



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 2022)

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



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

Independent Auditor's Report on the Consolidated Financial Statements

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

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

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of ABANCA Corporación Bancaria, S.A. (the "Bank") and its subsidiaries, together with the Bank, constitute the ABANCA Corporación Bancaria Group (the "Group"), which comprise the consolidated balance sheet at 31 December 2022, and the consolidated statement of profit and loss, consolidated statement of comprehensive income and expense, consolidated statement of total changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2022 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.

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, reflect a net balance of €45,167,460 thousand at 31 December 2022, while allowances and provisions recognised at that date for impairment amounts to €783,468 thousand. For the purposes of estimating impairment, financial assets measured at amortised cost are classified into three categories (Stage 1, 2 or 3) according to whether a significant increase in their credit risk since initial recognition has been identified (Stage 2), whether the financial assets are credit-impaired (Stage 3) or whether neither of the foregoing circumstances apply (Stage 1). For the Group, establishing this classification is a relevant process as much 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 expected loss models, 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. Allowances and provisions for credit risk determined individually consider estimates of future business performance and the market value of collateral and guarantees provided for credit transactions.	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 mainly on the following key areas: – Identifying the credit risk management framework and assessing its alignment with the applicable regulations. – Evaluating the appropriateness of the classification of the loans and advances to customers portfolio based on credit risk, in accordance with the criteria defined by the Group, particularly the criteria for identifying and classifying refinancing and restructuring transactions. – Assessing the relevant controls relating to 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 individual and collective allowances and provisions for credit risk. – Evaluating the integrity, accuracy and updating of the data used and of the control and management process in place. – Assessing the aspects observed by the Internal Validation Unit in its periodic reviews and in the contrast testing of the models for estimating collective allowances and provisions.

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
In the case of allowances and provisions calculated collectively, expected losses are mostly estimated 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 and present information and future forecasts to be considered. The Group regularly conducts recalibrations and tests of its internal models in order to improve their predictive capabilities based on current historical experience. The conflict between Russia and Ukraine, the current levels of inflation, the energy crisis across Europe and central banks' present monetary policy, inter alia, have considerably changed the current geopolitical and macroeconomic backdrop, thus heightening uncertainty as to future developments and impacting on the economy and business activities where the Group operates. Therefore, calculating expected credit risk losses entails greater uncertainty and requires a higher degree of judgement, the Group has supplemented the estimates of expected losses obtained from its credit risk models with certain additional temporary adjustments. The consideration of this matter as a key audit matter is based both on the significance of the Group's loans and advances to customers portfolio, and thus of the related allowance and provision for impairment, as well as on the relevance of the process for classifying these financial assets for the purpose of estimating impairment thereon and the subjectivity and complexity of calculating expected losses.	Our tests of detail on the estimated expected losses included the following: – With regard to the appropriate classification of the portfolio of loans and advances to customers portfolio based on credit risk in accordance with the criteria defined by the Group, we selected a sample and evaluated the adequacy of the accounting classification for credit risk. – With regard to the impairment of individually significant transactions, we selected a sample and evaluated the appropriateness of the discounted cash flow models used by the Group and the corresponding allowances and provisions recognised. – 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. – We assessed the macroeconomic scenario variables used by the Group in its internal models to estimate expected losses. To this end, we brought in our corporate business valuation specialists. – We analysed a sample of guarantees associated with credit transactions, checking their valuation and to do so we involved our real estate valuation specialists. – We evaluated the additional adjustments to the internal models used to estimate the expected losses recognised by the Group at 31 December 2022. – Likewise, we analysed whether the disclosures in the notes to the consolidated financial statements were prepared 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

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
At 31 December 2022, the Group held deferred tax assets on the consolidated balance sheet amounting to €3,505,120 thousand, of which the recovery of €838,632 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 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, we have considered this a key audit matter.	Our audit procedures mainly include the following: – Analysing and evaluating the control environment of the process for recognising and assessing the recoverability of deferred tax assets. – Evaluating, with the involvement of our valuation and tax specialists, the methodology and key assumptions considered by the Group to estimate the recovery period for deferred tax assets. We analysed the main economic, financial and tax assumptions used by the Group to estimate future taxable profits, performing a sensitivity analysis thereon. – Contrasting the forecast taxable profit used as a basis for recognising deferred tax assets in prior years against the actual taxable profits obtained by the Group. – Evaluating the arithmetical accuracy of the calculations made by the Group on the estimates of future taxable profit and the recoverability of the deferred tax assets in the projected period. – We analysed whether the disclosures in the notes to the consolidated financial statements were prepared 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 the risks associated with information technology to be 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 workflows and identification of key controls that ensure the appropriate processing of the financial information. – Testing of 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.

Other Information: Consolidated Directors' Report

Other information solely comprises the 2022 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:

- 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.
- 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 2022, and that the content and presentation of the report are in accordance with applicable legislation.



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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.

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.



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- 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 27 March 2023.

Contract Period_____

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

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

KPMG Auditores, S.L.

On the Spanish Official Register of Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

Julio Álvaro Esteban

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

XXX March 2023

ABANCA Corporación Bancaria, S.A. and subsidiaries

Consolidated Financial Statements
31 December 2022

Consolidated Directors' Report
Financial year 2022

ABANCA CORPORACIÓN BANCARIA, S.A. GROUP

CONSOLIDATED BALANCE SHEET AS AT 31 December 2022 AND 2021

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

ASSETS	Note	2022	2021	EQUITY AND LIABILITIES	Note	2022	2021
Cash, cash balances with central banks and other demand deposits	6	8,581,607	12,461,399	Financial liabilities held for trading	11	461,503	141,302
Financial assets held for trading	11	470,919	139,370	Derivatives		461,503	141,302
Derivatives	8	-	-	Financial liabilities at amortised cost	18	8,014,723	9,785,781
Debt securities		470,919	139,370	Deposits	18	3,923,675	5,536,412
Non-trading financial assets mandatorily at fair value through profit and loss	9	162,666	144,793	Central banks	19	52,518,531	54,255,832
Equity instruments	8	96,863	1,037	Credit institutions	20	2,811,074	2,557,586
Debt securities	10	-	-	Customers	22	329,073	312,087
Loans and advances		259,529	145,830	Debt securities issued	21	1,304,529	1,303,786
Customers		-	-	Other financial liabilities		67,587,076	72,427,678
Financial assets designated at fair value through profit and loss	8	-	-	Memorandum item: subordinated liabilities		-	-
Debt securities		-	-	Derivatives - hedge accounting	11	523,249	298,581
Financial assets at fair value through other comprehensive income	9	21,084	15,793	Liabilities covered by insurance or reinsurance contracts	29	1,536,642	1,472,238
Debt securities	8	1,919,821	5,420,664	Provisions	23	237,562	276,155
Equity instruments		1,940,905	5,436,457	Pensions and other post-employment defined benefit obligations		20,221	20,976
Debt securities	8	10,877,633	8,138,342	Outstanding tax-related legal proceedings and litigation		96,033	97,887
Debt securities	7	985,029	986,621	Commitments and guarantees given		19,472	23,898
Loans and advances	10	45,167,460	45,982,385	Other provisions		373,268	418,886
Credit institutions		57,031,022	55,107,348	Tax liabilities	28	39,385	44,250
Customers		-	-	Current tax liabilities		112,591	170,977
Financial assets at amortised cost		-	-	Deferred tax liabilities		151,976	215,227
Debt securities	8	10,877,633	8,138,342	Other liabilities	24	289,656	277,170
Loans and advances	7	985,029	986,621	Liabilities included in disposal groups classified as held for sale	12.2	702,029	726,602
Credit institutions	10	45,167,460	45,982,385	TOTAL LIABILITIES		71,635,419	75,977,684
Customers		57,031,022	55,107,348	EQUITY			
Derivatives - hedge accounting	11	870,880	69,024	Shareholders' Equity			
Investments in joint ventures and associates	13	162,287	156,235	Capital	27	2,476,209	2,476,209
Associates		162,287	156,235	Paid-up capital		208,791	208,791
Assets covered by insurance or reinsurance contracts	29	5,584	5,356	Share premium	27	-	-
Tangible assets	14	958,811	977,087	Equity instruments issued other than capital	27	-	-
Property, plant and equipment		-	-	Other equity instruments	27	2,084,223	1,831,368
For own use		231,425	243,328	Retained earnings	27	22,755	22,918
Leased out under operating leases		1,190,236	1,220,415	Other reserves	27	(135,994)	(91,220)
Investment property		-	-	Reserves or accumulated losses of investments in joint ventures and associates		(20,404)	(17,395)
Intangible assets	15	66,351	61,732	Other		215,013	323,310
Goodwill		395,010	400,184	(-) Treasury shares	3	(56,621)	(66,671)
Other intangible assets		461,361	461,916	Profit attributable to the owners of the parent		4,793,972	4,687,310
Tax assets	28	22,322	29,807	(-) Interim dividend		-	-
Current tax assets		3,505,120	3,482,021	Accumulated other comprehensive income	26	(837)	(12,917)
Deferred tax assets		3,527,442	3,511,828	Items that will not be reclassified to profit and loss		581	1,291
Other assets	23	30,122	160,743	Actuarial gains or losses on defined benefit pension plans		-	-
Insurance contracts linked to pensions	16	76,929	63,814	Fair value changes of equity instruments measured at fair value through other comprehensive income	26	4,564	2,444
Inventories	17	134,275	180,876	Hedging derivatives, Cash flow hedges reserve (effective portion)		(346,037)	(202,368)
Other assets		241,326	405,433	Fair value changes of debt securities measured at fair value through other comprehensive income		(36,409)	56,748
Non-current assets and disposal groups classified as held for sale	12.1	1,307,664	1,376,302	Share of other recognised income and expense of investments in joint ventures and associates		3,549	(7,460)
Minority interests (non-controlling interests)	25	(447)	(507)	Accumulated other comprehensive income		(374,589)	(162,262)
Accumulated other comprehensive income		(3,585)	(5,312)	Minority interests (non-controlling interests)		(4,030)	(5,819)
Other items		(4,030)	(5,819)	TOTAL EQUITY		4,415,353	4,519,239
TOTAL ASSETS		76,050,772	80,496,913	TOTAL EQUITY AND LIABILITIES		76,050,772	80,496,913
MEMORANDUM ITEM: OFF-BALANCE SHEET EXPOSURES	30	10,403,529	10,798,389				
Loan commitments granted		979,444	1,096,905				
Financial guarantees granted		1,621,296	1,884,240				
Other commitments granted		-	-				

(*) 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 2022.

ABANCA CORPORACIÓN BANCARIA, S.A. GROUP

**CONSOLIDATED STATEMENTS OF PROFIT AND LOSS FOR THE ANNUAL PERIODS
ENDED 31 December 2022 AND 2021**

(Thousands of euro)

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

	Note	Income / (Expenses)	
		2022	2021
Interest income	31	946.604	793.643
Financial assets at fair value through other comprehensive income		40.812	52.284
Financial assets at amortised cost		859.174	677.479
Other of interest income		46.618	63.880
Interest expense	32	(176.876)	(119.495)
NET INTEREST INCOME		769.728	674.148
Dividend income	33	6.682	5.714
Share of profit and loss of equity-accounted investees	34	(3.045)	(1.661)
Fee and commission income	35	335.595	306.001
Fee and commission expense	36	(53.873)	(48.476)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit and loss, net	37	47.809	106.111
Financial assets at amortised cost		14.230	8.975
Other financial assets and liabilities		33.579	97.136
Gains or losses on financial assets and liabilities held for trading, net	37	14.896	12.067
Other gains or losses		14.896	12.067
Gains or losses on non-trading financial assets mandatorily measured at fair value through profit and loss, net	37	(18.923)	17.712
Other gains or losses		(18.923)	17.712
Gains or losses from hedge accounting, net	37	(11.525)	(17.578)
Exchange differences, net		(183)	9.163
Other operating income	38	112.402	81.096
Other operating expenses	41	(139.062)	(127.360)
Income from assets covered by insurance or reinsurance contracts	38	524.278	111.612
Expenses from liabilities covered by insurance or reinsurance contracts	41	(470.728)	(76.233)
GROSS MARGIN		1.114.051	1.052.316
Administrative expenses		(664.240)	(616.637)
Personnel expenses	39	(398.606)	(375.655)
Other administrative expenses	40	(265.634)	(240.982)
Depreciation and amortisation	14 and 15	(89.890)	(92.818)
Provisions or reversals of provisions	23	(10.737)	(94.013)
Impairment or reversal of impairment on financial assets not measured at fair value through profit and loss		(43.101)	(64.250)
Financial assets at fair value through other comprehensive income		(1.231)	88
Financial assets at amortised cost	10	(41.870)	(64.338)
NET OPERATING INCOME		306.083	184.598
Impairment or reversal of impairment on investments in joint ventures or associates	13	(3.000)	-
Impairment or reversal of impairment on non-financial assets		(3.500)	(28.458)
Tangible assets	14	(3.223)	(13.217)
Intangible assets		(277)	(15.161)
Other		-	(80)
Gains or losses on derecognition of non-financial assets, net	42	3.489	(53)
Negative goodwill recognised in profit and 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	8.518	8.411
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS		311.590	370.390
Tax expense or income related to profit or loss from continuing operations	28	(35.987)	(34.250)
PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS		275.603	336.140
Profit or loss after tax from discontinued operations		(58.651)	(15.568)
PROFIT FOR THE PERIOD		216.952	320.572
Attributable to minority interests (non-controlling interests)	25	1.939	(2.738)
Attributable to the owners of the parent		215.013	323.310

(*) 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 2022.

ABANCA CORPORACIÓN BANCARIA, S.A. GROUP

(CONSOLIDATED) STATEMENTS OF COMPREHENSIVE INCOME
FOR THE ANNUAL PERIODS ENDED
31 December 2022 AND 2021

(Thousands of euro)

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

	2022	2021
PROFIT FOR THE PERIOD	216.952	320.572
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit and loss	11.370	(2.191)
Actuarial gains or (-) losses on defined benefit pension plans	17.257	(627)
Fair value changes of equity instruments measured at fair value through other comprehensive income	(1.014)	(2.503)
Income tax on items that will not be reclassified	(4.873)	939
Items that may be reclassified to profit and loss	(223.697)	(235.493)
Foreign currency translation	3.029	1.554
Exchange gains or (-) losses recognised in equity	3.029	1.554
Cash flow hedges (effective portion)	(205.241)	(257.226)
Valuation gains or (-) losses recognised in equity	(205.241)	(257.226)
Debt securities at fair value through other comprehensive income	(133.081)	(85.170)
Valuation gains or (-) losses recognised in equity	(99.502)	11.966
Transferred to profit and loss	(33.579)	(97.136)
Share of other recognised income and expenses of investments in joint ventures and associates	15.727	4.423
Income tax on items that may be reclassified to profit and loss	95.870	100.926
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	4.625	82.888
Attributable to minority interests (non-controlling interests)	1.939	(2.738)
Attributable to the owners of the parent	2.686	85.626

(*) 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 2022.

ABANCA CORPORACIÓN BANCARIA, S.A. GROUP

CONSOLIDATED STATEMENTS OF TOTAL CHANGES IN EQUITY FOR

THE ANNUAL PERIODS ENDED 31 December 2022 AND 2021 (*)

(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 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 period	-	-	-	-	-	-	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
Effects of correction of errors	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance	2.476.209	208.791	-	1.831.368	(68.302)	(17.395)	323.310	(66.671)	(162.262)	(507)	(5.312)	4.519.229
Total comprehensive income for the period	-	-	-	-	-	-	215.013	-	(212.327)	60	1.879	4.625
Other changes in equity	-	-	-	252.855	(44.937)	(3.009)	(323.310)	10.050	-	-	(150)	(108.501)
Common shares issued	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-
Other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity items	-	-	-	253.404	(1.661)	-	(251.743)	-	-	-	-	-
Treasury shares purchase	-	-	-	-	-	(5.252)	-	-	-	-	-	(5.252)
Treasury shares sold or cancelled	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	2.382	-	-	-	-	-	2.382
Dividends (or shareholders' remuneration)	-	-	-	-	-	-	(71.567)	10.050	-	-	-	(61.517)
Other increases or (-) decreases in equity	-	-	-	(549)	(43.276)	(139)	-	-	-	-	(150)	(44.114)
Balance as at 31 December 2022	2.476.209	208.791	-	2.084.223	(113.239)	(20.404)	215.013	(56.621)	(374.589)	(447)	(3.583)	4.415.353

(*) 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 2022.

ABANCA CORPORACIÓN BANCARIA, S.A. GROUP

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE
ANNUAL PERIODS ENDED 31 December 2022 AND 2021**

(Thousands of euro)

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

	2022	2021
A) CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	(4.226.230)	4.718.458
1. Profit for the period	216.952	320.572
2. Adjustments for determining cash flows from operating activities	87.473	78.802
(+) Depreciation and amortisation	89.890	92.818
(+/-) Other adjustments	(2.417)	(14.016)
3. Net increase/(decrease) in operating assets	226.737	(6.924.565)
(+/-) Financial assets held for trading	(331.549)	25.008
(+/-) Non-trading financial assets mandatorily at fair value through profit and loss	(113.699)	87.823
(+/-) Financial assets designated at fair value through profit and loss	-	-
(+/-) Financial assets at fair value through other comprehensive income	3.402.395	1.005.154
(+/-) Financial assets at amortised cost	(1.966.775)	(8.031.790)
(+/-) Other operating assets	(763.636)	(10.760)
4. Net increase/(decrease) in operating liabilities	(4.686.859)	11.315.199
(+/-) Financial liabilities held for trading	320.201	(2.611)
(+/-) Financial liabilities designated at fair value through profit and loss	-	-
(+/-) Financial liabilities at amortised cost	(5.252.284)	11.360.475
(+/-) Other operating liabilities	245.224	(42.665)
5. Income tax receipts/(payments)	(70.533)	(71.550)
B) CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	(8.834)	(152.131)
1. Payments:	(157.172)	(232.064)
(-) Tangible assets	(46.044)	(44.411)
(-) Intangible assets	(51.057)	(31.956)
(-) Investments in joint ventures and associates	(10.500)	(9.733)
(-) Subsidiaries and other business units	(33.161)	(130.140)
(-) Non-current assets and liabilities classified as held for sale	(16.410)	(15.824)
(-) Other payments related to investing activities	-	-
2. Receipts:	148.338	79.933
(+) Tangible assets	56.953	19.227
(+) Intangible assets	-	-
(+) Investments in joint ventures and associates	1.444	-
(+) Subsidiaries and other business units	-	-
(+) Non-current assets and liabilities classified as held for sale	89.941	57.924
(+) Held-to-maturity investments	-	-
(+) Other receipts related to investing activities	-	2.782
C) CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	355.272	739.267
1. Payments:	(144.728)	(135.733)
(-) Dividends	(60.414)	(94.436)
(-) Subordinated liabilities	(37.812)	(1.200)
(-) Redemption of own equity instruments	-	(206)
(-) Acquisition of own equity instruments	(5.252)	-
(-) Other payments related to financing activities	(41.250)	(39.891)
2. Receipts:	500.000	875.000
(+) Subordinated liabilities	-	375.000
(+) Issuance of own equity instruments	-	-
(+) Disposal of own equity instruments	-	-
(+) Other receipts related to financing activities	500.000	500.000
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS	-	-
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)	(3.879.792)	5.305.594
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	12.461.399	7.155.805
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD (E+F)	8.581.607	12.461.399

COMPOSITION OF CASH AND CASH EQUIVALENTS AT END OF PERIOD	2022	2021
(+) Cash	183.082	180.734
(+) Cash equivalent balances with central banks	8.188.623	12.093.324
(+) Other financial assets	209.902	187.341
(-) Less: Bank overdrafts repayable on demand	-	-
TOTAL CASH AND CASH EQUIVALENTS AT END OF PERIOD	8.581.607	12.461.399

(*) 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 2022.

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

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Notes to the Consolidated Financial Statements for the annual period
ended 31 December 2022

(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.

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.

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.

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Dated 23 April 2021, the Board of Directors of Bankoia 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 Bankoia (the absorbed entity) by ABANCA Corporación Bancaria, S.A. (the absorbing entity); Bankoia 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 Bankoia 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 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.

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 has been completed with the completion of the technological incorporation process as of 22 October 2022.

As at 31 December 2022, the Bank, for the development of its business, has 435 operating branches in the Autonomous Region of Galicia (437 as at 31 December 2021); 188 branches in the rest of Spain (197 as at 31 December 2021); 44 in Portugal (44 as at 31 December 2021); 1 in Switzerland (1 as at 31 December 2021), and 1 in the United States (1 as at 31 December 2021), 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 2022 were authorised for issue by the Board of Directors of the Bank on 27 March 2023, 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 2022 and the consolidated results of its transactions and consolidated cash flows for the annual period then ended.

ABANCA Corporación Bancaria, S.A. Group

Notes to the Consolidated Financial Statements for the annual period
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The consolidated financial statements of 2022 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 27 June 2022 approved the consolidated financial statements of ABANCA Corporación Bancaria, S.A. and subsidiaries for 2021.

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 comprehensive 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 2022

During 2022, small amendments and improvements to certain IFRSs, intended to clarify their wording or to correct minor consequences, oversights or conflicts between the requirement of the Standards, have become effective. The standards affected are: IAS 37 Provisions, IAS 16 Property, Plant and Equipment, and IFRS 3 Business Combinations. Additionally, the Annual Improvements to IFRSs Standards 2018-2020 has introduced minor amendments to IFRS 1 First-time Adoption of IFRSs, IFRS 9 Financial Instruments, IAS 41 Agriculture and IFRS 16 Leases.

These amendments are applicable from 1 January 2022 and have not had any significant impact on the consolidated financial statements of ABANCA Group.

b) Standards and interpretations that have not yet come into force as at 31 December 2022

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 2022. 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.

ABANCA Corporación Bancaria, S.A. Group

Notes to the Consolidated Financial Statements for the annual period
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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.

Application of IFRS 17 implies the requirement of adapting the models and processes for measurement of the Group's insurance contracts; those models and processes shall use, under a single regulatory framework, updated market hypotheses in each measurement to facilitate the comparison of different entities.

This standard will be applicable for annual periods beginning on or after 1 January 2023. The consolidated financial statements for financial year 2023 will be presented in accordance with this standard, and will include restated comparative information of 2022. Any difference arising from the application of different standards will be recognised under the transition reserve.

Since 2021, the Group has developed a project for the implementation of this standard, in order to apply the new standard to its insurance contracts from the effective date of the standard. Application of this standard has implied significant changes in processes, models and policies, which are currently in the final review phase.

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 service margin (CSM) that represents the unearned profit.

The entity shall disaggregate the amounts recognised in the statement of profit and 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.

The main policies applied by the Group are as follows:

ABANCA Corporación Bancaria, S.A. Group

Notes to the Consolidated Financial Statements for the annual period
ended 31 December 2022

Scope of the standard's application

Verification that all the Group's insurance contracts meet the definition of insurance contract, id est, in all contracts one party (the issuer) accepts a significant insurance risk from another party (the policyholder), by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

This way, all contracts considered as insurance contracts under IFRS 4 fall within the scope of IFRS 17.

Transition

During the transition period, measurement of the liability for remaining coverage (LFRC) is based on the measurement approach used for each contract:

- for portfolio contracts measured under the general measurement model (GMM) or under the variable fee approach (VFA), the Group applied the "Fair Value" approach to determine CSM as at the transition date, due to the impracticability of the full retrospective approach. In applying this approach, the Group has elected to apply the exemption not to aggregate on the basis of annual cohorts.
- for products measured under the Premium Allocation Approach (PAA), since this is an approach for measuring the liability for remaining coverage without explicit contractual service margin, the Group has considered appropriate to apply this approach for measurement as at the transition date.

Level of aggregation of insurance contracts

For aggregation of insurance contracts, the Group has applied the three levels of aggregation provided for in the standard:

- Homogeneity: the Group has aggregated insurance contracts subject to similar risks and managed together, taking into account the following factors:
 - o Product types and distinct management thereof, separating Risk and Saving business lines.
 - o Individual or collective insurance and, at a lower level, considering the specific risks covered.
 - o Contract boundaries: distinguishing between contracts with coverage period shorter than or equal to one year, and contracts with coverage period larger than one year.
- Initial recognition: contracts are aggregated on the basis of the date of issuance thereof, including same group contracts issued less than a year apart from each other.
- Onerousness: in each cohort, contracts are disaggregated on the basis of their expected profitability as at the date of issue.

ABANCA Corporación Bancaria, S.A. Group

Notes to the Consolidated Financial Statements for the annual period
ended 31 December 2022

Separation of components from insurance contracts

The Group has determined that its portfolio does not include any products with components other than insurance; consequently, the Group has concluded that all components will be accounted under IFRS 17.

Among the components considered, the Group has identified the existence of a non-distinct investment component corresponding to the amount that an insurance contract requires the entity to repay to a policyholder in all circumstances, regardless of whether an insured event occurs.

The Group has identified in its portfolio non-distinct investment components in savings, unit-linked and certain annuities products:

- With regards to savings and unit-linked products, the non-distinct investment component resulting from the fact that these products include redemption, maturity and death guarantees.
- Annuities products containing death guarantees include a non-distinct investment component.

In Life-Risk products, the existence of a non-distinct investment component has not been identified, given that all these products have a fixed-term.

Recognition and contract boundaries

In measuring a group of insurance contracts, the standard requires the Group to include all future cash flows within the boundaries of each contract in the group.

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the entity can compel the policyholder to pay the premiums or in which the entity has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- the Group has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- both of the following criteria are satisfied:
 - the Group has the practical ability to reassess the risks of the portfolio of insurance contracts that contains the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
 - the pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

ABANCA Corporación Bancaria, S.A. Group

Notes to the Consolidated Financial Statements for the annual period
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Measurement of insurance contracts already issued – Liability for remaining coverage

On initial recognition, the entity will measure a group of contracts as the sum of the fulfilment cash flows related to expected fulfilment within the boundary of the contract, adjusted for the time value of money (best liability estimation) and for the compensation required for bearing the non-financial risk of the contracts (non-financial risk adjustment), and also including the contractual service margin (CSM), representing the unearned profit from the insurance contracts.

- General measurement model (GMM)

GMM is applicable to insurance contracts in the annuities, savings and life-risk lines with contract boundaries exceeding one year. Measurement is made using market hypotheses at each reporting date (actuarial hypotheses, discount rates, etc.).

- Measurement model for contracts with direct participation features (VFA)

The VFA model is applicable to unit-linked products, as these products meet the conditions provided for in the standard for contracts with direct participation features.

- Measurement model for contracts measured under the Premium Allocation Approach (PPA)

The standard also provides a simplified measurement approach, the Premium Allocation Approach, that the Group will mainly apply to:

- 1) Insurance contracts with coverage periods of one year or less.
- 2) Insurance contracts whose measurement under the Premium Allocation Approach (PAA) and under the General Measurement Model (GMM) does not differ significantly, and for which no significant variability in cash flows is expected.

Measurement of insurance contracts already issued – Liability for incurred claims

In measuring the liability for incurred claims (LIC), the Group will always apply the GMM approach, irrespective of the measurement approach apply in measuring the liability for remaining coverage. In this measurement, the entity recognises cash flows relating to incurred claims that have not been settled as at the reporting date, including events that have occurred but for which claims have not been reported, including an adjustment for non-financial risk.

Reinsurance contracts held

Reinsurance contracts held are assessed separately from the underlying insurance contracts issued.

To allocate the appropriate measurement approach to reinsurance contracts issued, the entity has assessed the measurement requirements under each approach, as well as the minimum criteria and the available approaches, and has chosen to apply the Premium Allocation Approach (PAA).

Nature of the main impacts arising from IFRS 17

- The hypotheses used in measuring insurance contracts must be updated market hypotheses, whereas under the previous standard, in measurement hypotheses contained in the technical bases of each product were used.
- Determination of discount rates based on market conditions as at the date of initial application generates the main impact on the statement of financial position on initial

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Notes to the Consolidated Financial Statements for the annual period
ended 31 December 2022

application, this translates into a greater liability under IFRS 17 and, therefore, a smaller amount of the initial application reserve.

- Furthermore, the mark-to-market measurement of insurance contracts' liabilities implies accounting mismatches that have been eliminated from the statement of financial position.
- Premiums will no longer be an explicit item in the statement of profit and loss. Under IFRS 17, premiums are included in the measurement of CSM, which will be released as the service is provided.
- IFRS 17 requires a greater level of disaggregation and disclosure than IFRS 4.

Amendments to IAS 1 – Classification of liabilities as current or non-current and Non-current liabilities with covenants

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.

An entity will classify a liability as non-current when the entity has the right to defer settlement for at least 12 months after the reporting date. This right may be subject to the entity complying with conditions (covenants) specified in a loan arrangement.

Having reconsidered certain aspects of the 2020 amendments, the IASB confirmed that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current.

Covenants with which the entity is required to comply after the reporting date (for instance, future covenants) do not affect the classification of a liability as at the reporting date. However, when non-current liabilities are subject to future covenants, entities are now required to disclose information to enable users to understand the risk that the liabilities may become repayable within 12 months of the reporting date.

