, which is aimed at driving diversity in the organisation.

Equal opportunities and reconciliation policy

103-2, 103-3, 412-2

1. Equality plan

With the aim of fulfilling the regulatory obligation that allows us to advance towards achieving real equality in treatment and opportunities among different genders at the Entity, as well as equal pay between men and women, the Equality Plan of ABANCA Corporación Bancaria, S.A. was approved for the period 2021-2025.

Its main objectives are:

- To guarantee that every person has the same opportunities of incorporation, remuneration, professional development based on their achievements and performance (meritocracy) regardless of their gender.
- To facilitate that those people who, at a specific moment in their lives, need to focus more on their family or personal life but who, at the same time, want to continue to be committed to ABANCA and to their development therein, have measures and tools that effectively make this possible. For this reason, formulas were sought that foster co-responsibility to make it possible to work and contribute 100% but with greater flexibility instead of working and contributing less.
- To achieve a balance representation of the under-represented gender by improving their possibilities of accessing positions of responsibility.
- To favour the work/life balance of our employees as a necessary condition of the Company's value proposition.
- To promote working conditions that avoid sexual harassment and harassment on the grounds of gender and help victims of gender-based violence.
- To sensitise personnel in relation to equality and diversity through the development of a training programme.

The Equality Plan is composed of ten action areas, with specific actions to be carried out in training in gender, selection and recruitment, professional promotion, remuneration and salary audit, co-responsible exercise of rights to personal, family and work life, female under-representation, non-sexist communication and language, occupational risk prevention from a gender viewpoint, prevention of bullying, sexual harassment and harassment on the grounds of gender and, lastly, gender-based violence.

2. Remuneration audit and wage gap

In compliance with the provisions of the regulations in force on equal pay, RD902/2020, of 13 October, on equal pay between men and women, an external advisor, People Matters, S.L. performed a salary audit for 2020 in order to include its conclusions in the new Equality Plan of ABANCA Corporación Bancaria, S.A., which involved a previous remuneration diagnosis of the total compensation of women and men, in accordance with the job evaluation system in place at the Bank.
The aim of the audit was to identify the most significant differences between the salaries of men and women, in addition to their origin and other relevant factors that may be influencing them, and define an action plan conducive to addressing them.

RD 902/2020 and 903/2020 determine that a wage gap exists when it exceeds 25%. In the case of ABANCA, measured pursuant to said Royal Decrees, this difference does not reach 25%, which does not mean that we don't need to keep working to reduce it even more.

There are a series of factors that affect the gap, inter alia:

a. The impact of reductions of workday for legal guardianship, enjoyed mainly by women.
b. The predominance of men in positions of responsibility, which corresponds to higher salaries. This is one of the main causes of the global differences and in some levels in favour of men.

c. The formation of the Entity through the absorption of different entities that, in turn, carry over the wage gap at origin.

Indeed, using the calculation model developed by the Entity, which subtracts the impact on salary of any variable other than gender (seniority, equal responsibility, etc.), the resulting gap is -5.71 points in Spain and -5.55 in Portugal.

Taking the main causes of the current gap as references, an action plan was defined and incorporated in the content of the Equality Plan.

Security and health

103-2, 103-3, 403-2, 403-3, 403-5, 403-6, 403-7

1. Main measures for ensuring employees' security and health in the COVID-19 situation.

The main measures adopted to ensure the safety and health of personnel during the COVID-19 situation were as follows:

- Crisis Committee for managing the pandemic.
- Preparation, implementation and regular revision of the protocols in accordance with the regulations in force.
- Teleworking continues to be encouraged during times of higher incidence of COVID-19 cases.
- Temporary reorganisation of the branch office network.
- Preparation of informative manuals in central services and commercial network.
- Regular publication of good practice tips to avoid contagion and pills on preventive measures.
- Revision of the diagnostic test policy.
- Main preventive principles to contain the pandemic.
  - 100% of commercial network workstations continue to be equipped with partitions.
  - Daily notification to all employees to control symptoms.
  - Hydroalcoholic gels and facial masks continue to be made available to all personnel.
  - During the quarantine period, the Prevention team made individual calls as a means of accompaniment and follow-up of affected persons, in addition to tracking of possible close contacts at the workplace.
  - A form is made available to personnel for the voluntary communication of COVID-19 vaccination with the aim of ascertaining the general vaccination situation of the company in order to ensure and preserve collective safety and health.

2. Cardioprotection plan

Within the framework of this project, one of the actions taken in 2021 consisted of delivering training in basic life support and external semi-automatic defibrillation to the personnel located in the cardioprotected buildings. This theoretical-practical action has a major impact, since it allows us to know the basic steps to follow to initiate a basic life support action using an External Semi-Automatic Defibrillator (ESAD). In 2021 a total of 89 persons distributed in 11 buildings equipped with DESAs received training.

3. Promoting health

The ACTÍVATE (“ACTIVATE YOURSELF”) platform is implemented throughout the organisation, a corporate wellness platform of voluntary access for all ABANCA staff. 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 ACTÍVATE Healthy Portal. This portal consists of three main pillars:

- Physical activity,
- Healthy eating
- and emotional well-being

In 2021 a total of 1,436 people registered on the platform.

The annual programme of activities and actions developed by experts includes weekly newsletters, as well as quarterly online workshops. The main thematic blocks on which both actions pivot are as follows:

- **Physical activity**

  In this section, all types of information and tips on sports and leisure are published; in turn, workout routines adapted to every level are published so that they can be put in practice, always safeguarding employees' health.

  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 ergonomics.

- **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.

The workshops held in 2021 were as follows:

- Towards healthier eating
- Healthy back workshop
- The first life-saving minute.

4. Flu vaccination campaign

During the 2021 flu vaccination campaign, the same number of people were vaccinated with respect to 2020. This figure, which allows us to state that it is an action that has become consolidated among employees and makes it possible to reduce cases, thereby contributing to reduce the impact of this disease on healthcare pressure.

5. **Sixth edition of ABANCA Sports Day**

In relation to quality of life, we continued to promote healthy habits through several initiatives, such as the quality of life platform ACTÍVATE, or the sixth edition of ABANCA Sports Day.

The mixed format of the sports day, which combines onsite and online activities, allowed more than 250 people to participate in one of the nine sporting activities offered all over Spain.

Also, the session reinforces ABANCA's commitment to society, making a donation per each participant in the ADIANTHE project for fighting leukaemia, managed by the Haematology Department of the Hospital Clínico de Santiago.

6. **URECA: new agreements and refurbishment of the Nigrán facilities**

As part of its annual plan, the URECA Employees Club, is committed to modernise and improve the contribution of value to its associates and the extension of services to all of Galicia, generating financial viability and autonomy.

Under this plan, agreements have been signed with clubs in the main Galician cities, all with high-quality facilities and a reduced fee.

Additionally, Nigrán's facilities were extended and modernised, adapting them to the new needs derived from COVID-19 (open-air activities, restaurant areas with large terraces, etc.) and generating more activities. In this way, the Club represents the Entity itself with a modern image and increases its attraction for its employees, promoting sports and healthy life habits.

Inclusion of new ways of working

1. **Teleworking**

102-41

In 2021 we had to combine different work schemes in accordance with the sanitary prevention measures in force at any given time and which obliged us to keep safety distances in the workplace.

During the first months of the year, the teams who work in the corporate buildings had to adapt to physical space occupation levels of less than 50%. Therefore, the main principle that everyone must work onsite at least once a week was established; the rest of the week can be adapted to the needs of the team and their personal circumstances. Both execution capacity and the well-being and job satisfaction of the employees were monitored through specific telework surveys.

The Bank's strategic objectives, both at commercial level and in the execution of the incorporations (corporate transactions) and the development of critical projects, were fulfilled with this work scheme.

As of September a de-escalation process began, to the extent that the sanitary conditions allowed a greater occupation of the corporate buildings. With this de-escalation, which aims to move towards the final model of teleworking without restrictions in terms of occupation or distances, all the people working in these buildings have switched to a weekly schedule with three, four or five days of onsite work, depending on the personal preferences that were collected individually and the work organisation needs. In any case, we continue to maintain the remote meeting good practices generated during the pandemic where, as a general rule, virtual meetings are preferred.

When it is possible to occupy all the physical spaces without limitations, ABANCA has defined a telework scheme based on the following principles:

- Two ways of working: onsite and remote. Same evaluation and requirements.
- The existence of different ways of working is positive.
- We will have additional management mechanisms to facilitate the monitoring of hybrid teams.
- They are employees who can request telework and it will be the Company which decides whether it is applied in each case.

Therefore, onsite work predominates in corporate buildings, with the possibility of opting for a certain percentage of telework. Employees can opt for working 100% onsite or teleworking one or two days a week. The selection will be made from September to September (except in cases of exceptional circumstances). The person chooses the number of days per week (1 or 2) they want to telework, but it will be the Company which determines on what specific weekdays.

2. Digital disconnection

102-41

The current collective bargaining agreement of the sector for savings banks and financial institutions (2019-2023), which became effective at the end of 2020, was a pioneer within the banking sector when regulating employees' right to digital disconnection.

Specifically, Article 15 of the collective bargaining agreement establishes that digital disconnection is a right, whose regulation contributes to employees' health, decreasing, inter alia, technological fatigue or stress, thereby improving the work climate and quality of the work.

For the purpose of regulating this right, all the devices and tools provided by companies that are likely to articulate work-related communications, such as: mobile phones, tablets, laptops, proprietary mobile applications, emails and messaging systems, or any other that may be used.

The exercise of this right by employees will not be penalised, nor will it negatively influence promotion, evaluation and scoring processes.

With the aim of guaranteeing the fulfilment of this right and regulating possible exceptions, a series of measures have been agreed upon:

1. The right of employees to disconnect the digital devices placed at their disposal by companies to perform their work, outside working hours and during the time allocated to permits, leaves, vacations, leaves of absence or reductions in working hours, except in the case of the emergency situations stipulated in point 3 below.

2. In any case, in general, except in the case of the emergency situations stipulated in point 3, making telephone calls, sending emails or messages of any kind by means of the work tools placed at their disposal by the companies shall not be made from 7:00 p.m. in the evening to 8:00 a.m. the following day, except automatic emails not containing mandates. This time limitation will be adapted in the case of employees with special working hours that fall between 7:00 p.m. in the evening and 8:00 a.m. the following day.

3. Exceptional and justified circumstances will be deemed to exist when it may represent a serious risk to the employees or potential business harm to the company, in those cases whose urgency requires the adoption of special measures or immediate responses.

Furthermore, a series of good practices are also regulated for better time management and it is established that Entities will carry out training and sensitisation actions on the protection and right to disconnection from digital devices and work-related issues

ABANCA Corporación Bancaria, S.A. already had a protocol for guaranteeing digital rights in place (formerly known as Protocol for the use of IT tools) that regulated the proper use and operation of the means placed at employees' disposal and of the control mechanisms. Said protocol was adapted to include a specific chapter on digital disconnection in the terms envisaged in the aforementioned applicable collective bargaining agreement.

Incorporation and expansion

1. Bankoa and Novobanco incorporations

On January 2020, ABANCA completed the acquisition of Bankoa, which was incorporated into the ABANCA Group after the agreement entered into between ABANCA and Crédit Agricole in September 2020. 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 highly valuable market due to its financial robustness and economic dynamism. Bankoa's employees were incorporated by merger into ABANCA in November 2021.

In the spring of 2021 we completed the Due Diligence that gave rise to the purchase and sale agreement of the network and central services of Novobanco in Spain, with the incorporation into ABANCA's network of nine physical branch offices and one virtual branch office on 1 December.

After two months of negotiations, in December 2021, two collective bargaining agreements between ABANCA and most of the employees' legal representatives were entered into with the aim of harmonising the working conditions of employees from Bankoa and Novobanco upon incorporation in ABANCA, regulating in an orderly manner the replacement of their previous collective bargaining agreement by that applicable in ABANCA in matters relating to salaries, supplementary social benefits, employee loans, social benefits, geographic mobility and related compensation, etc. Similarly, the working conditions arising from the incorporation of both business networks and the compensation for overlapping positions that were redundant to the project were agreed upon by a very large majority of the employees' representatives.

Parallel to the incorporation 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.

2. Training in Bankoa and Novobanco incorporations

404-2

The employees of Bankoa and Novobanco and collaborating agents of both entities received training throughout the year. Said training consisted of Business Accompaniment in those products and processes that encompass all the essential operating procedures that guarantee business continuity.

Parallel to this, training was deployed in Google to deliver the required regulatory training for the year.

During the technological and operational incorporation, 33 ABANCA employees travelled by way of "ambassadors" to give support and accompaniment to all the commercial network centres and agents. This onsite support was maintained for two weeks.

To a greater extent, visits to ABANCA branch offices were arranged over a two-month period for the employees of the entire commercial network.

Some 86.6% of the commercial network staff declared to be very satisfied with the training support provided and 86.7% of the "ambassadors" indicate that they would repeat the experience.

6
Sustainable awareness

environmental

At ABANCA we consider it essential to promote en environmentally friendly economic model, thereby contributing to the mitigation of climate change, the protection of biodiversity and the transition to a low-carbon economy that will promote sustainable development.

sustainable

awareness

ESG

social

ABANCA, through its Social Welfare Project, Afundación, has its own programmes focused on developing social actions, dissemination of knowledge and cultural promotion.

through **education,**

ABANCA acknowledges that the real educational challenge is to offer answers to a changing environment.

through **social impetus,**

aware of the new context created by the pandemic, at Afundación we continued working on our social welfare proposals, thus reinforcing the social impulse line initiated in 2020..

good governance

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.

ENVIRONMENTAL awareness

The planet is addressing a major challenge and we are all responsible for safeguarding its well-being. At ABANCA we consider it essential to promote en environmentally friendly economic model, thereby contributing to the mitigation of climate change, the protection of biodiversity and the transition to a low-carbon economy that will promote sustainable development.

Consistently with this, the energy and environment policy and the sustainability policy, respectively approved in 2018 and 2019, reflect the urgency and importance of implementing measures at the corporate level to change our habits, be more energy efficient and contribute to curbing the climate emergency.

The policies defines the action model, in which the environmental factor is one of the focal points in the decision-making process to create value, analyse, prevent and mitigate the adverse impacts, while driving the positive impacts, that our decisions and activities may have on the environment and on society.

In 2021 we performed the first general review of the Energy and Environment Policy, coinciding with the launch of the Responsible and Sustainable Banking Action Plan 2021-2024, in which one of the three main lines of work is the environment. To this end, we reinforced the management approach to define the procedures to be followed in relation to the circular economy, waste prevention and management, sustainable use of resources, efficiency improvement and climate change.

The document was approved by the Entity's highest governing body and was externally published for consultation by all the stakeholders. The Social Responsibility and Sustainability Committee delegates the operational management to the energy efficiency and environment work group (EEA), which develops the necessary procedures to enable the application of the Policy and fulfil the objectives underpinning it by embodying them in the necessary environmental initiatives.

Partnerships and Commitments

102-11, 201-2

ABANCA recognises the urgency and importance of implementing measures at the corporate level and of joining forces with out stakeholders to adapt the best practices and international standards in this context.

In 2021 the Entity joined the financial sector alliance, Net-Zero Banking Alliance, whose objective is to advance in the decarbonisation of the economy.

In line with this initiative, ABANCA has reinforced its commitment to the objective of reducing emissions established in the Paris Agreement, coinciding with the celebration of the COP26. The Bank endorsed the open letter launched by the We Mean Business Coalition calling on G20 leaders to take decisive action on climate change to prevent global warming from exceeding 1.5ºC.

Also, ABANCA had previously made clear its commitment to the environment and to the Sustainable Development Goals by becoming a signatory of the Principles for Responsible Banking, the Collective Commitment to Climate Action, the Sustainable Ocean Principles and the Sectoral Climate Agreement reached by Spanish entities at the COP25 in Madrid.

Adaptation and mitigation of climate change

1. Environmental Footprint

103-2, 103-3, 302-1, 302-3, 302-4, 305-1, 305-2, 305-3, 305-4, 305-5

ABANCA is an Entity committed to the environment and, therefore, measures, manages and implements measures for reducing its environmental footprint in order to promote sustainable consumption of resources and a positive effect on health and well-being.

The Bank has begun to define an environmental footprint plan that will serve as a roadmap and environmental management mechanism, and that encompasses all the actions for monitoring and measuring the progress made.

One of the most recent examples of commitment to the environment was the opening in Madrid of the branch office Espacio Serrano 45, an innovative centre equipped with cutting-edge technology and refurbished following more stringent sustainability criteria to generate a positive impact on the environment. Special attention was paid to aspects such as energy efficiency, control of consumption in climate control installations, lighting, ventilation, power, use of sunlight, water saving and improving internal environmental quality, inter alia. We expect to complete LEED (Leadership in Energy & Environmental Design) certification, the internationally recognised official standard that determines whether or not a space is considered sustainable and the process for obtaining the AENOR Zero Waste Certificate.

The Entity has taken a decisive step forward in the evolution of its commercial model and in the way of relating to its customers, with the aim of offering them a differential experience and convenience with the minimum environmental impact.

a. Energy

- **Energy efficiency**

  In 2021 the Strategic Energy Efficiency Plan 2021-2024 was renewed, in which five key levers are defined to achieve the objectives:
  - Advanced energy management. Implementation of an energy management system.
  - Reduction of the operating time of the facilities.
  - Reduction of energy consumption.

- Implementation of self-consumption through renewable energies.
- The awareness and education of primary stakeholders.

The plan provides guidance to achieve greater control over energy consumption, simplifying their management and identifying where they are produced. In this way, we can carry out an in-depth analysis of the investment in energy efficiency and establish optimised operating procedures for our facilities, with the ensuing reduction in energy consumption and CO_2 emissions.

Global Energy Efficiency Plan	**2020**	**2021**
Number of branch offices with automatic shut-down of air-conditioning systems	356	356
Number of obsolete cooling units replaced	41	31
Percentage of reduction of energy consumption	6	1.8

At the beginning of 2021, ABANCA and the Datadis electricity consumption data supply platform, spearheaded by Spanish electricity distribution companies E-DISTRIBUCIÓN, i-DE, UFD, E-REDES, VIESGO, BEGASA and those incorporated in the Aseme and Cide associations, entered into a collaboration agreement whereby the Bank actively participates in the development of the application that will make it possible to automatically obtain the individual information offered by Datadis in its private area.

The tool facilitates obtaining electricity consumption data in a simple and automated manner such that those companies that wish to incorporate them in their own management systems can do so automatically. Datadis is especially interesting for consumers with more than one supply point from different distributors.

ABANCA is the first financial entity to collaborate with this project, which benefits the entire population and the business fabric free of charge. The Bank was a pioneer in testing the new application and in incorporating the information that Datadis shows in its internal energy management system.

ABANCA's experience in this process and in the analysis and subsequent use of the consumption data of its real estate network helps to expedite development times in order to place the interface at the disposal of other consumers interested in a shorter time frame. Thanks to this application, users can consult information about their supplies, contracts, consumption by hour and maximum installed powers in an automated way.

- **Energy of renewable origin**
  ABANCA signed an agreement with Iberdrola in 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 guaranteed that Iberdrola would supply ABANCA and its Social Welfare Project, Afundación, “origin guaranteed” energy by the National Commission on Markets and Competition (CNMC), which would allow it to reduce its environmental impact and thus collaborate on environmental sustainability. With this measure, the emission of 3,339 tons of CO_2 was prevented in 2021, thus making progress toward the goal of becoming a carbon-neutral Entity.

In September 2021, with the aim of confirming its commitment to sustainability, ABANCA and Endesa entered into a collaboration agreement on renewable energy to cover most of the financial Entity's electricity demand over the next ten years with energy of Galician origin. The contract guarantees ABANCA that the supply of renewable energy at stable prices and will imply the construction of a new Endesa wind farm in Galicia.

The agreement became effective on 1 January 2020 and has a duration of ten years. During that time, Endesa will supply ABANCA electricity from wind energy to cover 70% of the electricity demand of its branch offices and head office in Spain and Portugal.

The electricity supplied will be fully generated at wind farms located in Galicia throughout the term of the agreement. Initially, it will be generated at Endesa's current facilities in the province of Lugo. After January 2023, the electricity will be generated by Endesa's new renewable facilities in Galicia, which are currently under way.

Consumption	2020	2021	Variation (%)
Energy (GJ)	91,511.88	86,762.41	-5.19%
Energy of renewable origin (GJ)	64,011.42	81,487.82	27.30%
Energy of non-renewable origin (GJ)	27,500.46	5,274.60	-80.82%
Electricity (GJ)	88,778.43	83,864.32	-5.54%
Fuels (GJ)	2,733.45	2,898.10	6.02%
Energy intensity (GJ/employee)	16.20	14.65	-9.57%

b. Waste management and minimisation

Waste generation is one of the most complex environmental goals faced by modern societies, since it is steadily increasing on a global scale.

Adequate waste management can contribute to savings in raw materials and guarantee economic sustainability, positively impacting the conservation of natural resources and ecosystems.

To this end, the Entity established a series of measures and initiatives through which it reflected key aspects such as care for the environment, adequate waste management and the circular economy. Work has also begun on initiatives related to the use of bulk cleaning products, the elimination of plastic and vending only with local products.

- **Zero Waste Project**

  The Zero Waste Project focuses on waste generation points and contributes to driving the circular economy, since reuse and recycling is prioritised, leveraging waste as raw material for new processes. It consists of separating the waste generated at origin into fractions that are managed and recovered by authorised waste management companies.

It arose as a project in 2020 but has become established as part of ABANCA's culture and identity and of the main objectives of the environment line.

The objectives of the project are as follows:

- To advance in the sustainable action model and to establish the most adequate environmental management mechanisms to contribute to the conservation of natural resources.
- To efficiently collect, classify and recover all the waste generated, incorporating it into the system as new resources or secondary raw materials, thereby gradually reducing its disposal at landfills.
- To raise awareness throughout all employees on the Zero Waste criteria and fulfil the 2024 objective of extending the zero waste project to all corporate head office.

In this regard, in accordance with the principle of total transparency towards society included in our sustainability policy, in 2021 we underwent several audit processes, which allowed the Bank to obtain the AENOR Zero Waste certificate in the A Coruña (Rúa Nueva, 30), Madrid (Recoletos, 4) and also ABANCA Seguros (A Coruña) head offices.

This environmental seal recognises that the Bank recycles more than 90% of the waste generated in these buildings and evidences the success of the waste management model that we have implemented in the context of our sustainability strategy and our Energy and Environment Policy.

In addition to the certified head offices, the Zero Waste measures have been implemented in others, following the same sensitisation, training and installation procedure at each plant so they can have their Eco Corner to facilitate the collection, classification and recovery of the waste we generate in the most efficient way possible, in addition to re-incorporating it in the system as new resources or secondary raw materials.

For the different training actions accessible to all employees with information on the importance of reducing waste and separating it properly both in the professional and personal environment, the project is supported by colleagues, called allies, who reinforce the training and sensitisation actions implemented, explaining how we should separate waste to the other users of their plants and clarifying any doubts they may have.