These amendments shall be retrospectively effective for annual periods beginning on or after 1 January 2024, 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.

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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.

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

Amendments to IAS 12 - Income taxes

IASB has issued amendments to IAS 12 to clarify how companies shall account for deferred tax on transactions such as leases and decommissioning obligations.

The amendments clarify that entities are required to recognise deferred tax on leases and decommissioning provisions. The purpose of the amendments is to reduce diversity in the presentation of disclosures on deferred taxes on those transactions.

The amendments are effective for annual periods beginning on or after 1 January 2023; early application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to IFRS 16 - Lease liability in a Sale and Leaseback

The amendments introduce the following changes:

- On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.
- After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

These amendments shall be retrospectively effective for annual periods beginning on or after 1 January 2024, although early application is permitted.

1.2.2 Comparative information

The information for 2021 included herein is presented solely for the purposes of comparison with the information as at 31 December 2022 and, therefore, does not constitute the Group's consolidated financial statements for 2021.

Furthermore, certain non material information relating to 2021 has been restated for consistency with respect to 2022.

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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 2022 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. Measurement of goodwill on consolidation.
7. Recoverability of deferred tax assets (see Note 28).
8. Estimation of the fair value of the assets acquired and liabilities assumed in the business combinations (see Note 5).
9. Measurement of non-current assets and disposal groups classified as held for sale (Note 12)
10. Estimation of mathematical provisions for life insurance (see Note 29).

On 24 February 2022, the armed conflict between Russia and Ukraine started; this conflict has been followed by an energy crisis in Europe, strong inflationary pressures and a tightening of monetary policies. These factors have affected the economic context and the performance of financial markets during 2022. The 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, mainly in connection with the determination of impairment losses on financial assets.

Although those estimates were based on the best information available at the end of 2022 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.

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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 2022 and 2021, 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 2022 and 2021 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.

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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. This Law was implemented by Royal Decree 84/2015.

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.

On 23 November 2016, the European Commission presented a comprehensive reform package modifying CRR, Directive CRD IV, BRRD and Regulation (EU) no. 806/2014 of the European Parliament and of the Council, of 15 July 2014, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms ("SMR Regulation"). On 14 May 2019 the text was formally approved by the Council of the European Union. On 7 June 2019 the following acts were published:

- (i) Directive (EU) 2019/878 of the European Parliament and of the Council, of 20 May 2019, amending Directive CRD IV ("Directive CRD V"),
- (ii) Directive (EU) 2019/879 of the European Parliament and of the Council, of 20 May 2019, amending Directive BRRD, inter alia, as regards loss-absorbing and recapitalisation capacity of credit institutions and investment firms (as amended, replaced or supplemented from time to time, "BRRD II"),
- (iii) Regulation (EU) 2019/876 of the European Parliament and of the Council, of 20 May 2019, amending, inter alia, CRR as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements ("CRR II"), and (iv) Regulation (EU) 2019/877 of the European Parliament and of the Council, of 20 May 2019 amending the SMR Regulation as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms ("SMR II Regulation") (Directive CRD V, BRRD II, CRR II and Regulation SMR II jointly, the "EU Banking Reform").

Directive CRD V and BRRD II have been partially transposed to the Spanish legal system through Royal Decree-Law 7/2021, of 27 April, amending, inter alia, Law 10/2014 and Law 11/2015 ("RDL 7/2021"). Additionally, Royal Decree 970/2021, of 8 November, amending Royal Decree 84/2015 ("RD 970/2021"), and Banco de España Circulars 5/2021 and 3/2022, the latter amending Banco de España Circular 2/2016, completed the transposition of Directive CRD V to the Spanish legal system; and Royal Decree 1041/2021, amending Royal Decree 1012/2015, ("RD 1041/2021") completed the transposition of BRRD II to the Spanish legal system.

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.

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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 permission to:

- (i) Temporarily operate below the level of capital defined by the P2G, the capital conservation buffer and the LCR, and
- (ii) 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 not 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

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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 February 2022, the European Central Bank (ECB) announced its decision regarding prudential capital requirements applicable from March 2022 following the Supervisory Review and Evaluation Process (SREP). Additionally, this decision included a recommendation or guidance for Pillar 2 (P2G). The aggregated requirement level and the Pillar 2 guidance (P2R + P2G) from the SREP decision were improved compared to the ECB's previous decision. The decision required the Entity to maintain, on a consolidated basis, a minimum phased-in Regulatory Tier 1 Common Equity Capital (CET1) of 8.125% and minimum phased-in Total Capital ratio of 12.50%. These minimum capital requirements include: i) the minimum Pillar 1 requirement (4.50% CET1 and 8.00% total capital); ii) a Pillar 2 requirement (1.125% CET1 and 2.00% Total Capital); and, iii) a 2.50% capital conservation buffer.

Subsequently, in December, the ECB announced its decision regarding minimum prudential capital requirements applicable from 1 January 2023 following completion of the next the Supervisory Review and Evaluation Process (SREP). The requirements remain unchanged, compared to those previously announced, in both their amount (minimum phased-in CET1 ratio of 8.125% and minimum phased-in Total Capital ratio of 12.50%) and their composition. Furthermore, the aggregated requirement level and the Pillar 2 guidance (P2R + P2G) from the latest SREP decision have also remained unchanged compared to the ECB's previous decision.

ABANCA Group's current ratios are well above the ECB regulatory requirements.

As at 31 December 2022, CET1 Ratio (Common Equity Tier 1) stands at 12.48% (13.02% as at 31 December 2021), while the Group's Total Capital Ratio under Regulation EU 575/2013 stands at 16.41% of risk weighted assets (16.93% as at 31 December 2021). As at 31 December 2022 the Group has a CET1 surplus of €1,414,372 thousand and its Total Capital exceeds the ECB minimum requirements by €1,268,899 thousand (€1,644,710 thousand and €1,527,443 thousand, respectively, as at 31 December 2021). With respect to article 92 of Regulation (EU) No. 575/2013, the Group has a CET1 surplus of €2,591,336 thousand, while its Total Capital exceeds minimum regulatory requirements by €2,729,957 thousand (€2,781,983 thousand and €2,914,610 thousand, respectively, as at 31 December 2021) (see Note 27).

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 established 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 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.

In January 2023, the Single Resolution Board (SRB) notified its new 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 replaces the decision previously applicable. This latest 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 18.84% TREA and 5.22% LRE. These requirements do not include capital allocated to meet the Combined Buffer Requirement of 2.5% TREA. The MREL decision for 1 January 2024 is aligned to the Group's forecasts and finance plan included in its strategic plan.

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1.7.2. Minimum reserves ratio

As at 31 December 2022, as well as throughout 2022, 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 2022 and 2021 totalled €60,290 thousand and €56,344 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 2022 an amount of €29,192 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 (€20,276 thousand in 2021) (See Note 41).

1.9. Events after the reporting period

In January 2023, 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 replaces the decision previously applicable.

This decision establishes a binding interim MREL 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 18.84% TREA and 5.22% LRE. These requirements do not include capital allocated to meet the Combined Buffer Requirement of 2.5% TREA. The MREL decision for 1 January 2024 is aligned with ABANCA's forecasts and with the financing plan included in its strategic plan.

In February 2023, ABANCA Corporación Bancaria, S.A. invited holders of mortgage covered bonds from the "First Issue of Mortgage covered bonds I/2019" (ISIN Code ES0465936054) to offer their mortgage covered bonds to be repurchased in cash, in order to provide those bond-holders with liquidity and to optimise ABANCA's exposure to interest rate risk and liquidity and financing positions. The process was closed in February with mortgage covered bonds for a nominal amount of €168.200 million being repurchased.

Once the applicable authorisations were obtained, in February 2023 ABANCA Corporación Bancaria, S.A. merged its two investment fund management companies, Imantia Capital, S.G.I.I.C., S.A. (acquired in the financial year 2022, see Note 5) and Bankoa Gestión, S.A., S.G.I.I.C., into a single company: ABANCA Gestión de Activos, S.A., S.G.I.I.C. The two merged companies managed investment funds with an aggregated equity of €3,800 million, and marketed third-party international funds amounting to €3,800 million. The new management company resulting from the merger starts with a total of 152,000 customers.

Dated 22 December 2022, Banque Fédérative du Crédit Mutuel and ABANCA Corporación Bancaria, S.A. announced the opening of negotiations for the purchase of Targobank España by the latter; the sale and purchase agreement was signed in February 2023. The transaction, which will be completed throughout 2023, is subject to obtaining administrative authorisations from the various competent regulatory authorities; technological incorporation will take place in 2024.

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With this purchase, ABANCA will consolidate its position in the Iberian Peninsula with a significant growth in Madrid and the Mediterranean coast, since Targobank España has circa 150,000 customers in 51 branches throughout Spain.

Apart from the disclosure referred in the foregoing paragraphs, between 31 December 2022 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. Legally required disclosure on average suppliers payment times

In compliance with the provisions of Law 18/2022, of 28 September, amending, inter alia, Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, establishing measures to combat late payment in commercial transactions that, inter alia, regulated the payment times in commercial transactions between companies or between companies and Public Entities.

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

	2022	2021
	Days	Days
Average supplier payment period	18.04	16.93
Ratio of transactions paid	17.72	16.83
Ratio of transactions outstanding	85.95	43.14
	Amount (Thousands of euro)	Amount (Thousands of euro)
Total payments made	243,569	200,727
Total payments outstanding	1,161	738

The breakdown of invoices paid within a period shorter than the maximum time laid down in regulations on late payment is as follows:

Payments made in <60 days (amount in thousands of euro) (*)	237,609	195,595
Monetary volume of invoices paid	97.55%	97.44%
Number of invoices paid in <60 days (*)	21,869	18,733
Percentage of the total number of invoices	98.11%	98.43%

(*) Monetary volume and number of invoices paid within a period shorter than the maximum time laid down in regulations on late payment.

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1.11. Macroeconomic, financial, geopolitical and regulatory environment

Macroeconomic environment

Global economic activity has lost momentum in 2022, in a context marked by the adverse effects caused, among other, by the conflict between Russia and in Ukraine, by current inflation levels, by the energy crisis in Europe and by the monetary policies currently being applied by central banks.

Notwithstanding this global context, characterised by an extraordinary degree of uncertainty and the concurrence of a number of adverse shocks, economic growth has been showing some degree of resilience supported, inter alia, by the gradual recovery of activity following the crisis generated by the COVID-19 pandemic, the fiscal policy measures implemented to address the energy crisis and the spike in prices, and to the dynamic performance of labour markets. In 2022 as a whole, the Eurozone economy grew by 3.5%.

Although inflation has remained at high levels, over the last months of the year it has shown incipient signs of moderation driven by the containment of prices of energy commodities, to the gradual easing of bottlenecks in global supply chains and to the slowing down of aggregated demand.

In Spain, after having piked at 10.8% in July, at the end of the year inflation rate was 5.7%. However, underlying inflation, which excludes the cost of non-processed food and energy products, has continued to rise, reaching 7% in December and showing that the transfer of increased energy prices to certain products has not yet been completed.

Notwithstanding the difficult international context, economic activity in Spain was driven by the positive performance from the summer's tourism campaign, employment creation momentum and the resilience of households' consumption. In 2022 as a whole, Spain's GDP grew by 5.5%.

In the labour market, the average number of employed persons increased by 617 thousand in 2022, exceeding by 2.5% pre-pandemic levels. At the end of the year, unemployment stood at 12.9%, a five tenths of a percentage reduction over the year, and stood 0.9 percentage points below the rate at the end of 2019.

Galician economy, with a 3.8% GDP growth in 2022 as a whole, finally recovered pre-pandemic activity rates, compared to the 0.9 percentage points gap for the whole of Spain. At the end of the year, unemployment rate stood at 10.6%, 2.3 percentage points lower than the national average.

With regards to ABANCA's direct exposure to the countries affected by the war between Russia and Ukraine, direct exposure is minimal and, consequently, the Group does not register any significant impacts arising from said exposure.

Financial and regulatory environment

In a context of inflationary pressures, central banks have confirmed their intention of not straying from the path of tightening of monetary policies. In the case of the European Central Bank, following an initial 50 basis points rise in July, interest rate rises have intensified, leaving the deposit facility rate at 2% in December, and at 3% in March 2023. Additionally, the Governing Council announced that, as from the beginning of March 2023, it will not reinvest all of the principal payments from maturing securities purchased under the Asset Purchase Programme (APP). Consequently, the APP portfolio will begin to decline, on average, by €15,000 million per month, at least, until the end of the second quarter of 2023. These measures seek to bring down inflation rates to a level compatible with the ECB's monetary policy target.

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In this context, public debt yields have increased since late July. In particular, at the end of the year, the yield from Spain's 10-year bond reached 3.5% (+300 basis points in the year) and the Bund's IRR increased to 2.4% (+262 b.p. in 2022). Thus, Spain's risk premium closed the year at around 109 basis points. In the interbank market, 12m-Euribor closed 2022 at 3.3% (compared to -0.5% at the end of December 2021).

In Spain, the industry's retail lending balance slightly decreased -0.2% in 2022, with a reduction of -0.1% in loans to individuals and of -0.4% in loans to companies. Conversely, during the year, new retail lending rebounded by +16.5%, with growth in all segments (+19.9% in loans to companies, +9.8% in home loans, and +6.3% in consumer loans), except for loans to self-employed workers (-9.2%).

During the year, individual customers' funds increased by 2.6% in Spain. This growth was driven by a significant increase in demand deposits from customers (+6.7%), which offset the decline in term deposits (-18.2%) and investment funds (-3.6%) in an adverse context for markets.

Financial support measures granted, through ICO guarantee lines, in the context of the conflict Russia-Ukraine

On 29 March 2022, the Spanish Government approved, through Royal Decree-Law 6/2022, the response plan to the invasion of Ukraine by Russia, which includes, among other measures, a €10,000 million ICO guarantee line intended to ensure access to liquidity by companies affected by the increased cost of energy and raw materials as a result of the conflict.

The guarantee line has, inter alia, the following features: any companies and self-employed workers, other than those from the finance and insurance industries, can benefit from the line; the deadline for applying for these guarantees is 1 December 2022, and banks must keep open their customer's working capital lines until 31 December 2022.

Subsequently, the Spanish Government approved on 10 May 2022 the first tranche of this guarantee line, €5,000 million, the guarantee line was subject to the European Commission authorisation, which was finally granted on 2 June 2022.

Prolongation of the conflict and the impacts thereof has led to a review for adaptation and extension of the initial approved European Temporary Framework. To this end, the Commission modified the European Temporary Framework on 20 July 2022 and 28 October 2022 to:

- (i) allow the extension of all measures set out in the Temporary Crisis Framework until 31 December 2023,
- (ii) increase the ceilings for limited amount of aids; and
- (iii) introduce additional flexibility for liquidity support.

In line with the European Commission's decision, the Spanish Government approved Royal Decree-Law 19/2022, of 22 November, extending until 31 December 2023 the Guarantee Line included in the response plan to the war between Russia and Ukraine intended to ensure liquidity for self-employed workers and companies. In addition to extending the guarantee line, the Spanish Government introduced certain amendments to the configuration of the initial tranche approved in May. The first tranche of the Line was divided into two compartments: one of €3,500 million for SMEs and self-employed workers, and another of €1,500 million for large companies, in order to ensure all companies' access to funding.

Additionally, the ceilings for limited amounts of aid per company were increased, on general basis, to €2,000,000 per company, to €250,000 for companies active in the agriculture sector and to

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€300,000 for companies active in the fisheries and aquaculture sectors; the predefined conditions remained unchanged.

Finally, on 27 December last, the Government approved an €450 million scheme of direct aids for those companies worst impacted by the increase in gas prices, such as companies active in the ceramic industry.

Impacts arising from the increase in interest rates and inflation

On 22 November 2022, the Spanish Government approved a package of measures to alleviate mortgage charges. This package operates in three ways. First, the package modifies the 2012 Code of Best Practice by reinforcing the alleviation for vulnerable households through a reduction of interest rate during the 5-year grace period (down to Euribor - 0.10% compared to the current Euribor +0.25%), introducing the possibility of second restructuring of the debt and extending to two years the period to request dation en paiement. Additionally, the scope of application of said Code of Best Practice is extended to ensure that any households not meeting the current requirement of 50% increase in mortgage charge can access a 2-year grace period with a more favourable interest rate during that period and the 7-year extension of their loans. Secondly, a new and temporary (2 years) Code of Best Practice is approved; this new Code will allow middle class households to alleviate the financial charge from mortgage loans taken until 31 December 2022, by freezing the amount of instalments and extending up to 7 years the repayment period of the loan. Thirdly, fees and expenses will be reduced to facilitate changing from fixed-interest to floating-interest, and early repayment fees and fees applied for changing from a fixed-interest mortgage to a floating-interest mortgage will be eliminated during 2023 as a whole. Adhesion to both Codes of Best Practice is voluntary for financial institutions, but compliance therewith is mandatory for all adhered institutions. In December 2022, ABANCA Corporación Bancaria, S.A. has adhered to the new Code of Best Practice.

Changes in financial support measures relating to the COVID-19 pandemic

With regards to the public and private financial support measures implemented to address the financial crisis created by the COVID-19 pandemic, the breakdown of transactions granted by ABANCA Corporación Bancaria, S.A. is as follows:

The breakdown of current and expired moratoria granted by the Bank as at 31 December 2022 and as at 31 December 2021 is as follows:

Moratoria (Thousands of euro)				
	No. of customers	Current	Expired	Total
31 December 2022	13,320	-	1,034,177	1,034,177
31/12/2021	13,320	52,962	1,210,970	1,263,932

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The breakdown of information on loans and advances subject to legislative and non-legislative moratoria as at 31 December 2022 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			Inflows to non-performing exposures		
	Amount	Amount	Of which: exposures with forbearance measures (restructuring or refinancing)	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	Amount	Amount	Of which: exposures with forbearance measures (restructuring or refinancing)	Of which: Instruments with significant increase in credit risk since initial recognition, but not credit-impaired (Stage 2)	Amount	Amount	Of which: exposures with forbearance measures (restructuring or refinancing)	Of which: Instruments with significant increase in credit risk since initial recognition, but not credit-impaired (Stage 2)	Amount	Amount		Of which: exposures with forbearance measures (restructuring or refinancing)	Of which: Instruments with significant increase in credit risk since initial recognition, but not credit-impaired (Stage 2)
Loans and advances subject to moratorium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
of which:																	
Households	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
of which: Collateralised by residential immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
of which: Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
of which: Small- and Medium-sized enterprises	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
of which: Collateralised by commercial immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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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			Inflows to non-performing exposures
	Amount	Amount	Of which: exposures with forbearance measures (restructuring or refinancing)	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: Unlikely to pay that are not past-due or past-due <= 90 days	Amount	Amount	Of which: exposures with forbearance measures (restructuring or refinancing)	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	
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

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The breakdown of loans and advances subject to both legislative and non-legislative moratoria by residual maturity of moratoria as at 31 December 2022 and 2021 is as follows:

As at 31 December 2022:

	Gross carrying amount (thousands of euro)								
	Number of obligors (units)	Amount	Of which: legislative moratoria	Of which: expired	Residual maturity of the moratoria				
					<= 3 months	>3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
<i>Loans and advances for which moratorium was offered</i>	15,204	1,263,499	-	-	-	-	-	-	-
<i>Loans and advances subject to moratorium (granted)</i>	13,320	1,034,177	730,109	1,034,177	-	-	-	-	-
<i>of which: Households</i>	-	758,847	476,674	758,847	-	-	-	-	-
<i>of which: Collateralised by residential immovable property</i>	-	694,271	442,566	694,271	-	-	-	-	-
<i>of which: Non-financial corporations</i>	-	275,330	253,435	275,330	-	-	-	-	-
<i>of which: Small- and Medium-sized enterprises</i>	-	149,741	140,728	149,741	-	-	-	-	-
<i>of which: Collateralised by commercial immovable property</i>	-	128,088	121,585	128,088	-	-	-	-	-

As at 31 December 2021:

	Gross carrying amount (thousands of euro)								
	Number of obligors (units)	Amount	Of which: legislative moratoria	Of which: expired	Residual maturity of the moratoria				
					<= 3 months	>3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
<i>Loans and advances for which moratorium was offered</i>	15,204	1,275,191	-	-	-	-	-	-	-
<i>Loans and advances subject to moratorium (granted)</i>	13,320	1,263,932	889,354	1,210,970	44,844	2,913	950	1,196	3,059
<i>of which: Households</i>	-	886,867	554,404	884,594	2,182	91	-	-	-
<i>of which: Collateralised by residential immovable property</i>	-	800,172	509,516	798,433	1,648	91	-	-	-
<i>of which: Non-financial corporations</i>	-	377,065	334,950	326,376	42,662	2,822	950	1,196	3,059
<i>of which: Small- and Medium-sized enterprises</i>	-	224,262	199,435	206,628	11,052	2,327	-	1,196	3,059
<i>of which: Collateralised by commercial immovable property</i>	-	185,879	162,044	182,102	2,941	-	-	836	-

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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 2022 and 2021 is as follows:

As at 31 December 2022:

	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	2,483,526	109,662	1,847,301	82,085
of which: Households	161,463	-	-	6,373
<i>of which: Collateralised by residential immovable property</i>	-	-	-	-
of which: Non-financial corporations	2,322,063	107,654	1,719,632	75,712
<i>of which: Small- and Medium-sized enterprises</i>	1,314,598	-	-	61,487
<i>of which: Collateralised by commercial immovable property</i>	713	-	-	-

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	2,738,366	101,401	2,044,610	33,192
of which: Households	171,048	-	-	784
<i>of which: Collateralised by residential immovable property</i>	-	-	-	-
of which: Non-financial corporations	2,567,318	100,352	1,909,055	32,409
<i>of which: Small- and Medium-sized enterprises</i>	1,518,612	-	-	25,925
<i>of which: Collateralised by commercial immovable property</i>	10,685	-	-	1,806

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2. Accounting policies and measurement criteria applied

The Group has prepared the accompanying consolidated financial statements for 2022 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 and 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 and 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 and loss generated by subsidiaries acquired during the reporting period is consolidated taking into account only those profits and losses generated between the acquisition date and the end of the reporting period. Similarly, profit and loss generated by subsidiaries disposed of during the reporting period is consolidated taking into account only the profit and 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 and loss".

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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 and 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 perimeter

Note 13 to these consolidated accounts provides information on the most significant acquisitions and disposals that took place in 2022 and 2021.

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

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Changes in the consolidated Group-

Financial year 2022

Dated 3 August 2022, the Group, acting through the companies Abanca Corporación Bancaria, S.A. and Abanca Corporación Industrial y Empresarial, S.L.U., purchased the remaining 61.65% (67.26% including treasury stock) of the capital of Imantia Capital, S.G.I.I.C., S.A., a company of which the Group already had a 30.01% (32.74% including treasury stock) interest prior to the business combination. Following this transaction, the Group controls 100% of that company (see Notes 13 and 5). Imantia Capital, S.G.I.I.C., S.A. has its registered address in Madrid and its primary activity is the management of investments in Collective Investment Institutions managed by the company.

Additionally, during the last quarter of 2022, the following transactions were completed: sale of the 33% interest in the company Figrupe Marinas, S.L., and sale of the 25.06% interest in Olazabal y Huarte, S.A.

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 perimeter: 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 Allariz, S.A., increasing the Group's ownership percentage from 99.13% to 100% of share capital.

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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 and 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 and 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 and 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 and loss or reserves, based on the nature of each item.

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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 contracts, 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 recorder in 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 and loss.

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

- The Group's business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial assets, also known as the "solely payments of principal and interests criterion" (hereinafter, "SPPI").

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

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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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 and 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 and 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 and loss" and "Financial assets and liabilities designated at fair value through profit and 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 and 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 and loss will be recognised under the item "Financial assets designated at fair value through profit and 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 and 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 and losses on the hedged instrument.

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

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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 and 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 and 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 and 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 recorded in equity will be reclassified to profit and 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 and 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 and 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 and 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 and loss"

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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 and 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 and 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 and 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 recorded in 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 2022 and 2021 is as follows:

Market value based on	Percentage			
	2022		2021	
	Assets	Liabilities	Assets	Liabilities
Quoted price in active markets	59.99%	-	95.23%	-
Internal measurement models based on observable market data	37.83%	99.81%	3.56%	99.43%
Internal measurement models not based on observable market data	2.18%	0.19%	1.21%	0.57%

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As at the end of 2022 and 2021, the breakdown of financial instruments by valuation technique, is as follows:

	Thousands of euro							
	2022				2021			
	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)	-	469,086	1,833	470,919	-	136,953	2,417	139,370
Non-trading financial assets mandatorily at fair value through profit and loss (assets)	184,070	-	75,459	259,529	78,148	-	67,682	145,830
Financial assets designated at fair value through profit and loss (assets)	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income (assets)	1,940,905	-	-	1,940,905	5,436,457	-	-	5,436,457
Derivatives - hedge accounting (assets)	-	870,890	-	870,890	-	69,024	-	69,024
Financial liabilities held for trading (liabilities)	-	459,665	1,838	461,503	-	138,779	2,523	141,302
Derivatives - hedge accounting (liabilities)	-	523,249	-	523,249	-	298,581	-	298,581

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.

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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 and loss until the gains or losses on the hedged item are recognised in profit and 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.

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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 recorded in 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 recorded in 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.

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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 2022 and 2021, 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 2022 -

	Equivalent value in Thousands of euro	
	Assets	Liabilities
Balances in US dollars:		
Cash, cash balances with central banks and other demand deposits	41,215	-
Financial assets held for trading	40,083	-
Non-trading financial assets mandatorily at fair value through profit and loss	-	-
Financial assets at fair value through other comprehensive income	-	-
Financial assets at amortised cost	2,051,623	-
Other assets	49,140	-
Financial liabilities held for trading	-	39,847
Financial liabilities at amortised cost	-	1,412,770
Provisions	-	572
Other liabilities	-	7,868
	2,182,061	1,461,057
Balances in other currencies:		
Cash, cash balances with central banks and other demand deposits	113,640	-
Financial assets held for trading	-	-
Non-trading financial assets mandatorily at fair value through profit and loss	11,969	-
Financial assets at fair value through other comprehensive income	13,511	-
Financial assets at amortised cost	508,312	-
Non-current assets and disposal groups classified as held for sale	3,351	-
Other assets	26	-
Financial liabilities held for trading	-	-
Financial liabilities at amortised cost	-	205,143
Provisions	-	17
Other liabilities	-	346
	650,809	205,506
Total foreign currency balances	2,832,870	1,666,563

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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 and 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 and 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

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.

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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 and 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 and 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 and 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 and 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 and 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 and loss when the single act is carried out.

2.6.3. Non-finance income and expenses

These are recognised on an accruals basis.

2.6.4. Deferred receipts and payments

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

2.7. Offsetting of balances

Receivables and payables may only be used to offset each other -and are therefore presented in the consolidated balance sheet at the net amount- if they derive from transactions in which 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 and 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

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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 and 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.

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.

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- 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:

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- 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 Circular 4/2017, as amended, 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 Bank'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.

Circular 4/2017, as amended, 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 is an estimate of the probability of default in each period. The entity has tools to predict the probability of default of each borrower; those tools cover most of the lending portfolio.

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

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The entity has implemented a behavioural model to assess customers that are natural persons; this model consists of a score based on variables referred to the internal behaviour of the customer in the Entity. The score was built using a logistic regression technique, and is annually calibrated to the internal behaviour of customers in the Entity. This tool is used to assess customers with a minimum relation (liability or liability and asset) and seniority (>3 months). The assessment is performed at customer level and considering all the customer's positions. The predictive capacity is very high for the main segments of customers. Its high predictive capacity has led to the tool being widely used in management (customers are rated since 2008; ratings are used since 2013 in the admission circuits for consumer funding transactions; the score is included among the variables used as inputs in internal monitoring policies; and the tool is used for prioritising debt collection strategies).

There are two scoring tables, in both of which the information on the returns from the products held by customers is used to assign a score. The higher the score, the better the credit quality. These are models for monitoring, although they are also used in admission.

On the other hand, rating models assign a score to the entire range of companies of the Entity in the segments of Micro-enterprises, Small Enterprises, Medium-sized Enterprises and Large Enterprises, assigning a score to both Customers and Non Customers. Rating models are scorecards built using a logistic regression technique, and determine the counterparty's credit quality on the basis of risk discrimination variables. The models include different profile variables that allow rating a customer on the basis of a number of aspects to consider in an Enterprise, in particular: Economic-Financial, Saving capacity, Relationship, Internal adverse information, External adverse information. For risk discrimination by Enterprise size, three different models have been built for the following segments: Micro-enterprises, Small Enterprises, Medium-sized Enterprises and Large Enterprises. The different models allow the consideration of different groups of variables and weights based on the Enterprise size.

Those models have a good predictive capacity for the entire horizon (more than 65% in all three segments) and for the relevant sub-horizon in the portfolio of enterprises (i.e., customers, non-customers, liabilities held, year in the time window, etc.); consequently, those models are appropriate for use in the different processes of the Entity.

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. EAD encompasses CCF and Prepayments parameters.

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.

The Bank 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 2022, estimates of macroeconomic variables applied have been revised compared to those applied as at 31 December 2021 as a result of macroeconomic impacts arising from the continued war in Ukraine, the inflation and interest rates rises (see Note 1.11).

In order to measure an unbiased ECL reflecting a range of possible outcomes, the Entity has implemented methodologies that allow sensitising risk parameters (PD and LGD) to the following macroeconomic scenarios:

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- **Baseline scenario:** this is an average scenario reflecting the expected outcome from macroeconomic factors over the coming years. This scenario is characterised as consistent with the Entity's business development and internal management (i.e., budgets, capital planning, transaction pricing, etc.).
- **Adverse scenario:** this is an extreme scenario reflecting negative projections of macroeconomic factors over the coming years. This scenario is used as a "possible" scenario in ECL estimations; however, since it is an unrepresentative scenario, the probability of its occurrence is low compared with that of the baseline scenario.
- **Best-case scenario:** this is an extreme scenario reflecting positive projections of macroeconomic factors over the coming years. This scenario is used as a "possible" scenario in ECL estimations; however, since it is an unrepresentative scenario, the probability of its occurrence is low compared with that of the baseline scenario.

Using these three scenarios, ECL is measured as the weighted average of credit losses measured in each considered scenario. The probability of occurrence of each scenario is used as weighting factor:

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

Where,

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

The scenarios developed for the main projected variables are as follows:

Scenarios:	Average of the first 2 years in the projection		
	GDP	Unemployment	House price
Baseline	2.69	13.13	2.37
Adverse	2.31	14.64	(0.10)
Best-case	3.45	12.30	3.74

The entity applies a number of additional adjustments to the outcomes of the credit risk models (named post model adjustments (PMAs) or overlays) to include any situations where the outcomes of the models are not sufficiently sensitive to the uncertainty in the macroeconomic environment. These adjustments are temporary and are applied until the reasons justifying their application cease to exist. Application of these adjustments is subject to the entity's governance principles. In particular, as at December 2022 additional allowances for expected losses have been recognised to reflect different aspects, including the macroeconomic environment of rising interest rates and inflation; those allowances amount to €42.6 million. As at 31 December 2021, additional adjustment to expected losses recognised by the Bank amounted to €73.2 million and were intended to reflect specific features of borrowers, sectors or portfolios that might not have been identified in the general process for the measurement of expected losses.

For estimating ECL in transactions subject to collective allowance, the expected loss has been measured for each contract on the basis of the Stage in which the transaction is classified.

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Those ECLs are derived from collective parameters estimated using the entity's historical information based on statistical models (the automatic outputs from those models are uniformly applied to all transactions assessed on a collective basis). In the estimation and allocation of these parameters, portfolio segmentation or homogeneous groups are applied, as well as the sub-segments used for risk discrimination of the parameters.

Three ECL types are distinguished on the basis of the Stage classification.

For transactions in Stage 1: 12-months expected credit loss is measured for the contract. This measurement is made using the following formula:

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

Where,

- $PD_{t=0}^{Marg}$: is the marginal default probability within a year (corresponding to PD Point in time within a year)
- LGD : is the percentage of loss in a contract if defaulted.
- EAD : is the exposure the contract would have if defaulted.

For transactions in Stage 2: Lifetime expected credit loss is measured using the following formula:

$$ECL = \sum_t PD_t^{Marg} \cdot LGD_t \cdot EAD_t \cdot factor\ descuento_t$$

Where,

- PD_t^{Marg} : is the marginal default probability that applies during the entire life of the transaction.
- LGD_t : is the percentage of loss in a contract if defaulted.
- EAD_t is the exposure the Entity may loss at a point in time "t" in the transaction (considering prepayments for non-line products and Credit Conversion Factors for Line products). The contract's marginal cash flows are measured using the contract's repayment schedule.
- $factor\ descuento_t$: is the discount factor applied to convert ECL to present value (reporting date). To this end, the Effective Interest Rate as at the date of execution of the contract is used:

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

Where t_0 is the reporting date.

In this measurement, the contract's future cash flows are considered. Where the contract's residual maturity falls within one year, ECL will be measured in a similar manner as for transactions in Stage 1, this approach ensures that Stage 2 ECLs are more conservative than Stage 1 ECLs.

For transactions in Stage 3: The contract's expected loss is measured on the basis of the time the contract is in default. This measurement is made using the following formula:

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

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Where,

- LGD_{BE} : is the best estimate LGD associated with the contract on the basis of the time the contract is in default.
- EAD : is the balance presented in the statement of financial position as at the reporting date (defaulted balance).

Considering the foregoing points, the procedure designed has been conceived to ensure that Stage 1 ECL is lower than Stage 2 ECL, and that Stage 2 ECL is, in turn, lower than Stage 3 ECL.

Use of current and past information and future forecasts

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 2022, estimates of macroeconomic variables applied have been revised compared to those applied as at 31 December 2021 as a result of macroeconomic impacts arising from the continued war in Ukraine, the inflation and interest rates rises (see Note 1.11).

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 and 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 and 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.

As at 31 December 2022, the Group has recognised right-of-use assets amounting to €44,426 thousand (See Note 14) and lease liabilities amounting to €46,575 thousand (See Note 22) (€51,276 and €52,603 thousand, respectively, in 2021).

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:

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- 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

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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".

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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

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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 2022, the Group has no amount recognised in this respect (no amount was recognised in this respect in 2021) (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 2022 totalled €61,222 thousand (€98,711 thousand as at 31 December 2021), 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 9 December 2021 and 27 December 2021, the Bank concluded a Labour Agreement with a majority of union representatives as a result of the merger through the absorption of Bankoa, S.A., and of the purchase of a portion of the business of Novo Banco, S.A. Branch in Spain by ABANCA Corporación Bancaria, S.A.

These labour agreements include 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), early retirement for employees over 55 years of age, under the formula of voluntary redundancy, and termination through collective redundancy, offers for a maximum 370 employees in aggregate for all measures. Lastly, as at 31 December 2022, 232 employees accepted the voluntary redundancy offer with compensation and 102 opted for relocation and collective dismissal measures.

As at 31 December 2022, all the commitments arising from the above-mentioned Labour Agreement in connection with the settlements yet to be made to the personnel included in the above-mentioned measures have been covered by the Group with 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 and loss carrying the right to them, are not applied for tax purposes in the corresponding tax return until the conditions 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 2022 and 2021 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).

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To this end, as at 31 December 2022 and 2021, 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 2022 and 2021.

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 Law 27/2014, of 27 November, on Corporate Income Tax (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.

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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.

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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.

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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.

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"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.

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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.

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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.

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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 2022 and 2021, 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.

In accordance with the Decision of 17 December 2020 issued by the Directorate General of Insurance and Pension Funds (hereinafter, "DGSFP"), in 2021 the Company adapted its mortality and survival tables to the new tables published by the DGSFP in said Decision, applicable both for pricing new insurance policies from 1 April 2021 and for calculation of mathematical provisions with survival risk for the portfolio of savings as at 31/12/2020, in compliance with provisions of article 34 of Private Insurance Organisation and Supervision Regulations, which remains in force pursuant to the provisions of the Fifth Additional Provision of the Insurers and Reinsurers Organisation, Supervision and Solvency Regulation, as approved by Royal Decree 1060/2015, of 20 November.

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The application of the new survival tables (PERMF2020) to the portfolio of savings (mainly annuities) existing as at 31/12/2020 had an impact of €3,801 thousand (+1.33%) on the mathematical provision for that portfolio. In accordance with the provisions of Clause Four of the above-mentioned Decision, the Company agreed to fund a provision for said impact increasing its amount annually by 25% until 2024. Consequently, the additional provision registered as a result of the application of the new tables amounts to €1,911 thousand (€950 thousand in 2021).

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 2022 and 2021 reporting dates the Company recognised a provision of €5,223 thousand.

As regards portfolios of insurance policies arranged prior to the entry into force of the Regulations, without cash flow matching, at the 2022 and 2021 reporting dates the Company has recognised a provision of €41 thousand.

With respect to the application of the official interest rate published by the DGSFP each year for portfolios of insurance policies that, subsequent to the entry into force of the Regulations, 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, and are subject to cash flow matching, at the 2022 and 2021 reporting dates the Company recognised an additional provision of €320 thousand.

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.

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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 and 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 2022. This information is disclosed in two statements: the consolidated statement of comprehensive 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 comprehensive 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 and 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 and loss from continuing operations in respect of the items listed in points b) and c) above.
- e. Total comprehensive income and expenses, calculated as the sum of the preceding points.

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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 and 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 comprehensive 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

The proposed distribution of the Bank's profit for 2022 to be submitted by the Board of Directors for approval in the Annual General Meeting of shareholders, and the distribution of profit for 2021 approved in the Annual General Meeting of shareholders held on 27 June 2022, are as follows:

	Thousands of euro	
	2022	2021
Voluntary reserves	180,027	233,409
Dividends	86,005	71,567
	266,032	304,976

In 2022 and up to the date of authorisation for issue of these consolidated financial statements, the Board of Directors has approved interim dividends amounting to €86,005 thousand, without exceeding the distributable amount of profits, after deducing the estimated Corporate Income Tax to be paid on said profit, in accordance with the provisions of article 277 of the Recast Text of the Companies Law. The breakdown of interim dividends for the year 2022 is as follows:

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In accordance with the minutes of the meeting of the Board of Directors of the Bank held on 27 January 2023, an interim dividend for 2022 amounting to €30,487 thousand was distributed to the shareholders and paid on 2 February 2023.

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 01/01/2022 and 31/12/2022	266,032
Interim dividends for 2022 already paid	55,518
Interim dividend proposed on 27 January 2023	30,487

In accordance with the minutes of the meeting of the Board of Directors of the Bank held on 2 November 2022, an interim dividend for 2022 amounting to €13,800 thousand was distributed to the shareholders and paid on 8 November 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 01/01/2022 and 30/09/2022	113,870
Interim dividends for 2022 already paid	41,718
Interim dividend proposed on 02 November 2022	13,800

In accordance with the minutes of the meeting of the Board of Directors of the Bank held on 29 July 2022, an interim dividend for 2022 amounting to €9,240 thousand was distributed to the shareholders and paid on 4 August 2022.

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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 01/01/2022 and 30/06/2022	81,559
Interim dividends for 2022 already paid	32,478
Interim dividend proposed on 29 July 2022	9,240

In accordance with the minutes of the meeting of the Board of Directors of the Bank held on 27 April 2022, an interim dividend for 2022 amounting to €32,478 thousand was distributed to the shareholders and paid on 3 May 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 01/01/2022 and 31/03/2022	66,231
Interim dividends for 2022 already paid	-
Interim dividend proposed on 27 April 2022	32,478

The breakdown of interim dividends for the year 2021 approved by the Board of Directors of the Bank is as follows:

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.

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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 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.

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 2022 and 2021:

	Thousands of euro	
	2022	2021
Mr. Juan Carlos Escotet Rodríguez	265	275
Ms. Ana da Cunha Barros	191	194
Ms. Carina Szpilka Lázaro	222	229
Ms. Leticia Iglesias Herraiz	246	245
Mr. Eduardo Eraña Guerra	215	224
Mr. José García Montalvo	273	275
Mr. José Ramón Rodrigo Zarza	277	296
Mr. Pedro Raúl López Jácome	300	300
Mr. Manuel López Figueroa	197	200
Ms. Rosa María Sánchez-Yebra Alonso (*)	191	30
Mr. José Manuel González Páramo Martínez Murillo (**)	65	-
	2,442	2,268

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

(**) Appointed director of ABANCA Corporación Bancaria, S.A. on 26 September 2022.

The remuneration paid to Mr. Francisco Botas Ratera, ABANCA's Chief Executive Officer, for the performance of his executive functions in 2022, in accordance with the contract signed entered into by him and the Bank, amounted to €2,800 thousand (€2,622 thousand in 2021), of which €1,400 thousand relate to the variable remuneration for 2022 (€1,272 thousand in 2021 relating to the variable remuneration for 2020), including both the portion effectively settled in 2022 (i.e. 40% thereof, amounting to €560 thousand) and the portion deferred to subsequent years (60% thereof, amounting to €840 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 2022 and 2021, no remuneration in kind was paid by the Bank.

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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 was established as a component of variable remuneration, exceptional and additional to the above-mentioned variable remuneration. Following the General Meeting held on 25 June 2018, a maximum amount of €1,170 thousand was established in favour of ABANCA's CEO with regard to such LTI. Said amount was fully settled in shares on 31 January 2022.

Upon approval of the relevant resolutions by the General Meeting of Shareholders and by the Board of Directors, a "Long-Term Incentive 2021-2024" (LTI) has been established. Following the General Meeting held on 28 June 2021, a maximum amount of €1,260 thousand was established in favour of ABANCA's CEO with regard to such LTI; this amount will be entirely settled in Bank shares from 2025 onwards (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 €69 thousand (€65 thousand in 2021). In 2022, life and disability insurance premiums amounted to €97 thousand, compared to €61 thousand in 2021 (an initial amount of €33 thousand subsequently adjusted with an additional amount of €28 thousand).

As at 31 December 2022, the aggregate amount of his vested rights and mathematical provisions totalled €469 thousand (€383 thousand as at 31 December 2021), 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, 14 individuals were considered Senior Management personnel in 2022 (13 individuals in 2021). 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 €5,569 thousand in 2022 (€5,226 thousand in 2021). These amounts include total remuneration (fixed, monetary and in-kind) and variable remuneration, the latter comprising the amounts effectively paid during 2022 (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. In 2022, the average remuneration paid to the Group's Senior Management has amounted to €398 thousand (€402 thousand in 2021).

Following the General Meeting held on 25 June 2018, an additional maximum amount of €2,954 thousand was established for the "Long-Term Incentive 2017-2023" (LTI) linked to the fulfilment of the 2018-2020 Strategic Plan. Said amount was fully settled in shares on 31 January 2022.

Upon approval of the relevant resolutions by the General Meeting of Shareholders and by the Board of Directors, a "Long-Term Incentive 2021-2024" (LTI) has been established. Following the General Meeting held on 28 June 2021, a maximum amount of €3,131 thousand was established in favour of ABANCA's CEO with regard to such LTI; this amount will be entirely settled in Bank shares from 2025 onwards (the final amount will depend on the share price on the date of the LTI settlement).

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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 €1,822 thousand in 2022 (€1,803 thousand in 2021).

In 2022, contributions were made for savings or retirement schemes, either to pension plans or to supplementary insurance taken out for Senior Management personnel, amounting to €60.8 thousand (€57.1 thousand in 2021). Additionally, in 2022 contributions were made for risk contingencies (death and disability) amounting to €36.2 thousand (€57.8 thousand in 2021).

The life insurance premiums paid for Senior Management personnel (other than pension commitments) totalled €28.2 thousand in 2022 (€35.1 thousand in 2021), with an insured sum of €300 thousand per person (€300 thousand in 2021).

4.4. Senior Management indemnity clauses

In 2022, severance was paid upon termination of the employment relation of an executive officer (€495 thousand). During 2021, no severance payments or termination of the employment relationship benefits were paid to Senior Management personnel.

As at 31 December 2022, the indemnity clauses agreed with Senior Management personnel are those generally established under labour and other applicable regulations.

5. Business combinations

a) Acquisition of Imantia Capital, S.G.I.I.C., S.A.

The following business combinations have been completed in 2022:

Dated 3 August 2022, the Group, acting through the companies Abanca Corporación Bancaria, S.A. and Abanca Corporación Industrial y Empresarial, S.L., purchased the remaining 61.65% (67.26% including treasury stock) of the capital of Imantia Capital, S.G.I.I.C., S.A., a company of which the Group already had a 30.01% (32.74% including treasury stock) interest prior to the business combination. Following this transaction, the Group controls 100% of that company.

Imantia Capital, S.G.I.I.C., S.A. has its registered address in Madrid and its primary activity is the management of investments in Collective Investment Institutions managed by the company.

At the date of acquisition of the business combination, the Group considered that the carrying amount of the investee reflects the fair value thereof, with the fair value of net assets amounting to €18,789 thousand.

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The breakdown of the consideration given, the fair value of net acquired assets and goodwill is as follows:

	Thousands of euro
Consideration given	17,900
Fair value of net assets acquired in 67.26% of Imantia Capital, S.G.I.I.C., S.A.	12,639
Goodwill arising from the acquisition	5,261
Impairment of Goodwill prior investment	(642)
Total Net Goodwill (Note 15)	4,619

The fair value measurement of the prior investment in the acquired business has not given rise to the recognition of any consolidated gains or losses arising from the business combination achieved in stages.

In addition to the purchase price, the transaction includes a maximum contingent payment of €3.9 million linked to the level of fulfilment of objectives associated with the business and to the operational quality of Imantia's processes.

The following business combinations were completed in 2021:

b) 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 comprised 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.

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Dated 23 April 2021, the Board of Directors of Bankoia 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 Bankoia (the absorbed entity) by ABANCA Corporación Bancaria, S.A. (the absorbing entity); Bankoia 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 Bankoia 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 Bankoia'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	125,615	-	125,615
Financial assets held for trading	890	-	890
Non-trading financial assets mandatorily at fair value through profit and 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

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LIABILITIES	Thousands of euro		
	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 Bankoia	188,178
Negative goodwill recognised in profit and loss	(65,724)

Consequently, ABANCA has fully recognised €65,724 thousand as income under the item "Negative goodwill recognised in profit and 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.

c) 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.

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With this transaction, ABANCA Group sought 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 had 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 4 October 2021, respectively, the acquisition was formalised; for accounting purposes, the acquisition date was determined to be 30 November 2021. The transaction has been completed with the completion of the technological incorporation process as of 22 October 2022.

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 and 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").

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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 and loss	(140,167)

Consequently, ABANCA fully recognised €140,168 thousand as income under the item "Negative goodwill recognised in profit and 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.

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 2022 and 2021 is as follows:

	Thousands of euro	
	2022	2021
Cash	183,082	180,734
Cash balances with Central Banks	8,188,623	12,093,324
Other demand deposits	209,902	187,341
	8,581,607	12,461,399

Note 47 includes a breakdown of the maturity periods of these assets as at the 2022 and 2021 reporting dates, as well as the average annual interest rates.

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7. Loans and advances to credit institutions

a) Breakdown-

The breakdown of this item in consolidated balance sheet as at 31 December 2022 and 2021, by currency and type of transaction, is as follows:

	Thousands of euro	
	2022	2021
Currency:		
Euro	808,471	857,612
Foreign currency	177,305	128,883
	985,776	986,495
Nature:		
Term accounts	490,297	485,657
Reverse repurchase agreements	495,479	500,838
Other accounts	-	-
	985,776	986,495
Valuation adjustments:		
Impairment losses on assets	-	-
Accrued interest	153	126
Micro-hedges	-	-
	985,929	986,621

Note 47 includes a breakdown of the maturity periods of these assets as at the 2022 and 2021 reporting dates, as well as the average annual interest rates.

b) Valuation adjustments – Impairment losses

As at 31 December 2022 and 2021, there were no balances relating to impairment losses on assets.

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8. Debt securities

a) Breakdown-

The breakdown of this heading in the consolidated balance sheet as at 31 December 2022 and 2021, by classification, currency and type of transaction, is as follows:

	Thousands of euro	
	2022	2021
Classification:		
Financial assets at fair value through other comprehensive income	2,099,061	5,444,905
Non-trading financial assets mandatorily at fair value through profit and loss	96,863	1,037
Financial assets designated at fair value through profit and loss	-	-
Financial assets held for trading	-	-
Financial assets at amortised cost	11,261,898	8,183,459
	13,457,822	13,629,401
Currency:		
Euro	13,400,957	13,608,513
Foreign currency	56,865	20,888
	13,457,822	13,629,401
Geographical area:		
Spain	6,751,607	7,329,087
European Union (excluding Spain)	6,456,351	6,077,457
The United States of America and Puerto Rico	166,909	128,867
Rest of the world	82,955	93,990
	13,457,822	13,629,401
Nature:		
Domestic public debt		
Treasury bills, Government mid- and long-term bonds	3,321,250	3,602,166
Other book-entry debt	62,249	69,476
Foreign public debt		
Republic of Italy	5,232,347	5,209,440
Republic of Portugal	195,888	190,014
Other public debt	284,612	5,710
Issued by financial institutions	746,706	737,667
Other fixed income securities	3,614,770	3,814,928
	13,457,822	13,629,401
Valuation adjustments:		
Impairment losses on assets	-	-
Micro-hedges	(563,505)	(69,358)
	12,894,317	13,560,043

At the 2022 reporting date ABANCA had pledged debt securities for a nominal amount of €6,111,550 thousand (€5,846,601 thousand at the 2021 reporting date), and a market value of €5,722,097 thousand (€5,656,603 thousand at the 2021 reporting date), in order to gain access to financing from the European Central Bank (see Note 18).

In addition, as at 31 December 2022, the Bank had assigned securities amounting to €5,584,023 thousand to credit institutions and customers (€7,880,500 thousand as at 31 December 2021) (see Notes 18 and 19).

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Note 47 includes a breakdown of the maturity periods of these assets as at the 2022 and 2021 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. As at 31 December 2022, the fair value thereof amounted to €2,793,000 thousand (€3,105,400 thousand as at 31 December 2021).

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 2022, the bonds issued by Sareb have the following characteristics:

As at 31 December 2022-

ISIN	Issue	Maturity (*)	Thousands of euro		Interest rate
			Nominal	Fair value	
ES0352506382	SAREB senior bonds	31/12/2023	1,404,700	1,404,700	3-month Euribor - 42 b.p.
ES0352506390	SAREB senior bonds	31/12/2024	1,388,300	1,388,300	3-month Euribor - 38 b.p.
			2,793,000	2,793,000	

(*) 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 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.

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 2022 and 2021 amounted to €47,732 thousand and €108,249 thousand, respectively (see Note 37).

b) Valuation adjustments – Impairment losses-

As at 31 December 2022, the Group has recognised under the item "Equity - Accumulated other comprehensive income" €3,366 thousand as a collective hedge for the assets in this portfolio (€2,136 thousand as at 31 December 2021).

c) Other information-

As previously stated in Notes 1.1 and 2.21, in 2021 ABANCA approved the purchase of Bankoia, S.A. and the Novo Banco Group's network in Spain. These transactions contributed assets exceeding €4,000,000 thousand, and contribute to strengthen the Group's presence in Spain.

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As a direct consequence of these purchases and in order to strengthen the Group's solvency position and to increase control over the volatility of own funds, dated 29 March 2022 the Bank has approved the modification of the business of portfolio management model (for portfolios at fair value through other comprehensive income) corresponding to the following types of debt securities:

- Fixed interest securities (bond + hedge) with maturity over two years.

From that date, any investments of the Group in those kinds of securities may not be held under a business model whose objective is to hold in order to obtain contractual cash flows and sell financial assets.

Considering current market conditions, the entity believes that, as of the date of the change in the business models, immediate sale is not the best option to recover the investment in the relevant portfolio. Consequently, any such assets currently held in the portfolio will be managed under a business model whose objective is to hold financial assets in order to collect contractual cash flows.

Following the change in the business models, the Bank considers that this change in the business model affects all the assets not meeting the conditions required to be held within portfolios at fair value through other comprehensive income and that, if not disposed of, these assets should be reclassified to the portfolio at amortised cost.

In accordance with the existing accounting regulations, the above-mentioned reclassification has taken place, for accounting purposes, in the second quarter of 2022, since reclassification was approved in the first quarter of the financial year.

In these financial statements, the reclassified portfolio, carried at €1,847,695 thousand in compliance with the provisions Banco de España Circular 4/2017, has been measured as if it always had been measured at amortised cost. To this end, the cumulative gain or loss previously recognised in other comprehensive income and, where appropriate, any deferred tax assets or tax liabilities recognised thereon have been removed from equity and adjusted against the fair value of the financial asset at the reclassification date. Consequently, there has been no impact on profit and loss.

As at the transfer date, the breakdown of financial instruments included in those portfolios is as follows:

	Thousands of euro		
	Nominal amount	Carrying amount (amortised cost)	Fair value
Fixed interest assets (bond + hedge) with maturity over two years.	1,635,052	1,847,695	1,764,357
	1,635,052	1,847,695	1,764,357

As at 31 December 2022, the fair value of financial assets in the transferred portfolio amounts to €1,576,103 thousand.

Fair value loss that would have been recognised in other comprehensive income for the year if those financial assets had not been reclassified would have amounted to €180,755 thousand net of tax.

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9 Equity instruments

a) Breakdown-

As at 31 December 2022 and 2021, 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	
	2022	2021
Classification:		
Non-trading financial assets mandatorily at fair value through profit and loss	162,666	144,793
Financial assets designated at fair value through profit and loss	-	-
Financial assets at fair value through other comprehensive income	21,084	15,793
	183,750	160,586
Currency:		
Euro	169,406	159,862
Foreign currency	14,344	724
	183,750	160,586
Listing:		
Listed	84,244	71,701
Unlisted	99,506	88,885
	183,750	160,586
Geographical area:		
Spain	127,318	126,554
European Union (excluding Spain)	38,177	28,778
The United States of America and Puerto Rico	13,221	4,291
Rest of the world	5,034	963
	183,750	160,586
Nature:		
Shares in Spanish companies	69,461	61,517
Shares in foreign companies	19,245	3,765
Investment funds shares/units	95,044	95,304
	183,750	160,586
Valuation adjustments:		
Impairment losses	-	-
	183,750	160,586

In 2022 and 2021, the Group received dividends totalling €6,682 thousand and €5,714 thousand, respectively, on these investments, which have been recognised under "Dividend income" in the accompanying consolidated statement of profit and loss (see Note 33).

As at 31 December 2022, losses arising from financial transactions in the portfolio of equity instruments recognised in the statement of profit and loss amounted to €22,091 thousand (gains amounting to €16,713 thousand as at 31 December 2021) (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.

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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 2022 and 2021, 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	
	2022	2021
Classification:		
Non-trading financial assets mandatorily at fair value through profit and loss	-	-
Financial assets at amortised cost	46,165,542	46,692,730
	46,165,542	46,692,730
Loan type and status:		
Commercial loans	2,180,731	1,890,855
Secured loans	20,263,575	20,692,792
Demand and other loans	1,182,336	972,978
Other term loans	21,595,947	22,140,334
Reverse repurchase agreements	-	-
Impaired assets	942,953	995,771
	46,165,542	46,692,730
Borrower's sector:		
Spanish public administrations	9,097,298	9,383,648
Other resident sectors	30,836,511	31,581,571
Non-resident	6,231,733	5,727,511
	46,165,542	46,692,730
Geographical area:		
Spain	39,933,809	40,965,219
European Union (excluding Spain)	4,413,985	4,160,350
The United States of America and Puerto Rico	659,423	410,277
Other OECD countries	737,513	683,392
Latin America	179,986	141,386
Rest of the world	240,826	332,106
	46,165,542	46,692,730
Type of interest rate:		
Fixed interest rate	17,509,672	16,253,400
Floating interest rate	28,655,870	30,439,330
	46,165,542	46,692,730
Currency:		
Euro	43,850,115	44,571,910
Foreign currency	2,315,427	2,120,820
	46,165,542	46,692,730
Valuation adjustments:		
Impairment losses	(783,468)	(849,170)
Accrued interest	84,374	49,768
Fees and commissions	(82,830)	(85,237)
Discount on acquisition	(32,731)	(23,151)
Micro-hedges	(313,517)	94,428
Transaction costs	130,090	103,017
	45,167,460	45,982,385

Note 47 includes a breakdown of the maturity periods of these assets as at the 2022 and 2021 reporting dates, as well as the average annual interest rates.

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At the 2022 reporting date, the Group had pledged loans and receivables for an amount of €7,065,558 thousand (€7,562,195 thousand at 2021 reporting date) as security for the credit system operations of the European Central Bank (see Note 18).

As at 31 December 2022 and 2021, there were no loans and advances to customers for significant amounts without fixed maturity dates.

As at 31 December 2022, the Group has recognised loans and advances to customers arising from extraordinary activities of loans and advances to customers amounting to €199,827 thousand (€139,247 thousand as at 31 December 2021), 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 2022 and 2021, is as follows:

	Thousands of euro	
	2022	2021
Minimum lease payments receivable	292,975	326,191
Non-guaranteed residual value	20,241	23,671
Gross lease investment (*)	313,216	349,862

() Includes impaired assets.*

As at 31 December 2022, the accumulated allowance for uncollectible minimum lease payments receivable totals €3,512 thousand (€5,986 thousand as at 31 December 2021).

c) Securitisations-

In 2022 and 2021, the Group has carried out no securitisation transactions.

As at 31 December 2022, the carrying amount of the assets transferred totalled €1,862,906 thousand (€2,059,927 thousand as at 31 December 2021). As at 31 December 2022, 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 €1,862,906 thousand (€2,059,927 thousand as at 31 December 2021).

Details of the Group's securitisation funds as at 31 December 2022 and 2021 are provided in Appendix II.