- **Electronic Waste Management**

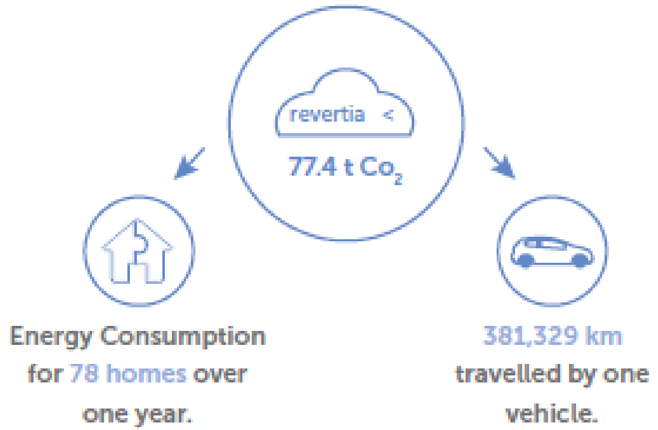
Improper treatment of electronic wastes poses serious problems for health, due to the fact that they contain hazardous components that contaminate the air, water and soil. Year after year, we progress toward a circular economy model as a new economic paradigm and alternative to the current model of production 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 2021, the company Revertia withdrew more than 75 tons of electronic waste from our facilities. Of all the waste managed, more than 8 tonnes of equipment (PCs, LCD screens, and mobiles or tablets) were recovered, accounting for 11.1% of reuse of total managed waste. 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.

	2020	2021
Electronic waste managed (kg)	208,849	75,283
Electronic waste removed (t)	208	75
Electronic waste recycled (t)	n.a.	7.1
Electronic waste reused (t)	2.3	1.3
Emission savings due to reuse (t CO_2 eq)	33.62	77.4
Energy Consumption for homes over one year (No.)	43	78
Distance travelled by one vehicle (km) [9]	101,241	381,329

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 reuse achieved have allowed us to save on 77.4 tonnes of CO2 which would have otherwise been released into the atmosphere.



[9] References for making calculations in vehicles: 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.

- **Digital transformation: reduction of paper consumption.**

Volume of correspondence	2020	2021
Total (thousands of remittances)	10,287.40	4,903.64
Percentage variation	-1.72%	-52.33%

Paper consumption	2020	2021
Total (t)	303.93	215.06
Percentage variation	-11.1%	-29.24%

- **Water**

Consumption	2020	2021	Variation (%)
Water (m^3)	31,430.00	28,003.00	-10.90%

- **Carbon footprint**

Since 2019 an ad hoc tool is used 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.
  - 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).

Emissions		2019	2020	2021	Variation (%)
Scope 1 (t CO_2eq)[10]		1,849	1,450	1,457	0.48%
Scope 2 (t CO_2eq)		7,029	1,123[11]	116	-89.67%
Scope 3 (t CO_2eq)[12]		3,105	1,012[13]	1,024	1.19%
	Total	**11,983**	**3,585**	**2,597**	**-27.56%**
Staff emission intensity (t CO_2eq)		2.01	0.63[14]	0.44	-30.16%

100% Guarantee of Origin of renewable Energy	2020	2021
Emissions avoided with the guarantee of origin of the energy	3,624	3,427

Furthermore, for the first time we calculated the carbon footprint of Afundación, ABANCA's Social Welfare Project, with the following result:

Emissions		2021
Scope 1 (t CO_2eq)		1,230.33
Scope 2 (t CO_2eq)		0.00
Scope 3 (t CO_2eq)		108.07
	Total	**1,338.39**

c. Reduction plan

ABANCA's Carbon Footprint Reduction Plan 2019-2021 takes as its base the first year of calculation verified externally, i.e. 2019. Thus, the first year of compliance of the reduction objectives is 2020. For 2020, a main reduction objective of 50% for Scope 2 was established and amply exceeded.

For 2021, a reduction objective of 75% for Scope 2 was established, taking 2020 as a basis, when emissions were reduced by more than 89%.

[10]Direct emissions derived from the consumption of refrigerant gases and fuels.

[11] Data from 2020 differ from those reported in the MCRS2020 because some calculations have been adjusted according to the emission factors of the supplying companies.

[12] 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.

[13] Data from 2020 differ from those reported in the MCRS2020 because some calculations have been adjusted according to the emission factors of the supplying companies.

[14] Data from 2020 differ from those reported in the MCRS2020 because some calculations have been adjusted according to the emission factors of the supplying companies.

Therefore, the adoption of the reduction measures and good practices gave rise to a significant reduction in GHG emissions, especially in Scope 2, which we consider the main source of emissions.

To this we must add the reduction of emissions through the renewable energy contract with Endesa and the measures implemented within the Global Energy Efficiency Plan.

In order to fulfil the established objectives, ABANCA's involvement is materialised in initiatives it carries out and that grow year by year, in its commitment to advance toward a low-carbon economy and sustainable environment. In addition to increasing the partnerships for collective action with global impact.

The established measures, after identifying the main sources of GHG emissions and after examining the possible alternatives for reducing their emissions, are aligned with the Sustainable Development Goals and are proposed by area and year of implementation.

The actions implemented by the Entity, integrated in the Global Energy Efficiency Plan, include, namely, those that seek to reduce the energy consumption generated, such as the new branch office model, which makes it possible to optimise electricity costs through the automated remote management of lighting and climate control.

Other measures adopted include the regulation for business trips, electronic waste management actions, obsolescence plan or the consumption of 100% renewable energy with guarantee of origin.

d. Environmental restoration initiatives and sustainable forest management

ABANCA has worked with the Galician Forestry Association, through which two reforestation actions were carried out in two land plots owned by ABANCA in Galicia.

The work was carried out with full incorporation in the environment, following silvicultural itineraries that are contrasted and adapted to local seasonal conditions, and in compliance with the regulations in force, such as the requirements established in the most internationally recognised forest management certification systems (the FSC system and the PEFC system).

In order to respect biodiversity, pine plantations were carried out in the level areas of both land plots (in line with one of the objectives of Fundación ARUME, of which we are trustees, which is to promote the development of this species in our community) and in the riparian forest area and based on the structural characteristics of the terrain, ash, alder, chestnut, hazel and birch trees were selected for this area.

The work enabled the plantation of around 1,700 trees and to potentially offset of ABANCA's CO2 footprint, pursuant to Royal Decree 163/2014, of 24 March, on the creation of the Carbon Footprint Registry, Offsetting and Carbon Dioxide Absorption Projects. To this end, an absorption project and a land management plan will be developed, documents which are necessary to proceed with the registration in the Official Register of the Spanish Climate Change Office of the CO2 absorptions generated by the forest cover created.

One of the plantations was carried out through an activity within the Volunteering programme, in which ABANCA and Afundación volunteers participated.

The session finished with a small nature walk along the native Galician forest or *fraga* to discover its environmental wealth and the footprint left by man, which is reflected in the construction of two windmills.

Initiatives for biodiversity protection and awareness

1. **Guide of Best Practice**

ABANCA has internally prepared and published an environmental guide of best practice aimed at raising awareness throughout the entire team of the importance of responsible consumption of the resources and becoming a more sustainable company, in accordance with the established environmental objectives, with the ensuing positive effect on the health and well-being of people in the environment.

The guide includes a series of guidelines and recommendations for reducing energy consumption, using water responsibly, improving waste management, reducing paper consumption and contributing to sustainable mobility at work.

Consistent with this, in September 2021 we launched a campaign, that will extend over the coming years, with the aim of raising awareness throughout all employees of the importance of responsible energy consumption. This initiative aims to offer tips on how to reduce energy costs in the professional and personal environment.

2. **Living networks**

Another example of projects launched in the sphere of the circular economy is Living Networks, which ABANCA launched coinciding with Ocean Day, and our commitment to the Sustainable Ocean Principles.

Each year, nearly 620,000 tonnes of nets end up in the sea, threatening and polluting the marine ecosystem. They account for 10% of the plastic waste in the ocean.

To address this problem, which affects all of society and especially the fisheries sector, this initiative was launched with the aim of giving all those kilos of ghost nets a second life with the help of the net menders. A project that combines commitment and innovation with tradition and craftsmanship.

Living Networks encompasses all fishing gear, from recycling to installation in club sports fields and courts sponsored by the Bank in the context of its ABANCA Deporte Base programme, an initiative that reaches nearly 20,000 sportsmen and women from nearly 1,700 teams.

The action has a positive impact on three of the strategic lines: sustainability, since it contributes to caring for the environment and fosters the circular economy; promotion of the local economy and production sectors, bringing innovation and visibility to a traditional and artisanal trade carried out mainly by women, and support for sports, equipping Galician clubs with material.

A total of 1,500 kg of ghost nets invading our coasts were removed. After a painstaking reconditioning process carried out by the net menders, the nets were recycled and will be used as sports equipment in six sporting disciplines of the 34 supported by the bank through its ABANCA Basic Sports programme: football, handball, indoor football, roller hockey, kayak polo and field hockey, and will be used by more than 5,000 sportsmen and women. To date, thanks to the work of the net menders, they have been transformed into 1,514 m2 of sporting equipment.

3. Territorial Conservation Plan ON "PLANCTON": for marine biodiversity

Within its dynamisation of sustainable and volunteering initiatives, and focused on the protection of biodiversity, Afundación drives PLANCTON (Territorial Conservation Plan ON), a project aimed at Special Protection Areas for Seabirds (SPAs). This novel multidisciplinary programme, started up in 2021, has made it possible to remove the nearly 19 tonnes of waste from the sandbanks and seabeds of different coastal areas of Galicia.

With the aim of contributing to the conservation and sustainability of four of the existing SPAs in Galicia within the Natura 2000 Network, initiative included the collaboration of the Biodiversity Foundation of the Ministry for the Ecological Transition and the Demographic Challenge, co-financed by the FEMP, also being complementary to the LIFE-IP INTEMARES project.

The results of the plan were possible thanks to the collaboration of nearly 800 ABANCA and Afundación volunteers, in addition to different groups of the fisheries and shellfish harvesting sector, and from other entities that participated directly in the different seabed and coastal cleaning initiatives. In this way, the PLANCTON project has been a major axis around which different agents collaborated, a total of 23, including fisheries sector entities, such as fishermen's guilds and shellfish harvesters' associations, Local Fishing Action Groups (GALP), ANMUPESCA, municipal councils, Civil Guard and Civil Protection, tertiary sector institutions such as Bata, Con Eles or the Naturalist Habitat Group, as well as the National Maritime and Terrestrial Park of the Atlantic Islands of Galicia or the Galician Federation of Underwater Activities, inter alia.

In addition to the 12 waste removal initiatives carried out, six in sandbanks and another six in shellfish beds, measures related to the conservation of species were adopted related to the conservation of species, minimisation of incidental catches of birds while fishing and the implementation of sustainable practices in the socio-economic activities related to the maritime sector in the Special Protection Areas for Seabirds (SPAs) through the PLANCTON project. A performance supported by informative and dissemination actions in favour of sustainable sensitisation of society in general, with different sensitisation and training activities on the intrinsic value of biodiversity and its conservation, including exhibitions and other dissemination activities, with the participation of different professional experts in this field.

18,691	20	766	3,113	+25 boats	300
kilos of waste removed	biodiversity protection actions	participation of volunteers in actions	volunteering hours	participating in seabed cleaning	fishermen, shellfish harvesters or divers involved in the different actions

4. Wishing for a better world

In 2021 we sent our customers a birthday greeting through which they could transform their wish into working hours for social welfare and environmental projects in collaboration with the volunteers of ABANCA's Social Welfare Project.

We sent an email greeting through which our customers accessed a landing page where they could transform their wish into working hours for social welfare and environmental projects, which were encompassed into three main types: protect our biodiversity (environmental sensitisation, protect native flora and fauna), social welfare (food collection, Cubertos programme, assistance to the elderly) and sustainability in the sea (removal of waste from seabed, cleaning of beaches, awareness of sustainability in the fisheries sector, etc.).

5. Visual arts for sustainability

With connections to Afundación and ABANCA projects such as Cultural Current, culture and art have served to disclose the concept of sustainability in its widest sense. Thus, two main lines of action are distinguished: One, with proposals linked to SDGs 13, 14 and 15, related to environmental sustainability; and another, in line with SDGs 4, 5, 10 and 11, focused on the reduction of inequalities and promotion of knowledge.

One of the best received exhibitions took place in Afundación's head offices in Lugo and Ferrol. The exhibition "Our planet", based on the applauded Netflix documentary series, raises awareness on the urgency of caring for the environment and on the need to involve society as a whole.

"Our oceans", exhibited in the main square of Lugo thanks to the collaboration of the City Council, Planeta publishing house and curated by the prestigious naturalist Joaquín Araújo, offered spectacular images of marine biodiversity: humpback whales, polar bears, butterfly fish, basking sharks and dolphin colonies. Other municipalities such as Burela, Ribeira or Sanxenxo also enjoyed this informative exhibition, and in places such as Fene or Muxía, inter alia, the "Children of the Ocean" exhibition displayed a comprehensive selection of images of fishing communities around the world by the photographer Javier Teniente .

Another exhibition included in Cultural Current, a cultural capillarity programme in Galicia, is "Water. The Earth's blood", by Manuel Valcárcel, which was held in Muros, Pontecaldelas and Miño, among other municipalities. The exhibition shows, in images taken on the five continents, the relationship between humans and water, inviting the audience to reflect on the impact of our daily activities on the planet.

Aligned with SDG 10 for the reduction of inequalities, the exhibition "The slow life. Memories and the rythm of the Galician rural", which was held at Afundación's head office in Vigo and in the Café Moderno Afundación, in Pontevedra, reflects on ways of life linked to rural Galicia, its iconography and its presence in contemporary culture.

The cultural and natural heritage of Galicia is also the focal point of the documentary series produced by Rubén Riós, "Arrieiros somos", whose second season was aired on Afundación TV. Through the experienced eyes of its protagonists, senior citizens, this production of Claqueta Coqueta explores the world of rural abandonment, loneliness, gender-based violence, emigration, etc., to enjoy, in turn, the natural wealth and heritage of the municipalities that integrate the series: Cartelle, Os Blancos, Chandrexa de Queixa, Pantón, Sada, Fisterra, Teo, Quintela de Leirado, Brión, A Gudiña, O Carballiño and San Cibrao das Viñas.

Through more than 450 photographs of Galicia taken between 1924 and 1926, the book "*Unha mirada de antano: Fotografías de Ruth Matilda Anderson en Galicia (A Glimpse of Yesteryear. Phoyographs of Ruth Matilda Anderson in Galicia)*" bears witness to a long forgotten time. In 2021 Afundación and The Hispanic Society of

American presented the fourth edition of this photographic account of the author during her research trip to Galicia at the request of the founder of The Hispanic Society of America, the philanthropist and hispanist Archer Milton Huntington.

"Untamed..Stories to open the way" offered an interesting audiovisual projection with the inspiring and pioneering stories of 12 women (seven Galician, five from other parts of Spain) at Afundación's head office in Santiago aimed at reflecting on gender equality, one of the essential Sustainable Development Goals. A sensitisation also present in the exhibition "CROMÁTICA. 3rd International Contemporary Illustration Exhibition" which took place at Afundación's head office in A Coruña and in which, through 19 artists, 12 of which women, the concept of colour alludes to different latitudes and cultures. Furthermore, the exhibition "Look Again. Women against Time", held in Santiago de Compostela, proposed revisiting the traditional artistic model through the works of the female artists present in the art collections of ABANCA and Afundación, which also featured loans from various private collections.

6. Naturnova: nature in the 21st century

Afundación's environmental education centre, Naturnova, inaugurated in 2003, reopened its doors on 15 November to receive school groups with previously scheduled appointments. On 4 December, entrance was granted to the general public.

This reunion with society allowed the visitors to attend various presentations and activities aimed at reflecting on respect for the environment, with more than 30 modules related to science, the environment and sustainability, space and our planet: dinosaurs with augmented reality, landscapes created with sandbox, the recreation of a tornado, immersion in the Galician seabed in a submarine simulator, etc. During the time that Naturnova was closed because of the pandemic, some of its activities were transferred to schools, in the context of the STEAM proposals dynamised by Afundación's Educational Service, thereby maintaining, at all times, the contact and offering for the school community.

7. Caring for natural heritage

The initiatives promoted by ABANCA and Afundación include, namely, action on the ground, and within the programme Trabajando por la mejora del patrimonio natural (Working for the improvement of natural heritage), of the volunteers who planted, in November, 300 native trees in Fragas do Eume, in collaboration with the Habitat Naturalist Group, Fragas do Eume e Betula Natural Park and the Association for the Protection of the Atlantic Forest. This line of action was also followed in the plantation of 300 native trees in Gondomar, in collaboration with the Habitat Naturalist Group and Montes de Couso Community.

A total of 600 trees were planted thanks to sustainable and volunteering activities that will be maintained in the future.

The commitment of Afundación and ABANCA to the environment was also strengthened in June with the Mes del medioambiente (Environment month), through conferences, environmental volunteering actions, exhibitions and virtual recreations.

SOCIAL awareness

Through education

103-2, 103-3, 203-1, 413-1

Education constitutes one of the cross-cutting pillars of Afundación, ABANCA's Social Welfare Project. Therefore, we are a decisive agent in Galicia, both in terms of formal education, from nursery school to higher education in vocational and university training, and in the development of a demanding extracurricular programme for all ages.

We implement our proposals in the different spaces of our wide infrastructure network, in which the university campuses are incorporated, the two vocational training centres of A Coruña and Vigo, the Afundación Residence Hall for Students in Pontevedra, the Afundación Nursery School in Zalaeta, the espazos +60 and our head offices and centres.

Our commitment to education led us to promote the creation of the Intercontinental Business University (UIE), whose recognition law was approved by the Galician Parliament in July 2021. Thus, the first private university with a vocation for public service was born in Galicia, which will open its doors in the 2022-2023 academic year.

1. UIE

The Intercontinental Business University (UIE) is the firm commitment of ABANCA and Afundación to create the first and only private university in Galicia. It arose as a project aimed at creating economic, social and cultural value, with a strong international orientation and specialised in the broad field of enterprise, with a wide, interdisciplinary quality offering.

The UIE presents an avant-garde experiential learning model, unique in Europe, with the student at the centre. A private, non-profit university with a vocation for public service committed to the sustainable development of the Galician society, culture and economy, open to collaboration with the Galician university system. In the words of its Dean, Dr. Miguel Ángel Escotet, "*a university for innovation that allows vigorous capacity for creation, research and change; a university for humans, focused on scientific and technological progress and oriented towards service to people and their habitat, and a university where we will make every effort to educate both the talent and character of people*".

2. IESIDE

In the sphere of higher education, with more than 60,000 alumni, IESIDE is the benchmark private, non-profit institute for higher education in north-eastern Spain since 1987. Its degrees 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 Management; medium-term programmes (Sales Management, Corporate Compliance, Big Data and Executive Management Program); and In-Company training projects.

An educational proposal to train the professionals of the 21st century with a lifelong learning approach, more flexible than ever in duration, accessibility (allowing online access where necessary) and specialisation; more international and, at the same time, oriented to the reality of the community, based on the concept of Galicia as a unique campus, facilitating networking among the participants. Such is the case of the Executive MBA, a master's course adapted to the current economic scenario which enables professionals with at least 8 years of experience to further their role as managers and team leaders; the Exponential MBA, which combines MBA contents with the new trends in exponential technologies; and of the specialist and In-Company training programmes.

IESIDE's purpose of serving as a higher education centre with vocation of public service, providing elite education for to society as a whole, drives the IESIDE sin muros (IESIDE without walls) virtual programme initiated in 2020. An open space where master classes, seminars, colloquiums, congresses, etc., of an educational nature, linked to IESIDE's academic areas of study, are imparted.

International projection

IESIDE strengthened its commitment to internationalisation as an essential value in the academic training stage by entering into two new academic and research collaboration agreements with New York State University, at its main Albany campus, and the Institute for Advanced Management Studies (IESA) of Venezuela. Both agreements will make it possible to increase the academic exchange of programmes, students and professors, reinforcing IESIDE's international network, which extends to multiple universities.

Through these two alliances, IESIDE consolidates and continues its historical collaboration with universities of other countries: the London School of Economics, Haute École de Gestion de Genève, Dublin Business School of Ireland, Flensburg University of Applied Sciences of Germany, Poznan University of Economics of Poland, Université Toulouse III-Paul Sabatier, University of Applied Sciences of Vienna and Nova University of Lisbon. In America, in addition to the two agreements reached in 2021, agreements have been entered into with Georgetown University and the University of California, in Riverside. In Asia, the last four years of close collaboration with the University of International Business and Economics (UIBE) and Tianjing Foreign Studies University in China should be noted, in addition to cooperating with Istanbul University, Tel-Aviv University and the Coller School of Management.

In 2021, IESIDE advanced in the consolidation of its cross-cutting internationalisation plan in all its training offering, as in 2020 with the Exponential MBA, the first an 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 case of academic relations with China, worth noting was the presentation in 2021 of the II Global Forum “Galicia: Bridging China and Latin America”, a benchmark space in Galicia in the analysis of the reflection on the strategy of Galician companies for entering the Chinese market.

Research

The transfer of knowledge to society is consolidated through initiatives such as IESIDE Ediciones, created in 2021 to provide the national and international scientific, academic and business community with academic essays and research in the fields of economics, globalisation, enterprise, new technologies, human capital, corporate social responsibility and related areas. A commitment to promote new creative strategies and actions across the whole spectrum of business and entrepreneurship.

Después de la pandemiaReflexiones y desafíos para Galicia (After the pandemic: Reflections and challenges for Galicia) is the first title of this initiative. It is a reflection, in a bilingual Spanish and English edition, on the economic impact of COVID-19 in which 11 relevant experts in their respective fields address different proposals for the new context, from a global and national perspective with a special focus on Galicia.

Furthermore, ABANCA, in collaboration with IESIDE, continued to develop new reports in the framework of the *ABANCA observatory by IESIDE*, which was created in 2020 with the aim of providing Galician society and especially their production fabric with data on the evolution of the community. Thus, in 2021 the Observatory published nine waves of data on the evolution of Galician society in the extraordinary context arising from the impact of COVID-19.

IESIDE, in collaboration with ABANCA and the Universidade de Santiago, annually publishes the study *A Economía Galega (Galician Economy)* which, in its 2020-2021 report, addresses the incidence of the pandemic originated by COVID-19 in the economy. Directed by Alberto Meixide and prepared in collaboration with the Instituto de Estudos e Desenvolvemento de Galicia (IDEGA) of the Universidade de Santiago de Compostela and ABANCA's IESIDE Research Centre, is the longest-running socio-economic publication in Galicia.

Scholarships

True to its social commitment to promoting access to quality education, IESIDE has an inclusive scholarship programme from which 31 students benefited during this academic course. In this way, the Academic Excellence Scholarships reward good student grades while taking into account economic criteria in the granting process. They cover up to 90% of the enrolment price in each of the academic years and are renewable on a yearly basis.

In this academic year, scholarships were also granted to the winners of the 2nd Exponential MBA Challenge by IESIDE, organised in collaboration with ABANCA Mar and ANFACO. A programme that includes the collaboration of the Nueva Pescanova Group and Lanzal, which have become patrons of new talents by incorporating the award winners into their staff.

Also, in 2021 the First AMEGA IESIDE Scholarship was awarded in 2021 as a result of the recent partnership between IESIDE and the World Association of Galician Entrepreneurs.

Commitment to sustainability

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.

At IESIDE, ethical training is incorporated in the undergraduate, graduate and entire executive education portfolio. As a signatory institution of the United Nations' Principles for Responsible Management Education (PRME), the Business Ethics training provided in the Degree in Business Administration and Management (ADE) strengthens students' capabilities to generate more inclusive societies and a sustainable global economy (Principle 1: Purpose). In 2021 special emphasis was placed on Principle 2 (Values: Curricular integration of social responsibility activities), on Principle 5 (Partnerships: Interaction with external companies and agents to promote knowledge and address real challenges) and on Principle 6 (Dialogue: Generation of discussion with companies, civil society, organisations and stakeholders).

In this line, among the different actions carried out, the following four stand out: participation in learning-service projects for the Vigo Food Bank and for Special Olympics, applying marketing knowledge to the improvement of strategies in social networks of both organisations (principles 1, 2 and 5). The debate between Ángel Matamoros Irago, Corporate RSC Director of the Nueva Pescanova Group, and Pilar Alves Moreno, General RSC Coordinator of Afundación, on good practices in companies (Principle 6) and the dissemination of social impact projects developed by IESIDE alumni, such as Rosa Soliño Campos, founder of the Vigo Race Against Cancer. Lastly, IESIDE's “Ethics Day” included the participation of the co-chairman of the United Nations' PRME Working Group on Poverty, Serbian Professor Milenko Gudic, who debated with his students on leadership and social inequality. These activities merited a commendation from the United Nations in its PRME Anti-Poverty WG Update April 2021 report.

With the same aim of raising awareness and drawing attention to the Sustainable Development Goals, the cycle “ConCiencia Sostenible” has been programmed since June on Afundación TV, offering informative conferences given by leading experts. It consisted of a total of 10 episodes, which addressed issues such as: "Climate change: from changing the air to changing the seabed", "Chemistry to the aid of oceans", "We can anticipate the effects of climate change", "Responsible production and consumption", "Life of land ecosystems", "The evolution of income inequality in and between countries", "Education for global citizenship in the education system: some keys to action", inter alia.

3. Vocational training

In the context of promotion of knowledge as one of the essential driving factors for full social development, Afundación, ABANCA's Social Welfare Project, has centres such as Afundación Vigo Home School and the Afundación A Coruña Vocational Training Centre, which seek to train competent students committed to their environment and flexible to changes in the labour market. The aim is to promote innovation and sustainability through transformative education, promoting a syllabus with high potential for society.

Once face-to-face classes have been resumed, both centres continued to develop their teaching activity in compliance with the new sanitary and educational legislation and, after the pandemic hiatus, the combination of face-to-face and digital has become an added value that characterises them. Recruitment benchmarks in the labour market in their respective areas of speciality in Galicia, once again the two centres closed their enrolment period with a waiting list, with special demand for computer science courses, once the A Coruña Vocational Training Centre completed the implementation of the Advanced WEB Application Development programme.

At the end of 2021, the Afundación Home School was selected, together with two centres in Euskadi and Catalonia, in the national call for applications for grants from the Ministry of Education and Vocational Training, aimed at developing applied innovation and research projects and knowledge transfer in vocational training for their project 5G Remote Laboratory for Collaborative Robotics, Furthermore, at the beginning of the year, the centre organised a new edition of its Technical Week, an initiative that has been organised for the last 14 years with the aim of bringing their students closer to the reality of the labour market, with the participation, on this occasion, of professionals from 20 companies from all over Spain.

4. Residence Hall for Students

The Afundación Residence Hall for Students in Pontevedra, inaugurated in 1969, began the academic year 2021-2022 with no vacancies (with a waiting list) and a specific sanitary protocol to guarantee the security of professionals and students. The 120 places offered were covered, in an environment with measures for avoiding risk of contagion: wider dining room opening hours, mandatory use of facial masks in all common areas, provision of strategic hygiene and disinfection points, specific isolation area in cases of coronavirus detection, etc.

During the year, and in the context of Afundación's strategic lines, all types of activities are promoted that complement students' cultural, scientific and sports training. Social initiatives are also carried out, such as the collaboration with Special Olympics Galicia, a holiday scheme for people with different capabilities that promotes activities with the aim of favouring their inclusion and give this collective visibility. A total of 124 people from nine Galician companies enjoyed their vacation in the Afundación Pontevedra Residence Hall for Students.

5. Afundación Zalaeta Nursery School

It is a benchmark centre in the city of A Coruña founded in 1977, offering 92 places for girls and boys between 0 and 3 years old, in environmentally friendly surroundings that foster volunteering among families. Zalaeta has adapted its model to the new circumstances arising from the pandemic, highlighting the importance of school/family involvement for the improvement of the educational processes.

Once the lock-down period ended, like all of the Bank's centres, it reopened its doors as a safe space, adapted in accordance with the recommendations of the health and educational authorities, to continue its important educational work in the broadest sense: each specific activity is aimed at meeting students' needs and fostering growth in values, such as to build a positive self-image and provide them with a set of favourable experiences that complement those lived in a family setting.

6. Financial education

The ABANCA and Afundación financial education programme is universal in nature and has activities adapted to the financial training needs of the different social groups in accordance with their stage of life, paying special attention to students and senior citizens. The programme is designed on the basis of four major pillars: learning to manage money, learning to manage risks, health and financial literacy, and promotion of an enterprising culture.

In the 2020-2021 academic year, a record figure of a total of 123,170 digital and face-to-face beneficiaries was reached. In addition to the recognition of the participants, the project was recognised by two national prizes awarded by the Spanish Confederation of Savings Banks, the Banco de España and the CNMV (Spanish National Securities Market Commission).

Banco de España, CNMV and CECA Awards

The Spanish Confederation of Savings Banks (CECA) awarded the Special Jury Prize for Financial Education for the project Segura-Mente ABANCA. Embark on Your Journey: A Plan Full of Adventure. The prizes, of national scope, annual reward the work of those entities and foundations with a high degree of commitment to society and, in particular, with the most vulnerable collectives.

Segura-Mente ABANCA also merited, in the category of "best financial education initiative", the "Finance for everyone" prize, awarded by the Banco de España and the CNMV (Spanish National Securities Market Commission) in the context of the main event of the Financial Literacy Day.

Training from childhood

In this academic year, within the primary school children's programming, Afundación TV premièred the theatre play *Cíclope (Cyclops)* and reprogrammed the play *Laberinto (Labyrinth*), two plays created especially by the company Zarándula for our financial education programme and which are aimed at raising awareness of the importance of properly managing our finances from an early age.

Also, adapting to the context marked by COVID-19, which continued to limit the participation of students in extra-curricular activities, the programming included the online game *La loca aventura del ahorro (The crazy adventure of saving)*, in which, through the adventures of a group of friends from planet Very Crazy, participants become aware that money is earned with effort, in addition to learning the importance of saving and solidarity. In 2021 the face-to-face format Financial Grand Prix, which stresses the importance that students understand the relevance of properly managing money from an early age.

Secondary and baccalaureate students were able to enjoy another year of the cycle of conferences "Ready to take the leap", delivered by Carlota Sánchez-Montaña Puga, Assistant Coordinator of Education of Afundación and professor at IESIDE, which in this edition focused on the changes that digital transformation are imposing on society and their effects on the labour market. In addition to reaching educational centres all over Galicia, this conference was carried out in online format in the eight sheltered housing units for young people without family support managed by the NGO IGAXES. Developed in streaming format in the first months of 2021, it recovered its face-to-face format in the last quarter of the year, forming part of the Closing Ceremony of the Agricultural Training and Experimentation Centres of Galicia.

Completing the secondary education programming, in 2021 the programme promoted by Junior Achievement and the AEB (Spanish Banking Association) "Your finances, your future", aimed at young people between 13 and 15 years old. Additionally, in collaboration with the Galician Government, workshops were organised on the evolution and operation of the latest trends in the different payment media devices for students of Commerce and Marketing and Administration and Management in Vocational Training.

Partnership between ABANCA and Funcas

As in previous years, and 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 the agreement reached by the entities with the aim of collaborating to improve the level and quality of citizens' financial knowledge.

The educational programmes Young Business Talents and Segura-Mente ABANCA form part of this action. The first initiative is aimed at promoting an enterprising culture among young pre-university students. Using an enterprise simulator, they can live the experience of managing a company and seeing how each decision affects the evolution of the business (in the 2021 edition more than 60,000 students from educational centres from all over Spain participated in the two programmes). Through the second initiative, primary, secondary and basic vocational training students are sensitised on the importance of preventing risks and properly planning their expenses, in addition to concepts related to the Sustainable Development Goals (SDG) with tools such as gamification to design a more attractive proposal in line with the age of participants who are planning a trip, and virtually travelling the different stages of the Way of Saint James.

Family-Owned Business in the Classroom

In 2021 the Galician Family Business Association (AGEF) and Afundación organised the first edition of the Family-Owned Business in the Classroom programme with the aim of conveying the importance of family-owned businesses to the economy and promoting entrepreneurship among the students. The senior executives of a dozen Galician family-owned businesses transmitted their values to more than 400 students of 10 schools throughout the community (from 6th year of primary education to 3rd and 4th years of secondary education), through video conferences and virtual visits to the companies.

The participants participated in an entrepreneurship competition to be eligible for the "Imagine your company" prize, which on this occasion was won by secondary education students of San José de Cluny in Santiago de Compostela and by primary education students of Eduardo Pondal de Cangas do Morrazo, for projects related to the computerisation of cities focused on transport and the organisation of shows, respectively

Activities for senior citizens and “The financial galaxy”

The activities aimed at citizens over 55 years old focused on the workshops "Manage your accounts with ABANCA mobile" and "Make your life easier with ABANCA ATMs", which made it possible to broaden the training in self-management of personal finances.

ABANCA continued with the fourth edition of the financial skills competition "The financial galaxy" in its blog "Clear accounts", aimed at citizens aged between 16 and 65, who had to test their level of knowledge in matters such as personal finances, cybersecurity or financial concepts of the specialised blog glossary.

Global Money Week and World Savings Day

ABANCA joined the global awareness campaign Global Money Week, organised under the slogan "Care for yourself, care for your money", placing emphasis on the development of financial resilience and staying healthy in the current situation.

It also participated in the "Your finances, your future" programme, promoted by the AEB (Spanish Banking Association) with the pedagogical advice of Junior Achievement: through this activity, Afundación has contributed to improve the financial knowledge of 400 students.

With regard to the World Savings Day, ABANCA and Afundación commemorated the date once again with a lecture by the Chairwoman of the Spanish Union of Insurance and Reinsurance Companies (UNESPA), Pilar González de Frutos. A dissertation in digital format (broadcast live by Afundación TV) on the importance of saving for retirement and insurance.

7. Afundación contests and awards

With its firm commitment to the dissemination of knowledge, in line with SDG 4, on ensuring equal access to all levels of education and vocational training, Afundación has three prizes linked to journalism and literature, which contribute to promote the transmission of ideas and new forms of expression.

Afundación's recognition of journalistic work was renewed with the award of the **43rd Afundación International Julio Camba Journalism Prize**, which was received by Bibiana Candia, author of *Una legión de señoras en bata (A legion of women in dressing gowns)*, published in *Letras Libres*. Elena Medel and José de Cora Paradela were the finalists on this occasion. This prize, which is endowed with €10,000, is awarded to authors of articles written in Spanish and published on the media.

Míriam Ferradáns, for her article “Dalias” (“Dahlias”), published in *Nós Diario*, was awarded the **18th Afundación Francisco Fernández del Riego Journalism Prize**. This prize, which is endowed with €10,000, is awarded to literary or opinion journalism articles written in Galician and published in renowned newspapers. The finalists of this edition were Patricia Hermida, for “Historia de como o avó Antonio subiu ao ceo” (“The story of how grandpa Antonio went to heaven”), published in *El Correo Gallego* and Cláudia Morán, for “Un deserto” (“A desert”), published in *Nós Diario.*

In December, in a ceremony broadcast live by Afundación TV, Medos Romero received her award in Ferrol as the winner of the **19th Afundación Poetry Prize** for the book *E o sol era Ela (And she was the sun).* With the collaboration of the Galician Government and the PEN Centre of Galicia, the award implies the publication of the book in the Arte de trobar collection and an economic prize of €6,000.

8. Values education

Afundación's proposals in this field encompass various disciplines and promote cross-cutting skills, always from a firm education in values. Knowledge through plural and updated contents, articulated in participatory and collaborative environments among audiences of all ages was newly promoted thanks to the programming of several financial, environmental and cultural education proposals, placing emphasis on stage and educational activities complementary to the exhibitions.

9. Training +60

In order to favour the acquisition of new skills or improve them, respond to the most varied interests and concern for relating to other people with similar interests, Afundación proposes, in the context of Active Ageing, an extensive training offering in fields related to art, languages, history, music, literature, health, nutrition or financial education, inter alia.

The programmes presented for the period 2021-2022, after months of isolation, offered proposals for recovering routines, overcoming the feeling of loneliness, developing strategies for coping with everyday emotions or recovering our life project. All this while continuing to promote lifelong learning, well-being, personal development and leveraging the life and professional experience of older people through intergenerational projects and volunteering. In a cross-cutting manner, the programmes also focus on creating opportunities to interconnect different generations and promoting a social image of this population that is free from stereotypes.

10. Pedagogical research and teaching awards

The awards, as mechanisms for publicly recognising milestones reached, contribute to making the efforts and achievements of a wide variety of professionals in their fields of knowledge visible. Afundación aware of its impact as a means for promoting research, organises competitions that reward pedagogical research and teaching excellence.

In 2021 the new competition promoted by Afundación, the **Afundación International Research Prize**, was presented at the 17th Spanish and 9th Ibero-American Congress on Pedagogy and the World Education Research Association (WERA) Focal Meeting 2021. Endowed with €12,000 and held biannually, its purpose is to recognise the career of people who stand out for their contributions to research in education at any of its levels, dimensions or modalities. Applications can be submitted until 28 February 2023.

In 2021 the educational platform EDUCA and ABANCA awarded the 4th EDUCA ABANCA Prizes to the best teachers in Spain in 2020 (fourth edition), as a tribute to teachers in a very complicated year marked by the COVID-19 pandemic.

In December 2021 the winners of the fifth edition were announced, whose prizes will be awarded in a gala in 2022. As a novelty, two additional categories were established: Non-Formal Education and Honourable mention for teaching career, added to Nursery School, Primary Education, Secondary Education/Baccalaureate, Vocational Training and University Education.

The awards were launched in 2017 with the aim of improving the visibility of good teaching practices in society and give voice to the students and their families when recognising teachers who stand out for their excellence.

Through social impetus

103-2, 103-3, 203-2, 413-1

Aware of the new context created by the pandemic, at Afundación we continued working on our social welfare proposals, thus reinforcing the social impulse line initiated in 2020.

Our volunteering programme was consolidated as one of the basic cross-cutting pillars of ABANCA's Social Welfare Project. More than 700 volunteers, employees of ABANCA and Afundación and from other entities participated in the different initiatives launched, with more than 5,000 hours dedicated to integrated, continuous and collaborative actions in the environmental, social and educational areas, with a decisive contribution from each institution and person.

This social commitment was materialised in the implementation of novel proposals, such as Culture for Food, which appeals to solidarity through the donation of non-perishable products intended for local food banks, as as a way of participating in Afundación's activities. We also continued with programmes of deep social significance such as Cubertos, an initiative launched in 2020 and which continued in 2021. Thanks to this initiative, Afundación distributed healthy menus among students of vulnerable families during the months when school canteens were closed. With a focus also on children, Drawing Smiles programme encouraged everyone to donate toys at Christmas.

In the context of the +60, We Accompany You programme, two intergenerational accompaniment proposals were implemented, which encourage outings in the open air, either walking or as passengers on electric bicycles, driven by Afundación volunteers.

Vocational training centres also used this social impulse to drive their innovative projects.

1. **Cubertos**

   The objective of “Cubertos”, which has already celebrated its fourth edition, is to provide support to families in situations of social vulnerability, guaranteeing healthy nutrition for girls and boys during the school holidays, when canteen grant programmes are interrupted. It is an initiative that also promotes healthy habits and which has been recognised by CECA at national level with the award in the Social Welfare category.

   The programme, implemented by Afundación and ABANCA for the second consecutive year, awarded, in its summer and Christmas editions, 48,000 menus to vulnerable families at risk of poverty or social exclusion in the seven main Galician cities. The menus follow the recommendations of the NAOS Strategy of the Spanish Agency for Food Safety and Nutrition (AESAN) and meet the specific needs of the participating boys and girls with intolerances, allergies or other peculiarities.

In collaboration with the local authorities and social entities Juan Soñador, Cáritas and Movilidad Humana, in this programme the work of the 100 members of ABANCA's Social Welfare Project team and the 104 volunteers of both ABANCA and Afundación, who ensure the proper functioning thereof is essential, preparing the distribution, delivering the menus and attending to the families.

2. The gratifying exchange of Culture for Food

In September 2021, ABANCA's Social Welfare Project launched this ambitious programme in which the cultural events carried out at the Bank's centres and also in those spaces where Afundación's activities are carried out, encourage solidarity, in this case in collaboration with local food banks through FESBAL (Spanish Federation of Food Banks). ABANCA's Social Welfare Project encourages people who participate in any of the activities programmed by the Entity to donate a non-perishable product, which they can deposit in the containers enable for such purpose at head offices, theatres and auditoriums. As a result of the actions carried out in autumn 2021, Afundación collected more than a tonne of food in donations for FESBAL thanks to this project, which will continue in 2022.

The first solidarity action in the context of this programme was the exhibition "This is pop. From Andy Warhol's cans to yours", held at Afundación's Vigo Head Office, which not only featured Warhol's works as the main attraction, but also contributions of prestigious artists such as Lichtenstein, Damien Hirst, Murakami, Jeff Koons and Okuda, inter alia.

"Jazz armchair", "Sacrifice and ascension. Fifteen years of David Rubín's comics", "Galicia just around the corner", Italian Film Cycle, the literary gathering with Fernando Aramburu, the entry of Christmas in Naturnova for the general public or the exhibition of the 56th nativity scene competition were, together with the commemoration of dates such as Book, Environment or Infancy Day, the events that took place in the context of Cultura por alimentos.

3. Drawing Smiles

Another of ABANCA and Afundación's solidarity initiatives focused on infancy is, under the "Hope grows when shared", the traditional Drawing Smiles campaign, a commitment to people in situations of greater vulnerability. Both entities second the common objective of the authorities and social initiative entities to mobilise civic solidarity and of companies which, in this case, is materialised in the distribution of toys and food in collaboration with Cáritas, Red Cross and FESBAL for boys and girls from nine municipalities in Galicia, León, Asturias and Extremadura.

4. Together, in +60, we accompany you

In March 2021, Afundación implemented a new accompaniment programme for senior citizens aimed at consolidating relational proposals that help to mitigate the isolation derived from COVID-19. Designed on the basis of a pilot experience carried out since January among 700 members of Afundación's espazos +60, the first action was the “Go out and walk and talk” programme in which the participants form small groups to take short walks and hold conversations in the open air, accompanied by the team members of Afundación's active ageing area, which is in charge of dynamising the activity.

Another related initiative is "Pedal and talk", developed under the international movement "Cycling Without Age", founded in Denmark. It is an accompaniment programme for older people with reduced mobility through open-air volunteering. Through rides on specially adapted electric tricycles, this programme is understood by ABANCA's Social Welfare Project as a new way of feeling and claiming the participation of older people in physical spaces in the city, characterised by sustainability and generosity, where the creation of new relationships between volunteers and older people constitutes one of its essences. A project in which intergenerational barriers are broken to share stories between, up to that moment, strangers. In 2021, after carrying out the pilot experience in A Coruña, ABANCA's Social Welfare Project initiated its implementation in Galician cities.

This initiative also includes emotional telephone accompaniment, aimed at people with mobility difficulties or with greater relational needs.

5. **Dialogue on the future of ageing**

In October, Santiago de Compostela held the "Dialogue on the future of ageing", promoted by La Moncloa, the European Commission, the European Parliament, the Municipal Council of Santiago de Compostela, Afundación, the Galician Economic Forum and the Universidade de Santiago de Compostela. The event, held in ABANCA's Social Welfare Centre, was aimed at stimulating plural, informed and constructive conversations on the opportunities and challenges facing Spain and the EU in the post-COVID world, in addition to gather proposals to include them both in the National Long-Term Strategy, prepared by the Government, and the Conference on the Future of Europe.

The participants reflected on the pensions of the future, the changes that must be made in our labour market to retain the older-aged working population and the need to change the approach in order to address demographic ageing. The promotion of active ageing and the improved intergenerational cohesion of our society were other main points discussed at the event.

6. **Loneliness, ageism and the value of life story in old age**

The "Emotions and solitudes" cycle, in collaboration with Matia Instituto and emitted by Afundación TV, encompassed different informative activities for all types of audiences related to the emotional well-being of older people and the social image linked to old age. The first of them was the conference and colloquium "(Re)cognising solitudes, in which the experts Mayte Sancho, Sara Marsillas and Daniel Prieto discussed the phenomenon of loneliness and its different facets among people who age, the stereotypes and the stigma associated with old age and loneliness, the importance of the cultural legacy in the perception of this or the way of preventing and supporting older people who feel lonely.

The conference and colloquium of the expert Elena del Barrio, "Debunking stereotypes about age and ageing" addressed ageism, i.e. the prejudice marked by stereotypes, feelings and discriminatory treatment towards people on the grounds of age and which, according to the World Health Organisation (WHO), is the third cause of discrimination in the world after racism and sexism.

On the occasion of the International Day of Older People, on 1 October, the conference given by the Doctor in Gerontological Psychology Teresa Martínez "When time passes. The value and power of life story". In her conference she highlighted how in a few generations we have managed to live longer lives and that now we must address the challenge of achieving, for those years gained, a full and meaningful life experience.

7. **"Music up close"**

Another of Afundación's social welfare initiatives throughout the Galician community was "Music up close", a programme created after detecting the specific needs of special education centres. The limitations imposed at school exits and holding events in this setting entailed a reduction in the possibilities of cultural interaction of students with different capabilities, for whom the digital option is not feasible, given the distance marked by the screen.