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d) Impairment losses-

Changes in the provisions for impairment losses on these assets during the periods ended 31 December 2022 and 2021 are as follows:

Financial year 2022

	Thousands of euro
Opening balance	849,170
Net charges to profit and loss for the period	65,695
Transfers	
To the Provision for Contingent Risks	(9,640)
Reversal of provisions on reclassification to write-off loans (Note 10.f)	(76,598)
Use of provisions for loan cancellation/waiver	(4,548)
Sale of loan portfolio (*)	(31,800)
Other	(8,811)
Closing balance	783,468
<i>By accounting classification:</i>	
<i>Performing exposures (Stage 1).</i>	<i>155,984</i>
<i>Performing exposures under special monitoring (Stage 2).</i>	<i>115,287</i>
<i>Non-performing exposures (Stage 3).</i>	<i>512,197</i>
<i>Based on the measurement approach:</i>	
<i>Individually measured</i>	<i>339,434</i>
<i>Collectively measured</i>	<i>444,034</i>

(*) The balance of this line item basically relates to derecognitions resulting from loan portfolios sold in 2022.

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Financial year 2021

	Thousands of euro
Opening balance	650,229
Net charges to profit and 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
<i>By accounting classification:</i>	
Performing exposures (Stage 1).	165,826
Performing exposures under special monitoring (Stage 2).	155,001
Non-performing exposures (Stage 3).	528,343
<i>Based on the measurement approach:</i>	
Individually measured	305,701
Collectively measured	543,469

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

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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 2022

	Thousands of euro				
	Up to 6 months	Between 6 and 9 Months	Between 9 and 12 Months	More than 12 Months	Total
Impaired assets	378,649	41,714	30,656	491,934	942,953
	378,649	41,714	30,656	491,934	942,953

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

As at 31 December 2022, "Impaired assets" presented in the table above include secured exposures amounting to €358,083 thousand (€387,101 thousand as at 31 December 2021). As at 31 December 2022, impaired assets under the "Up to 6 months" column include €348,817 thousand relating to non-performing exposures for reasons other than default (€355,147 thousand as at 31 December 2021).

As at 31 December 2022 and 2021, past-due amounts on assets not considered impaired totalled €78,947 thousand and €31,648 thousand, respectively. The breakdown by term of these assets is as follows:

Financial year 2022

	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	60,853	6,627	11,467	78,947
	60,853	6,627	11,467	78,947

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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

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

Movement in 2022 and 2021 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 2021	3,471,261
Additions	
Balances for which recovery during the period is considered remote (Note 10.d)	56,856
Net allowance charged to profit and 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
Additions	
Balances for which recovery during the period is considered remote (Note 10.d)	76,598
Net allowance charged to profit and loss	16,495
Other (*)	256,313
Recoveries	
Cash receipt without additional refinancing	(40,320)
Derecognition due to foreclosures	(2,188)
Derecognition due to statute of limitations	(11,129)
Derecognition due to debt remission	(46,998)
Derecognition due to sale of portfolio	(2,734)
Derecognition due to other reasons	(3,367)
Financial assets for which the probability of recovery is considered remote as at 31 December 2022	4,100,715

(*) 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.

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Write-offs recovered in 2022 amount to €40,320 thousand and have been recognised under the item "Impairment or reversal of impairment on financial assets not measured at fair value through profit and loss and net gains or losses from modification – Financial assets at amortised cost" in the consolidated statement of profit and loss for 2022 (€55,510 thousand in 2021).

In 2022, this item in the accompanying consolidated statement of profit and loss also includes direct allowances amounting to €16,495 thousand for loans that were considered as write-offs in 2022 (€14,685 thousand in 2021).

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

As at 31 December 2022, financing extended for real estate construction and property development in the resident sector amounts to €569 million (€595 million as at 31 December 2021), of which €18 million are impaired assets (€20 million as at 31 December 2021), for which impairment had been recognised. At the reporting date, total accumulated impairment amounts to €13 million (€14 million as at 31 December 2021).

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 2022 and 2021 is as follows:

Financial year 2022

	Millions of euro		
	Gross carrying amount	Excess over real guarantee value	Accumulated impairment
Financing of real estate construction and property development	569	182	(13)
<i>Of which: non-performing</i>	18	16	(13)
Memorandum Item:			
Written-off assets (*)	4,101		
Loans to customers, excluding Public Administrations and valuation adjustments (**)	37,068		
Total assets (**)	76,051		
Impairment and provisions for exposures classified as performing (***)	156		

(*) 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).

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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)
<i>Of which: non-performing</i>	<i>20</i>	<i>14</i>	<i>(13)</i>
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).

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	
	31.12.22	31.12.21
Without real estate collateral	158	181
With real estate collateral	411	414
<i>Buildings and other constructions completed</i>		
<i>Housing</i>	<i>160</i>	<i>164</i>
<i>Other</i>	<i>67</i>	<i>63</i>
<i>Buildings and other constructions in progress</i>		
<i>Housing</i>	<i>110</i>	<i>148</i>
<i>Other</i>	<i>9</i>	<i>9</i>
<i>Land</i>		
<i>Consolidated urban land</i>	<i>65</i>	<i>30</i>
<i>Other</i>	<i>-</i>	<i>-</i>
Total	569	595

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Loans to household for house purchase

Quantitative information on household loans for the purchase of housing as at 31 December 2022 and 2021 is as follows:

As at 31 December 2022

	Millions of euro	
	Gross carrying amount	Of which: non-performing
Loans to household for house purchase	12,215	130
Without real estate mortgage	408	7
With real estate mortgage	11,807	123

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 2022 and 2021, 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 2022-

	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	1,999	2,995	4,128	1,537	1,148
Of which: non-performing	14	21	33	21	34

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

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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 2022 and 2021.

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 have been 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. 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 have been 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.

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.

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For this reclassification from non-performing exposures to take place, all the general criteria for classifying transactions in any category other than non-performing exposures, 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, or, if later, from the date of reclassification to the category of non-performing exposure.
- c. That the borrower has paid the accrued principal and interest instalments, reducing the renegotiated principal, since the date of entry into the restructuring or refinancing transaction or, if later, the date of reclassification of the transaction as non-performing. Consequently, the transaction may not present past-due amounts. Additionally, the borrower is required to 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.

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 2022 the Group classified a gross amount of €48 million as performing (€61 million in 2021). Had the above-mentioned amendment not been applied, in 2022 the amount required for impairment losses would have increased by €2.3 million as a result of the application of the average hedging rate for performing exposures under special monitoring (€2.7 million in 2021). 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

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entity in the due time and form. This analysis of the recoverability in time and form of the exposure shall be based on objective evidence, such as:

- i) The existence of a payments plan attuned to the borrower's recurring cash flow.
 - ii) The addition of new effective guarantors or new effective collateral.
- b. That a minimum of two years has elapsed since the later of the date of entry into the restructuring or refinancing transaction or the date of reclassification from the category of non-performing exposures.
- c. That the borrower has paid the accrued instalments of principal and interest since the later of the date of entry into the restructuring or refinancing transaction or the date of reclassification from the category of non-performing. Additionally:
- i) the borrower must have settled, by means of regular payments, an amount equivalent to all the amounts, including principal and interest, past-due on the date of the restructuring or refinancing transaction, or which were derecognised as a result of it;
 - ii) or other objective criteria that demonstrate the borrower's ability to pay must have been verified, if this is more appropriate based on the characteristics of the transactions.
- Therefore, the existence of contract terms that extend the repayment period, such as grace periods for the principal, will mean that the transaction remains identified as a performing exposure under special monitoring until the aforementioned criteria have been met.
- d. That the borrower does not have any other transactions with amounts more than 30 days past-due at the end of the probation period.

Accordingly, if all the foregoing requirements are met, the transactions shall cease to be identified in the financial statements as refinancing, refinanced or restructured transactions.

During the probation period described, a new refinancing or restructuring of refinancing, refinanced or restructured transactions or the existence of amounts more than 30 days past-due shall entail the reclassification of these transactions on probation to the category of non-performing for reasons other than arrears, provided they were classified as non-performing before the commencement of the probation period. When the above-mentioned reclassification results from the existence of amounts more than thirty days past-due in the transaction, the one-year minimum period (required for reclassification from the category of non-performing exposures) will start to count as from the date of reclassification to the category of non-performing exposure.

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 2022 and 2021, 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

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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 Bank 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 Bank recognises the pertinent provision for the loss arising from reduction in the interest rate with respect to the original rate.

Lastly, with regard to the treatment of interest payable that has not been recognised as it pertains to transactions that were non-performing at the date of refinancing, the interest accrued before and after the refinancing remains unrecognised.

The decisions taken are regularly reviewed to determine compliance with the forbearance policies.

As at 31 December 2022, the outstanding balances of refinancing and restructuring operations amount to €980,364 thousand (€1,215,219 thousand as at 31 December 2021), of which €377,116 thousand relate to impaired assets (€411,213 as at 31 December 2021), for which impairment losses had been recognised.

As at 31 December 2022 and 2021, total allowances and provisions for impairment of those assets amount to €259,819 thousand and €295,972 thousand, respectively.

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Quantitative information by counterparty and purpose of the transaction as at 31 December 2022 and 2021, in thousands of euro, is as follows:

As at 31 December 2022-

	Total						Accumulated impairment or accumulated losses in fair value due to credit risk
	Unsecured loans		Secured loans				
	Number of operations	Gross amount	Number of operations	Gross amount	Maximum amount of secured loans that can be considered		
Secured by real estate collateral					Secured by other collateral		
Credit institutions	-	-	-	-	-	-	-
Public administration	7	259	6	2	-	2	(65)
Other financial companies and individual entrepreneurs (financial business)	11	15,658	3	92	91	1	(1,292)
Non-financial companies and individual entrepreneurs (non-financial business)	3,045	359,494	967	294,194	162,203	79,267	(206,545)
Of which: financing of real estate construction and property development (including land)	84	1,665	58	7,943	3,608	1,831	(4,912)
Rest of households	2,442	34,930	3,472	275,735	243,146	5,215	(51,917)
Total	5,505	410,341	4,448	570,023	405,440	84,485	(259,819)
ADDITIONAL INFORMATION							
Information classified as non-current assets and disposal groups classified as held for sale							
	-	-	-	-	-	-	

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As at 31 December 2022-

	Of which: non-performing						Accumulated impairment or accumulated losses in fair value due to credit risk
	Unsecured loans		Secured loans				
	Number of operations	Gross amount	Number of operations	Gross amount	Maximum amount of secured loans that can be considered		
Secured by real estate collateral					Secured by other collateral		
Credit institutions	-	-	-	-	-	-	-
Public administration	3	82	2	1	-	1	(65)
Other financial companies and individual entrepreneurs	3	187	2	70	69	1	(111)
Non-financial companies and individual entrepreneurs	1,105	173,327	342	119,362	31,775	46,945	(186,327)
<i>Of which: financing of real estate construction and property development (including land)</i>	33	1,411	26	4,235	791	976	(4,738)
Rest of households	795	20,870	889	63,217	54,633	1,264	(43,489)
Total	1,906	194,466	1,235	182,650	86,477	48,211	(229,992)
ADDITIONAL INFORMATION							
Information classified as non-current assets and disposal groups classified as held for sale							
	-	-	-	-	-	-	

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As at 31 December 2021-

	Total						Accumulated impairment or accumulated losses in fair value due to credit risk
	Unsecured loans		Secured loans				
	Number of operations	Gross amount	Number of operations	Gross amount	Maximum amount of secured loans that can be considered		
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)
<i>Of which: financing of real estate construction and property development (including land)</i>	<i>52</i>	<i>777</i>	<i>114</i>	<i>11,135</i>	<i>7,854</i>	<i>2,851</i>	<i>(5,650)</i>
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							
	-	-	-	-	-	-	-

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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	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)
<i>Of which: financing of real estate construction and property development (including land)</i>	<i>34</i>	<i>241</i>	<i>61</i>	<i>7,081</i>	<i>5,643</i>	<i>1,108</i>	<i>(5,309)</i>
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							
	-	-	-	-	-	-	-

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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 2022 and 2021, are as follows:

As at 31 December 2022-

	Thousands of euro							
	(*) Total	Of which: secured by real estate	Of which: secured by other collateral	Secured loans. 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%
Public administration	9,117,142	293	80	148	55	95	1	74
Other financial companies and individual entrepreneurs	517,915	248,577	188,355	26,563	35,950	57,725	6,224	310,470
Non-financial companies and individual entrepreneurs	17,791,413	3,634,190	1,770,194	1,134,773	1,387,519	897,996	550,749	1,433,347
Real Estate construction and property development	638,604	480,734	17,405	127,358	213,510	68,563	22,273	66,435
Civil engineering construction	345,038	31,432	33,896	1,605	7,878	1,320	32,756	21,769
Other purposes:	16,807,771	3,122,024	1,718,893	1,005,810	1,166,131	828,113	495,720	1,345,143
Large corporations	9,359,244	999,083	1,124,614	344,255	352,195	255,728	266,073	905,446
SMEs and individual entrepreneurs	7,448,527	2,122,941	594,279	661,555	813,936	572,385	229,647	439,697
Rest of households and non-profit institutions serving households	17,740,990	14,767,409	355,186	2,807,647	3,962,203	5,130,396	1,806,328	1,416,021
Housing	14,344,788	13,847,560	25,388	2,526,700	3,729,101	4,797,736	1,580,180	1,239,231
Consumer	1,853,542	209,069	89,209	101,900	70,133	76,506	30,490	19,249
Other purposes	1,542,660	710,780	240,589	179,047	162,969	256,154	195,658	157,541
TOTAL	45,167,460	18,650,469	2,313,815	3,969,131	5,385,727	6,086,212	2,363,302	3,159,912
Memorandum Item Refinancing, refinanced and restructured operations	720,545	424,905	18,428	125,094	77,330	77,015	52,435	111,459

(*) Net of valuation adjustments

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As at 31 December 2021-

	Thousands of euro							
	(*) Total	Of which: secured by real estate	Of which: secured by other collateral	Secured loans. Carrying amount over the latest available appraisal (<i>LTV</i>)				
				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
<i>Real Estate construction and property development</i>	<i>602,653</i>	<i>424,168</i>	<i>26,528</i>	<i>110,436</i>	<i>180,996</i>	<i>95,807</i>	<i>8,154</i>	<i>55,303</i>
<i>Civil engineering construction</i>	<i>314,947</i>	<i>32,640</i>	<i>33,749</i>	<i>1,913</i>	<i>2,570</i>	<i>869</i>	<i>29,014</i>	<i>32,023</i>
<i>Other purposes:</i>	<i>16,879,549</i>	<i>3,033,654</i>	<i>2,222,091</i>	<i>1,655,975</i>	<i>929,312</i>	<i>727,698</i>	<i>627,688</i>	<i>1,315,072</i>
<i>Large corporations</i>	<i>9,060,148</i>	<i>969,376</i>	<i>1,314,886</i>	<i>679,202</i>	<i>176,225</i>	<i>209,447</i>	<i>400,714</i>	<i>818,674</i>
<i>SMEs and individual entrepreneurs</i>	<i>7,819,401</i>	<i>2,064,278</i>	<i>907,205</i>	<i>976,773</i>	<i>753,087</i>	<i>518,251</i>	<i>226,974</i>	<i>496,398</i>
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
<i>Housing</i>	<i>14,836,066</i>	<i>14,327,968</i>	<i>27,723</i>	<i>3,317,851</i>	<i>4,729,516</i>	<i>4,601,696</i>	<i>1,088,454</i>	<i>618,174</i>
<i>Consumer</i>	<i>1,745,328</i>	<i>225,626</i>	<i>92,036</i>	<i>113,158</i>	<i>78,562</i>	<i>74,285</i>	<i>29,003</i>	<i>22,654</i>
<i>Other purposes</i>	<i>1,743,164</i>	<i>802,125</i>	<i>379,849</i>	<i>264,175</i>	<i>285,612</i>	<i>307,787</i>	<i>190,757</i>	<i>133,643</i>
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

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11. Derivatives

11.1. Derivatives – hedge accounting (assets and liabilities)

11.1.1. Fair value hedges

As at 31 December 2022 and 2021, 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 2022-

	Thousands of euro			
	Debit balances		Credit balances	
	Carrying Value	Notional	Carrying Value	Notional
Interest rate swaps (IRS)	869,978	6,450,559	193,160	1,820,000
Forward contracts	-	-	-	-
	869,978	6,450,559	193,160	1,820,000

As at 31 December 2021-

	Thousands of euro			
	Debit balances		Credit balances	
	Carrying Value	Notional	Carrying 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

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 2022 interest rate swaps include swaps with a notional amount of €2,321,000 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 (€3,563,240 thousand as at 31 December 2021).

As at 31 December 2022, 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 2021).

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11.1.2. Cash flow hedges

As at 31 December 2022 and 2021, 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 2022-

	Thousands of euro			
	Debit balances		Credit balances	
	Carrying Value	Notional	Carrying Value	Notional
Other interest rate transactions:				
Interest rate swaps (IRS)	912	114,276	330,089	2,658,859
	912	114,276	330,089	2,658,859

As at 31 December 2021-

	Thousands of euro			
	Debit balances		Credit balances	
	Carrying Value	Notional	Carrying 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

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 2022 and 2021, the Bank had no interest rate swaps designated as cash flow hedges for the interest rate risk on the mortgage portfolio.

The breakdown of maturities of the nominal values of cash flow hedges, counted as from 31 December 2022 and 2021, is as follows:

As at 31 December 2022-

	Thousands of euro				
	Less than 1 Year	Between 1 and 3 Years	Between 3 and 5 Years	More than 5 Years	Total
Interest rate risk	794,015	239,352	477,941	1,261,828	2,773,135
Total	794,015	239,352	477,941	1,261,828	2,773,135

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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	Total
Interest rate risk	240,250	1,669,833	201,954	1,064,048	3,176,085
Total	240,250	1,669,833	201,954	1,064,048	3,176,085

As at 31 December 2022 and 2021, 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 2022 and 2021, 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 2022-

	Thousands of euro			
	Debit balances		Credit balances	
	Carrying Value	Notional	Carrying Value	Notional
Credit institutions	3,945	1,000,000	-	-
Loans and advances to customers	307,387	3,227,624	7,436	470,000
Deposits from customers	-	-	-	-
Debt securities issued	-	-	192,089	1,800,000
Debt securities	559,558	2,337,210	323,724	2,208,859
Subordinated liabilities	-	-	-	-
	870,890	6,564,834	523,249	4,478,859

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As at 31 December 2021-

	Thousands of euro			
	Debit balances		Credit balances	
	Carrying Value	Notional	Carrying 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

In 2022 and 2021, the breakdown, by type of hedged item, of gains or losses on derivatives designated as hedging instruments, is as follows:

Financial year 2022

	Thousands of euro				
	Net interest income		Results 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	-	(4,634)	(4,941)	3,325	(1,616)
Loans and advances to customers	(18,471)	-	(405,488)	405,538	50
Deposits from customers	-	(4,378)	-	(23)	(23)
Debt securities issued	-	(253)	-	-	-
Debt securities	(14,326)	-	(494,149)	484,211	(9,937)
Subordinated liabilities	-	(97)	-	-	-
	(32,797)	(9,362)	(904,578)	893,051	(11,526)

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Financial year 2021

	Thousands of euro				
	Net interest income		Results Trading Income		
	Correction of income (Note 31)	Correction of costs (Note 32)	Residual Value of hedged item	Residual Value of hedging instruments	Total Ineffective ness (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)

11.2. Derivatives held for trading (assets and liabilities)

As at 31 December 2022 and 2021, the breakdown, by inherent risk, of the fair value of derivatives held for trading arranged by the Group, is as follows:

	Thousands of euro			
	2022		2021	
	Closing Balance	Credit balance	Closing Balance	Credit balance
Interest rate risk	467,538	459,597	136,274	135,838
Currency risk	1,547	69	679	2,941
Market risk	1,834	1,837	2,417	2,523
Commodities risk	-	-	-	-
	470,919	461,503	139,370	141,302

As at 31 December 2022 and 2021, 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	
	2022	2021
Group companies	1,070,712	1,082,028
Investment property and assets for own use	44,615	55,229
Foreclosed assets or received in payment of debt	192,337	239,045
	1,307,664	1,376,302

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Changes registered under this item in 2022 and 2021 are as follows:

Financial year 2022

	Thousands of euro				
	Opening balance 31.12.2021	Additions	Derecognitions	Transfers	Closing Balance 31.12.2022
Cost:					
Group companies	1,082,028	390	(11,706)	-	1,070,712
Foreclosed assets or received in payment of debt	637,284	16,410	(127,354)	(4,006)	522,334
Investment property and assets for own use	58,301	-	(8,762)	(1,852)	47,687
	1,777,613	16,800	(147,822)	(5,858)	1,640,733
Impairment:					
Group companies	-	-	-	-	-
Foreclosed assets or received in payment of debt	(398,239)	(12,296)	78,669	1,869	(329,997)
Investment property and assets for own use	(3,072)	-	-	-	(3,072)
	(401,311)	(12,296)	78,669	1,869	(333,069)
Net total	1,376,302	4,504	(69,153)	(3,989)	1,307,664

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

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.

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Group companies

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 holds 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 2021 and 2020, work 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 continued during the closing of accounts (31 March 2022) of the first full year of the Plan. The impact arising from the continued war in Ukraine, inflation and interest rate rises has caused this process to be slower than expected. Currently, as of the date of authorisation for issue of these consolidated financial statements, the Group is in the process of actively negotiating the entry of a new partner in the company.

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 and 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 2022 relates to losses from Nueva Pescanova, S.L. and from Real Club Deportivo de la Coruña, S.A.D. amounting to €58,651 thousand (€15,568 thousand related to losses from Nueva Pescanova, S.L. and from Real Club Deportivo de la Coruña, S.A.D. as at 31 December 2021).

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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.	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Cash, cash balances with central banks and other demand deposits	23,884	64,831	125	488
Non-trading financial assets mandatorily at fair value through profit and loss	-	-	-	-
Financial assets at amortised cost	163,004	179,316	1,810	2,760
Investments in joint ventures and associates	5,354	5,548	-	-
Tangible assets	320,044	293,753	8,077	8,468
Intangible assets	128,658	123,175	4,135	4,883
Tax assets	48,633	52,345	3,528	651
Other assets	363,094	345,409	366	401
	1,052,671	1,064,377	18,041	17,651

Foreclosed assets or received in payment of debt

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

	Thousands of euro	
	2022	2021
Residential assets	172,363	247,427
Industrial assets	87,307	115,045
Other assets	262,664	274,812
Gross total	522,334	637,284
Less - Impairment losses	(329,997)	(398,239)
Net total	192,337	239,045

In 2022 and 2021, several sales of assets achieved net gains of €20,814 thousand and €21,143 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 €12,296 thousand and €12,732 thousand in 2022 and 2021, respectively.

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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 recorded in 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 2022 and 2021, the breakdown of the carrying amount and fair value of this type of assets is as follows:

Financial year 2022

	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	522,334	396,175	332,530	42,024	21,621

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

Details of the ageing of non-current assets held for sale as at 31 December 2022 and 2021 are as follows:

Financial year 2022

	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	522,334	19,355	9,852	493,127

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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

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.

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As at 31 December 2022 and 2021, 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 2022

	Thousands of euro	
	Gross carrying amount (*)	Accumulated impairment
Real estate assets from financing of real estate construction and property development	327,084	234,261
Buildings and other constructions completed	65,573	39,488
<i>Housing</i>	34,421	19,566
<i>Other</i>	31,152	19,922
Buildings and other constructions in progress	40,499	29,863
<i>Housing</i>	25,337	19,747
<i>Other</i>	15,162	10,116
Land	221,012	164,910
<i>Consolidated urban land</i>	144,680	97,704
<i>Rest of land</i>	76,332	67,206
Real estate assets from mortgage loans to households for house purchase	130,504	64,553
Rest of foreclosed real estate assets or received in payment of debt	64,746	31,183
	522,334	329,997

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

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
<i>Housing</i>	46,946	24,480
<i>Other</i>	34,242	22,587
Buildings and other constructions in progress	47,130	35,672
<i>Housing</i>	31,010	21,193
<i>Other</i>	16,120	14,479
Land	226,555	166,205
<i>Consolidated urban land</i>	149,824	100,387
<i>Rest of land</i>	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.

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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 2022 entirely relates to the liabilities resulting from the consolidation of Nueva Pescanova, S.A. and Real Club Deportivo de la Coruña, S.A.D.

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.	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Financial liabilities at amortised cost	581,334	599,298	27,852	21,709
Provisions	26,148	29,342	530	538
Tax liabilities	44,904	44,979	4,533	10,206
Other liabilities	13,502	17,825	3,226	2,705
	665,888	691,444	36,141	35,158

No movement has been recorded in provisions for liabilities associated with non-current assets and disposal groups classified as held for sale in 2022 and 2021.

13. Investments in joint ventures and associates

13.1. Investments in associates

Details of the Group's investments in associates as at 31 December 2022 and 2021, 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 2022 and 2021, together with certain relevant information thereon, are provided in Appendix I.

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13.3. Movement in investments

Movement in this item of the consolidated balance sheet in 2022 and 2021, considering impairment losses, is as follows:

	Thousands of euro	
	2022	2021
Opening balance	156,235	143,738
Purchases and capital increases	10,500	9,733
Sale of investments	(916)	-
Changes in consolidation perimeter and valuation adjustments	2,513	3,590
Additions arising from business combinations	-	835
Impairment of Goodwill	(3,000)	-
Profit for the year (Note 34)	(3,045)	(1,661)
Transfer from equity instruments	-	-
Closing balance	162,287	156,235
Of which:		
<i>Goodwill</i>	<i>2,002</i>	<i>5,002</i>

Dated 3 August 2022, the Group, acting through the companies Abanca Corporación Bancaria, S.A. and Abanca Corporación Industrial y Empresarial, S.L.U., purchased the remaining 61.65% (67.26% including treasury stock) of the capital of Imantia Capital, S.G.I.I.C., S.A., a company of which the Group already had a 30.01% (32.74% including treasury stock) interest prior to the business combination. Following this transaction, the Group controls 100% of that company (see Notes 2.1 and 5). Imantia Capital, S.G.I.I.C., S.A. has its registered address in Madrid and its primary activity is the management of investments in Collective Investment Institutions managed by the company.

Additionally, during the last quarter of 2022, the following transactions were completed: sale of the 33% interest in the company Figrupe Marinas, S.L., and sale of the 25.06% interest in Olazabal y Huarte, S.A.

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 Estratégicos 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.

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13.4. Goodwill

Movement in goodwill that is implicit in the cost of the equity investment during 2022 and 2021 was as follows:

	Thousands of euro	
	2022	2021
Opening balance	5,002	5,002
Change arising from acquisition of investments and changes in the consolidation perimeter	-	-
Impairment of goodwill	(3,000)	-
Closing balance	2,002	5,002

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 2022 and the business plans for subsequent years.

14. Tangible assets

As at 31 December 2022 and 2021, the breakdown of the Bank's tangible assets is as follows:

	Thousands of euro	
	2022	2021
Tangible assets		
Property, plant and equipment	958,810	977,087
For own use	958,810	977,087
Leased out under operating leases	-	-
Investment property	231,426	243,328
Net total	1,190,236	1,220,415

As at 31 December 2022 and 2021, the net balance in the foregoing table includes €94,114 thousand and €86,285 thousand, respectively, relating to items of property, plant and equipment owned by the Group located abroad.

As at 31 December 2022, the cost and accumulated depreciation of fully depreciated Property, plant and equipment for own use amounted to €388,533 thousand (€346,555 thousand as at 31 December 2021). As at 31 December 2022, investment property with a cost of €464 thousand was fully depreciated (€862 thousand as at 31 December 2021).

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Rental income from investment property owned by the Group totalled €15,832 thousand in 2022 (€17,351 thousand in 2021). Operating expenses arising therefrom in 2022 amounted to €1,717 thousand (€1,899 thousand in 2021) (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 2022 and 2021, the breakdown of, and changes according to the nature of the line items presented under this item are as follows:

Financial year 2022

	Thousands of euro				
	Opening balance 31.12.2021	Additions	Derecognitions	Transfers	Closing Balance 31.12.2022
Cost:					
For own use:					
Computer hardware and installations	176,777	13,465	(561)	-	189,681
Furniture, motor vehicles and other installations	639,428	12,759	(19,125)	(1,768)	631,294
Buildings	853,333	1,573	(2,198)	(5,716)	846,992
Work in progress	11,752	9,884	(31)	761	22,366
Right-of-use assets	78,970	7,711	(13,435)	-	73,246
Investment property	375,584	652	(22,508)	11,104	364,832
Leased out under operating leases	-	-	-	-	-
	2,135,844	46,044	(57,858)	4,381	2,128,411
Accumulated amortisation:					
For own use:					
Computer hardware and installations	(105,003)	(15,173)	540	(2)	(119,638)
Furniture, motor vehicles and other installations	(453,425)	(16,457)	17,952	504	(451,426)
Buildings	(130,604)	(6,574)	-	(681)	(137,859)
Work in progress	(448)	(115)	-	-	(563)
Right-of-use assets	(23,683)	(9,275)	8,148	-	(24,810)
Investment property	(51,567)	(4,425)	3,511	(276)	(52,757)
Leased out under operating leases	-	-	-	-	-
	(764,730)	(52,019)	30,151	(455)	(787,053)
Impairment:					
For own use:					
Computer hardware and installations	(6,281)	-	-	-	(6,281)
Furniture, motor vehicles and other installations	(15,255)	(525)	-	-	(15,780)
Buildings	(48,474)	-	-	63	(48,411)
Work in progress	-	-	-	-	-
Right-of-use assets	-	-	-	-	-
Investment property	(80,689)	(2,698)	2,737	-	(80,650)
Leased out under operating leases	-	-	-	-	-
	(150,699)	(3,223)	2,737	63	(151,122)
Net total	1,220,415	(9,198)	(24,970)	3,989	1,190,236

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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 amortisation:						
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

As a result of International Financial Reporting Standard (IFRS-EU) 16, Leases, becoming effective on 1 January 2019, as at 31 December 2022 the Group has recognised right-of-use assets amounting to €44,426 thousand (€51,276 thousand as at 31 December 2021) (see Note 2.12).