Thanks to this programme, which featured the collaboration of the Igualarte Foundation and musician and professor Carlos Quintá, the participants were able to enjoy traditional Galician music in a dynamic and participatory manner, at events in which the reactions and interactions of the more than 1,500 students from 33 schools evidenced the power of music in the management of emotions, the decrease in fears and tensions, sensory and perceptive development, the promotion of creativity or the reinforcement of communication.

8. A "Cultural current" throughout Galicia

We celebrated the fifth anniversary of the "Cultural current" project developed by Afundación and ABANCA with the participation of more than 13,000 attendees who enjoyed exhibitions in multiple municipalities throughout Galicia, as an outstanding global social commitment action.

Collaboration with Galician municipal councils made it possible to put together a top-quality programme, such as the exhibition "A glimpse of yesteryear: Photographs of Ruth Matilda Anderson in Galicia". Also worthy of note are proposals such as "We too were immigrants. Photographs by the EFE Agency on Spanish emigration in the 20th century" or "Múltiple. The art of engraving. From Picasso to Barceló", which includes graphic pieces selected from the funds of Afundación's Art Collection and allows us to broaden our knowledge of the work of some of the master engravers of 20th century Spanish art, among which three great international geniuses stand out: Salvador Dalí, Pablo Picasso and Joan Miró.

In 2021, 25 exhibitions took place in the municipalities of O Carballiño, Xove, Ares, Redondela, Castro de Rei, Vedra, A Rúa, A Pastoriza, Pobra de Trives, Muxía, Sanxenxo, A Pobra do Caramiñal, Burela, Salceda de Caselas, Fene, Maceda, Ponte Caldelas, Ribeira, Verín, A Laracha, Miño, Ponteareas, Muros and Barbadás.

9. Solidarity on the ground

The Emove project, developed by the Afundación A Coruña Vocational Training Centre, was awarded the first prize of the 13th Edition of Training for Entrepreneurship, in the context of the Entrepreneurship Fair of the Inicia Programme of the Municipal Council of A Coruña, in recognition for the work carried out by the students of the centre, supervised by one of the teachers, on the creation of a company that engages in the sale, repair and rental of 100% electric personal mobility vehicles.

Also in the field of education, the Afundación Vigo Home School vocational training centre showed a decisive social commitment by depositing five mobile storage units of clothes at the local Cáritas office, essential for classifying and distributing this material among all the applicant families, taking care, at the same time, of the health of the volunteers in charge of organising the warehouse. First and second year volunteers (subjects of Assembly and Welding), were added to the solidarity initiatives of this institution in recent years: preparation of facial masks, shields or gowns and collaborations with Cáritas' kilo operations.

For 21 years, the Afundación Vigo Home School has been regularly participating in the blood donation campaigns promoted by ADOS (Organ Donation and Blood Donation Agency) An initiative that in 2019 was added to the Afundación A Coruña Vocational Training Centre. In the campaigns carried out by the ADOS mobile units in January and October in both centres, 74 donations were achieved, of which 41 were people who were donating for the first time.

Different solidarity actions were also promoted from Afundación's espazos +60. Thus, Afundación's A Coruña's Espazo +60 organised a solidarity shop in favour of the "Let's cure Parkinson's Disease" association, all of whose articles are prepared by volunteer participants in the "Solidarity workshop" carried out throughout the academic year. All types of handcrafted items, from children's clothes to tablecloths, snack bags, embroidered cloth dolls or Camariñas lace, served to raise awareness on the development of recycling habits in an environment of co-existence between creativity, imagination, solidarity and cooperation, in the context of the "The value of experience" of the Active Ageing Area.

The same programme drove the hopes and wishes of the volunteers of Afundación Ferrol's Espazo +60, which raised €2,000 for the Local Economy Kitchen, thanks to the sale of its handcrafted items, in accordance with a volunteering spirit that also fosters the use of the new technologies by the volunteers who disseminated this solidarity market on social media.

10. Culture for education

In line with the constant innovation that presides its actions, Afundación adapted to the restrictions imposed in the context of COVID-19, programming its visual arts initiatives so they are followed online by students in their classrooms. The Afundación Theatre was the venue for these plays and students were able to enjoy them without leaving their desks via Afundación TV. These live broadcasts also included sign language with the collaboration of the Galician Federation of Deaf People and the Galician Association of Deaf Children's Nations and Nations of Galicia (ANPANXOGA) and accompanied by a subsequent colloquium in which students were able to pass on their queries or curiosities to actors, actresses, scriptwriters and other participants in the activity. The plays were also broadcast, thanks to Afundación TV, to hospital rooms, as in the case of the Hospital Clínico Universitario Virgen de la Arrixaca. *As Fabas máxicas, Nautilus, Los tres osos, El ritmo de los tiempos, The final game, Weird Stuff, Frankenstein, treme o misterio* were the titles programmed throughout the year.

With the same objective of fostering education in values, *Outros camiños* was programmed via Afundación TV, a documentary on self-improvement, produced by Rubén Riós and aimed at students which invited the participants to an emotional journey of 500 kilometres along the Silver Way (Vía de la Plata) of St James Way. Days of learning, smiles, hugs and tears in which four people with cerebral palsy guided the rest of the group through this emblematic journey towards Santiago de Compostela.

In 2021 a new edition was developed of the cycle of conferences "Education in the 21st century", a reference framework for all the people who make up the educational community. In this regard, in addition to having several prestigious speakers who address innovative pedagogical matters, Afundación also wanted to focus on the importance of an education in which the ethical values are the cornerstone. To this end, the Entity considers that one of the priority matters is the dissemination and awareness of the need to foster respect from infancy and youth, valuing the importance of emotional health for this process of co-existence.

The proposals of this edition addressed, always in streaming format through Afundación TV, bullying, emotional health, mindfulness for families, emotional challenges in school due to COVID-19, the challenges of adolescent eating habits and the value of education for a more equitable society.

Awareness of 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.

1. Policies

102-16, 102-25, 103-2, 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.

a. **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.

b. **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.).

c. **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 principal 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.

d. **Communication policy:** ensures the quality of the economic and financial information, and that it is adequately disseminated and known, facilitating its disclosure to the market, investors and other stakeholders.

e. **Sustainability policy,** aims to set out the Entity's strategy, basic action principles and commitments in this connection, asses their strategic impact and promote initiatives designed to address the challenges posed by climate change from the environmental, social and governance viewpoint.

f. **Responsible investment and incorporation of sustainability risks policy:** sets out the strategy and basic voluntary and aspirational action principles in this connection, with the aim of obtaining return on investment consistent with its customers' objectives, while seeking to maximise social well-being. To this end, they are included in financial metrics and social, environmental and governance aspects (SEG).

g. **Energy and environmental policy:** provides a common reference framework to establish objectives and carry out actions, based on ABANCA's commitment to efficiently consume energy, reduce its greenhouse gas emissions and establish appropriate environmental mechanisms.

2. Service quality

103-2, 103-3, 416-1, 417-1

Quality is one of the corporate values that underpins the future progress of the Entity. 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 2021, 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.

Excelencia en el servicio a Banca de Negocios AENOR conform	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.
Excelencia en el servicio a Banca de Particulares AENOR conform	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.
AENOR ER Empresa Registrada ISO 9001	**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.
AENOR Servicio Certificado Cartas de servicios	In December 2014 we became the first Spanish and European entity to certify the quality of a financial product (24-hour loan) according to the UNE 93200:2008 standard for Customer Service Charters.
CMMI NIVEL 5	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).

Customer Service Charters

ABANCA stands out for being the first and only Spanish and European financial entity 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 Customer Service Charters include quantifiable objectives and indicators associated with the commitments whose measurement and degree of fulfilment is verified and publicly disclosed.

24-hour loan	Mortgage Maricarmen
Customer Service Charter Commitment compliance panel	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.

55 services assessed in 2021.
Average of 760 monthly surveys.
Nearly 5,000 participating employees.

a. **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 2021, 84% of the assessed services exceeded the established optimum internal quality level.

b. **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.

3. Evaluation of impact and risk implicit in product development

To this end, ABANCA has a Product Governance Committee presided by the CEO and whose Secretary is the Director of Individual Banking, whose proposal is to ensure and drive the adequate development of the business in individual segments, both mass and specialist, in addition to guaranteeing the achievement of a balance between the fulfilment of the objectives and the improvements in customer satisfaction.

The functions of said committee are as follows:

- To approve the launch of new products and services aimed at new or existing customers, evaluating to this end the business case, regulatory suitability and risks.
- To monitor the new products or services launched, in addition to market changes that could affect products in the distribution phase.
- Additionally, the Committee's activity is reported to the Board of Directors on a quarterly basis, which is ratified by the Board of Directors.

Therefore, in accordance with the foregoing, governance in decision-making in relation to the products is fully guaranteed, since it is assured that they are designed to meet customers' needs and are managed responsibly.

4. Customer experience

102-43, 102-44, 103-2, 103-3, 416-1

The pandemic has implied a change in trend in consumer habits and their demands, obliging banks to take a step forward to meet their expectations, in addition to accelerating the digital transformation process in the banking relationship. Whenever we come across a more demanding, empowered customer with different preferences in their relationship with the Bank, combining all the interaction channels within their reach, which is a major challenge, not only in terms of coordination and centralisation of information but also in the homogenisation of ABANCA's experience regardless of the chosen contact channel.

In 2021 the main focus of the Customer Experience Department has been the measurement of all the customer interactions in each of the Bank's channels, guaranteeing the aforementioned coordination and homogeneity to generate positive perceptions based on a unique ABANCA style. In this regard, we are committed to omnichannelling and consistency in processes, in addition to new projects to continue to put the customer first.

+70,000 customers shared their experience with others.

We have also strived to minimise potential contrary impacts on customers as a result of the advanced digitalisation model encompassing the entire banking sector. To this end, we continue working so that customers perceive that we are near them in all the channels, showing proximity and creating an ABANCA Style that will help us to differentiate ourselves from the competition and offer an optimal experience.

It is very important that we continue to nurture our contacts with our customers regardless of the channel in order to generate positive emotions and provide them with a satisfactory experience. Because ABANCA's proximity does not imply physical presence but rather availability, accompaniment in the transition to digitalisation and being with out customers where and when they need us.

Our customers now demand excellence not only in the products we offer them, but also in the processes, channels, personalised attention, agile response, interactions, etc. This entails a change in customers' consumer trends and habits which is accompanied by the appearance of new demands, which gives rise to the appearance of new ways of measuring and working to continuously improve the processes in each interaction with ABANCA.

a. Consolidation of the omnichannel mystery shopper:

On the one hand, with the digital mystery we have focused on measuring the experience of customers and non-customers in remote channels, complementing the face-to-face mystery and taking into account that digital relationships with the Bank never stop growing. This new indicator has allowed us to learn and update our analysis model while providing us with more periodic digital measurement options through a continuous mystery that gives us information on customers' actual experience with us. Thanks to the key mystery metrics, which are the WOW Experience (Indicator that measures the sensations felt by the customer or potential customer during the experience), ATC compliance (Indicator that measures the compliance of the protocols, adequacy, offering, close and monitoring) and ABANCA ROADMAP (Indicator that measures the fulfilment of the 10 key facts), we know if there is coordination between the channels and whether or not the process is agile, if there is consistency between the messages transmitted from the different channels and if we focus on personalisation for each customer and show concern for their needs.

b. Improvements in our customer voice tool ABANCA Escucha Delta (ABANCA Delta Listens):

The launch of the new version of ABANCA Escucha Delta has represented a step forward to continue measuring what our customers think about us on a daily basis. The incorporation of more filters for more information, a new exclusive Insurance balanced scorecard, a more user-friendly and visual interface, greater ease for closing alerts, shorter connection and report download times, and greater precision and detail in actions plans are some of the improvements made to this version of the tool, which is increasingly incorporated in Central Services. Also, throughout the year we have listened in on calls and satisfaction surveys made by the Contact Centre and ABANCA Conecta to analyse them and establish protocols common to all the services, in order to achieve more homogeneous and higher quality calls.

c. New service and process testing model:

Thanks the FOCUSES we carry out with commercial network professionals, we have tested new products in order to have a 180º vision of what the customers needs, what they demand and what they expect from the new offering. In addition to testing forthcoming launches as we did this year with our car insurance, house insurance or health insurance policies, we also analyse existing products to detect areas of improvement, know the impact of our brand and obtain information related to the customer experience generated. This, together with traditional feedback from surveys, tests with end customers in the ABANCA Colabora Community and real-time feedback from digital mini-surveys allows us to put the customer at the centre of the portfolio and analyse the efficiency of ad hoc solutions.

5. 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, which was updated in March 2021 and 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.
- Identification and establishment of adequate measures for mitigating inherent risks, in addition to complying with legal and regulatory requirements.

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	Total billings (millions of euro)	Percentage of service billings under €50,000	Percentage of approved suppliers
1,988	€ 201.22	80.70%	100%

Note: supplier data correspond to individuals and legal persons engaged by the Procura area for ABANCA and its investees, not including supplies, leases or intra-Group billings.

In 2021, the risk assessment procedures in procurement process reached a high degree of maturity and are recognised by the whole organisation, given the increasing importance of the technological, confidentiality and continuity risks.

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 November 2021.

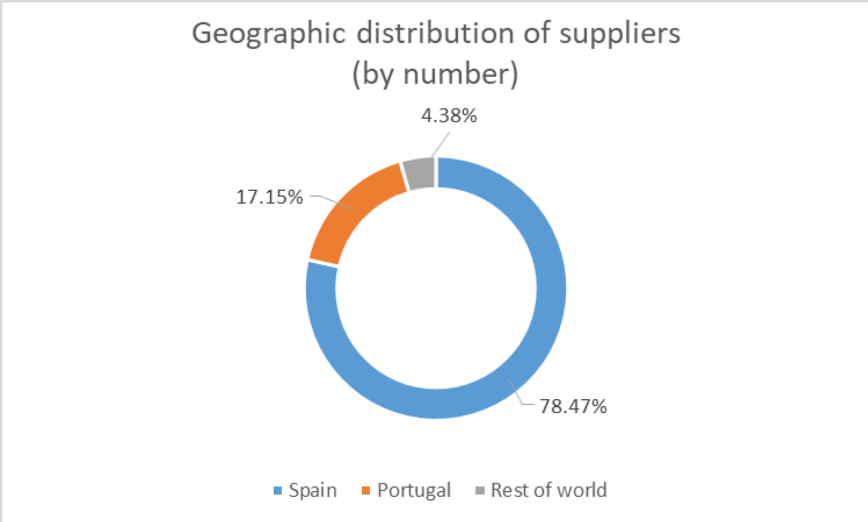
Approval and responsible behaviour of suppliers

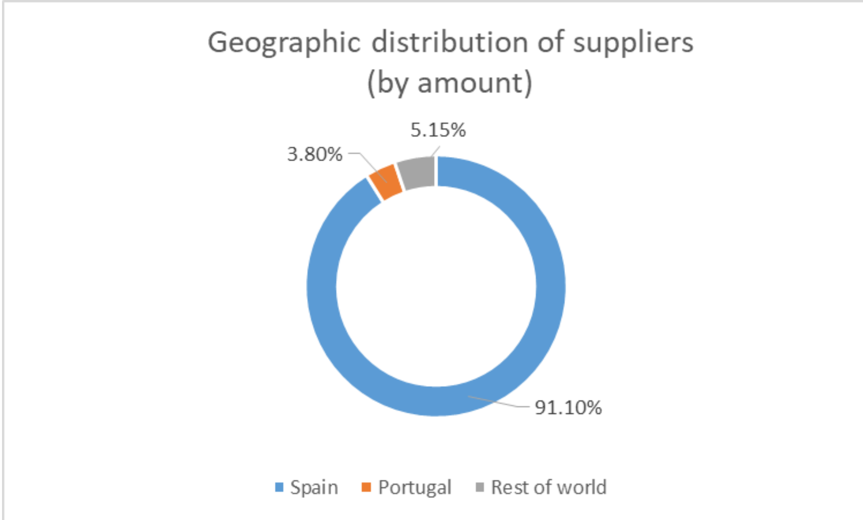
102-9, 103-1, 103-2, 204-1, 308-1, 308-2, 412-1, 414-1, 414-2

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:

- Anti-money laundering / terrorist financing.
- Labour relations, workplace safety and hygiene.
- Corporate Social Responsibility, sustainability and adhesion to ABANCA's policies.
- Experience and certifications
- Tax, legal and financial aspects.
- Existence of third-party contracting procedures
- Existing commercial relationships as customers.





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. These include:

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. In 2021 a new approval form was implemented which includes a larger number of questions related to sustainability for supplier evaluation.

Evaluation and selection of suppliers	**2020**	**2021**
Number of suppliers evaluated and selected in relation to environmental impacts	217	402
Number of suppliers with negative, significant, potential and real environmental impacts	0	0
Number of suppliers evaluated in relation to social impacts	217	402
Number of suppliers with negative, significant, potential and real social impacts	0	0

Percentage of new suppliers that were evaluated in accordance with environmental and social criteria.	100%	100%
Percentage of suppliers evaluated in relation to human rights and labour standards		100%

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.

Facturación proveedores extranjeros (€)	2019	2020	2021	
	Importe	Importe	Importe	%
Alemania	24.281,98	670.661,95	661.689,38	3,69%
Australia			4.592,50	0,03%
Argentina	8.754,23	3.841,20		
Bélgica	566.847,66	550.515,02	816.887,04	4,55%
Canadá		27.830,00		
Estados Unidos	1.620.864,20	1.994.002,11	2.306.248,76	12,85%
Francia	3.369.183,25	2.861.436,83	2.326.639,92	12,96%
Irlanda	105.235,16	696.966,34	618.286,17	3,44%
Italia	398,00	596.568,37	797.335,84	4,44%
Luxemburgo	7.269,43	121.929,40	456.364,51	2,54%
México	299.998,80	393.664,22	1.431.868,63	7,98%
Países Bajos	2.117,50	12.167,16	20.094,08	0,11%
Panamá		6.942,16		
Portugal	451.135,83	11.595.903,17	7.621.795,52	42,46%
Reino Unido	2.010.677,26	609.630,91	804.666,60	4,48%
República Checa		2.570,22	906,29	0,01%
Rumanía		37.026,00	34.969,00	0,19%
Singapur			1.900,00	0,01%
Suecia	18.150,00	18.150,00	18.150,00	0,10%
Suiza		22.595,60	26.388,04	0,15%
Venezuela		29.479,27		
Otros		845.559,82		
TOTAL	8.484.913,30	21.097.439,75	17.948.782,28	100%

6. Claims management

a. Whistle-blowing channel

102-17, 103-2

The whistle-blowing channel is a mechanism that ABANCA implemented in 2016 and which allows the employees of the different ABANCA Group companies and suppliers and their employees related to ABANCA to report possible risks or breaches arising from actions or behaviours that contravene the law or the principles or internal regulations included in the Entity's codes of conduct or in any of its internal regulations or protocols.

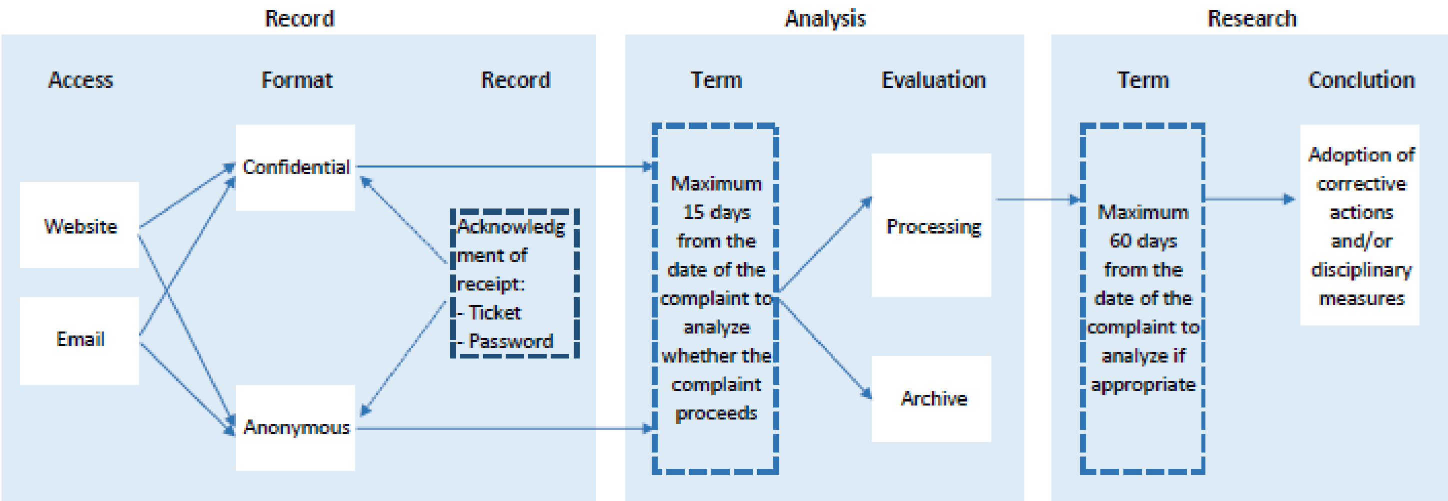
The main objectives pursued are as follows:

- To establish an effective measure for the prevention and detection of illegal or irregular conduct.
- To implement measures for controlling the Company's activity.
- To contribute to the continuous improvement of ABANCA's internal processes and policies to manage and control illegal or irregular conduct that may occur therein.

Access to the channel is available on the Intranet and, in those cases where the reporting person does not have access to the Intranet or does not want to use the whistle-blowing channel, they have an email at their disposal to which they can send the report.

In order to guarantee that the whistle-blowing channel works effectively and ensure the proper execution, revision, supervision and update thereof, **control bodies** have been established to provide adequate support.

Procedure diagram



Guarantees of the procedure:

- **Confidentiality** of the reporting person's identity and protection against reprisals.
- **Report ticket - safeguard**: the reporting persons, both whether the report is formulated confidentially or anonymously, will receive a registration ticket (report number and password) that will allow them to know the status of their report.
- **Personal data will be processed** in strict compliance with the provisions of the European Personal Data Protection Regulation (2016/679), Spanish data protection regulations and other related applicable provisions.
- **Exhaustive analysis of the facts** reported to ensure the truthfulness of the potential breach.
- **Presumption of innocence** and respect for the rights of the persons presumably involved.

- **Rigour in the actions** carried out as a result of the report received that must be grounded and justified.
- **Good faith**: anyone who reports a breach must do so according to according to an unwaivable principle of good faith, with sufficient reasons and objective proof that demonstrates the existence of the breach.

b. Customer Support Service

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 a basic objective of the Banco de España. Through the Bank Behaviour Department, the Bank of Spain supervises bank behaviour and information transparency, in addition to the operation of Customer Support Service.

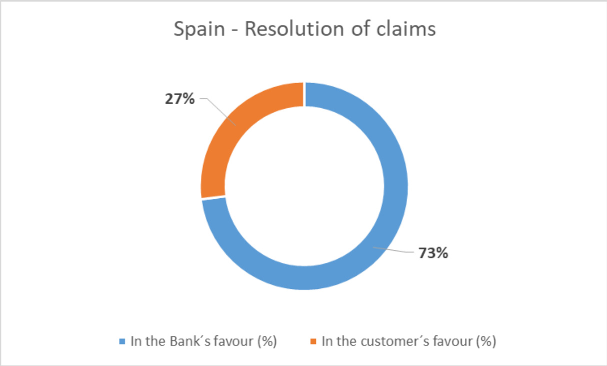
Banks are obliged to have a Customer Support Service (CSS), which is aimed at processing and addressing their customers' complaints and claims.

CSSs carry out a relevant important control function in the detection of sources of customer dissatisfaction. Said function must be incorporated 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.

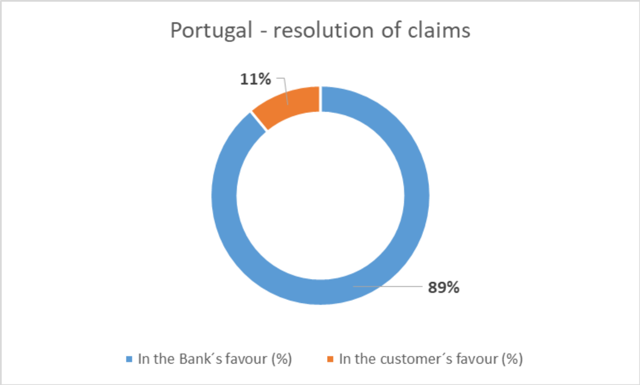
CSSs assess the actions of the commercial areas and operating procedures in relation to customers in the event of claims or complaints. Additionally, they continuously analyse complaint and claim management information with the aim of identifying and addressing recurring or systemic problems and possible legal, operational and behavioural risk.

Therefore, CSSs are a mechanism for alerting of problems arising from the marketing of products or services and/or the bank-customer relationship, allowing the Entity to adopt the necessary measures to solve said problems or preventing them from appearing.

Spain - Claims by typology (%)	2019	2020	2021
Active transactions	26.4%	15.9%	**24.1%**
Passive transactions	35.8%	62.9%	**44.1%**
Other banking products	22.6%	15.0%	**21.4%**
Collection and payment service	2.2%	0.8%	**1.2%**
Investment services	0.7%	0.3%	**0.3%**
Sundry insurance and pensions	6.1%	1.9%	**2.8%**
Various	6.1%	3.2%	**6.0%**



Portugal - Claims by typology (%)	2020	2021
Active transactions	14.0%	15.0%
Passive transactions	24.0%	23.0%
Other banking products	5.0%	3.0%
Collection and payment service	9.0%	12.0%
Investment services	29.0%	14.0%
Sundry insurance and pensions	7.0%	6.0%
Various	12.0%	27.0%



Complaints in first instance (38,271 in Spain and 192 in Portugal), from which 36,302 had been admitted for processing in Spain and 192 in Portugal.

7. Cyber security

103-3

Information security and cyber security is the origin and basis of the ABANCA Group's good governance and is ultimately aimed at preserving the organisation's information, the assets that support it, operations and protect its interests and strategic objectives.

ABANCA considers that digital risk is inherent to its business and that its management is essential to achieving its objectives and successfully executing its strategies. ABANCA's strategic security and cyber security programme and plan, renewed in 2021, is the cornerstone of the management of digital risks, prevention and awareness, the execution and operation of protection, monitoring and, naturally, evolution accompanying the strategy and good governance in the organisation.

The main focal point of the cyber security strategy is information protection and the organisation's reputation, maintaining proprietary and third-party operations, and to be increasingly capable of anticipating and responding to incidents. In addition to recovery by means of coverage through specific insurance policies.

Data privacy and protection play a highly relevant role in corporate governance and in guaranteeing the basic rights of ABANCA's customers and employees. Information security and cyber security is a basic lever for guaranteeing the objectives in this regard, due to which the collaboration between both functions is harmonious and constant, incorporated in the same direction and with a management and governance model supported on the structure of the policies and committees inherent to both functions.

+800 analysed initiatives
29 external consultations to the Data Protection Officer attended
1,953 exercises of rights executed

In 2021 the training and sensitisation models were expanded to include high-level training in privacy to the Entity's governing bodies and senior managers.

The strategic cyber security plan was concluded with such relevant initiatives as the incorporation of cutting-edge technology in the orchestration of cyber security alerts, deployments of cloud-based control models, advanced system protection and special attention to network and telework security accompanying the corporate strategies during the COVID-19 pandemic.

We have deployed advanced governance models, implementation and monitoring of security in the software life cycle (S-SDLC) and secure development and operational capabilities in hybrid and cloud environments (DevSecOps) to address the challenges of increasingly complex technology.
The protection of the operation, maintaining high early warning and response capabilities are key to sustaining business processes and attending the services, especially digital, that support them. For this reason, security and cyber security have had particular relevance in the planning in 2021, aligned with standards and good practices such as the NIST frameworks and MITRE approach, inter alia.

The incorporation of internal ratings for comparable measurement in the sector and industry have made it possible to offer a cross-cutting and executive vision for monitoring purposes in the governing bodies. Furthermore, these externally applied ratings make it possible to improve third-party risk management within the supply chain by extending Vendor Risk Management capacity.

Lastly, there has been active public/private collaboration, coordination with bodies and agencies such as INCIDE, CCN-CER and others, leading forums and work and early warning groups that enhance preventive and response capabilities and governance, promoting an environment of trust in the sector and in our customers and, therefore, in society.

8. Singular housing management

103-2, 103-3, 203-1, 413-2

Since 2016, ABANCA has a Singular Housing Management unit through which communication 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 particular 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.

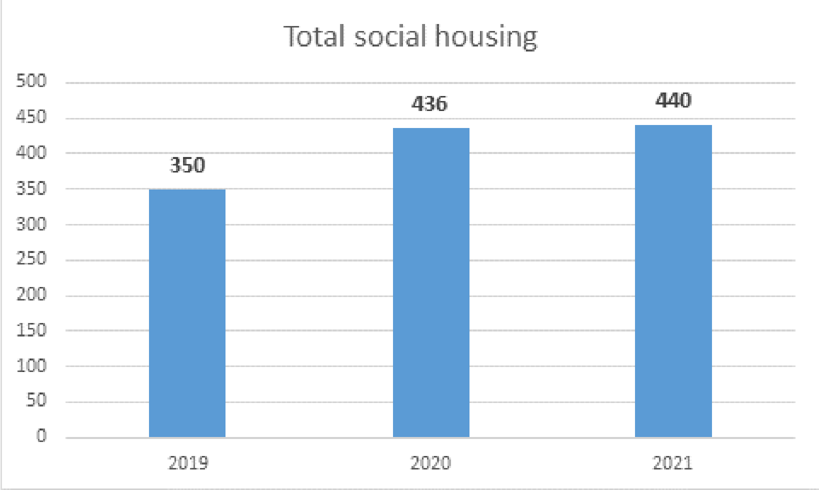
The mortgage debtor protection policy is structured around three main lines of action: the Code of Best Practices (CBP), the Committee for Situations of Social and Reputational Vulnerability (CSSRV) and the Social Housing Fund (SHF).

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

	2019	2020	2021
Transactions requested	**143**	**69**	**79**
Transactions performed	**21**	**13**	**12**
+ Viable reestructuring	11	12	8
+ Debt relief	2	0	1
+ Dation in payment	8	1	3
Rejected transactions	**45**	**21**	**18**
+ Non compliance with requirer	45	21	18
+ Other causes	0	0	0



7

Comprehensive risk management

103-2, 103-3, 207-2

The quality of risk management, for the ABANCA Group, constitutes a priority line 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:

- **First line of defence**: functions of management and control realised by the Group's units, understood as business units and the credit unit[15]. These units are responsible for management and monitoring, always in compliance with the Entity's risk strategy, established through risk policies and regulations, with the aim of adjusting the appetite to the risk and to the authorised risk limits. Therefore, the primary activity controls are found on this first line.

- **Second line of defence**: it encompasses the control functions carried out independently and according to a comprehensive risk management, through the General Office of Corporate and Risk Control and the General Office of Corporate Governance and Legal Affairs, including all the types of risks of the Bank. From this line the policies and regulations are proposed to the Governing Bodies for their approval, subsequent implementation and transfer to the first line of defence for application in management. Therefore, policies and regulations are established in accordance with the Entity's risk strategy and always adapting to the continuous regulatory requirements. Once implemented, compliance therewith is monitored by controlling the management of the first line of defence, recurringly informing the governing bodies of their monitoring and proposing, in case of deviation, the appropriate corrective measures to comply with that previously defined. This line ensures the effective control of the risks and ensures that they are managed in line with the strategy defined under the approved risk appetite level, in order to obtain the target risk profile.

- **Third line of defence**: functions of supervision realised through internal auditing. In its role as last control layer, it is in charge of periodically evaluating the the policies, methods and procedures are appropriate, verifying the effective implementation thereof. From this line, the activity of both the first line (monitoring compliance with the policies, regulations and procedures defined by the second line) and the second line (ensuring regulatory compliance and the proper implementation of the decisions made by the Entity's governing bodies). Therefore, internal auditing is responsible for guaranteeing that the policies, methods and procedures are adequate, effectively implemented and are regularly reviewed.

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.

The Group's risk culture is based on the principles of the Group's risk management model detailed above and is transmitted to all of the organisation's business and management units, supported, inter alia, by the aspects defined below:

- **The comprehensive risk management unit is independent from the credit unit and from the business units which are, in turn, independent of each other.** This independence in its action plans guarantees not only independence in decision-making, but also allows its criteria and opinions to be taken into account in the different instances in which the businesses are carried on, interacting directly with the governing bodies through the Integrated Risk Committee.

[15] In the sphere of ESG risks, the Social Responsibility and Sustainability area form part of the Bank's first line of defence.

- **Involvement of the governing bodies and senior management in the decision-making process.** The structure of the delegation of powers of the Bank requires a large number of transactions to be submitted for validation by the Bank's centralised risk committees (Central Committee and Delegate Credit Committee). The frequent nature of the meetings of these risk monitoring and sanctioning bodies makes it possible to guarantee agility in the resolution of proposals while ensuring, at the same time, the intensive participation of senior management in the daily management of the Entity's different risks.

- **Active management of its entire risk life**, from pre-analysis, through analysis/concession, tracking, and through to the extinction of these. 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 for each and every customer.

- **Collegiate decisions that ensure the contrast of opinions.** The absence of personal powers requires all decisions to be resolved by collegiate bodies (decisions made unanimously), which entail greater rigour and transparency in decision-making.

- **Decentralisation of decision-making in accordance with the available implementation, training and tools.** A conservative criterion is applied in the admission of loans and receivables, seeking a reasonable balance between efficiency and effectiveness by decentralising decision-making, based on the delegation of powers and the assignment of duties in accordance with the risk assumed, and supported by the implemented management and control tools that allow this process to be controlled at all times.

- **Clear processes and procedures**, periodically reviewed in accordance with the needs at any given time and with clearly defined responsibilities implemented at each level. The Bank has action manuals and policies for risk management, which constitute the basic regulatory framework through which the risk-related activities and processes are regulated.

- **Definition of duties**. Each of the risk acceptance and management units have clearly defined types of activities, segments and risks they may incur and the risk-related decisions they can make, based on their delegated powers or under the risk framework (limits) established in the policy manuals.

- **Limit plan**. 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. Credit risk management is also supported by credit management programmes, such as scoring models (individuals, autonomous and micro-SMEs), rating systems (exposures with medium-sized and large enterprises) and pre-classifications (large customers). There are also limits for operational risks.

- **Generation, implementation and dissemination of advanced** analysis and decision support tools that, with effective use of technology, facilitate customer management and its risks. Specifically, we can refer to construction, independent validation and approval of the risk models developed in accordance with corporate methodological guidelines. These tools make it possible to systematise the risk origination, monitoring and recovery processes, the calculation of expected loss and capital required, and the measurement of the held-for-trading portfolio.

- **Monitoring**. 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. Also, the Bank has symptomatic and systematic transacting monitoring systems that enable anticipation, in addition to establishing action plans. Periodically, there is systematic tracking of the status of the Bank's main portfolios.

Additionally, worth noting is the existence of a series of procedures that support the transmission of the risk culture, for example, the risk appetite framework, the training activity, the remuneration and incentives policy, strict compliance by employees of the general codes of conduct and a systematic action independent from the internal auditing services.

These principles are aligned with the Group's strategy and business model and take into account the recommendations of the supervisory bodies, regulators and market best practices.

To guarantee adequate control of 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 continues to make progress in the evolution of IRB models, with this being one of its strategic lines.

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 actively manages its entire risk life cycle: pre-analysis, analysis/concession, tracking and up to its extinction. 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.

Credit risk management is also supported with credit management tools, such as scoring models (individuals, autonomous 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.

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 **Delegate Credit Commission** has been delegated authorities that correspond to the Board of Directors regarding the concession and tracking of financing operations.

  The **Nomination and Sustainability Committee**, which has additional functions relative to: periodically evaluating and reviewing the Company's sustainability strategy with the aim of fulfilling its mission of promoting social interest taking into account, where applicable, the legitimate interests of the other stakeholders. Also, ensuring that the Company's sustainability practices adapt to the established strategy and policies.

- 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 Entity and its governing bodies are involved in its 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 risks 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.

- **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.

- **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 given the environment or requirements of the business.
  - **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.

Environmental, Social and Governance Risks (ESG)

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.

As regards the 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 understanding, measuring, 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.

The Entity is being gradually incorporating the evaluation of ESG risks in the credit admission processes. To this end, the Entity defined an action plan in 2021 that will be taken as a roadmap with the aim of understanding, measuring and adequately managing these risks, following the guidelines of the European Central Bank on climate and environmental risks in relation to supervisory expectations relative to the management and reporting of risks such as that of the Banco de España at national level.

In this regard, considering that some sectors where it operates could have a significant social and environmental impact, and within the framework of a decision-making process that is ethical, responsible and committed, the Entity considers it essential to identify, understand, measure, assess and manage the environmental and climate risk associated with these exposures.

To this end, in a first phase of understanding of the climate and environmental risks and their impact, ABANCA has carried out the identification -based on external analyses- of those sectors which are more intensive in carbon dioxide emissions into the atmosphere, to whose customers it applies a more stringent admission circuit. The sectors identified and based on which ABANCA rates, from September 2020, the operations from a climate perspective are as follows:

- Air transport;
- Non-metallic mineral products;
- Supply of electricity, gas, steam and air conditioning;
- Maritime transport;
- Road transport.

For said sectors, ABANCA analyses, from an operating and customer perspective, the climate and environmental variable based on a questionnaire aimed at identifying physical and temporary risks. The result shows a low, medium or high risk classification. In this last case, the expert judgement of sustainability analysts is also required to decide on the transaction.

Additionally, in order to classify transactions of a more significant amount, the transactions sanctioned by the Delegate Credit Committee include, for information purposes, the customer's "susceptibility to ESG risk affectation" rating, which is currently determined by the applicant's National Classification of Economic Activities (CNAE).

In parallel, the Entity is developing: on the one hand, the adaptation of a product catalogue based on the criteria of the environmental Taxonomy Regulation of the European Union (Regulation 2020/852) as it is defined and, on the other, electronic ESG labels that will initially be used to mark the financing of renewable electricity production facilities, provided that the production of renewable origin accounts, at least, for 85% of its total annual generation. Subsequently, the scope of these labels will be extended to other types of transactions that are aligned with the European Union's Taxonomy.

In this regard, worth noting is the creation of an internal and operational ESG work group made up of representatives from the different units, that internally provides support for entering information in the Bank's systems required for incorporating ESG criteria, support for transitioning from the product catalogue adequate to Taxonomy criteria and training in sustainability, among other functions. The duties of this work group will evolve with the aim of incorporating the ESG risks in the Entity's global management, adapting to the general lines established by the strategy at all times.

Furthermore, ABANCA, with the aim of implementing the Responsible and Sustainable Banking Plan, has a created a sustainability project steering committee, which is responsible for monitoring the main actions relative to the adaptation of the requirements and expectations of the regulatory and supervisory framework in relation to sustainability, disclosure and ESG risks in particular.

As next steps, ABANCA is already working, as part of the Bank's strategic planning (ICAAP, RAF), on the segmentation of the portfolio according to is exposure to climate risk, which will be performed based on benchmark standards such as those recommended by the TCFD.

ABANCA currently considers climate and environmental risk as a dimension of reputational risk. However, given the growing importance of environmental and climate risks, and their potential impact and materialisation, ABANCA is working on redefining the approach to these risks and elevating them to high-level risks and their declination as risk factors of traditional risks, in accordance with the aforementioned guidelines of the European Central Bank and with the EBA's document on ESG risk management and monitoring (ESG report on ESG risk management and monitoring).

Thus, based on the foregoing and taking the knowledge acquired from the identification of climate and environmental risks and portfolio segmentation based on exposure as a basis, ESG risk will be assessed from the standpoint of the different types of risk to determine its impact on each, and the ESG risk itself as an individual dimension, to subsequently and progressively include it in the appetite framework and risk management balanced scorecards.

However, it should be noted that ABANCA has a highly diversified asset portfolio, more focused on retail, which affords it exhaustive knowledge of its customers and makes it easier to engage with them to help them during the transition process, thereby contributing to mitigate the impact of these risks.

Lastly, in relation to emerging risks, worth noting is the focus on monitoring and management of technological risk, with special focus on cyber security (ICT risk), and the management of the COVID health crisis, with anticipation in said management in order to meet our customers' needs, thereby minimising the impact of the health crisis by adequately managing the credit risk of the portfolio (credit risk).

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
Financial information

ABANCA obtains 323 million profit, with a 7.8% profitability

PROFITABILITY

323.3M€
Attributable profit

+6.2%
Basic margin

241M€
Recurrent margin

RISK QUALITY

28.7% Texas ratio

2.1%
NPL ratio

85.3%
Non-performing loans coverage

>95% of the moratoria have already expired

No significant impact on NPL ratio

SOLVENCY AND LIQUIDITY

16.9%
Total capital ratio

1,527M€
Excess of total capital

+17.0%
Deposits from customers

VALUE CUSTOMERS

> 108,000M€
Business volume

> 2,400M€
Credit granted to SMEs & self-employees over the year

x3 Net subscriptions to investment funds treble those of 2019

- ✓ The increase of recurring revenues, the control of expenses and the controlled cost of risk contributed to the profit increase
- ✓ Revenues from products and banking services increased by 6.2%
- ✓ Corporate transactions contribute to the growth of the recurring margin, which improves by 33.1% and reaches 241 million euros

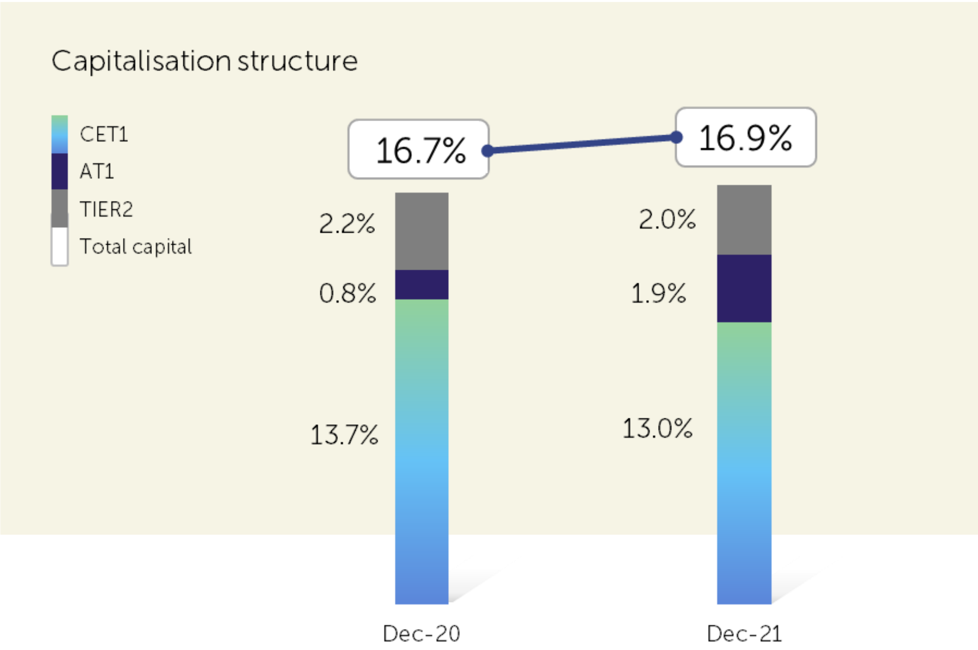
- ✓ Among the most well-off banks of the sector, as evidenced by its Texas ratio (28.7%) and coverage of non-performing loans (85.3%)
- ✓ Very low delinquency in households and enterprises that have almost used up the financial support measures

- ✓ Total capital ratio of 16.9%, far exceeding regulatory requirements
- ✓ 1,527 million excess of total capital on regulatory requirements

- ✓ ABANCA increases its business volume to exceed 108,000 million, which represents a year-on-year growth of 18.8%
- ✓ Business formalisations with SMEs and the self-employed recover pre-pandemic levels and exceed 2,400 million euros
- ✓ The launch of sustainable investment funds and Discretionary Portfolio Management allow the volume of subscriptions to be multiplied by 3 compared to 2019
- ✓ Success in executing the incorporation of Bankoa and Novo Banco España

Solvency and liquidity:
103-3

The capital ratio stood at 16.9% with €1,527 million in total excess capital above regulatory requirements



504bp
EXCEEDING CET1 CAPITAL REQUIREMENTS

468bp
EXCEEDING TOTAL CAPITAL REQUIREMENTS

1,645M€
EXCEEDING CET1 CAPITAL REQUIREMENTS

1,527M€
EXCEEDING TOTAL CAPITAL REQUIREMENTS

MREL ratio
18.5%

Broadly meeting the MREL requirements set for 2022 (17.27*%)

Wide buffer on the established requirements thanks to an even more diversified capital structure

/ * Including the capital allocated to cover the Combined Buffer Requirement (2.5% TREA).

Income statement

102-7, 103-3

Attributed profit amounted to €323 million, maintaining strong recurring revenue growth

(million euros)	Dec-21	Var. Dec-21 / Dec-20
NET INTEREST INCOME	674.1	4.9%
Revenues from services provided	257.5	10.0%
BASIC MARGIN	931.7	6.2%
Dividends and share of profit or loss of equity-accounted investees	4.1	-
Gains or losses on financial assets and liabilities (net)	118.3	-50.2%
Others (net)	-1.7	-57.8%
GROSS MARGIN	1,052.3	-4.7%
Operating expenses	691.0	-0.8%
PRE-PROVISION MARGIN	361.3	-11.4%
Provisions and impairments	137.6	-29.5%
Credit allocations	138.8	-49.2%
One-off recoveries and others	-1.1	-98.6%
Others	146.7	-
PBT	370.4	90.8%
Tax and other	47.1	38.2%
ATTRIBUTABLE PROFIT	323.3	101.9%

Tanking into account the natures of some items registered as " Impairment of non-financialassets", they have been classified in "Provisions and impairments" / The impact of the acquisitions of Bankoa and Novo Banco España have been recorded in the item "Others", net of implementation costs

Basic margin grows **6.2%** thanks to the good performance of net interest income and revenues from services provided

Pre-provision profit **+25.3%** with the same trading gains vs. 2020

Prudence in risk management, **85.3%** coverage ratio

ABANCA obtains **323 million profit** and puts its **profitability (ROTE) at 7.8%**

Economic value generated, distributed and retained

103-3, 201-1

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 2021 reached €1,453.29 million, 9.3% over the 2020 amount.