As at 31 December 2022 "Buildings" in the foregoing table includes a revaluation of €174,925 thousand (€174,007 as at 31 December 2021) 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.

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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.	Imantia Capital, S.A.
Balance as at 01 January 2021	13,745	47,987	-
Additions from business combinations	-	-	-
Adjustments to provisional values	-	-	-
Transfers from investments in joint ventures and associates	-	-	-
Balance as at 31 December 2021	13,745	47,987	-
Additions from business combinations	-	-	4,619
Impairment recognised in profit and loss	-	-	-
Reclassification to liabilities and Other	-	-	-
Balance as at 31 December 2022	13,745	47,987	4,619

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15.2 Other intangible assets

In 2022 and 2021, movements registered under this item in the consolidated balance sheet are as follows:

Financial year 2022

	Thousands of euro					
	Opening balance 31.12.2021	Additions	Additions arising from business combinations	Derecognitions	Transfers	Closing balance 31.12.2022
Cost:						
Administrative concessions, computer software and transfer rights	268,900	51,057	1,014	(18,608)	-	302,363
Other	573,862	-	-	-	-	573,862
	842,762	51,057	1,014	(18,608)	-	876,225
Accumulated amortisation:						
Administrative concessions, computer software and transfer rights	(134,788)	(11,611)	(998)	232	-	(147,165)
Other	(284,727)	(26,260)	-	-	-	(310,987)
	(419,515)	(37,871)	(998)	232	-	(458,152)
Impairment:						
Administrative concessions, computer software and transfer rights	(23,063)	-	-	-	-	(23,063)
Other	-	-	-	-	-	-
	(23,063)	-	-	-	-	(23,063)
Net total	400,184	13,186	16	(18,376)	-	395,010

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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

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

As at 31 December 2022

	Thousands of euro			
	Cost	Accumulated amortisation	Impairment	Net balance
Customer relations				
<i>Merger of ABANCA and ABANCA Holding Financiero</i>	227,400	(212,065)	-	15,335
<i>Acquisition of ABANCA Vida y Pensiones</i>	199,315	(73,536)	-	125,779
<i>Acquisition of ABANCA II Vida y Pensiones</i>	109,047	(14,678)	-	94,369
<i>Acquisition of Deutsche Bank Portugal's business</i>	10,500	(3,679)	-	6,821
<i>Acquisition of Banco Caixa Geral</i>	19,100	(5,730)	-	13,370
<i>Acquisition of Bankoia</i>	4,500	(899)	-	3,601
<i>Acquisition of Novobanco's business in Spain</i>	4,000	(400)	-	3,600
Balance as at 31 December 2022	573,862	(310,987)	-	262,875

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As at 31 December 2021

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

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	
	2022	2021
Prepaid expenses	7,716	4,339
Pension plans net assets (Note 23)	10,306	11,862
Extraordinary contribution to Deposit Guarantee Fund	-	8,555
Payments yet to be passed onto third parties	21,950	15,935
Transactions in transit	40,845	42,049
Other	53,458	98,136
	134,275	180,876

The item "Deposit Guarantee Fund" relates to the present value of the extraordinary contribution approved by the Management Commission of the Deposit Guarantee Fund for Credit Institutions at its session held on 30 July 2012. As at 31 December 2022, the item "Deposit Guarantee Fund" has been fully settled (its balance was €8,555 thousand as at 31 December 2021).

As at 31 December 2022 and 2021, "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.

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18. Deposits from Central Banks and Credit Institutions

The breakdown of this item in the consolidated balance sheet as at 31 December 2022 and 2021, by classification, counterparty, nature and currency, is as follows:

	Thousands of euro	
	2022	2021
Classification:		
Financial liabilities at amortised cost	12,080,785	15,447,094
	12,080,785	15,447,094
Counterparty:		
Central banks	8,170,760	9,916,760
Credit institutions	3,910,025	5,530,334
	12,080,785	15,447,094
Nature:		
Reciprocal accounts	-	2,505
Term accounts	601,044	725,737
Repurchase agreements (Note 8)	3,146,532	4,731,172
Other accounts	8,333,209	9,987,680
	12,080,785	15,447,094
Currency:		
Euro	12,035,736	15,380,020
Foreign currency	45,049	67,074
	12,080,785	15,447,094
Valuation adjustments:		
Accrued interest	(147,209)	(144,946)
Micro-hedges	4,822	45
	11,938,398	15,302,193

As at 31 December 2022, the limit allocated by the European Central Bank for financing from the credit system against debt securities and loans totalled €5,722,097 thousand and €7,065,558 thousand, respectively, of which €8,170,760 thousand had been drawn down as at 31 December 2022 (€9,916,760 thousand as at 31 December 2021); at 31 December 2022, 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 23 June 2022.

The Bank has met the lending requirements referred to in the preceding paragraph. Consequently, the interest rate subsidy associated with the COVID-19 pandemic has been recognised during the biannual period from 24 June 2020 to 23 June 2022. This implies that the interest rate applied to drawdown facilities (in the period from 23 June 2020 to 23 June 2022) amounted to -1%.

On 27 October 2022, the European Central Bank approved a recalibration of these financing transactions and, from 23 November 2022, the applicable interest rate will be indexed to the average applicable key European Central Bank interest rates from that date onward 2% as at 31 December 2022.

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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 2022, amount to €75,843 thousand (€87,151 thousand as at 31 December 2021).

Note 47 includes a breakdown of the maturity periods of these liabilities at the 2022 and 2021 reporting dates, as well as the average annual interest rates.

19. Deposits from customers

As at 31 December 2022 and 2021, the breakdown of this heading in the consolidated balance sheet classified by geographical area, nature and currency, is as follows:

	Thousands of euro	
	2022	2021
Classification:		
Financial liabilities at amortised cost	52,448,492	54,175,981
	52,448,492	54,175,981
Geographical area:		
Spain	45,689,654	48,910,181
European Union (excluding Spain)	4,845,331	3,455,619
The United States of America and Puerto Rico	249,883	199,133
Other OECD countries	969,575	934,188
Latin America	610,218	596,640
Rest of the world	83,831	80,220
	52,448,492	54,175,981
Nature:		
Demand:		
Current accounts	21,299,819	22,458,277
Savings accounts	20,416,592	19,200,381
Term deposits		
Fixed-term deposits	8,287,430	9,330,528
Hybrid financial liabilities	7,160	37,467
Repurchase agreements (Note 8)	2,437,491	3,149,328
	52,448,492	54,175,981
Currency:		
Euro	50,881,595	52,630,089
Foreign currency	1,566,897	1,545,892
	52,448,492	54,175,981
Valuation adjustments:		
Accrued interest	41,553	34,667
Premiums/Discounts on assumption	22,250	29,930
Transaction costs	(13,838)	(10,116)
Micro-hedges	20,074	25,370
	52,518,531	54,255,832

Note 47 includes a breakdown of the maturity periods of these liabilities at the 2022 and 2021 reporting dates, as well as the average annual interest rates.

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As at 31 December 2022 and 2021, "Fixed-term deposits" in the above table respectively included 5 and 6 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 financier 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.

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Information related to mortgage covered bond issues

As at 31 December 2022 and 2021, the breakdown of mortgage covered bond issues, and the main characteristics thereof, is as follows:

As at 31 December 2022-

Designation / Issuer	Issue date	Maturity date	ISIN	Nominal amount (Thousands of euro)	Interest Rate ⁽¹⁾	Settlement
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
				1,110,257		

(*) 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 2021-

Designation / Issuer	Issue date	Maturity date	ISIN	Nominal amount (Thousands of euro)	Interest Rate ⁽¹⁾	Settlement
A y T 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 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 2022 reflects the redemption on maturity of one issue of €129,630 thousand in mortgage covered bonds (redemption on maturity of one issue of €300,000 thousand in mortgage covered bonds in the year ended 31 December 2021).

As at 31 December 2022 and 2021, the Group had no matured mortgage covered bond issues.

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Qualitative information on mortgage market activities

In July 2022, the provisions of Royal Decree-Law 24/2021, of 2 November, implementing European Union directives concerning, inter alia, covered bonds (hereinafter, "RDL 24/2021") became effective. From the effective date of RDL 24/2021, Covered Bonds issued are now secured by the cover assets that Abanca has included into the cover pool statutorily required (the "Cover Pool"), whose composition and value differ from those of the pool of assets that secured mortgage covered bonds up to this date.

The Cover Pool comprises the cover assets that Abanca has registered with the Special Register of Cover, previously authorised by the Cover Pool Monitor in accordance with the provisions of RDL 24/2021.

Article 34 of RDL 24/2021 requires issuers to have a covered bond programme, approved beforehand by the Banco de España, within the framework of which Beka Finance, Sociedad de Valores, S.A. ("Beka Finance") has been appointed Cover Pool Monitor. To these purposes, dated 4 July 2022 Banco de España approved Abanca's mortgage covered bond programme.

According to the new methodology for consideration of assets, at the end of 2022, the Group has a cover pool of €4,636 thousand, of which €4,498 thousand relate to mortgage loans and €138 thousand to liquid assets, for €2,860 thousand in mortgage-covered bonds issued. This represents a 62.09% over-collateralisation of mortgage-covered bonds, with all collateral assets denominated in euros.

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Exclusively for information and comparison purposes, presented below is information on mortgage-secured loans linked to the issuance of mortgage covered bonds at the end of 2022 and 2021, in accordance with the regulatory requirements repealed by the above-mentioned Royal Decree-Law 24/2021 (mostly, Law 2/1981, of 25 March, on mortgage market) and in accordance with Rule 60 of Circular 4/2017 of Banco de España requiring this information to be reported to Banco de España at the reporting date of these consolidated financial statements:

	Thousands of euro	
	Nominal amount	
	2022	2021
Total loans ^(*)	17,367,108	18,100,092
Mortgage bonds issued	-	-
<i>Of which: loans recognised as assets</i>	-	-
Mortgage transfer certificates issued	1,791,692	-
<i>Of which: loans recognised as assets</i>	1,791,692	2,003,915
Mortgage loans pledged as collateral to secure financing received	-	-
Mortgage loans that back the issue of mortgage bonds and mortgage covered bonds ^(**)	15,575,416	16,096,177
i) Ineligible loans ^(***)	5,692,576	5,284,995
- <i>Loans meeting the eligibility requirements, except the limit requirement of Article 5.1 of Royal Decree 716/2009</i>	2,360,451	4,350,846
- <i>Other ineligible loans</i>	3,332,125	934,149
ii) Eligible loans ^(****)	9,882,840	10,811,182
- <i>Loans backing mortgage covered bond issues ^(*****)</i>	-	-
- <i>Loans qualifying for backing mortgage covered bond issues</i>	9,882,840	10,811,182
- <i>Non-qualifying amounts</i>	70,180	58,830
- <i>Qualifying amounts</i>	9,812,660	10,752,352

^(*) 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.

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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 2022-

	Thousands of euro	
	Mortgage loans that back the issue of mortgage bonds and mortgage covered bonds	Of which: eligible loans ^(*)
TOTAL	15,575,416	9,882,840
TRANSACTION ORIGINATION		
Originated by the Entity	15,249,784	9,651,504
Subrogated from other entities	56,407	35,596
Other	269,225	195,740
CURRENCY		
Euro	15,294,606	9,882,840
Other currencies	280,810	-
PAYMENT STATUS		
Performing	15,335,821	9,798,309
Other status	239,595	84,531
AVERAGE RESIDUAL MATURITY		
Up to 10 years	2,810,048	1,774,914
10 to 20 years	5,939,326	4,029,862
20 to 30 years	6,279,961	4,039,062
More than 30 years	546,081	39,002
INTEREST RATES		
Fixed interest rate	809,558	372,867
Variable remuneration rate	14,765,858	9,509,973
Mixed interest rate	-	-
HOLDERS		
Legal entities and individual entrepreneurs	2,428,633	1,156,087
<i>Of which: Real estate construction and property development</i>	<i>308,021</i>	<i>145,122</i>
Rest of households	13,146,783	8,726,753
TYPE OF COLLATERAL		
Completed assets/buildings	14,937,626	9,641,294
Housing	13,394,217	8,835,909
<i>Of which: social housing</i>	<i>675,296</i>	<i>445,571</i>
Offices and commercial premises	654,357	370,007
Other buildings and constructions	889,052	435,378
Assets/buildings under construction	505,286	202,453
Housing	408,237	181,935
<i>Of which: social housing</i>	<i>14,085</i>	<i>865</i>
Offices and commercial premises	5,331	1,007
Other buildings and constructions	91,718	19,511
Land	132,504	39,093
Consolidated urban land	81,765	16,221
Rest of land	50,739	22,872

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

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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
<i>Of which: Real estate construction and property development</i>	<i>348,175</i>	<i>163,627</i>
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
<i>Of which: social housing</i>	<i>716,654</i>	<i>13,751,770</i>
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
<i>Of which: social housing</i>	<i>18,778</i>	<i>365</i>
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.

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The distribution of nominal values according to the principal draw compared to the latest available appraisal (loan to value (LTV)) in accordance with Royal Decree 716/2009, without considering the computation limits set forth in article 12 of foregoing Royal Decree 716/2009, is shown below.

	31/12/2022			
	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 (*)	2,664,100	3,578,113	3,640,627	9,882,840
<i>Housing collateral</i>	2,279,376	3,097,841	3,640,627	9,017,844
<i>Other real estate collateral</i>	384,724	480,272	-	864,996

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

	31/12/2021			
	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
<i>Housing collateral</i>	2,945,036	3,935,226	3,339,741	10,220,003
<i>Other real estate collateral</i>	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.

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 (*)	
	31.12.2022	31.12.2021
Mortgage loans that back the issue of mortgage bonds and mortgage covered bonds		
Total	527,622	558,315
Potentially eligible (**)	215,603	348,782
Ineligible	312,019	209,533

(*) 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.

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As at 31 December 2022 and 2021 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 2022 and 2021, the breakdown of outstanding mortgage securities issued by the Group is as follows:

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As at 31 December 2022-

	Nominal amount (Thousands of euro)	Average residual maturity (*)
MORTGAGE SECURITIES		
Mortgage bonds issued (**)	-	-
Of which: recognised as liabilities	-	-
Mortgage covered bonds issued (**)	2,860,257	-
Of which: recognised as liabilities	1,779,657	-
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	1,000,000	-
Residual maturity, more than three years and up to five years	-	-
Residual maturity, more than five years and up to ten years	750,000	-
Residual maturity, over ten years	-	-
Deposits	1,110,257	-
Residual maturity, up to one year	100,000	-
Residual maturity, more than one year and up to two years	-	-
Residual maturity, more than two years and up to three years	610,257	-
Residual maturity, more than three years and up to five years	200,000	-
Residual maturity, more than five years and up to ten years	200,000	-
Residual maturity, over ten years	-	-
Mortgage bonds issued	-	-
Issued to the public	-	-
Other issues	-	-
Mortgage transfer certificates issued (***)	1,791,692	237
Issued to the public	-	-
Other issues	1,791,692	237

(*) 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.

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As at 31 December 2021-

	Nominal amount (Thousands of euro)	Average residual maturity ^(*)
MORTGAGE SECURITIES		
Mortgage bonds issued ^(**)	-	-
<i>Of which: recognised as liabilities</i>	-	-
Mortgage covered bonds issued ^(**)	2,989,886	-
<i>Of which: recognised as liabilities</i>	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.

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20. Debt securities issued

a) Breakdown-

As at 31 December 2022 and 2021 the breakdown, by classification and nature, of the balance of this item in the consolidated balance sheet is as follows:

	Thousands of euro	
	2022	2021
Classification:		
Financial liabilities at amortised cost	2,944,400	2,525,000
	2,944,400	2,525,000
Nature:		
Mortgage securities	1,750,000	1,750,000
Other non-convertible securities	1,000,000	500,000
Own securities	(1,080,600)	(1,000,000)
Subordinated liabilities	1,275,000	1,275,000
	2,944,400	2,525,000
Currency:		
Euro	2,944,400	2,525,000
	2,944,400	2,525,000
Valuation adjustments:		
Accrued interest	42,261	34,783
Micro-hedges	(164,511)	8,249
Transaction costs	(11,076)	(10,466)
	2,811,074	2,557,566

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 2022 and 2021 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 2022 and 2021 are as follows:

As at 31 December 2022-

Designation	Number of Securities	Thousands of euro Nominal	Date of		Interest Rate	Settlement of Interest
			Issue	Maturity		
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				

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As at 31 December 2021-

Designation	Number of Securities	Thousands of euro Nominal	Date of		Interest Rate	Settlement of Interest
			Issue	Maturity		
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 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.

Changes in nominal value recorded in the balance of this item during 2022 and 2021 were as follows:

	Thousands of euro
2021 Opening balance	1,750,000
Issues	-
Redemptions	-
2021 Closing balance	1,750,000
Issues	-
Redemptions	-
2022 Closing balance	1,750,000

In 2022 and 2021, no mortgage covered bonds have been issued.

In 2022 and 2021, no issues of mortgage covered bonds have matured.

In the table above, the 2022 closing balance includes €1,080,600 related to issues included in the Group's treasury stock (€1,000,000 thousand in 2021).

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.

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Dated 7 September 2022, ABANCA laid down the economic conditions for an issue of €500 million in ordinary bonds with a 5.25% coupon; the maturity date of these bonds is 14 September 2028. This issue was paid up and closed on 14 September 2022. 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.

Changes in nominal value recorded in the balance of this item during 2022 and 2021 were as follows:

	Thousands of euro
2020 Closing balance	-
Issues	500,000
Redemptions	-
Balance as at 31 December 2021	500,000
Issues	500,000
Redemptions	-
Balance as at 31 December 2022	1,000,000

d) Other convertible securities -

As at 31 December 2022 and 2021, the Group had nil issues included under "Other convertible securities".

21. Subordinated liabilities

a) Breakdown-

As at 31 December 2022 and 2021 the breakdown, by classification and nature, of the balance of this item in the balance sheet is as follows:

	Thousands of euro	
	2022	2021
Classification:		
Financial liabilities at amortised cost	1,275,000	1,275,000
	1,275,000	1,275,000
Nature:		
Subordinated liabilities	1,275,000	1,275,000
Own securities	-	-
	1,275,000	1,275,000
Valuation adjustments:		
Accrued interest	30,665	30,665
Micro-hedges	201	299
Transaction costs	(1,337)	(2,178)
	1,304,529	1,303,786

Note 47 includes a breakdown of the maturity periods of these liabilities at the 2022 and 2021 reporting dates, as well as the average annual interest rates.

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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 07 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.

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In 2022, no issues have been made or matured. Furthermore, in 2021, €1,200 thousand were redeemed from the issue of simple subordinated bonds known as "Obligaciones subordinadas Banco Etcheverría".

b) Changes-

Changes recorded in the balance of this item (nominal value) during 2022 and 2021 were as follows:

	Thousands of euro
2021 Opening balance	901,200
Issues	375,000
Redemptions	(1,200)
2021 Closing balance	1,275,000
Issues	-
Redemptions	-
Balance as at 31 December 2022	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 €1,135 thousand (€1,674 thousand as at 31 December 2021). To address any liabilities that might arise from these proceedings, the Group has recognised a provision of €1,135 thousand (€1,674 thousand as at 31 December 2021) (see Note 23).

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22. Other financial liabilities

The breakdown of the balance of this item in consolidated balance sheet at 31 December 2022 and 2021 is as follows:

	Thousands of euro	
	2022	2021
Payment obligations	64,215	54,908
Bonds received	1,160	1,492
Tax collection accounts		
Central Government	15,369	14,920
Autonomous governments	1,197	1,364
Social Security administration	1,883	1,727
Outstanding payment orders and traveller's cheques	76,096	42,377
Transactions on stock exchanges or organised markets		
pending settlement	11,793	4,314
Financial guarantees	18,885	22,606
Other	138,475	168,379
	329,073	312,087

Note 47 includes a breakdown of the maturity periods of these liabilities at the 2022 and 2021 reporting dates, as well as the average annual interest rates.

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

- The extraordinary contribution approved by the Management Commission of the Deposit Guarantee Fund for Credit Institutions in 2012, estimated on the basis of contributions as at 31 December 2011 and payable through annual instalments over a period of ten years. As at 31 December 2022, this extraordinary contribution has been fully settled (amounting to €6,654 thousand (see Notes 1.8 and 17).
- €46,575 thousand as at 31 December 2022, relating to the recognition of lease liabilities as a result of application of IFRS 16 – "Leases" (€52,603 thousand as at 31 December 2021) (see Note 2.12).
- €60,145 thousand as at 31 December 2022 relating to forward transactions from ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A. (€57,272 thousand as at 31 December 2021).

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23. Provisions

The breakdown of this item in the consolidated balance sheet as at 31 December 2022 and 2021 is as follows:

	Thousands of euro	
	2022	2021
Pensions and other post-employment defined benefit obligations	237,562	276,155
Outstanding tax-related legal proceedings and litigation	20,221	20,976
Commitments and guarantees given	96,033	97,887
Other provisions	19,472	23,868
	373,288	418,886

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	
	2022	2021
Defined benefit plans:		
Post-employment commitments	175,954	176,904
Early retirement commitments and labour agreements ^(*)	61,222	98,711
Other commitments	386	540
	237,562	276,155

() As at 31 December 2022, this item includes €61,222 thousand arising from the existing labour agreements (€98,711 thousand as at 31 December 2021). 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.

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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 2022, contributions made by the Group to external pension funds amounted to €10,933 thousand recognised under the item "Personnel expenses" in the statement of profit and loss for the reporting period (€10,200 thousand in 2021) (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). 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 2022 and 2021, the Group has not made any payments in connection with this item.

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At the end of 2022, 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 Bankoia, whose benefits were already accrued, fully insured and outsourced to EPSV EMPLEADOS BANKOIA (insurance policies taken out with Vidacaixa and Mapfre), there were no defined benefit pension commitments with personnel assumed from Bankoia 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 Bankoia), and Mapfre (retired employees from Bankoia) 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	
	2022	2021
Present value of accrued commitments	410,459	602,365
Pension Plans	215,053	319,698
Insurance policies	195,405	282,667
Other commitments (pre-2011 early retirements, partial retirements, Portugal loyalty bonus and labour agreements)	61,222	98,711
	471,681	701,076
Less – Fair value of plan assets	244,425	436,783
Net liabilities	227,256	264,293
Of which:		
"Unrecognised pension assets"	-	-
"Pension assets" (Note 17)	(10,306)	(11,862)
"Provisions- Pensions and other post-employment defined benefit obligations"	237,562	276,155
"Provisions - Pensions and other post-employment defined benefit obligations"	237,562	276,155
"Insurance contracts linked to pensions"	30,122	160,743
Group companies	-	149,541
Other entities	30,122	11,202

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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 3.20% and 3.25%
Expected rate of return	Between -0.26% 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.

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Movements in provisions for pensions and similar obligations in the years ended 31 December 2022 and 2021 are shown below:

	Thousands of euro
2021 Closing balance	204,274
Net allowance charged to profit and loss	
<i>Allowance for restructuring costs (*)</i>	<i>67,000</i>
<i>Finance cost (Note 32)</i>	<i>1,521</i>
<i>Rate of return of assets</i>	<i>(1,541)</i>
<i>Personnel expenses (Note 39)</i>	<i>3,854</i>
<i>Allowances for pension funds</i>	<i>(14,736)</i>
Transfer from other provisions	-
Changes in value recognised in equity	439
Application of balances	15,344
2021 Closing balance	276,155
Net allowance charged to profit and loss	
<i>Allowance for restructuring costs</i>	<i>-</i>
<i>Finance cost (Note 32)</i>	<i>1,536</i>
<i>Rate of return of assets</i>	<i>(1,534)</i>
<i>Personnel expenses (Note 39)</i>	<i>4,394</i>
<i>Allowances for pension funds</i>	<i>(544)</i>
Changes in value recognised in equity	(12,079)
Adjustment to "Insurance contracts linked to pensions"	(47,491)
Application of balances	(43,783)
Transfer from other provisions	60,908
2022 Closing balance	237,562

() 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 and loss, as stipulated in Circular 5/2013.

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Movement in the present value of the obligation accrued for other long-term employee benefits in 2022 and 2021 was as follows:

	Thousands of euro	
	2022	2021
Present value of obligations as at 1 January	98,711	45,150
Current service cost	-	-
Restructuring costs	-	67,000
Interest cost	(55)	(79)
Past service cost	3,060	3,779
Disposals	-	-
Benefits paid	(39,526)	(14,433)
Actuarial (gains)/losses	(1,093)	(1,356)
Other changes (reduction of obligations)	-	(1,356)
Other changes	125	6
Present value of obligations at year-end	61,222	98,711

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 2022 and 2021 reporting dates are as follows:

	Thousands of euro	
	2022	2021
Equity instruments	1,054	1,482
Insurance policies	236,921	429,878
Other	6,449	5,423
	244,425	436,783

Movements in the present value of the obligation accrued for defined benefit post-employment commitments in 2022 and 2021 were as follows:

	Thousands of euro	
	2022	2021
Present value of obligations as at 1 January	602,365	601,889
Additions arising from business combinations	-	2,666
Current service cost	1,211	1,221
Interest cost	1,738	1,679
Past service cost	6	229
Disposals	(545)	(4,585)
Benefits paid	(33,312)	(32,790)
Actuarial (gains)/losses (*)	(161,335)	20,874
Other changes	330	11,182
Present value of obligations at year-end	410,459	602,365

(*) In 2022, includes demographic actuarial gains of €3,510 thousand and financial actuarial gains of €157,825 thousand. In 2021, this item included demographic actuarial losses of €22,621 thousand and financial actuarial gains of €1,747 thousand.

Changes in the fair value of plan assets in 2022 and 2021 were as follows:

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	Thousands of euro	
	2022	2021
Fair value of assets as at 1 January	436,783	450,974
Adjustments for business combinations	-	2,594
Expected rate of return of plan assets	1,233	1,211
Actuarial gains/(losses)	(109,251)	11,290
Contributions	242	(11,300)
Benefits paid	(24,130)	(23,812)
Disposals	-	(72)
Other changes	(60,452)	5,898
Fair value of assets at the reporting date	244,425	436,783

Changes in the fair value of reimbursement rights in 2022 and 2021 were as follows:

	Thousands of euro	
	2022	2021
Fair value of reimbursement rights as at 1 January	160,743	145,586
Adjustments for business combinations	-	-
Expected rate of return of plan assets	448	419
Actuarial gains/(losses)	(40,004)	9,145
Contributions	1,133	314
Benefits paid	(9,067)	(8,798)
Disposals	-	11,161
Other changes	(83,131)	2,916
Fair value of reimbursement rights at the reporting date	30,122	160,743

Total expense recognised in the statement of profit and loss in 2022 and 2021 was as follows:

	Thousands of euro	
	2022	2021
Current service cost	1,211	1,221
Past service cost	3,066	4,008
Net interest cost	450	389
<i>Of which:</i>		
<i>Interest cost</i>	<i>1,683</i>	<i>1,600</i>
<i>Expected rate of return of plan assets</i>	<i>(1,233)</i>	<i>(1,211)</i>
Expected rate of return of reimbursement rights	(448)	(419)
Actuarial (gains)/losses on LTRR	(1,094)	(1,356)
Disposals	(544)	(14,737)
Total	2,641	(10,894)

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Changes in valuation adjustments in equity due to actuarial gains and losses in 2022 and 2021 were as follows:

	Thousands of euro
2021 Opening balance	(12,478)
Additions arising from business combinations	-
Changes in actuarial losses and gains	(439)
2021 Closing balance	(12,917)
Changes in actuarial losses and gains	12,080
2022 Closing balance	(837)

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 2022 and 2021 is as follows:

Financial year 2022

	Thousands of euro			
	Provisions for outstanding tax-related legal proceedings and litigation	Provisions for commitments and guarantees given	Other Provisions	Total
Balance as at 01 January 2022	20,976	97,887	23,868	142,731
(Net) Allowance to profit and loss for the period	14,230	(8,385)	5,279	11,124
Provisions used and others	(14,985)	(3,109)	(14,527)	(32,621)
Transfers	-	9,640	5,000	14,640
Other changes	-	-	(148)	(148)
Balance as at 31 December 2022	20,221	96,033	19,472	135,726

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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 01 January 2021	18,356	65,437	30,184	113,977
(Net) Allowance to profit and 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

As at 31 December 2022, "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 (€3 million as at 31 December 2021); €2 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 (€3 million as at 31 December 2021); approximately €1 million relate to the provision for eventual contingent liabilities stemming from the management of hybrid equity instruments and subordinated debt (€2 million as at 31 December 2021) and €13 million relate to the provision to cover commitments with third parties in connection with the activity of the Bank (€16 million as at 31 December 2021).