For its part, the economic value distributed was €714.95 million. If we include the amount channelled through Afundación ABANCA's Social Work, the total economic value distributed was €722.45 million.

The economic value retained has been €730.83 million, 9.5% more than in 2020, which has been allocated to the entity's capital.

Economic value generated, distributed and retained (201-1) Thousands of euro	**2019**	**2020**	**2021**
Gross margin	910,836	1,103,950	1,052,316
Income from removing assets not classified as non-current assets held for sale	43,492	582	-53
Goodwill	231,679	0	205,892
Allowance to provisions	35,384	219,700	186,721
Income from non-current assets held for sale	-50,309	5,655	8,411
Economic value generated	**1,171,082**	**1,329,887**	**1,453,287**
Suppliers - general administrative expenses (except fees)	195,661	194,005	216,106
Employees - personnel expenses	356,564	379,296	375,655
Public Admin. - income tax + and fees for general admin. expenses.[16]	35,692	45,050	44,156
Shareholders - dividends	189,067	27,765	71,567
Community (without foundation)	7,427	6,473	7,470
Economic value distributed	**784,411**	**652,589**	**714,954**
Foundation	10,100	10,100	7,500
Total economic value distributed	**794,511**	**662,689**	**722,454**
Economic value retained	**376,571**	**667,198**	**730,833**

[16] 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.

Tax Commitment

103-2, 103-3, 207-1, 207-2, 207-3

ABANCA's 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 ABANCA's **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.

In 2021, worth noting is the transaction performed under the tax neutrality regime established in Title VII, Chapter VII, of Law 27/2014, of 27 November, on Corporate Income Tax (Special regime for mergers, spin-offs, contributions of assets, share exchanges and changes of registered office for a European Company or European Cooperative, from one European Union Member State to another):

- Merger by absorption of the company BANKOA, S.A. (absorbed company), formalised in the public deed authorised 2 November 2021 by the Notary Mr. Francisco M. Ordóñez Armán, under no. 2,891 of his protocol and registered in the Register of Companies of A Coruña on 12 November 2021. As a consequence of this operation, ABANCA CORPORACIÓN BANCARIA, S.A. acquired the equity, both assets and liability, of BANKOA, S.A., *en bloc*, which was then dissolved and extinguished without liquidation.

Country by country (thousands of euro) 207-4

Country	Income from sales to third parties	Income from intra-Group transactions with other tax jurisdictions	Gross Margin	Pre-tax Income Tax	Tangible assets other than cash and cash equivalents	Corporate income tax accrued on profits or losses	No. of Employees
Spain	1,300,661	2,629	963,816	352,518	1,134,309	31,921	5,609
Portugal	99,660	20	75,702	14,704	84,279	1,979	561
Other	14,395	681	12,798	3,168	1,827	350	52

Note: the scope of this information also includes, in addition to ABANCA Corporación Bancaria, S.A., information relating to its financial and non-financial investees

Appendices

Main metrics

Total No. Of employees and distribution by gender (102-7, 405-1)	2019	2020	2021
No. employees (102-7)	5,788	5,648	5,979
Distribution by gender (%)			
Women	50.3%	51.0%	50.9%
Men	49.7%	49.0%	49.1%

Despite the situation with COVID-19, ABANCA has not used any ERTE (Temporary Labour Force Adjustment Scheme)

Geographic distribution abroad (405-1)	2019	2020	2021
Germany	1	1	1
Brazil	4	4	2
United States	13	13	15
France	2	1	1
England	3	2	2
Mexico	14	17	16
Panama	2	2	2
Portugal	396	388	392
Switzerland	12	14	12
Venezuela	2	1	1
TOTAL	**449**	**443**	**444**

Distribution of employees by nationality	2021	
	Núm.	%
Spanish	5,528	92.5%
Portuguese	397	6.6%
Other European nationalities	16	0.3%
Other American nationalities	38	0.6%

Workforce distribution by location and gender (405-1)	2019	2020	2021			
			Women	Men	Total	%
Galicia, Asturias y León	4,262	4,202	2,217	1,921	4,138	69.2%
Rest of Spain	1,077	1,003	610	787	1,397	23.4%
Abroad	449	443	217	227	444	7.4%
TOTAL	**5,788**	**5,648**	**3,044**	**2,935**	**5,979**	**100.0%**

Workforce distribution by category and age (405-1)	2019 Distrib.	2020 Distrib.	2021			
			< 30	30-50	> 50	Distrib.
Upper management	0.2%	0.2%	0.0%	30.8%	69.2%	0.2%
Management	1.5%	1.4%	0.0%	56.5%	43.5%	1.4%
Middle management	24.6%	21.3%	0.1%	73.0%	26.9%	20.3%
Skilled workers	73.8%	77.1%	8.0%	67.0%	25.0%	78.1%
TOTAL	**100.0%**	**100.0%**	**6.3%**	**68.0%**	**25.8%**	**100.0%**

	2019	2020	2021
Proportion of senior executives hired from the local community (202-2)	69%	69%	69%

Distribution of new hires by gender and location (401-1)	2019		2020		2021	
	Women	Men	Women	Men	Women	Men
Galicia, Asturias y León	56%	44%	57%	43%	53%	47%
Rest of Spain	42%	58%	51%	49%	47%	53%
Abroad	29%	71%	31%	69%	53%	47%
TOTAL	**51%**	**49%**	**53%**	**47%**	**51%**	**49%**

Distribution of new hires by age and location (401-1)	2019			2020			2021		
	< 30	30-50	> 50	< 30	30-50	> 50	< 30	30-50	> 50
Galicia, Asturias y León	75.9%	24.1%	0.0%	62.5%	37.1%	0.5%	68.9%	30.6%	0.5%
Rest of Spain	54.7%	39.6%	5.7%	48.8%	46.5%	4.7%	75.6%	23.1%	1.3%
Abroad	12.5%	79.2%	8.3%	13.8%	82.8%	3.4%	17.6%	76.5%	5.9%
TOTAL	**67.2%**	**31.1%**	**1.6%**	**55.2%**	**43.3%**	**1.4%**	**64.9%**	**33.8%**	**1.3%**

Average turnover by age and gender (401-1)	2019	2020	2021		
			Women	Men	Total
Menores de 30 años	31.0%	21.9%	38.7%	31.4%	35.3%
Entre 30 y 50 años	2.9%	2.4%	2.9%	3.6%	3.2%
Mayores de 50 años	3.4%	18.3%	2.6%	3.8%	3.3%
TOTAL	**5.1%**	**7.4%**	**5.2%**	**5.3%**	**5.2%**

Average turnover by location and gender (401-1)	2019	2020	2021		
			Women	Men	Total
Galicia, Asturias y León	4.8%	6.2%	5.5%	5.5%	5.5%
Rest of Spain	6.8%	12.3%	4.3%	4.1%	4.2%
Abroad	3.8%	8.6%	4.6%	7.9%	6.3%
TOTAL	**5.1%**	**7.4%**	**5.2%**	**5.3%**	**5.2%**

Distribution of employment contract modalities, by professional classification and gender (102-8)		2019			2020			2021		
		Women	Men	Total	Women	Men	Total	Women	Men	Total
UPPER MANAGEMENT	**Total**	**1**	**12**	**13**	**1**	**12**	**13**	**1**	**12**	**13**
	Indefinite contract	1	12	**13**	1	12	**13**	1	12	13
	Temporary contract	0	0	**0**	0	0	**0**	0	0	0
	Part-time	0	0	**0**	0	0	**0**	0	0	0
MANAGEMENT	**Total**	**14**	**70**	**84**	**14**	**66**	**80**	**14**	**71**	**85**
	Indefinite contract	14	70	**84**	14	66	**80**	14	71	85
	Temporary contract	0	0	**0**	0	0	**0**	0	0	0
	Part-time	0	0	**0**	0	0	**0**	0	0	0
MIDDLE MANAGEMENT	**Total**	**450**	**971**	**1,421**	**378**	**826**	**1,204**	**375**	**839**	**1,214**
	Indefinite contract	450	971	**1,421**	378	826	**1,204**	375	839	1,214
	Temporary contract	0	0	**0**	0	0	**0**	0	0	0
	Part-time	0	0	**0**	0	0	**0**	0	0	0
SKILLED WORKERS	**Total**	**2,445**	**1,825**	**4,270**	**2,487**	**1,864**	**4,351**	**2,654**	**2,013**	**4,667**
	Indefinite contract	2,251	1,678	**3,929**	2,277	1,710	**3,987**	2,495	1,888	4,383
	Temporary contract	194	147	**341**	210	154	**364**	159	125	284
	Part-time	0	0	**0**	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			2021		
		Women	Men	Total	Women	Men	Total	Women	Men	Total
< 30 años	**Total**	**240**	**199**	**439**	**236**	**194**	**430**	**199**	**175**	**374**
	Indefinite contract	91	80	**171**	92	88	**180**	86	76	162
	Temporary contract	149	119	**268**	144	106	**250**	113	99	212
	Part-time	0	0	**0**	0	0	**0**	0	0	0
30-50 años	**Total**	**2,193**	**1,847**	**4,040**	**2,162**	**1,807**	**3,969**	**2,235**	**1,829**	**4,064**
	Indefinite contract	2,149	1,821	**3,970**	2,097	1,761	**3,858**	2,190	1,805	3,995
	Temporary contract	44	26	**70**	65	46	**111**	45	24	69
	Part-time	0	0	**0**	0	0	**0**	0	0	0
> 50 años	**Total**	**477**	**832**	**1,309**	**482**	**767**	**1,249**	**610**	**931**	**1,541**
	Indefinite contract	476	830	**1,306**	481	765	**1,246**	609	929	1,538
	Temporary contract	1	2	**3**	1	2	**3**	1	2	3
	Part-time	0	0	**0**	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			2021		
		Women	Men	Total	Women	Men	Total	Women	Men	Total
Galicia, Asturias y León	**Total**	**2,252**	**2,010**	**4,262**	**2,260**	**1,942**	**4,202**	**2,217**	**1,921**	**4,138**
	Indefinite contract	2,086	1,899	**3,985**	2,084	1,821	**3,905**	2,090	1,822	3,912
	Temporary contract	166	111	**277**	176	121	**297**	127	99	226
	Part-time	0	0	**0**	0	0	**0**	0	0	0
Rest of Spain	**Total**	**442**	**635**	**1,077**	**410**	**593**	**1,003**	**610**	**787**	**1,397**
	Indefinite contract	418	606	**1,024**	379	566	**945**	581	762	1,343
	Temporary contract	24	29	**53**	31	27	**58**	29	25	54
	Part-time	0	0	**0**	0	0	**0**	0	0	0
Abroad	**Total**	**216**	**233**	**449**	**210**	**233**	**443**	**217**	**227**	**444**
	Indefinite contract	212	226	**438**	207	227	**434**	214	226	440
	Temporary contract	4	7	**11**	3	6	**9**	3	1	4
	Part-time	0	0	**0**	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		2019	2020	2021		
				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	0	1	0	0	0
	Over age 50	6	1	0	1	1
	Total	**6**	**2**	**0**	**1**	**1**
Middle management	Under age 30	0	0	0	0	0
	Between ages 30 and 50	10	8	3	7	**10**
	Over age 50	16	6	0	1	**1**
	Total	**26**	**14**	**3**	**8**	**11**
Skilled workers	Under age 30	1	1	0	0	0
	Between ages 30 and 50	21	21	10	10	**20**
	Over age 50	12	14	3	9	**12**
	Total	**34**	**36**	**13**	**19**	**32**

Employees with disability (405-1)	2019	2020	2021		
			Women	Men	Total
Employees with disability (no.)	76	66	30	36	66
Employees with disability (%)	1.31%	1.17%	0.99%	1.23%	1.10%
Percentage of the Spanish workforce		1.17%	1.06%	1.33%	1.19%

Being 1.19% of the workforce in Spain, to reach the percentage of 2% of the workforce with disabilities established in the General Law on the Rights of Persons with Disabilities and their Social Inclusion, recruitments of this nature are complemented with the adoption of alternative measures, consisting mainly of contracting products and services from special employment centres.

Average remuneration by category	2019	2020	2021		
			Women	Men	Total
Management	116,613	113,296	100,820	118,291	115,587
Middle management	54,165	56,194	50,901	59,694	56,958
Skilled workers	37,946	38,156	36,478	41,553	38,666

Only the fixed salaries of personnel in Spain and Portugal are taken into account, 95% of the scope.

Average remuneration by gender and age	2019	2020	2021		
			Women	Men	Total
Under age 30	20,677	21,403	21,518	21,729	21,617
Between ages 30 and 50	42,318	42,466	38,345	46,608	42,052
Over age 50	52,839	54,660	44,613	57,525	52,355

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.

Annual total compensation ratio (102-38)	2021
Spain	11.69%
Portuga	7.88%

The ratio is 11.69% for ABANCA Spain and 7.88% for ABANCA Portugal.

Increase percentage ratio for total annual compensation (102-39)	**2021**
Spain	-0.63%
Portugal	0.87%

The data has been calculated taking into account the average salary increase for the workforce.

Starting salary ratio compared to local minimum wage (202-1)	**2019**	**2020**	**2021**
	1.3%	1.2%	1.2%
Spain	n.d.	1.2%	1.2%
Portugal	n.d.	1.4%	1.3%

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	**2021**
Spain	-5.7%
Portugal	-5.6%

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 15 people have been excluded, since there is not a sufficient sample to infer statistically robust conclusions.

Average compensation for executives	**2019**	**2020**	**2021**		
			Women	**Men**	**Total**
Compensation to upper management*	375,285	396,385	--	--	401,963
Compensation to board members	266,419	249,566	217,459	261,667	246,661

*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 2021.

Parental leave (401-3)	**2019**	**2020**	**2021**		
			Women	**Men**	**Total**
Maternal/paternal leave	190	186	93	85	178
Leave taken	100%	100%	100%	100%	100%
Reincorporations (No.)	190	186	93	85	178
Return to work rate*	100%	100%	100%	100%	100%
Leaves from the previous year that remain in the company for 12 months (No.)	188	186	88	93	181
Retention rate of employees who took parental leave**	98%	98%	98%	97%	97%

* Rate of return = total number of employees who returned to work after maternity/paternity leave / total number of employees who must return to work after maternity/paternity leave x 100.
** Retention rate = total number of employees retained for 12 months after returning to work after a period of maternity/paternity leave / total number of employees who return from maternity/paternity leave in the periods considered in the previous reports x 100.

Education and training	**2019**	**2020**	**2021**
Remote (No.)	168	237	419
In person (No.)	259	82	12
Mixed	7	0	0
TOTAL	**434**	**319**	**431**

LCI (Real Estate Credit Law) Training	**2019**	**2020**	**2021**
New LCI certification programmes	4	2	1
Participant in LCI certification programmes	2,234	1,481	203
Cerified professional (No.)	1,463	3,294	3,721
Professionals certified as requiered (%)	43.05%	85.12%	86.40%

MIFID II Training	2019	2020	2021
New MIFID certification programmes	3	1	3
Participants in MIFID certification programs	435	14	215
Certified Professionals (No.)	2,707	3,044	3,503
Professionals certified as required (%)	94.43%	93.21%	95.72%

Total annual training hours (404-1)	2019	2020	2021		
			Women	Me	Total
Upper management and management	24	29	27	22	**23**
Middle management	48	39	36	39	**38**
Skilled workers	51	54	62	54	**59**
TOTAL	**50**	**51**	**59**	**49**	**54**

Average annual training hours (404-1)	2019	2020	2021		
			Women	Men	Total
Upper management and management	2,572	2,805	408	1,754	**2,162**
Middle management	70,493	49,075	13,654	32,398	**46,052**
Skilled workers	232,578	236,889	168,490	109,822	**278,312**
TOTAL	**305,643**	**288,769**	**182,551**	**143,975**	**326,526**

Employees who have received training on asset-laundering prevention (205-2)	2019	2020	2021			
	Total (%)	Total (%)	Galicia, Asturias y León	Rest of Spain	Abroad	Total (%)
Upper management	100%	100%	12	1		100%
Management	82%	92%	65	15	3	95%
Middle management	72%	94%	822	255	116	96%
Skilled workers	79%	90%	3,154	901	301	87%
TOTAL	**77%**	**91%**	**4,053**	**1,172**	**420**	**89%**

Commitment from employees	2019	2020	2021
Engagement ratio	85%	87%	85%
Percentage of employees who actively participate based on employee participation surveys		67.30	65.34

91.62% survey coverage of the workforce at the close of the fiscal year.

Employees who have received a performance evaluation (%) (404-3)	2019	2020	2021		
	Total	Total	Women	Men	Total
Upper management	100%	100%	100%	100%	100%
Management	95%	100%	100%	100%	100%
Middle management	98%	99%	98%	97%	98%
Skilled workers	92%	95%	93%	93%	93%
TOTAL	**93%**	**96%**	**94%**	**94%**	**94%**

Employees unde collective agreement by country (%) (102-41)	2019	2020	2021
Germany	0%	0%	0%
Brazil	100%	100%	100%
Spain	100%	100%	100%
United States	100%	100%	100%
France	100%	100%	100%
England	0%	0%	0%
Mexico	0%	0%	0%
Panama	0%	0%	0%
Portugal	100%	100%	100%
Switzerland	100%	100%	100%
Venezuela	0%	0%	0%
TOTAL	**99.6%**	**99.6%**	**99.6%**

Absenteesm due to accidents	2020			2021		
	Women	Men	Total	Women	Men	Total
No. Of accidents with WORK RELEASE EXCLUDIN DURING TRAVEL	7	2	9	5	1	6

The types of accidents occurred in 2021 were: falls at the same or from different levels, injuries from objects (mobile or fixed), entrapment by or between objects, over-exertion, stumbling and robbery.

(403-10)	2020			2021		
	Women	Men	Total	Women	Men	Total
Victims of fatal work accidents						
No. of victims	0	0	**0**	0	0	**0**
Death rate	0	0	**0**	0	0	**0**
COVID19						
No. of leaves	279	180	**459**	303	285	**588**
Hours of absence	16,230	13,661	**29,891**	19,274	15,538	**34,812**
Absenteeism						
Hours of absence	204,733	120,687	**325,420**	245,583	149,341	**394,924**
Absenteeism rate	4.22%	2.54%	**3.39%**	5.06%	3.18%	**4.14%**
Occupational disease						
No. of cases	0	0	**0**	0	0	**0**

Absenteeism: includes leaves for common illness, work accident and COVID-19.

Frequency and severity indices (403-2, 403-9)	2019		2020		2021	
	Women	Men	Women	Men	Women	Men
Accident frequency index	2.3	0.9	1.51	0.43	1.09	0.22
Severity index	0.1	0.1	0.05	0.03	0.27	0.04

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.

GRI content index

102-55

GRI Standard	Content		Number of pages and/or direct responses	Omissions	External verification	Global Compact Principles	SDG
GRI 101: Foundations 2016							
General Content							
GRI 102: General Disclosures 2016	**Organisation Profile**						
	102-1	Name of the organisation	ABANCA Corporación Bancaria, S.A		Yes		
	102-2	Activities, brands, products and services	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		
	102-3	Location of headquarters	Cantón Claudino Pita, 2 Betanzos (A Coruña).		Yes		
	102-4	Location of operations	43-44, 52-54		Yes		
	102-5	Ownership and legal form	26		Yes		
	102-6	Markets served	ABANCA carries out its activity according to the standards and regulations of Spain; practically all its income and expenses are generated in this market		Yes		
	102-7	Scale of the organization	9, 140-141, 144		Yes		
	102-8	Information on employees and other workers	147-184		Yes	6	8, 10
	102-9	Supply chain	119-122		Yes		
	102-10	Significant changes to the organization and its supply chain	38-40		Yes		
	102-11	Precautionary principle or approach	88-89		Yes		
	102-12	External initiatives	17-20		Yes		
	102-13	Membership of associations	20		Yes		
	Strategy						

102-14	Statement from senior decision-maker	6-7		Yes		
102-15	Key impacts, risks and opportunities	36, 133-136		Yes		
Ethics and integrity						
102-16	Values, principles, standards, and norms of behaviour	114-115		Yes	10	16
102-17	Mechanisms for advice and concerns about ethics	122-124 It is certified that in 2021, the complaints channel received a total of five communications, of which two were processed, opening investigation files and concluding on the adoption of corrective actions and/or disciplinary measures.		Yes	10	16
Governance						
102-18	Governance structure	26		Yes		
102-19	Delegating authority	30-32		Yes		
102-20	Executive-level responsibility for economic, environmental, and social topics	33-34		Yes		
102-21	Consulting stakeholders on economic, environmental, and social topics	20-21		Yes		16
102-22	Composition of the highest governing body and its committees	26-32		Yes		5.16
102-23	Chair of the highest governance body	27		Yes		16
102-24	Nominating and selecting of the highest governance body	27-31		Yes		5.16
102-25	Conflicts of interest	ABANCA has a current Code of Ethics and Conduct pursuant to which professionals within the organisation must 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		16
102-26	Role of highest governance body in setting purpose, values, and strategy	32		Yes		

102-27	Collective knowledge of highest governance body	32		Yes		4
102-28	Evaluating the highest governance body's performance	114		Yes		
102-29	Identifying and managing economic, environmental, and social impacts	32		Yes		16
102-30	Effectiveness of risk management processes	31		Yes		
102-31	Review of economic, environmental, and social topics	29-30		Yes		
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		
102-33	Communicating critical concerns	30-31		Yes		
102-34	Nature and total number of critical concerns	32		Yes		
102-35	Remuneration policies	33		Yes		
102-36	Process for determining remuneration	33		Yes		
102-37	Stakeholders' involvement in remuneration	33		Yes		16
102-38	Annual total compensation ratio	149 The ratio is 11.69 for ABANCA España and 7.88 for Portugal. The information has been calculated based on compensation actually received in 2021.		Yes		
102-39	Percentage increase in annual total compensation ratio	159 The ratio is -0.63% for ABANCA España and 0.87% for Portugal. The data has been calculated taking into account the average salary increase for the workforce.		Yes		
Participation of stakeholders						
102-40	List of stakeholder groups	20-21		Yes		