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	
	2022	2021
Salaries payable	55,817	52,992
Other accrued expenses	138,217	144,436
Transactions in transit	61,240	42,751
Lease transactions	1,760	2,570
Other	32,622	34,421
	289,656	277,170

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As at 31 December 2022 and 2021, "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 2022 "Other accrued expenses" includes €55,563 thousand (€50,550 thousand on 31 December 2021) 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 and loss for the year.

The breakdown, by entity, of "Equity - Minority interests (non-controlling interests)" in the consolidated balance sheet as at 31 December 2022 and 2021 is as follows:

	Thousands of euro	
	2022	2021
Other minority interests	(4,030)	(5,819)
	(4,030)	(5,819)

Changes in 2022 and 2021 in this item of the consolidated balance sheet are summarised as follows:

	Thousands of euro	
	2022	2021
Opening balance	(5,819)	(7,057)
Attributable profit for the period	1,939	(2,738)
Other equity instruments issued	-	-
Reclassification of other equity instruments	-	-
Changes in the consolidation perimeter, valuation adjustments and other	(150)	3,976
Closing balance	(4,030)	(5,819)

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26. Accumulated other comprehensive income

a) Financial assets at fair value through other comprehensive income

As at 31 December 2022 and 2021, 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	
	2022	2021
Equity instruments	581	1,291
Debt instruments	(36,409)	56,748
	(35,828)	58,039

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 comprehensive 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	
	2022	2021
Autoestrada do Salnés, Concesionaria da Xunta de Galicia, S.A.	(91)	(1,193)
Transmonbús, S.L.	954	89
ABANCA Generales de Seguros y Reaseguros, S.A.U	(367)	-
Empresa Naviera Elcano, S.A.	4,018	(5,012)
Grupo Empresarial Copo, S.A.	(260)	(629)
Nueva Pescanova, S.L. (*)	(727)	(727)
Other	22	12
	3,549	(7,460)

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

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27. Shareholders' Equity

The item "Shareholders' Equity" in the accompanying consolidated balance sheet reflects equity contributions made by shareholders, retained profits recognised through profit and 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 2022 and 2021 are shown in the accompanying "Consolidated statement of changes in equity".

Capital

As at 31 December 2022 and 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.

As at 31 December 2022 and 2021, the shareholders of the Bank are as follows:

Shareholders	Percentage of Interest	
	2022	2021
Juan Carlos Escotet Rodríguez	43.50%	43.50%
Escotet Family Office S.L.	41.25%	41.25%
Other shareholders	14.83%	14.74%
Treasury shares	0.42%	0.51%
	100.00%	100.00%

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

Treasury shares

At the 2022 reporting date, the breakdown of treasury shares held by the Bank was as follows:

	No. of Shares	Nominal amount (Thousands of euro)	Average purchase price (euro)	Total acquisition cost (Thousands of euro)
Treasury shares	9,481,051	10,429	2.1521	20,404

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

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Solvency disclosure

As at 31 December 2022 and 2021, 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) 575/2013 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	
	31.12.2022	31.12.2021
Capital ratios		
Eligible Common Equity Tier 1 capital (thousands of euro) (a)	4,052,394	4,250,748
Eligible Additional Tier 1 capital (thousands of euro) (b)	625,000	625,000
Eligible Tier 2 capital (thousands of euro) (c)	650,000	650,000
Exposure (thousands of euro) (d)	32,467,961	32,639,224
Common Equity Tier 1 capital ratio (CET 1) (A)=(a)/(d)	12.48%	13.02%
Additional Tier 1 capital ratio (AT1) (B)=(b)/(d)	1.93%	1.91%
Tier 1 capital ratio (Tier 1) (A)+(B)	14.40%	14.93%
Tier 2 capital ratio (Tier 2) (C)=(c)/(d)	2.00%	1.99%
Total capital ratio (A)+(B)+(C)	16.41%	16.93%

	31.12.2022	31.12.2021
Leverage		
Tier 1 capital (thousands of euro) (a)	4,677,394	4,875,748
Exposure (thousands of euro) (b)	75,318,110	78,588,146
Leverage ratio (a)/(b)	6.21%	6.20%

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.

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 2022 and 2021, the Group has appropriated to this reserve the minimum amount required by law.

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Retained earnings

As at 31 December 2022 and 2021, the breakdown of the balance of these reserves is as follows:

	Thousands of euro	
	2022	2021
Reserves in the Bank and subsidiaries		
<u>ABANCA Corporación Bancaria, S.A.</u>	5,463,453	5,348,274
Inventium Consultoría de Proyectos, S.L.	(3,256)	(3,669)
ABANCA Corporación Industrial y Empresarial, S.L.U.	(783,245)	(847,038)
Corporación Empresarial de Representación Participativa, S.L.	(39,155)	(39,215)
Espacios Termolúdicos, S.A.	(584)	34
Ainvest Sentir Común, S.A. DE C.V., SOFOM, E.N.R.	(22,130)	(22,248)
ABANCA Operador de Banca Seguros, S.A.	2,966	2,967
Torres del Boulevard, S.L.U.	(62,368)	(62,465)
Abanca Invest, S.L.U.	(93)	20
Laborvantage – Inversiones Inmobiliarias e Turísticas Lda.	6,110	5,665
Jocai XXI, S.L.	(26,212)	(26,226)
ABANCA Corporación, División Inmobiliaria, S.L.U.	(2,665,642)	(2,694,103)
Sogevinus, S.G.P.S., S.A.	15,242	11,313
ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A.U.	103,342	99,352
Nueva Pescanova, S.L.	(52,400)	(45,823)
R.C. Deportivo de la Coruña, S.A.D.	(11,074)	(2,916)
Other	23,274	16,226
	1,948,228	1,740,148
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
Obenque, S.A.	(3,995)	(4,066)
Desarrollos Inmobiliarios Fuenteamarga, S.L.	(236)	(235)
Transmonbús, S.L.	20,292	20,415
Empresa Naviera Elcano, S.A.	58,715	59,207
Grupo Empresarial COPO, S.A.	6,634	7,038
ABANCA Generales de Seguros y Reaseguros, S.A.	(22,372)	(18,108)
Other	(3,832)	(8,884)
	33,756	33,917
Jointly-controlled entities-		
Desarrollos Albero, S.A.	(11,000)	(11,000)
	(11,000)	(11,000)

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Profit and loss attributable to the Group-

The breakdown of the consolidated companies' contribution to pre-tax profit, including consolidation adjustments, for the 2022 and 2021 annual periods is as follows:

	Thousands of euro	
	2022	2021
Subsidiaries:		
ABANCA Corporación Bancaria, S.A.	199,930	258,498
ABANCA Corporación Industrial y Empresarial, S.L.U.	4,961	36,438
Espacios Termolúdicos, S.A.	2,238	(902)
Torres del Boulevard, S.L.U.	(30)	139
Laborvantage – Invetimentos Imobiliários e Turísticos Lda.	537	1,385
Jocai XXI, S.L.	14	20
ABANCA Corporación División Inmobiliaria, S.L.U.	19,383	8,043
Sogevinus, S.G.P.S., S.A.	6,256	4,595
ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A.U.	56,536	49,611
Ainvest Sentir Común, S.A. DE C.V., SOFOM, E.N.R.	(361)	118
ABANCA Servicios Financieros, E.F.C., S.A.	7,250	8,739
Other	17,921	5,367
	314,635	372,051
Associates		
ABANCA Generales de Seguros y Reaseguros, S.A.	(6,749)	(4,313)
Transmonbús, S.L.	69	350
Grupo Empresarial COPO, S.A.	1,248	(513)
Empresa Naviera Elcano, S.A.	1,438	1,782
Other	949	1,033
	(3,045)	(1,661)
	311,590	370,390

Distributable items

Based on the definition of "Distributable items" contained in article 4, paragraph 1, point 128 of CRR, as at 31 December 2022 ABANCA Corporación Bancaria, S.A.'s "Distributable items" totalled €1,482,360 thousand (€1,276,327 thousand as at 31 December 2021).

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.

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At the end of 2022, 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 Allariz, 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 Boulevard, 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 and 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 2022, the following companies are considered Group subsidiaries for VAT purposes:

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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 Invest, S.L. ABANCA Mediación Correduría de Seguros Generales, S.A. 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. Corporación Empresarial de Participaciones en Organizaciones de Galicia, 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. Torres del Boulevard, S.L.U.

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28.2 Reconciliation of accounting profit with taxable income

The reconciliation of accounting profit for 2022 and 2021 with the taxable income of the Consolidated Tax Group is as follows:

	Thousands of euro	
	2022	2021
Net profit for the reporting period	275,603	336,140
Income tax	35,987	34,250
Permanent differences	(130,170)	(141,796)
Temporary differences		
Originating in the reporting period	52,346	92,571
Originating in prior periods (net)	(105,115)	(52,583)
Consolidation differences	18,503	(18,425)
Tax base	147,154	250,157
Tax loss carryforwards	(27,959)	(62,539)
Tax base for the reporting period	119,195	187,618

When reconciling the consolidated accounting profit for 2022 and 2021 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 recorded in equity

Irrespective of income tax charged to the consolidated statement of profit and loss, in 2022 and 2021 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 €90,997 thousand recognised directly in equity as at 31 December 2022 (expense of €101,865 thousand as at 31 December 2021) (see the "Consolidated Statement of comprehensive income and expense").

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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 2022 and 2021, the breakdown of the items "Deferred tax assets" and "Deferred tax liabilities" in the consolidated balance sheet is as follows:

	Thousands of euro			
	2022		2021	
	Tax assets - deferred	Tax liabilities - deferred	Tax assets - deferred	Tax liabilities - deferred
Amortisation of goodwill arising from BNP branches	3,296	-	4,416	-
Allowance for pension fund (net)	100,453	-	108,828	-
Credit loss and impairment coverage	2,143,808	-	2,193,715	-
Foreclosed properties	552,468	-	553,161	-
Fixed-income and equity portfolios valuation adjustments	13,345	(3,444)	8,764	(32,225)
Adjustments arising from foreign branches	36,917	-	36,917	-
Accelerated depreciation and amortisation Royal Decree-Law 3/1993	-	(70)	-	(71)
Depreciation and amortisation of revalued assets	10,939	(18,122)	1,234	(14,377)
Adjustments to fair value of business combinations and other consolidation adjustments	-	(88,906)	-	(122,255)
Unused deductions	18,765	-	18,635	-
Tax credits, tax loss carryforwards	1,205,054	-	1,210,505	-
Other	59,223	(2,049)	55,898	(2,049)
Total	4,144,268	(112,591)	4,192,073	(170,977)
Recognised under the item "Deferred tax assets" and "Deferred tax liabilities"	3,505,120	(112,591)	3,482,021	(170,977)

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 —said accounting revaluation was performed in 2005, although its effects were included in the balances in the consolidated statement of financial position as at 31 December 2004 and presented under the entry relating to initial application of Circular 4/2004—, and the deferred fiscal liabilities arising on the business combinations of ABANCA Vida y Pensiones and ABANCA II Vida y Pensiones.

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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.

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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 2022. In 2022, deferred tax assets identified amount to €2,666,488 thousand (€2,685,474 thousand in 2021). 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 2022, 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 €35,828 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 (€34,250 thousand in 2021). 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.

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As at 31 December 2022 and 2021, the breakdown of deferred tax assets recognised in the consolidated balance sheet is as follows:

	Thousands of euro	
	2022	2021
Deferred tax assets qualifying for monetisation:		
On credit loss	2,038,246	2,055,998
On pensions	75,774	76,314
On foreclosed assets	552,468	553,162
Subtotal: Balance of deferred tax qualifying for monetisation	2,666,488	2,685,474
Deferred tax assets non qualifying for monetisation:		
Fixed-income and equity portfolios valuation adjustments	13,345	8,764
On business plan	786,884	729,626
On deferred tax liabilities with similar reinvestment deadline	20,241	16,497
On other consolidation adjustments	18,162	41,660
Subtotal: Balance of deferred tax not qualifying for monetisation	838,632	796,547
Total deferred tax assets recognised	3,505,120	3,482,021

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, as at 31 December 2022 this portion amounts to €2,666,488 thousand (€2,685,474 thousand as at 31 December 2021). 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. The plan considers a projected five-year period (2023 to 2027), 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 €838,632 thousand as at 31 December 2022 (€796,547 thousand as at 31 December 2021), which are in addition to the aforementioned assets convertible into receivables (deferred tax credits) of €2,666,489 thousand (€2,685,474 thousand as at 31 December 2021).

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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 €31,591 thousand in 2022 (€31,194 thousand in 2021).

b) Tax credits: tax deductions

Following calculation of the provision for corporate income tax for the year ended 31 December 2022, 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 €18,765 thousand. In 2021, tax credits amounted to approximately €18,635 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 2022 and 2021, after calculating the corporate income tax provision, the Tax Group has unused cumulative individual tax loss carryforwards amounting to €4,016,845 thousand and €4,035,016 thousand, respectively. When calculating the tax loss carryforwards for 2022 and 2021, 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 2022 or 2021.

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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 appealed this annulment. The Bank considered that the possibility of the appeal being upheld was remote, and has therefore decided not to recognise any provision.

Dated 2 February 2023, the CJEU entered a judgement on the above-mentioned appeal: the Court considers that the aid scheme was not intended to benefit the investors identified as beneficiaries in the Decision; rather, it had been essentially designed to transfer tax benefits to third-party entities. The Decision erred in law by limiting to investors the recovery of state aids, preventing that state aids from being recovered from other beneficiaries. Consequently, the CJEU annuls the order for recovery contained in the 2013 Decision, which was the legal basis for all the procedures for recovery of state aids initiated by Spanish tax authorities against investors. On light of this Judgment, the Bank has affirmed its decision not to recognise any provision whatsoever in this respect.

b) Transactions undertaken in 2021 that are 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 ("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 through 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.

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In this regard, although as of the date of execution the parties considered that the above-mentioned transaction could be eligible for the tax-neutral regime under Corporate Income Tax, the parties could not ultimately demonstrate to the competent tax authorities that the transaction did meet the requirements for eligibility to the special tax regime of Chapter VII, Title VII of CIT. This is why the tax-neutral regime has not been applied to this transaction.

c) 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:

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Originating Entity	Operation completed	Financial year	Thousands of euro	
			Carrying Amount of Securities Delivered	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 Sivs Solutions 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	-	-
ABANCA	Merger by acquisition of Bankoa, S.A.	2021	-	-

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.

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d) Article 135 of the Recast Corporate Income Tax Law - Accounting revaluations

Pursuant to the provisions of article 135 of Royal Legislative Decree 4/2004, of 5 March, which approved the Recast Corporate Income Tax Law (current Article 122 CIT Law), it is hereby stated that Caixa Galicia revalued part of its Property, plant and equipment in order to adjust them to fair value 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

e) Temporary levies on Financial Institutions and Specialised Credit Institutions

On 28 December 2022, Law 38/2022, of 27 December, establishing temporary levies on energy operators, credit institutions and specialised credit institutions, and creating the temporary solidarity tax on large fortunes, and amending certain tax provisions.

The law has introduced a non-tax levy of a public nature that credit institutions operating in Spain and whose fee and interest income in 2019 was no less than €800 million must mandatorily pay in 2023 and 2024.

The amount of the levy payable will be the result of applying a 4.8% percentage to the sum of net interest income and fee and commission income and expense arising from the activities conducted in Spain, as reported in the statement of profit and loss filed by the tax consolidation group to which the relevant credit institution belongs for the calendar year immediately preceding the year in which the levy payment obligation arises. The levy payment obligation arises on the first day of the calendar years corresponding to financial years 2023 and 2024. The date of the levy payment obligation coincides with the date of accounting accrual of the relevant expenditure.

The Bank and the Group have estimated that the impact on 2023 will amount to €39 million. Dated 20 February 2023, form 798 (corresponding to the advance payment of 50% of said levy) has been filed and an amount of €19.5 million has been paid.

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 2022 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.

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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 2022 and 2021 "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 (see Note 2.21).

Liabilities covered by insurance or reinsurance contracts:

As at 31 December 2022 and 2021 "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	
	2022	2021
Provisions for life insurance		
Provision for unearned premiums	27,921	27,015
Mathematical provision	782,578	586,928
Provision for life insurance where the investment risk is borne by the policyholder	681,881	672,422
Provision for claims	40,572	41,665
Provision for bonuses and rebates	816	1,824
Provisions for accounting mismatches	2,874	142,384
	1,536,642	1,472,238

The balance of this item consists solely of direct insurance.

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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 2022 and 2021, the breakdown of the maximum risk assumed by the Group in respect of financial guarantees is as follows:

	Thousands of euro	
	2022	2021
Bank guarantees and other indemnities	1,783,916	1,889,802
Irrevocable documentary credits	127,387	133,053
Credit derivatives sold	454,040	303,982
Other documentary credits	-	219,347
Other contingent commitments	121,690	331,499
Other	113,707	103,462
	2,600,740	2,981,145

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 2022, the Group has guarantees extended by third parties amounting to €100,520 thousand (€78,595 thousand as at 31 December 2021).

30.2. Assets pledged as collateral

As at 31 December 2022, the carrying amount of the Group's financial assets pledged as collateral for certain liabilities or contingent liabilities assumed by the Group totals €12,787,655 thousand (€13,218,798 thousand as at 31 December 2021) (see Notes 8 and 10).

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30.3. Loan commitments granted

As at the end of 2022 and 2021, the amounts available under the financing contracts extended by the Group are as follows:

	Thousands of euro	
	2022	2021
Immediately available:		
Credit cards	1,639,239	1,733,439
Public administrations sector	1,235,885	2,135,518
Other sectors	2,079,360	2,430,227
	4,954,484	6,299,184
Available subject to conditions:		
Public administrations sector	249,696	253,468
Other sectors	5,199,349	4,245,737
	5,449,045	4,499,205
	10,403,529	10,798,389

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 2022 and 2021 the breakdown of items not included in the balance sheet regarding customer funds managed by the Group is as follows:

	Thousands of euro	
	2022	2021
Investment funds (*)	8,339,636	9,085,595
Pension funds	1,752,393	1,891,073
Securities deposited by third parties (**)	5,273,188	5,209,591
Insurance products	1,824,048	1,513,545
	17,189,265	17,699,804

(*) As at 31 December 2022, the value of secured funds for which the Bank has provided a guarantee totals €745,061 thousand (€475,476 thousand as at 31 December 2020).

(**) As at 31 December 2022 and 2021, this item includes structured products amounting to €434,153 thousand and €415,790 thousand, respectively.

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30.4. Assets received as collateral

As at 31 December 2022 and 2021, the breakdown of assets received as collateral for loans over which the Group has the powers of disposal is as follows:

	Thousands of euro	
	2022	2021
Customer deposits pledged	204,075	348,643
Customer securities pledged	1,036,535	829,323
Investment funds shares/units pledged	129,579	140,198
	1,370,189	1,318,164

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 2022 and 2021 is as follows:

	Thousands of euro	
	2022	2021
Deposits in Central banks	75,843	87,151
Deposits in credit institutions	12,722	7,894
Loans and advances to customers	730,885	600,031
Debt securities	112,496	75,253
Non-performing loans	19,169	22,876
Rectification of income originating from accounting hedges (Note 11.1.3)	(32,797)	(24,965)
Deposits from Spanish Public Administrations	1,981	-
Other income (*)	26,305	25,403
	946,604	793,643

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The breakdown of the amounts recognised under the item "Interest income" in the accompanying consolidated statements of profit and loss for 2022 and 2021, by portfolio of financial instruments that originated them, is shown below:

	Thousands of euro	
	2022	2021
Financial assets at fair value through other comprehensive income	40,741	52,284
Financial assets at amortised cost	859,174	677,479
Financial assets held for trading	128	153
Rectification of income originating from accounting hedges (Note 11.1.3)	(32,797)	(24,965)
Interest income from liabilities	1,981	-
Other income (*)	77,377	88,692
	946,604	793,643

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 of the consolidated statements of profit and loss for 2022 and 2021 is as follows:

	Thousands of euro	
	2022	2021
Deposits from Central banks	13,192	5
Deposits from credit institutions	27,139	18,470
Deposits from customers	70,379	53,553
Debt securities issued	16,991	7,438
Other non-convertible securities	-	-
Subordinated liabilities	36,153	36,150
Rectification of costs originating from accounting hedges (Note 11.1.3)	(9,362)	(15,239)
Cost attributable to pension funds created (Note 23.a)	1,536	1,521
Other charges	20,848	17,597
	176,876	119,495

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

	Thousands of euro	
	2022	2021
Financial liabilities at amortised cost	165,014	116,843
Rectification of costs originating from accounting hedges (Note 11.1.3)	(9,362)	(15,239)
Other costs	21,224	17,890
	176,876	119,495

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 2022 and 2021 is as follows:

	Thousands of euro	
	2022	2021
Equity instruments classified as:		
Non-trading assets mandatorily at fair value through profit and loss (Note 9)	6,608	5,524
Financial assets at fair value through other comprehensive income (Note 9)	74	190
	6,682	5,714
Nature of capital instruments:		
Listed	1,406	1,646
Unlisted	5,276	4,068
	6,682	5,714

34. Share of profit and 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 2022 and 2021 is as follows:

	Thousands of euro	
	2022	2021
Associates:		
Grupo Empresarial COPO, S.A.	1,247	(513)
Transmonbús, S.L.	69	350
ABANCA Generales de Seguros y Reaseguros, S.A.U.	(6,749)	(4,313)
Empresa Naviera Elcano, S.A.	1,438	1,782
Other	950	1,033
	(3,045)	(1,661)

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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 2022 and 2021, broken down according to the main sources thereof, is as follows:

	Thousands of euro	
	2022	2021
Fee and commission income:		
Arising from guarantees and contingent commitments	27,166	25,199
Arising from collection and payment services	140,531	120,265
Arising from exchange of foreign currencies and banknotes	416	283
Arising from non-banking services	113,082	112,386
Arising from securities services	12,094	10,477
Other	42,306	37,391
	335,595	306,001

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 2022 and 2021, classified by the main sources thereof, is as follows:

	Thousands of euro	
	2022	2021
Fees and commissions assigned to other entities and correspondents	6,508	4,310
Other fees and commissions	47,365	44,166
	53,873	48,476

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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 and 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 and 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 and 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 and loss, net" includes the amount of gains and 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 2022 and 2021 is as follows:

	Thousands of euro	
	2022	2021
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit and loss, net	47,809	106,111
Gains or losses on financial assets and liabilities held for trading, net	14,896	12,067
Gains or losses from hedge accounting, net (Note 11)	(18,923)	(17,578)
Gains or losses on non-trading financial assets mandatorily measured at fair value through profit and loss, net	(11,525)	17,712
	32,257	118,312

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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 2022 and 2021 is as follows:

	Thousands of euro	
	2022	2021
Debt securities (Note 8)	47,732	108,249
Equity instruments (Note 9)	(22,091)	16,713
Derivatives	13,986	10,855
Other	(7,370)	(17,505)
	32,257	118,312

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 2022 and 2021 is as follows:

	Thousands of euro	
	2022	2021
Income from investment properties and operating leases (Note 14)	15,832	17,351
Sales and income from the provision of non-financial services	64,856	46,026
Other	31,714	17,719
	112,402	81,096

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 2022, €524,278 thousand were recognised under this item (€111,612 thousand in 2021).

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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 2022 and 2021 is as follows:

	Thousands of euro	
	2022	2021
Salaries and wages	295,043	275,605
Social Security contributions	73,787	73,397
Contributions to defined benefit plans (Note 23.a)	264	94
Contributions to defined contribution plans (Note 23.a)	10,933	10,200
Termination benefits (Note 23.a)	4,478	4,066
Other personnel expenses	14,101	12,293
	398,606	375,655

(*) As at 31 December 2022, €348 thousand relate to termination benefits paid by several Group companies that do not imply changes under "Pension funds and other similar obligations" (€306 thousand as at 31 December 2021).

The Group's average headcount in 2022 and 2021, distributed by professional category and gender, as well as the number of employees as at 31 December 2022 and 2021, are as follows:

Financial year 2022

	Average number of employees			Number of Employees at 31.12.2022	
	Men	Women	Total	Men	Women
Senior Management	13	1	14	13	1
Managers and Technicians	2,089	1,732	3,821	2,052	1,712
Other administrative and commercial personnel	842	1,391	2,233	866	1,431
Auxiliary personnel	53	28	81	53	28
	2,997	3,152	6,149	2,984	3,172

In addition to the figures presented in the tables above, as at 31 December 2022, Nueva Pescanova, S.L. and Real Club Deportivo de la Coruña, S.A.D. had 10,298 employees (6,175 men and 4,123 women) and 163 employees (138 men and 25 women), respectively.

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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.

As at 31 December 2022 and 2021, the Group had 73 employees with a disability rating of 33% or above.

In addition to the figures presented in the tables above, as at 31 December 2022, Nueva Pescanova, S.L. and Real Club Deportivo de la Coruña, S.A.D. had 97 and 1 employees with a disability rating of 33% or above, respectively (126 and 1 employees, respectively, as at 31 December 2021).

40. Other administrative expenses

The breakdown of this item of the consolidated statements of profit and loss for 2022 and 2021 is as follows:

	Thousands of euro	
	2022	2021
Property, fixtures and materials	29,238	28,344
Information technology	74,574	77,914
Advertising and publicity	44,456	29,845
Communications	16,813	15,059
Taxes	9,617	9,906
Outsourced administrative services	37,266	32,912
Legal expenses and attorney fees	6,936	4,559
Technical reports	12,179	12,789
Surveillance and security carriage services	6,320	6,121
Entertainment and personnel service expenses	4,733	2,931
Insurance premiums	4,661	3,660
Governing and control bodies	3,383	3,132
Other expenses	15,458	13,810
	265,634	240,982

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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 2022 and 2021, as follows:

	Thousands of euro	
	2022	2021
Statutory audit services	1,517	1,328
Other assurance services	553	513
Other	-	8
Total services invoiced by KPMG Auditores, S.L.	2,070	1,849

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 2022 and 2021, as follows:

	Thousands of euro	
	2022	2021
Audit services	394	407
Tax advice services	-	-
Other assurance services	9	40
Other services invoiced	191	372
	594	819

The amounts detailed in the tables above include the total fees for audit services rendered in 2022 and 2021, irrespective of the date of invoice thereof, while the fees for other services reflect services billed during 2022 and 2021.

External auditors, other than KPMG, invoiced the Group the following fees and expenses for professional services during the annual periods ended 31 December 2022 and 2021:

	Thousands of euro	
	2022	2021
Audit services	199	240
Other assurance services	-	59
Tax advice services	227	138
Other services invoiced	6,662	6,594
	7,088	7,031

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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 2022 and 2021 is as follows:

	Thousands of euro	
	2022	2021
Contribution to Deposit Guarantee Fund and Resolution Fund (Note 1.8)	89,482	76,620
Investment property expenses (Note 14)	1,717	1,899
Other	47,863	48,841
	139,062	127,360

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 €20,347 thousand (€19,632 thousand in 2021) relating to sales and income from the provision of non-financial services.

"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 2022, €470,728 thousand were recognised under this item (€76,233 thousand in 2021).

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 2022 and 2021 is as follows:

	Thousands of euro	
	Gains / (Losses)	
	2022	2021
On disposals of tangible assets	3,444	6,091
On disposals of investments	528	-
Other	(483)	(6,144)
	3,489	(53)

As at 31 December 2022 and 2021, 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).

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43. Related Parties

The balances recognised in the consolidated balance sheet and in the consolidated statement of profit and loss in 2022 and 2021 originating from transactions carried out with related parties, other than those included in the relevant Note, are as follows:

	Thousands of euro			
	2022			
	Senior Management and Board of Directors	Associates	Joint Ventures	Other related parties
ASSETS:				
Deposits in credit institutions	-	-	-	11,277
Loans and advances to customers	3,818	38,286	-	127,021
Of which:				
<i>Repayments, cancellations and recognitions during the period</i>	648	10,784	-	9,597
<i>Grants, drawdowns and derecognitions during the period</i>	574	16,029	-	39,782
Other assets	-	-	-	-
LIABILITIES:				
Deposits in credit institutions	-	-	-	-
Deposits from customers	7,177	20,054	-	310,018
GAINS AND LOSSES:				
Debit				
Interest expense	20	-	-	233
Fee and commission expense	-	5	-	28
Credit				
Interest income	38	1,383	-	2,338
Fee and commission income	45	202	-	117
MEMORANDUM ACCOUNTS	1,094	11,809	-	25,672

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	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:				
<i>Repayments, cancellations and recognitions during the period</i>	522	8,139	-	2,965
<i>Grants, drawdowns and derecognitions during the period</i>	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

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).

The counterparty in the purchase of Imantia Capital S.G.I.I.C. by the companies Abanca Corporación Bancaria, S.A. and Abanca Corporación Industrial y Empresarial, S.L.U. disclosed in Note 5 above was a Director of ABANCA Corporación Bancaria, S.A.

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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.

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44.3. Segment reporting

The following tables show the information by business segment:

Financial year 2022

	Thousands of euro			
	Retail banking	Wholesale banking	Non-financial subsidiaries	Total
Net interest income	747,544	(926)	23,110	769,728
Dividend income (Note 33)	-	6,682	-	6,682
Share of profit and loss of equity-accounted investees (Note 34)	-	-	(3,045)	(3,045)
Fee and commission income and expense (Notes 35 and 36)	264,629	-	17,093	281,722
Gains or losses on financial assets and liabilities (Note 37) (*)	-	34,597	(2,340)	32,257
Exchange differences, net	(40)	(199)	56	(183)
Other operating income and expenses (Notes 38 and 41) (**)	(96,782)	36,444	87,228	26,890
Gross margin	915,351	76,598	122,102	1,114,051
Personnel expenses (Note 39)	(365,660)	(14,617)	(18,329)	(398,606)
Other administrative expenses, depreciation and amortisation	(289,986)	(21,435)	(44,103)	(355,524)
Provisions or reversal of provisions, and impairment or reversal of impairment on financial assets not measured at fair value through profit and loss	(52,607)	(1,231)	-	(53,838)
Net Operating Income	207,098	39,315	59,670	306,083
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	(2,764)	(4,057)	321	(6,500)
Gains or losses on derecognition of non-financial assets, net (Note 42)	(58)	3,561	(14)	3,489
Negative goodwill recognised in profit and loss	-	-	-	-
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	20,814	(12,296)	-	8,518
Profit before tax from continuing operations	225,090	26,523	59,977	311,590

(*) Includes gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit and 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 and 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.

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	Thousands of euro			
	Retail banking	Wholesale banking	Non-financial subsidiaries	Total
Total Assets	45,758,731	27,669,714	2,622,327	76,050,772
Total Liabilities	48,892,105	24,588,274	2,570,393	76,050,772
Pooling	(3,133,374)	3,081,440	51,934	-

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 and 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 and 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 and 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 and 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 and 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.

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	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)	-

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 monitored by the Comprehensive Risk Management Department, 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 and monitor 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.

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With regards to liquidity risk, the Bank considers the impacts of ESG Risks from a dual perspective: i) From the perspective of the direct impacts arising from ESG risk, both from transition risk and from physical risks; ii) From the perspective of financing difficulties that may result from failure to meet ESG expectations or from the Bank's worse approach/benchmarking with regards to that risk compared to the Industry as a whole. In this respect, the Bank assesses the materiality of this risk and any eventual impacts arising therefrom: i) by evaluating the composition of the Bank's liquidity buffer and its sensitivity to ESG risk (impairment of market value, larger haircuts, etc.); ii) by evaluating the effects that may arise from materialisation of this risk in terms of deposits/cash loss; iii) by analysing the industry's conduct in making strategic financing decisions that are influenced by the Bank's approach to ESG risk management expectations and the related resulting financing difficulties, as well by assessing the exposure at risk (funding through wholesale deposits, funding in financial and collateral markets, funding in capital markets, etc).

The Bank's current proactive management and control of ESG risk, as well as the existence of a roadmap for the fulfilment of ESG expectations, the structure of its buffer of liquid assets and its limited exposure to wholesale markets enable the Bank to mitigate and maintain an immaterial exposure to ESG risk from the perspective of impact on liquidity in the short to medium term.

The breakdown, by maturity period, of the different items of the consolidated balance sheet as at 31 December 2022 and 2021 in a "normal market conditions" scenario is as follows:

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As at 31 December 2022-

	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)	8,581,607	407,844	476,540	101,545	-	-	9,567,536
Loans and advances to customers (Note 10)	580,886	1,708,361	2,645,327	6,348,927	19,151,785	14,732,174	45,167,460
Fixed income portfolio (Note 8)	-	10,097	-	2,016,072	4,386,003	6,482,145	12,894,317
Financial assets held for trading	-	-	-	-	-	-	-
Non-trading financial assets mandatorily at fair value through profit and loss	-	-	-	-	-	96,863	96,863
Financial assets at fair value through other comprehensive income	-	-	-	188,774	33,071	1,697,976	1,919,821
Financial assets at amortised cost	-	10,097	-	1,827,298	4,352,932	4,687,306	10,877,633
Equity portfolio (Note 9)	-	-	-	-	-	183,750	183,750
Non-trading financial assets mandatorily at fair value through profit and loss	-	-	-	-	-	162,666	162,666
Financial assets at fair value through other comprehensive income	-	-	-	-	-	21,084	21,084
Investments in joint ventures or associates (Note 13)	-	-	-	-	-	162,287	162,287
Trading derivatives (Note 11)	470,919	-	-	-	-	-	470,919
Insurance contracts linked to pensions (Note 23)	30,122	-	-	-	-	-	30,122
Assets covered by insurance or reinsurance contracts (Note 29)	5,584	-	-	-	-	-	5,584
Derivatives – hedge accounting (Note 11)	870,890	-	-	-	-	-	870,890
Non-current assets and disposal groups classified as held for sale (Note 12)	1,307,664	-	-	-	-	-	1,307,664
Tangible assets (Note 14)	1,190,236	-	-	-	-	-	1,190,236
Intangible assets (Note 15)	461,361	-	-	-	-	-	461,361
Tax assets (Note 28)	-	-	-	-	-	3,527,442	3,527,442
Other assets (Notes 16 and 17)	211,204	-	-	-	-	-	211,204
Total as at 31 December 2022	13,710,473	2,126,302	3,121,867	8,466,544	23,537,788	25,087,798	76,050,772
LIABILITIES:							
Deposits from Central Banks and credit institutions (Note 18)	-	2,509,148	913,857	7,231,592	1,179,763	104,038	11,938,398
Deposits from customers (Note 19)	41,432,631	3,355,051	1,579,364	4,807,197	1,143,412	200,876	52,518,531
Debt securities issued (Note 20)	-	-	-	238,680	1,485,475	1,086,919	2,811,074
Other financial liabilities (Note 22)	329,073	-	-	-	-	-	329,073
Trading derivatives (Note 11)	461,503	-	-	-	-	-	461,503
Derivatives – hedge accounting (Note 11)	523,249	-	-	-	-	-	523,249
Liabilities covered by insurance or reinsurance contracts (Note 29)	1,597,550	-	-	-	-	-	1,597,550
Provisions (Note 23)	312,380	-	-	-	-	-	312,380
Other liabilities and tax liabilities (Notes 24, 28 and 12.2)	1,143,661	-	-	-	-	-	1,143,661
Equity (Notes 25, 26 and 27)	-	-	-	-	-	4,415,353	4,415,353
Total as at 31 December 2022	45,800,047	5,864,199	2,493,221	12,277,469	3,808,650	5,807,186	76,050,772

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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 and 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 and 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

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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 2022 and 2021, together with their respective carrying amounts at those dates, is as follows:

As at 31 December 2022-

	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)	9,567,536	9,567,536
Loans and advances to customers (Note 10) -		
<i>Financial assets at amortised cost</i>	45,167,460	46,150,546
<i>Non-trading financial assets mandatorily at fair value through profit and loss</i>	-	-
Fixed income portfolio (Note 8) -		
<i>Non-trading financial assets mandatorily at fair value through profit and loss</i>	96,863	96,863
<i>Financial assets at fair value through other comprehensive income</i>	1,919,821	1,919,821
<i>Financial assets at amortised cost</i>	10,877,633	10,199,519
<i>Financial assets held for trading</i>	-	-
Equity portfolio (Note 9) -		
<i>Non-trading financial assets mandatorily at fair value through profit and loss</i>	162,666	162,666
<i>Financial assets at fair value through other comprehensive income</i>	21,084	21,084
Derivatives held for trading (Note 11)	470,919	470,919
Derivatives – hedge accounting (Note 11)	870,890	870,890
Liabilities:		
Deposits from Central Banks and Credit Institutions (Note 18)	11,938,398	11,892,858
Deposits from customers (Note 19)	52,518,531	49,081,584
Debt securities issued (Note 20)	2,811,074	2,726,175
Other financial liabilities (Note 22)	329,073	329,073
Derivatives held for trading (Note 11)	461,503	461,503
Derivatives – hedge accounting (Note 11)	523,249	523,249
Non-current liabilities and disposal groups classified as held for sale (Note 12)	702,029	702,029

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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) -		
<i>Financial assets at amortised cost</i>	45,982,385	48,842,813
<i>Non-trading financial assets mandatorily at fair value through profit and loss</i>	-	-
Fixed income portfolio (Note 8) -		
<i>Non-trading financial assets mandatorily at fair value through profit and loss</i>	1,037	1,037
<i>Financial assets at fair value through other comprehensive income</i>	5,420,664	5,420,664
<i>Financial assets at amortised cost</i>	8,138,342	8,256,689
<i>Financial assets held for trading</i>	-	-
Equity portfolio (Note 9) -		
<i>Non-trading financial assets mandatorily at fair value through profit and loss</i>	144,793	144,793
<i>Financial assets at fair value through other comprehensive income</i>	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

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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.

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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 2022 and 2021, excluding valuation adjustments, as well as their annual average interest rates, is as follows:

As at 31 December 2022-

	Thousands of euro							Average annual interest rate ⁽¹⁾
	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 and other demand deposits (Note 6)	8,581,607	-	-	-	-	-	8,581,607	2.07%
Deposits in credit institutions (Note 7)	-	407,844	476,540	101,545	-	-	985,929	1.27%
Loans and advances to customers (Note 10)	580,886	1,709,803	2,645,327	6,348,927	19,151,785	15,728,814	46,165,542	2.31%
Debt securities (Note 8)	-	8,258	-	927,904	4,227,934	8,293,726	13,457,822	1.36%
	9,162,493	2,125,905	3,121,867	7,378,376	23,379,719	24,022,540	69,190,900	
LIABILITIES:								
Deposits from Central Banks and credit institutions (at amortised cost) (Note 18)	-	2,481,800	905,692	7,393,456	1,196,949	102,888	12,080,785	1.70%
Deposits from customers (at amortised cost) (Note 19)	41,378,243	3,350,314	1,577,134	4,800,411	1,141,798	200,592	52,448,492	0.25%
Debt securities issued (at amortised cost) (Note 20)	-	-	-	250,000	1,525,000	1,169,400	2,944,400	4.58%
	41,378,243	5,832,114	2,482,826	12,443,867	3,863,747	1,472,880	67,473,677	

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

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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.

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 Policies, 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.

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- Control of emerging risks, such as ESG risk.

The Group's organisational model for risk control and management follows the guidelines issued by the Basel Committee on Banking Supervision (BCBS), establishing a cross-cutting approach to risk management that encompasses the entire organisation and consist of three distinct lines of defence:

- o **First line of defence:** management and control performed by the Group's units, understood as Business Units and the Credit Unit. Those units are responsible for managing and monitoring risks in accordance with the Entity's risk strategy defined through risk policies and regulations, in order to ensure that risk appetite and the authorised risk limits are not exceeded. Thus, this first line of defence comprises the activity primary controls. This is the first line of defence within the sphere of ESG, Social Responsibility, Sustainability and Communication risks.
- o **Second line of defence:** encompasses control duties that are performed, independently, globally and in accordance with a comprehensive risk management by the General Division of Corporate Control and Risks and by the General Division of Corporate Governance and Legal Affairs, and relate to the Bank's entire risk typology. From this line of defence, policies and regulations are submitted to Governance Bodies for approval, subsequent implementation and communication to the first line of defence for application thereof in risk management. Policies and regulations are, therefore, defined on the basis of the Entity's risk strategy and always in compliance with the continuous regulatory requirements. Following implementation, compliance with these policies and regulations is monitored by controlling the first line of defence's management of risks; monitoring reports are regularly submitted to Governance Bodies and, if deviations are identified, the appropriate corrective measures are proposed to ensure adherence to previously defined criteria. This line of defence monitors the effective control of risks and ensure that all risks are managed in accordance with the strategy defined in the approved risk appetite framework, in order to achieve the target risk profile.

Within the sphere of ESG risks, the General Division of Corporate Control and Risk and the General Division of Corporate Governance and Legal Affairs are responsible for, on the one hand and acting through the various Units specialising in each risk, generating technical knowledge on and embedding ESG factors in risk management (a risk management that is cross-cutting given that climate risk is a Risk driver for other traditional risks), and, on the other hand, disseminate information relating to those risks.

- o **Third line of defence:** supervisory functions performed by the Internal Audit Department. As the last line of defence, Internal Audit is responsible for regularly assessing whether the policies, approaches and procedures are adequate, and, for verifying that said policies, approaches and procedures are effectively implemented. This line of defence controls both the first line of defence activity, monitoring its compliance with the policies, standards and procedures defined by the second line of defence, and the second line of defence, monitoring regulatory compliance and the correct implementation of any decisions made by the Entity's Governance Bodies. Thus, Internal Audit is responsible for ensuring that policies, approaches and procedures are adequate, effectively implemented and regularly revised. With regards to climate and environmental risks, management of climate risk is being gradually assumed by the third line of defence.

With this model, the Group seeks to ensure an adequate management of traditional risks, which include climate change (risks) as a driver, and to focus the Entity on banking best practice by promoting a risk culture throughout the entire organisation, gradually including climate change risks as drivers for traditional risks, as well as a comprehensive management of risks (credit, market, liquidity, interest rate, operational, security and continuity...) that ensures the Entity's solvency and resilience in accordance with the Risk Profile as defined by the Governance Bodies.

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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, reputational, 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.

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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.

Within the sphere of capital planning, ESG risks are considered as a risk driver for all traditional risk types. In this regard, climate risk are already being included in all risk types presented in ICAAP 2022, and is considered in assessing the materiality of those risks. In 2023 the same approach is being applied, by further delving into the methodologies applied for quantification of those risks.

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. The Group includes, as part of its set of RAF indicators, a number of indicators intended to monitor ESG risk in different areas (business, credit and market); those indicators are monitored in accordance with the governance defined in the risk appetite framework.

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 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, the Resolution Plan and the Basel Pillar III Disclosure Report.

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.

Since the Entity has included the management of climate and environmental risks as emerging risks, which in turn are considered as drivers for traditional risks, risk control function's duties relating to the second line of defence and encompassing independent control performed in accordance with a comprehensive management of risks, now also take into account climate and environmental risks.

In order to achieve it, each area from the General Division of Corporate Risk Control is responsible for managing, assessing and mitigating the impact from climate risk as a risk driver for the traditional

risk in which that area specialises; the Entity thereby ensures that a complete and effective revision of the impacts from climate and environmental risks is performed.

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.

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- 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 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.
- Coordination, management and control of climate risk as a risk driver for credit risk.

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.

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- 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.

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Capital and Solvency

The Comprehensive Risk Management Area includes the Capital and Solvency Unit whose primary responsibility is monitoring the entity's solvency level and 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 Pillar III (Prudential Disclosure) coordinating the necessary preparations for compliance therewith and preparation of Capital Planning for compliance with Pillar 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, including climate risk stress tests.
- Providing advice to ABANCA subsidiaries in assessing the impact of Solvency on their respective strategies.

In July 2018 the Bank 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 Entity'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.

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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:

- Supervising implementation, correct operation and results, and issuing recommendations relating to model development and parameter calibration and estimation.
- Reviewing changes to the model, including the classification thereof by materiality and logical basis, considering the levels of change defined in accordance with the policy of material changes from time to time approved by the Entity.
- Reviewing the model tiering proposed by the 1st line of defence for each model.
- Supervising the calculation of eligible elements, the calculation of capital requirements and solvency ratios, as well as reviewing the internal capital adequacy assessment.
- Monitoring the progress of any recommendations issued and weaknesses identified by the 2nd and 3rd lines of defence and by the Supervisory Authority.
- Supervising regulatory compliance, fulfilment of regulatory expectations and compliance with policies and guidance.
- Providing the Models Committee with an independent opinion on models' adequacy and uses.
- Performing annual revisions of the model inventory and monitoring any changes introduced by the 1st line of defence.
- Backtesting the parameters estimated for PD, LGD and EAD with the frequency laid down in the Guide to Model Validation, and reviewing the backtesting performed by the 1st line of defence only when Validation had not performed its own backtesting and the review is based on the 1st line of defence revision.
- Defining and updating the Internal Validation Framework.
- Coordinating with Internal Audit as 3rd line of defence.

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

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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 various Recoveries Management units (Past-dues, Mass, Specialised, External) ensure that management procedures and actions with each debtor are adjusted to that debtor's risk profile and policies, while being aligned to the different stages of the life cycle of default, from occurrence to extinction.

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Recovery Principles:

- Anticipation. An early management, even prior to occurrence of a default, in which the causes of financial difficulties are accurately identified, is essential to prevent the occurrence of a default and, where appropriate, to recover the defaulted amounts by selecting the actions more appropriate to each situation.
- Monitoring and Control. The borrower, the products and the applicable action and contingency plans are thoroughly analysed, to ensure that the more appropriate recovery levers are always applied.
- Prevention and Assessment of Urgency. Special attention will be given to those cases in which causes for early termination of the transaction may concur, and the transaction will be terminated if termination contributes to the defence of the Entity's interest.
- Comprehensive Risk and Customer Management. Understood in a dual aspect (customer centred vision)
 - Proactive management during the entire life of the default.
 - Global management oriented to the correct payment of all the transactions of a same customer.
- Prioritisation. As a general rule, the management of unsecured exposures or on a trust basis is prioritised over the management of mortgage loan payment defaults, and effective measures for recovery thereof are coordinated. As a reference value, recovery actions shall at all times intend to eliminate or, where elimination is not possible, reducing and, in any case, outperforming the expected loss,

Organisation:

The Recoveries Department is organised into several management units to ensure that NPLs management procedures and actions with each debtor are adjusted to that debtor's risk profile and policies, while being aligned to the different stages of the life cycle of default.

1. Past-due Management: this unit provides support to the branch network's management of early defaults for customers classified as stage 1 or 2, performing or with minor weaknesses.

Main lines of action: anticipation, containment of 30-days past due amounts, and preventing reclassification to non-performing.

With regards to anticipation, the primary goal is to prevent the occurrence of defaults, paying special attention to risk policies and alerts and coordinating information with the commercial network,

If the amount continues past due for an extended period, actions will be oriented to prevent reclassification to non-performing on calendar grounds or on any other grounds provided for in Annex IX and EBA regulations.

During this stage, attention will be mainly focused on cash recovery and on the analysis of the underlying difficulties to assess the situation (financial position, source of difficulties, expectations, collaterals, customer cooperation and attitude...) and determine the more appropriate solutions considering the type of difficulties (circumstantial or structural).

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A correct diagnosis of difficulties, anticipation, and a comprehensive management of customer risks, paying attention to all indicators and early warnings, are essential to offer solutions that are valid for both the customer and the Entity in order to maintain the customer's performing classification, to prevent and/or minimise impairment, to improve the Entity's position and to exhaust all available regulatory options that prevent the customer's reclassification to non performing.

2. Mass Recoveries and Specialised Recoveries When impairment is serious and customers are reclassified to stage 3:

- Mass Recoveries, for the management of retail and companies NPLs portfolios.
- Companies Specialised Recoveries, for the management of individually material NPLs.

Recoveries managers will be responsible for selecting recovery levers appropriate for each case:

- If there are expectations of normalisation, cash strategies enabling the cure of the default within the shortest possible delay will be applied.
- If there are no expectations of normalisation/restructuring considering the customer's financial position, termination strategies will be applied. Debtor's cooperation will be essential in applying measures for the sale/marketing of assets and, eventually, to ensure a peaceful recognition of assets without occupants.

Where the debtor does not cooperate, or where the terms requested by debtor are not acceptable, legal actions will be taken.

The selection of recovery levers will be based on efficiency, cost and benefit criteria, and will always seek to minimise the loss and to outperform the expected loss (LGD).

3. External Management, whose purpose is to increase efficiency in the recovery of non performing and written-off amounts in smaller transactions (< €15,000), coordinating the dunning actions for NPLs and performing customers (natural persons) implemented by external companies to which past-due amounts files are sent daily. Unlike Mass and Specialised Recoveries managers, external managers mainly supervise collections by external companies.

This is a dynamic model that seeks to ensure consistency between the policy for customer monitoring, management of defaults and accounting classification, in order to ensure that the more adequate procedures and actions are applied in each case (collection, refinancing, termination...).

Functions:

- Past-due Unit:
 - Coordination with, and support to the Commercial Network in managing the early stages of default.
 - Anticipation of comprehensive solutions to prevent the occurrence/recurrence of default.
 - Maintaining the investment portfolio in Stage 1, limiting reclassification to Stage 2 (Special Monitoring) and preventing reclassification to Stage 3.
 - Management of individualised non performing loans. Reducing the portfolio under Special Monitoring.

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- Management based on warnings and customer risk policies (Anticipation / prevention / improvement).
- Mass / Specialised:
 - Reducing Non Performing / Write-off Balance (cash collection, forbearance, sale to third party, purchase of assets, debt release, sale of exposure, extrajudicial solutions, initiation of Legal Recovery).
 - Management of procedure loss calendar test / carryforward / subjective non performing, ensuring appropriate payment terms, obtaining documenting and proposing forbearance.
 - Refinancing with contribution of cash and/or collaterals.
 - Negotiation of extrajudicial solutions that maximise recovery and reduce expected loss.
 - Management and supervision of the Code of Good Practice.
 - Coordination with Pre-litigation and Litigation Management departments.
 - Management of ICO Loans.
 - Bankrupt customers, communication with Bankruptcy Receivers and creditors under the supervision of the Bankruptcies Department.
 - After-sale management of portfolios of securitised loans.
- Management of externals:
 - Management of the outsourced portfolio of defaulted loans.
 - Supervision of external companies' collection activities.
 - Reduction of the Non-Performing / Write-off balance in the portfolio (cash collection, debt release, extrajudicial solutions...).

III. General Sales Division

This General Division is responsible for the process of generating loans and receivables within the Retail Banking, Business Banking, SMEs and Sector Banking commercial networks in Spain.

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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

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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 Executive 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.

Tools facilitating climate risk assessment have been included in credit origination. Work is ongoing on automated tools that will enable rating the historical portfolio. In this regard, it should be also noted that all transactions approved by the Executive Risk Commission include an assessment of eligibility in accordance EU Taxonomy (Commission Delegated Regulation 2021/2139), as well as an initial alignment approach (compliance with Screening Criteria). Supplementary, the physical and transition risks of the financed activity are also assessed. 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, authorising the system of control limits defined and regularly monitoring compliance therewith, as well as for defining 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. With regards to management of ESG risks, as with any other risk types, Abanca's Comprehensive Risk Commission will provide the Board of Directors with advice on the Company's current and future global risk appetite (including environmental and climate risks) and on the relevant strategy, and will assist the Board in monitoring the implementation of that strategy.

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- 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

This circuit is intrinsically linked to the life cycle of default.

- 0 to 90 days: Past-dues management, assisted by external managers to increase efficiency in the recovery of less significant amounts, provides support to the relevant Business Unit
- 90 onwards, or earlier if debtor is reclassified to non performing for other reasons: the debt is transferred to the specialised management of recoveries managers. Customers and contracts are kept in the relevant portfolio while litigation is prepared, in order to maximise the efficiency of the recovery process and to maximise economic recovery.
- 90 to 150 days: Pre-litigation management, during this stage the portfolio is prepared and optimised for litigation.
- Over 150 days: Legal management, for the purpose of optimising legal procedures and minimising the financial impact stemming from debts not settled.

The recovery process, with the complexity inherent to its nature, is normally a dynamic process due to the various concurring factors.

In assessing the situation, the manager shall weight the background, the situation and the expectations to select the appropriate lever to achieve the optimum solution in each case.

Once determined, the action plan will be subject to monitoring and, where appropriate, reformulated. Occasionally, the manager will need to apply simultaneously several levers to achieve the desired goal (a sale may coexist with a legal claim, which will act as deterrent to ensure the customer's cooperation, and, where appropriate, may be supplemented with a partial release to achieve an optimum economic result).

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Resilience to different situations and milestones, as well as regular contacts with debtors must be a constant practice to achieve valid solutions.

It will always be important to seek, in parallel to legal actions, extrajudicial agreements in order to achieve the best possible result in terms of economic recovery.

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.

Management of climate risk as a driver for credit risk.

Due to the increasing significance that ESG risk is gaining in all risk types, the Bank deems necessary to include an explanation of how this risk is managed within the sphere of credit risk.

As previously stated, the Group has included the management of climate and environmental risks as a specific risk factor impacting on the other traditional risks; consequently, each area from the General Division of Corporate Risk Control is responsible for managing, assessing and mitigating the impact from climate risk as a risk driver for the traditional risk in which that area specialises.

In assessing the impact from climate risk on credit risk, climate risk is considered in all stages of the lending process and in monitoring the portfolios' risks. Climate factors have been included in the process for the origination and assessment of transactions, and a climate risk assessment is performed on customers with greater exposure to transition risk. This model is expected to apply to the Group's entire origination process, and work is ongoing on automated tools that will enable rating the historical portfolio.

There are four main drivers: i) customer mapping and segmentation, on the basis of the portfolio exposure to climate risk and on whether this exposure is considered strategic; this will serve a starting point for the definition of sector policies and KPIs; ii) portfolio monitoring; iii) portfolio revision; and iv) data and sources of information. This is a dynamic and continuously evolving process and, consequently, the Bank:

- 1) Has developed an internal tool based on the EU's taxonomy of environmental activities; this tool is applied in larger transactions that are escalated to the Executive Credit Commission.
- 2) Additionally, in order to achieve this risk rating not just for newly originated transactions, but also for the bulk of the historical portfolio, Abanca is currently working in integrating an automated tool for ESG risk rating that will produce for each customer a scoring based on the information (both internal and external) available on that customer and on a number of specific variables according to that customer's activity.

The Entity's goal is to further progress to collect more and better information on its customers that will enable the Entity to improve customer segmentation according to risks. This is the reason why the Entity has also prepared:

- 3) An admission climate questionnaire allowing to assess, from the perspective of the transaction and the customer, climate and environmental variables to identify any physical and transition risks. This questionnaire only applies for customers from sectors that have been identified as with a greater sensitivity to transition risk, and
- 4) a strategic matrix to improve customer segmentation based on industrial sector. The matrix considers 6 main categories (sector without impact, priority sectors, sectors with some potential, transitioning sectors, transitioning sectors with high emissions and hazardous sectors).

The Group's goal is to move down from the sector sphere to the activity sphere and, ultimately, to be able to discriminate ESG risks and opportunities by customer.

In any case, the Group continues to constantly develop its tools and capacities for assessing climate and physical risks, and integrating best practices to its processes throughout the credit management cycle.

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It should also be noted that, following the analysis of the impact from ESG risks on traditional risks, in 2022 specific ESG risk indicators were incorporated into the Risk Appetite Framework.

On that basis, and based on the materiality of ESG risks, a number of specific ESG risk indicators have been included in the assessment of credit risk. In this regard, it should be noted that this is a series of indicators considered from a progressive approach, it is understood that calculation of those indicators will gradually evolve along with advancements in ESG risk management, in order to achieve a greater degree of detail and depth.

In this initial phase, the objective of including those indicators is their monitorisation. Similarly, ESG indicators have been included in the scorecards for the management of other traditional risks.

Currently, work is ongoing in calibrating those indicators towards approval thereof in 2023 RAF.

Following the monitoring of various climate risk indicators, work is currently ongoing in the definition of credit risk limits for the loans and receivables portfolio. These limits will be based on the decarbonisation targets the Entity has established for certain sectors, which, in turn, will serve as starting point for the coming definition of sector policies.

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48.2. Maximum risk exposure level

The following table shows the maximum credit risk exposure level assumed by the Group as at 31 December 2022 and 2021 for each type of financial instrument, without deducting collaterals or any other credit enhancements received to ensure repayment by borrowers:

As at 31 December 2022-

	Financial assets at fair value through profit and loss			Financial assets at fair value through other comprehensive income	Financial assets at amortised cost and other demand deposits	Memorandum Accounts	Total
	Financial assets held for trading	Non-trading financial assets mandatorily at fair value through profit and loss	Other assets				
Debt instruments:							
Deposits in credit institutions	-	-	-	-	-	-	-
Marketable securities	9,886	999	-	852,514	10,877,633	-	11,741,032
Loans and advances	-	-	-	-	46,293,988	-	46,293,988
Total debt instruments	9,886	999	-	852,514	57,171,621	-	58,035,020
Guarantees extended:							
Financial guarantees	-	-	-	-	-	506,859	506,859
Other guarantees extended	-	-	-	-	-	1,996,731	1,996,731
Total guarantees extended	-	-	-	-	-	2,503,590	2,503,590
MAXIMUM EXPOSURE LEVEL TO CREDIT RISK	9,886	999	-	852,514	57,171,621	2,503,590	60,538,610

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As at 31 December 2021-

Type of instrument	Thousands of euro							
	Asset balances						Memorandum Accounts	Total
	Financial assets at fair value through profit and 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 and loss	Other assets					
Debt instruments: Deposits in credit institutions Marketable securities Loans and advances Total debt instruments	- - - -	- 1,037 -	- - -	- 4,558,019 -	- 8,138,342 47,084,252	- - -	- - -	- 12,697,398 47,084,252
Guarantees extended: Financial guarantees Other guarantees extended Total guarantees extended	- - -	- - -	- - -	- - -	- - -	- - -	431,314 2,222,255 2,653,569	431,314 2,222,255 2,653,569
MAXIMUM EXPOSURE LEVEL TO CREDIT RISK	-	1,037	-	4,558,019	55,222,594	-	2,653,569	62,435,219

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.