102-41	Collective bargaining agreements	82-84, 153 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. In all countries with a significant presence, there is a collective agreement applied (Spain, Portugal, Switzerland, the United States, 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	3	8
102-42	Identifying and selecting stakeholders	21		Yes		
102-43	Approach to stakeholder engagement	22, 118-119		Yes		
102-44	Key topics and concerns raised	22, 118-119		Yes		
Reporting practice						
102-45	Entities included in the consolidated financial statements	More information in Appendix I to the Annual Consolidated Financial Statements.		Yes		
102-46	Defining report content and topic Boundaries	23-24		Yes		
102-47	List of material topics	23-24		Yes		
102-48	Restatement of information	There has been no reformulation of information compared to the 2020 Report.		Yes		
102-49	Changes in reporting	3-4		Yes		
102-50	Reporting period	2021 calendar year		Yes		
102-51	Date of most recent report	2020		Yes		
102-52	Reporting cycle	Annual		Yes		
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		
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared with exhaustive adherence to GRI standards.		Yes		
102-55	GRI content index	155-167		Yes		
102-56	External assurance	KPMG Asesores performs a limited assurance report of the Corporate and Social Responsibility Report of Abanca, which includes the Non-Financial Information Statement.		Yes		

Material topics							
Profitability and solvency							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	22-23		Yes		
	103-2	The management approach and its components	37-38, 40-41		Yes	7	8, 9, 13
	103-3	Evaluation of the management approach	37-38, 133-134, 139-141		Yes		
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	141		Yes		8, 9
	201-2	Financial implications and other risks and opportunities due to climate change	17-20, 88-89		Yes	7	13
	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). In relation to retirement or early retirement plans in Spain, there are commitments for contributions to the special Social Security agreement until reaching the age of 63, and indemnities pending partial payment (as the early retiree opted to receive the compensation established in the form of a temporary annuity until reaching the aforementioned age of 63), commitments which are fully provisioned. Lastly, in December 2021 two collective bargaining agreements were entered into (9 and 27 December 2021) with most of the employees' legal representatives, the first of which on early retirement and the second on incentivised voluntary retirement within the framework of a collective redundancy procedure, geographic mobility and substantial modification, inter alia. The collective bargaining agreements of Bankoa and Novo Banco will be incorporated in ABANCA's supplementary employee welfare system (ABANCA EMPLOYEE PENSION PLAN, defined contribution employment plan) as of 31 December 2021.		Yes		
	201-4	Financial assistance received from government	During 2021, the ABANCA Group granted €323,223.63 of our investment to training through FUNDAE.		Yes		

Good governance							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	22-23		Yes		
	103-2	The management approach and its component	114		Yes	10	16
	103-3	Evaluation of the management approach	114-115		Yes		
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	10	16
Ethics and integrity							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	22-23		Yes		
	103-2	The management approach and its component	122-125		Yes	10	16
	103-3	Evaluation of the management approach	124, 126-127		Yes		
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risk related to corruption	114-115		Yes	10	16
	205-2	Communication and training about anti-corruption policies and procedures	114-115, 152		Yes	10	16
	205-3	Confirmed incidents of corruption and actions taken	It is certified that, in 2021, three cases of fraud/corruption were detected, all ending with the imposition of a penalty of disciplinary dismissal. Specifically, two cases in ABANCA CORPORACIÓN BANCARIA, S.A. and one in ABANCA MEDIACIÓN OPERADOR DE BANCA SEGUROS VINCULADO.		Yes		
GRI 206: Unfair competition 2016	206-1	Legal actions for anti-competition behavior, anti-trust, and monopoly practices	Through the channels available for that purpose, ABANCA has 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		16
Risk management and regulatory compliance							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	22-23		Yes		
	103-2	The management approach and its component	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	8	16

GRI 207: Tax 2019	103-3	Evaluation of the management approach	129, 142		Yes		
	207-1	Approach to tax	142		Yes		
	207-2	Tax governance, control and risk management	129, 142		Yes		
	207-3	Stakeholder engagement and management of concerns related to tax	142		Yes		
	207-4	Country-by-country reporting	142		Yes		
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	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		16
Responsible banking							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	22-23		Yes		
	103-2	The management approach and its component	10-11		Yes	1 to 10	1, 8, 13, 16, 17
	103-3	Evaluation of the management approach	10-11		Yes		
Sustainable finance							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	22-23		Yes		
	103-2	The management approach and its component	57-63		Yes		1, 8, 9, 10, 12, 16
	103-3	Evaluation of the management approach	57-63		Yes		
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	12, 49, 58		Yes		1, 8, 9, 10
	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	12, 49, 58		Yes		

OTHER INDICATORS: Assets	FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues.	12, 58		Yes		10
	FS11	Percentage of assets subject to positive and negative environmental or social issues.	12, 58		Yes		10
Quality and customer experience							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	23-23		Yes		
	103-2	The management approach and its component	115-116, 118-119, 124-125		Yes		1, 8, 9, 10, 12, 16
	103-3	Evaluation of the management approach	115-116, 118-119, 124-125		Yes		
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	115-119, 124-125		Yes		
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services categories	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		16
GRI 417: Marketing and labelling 2016	417-1	Requirements for product and serviceinformation and labelling	116-117		Yes		12
	417-2	Incidents of non-compliance concerning product and service information and standards or labelling	No sanctions have been received in 2021 regarding standards or transparency with consumers.		Yes		16
	417-3	Incident of non-compliance concerning marketing communications	No non-compliance has been produced in 2021 that has brought on any significant sanctions for this reason.		Yes		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	47-56		Yes		1, 8, 9
OTHER INDICATORS: Local communities	FS13	Access points in low-populated or economically disadvantaged areas by type	45-47		Yes		1, 8, 10
	FS14	Initiatives to improve access to financial services for disadvantaged people	45-47		Yes		1, 8, 10
Responsible purchasing							

GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	22-23		Yes		
	103-2	The management approach and its component	119-120		Yes		5, 8, 12, 16
	103-3	Evaluation of the management approach	119-120		Yes		
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	120, 122		Yes		8
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	120-122		Yes		
	308-2	Negative environmental impacts in the supply chain and actions taken	120-122		Yes		
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	121-122		Yes		5, 8, 16
	414-2	Negative social impacts in the supply chain and actions taken	121-122		Yes		5, 8, 16
Digital Banking and Omnichannel Retailing							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	22, 24		Yes		
	103-2	The management approach and its component	45-47		Yes		9
	103-3	Evaluation of the management approach	46		Yes		
IT security and data protection							
	103-1	Explanation of the material topic and its Boundary	22, 24		Yes		

	103-2	The management approach and its components	ABANCA must 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		16
	103-3	Evaluation of the management approach	125-126		Yes		
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No significant sanctions relating to breaches of customer privacy and loss of customer data were received through the channels available for such purpose.		Yes		16
Energy efficiency							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	22, 24		Yes		
	103-2	The management approach and its component	89-91		Yes	7, 8, 9	7, 8, 12, 13
	103-3	Evaluation of the management approach	89-91, 95-96		Yes		
GRI 302: Energy 2016	302-1	Energy consumption within the organisation	91		Yes	7.8	7, 8, 12, 13
	302-2	Energy consumption outside of the organisation	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	8	7, 8, 12, 13
	302-3	Energy intensity	91		Yes	8	7, 8, 12, 13
	302-4	Reduction of energy consumption	89-90, 95-96		Yes	8.9	7, 8, 12, 13

	302-5	Reductions of energy requirements of products and services		Not applicable. Due to the characteristics of ABANCA's sector of activity, in which financial products and services are offered, due to which there are no energy requirements associated with their production.	Yes	8.9	7, 8, 12, 13
Adaptation and mitigation of Climate change							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	22, 24		Yes		
	103-2	The management approach and its component	89, 94		Yes	7, 8, 9	3, 12, 13, 14, 15
	103-3	Evaluation of the management approach	89, 94-95		Yes		
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	95		Yes	7, 8	3, 12, 13, 14, 15
	305-2	Energy Indirect (Scope 2) GHG emissions	95		Yes	7, 8	3, 12, 13, 14, 15
	305-3	Other indirect (Scope 3) GHG emissions	95		Yes	7, 8	3, 12, 13, 14, 15
	305-4	GHG emissions Intensity	95		Yes	8	13, 14, 15
	305-5	Reduction of GHG emissions	90-91		Yes	8.9	13, 14, 15
	305-6	Emissions of ozone-depleting substances (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	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	7, 8	3, 12.14, 15
Human rights							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	22, 24		Yes		
	103-2	The management approach and its component	73-74, 79-80, 115		Yes	1, 2	1-17
	103-3	Evaluation of the management approach	73-74, 79-80, 115		Yes		
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	In 2021, no complaints of human rights violations were received through the channels available for such purpose.		Yes		5, 8
GRI 412: Human rights Assessment 2016	412-1	Operations that have been subject to human rights reviews or impact assessments	119-122		Yes	1	
	412-2	Employee training on human rights policies or procedures	74, 79-80		Yes	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 2021, so there are not considered to be any risks that make it necessary.		Yes	2	
Talent management							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	22, 24		Yes		
	103-2	The management approach and its component	72-73, 75-76	-	Yes	6	1.4, 5, 8, 10
	103-3	Evaluation of the management approach	72-73, 75-76		Yes		
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 any worker on payroll, regardless of their gender: is 1.2 times in Spain and 1.3 in Portugal the local minimum wage.		Yes	6	1, 5, 8

	202-2	Proportion of senior management hired from the local community	33-34, 145		Yes	6	8
GRI 401: Employment 2016	401-1	New employees hires and employee turnover	145-146		Yes	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		5, 8
	401-3	Parental leave	151		Yes	6	5, 8
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	152		Yes	6	4, 5, 8, 10
	404-2	Programs for upgrading employee skills and transition assistance programs	72-73, 76-78, 84-85		Yes		8
	404-3	Percentage of employees receiving regular performance and career development	153		Yes	6	5, 8, 10
Diversity, equality and inclusion							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	22,25		Yes		
	103-2	The management approach and its component	79-80		Yes		5, 8, 10
	103-3	Evaluation of the management approach	79-80		Yes		
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	144-145, 149		Yes	6	5, 8
	405-2	Ratio of basic salary and remuneration of women to men	149-150		Yes	6	5, 8, 10
Individual well-being							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	22, 25		Yes		
	103-2	The management approach and its component	80-84		Yes	3	3.8
	103-3	Evaluation of the management approach	80-84		Yes		
GRI 402: Labour/Management Relations 2016	402-1	Minimum notice periods regarding operational changes	The minimum period is as established by the legislation of each country.		Yes	3	8

GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	99.2% of employees have legal representation for workers with competences in health and safety.		Yes		g
	403-2	Hazard identification, risk assessment and incident investigation	80-82, 154		Yes		3, 8
	403-3	Occupational health services	80-82		Yes		3, 8
	403-4	Worker participation, consultation, 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. It is a joint body made up of company representatives and by delegates and prevention delegates acting as employees' representatives with specific occupational risk prevention functions. In addition to the Committee's quarterly meetings, panels can be established to discuss specific matters or projects such as that currently open to redesign medical examinations, take measurements of radon gas in certain geographic areas, psychosocial risks, etc. In 2021, due to the need to adopt measures against exposure to and prevention of SARS-Cov-2, extraordinary meetings of the Safety and Health Committee were held in order to keep the employees' legal representatives permanently informed of the measures adopted.		Yes		3, 8
	403-5	Worker training on occupational health and safety	80-82		Yes		3, 8
	403-6	Promotion of worker health	80-84		Yes		3, 8
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	80-82		Yes		3, 8
	403-8	Workers covered by a occupational health and safety management system	99.2%		Yes		3, 8
	403-9	Work-related injuries	154		Yes		3, 8
	403-10	Work-related ill health	154 No cases or deaths have been produced that were related to occupational diseases or similar.		Yes		3, 8
Generation of wealth and boost of entrepreneurial activity							
	103-1	Explanation of the material topic and its Boundary	23, 25		Yes		

	103-2	The management approach and its component	47-56		Yes		1, 3, 5, 8, 9, 11
	103-3	Evaluation of the management approach	48, 56		Yes		
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and supported services	101-104, 107-108, 127		Yes		5, 9, 11
	203-2	Significant indirect economic impacts	51, 52-53, 109-113		Yes		1, 3, 8
Social action and volunteer work							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	23, 25		Yes		
	103-2	The management approach and its component	101-109		Yes	1	1, 2, 3, 8, 10, 17
	103-3	Evaluation of the management approach	109-113		Yes		
GRI 413: Local communities 2016	413-1	Operations with local community engagement, impact assessments and development programs	97-113		Yes	1	-
	413-2	Operations with significant actual and potential negative impacts on local communities	127		Yes		2
Financial inclusion							
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	23, 25		Yes		
	103-2	The management approach and its component	9, 13		Yes		1, 5 ,8, 10
	103-3	Evaluation of the management approach	9, 13		Yes		

Index of contents required by Law 11/2018

Contents required by Law 11/2018	Materiality	Page number in this report	Reporting criterion: GRI (last version unless indicated otherwise)
GENERAL INFORMATION			
A brief description of the business model, which includes its entrepreneurial environment, organisation and structure	Material	9, 140-141	GRI 102-2 (2016) GRI 102-7 (2016)
Markets in which it operates	Material	38-40, 43-44, 51-55	GRI 102-3 (2016) GRI 102-4 (2016) GRI 102-6 (2016)
Objectives and strategies of the organisation	Material	6-7	GRI 103-2 (2016) GRI 102-14 (2016)
Main factors and trends that can affect its future evolution	Material	6-7, 36, 133-136	GRI 102-14 (2016) GRI 102-15 (2016)
Reporting framework used	Material	158	GRI 102-54 (2016)
Principle of materiality	Material	23-24	GRI 102-46 (2016) GRI 102-47 (2016)
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	**36 ,89-91, 133-136**	GRI 102-15 (2016) GRI 103-2 (2016)
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	88, 134-135	GRI 102-15 (2016)
Environmental assessment or certification procedures	Material	55	GRI 103-2 (2016)
Resources dedicated to the prevention of environmental risks	Material	63	GRI 103-2 (2016)
Application of the principle of precaution	Material	88-89	GRI 102-11 (2016)
Quantity of provisions and guarantees for environmental risks	Material	See Note 1.6 to the financial statements	GRI 103-2 (2016)
Contamination	**No material**		**N/A**
Circular economy and waste prevention and management	**No material**		**N/A**
Sustainable use of resources			
Water consumption and supply according to local limitations	No material	N/A	N/A
Consumption of raw materials and measures adopted to improve their efficient use	No material	N/A	N/A
Direct and indirect energy consumption	Material	91	GRI 302-1 GRI 302-3
Measures taken to improve energy efficiency	Material	89-91	GRI 103-2 (2016) GRI 201-2
Use of renewable energy	Material	90-91	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	95	GRI 305-1 GRI 305-2

			GRI 305-3 GRI 305-4
Measures adopted to be adapted to the consequences of climate change	Material	17-20 ,90-91, 95-96	GRI 103-2 (2016) GRI 201-2
Reduction goals voluntary established for the medium and long terms, to reduce greenhouse gas emissions and the means implemented for such purpose	Material	90-91	GRI 103-2 (2016) GRI 305-5
No material	**No material**		**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 those issues related to group's activities	Material	**71-73**	GRI 102-15 (2016) GRI 103-2 (2016)
Employment			
Total number and distribution of employees, by country, gender, age, and professional classification	Material	144-145	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	147-148	GRI 102-8 (2016)
Number of dismissal, by gender, age and professional category	Material	148	GRI 103-2 (2016) GRI 401-1
Average compensations and their evolution, disaggregated, by gender, age and professional category or equal value	Material	149	GRI 103-2 (2016)
Wage gap, the compensation for equal positions or average for the company	Material	150	GRI 103-2 (2016) GRI 405-2
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	150	GRI 103-2 (2016)
Implementation of policies on the right to disconnect from work	Material	82-85	GRI 103-2 (2016)
Number of employees with disability	Material	149	GRI 103-2 (2016) GRI 405-1
Work Organisation			
Working time organisation	Material	82-85	GRI 103-2 (2016)
Number of hours of absenteeism	Material	154	GRI 103-2 (2016) GRI 403-9
Measures aimed at facilitating enjoyment of conciliation and encouraging co-responsible exercise of these by both parents	Material	82-85	GRI 103-2 (2016) GRI 401-3
Health and Safety			
Occupational health and safety conditions	Material	80-85	GRI 103-2 (2016) GRI 403-1 to 403-8
Occupational accidents, specifically their frequency and severity, as well as occupational diseases; disaggregated by sex	Material	154	GRI 403-9 GRI 403-10
Social relations			
Organisation of social dialogue, including procedures for informing and consulting personnel and negotiating with them	Material	21, 82-85	GRI 103-2 (2016)
Percentage of employees covered by collective agreement by country	Material	167-168	GRI 102-41 (2016)
Balance of collective agreements, particularly in the field of occupational health and safety	Material	153, 167-168	GRI 103-2 (2016) GRI 403-4
Training			

Policies implemented in the field of training	Material	76-77,	GRI 404-2
Total quantity of training hours by professional category	Material	152	GRI 103-2 (2016) GRI 404-1
Universal accessibility			
Universal accessibility for disabled people	Material	45-47	GRI 103-2 (2016)
Equality			
Measures adopted to promote equal treatment and opportunities for women and men	Material	79-80, 114-115	GRI 103-2 (2016)
Equality plans, measures adopted to promote employment, protocols against sexual harassment and gender discrimination	Material	79-80	GRI 103-2 (2016)
Policy against all discrimination and, if applicable, diversity management	Material	114-115	GRI 103-2 (2016)
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 related to group's activities	Material	**10-11, 36, 114-115, 133-136**	GRI 102-15 (2016) GRI 103-2 (2016)
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	79-80, 114-115, 119-124, 160	GRI 102-16 (2016) GRI 102-17 (2016) GRI 412-1 a 412-3
Complains for cases of human rights violations	Material	In 2021, no complaints of human rights violations were received through the ethics channel and no convictions for human rights violations 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 were handed down.	GRI 103-2 (2016) 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	114-115	GRI 103-2 (2016)
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 related to group's activities	Material	**36, 114-115, 152**	GRI 102-15 (2016) GRI 103-2 (2016)
Measures adopted to prevent corruption and bribery	Material	114-115, 122-124, 152, 160	GRI 103-2 (2016) GRI 102-16 (2016) GRI 102-17 (2016) GRI 205-1 a 205-3
Measures to fight against money laundering	Material	114-115, 122-124, 152, 160	GRI 103-2 (2016) GRI 102-16 (2016) GRI 102-17 (2016) GRI 205-1 a 205-3
Contributions to non-profit foundations and entities	Material	20, 141, 159	GRI 102-13 (2016) GRI 201-1 GRI 415-1
COMPANY INFORMATION			
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	**36, 10-11**	GRI 102-15 (2016) GRI 103-2 (2016)
Company commitments to sustainable development			

The impact of the company’s activity on employment and local development	Material	51, 67-69, 101-105, 107-109, 119-122	GRI 103-2 (2016) GRI 203-2 GRI 204-1
The impact of the company's activity on local populations and in the territory	Material	97-113	GRI 103-2 (2016) GRI 413-1 GRI 413-2
The relationships maintained with actors from local communities and the modalities for dialogue with these	Material	21-22, 118-119	GRI 102-43 (2016) GRI 413-1
Actions of association or sponsorship	Material	141	GRI 103-2 (2016) GRI 201-1
Sub-contracting and suppliers			
Inclusion of social matters, gender equality and environmental issues in purchasing policy	Material	120-121	GRI 103-2 (2016)
Consideration in relationships with suppliers and sub-contractors under its social and environmental responsibility	Material	120-122	GRI 102-9 (2016) GRI 308-1 GRI 414-1
Supervision and audit systems and their results	Material	121-122	GRI 102-9 (2016) GRI 308-2 GRI 414-2
Consumers			
Measures for consumer’ health and safety	Material	114-119, 124-125	GRI 103-2 (2016) GRI 416-1
Complaint system, complaints received and their resolution	Material	Complaints at first instance (38,271 in Spain and 192 in Portugal), of which 36,302 were admitted for processing in Spain and 192 in Portugal. No material penalties relating to breaches of customer privacy and loss of customer data were received by ABANCA through the channels available for such purpose.	GRI 103-2 (2016) GRI 418-1
Fiscal Information			
Profit obtained country by country	Material	142	GRI 103-2 (2016) GRI 207-4
Profit taxes paid	Material	142	GRI 103-2 (2016) GRI 201-1 GRI 207-4
Public subsidies received	Material	159	GRI 201-4
Regulation EU (2020/852) - Taxonomy			
Requirements of Regulation	Material	63-67	Abanca’s own methodology developed based on article 8 of the European Taxonomy

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.	Our business objective consists of developing and maintaining a range of activities, transactions and general banking services, both direct and indirect, permitted by the legislation in force, which include the provision of investment services, whether direct, complementary or accessory, the development of insurance intermediation activities and the acquisition, tenure, management, maintenance and sale of all types of marketable assets. In order to retain the maximum added value generated by the Bank and guarantee the level of customer experience, ABANCA controls the value chain maintaining ownership of most of the financial services businesses it uses to develop its business model (insurance, credit cards, fund management, payment methods, real estate services, etc.). ABANCA has focused its customer relationship model on the omnichannel approach, in which the customer decides when and how to perform its financial transactions, maintaining in turn traditional branch offices as a referral channel and the heart of an individually tailored service increasingly reliant on alternative channels (mobile banking, payment methods, ATMs, POSs, etc.) as a complement. The group's activity is centred in Spain, with significant presence in the Autonomous Region of Galicia. In recent years, ABANCA Group has also expanded its activity to Portugal. ABANCA Group has designed a new Strategic Plan 2021-2024 based on five strategic lines: increased generation of recurring income, cost efficiency, environmental risk management, acquisitions and exponential transformation of the Bank, placing special emphasis on the transition to a business focused on sustainability. In recent years, ABANCA has defined an action model that puts sustainability at the centre of decision-making. The main geographic market of ABANCA is Spain, where 688 of the 742 total offices are concentrated. In Galicia, Asturias, 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 Bank has a strong presence in Portugal, with 44 branch offices and 25 agents, which is completed by two operational branch offices in Switzerland (Geneva) and the United States (Miami) and 8 representative offices (France, United Kingdom, Switzerland, Germany, Panama, Brazil, Mexico and Venezuela).	Business model Business model (multi-channel distribution) ABANCA responsible banking (Action model)
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 is committed to doing it with transparency and in line with the ten principles of the Global Compact. In this way, the Entity strives to align its global strategy with the SDGs and the Paris Climate Agreement 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 2021, the Bank participated in several SDG good practices dissemination campaigns using the COMPARTE Platform, and the Global Compact Network's media. ABANCA also participates in the UNEP FI Collective Commitment to Climate Action, in the Net	ABANCA responsible banking (Action model) ABANCA responsible banking (Contribution to SDGs) ABANCA responsible banking (Partnerships for the goals) ABANCA responsible banking (Action model)

	Zero Banking Alliance and in the Agreement on climate in the Spanish banking sector, and is a signatory bank of the UNEP FI Principles of Responsible Investment and the Global Compact for Sustainable Ocean Principles. Additionally, ABANCA has presented the Responsible and Sustainable Banking Action Plan 2021-2024, which sets out the goals and roadmap for driving an environmentally friendly economic and social model through three lines of action: environmental, socio-economic and good governance. This Plan is linked to the corporate framework formed by the Sustainability Policy, the Code of Ethics and Conduct and the other policies set out in the chapter on Good Governance and aims to take a step forward in the commitments acquired in recent years and align the Bank's strategy with the Sustainable Development Goals.	
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.		
2.1 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 fulfils 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.	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 guidelines of the Global Reporting Initiative (GRI) standards, specifically GRI 101. In this analysis, 19 material topics were identified, among which the following stand out in terms of ESG: financial inclusion, mitigation and adaptation of climate change and customer quality and experience. Once the material topics have been identified, an internal debate and analysis process of the context that ended with the definition of the Responsible and Sustainable Banking Action Plan 2021-2024. This action plan includes the objectives relative to the Entity's commitments to sustainability to manage the impact areas and risks identified. These objectives fall under three lines of work: − Environmental: with measures for addressing the climate emergency − Socio-economic: aimed at driving recovery and transformation towards sustainable development − Good governance: a management model is embodied aimed at providing a swift response to stakeholders' needs and with a special focus on new risks. Furthermore, to continue to adapt to sustainable finance, a diagnosis of maturity in sustainable finances has been performed and a roadmap designed that will served to fulfil stakeholders' expectations. This project was carried out with the global involvement of the Bank. A roadmap has been defined specifying the next steps in the process of implementing the Principles of Responsible Banking.	ABANCA responsible banking (Materiality analysis) ABANCA responsible banking (Action model) ABANCA responsible banking (Sustainability Plan 2021-2024) Sustainable finance ABANCA responsible banking (Partnerships for the goals)
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.		
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,	The Sustainability Plan 2021-2024 sets out the roadmap and objectives set by the Bank for the coming years and aims to to take a step forward on the commitments made and in the contribution to the SDGs. Three objectives were established: 1. Work to mitigate the effects of climate change and promote sustainability within the environment in which the Bank operates. 2. Promote sustainable economic activity, incorporating ESG aspects in the management, business and risk model. 3. Support our customers' transition to sustainability.	ABANCA responsible banking (Action model) Sustainable awareness (Environmental awareness) Sustainable finance

which address at least two of the identified "areas of most significant impact", resulting from the bank's activities and provision of products and service 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 must have identified a baseline (evaluated against a certain year) and have established objectives regarding 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."	The actions envisaged to fulfil these objectives are encompassed in three main lines of action: Environmental, Social and Good Governance. Environmental Line (SDG12, SDG 13, SDG15): − Maintain an electricity supply with a 100% guarantee of renewable origin. − Become a carbon-neutral Entity in its internal operations by 2024. − Achieve the zero emissions attributable to the portfolio by 2050, in accordance with the objectives of the Paris Agreement. − Implement a waste management model in all of the Bank's corporate head offices by 2024. − Obtain AENOR Zero Waste certification in its main head offices. − Define the environmental footprint in 2022 that will serve as a roadmap and environmental management mechanism. − Follow the Global Energy Efficiency Plan established until 2024. Socio-Economic Line (SDG 14, SDG 4, SDG10): − Sustainable product catalogue offering. − Continue to accompany the Entity's customers in the transition to a low-emission economy by broadening the sustainable product portfolio. − Continue to finance renewable energy projects. − Continue working to adapt process technology based on the sustainability criteria laid down in the regulations. − Advance in the segmentation of the portfolio in accordance with its exposure to climate risk. − Follow and adapt to the supervisory expectations on sustainable finance. − Reach one million beneficiaries in Afundación, ABANCA's Social Welfare Project. − Support the launch of the Intercontinental Business University. − Commit to vocational training from an comprehensive viewpoint that improves our offering, updated to meet the new needs and that promotes continuous synergies with the university system. − Promote, through Afundación, actions in rural Galicia. − Foster a "solidarity" culture both to sensitise citizens and to favour the participation of vulnerable groups, and design innovative cultural actions that will allow us to reach young people. − Drive, through Volunteering, our impact in the field of sustainability and social welfare aimed at vulnerable groups. − Continue with financial education programmes. Good Governance Line(SDG 4, SDG 5, SDG 17): − Increase partnerships to achieve collective action with global impact. − Continue and keep the sustainability training of all employees and governing bodies up to date. − Train teams in Sustainable Finance, regulatory aspects and ESG risk management. − 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%. − Create an Equality Committee to monitor, evaluate and review the new Equality Plan 2021-2025. − Achieve a balance representation of the under-represented gender by improving their possibilities of accessing positions of responsibility. − Favour the work/life balance of our employees. − Develop a training programme to raise employees' awareness on equality and diversity. − Guarantee that every person has the same opportunities of incorporation, remuneration, professional development based on their achievements and performance (meritocracy) regardless of their gender. − Promote working conditions that avoid sexual harassment and harassment on the grounds of gender and help victims of gender-based violence.	Sustainable awareness (Social awareness) ABANCA responsible banking (Partnerships for the goals) Governing bodies (Board of Administration) Responsible professionals (Training)

Please provide your Bank's conclusion/statement if it has fulfilled the requirements regarding Target Setting. In its Sustainability Plan 2021-2024, ABANCA has defined priority objectives in the short and medium term, metrics for monitoring them and a roadmap to guide the different actions.		
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.	Cross-cutting coordination work for implementing the Responsible and Sustainable Banking Action Plan 2021-2024 is initially carried out by the Social Responsibility and Sustainability area, a unit of the General Office of Corporate Social Responsibility and Communication. This plan includes a series of KPIs that measure the performance of the previously defined objectives which are monitored on a quarterly basis and is supervised by the Strategic Planning area. Main actions and milestones carried out to achieve the objectives in 2021: – Launch of the Responsible and Sustainable Banking Action Plan 2021-2024. – Update of the Responsible Investment and Integration of Sustainability Risks Policy, the Global Energy Efficiency Plan and the Energy and Environment Policy. – ABANCA has established a sustainable finance training process aimed at all employees. – Publication of the Framework for Emissions with Sustainable Development Goals. – Update of an internal Guide to Environmental Good Practices with the aim of sensitising all the teams of the importance of responsible consumption of resources. – ABANCA defined the Environmental and Climate Risk Management Policy as part of the Credit Risk Policies Manual. – Definition of a Master Risk Plan to fulfil the ECB's expectations on the incorporation of environmental and climate risks. – ABANCA has joined the Net Zero Banking Alliance. – Launch.	ABANCA responsible banking (Action model) ABANCA responsible banking (Action model) Sustainable finance Sustainable awareness (Environmental awareness) Comprehensive risk management ABANCA responsible banking (Partnerships for the goals)
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.		
2.4 Progress on Implementing Targets For each target separately For each individual objective: 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 fulfil its established objective. 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).	The progress made in the Bank's three lines of action in 2021 was as follows: **Environmental Line:** – The electricity consumed by the Bank is 100% renewable with <<Guarantee of Origin>>. – ABANCA achieved a reduction of 86.46% in the scope 2 emissions. The emission of 3,341 t CO_2eq was avoided with the guarantee of origin of the energy. – The volume of correspondence was reduced by 52.33% compared to the previous year. – The consumption of water and paper was reduced by 10.9% and 29.2%, respectively. – Participation in the financing of renewable energy projects for a total amount of €820 million. – An agreement has been entered into with Endesa to cover most of the Entity's electricity demand in the next 10 years with energy of Galician origin. – The Zero Waste Project was implemented in our corporate head offices of A Coruña (Rúa Nueva, 30 and Pocomaco), Madrid (Recoletos, 4) and ABANCA Seguros and is being implemented in other corporate head offices. – The AENOR Zero Waste certificate was obtained in the head offices of Rúa Nueva 30, Recoletos 4 and ABANCA Seguros. – The reuse of electronic waste achieved emission savings of 77.4 tCO_2, up 17% on 2020. **Socio-Economic Line:** – In 2021 ABANCA closed its first green bond issue. – ABANCA launched its first sustainable financing products on the market, thereby advancing in the design of a sustainable products catalogue. – The Framework for Emissions with Sustainable Development Goals has been defined and published. – ABANCA has entered into an agreement to support the growth and development of Spanish small and medium-sized companies (SMEs) affected by the economic crisis arising from COVID-19. – The financial education programme of ABANCA and Afundación reached the record figure of a total of €123,170 digital and	Sustainable awareness (Environmental awareness) Sustainable finance Sustainable awareness (Environmental awareness) ABANCA responsible banking (Partnerships for the goals) Sustainable finance

	face-to-face beneficiaries in the 2020-2021 academic year. **Good Governance Line:** − The Nomination and Sustainability Committee was created. − The Entity shows a balanced workforce, where 50.9% of permanent contracts correspond to women and 49.1% to men. − There is greater feminine presence with an upward trend in training activities. − For the purpose of addressing areas for improvement in the field of equality, in December 2021 a new Equality Plan was approved for the period 2021-2025. − For the purpose of addressing areas for improvement in the field of equality, in December 2021 a new Equality Plan was approved for the period 2021-2025. − A sustainable finance training plan has been launched so that all employees can acquire the necessary knowledge of this strategic area. − An ESG risk management and analysis training programme has been defined. − Organisation of the 2nd Sustainable Finance Session	
Please provide your Bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets. In 2021 we made progress in the objectives established in the Sustainability Plan 2021-2024. Additionally, we reviewed the Sustainability Policy and Energy and Environment Policy, adapting them to the new plan and actions.		
Principle 3: Customers and users 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 about the programmes and actions implemented (and/or planned), their scale and, when possible, their results.	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: − The Bank has a Code of Ethics and Conduct and other responsible behaviour policies such as Anti-Corruption Policy and the Commitment to Human Rights. − Sustainability Policy: it consists of the commitment to provide the best and most comprehensive service to customers, accompanying them to create a new value proposition in their transition and transformation to a sustainable business model. − Responsible Investment and Integration of Sustainability Risks Policy: advancing in the commitment acquired by ABANCA to the Principles for Responsible Investment, this policy aims to bring together the strategy and basic action principles for investment, with the aim of obtaining a return on investment that is consistent with its customers' objectives, while maximising social and environmental well-being. In this manner, ABANCA maintains an active dialogue with the companies in which it has invested or wants to invest so that they follow responsible behaviours and try to influence said behaviour. − Environmental and Climate Risk Management Policy: 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. In order to assess the level of climate risk of customers belonging to the sectors that the Bank has identified as most highly pollutant/harmful to the environment and its operations, a questionnaire has been developed which, depending on its result, a low, medium or high climate risk rating is obtained. − 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. − Communication Policy: 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. − In 2021 the Procura Regulation was updated, which requires all ABANCA suppliers to comply with the environmental policies, the Code of Ethics and Conduct of suppliers and, therefore, the Principles of the Global Compact.	ABANCA responsible banking (Action model) Sustainable finance Comprehensive risk management Sustainable awareness (Awareness of good governance)

	Also, ABANCA has the Product Governance Committee, presided by the CEO, which is responsible for guaranteeing that the products are designed to satisfy customers' needs and and that they are managed in a responsible manner. This harmonisation between development and capabilities is reflected in the training process of our distribution network teams, which establishes information and training levels and defines the necessary training mechanisms prior to effectively marketing each product.	
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 about the actions planned / implemented, the products and services developed and, when possible, the impacts achieved.	Within the socio-economic line of action, ABANCA has continued to adapt its product and service portfolio to offer a sustainable alternative to its catalogue, always from a progressive, incremental and complementary standpoint that will prove useful to support our customers' efforts in the transition to more environmentally-friendly business models. In this context, we consider it crucial to channel finance and investment towards projects with the potential to transform the traditional economy, introducing new lines of green and social business which, in addition to being effective, respect the adaptation times of each customer. It is essential to harmonise development in innovation with our customers' capabilities and the Bank's activity is critical to achieve it, always meeting the criteria and expectations set by the regulator. − ABANCA helps its customers in the transition to an economy with low GHG emissions, supporting the financing of renewable energy and energy efficiency projects, responsible investment and fostering innovation in the development of new technologies for sustainable growth. − In 2021 the Entity successfully placed its first €500 million issue of Senior Preferred green bonds. − As a result of this line of work, the Bank markets several products ultimately aimed at achieving sustainability, aimed at both individual customers and self-employed professionals, SMEs, companies and homeowners' association. − The specialist business focuses on supporting the primary sector towards more environmentally friendly business models: from the dissemination of information on aid for business model improvement plans and assistance with formalities, financial inclusion of sector professionals, to the advancement of grants and finance for reducing the environmental impact and investing in social welfare projects. − It also carries out discretionary portfolio management through four investment strategies: Alpha Responsible, Alpha Exponential Future, Alpha Cíclica and Cartera ABANCA 360. ABANCA's investment model, Alpha 360, 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 incorporation of ESG criteria in the selection funds and asset analysis. − Parallel to this, the Entity is developing the adaptation of a product catalogue following the criteria of the Taxonomy Regulation. − Furthermore, considering that some sectors where the Entity operates could have a significant social and environmental impact, the Entity considers it essential to identify, evaluate and manage the environmental and climate risk associated with these exposures. Consistently with the foregoing, the evaluation of ESG risks is being gradually included in the Credit risk admission processes. In collaboration with Afundación, ABANCA's Social Welfare Project, training actions in digital skills and financial education programme have been carried out to help customers to acquire knowledge and skills to manage their finances.	Sustainable finance Comprehensive risk management Sustainable awareness (Social awareness)
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 general high-level	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. The groups consulted were: employees, customers, shareholders and investors, suppliers and society.	ABANCA responsible banking (Dialogue with stakeholders)

description of how your Bank has identified the relevant interested parties and which problems were addressed / results were achieved.	ABANCA has a large toolbox available for consultation, where it values the opinion of and dialogue with stakeholders. The practices for improving the Bank's customer relations include, namely: the ABANCA Escucha Delta, ABANCA Colabora and Mystery Shopper programmes, which seek to listen to and understand customers' needs and expectations, and customer service charters. 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. These include, namely, the Commitment to Climate Action, the Net Zero Banking Alliance of the UNEP-FI, the Spanish banking sector's Sectoral Climate Agreement, adhesion to the Principles for Responsible Investment and Sustainable Ocean Principles, and has also been a member of the Global Compact Global Network since its creation. 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, SMEs, enterprises, corporations), data on the progress of the Community that serve as support for its decisions.	ABANCA responsible banking (Partnerships for the goals) Sustainable awareness (Social awareness)
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.	All of ABANCA's activity is regulated by internal policies and procedures that ensure the Bank's responsible behaviour, included in the chapter on Sustainable Awareness. The Social Responsibility and Sustainability area, within General Office of Corporate Social Responsibility and Communication, is transversal to the entire organisation. 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. By way of top-level committee, in 2021 the Bank created the Nomination and Sustainability Committee, which has additional functions relative to: periodically evaluating and reviewing the Company's sustainability strategy, the aim of fulfilling its mission of promoting social interest taking into account, where applicable, the legitimate interests of the other stakeholders. Also, ensure that the Company's sustainability practices adapt to the established strategy and policies. The Entity has the Social Responsibility and Sustainability Committee, which oversees and monitors the established programmes and objectives. It is the body that monitors the strategic lines in relation to social responsibility and sustainability in collaboration with the other areas and units and the actions for achieving the established objectives are defined under the corporate framework, which impregnates the whole Bank. Furthermore, worth noting is the creation of an internal and operational ESG work group made up of representatives of the different units, that internally provides support for entering information in the Bank's systems required for incorporating ESG criteria, support for transitioning from the product catalogue adequate to Taxonomy criteria and training in sustainability, among other functions. The duties of this work group will evolve with the aim of incorporating the ESG risks in the Bank's global management, adapting to the general lines established by the strategy at all times.	ABANCA responsible banking (Action model) Sustainable awareness
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 general high-level description of the creation of capacity, inclusion in compensation structures, management of performance and	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 The Entity has internally prepared and published an environmental Guide of Good Practice aimed at sensitising the teams of the importance of responsible consumption of the resources and becoming a more sustainable company.	Responsible professionals (Training) Sustainable awareness (Environmental awareness) Sustainable finance

communication from leadership, amongst others.	In September 2021, the Bank launched a campaign to raise awareness of responsible energy consumption that will extend over the coming years. ABANCA has implemented the Sustainable Financial Training Plan for all employees. It consists of a series of training pills that will be completed with specific training based on sustainability management categories. A training plan was defined with the aim of incorporating the necessary knowledge into the organisation for effectively managing ESG risks. ABANCA considers that the leadership of the senior management influences the teams and, therefore, is essential to fostering and incorporating corporate values. Thus, in 2021 the contents of the leadership decalogue for managers were examined in greater depth and smaller teams were formed to delve deeper into some of the concerns that have arisen. Complementarily and to promote the Bank's culture and values, in 2020 an ambitious communication and work plan was designed that, due to the restrictions imposed by the pandemic, focused on the application El viaje común (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. We are working on incorporating sustainability criteria in the Bank's remuneration policies.	
5.3 Governance structure to implement the principles: Show that your bank has a governance structure in place for the implementation of the PRB, including:: a. a. target-setting and actions to achieve targets set b. b. remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.	ABANCA's Social Responsibility and Sustainability area is transversal to the whole organisation and is in charge of implementing the principles, establishing the objectives in this area and monitoring them. The monitoring model includes specific lines of action, publication and measurement of progress. ABANCA has a Social Responsibility and Sustainability Committee with the function of proposing, to the corresponding governing bodies and to the Executive Committee, measures for managing and controlling social responsibility, selecting and reviewing the key performance indicators, and reviewing and approving the corporate responsibility programmes. And from here come the actions that require approval by the Board of Directors.	ABANCA responsible banking (Action model)
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.		
Principle 6: Transparency and responsibility 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.		
Show that your Bank has progressed on implementing the six Principles over the last 12 months, in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4). 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 practices.	– 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. In line with the corporate framework, the Sustainability Plan 2021-2024 was designed to advance in the commitment to economic and social progress and well-being of people. – The SDGs with greatest impact for the Entity have been identified, and the progress indicators analysed. – ABANCA has signed different initiatives to incorporate national and international best practices into our action plan, about which we report our activity and progress on those commitments: – ABANCA, since its constitution, has been a member of the Global Compact Spanish Network. Since 2019, the organisation has been a member of the Global Compact 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 and the Net Zero Banking Alliance, thus taking on a	ABANCA responsible banking (Action model) ABANCA responsible banking (Contribution to SDGs) ABANCA responsible banking (Partnerships for the goals) Sustainable finance

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.	commitment to align its portfolio with the climate objectives in the Paris Agreement. Also, the Bank endorsed the open letter launched by the We Mean Business Coalition calling on G20 leaders to take decisive action on climate change. – In the 2021 Corporate Social Responsibility Report, information is provided about the implementation of the PRB and the progress on their implementation. – 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. – This report was independently verified by KPMG Asesores, S.L.	ABANCA responsible banking (Partnerships for the goals) BRI Table + NFIS Verification Report Table
Please provide your Bank's conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles: 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 the Corporate and Social Responsibility Report of Abanca Corporación Bancaria, S.A. and subsidiaries for 2021

(Free 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 been engaged by Abanca Corporación Bancaria, S.A. management to perform a limited assurance review of the accompanying Corporate and Social Responsibility Report of Abanca Corporación Bancaria, S.A. (hereinafter, the Parent) and subsidiaries (hereinafter, the Group) for the year ended 31 December 2021, 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 evaluate whether the Consolidated Non-Financial Information Statement (hereinafter NFIS) of the Group for the year ended 31 December 2021, included in the Report which forms part of the Group's consolidated Directors' Report for 2021, has been prepared in accordance with prevailing mercantile legislation.

The Report includes additional information to that required by GRI Standards in its comprehensive option and prevailing mercantile legislation concerning non-financial information, which has not been the subject of our assurance work. In this respect, our work was limited exclusively to providing assurance on the information contained in the "GRI Content Index" and the "Index of Contents required by Law 11/2018" tables of the accompanying Report.

Responsibility of the Parent's Directors and Management

Management of the Parent 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" table of the Report.

The Directors of the Parent are responsible for the content and authorisation for issue of the NFIS included in the Report. The NFIS has been prepared in accordance with prevailing mercantile legislation and selected GRI Standards based on each subject area in the "Index of Contents required by Law 11/2018" table 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 are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare 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 International Ethics Standards Board for Accountants (IESBA), which is founded on 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 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), and with the guidelines for 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 and areas of the Parent that participated in the preparation of the Report, reviewing the processes for compiling and validating the information presented in the Report and applying certain analytical procedures and sample review tests, which are described below:

- Meetings with the Parent's personnel to gain an understanding of the business model, policies and management approaches applied, the principal risks related to these matters 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 and described in the "Materiality Analysis" section, considering the content required by prevailing mercantile legislation.

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- Analysis of the processes for compiling and validating the data presented in the Report for 2021.
- Review of the information relative to the risks, policies and management approaches applied in relation to the material aspects presented in the Report for 2021.
- Corroboration, through sample testing, of the information relative to the content of the Report for 2021 and whether it has been adequately compiled based on data provided by the 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 Corporate and Social Responsibility Report of Abanca Corporación Bancaria, S.A and subsidiaries for the year ended 31 December 2021 has not been prepared, in all material respects, in accordance with the GRI Standards, in its comprehensive option, and the Sector Supplement "Financial Services", as described in point 102-54 of the GRI Content Index of the Report.

b.) The NFIS of Abanca Corporación Bancaria, S.A. and subsidiaries for the year ended 31 December 2021 has not been prepared, in all material respects, in accordance with prevailing mercantile legislation and selected GRI Standards based on each subject area in the "Index of Contents required by Law 11/2018" table of the Report.

Emphasis of Matter

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment stipulates the obligation to disclose information on how and to what extent the undertaking's investments are associated with Taxonomy-eligible economic activities. This obligation applies for the first time for the 2021 fiscal year, provided that the Non-Financial Information Statement is published from 1 January 2022 onwards. Consequently, the attached Corporate and Social Responsibility Report does not contain comparative information on this matter. Additionally, certain information has been included in respect of which, at the date of preparation of the accompanying Corporate and Social Responsibility Report, the Directors of the Parent have opted to apply the criteria that, in their opinion, best allow them to comply with the new obligation, and which are those defined in the "Information relative to the adaptation of European Taxonomy and disclosure on Article 8 of Regulation 2020/852" section of the accompanying (Sustainability Report). Our conclusion is not modified in respect of this matter.

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Use and Distribution

In accordance with the terms of our engagement letter, this Report has been prepared for Abanca Corporación Bancaria, S.A. in relation to its Corporate and Social Responsibility Report 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

30 March 2022