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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 2022 and 2021 is as follows:

Financial year 2022

	Thousands of euro							Total
	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	
Deposits in credit institutions	-	-	411,679	-	-	-	-	411,679
Marketable securities	-	-	-	-	2,793,271	-	-	2,793,271
Loans and advances	18,481,721	264,496	316,168	475,554	324,660	1,936,363	-	21,798,962
Debt instruments	18,481,721	264,496	727,847	475,554	3,117,931	1,936,363	-	25,003,912
Guarantees extended	-	39,174	2,048	627	-	15	-	41,864
Other exposures	-	531,373	-	-	-	-	-	531,373
Total covered amount	18,481,721	835,043	729,895	476,181	3,117,931	1,936,378	-	25,577,149

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Financial year 2021

	Thousands of euro							Total
	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	
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

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.

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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.

With regards to ESG risks, it should be noted that the Entity considers Environmental, Social and Governance (ESG) as key factors in the process of risk assessment and decision-making. Although ESG risk is not directly considered in the assessment of structural interest rate risk in the banking book, it is considered as a market risk for the investment and trading portfolios.

The table below shows the Group's level of exposure to interest rate risk as at 31 December 2022 and 2021 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 2022-

	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	7,362	10,365	15,688	4	1	-	-	-
With fixed interest rate	10,203	2,198	3,478	2,898	2,989	2,237	1,588	4,465
	17,565	12,563	19,166	2,902	2,990	2,237	1,588	4,465
Financial Liabilities								
With variable remuneration rate	8,291	824	4	-	-	-	-	-
With fixed interest rate	20,314	3,734	8,535	3,112	5,991	953	5,505	9,359
	28,605	4,558	8,539	3,112	5,991	953	5,505	9,359
Expressed in foreign currencies:								
Financial assets								
With variable remuneration rate	486	341	201	4	1	-	-	-
With fixed interest rate	170	160	293	124	43	35	38	161
	656	501	494	128	44	35	38	161
Financial Liabilities								
With variable remuneration rate	-	-	38	-	-	-	-	-
With fixed interest rate	265	112	828	67	49	-	42	79
	265	112	866	67	49	-	42	79
Total Assets	18,221	13,064	19,660	3,030	3,034	2,272	1,626	4,626
Total Liabilities	28,870	4,670	9,405	3,179	6,040	953	5,547	9,438

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	Millions of euro							
	Term to Review of effective interest rate or to maturity							
	Up to 1 Month	Between n 1 and 3 Months	Between n 3 Months and 1 Year	Between n 1 and 2 Years	Between 2 and 3 Years	Between n 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

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 2022, 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.

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- 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 2022 and 2021 is as follows:

	Thousands of euro			
	2022		2021	
	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	74,139	367,990	63,890	904,453
200 b.p. reduction of Euribor	(63,250)	(366,750)	(60,346)	(197,716)

50. Non-financial risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Group has implemented an operational risk management framework guided by the appropriate regulations, the recommendations issued by the BIS and by national and European regulators. The framework incorporates sector best practices proposed in the CERO (Spanish Operational Risk Consortium) group, in line with a profile of low tolerance towards operational risk.

The Group currently calculates regulatory capital by applying the basic indicator approach and is analysing the impact of application of the new SMA indicator (*Standardised Measurement Approach*), that is expected to become effective from January 2025. 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:

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.

(ii) the independent risks unit:

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.

(iii) an independent review:

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.

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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 Abanca 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.
- Delegate into the Director of Corporate Control and Risk the approval of functional updates or amendments to the current manual of policies.

Comprehensive Risk Commission:

- Ensure that the Group implements an Operational Risk Management Policy that is appropriate for its activities, ensuring that this policy includes the principles that govern the conduct of officers and employees and describes the processes for an adequate management of operational risk.
- 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 Bank.
- 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 Bank'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,

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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 recorded in 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 ABANCA, 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.

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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.

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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 has already consolidated the model of Management by Business Process, which envisages, inter alia, the following:

- Dissemination of Processes and Technology DNA.
- 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.
- Preparation of each process operational risk assessment by the relevant process owner acting in the capacity of Comprehensive Risk Delegate and with the assistance and approval of Comprehensive Risk Consultants.

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.

ESG risk

Over the past few years, ESG (Environmental, Social and Governance) factors have gained relevance and attracted attention; since the creation of Abanca Group, these factors have been basic concerns for our entity and haven gradually included into the process of non-financial risk management.

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For each risk behind the acronyms: (E)nvironmental, (S)ocial and (G)overnance, initiatives, follow-up and monitoring strategies have been defined.

Monitoring of climate-physical risks is based on the assessment of the impact on tangible assets, business disruption and systems failure arising from floods, droughts, environmental degradation (air, water and soil pollution), water stress, loss of biodiversity, deforestation, etc. Additionally, as a token of our clear commitment to the environment, the Group has implemented systems for following-up carbon footprint and monitoring compliance with ESG aspects in our supply chain. Within the operational scope of internal processes, measures for a more efficient and sustainable management of resources are continuously being implemented, such as monitorisation of the use of paper in contractual documents, prioritising the use of digital media that are cleaner and more sustainable.

If we focus on climate transition risks and the eventual legal risks that might arise therefrom, Abanca Group proactively makes every possible effort to achieve full compliance with regulations and regulatory expectations: implementing control, monitoring and reporting systems to identify eventual breaches, such as greenwashing or dissatisfaction from our main stakeholders.

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 2022 and 2021, the net position in foreign currency must not exceed 2% of eligible capital. This limit stands at 0.02% in 2022 (0.02% in 2021).

With regards to ESG risk, which deserves express reference due to its significance, and as previously stated, the Market Risk Unit is responsible for managing, assessing and mitigating the impact from climate risk as a driver for market risk. To assess the impact from climate risk on market risk, the Group has performed an analysis of its portfolio and has implemented specific ESG risk KPIs that are included in the RAF.

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As at 31 December 2022:

	Thousands of euro				
	Total	Spain	Other European Union	America	Rest of the world
Central banks and credit institutions	11,089,590	9,749,654	1,174,276	164,464	1,196
Public administration	20,526,711	15,079,286	5,403,685	43,372	368
<i>Central Government</i>	11,293,199	5,851,124	5,398,703	43,372	-
<i>Other Public administrations</i>	9,233,512	9,228,162	4,982	-	368
Other financial companies and individual entrepreneurs	1,690,292	575,652	1,021,986	47,626	45,028
Non-financial companies and individual entrepreneurs	20,667,131	16,215,894	2,666,658	1,156,922	627,657
<i>Real Estate construction and property</i>	1,372,367	1,320,730	47,192	3,988	457
<i>Civil engineering construction</i>	345,038	344,983	55	-	-
<i>Other purposes:</i>	18,949,726	14,550,181	2,619,411	1,152,934	627,200
<i>Large corporations</i>	10,259,234	7,250,053	1,901,764	731,461	375,956
<i>SMEs and individual entrepreneurs</i>	8,690,492	7,300,128	717,647	421,473	251,244
Rest of households	17,761,093	15,334,695	1,886,392	191,250	348,756
<i>Housing</i>	14,344,789	12,438,834	1,452,471	149,213	304,271
<i>Consumer</i>	1,856,392	1,694,939	134,740	14,408	12,305
<i>Other purposes</i>	1,559,912	1,200,922	299,181	27,629	32,180
TOTAL	71,734,817	56,955,181	12,152,997	1,603,634	1,023,005

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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	9,749,654	61,272	344,465	620,366	8,308,645	103,323	35,545	276,038
Public administration	15,079,286	253,289	2,029	2,172,647	403,911	1,218,887	290,507	10,738,016
<i>Central Government</i>	5,851,124	-	-	-	-	-	-	5,851,124
<i>Other Public administrations</i>	9,228,162	253,289	2,029	2,172,647	403,911	1,218,887	290,507	4,886,892
Other financial companies and individual entrepreneurs	575,652	-	22,421	48,533	482,439	149	20,896	1,215
Non-financial companies and individual entrepreneurs	16,215,894	745,247	1,000,236	4,994,330	5,248,027	603,110	1,280,704	2,344,240
<i>Real Estate construction and property development</i>	1,320,730	19,980	37,614	440,723	599,640	16,810	76,403	129,560
<i>Civil engineering construction</i>	344,983	1,526	60	5,381	332,892	74	2,012	3,038
<i>Other purposes:</i>	14,550,181	723,741	962,562	4,548,226	4,315,495	586,226	1,202,289	2,211,642
<i>Large corporations</i>	7,250,053	337,427	641,686	1,177,381	2,805,856	379,316	745,277	1,163,109
<i>SMEs and individual entrepreneurs</i>	7,300,128	386,314	320,876	3,370,845	1,509,639	206,910	457,012	1,048,533
Rest of households	15,334,695	655,235	1,326,401	7,862,363	1,787,151	737,900	771,941	2,193,704
<i>Housing</i>	12,438,834	589,280	1,244,269	5,690,411	1,618,138	666,208	706,975	1,923,553
<i>Consumer</i>	1,694,939	21,789	31,669	1,366,596	74,944	20,772	38,869	140,300
<i>Other purposes</i>	1,200,922	44,166	50,463	805,356	94,069	50,920	26,097	129,851
TOTAL	56,955,181	1,715,043	2,695,552	15,698,239	16,230,173	2,663,369	2,399,593	15,553,213

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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
<i>Central Government</i>	<i>12,078,244</i>	<i>6,699,325</i>	<i>5,373,631</i>	<i>5,288</i>	<i>-</i>
<i>Other Public administrations</i>	<i>9,511,929</i>	<i>9,510,348</i>	<i>585</i>	<i>-</i>	<i>996</i>
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
<i>Real Estate construction and property</i>	<i>1,161,058</i>	<i>1,123,979</i>	<i>29,072</i>	<i>3,462</i>	<i>4,545</i>
<i>Civil engineering construction</i>	<i>323,050</i>	<i>322,490</i>	<i>560</i>	<i>-</i>	<i>-</i>
<i>Other purposes:</i>	<i>19,918,761</i>	<i>16,081,646</i>	<i>2,184,359</i>	<i>870,802</i>	<i>781,954</i>
<i>Large corporations</i>	<i>11,053,939</i>	<i>8,541,124</i>	<i>1,576,596</i>	<i>450,868</i>	<i>485,351</i>
<i>SMEs and individual entrepreneurs</i>	<i>8,864,822</i>	<i>7,540,522</i>	<i>607,763</i>	<i>419,934</i>	<i>296,603</i>
Rest of households	18,339,886	15,938,239	1,882,877	171,111	347,659
<i>Housing</i>	<i>14,838,733</i>	<i>13,069,753</i>	<i>1,366,974</i>	<i>121,519</i>	<i>280,487</i>
<i>Consumer</i>	<i>1,744,047</i>	<i>1,595,049</i>	<i>119,750</i>	<i>14,748</i>	<i>14,500</i>
<i>Other purposes</i>	<i>1,757,106</i>	<i>1,273,437</i>	<i>396,153</i>	<i>34,844</i>	<i>52,672</i>
TOTAL	76,316,074	62,868,909	10,267,460	1,215,345	1,964,360

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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
<i>Central Government</i>	<i>6,699,325</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>6,699,325</i>
<i>Other Public administrations</i>	<i>9,510,348</i>	<i>857</i>	<i>2,644</i>	<i>2,087,851</i>	<i>725,160</i>	<i>1,122,231</i>	<i>304,531</i>	<i>5,267,074</i>
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
<i>Real Estate construction and property development</i>	<i>1,123,979</i>	<i>25,250</i>	<i>33,502</i>	<i>465,985</i>	<i>381,169</i>	<i>18,274</i>	<i>92,826</i>	<i>106,973</i>
<i>Civil engineering construction</i>	<i>322,490</i>	<i>2,259</i>	<i>121</i>	<i>156,555</i>	<i>154,148</i>	<i>87</i>	<i>2,350</i>	<i>6,970</i>
<i>Other purposes:</i>	<i>16,081,646</i>	<i>560,723</i>	<i>1,232,859</i>	<i>5,265,543</i>	<i>5,185,396</i>	<i>497,285</i>	<i>1,144,498</i>	<i>2,195,342</i>
<i>Large corporations</i>	<i>8,541,124</i>	<i>347,418</i>	<i>880,224</i>	<i>1,772,710</i>	<i>3,430,208</i>	<i>290,801</i>	<i>681,634</i>	<i>1,138,129</i>
<i>SMEs and individual entrepreneurs</i>	<i>7,540,522</i>	<i>213,305</i>	<i>352,635</i>	<i>3,492,833</i>	<i>1,755,188</i>	<i>206,484</i>	<i>462,864</i>	<i>1,057,213</i>
Rest of households	15,938,239	700,086	1,406,585	8,031,158	1,840,793	783,115	881,747	2,294,755
<i>Housing</i>	<i>13,069,753</i>	<i>625,330</i>	<i>1,317,872</i>	<i>5,948,376</i>	<i>1,664,149</i>	<i>702,235</i>	<i>809,859</i>	<i>2,001,932</i>
<i>Consumer</i>	<i>1,595,049</i>	<i>19,724</i>	<i>28,931</i>	<i>1,280,067</i>	<i>65,747</i>	<i>21,179</i>	<i>42,371</i>	<i>137,030</i>
<i>Other purposes</i>	<i>1,273,437</i>	<i>55,032</i>	<i>59,782</i>	<i>802,715</i>	<i>110,897</i>	<i>59,701</i>	<i>29,517</i>	<i>155,793</i>
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

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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 2022 and 2021 are shown below:

Financial year 2022

Complaints received	Complaints Resolved (*)	Complaints Resolved In favour of the customer	Complaints Resolved Submitted Online	Average Resolution Time (days)
26,290	26,528	8,052	12,385	8

(*) Including resolved claims that were received in 2021.

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.

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The types of complaints received are as follows:

Complaint Type	Number	
	2022	2021
Credit Products	6,106	9,300
Deposit products	12,204	17,309
Other banking products	4,747	7,401
Collection and payment services	1,782	502
Investment services	102	131
Insurance and plans	536	1,081
Other	813	2,284
Total	26,290	38,008

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 2022 will not give rise to payments having a significant effect on these consolidated financial statements.

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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 2022, directors have refrained from taking part in the discussion of and voting on matters addressed by the Board of Directors or by its Commitssions on 20 instances. Of the above-mentioned instances, 16 instances related to investment proposals, financing proposals or other risk transactions with companies related to several directors; 1 instance related to remuneration issues; and 3 instances related to other transactions with related parties.

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

Appendix I

ABANCA Corporación Bancaria Group

Fully consolidated companies as at 31 December 2022

Company	Address	Activity	Percentage of Voting Rights Controlled by the Group		Thousands of euro				
					Investee Data (*)				
			Direct	Indirect	Total Assets	Total Liabilities	Equity	Profit and loss for the period	Date of Financial Statements
ABANCA Corporación Industrial y Empresarial, S.L.	A Coruña	Holding	100.00%	-	1,321,717	5,719	1,315,998	43,805	Dec-22
ABANCA Corporación División Inmobiliaria, S.L.U.	A Coruña	Real estate management	100.00%	-	825,823	18,288	807,535	13,257	Dec-22
ABANCA Servicios Financieros, E.F.C., S.A.	A Coruña	Financing	87.94%	12.06%	540,488	486,471	54,017	5,004	Dec-22
Bankoa Gestión, S.A., S.G.I.I.C. (**)	Donostia	CIS Management company	100.00%	-	6,468	1,367	5,101	872	Dec-22
Bankoa Kartera, S.A.	Donostia	Holding	100.00%	-	8,195	54	8,141	(29)	Dec-22
Bankoa Mediación, S.L.	Donostia	Insurance	100.00%	-	165	-	165	(4)	Dec-22
Complejo Residencial Marina Atlántica, S.L.	A Coruña	Real estate	100.00%	-	4,129	1	4,128	260	Dec-22
Sogevinus, S.G.P.S., S.A.	Oporto	Holding - Wineries	100.00%	-	194,929	83,820	111,109	5,953	Dec-22
Laborvantage Invetimentos Inmobiliarios Lda.	Oporto	Real estate	100.00%	-	26,949	358	26,591	643	Dec-22
Ainvest Sentir Común, S.A. DE C.V., SOFOM, E.N.R.	México	Financing	0.00%	99.99%	116,918	111,807	5,111	(381)	Dec-22
Natur-Hotel Spa Allariz, S.A.	Allariz	Hospitality	94.11%	5.89%	3,451	2,222	1,229	29	Dec-22
Imantia Capital, S.G.I.I.C., S.A. (**)	Madrid	CIS Management company	38.35%	61.65%	39,106	19,304	19,802	3,083	Dec-22
Simeon Sacv México	México	Financing	99.53%	-	353	70	283	268	Jun-22
Simeon Inversiones CA Venezuela	Venezuela	Financing	100.00%	-	120	120	-	-	Dec-19
Group Nueva Pescanova, S.L. (***) (****)	Pontevedra	Wholesale trade	97.76%	-	1,067,118	845,570	221,548	(60,467)	Dec-22
Group Real Club Deportivo de La Coruña, (***) (****)	A Coruña	Sports club	76.66%	-	18,376	74,654	(56,278)	(2,567)	Dec-22
ABANCA Mediación, Correduría de Seguros Generales, S.A.	A Coruña	Insurance brokering	-	100.00%	1,334	242	1,092	409	Dec-22
Vibarco, Sociedad Unipersonal, S.L.	Vigo	Holding - Wineries	-	100.00%	853,037	851,320	1,717	(10)	Dec-22
Quaere Investment, S.L.	A Coruña	Holding	-	100.00%	7	-	7	(1)	Dec-22
ABANCA Invest, S.L.U.	A Coruña	Holding	-	100.00%	1,799	-	1,799	(685)	Dec-22
Inventium Consultoria de Proyectos, S.L.	A Coruña	Consulting	-	51.00%	10,367	3,486	6,881	8,119	Dec-22
Txstockdata, S.L.	Pontevedra	Other financial services	-	70.00%	280	27	253	(293)	Dec-22
Torres del Boulevard, S.L.	A Coruña	Real estate development	-	100.00%	3,919	1,491	2,428	(11)	Dec-22
Corporación Empresarial de Tenencia de Activos de Galicia, S.L.	A Coruña	Services	-	100.00%	228	5	223	16	Dec-22
Espacios Termolúdicos, S.A.	A Coruña	Health and Leisure services	-	100.00%	10,511	5,828	4,683	1,818	Dec-22
ABANCA Mediación, Operador de Banca-Seguros Vinculado, S.A.	A Coruña	Insurance	-	100.00%	20,727	17,399	3,328	193	Dec-22

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

Appendix I

ABANCA Corporación Bancaria Group

Fully consolidated companies as at 31 December 2022

Company	Address	Activity	Percentage of Voting Rights Controlled by the Group		Thousands of euro				
					Investee Data (*)				
			Direct	Indirect	Total Assets	Total Liabilities	Equity	Profit and loss for the period	Date of Financial Statements
ABANCA Gestión Operativa, S.A.	A Coruña	Operational services	-	100.00%	1,415	80	1,335	118	Dec-22
Corporación Empresarial de Participación en Organizaciones de Galicia, S.L.	A Coruña	Other financial services	-	100.00%	3	-	3	(2)	Dec-22
Torre de Hércules Inversiones Corporativas, S.L.	A Coruña	Other financial services	-	100.00%	36	5	31	20	Dec-22
Corporación Empresarial y Financiera de Galicia, S.L.U.	A Coruña	Clerical services	-	100.00%	217	2	215	5	Dec-22
Corporación Empresarial de Representación Participativa, S.L.	A Coruña	Financing	-	100.00%	7,314	185	7,129	22	Dec-22
Jocai XXI, S.L.	A Coruña	Real estate development	-	100.00%	1,131	376	755	14	Dec-22
ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A.	A Coruña	Insurance	-	100.00%	1,965,831	1,793,328	172,502	39,027	Dec-22

(*) 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 related to the contribution since the date of inclusion within the consolidation perimeter.

(**) Following the obtention of the corresponding authorisations, in February 2023 ABANCA Corporación Bancaria, S.A. merged its two investment fund management companies, Imantia Capital, SGIC. S.A. and Bankoa Gestión, S.A., Sociedad Gestora (see Note 1.9).

(***) 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 profit/(loss) 12 months corresponding to two partial financial years, which coincide with the twelve-month period of ABANCA Group calendar year.

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

Fully consolidated companies as at 31 December 2021

Company	Address	Activity	Percentage of Voting Rights Controlled by the Group		Thousands of euro				
					Investee Data (*)				
			Direct	Indirect	Total Assets	Total Liabilities	Equity	Profit and 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 Inwestimentos Inmobiliarios Lda.	Oporto	Real estate	100.00%	-	27,290	543	26,747	1,244	Dec-21
Ainvest Sentir Común, S.A. DE C.V., SOFOM, E.N.R.	México	Financing	0.00%	99.99%	62,488	57,297	5,191	118	Dec-21
Natur-Hotel Spa Allariz, 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
Grupo Nueva Pescanova, S.L. (**) (***)	Pontevedra	Wholesale trade	97.76%	-	1,089,403	811,138	278,265	(8,502)	Dec-21
Group Real Club Deportivo de La Coruña, SAU (**) (***)	A Coruña	Sports club	76.66%	-	17,693	71,218	(53,525)	(10,456)	Dec-21
ABANCA Mediación, Correduría de Seguros Generales, S.A.	A Coruña	Insurance brokering	-	100.00%	1,185	(7)	1,192	509	Dec-21
Víbarco, 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 Boulevard, 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
ABANCA Gestión Operativa, S.A.	A Coruña	Operational services	-	100.00%	1,350	133	1,217	88	Dec-21

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

Fully consolidated companies as at 31 December 2021

Company	Address	Activity	Percentage of Voting Rights Controlled by the Group		Thousands of euro				
					Investee Data (*)				
			Direct	Indirect	Total Assets	Total Liabilities	Equity	Profit and loss for the period	Date of Financial Statements
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 perimeter

(**) 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 profit/(loss) 12 months corresponding to two partial financial years, which coincide with the twelve-month period of ABANCA Group calendar year.

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

Appendix I

ABANCA Corporación Bancaria Group

Equity accounted investees as at 31 December 2022

Company	Address	Activity	Percentage of Voting Rights Controlled by the Bank		Thousands of euro				
					Investee Data (*)				
			Direct	Indirect	Total Assets	Total Liabilities	Equity	Profit and loss for the period	Date of Financial Statements
Parque Tecnológico de Galicia, S.A.	Ourense	Technological park	37.34%	-	10,253	2,332	7,921	70	Dec-22
Cidade Universitaria, S.A.	Vigo	Infrastructures	32.43%	-	8,146	1,453	6,693	(121)	Dec-22
Cidade Tecnolóxica de Vigo, S.A.	Vigo	Infrastructures	25.07%	-	9,895	1,090	8,805	(43)	Dec-22
Obenque, S.A.	Madrid	Real estate	26.98%	-	460	31	429	(34)	Dec-22
Raminova Inversiones, S.L.	Pontevedra	Holding	50.00%	-	29,086	26,700	2,386	(567)	Dec-14
Sociedade para o Desenvolvemento de Proxectos Estratéxicos de Galicia, S.L.	Santiago de Compostela	Holding		38.00%	5,903	570	5,333	109	Dec-22
Pazo de Congressos de Vigo, S.A.	Vigo	Construction	-	22.22%	76,833	66,887	9,946	20,269	Dec-16
Autoestradas do Salnés, S.C.X.G., S.A.	Ourense	Construction Highway concessionaire	-	30.00%	45,360	37,651	7,709	604	Dec-22
Transmonbús, S.L.	Lugo	Transport	-	33.96%	223,463	179,835	43,628	(3,229)	Sep-22
Muéstralo Organización de Eventos Feriales, S.L.	Vigo	Event organisation	-	25.00%	982	291	691	665	Dec-22
Viñedos y Bodegas Dominio de Tares, S.A.	León	Winegrowing	-	41.15%	6,474	1,470	5,004	87	Dec-22
Empresa Naviera Elcano, S.A.	Madrid	Maritime transport	-	20.25%	1,043,360	683,314	360,046	6,508	Nov-22
Grupo Empresarial COPO, S.A.	Pontevedra	Holding	-	35.64%	113,914	55,413	58,501	(1,453)	Dec-21
Desarrollos Inmobiliarios Fuenteamarga, S.L.	Madrid	Timber processing	-	33.00%	446	732	-286	-	Dec-22
ABANCA Generales de Seguros y Reaseguros, S.A.U.	A Coruña	Insurance	-	50.00%	69,954	41,783	28,171	(13,941)	Dec-22
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 2022 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 perimeter.

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

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ABANCA Corporación Bancaria Group

Equity accounted investees as at 31 December 2021

Company	Address	Activity	Percentage of Voting Rights Controlled by the Bank		Thousands of euro				
					Investee Data (*)				
			Direct	Indirect	Total Assets	Total Liabilities	Equity	Profit and 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 Tecnológica 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 Congressos 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 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 perimeter.

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 2022:

Securitisation Fund	Entity	Origination date	Total exposures securitised at origination date	Total exposures securitised at 31.12.22
HT ABANCA RMBS II FT	ABANCA CORPORACIÓN BANCARIA, S.A.	12/2017	900,000	597,896
HT ABANCA RMBS I FT	ABANCA CORPORACIÓN BANCARIA, S.A.	05/2016	900,000	571,033
IM BCG RMBS 2 FT	ABANCA CORPORACIÓN BANCARIA, S.A. (*)	11/2013	1,300,000	693,977
			3,100,000	1,862,906

(*) Addition arising from business combinations.

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

(*) Addition arising from business combinations.

ABANCA Corporación Bancaria Group

Annual Banking Report

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

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

Country	Thousands of euro			Headcount (*)	Activity	Main company
	Income tax expense	Profit before tax	Gross margin			
Spain	28,945	293,475	1,015,181	5,704	Financial	<u>ABANCA Corporación Bancaria, S.A.</u>
Portugal	6,737	14,000	81,009	395	Financial	<u>ABANCA Corporación Bancaria, S.A.</u>
Switzerland	325	2,263	6,345	11	Financial	<u>ABANCA Corporación Bancaria, S.A.</u>
USA	-	2,213	8,983	17	Financial	<u>ABANCA Corporación Bancaria, S.A.</u>
Other	(20)	(361)	2,533	29	Financial	Ainvest Sentir Común, S.A. DE C.V., SOFOM, E.N.R.

(*) Includes representative offices (see note 1).

(**) Does not include employees of Nueva Pescanova, S.L. and R.C. Deportivo de la Coruña, S.A.D., because these companies are classified as non-current assets held for sale.

At 31 December 2022, the Group's return on assets, calculated as the result of dividing the “Consolidated profit for the year” by “Total assets”, is 0.3%.

In 2022, ABANCA Group has not received public subsidies addressed to the financial industry and aiming at the promotion of banking activities. This statement is made for the purposes of the provisions of Article 89 of Directive 2013/36/EU of the European Parliament and of the Council, of 26 June (on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms) and the transposition thereof into Spanish law by Law 10/2014, of 26 June, on the Regulation, Supervision and Solvency of Credit Institutions.

ABANCA Corporación Bancaria Group

Consolidated Directors' Report for the annual period ended 31 December 2022

(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 2022.

2. Economic and financial environment

Economic environment

Global economic activity has lost momentum in 2022, in a context marked by the adverse effects of the war in Ukraine, the strong inflationary pressures and the tightening of monetary policies.

Notwithstanding this global context, characterised by an extraordinary degree of uncertainty and the concurrence of a number of adverse shocks, economic growth has been showing some degree of resilience supported, inter alia, by the gradual recovery of activity following the crisis generated by the COVID-19 pandemic, the fiscal policy measures implemented to address the energy crisis and the spike in prices, and to the dynamic performance of labour markets. In 2022 as a whole, the Eurozone economy grew by 3.5%.

Although inflation has remained at high levels, over the last months of the year it has shown incipient signs of moderation driven by the containment of prices of energy commodities, to the gradual easing of bottlenecks in global supply chains and to the slowing down of aggregated demand.

In Spain, after having peaked at 10.8% in July, at the end of the year inflation rate was 5.7%. However, underlying inflation, which excludes the cost of non-processed food and energy products, has continued to rise, reaching 7% in December and showing that the transfer of increased energy prices to certain products has not yet been completed.

Notwithstanding the difficult international context, economic activity in Spain was driven by the positive performance from the summer's tourism campaign, employment creation momentum and the resilience of households' consumption. In 2022 as a whole, Spain's GDP grew by 5.5%.

In the labour market, the average number of employed persons increased by 617 thousand in 2022, exceeding by 2.5% pre-pandemic levels. At the end of the year, unemployment stood at 12.9%, a five tenths of a percentage reduction over the year, and stood 0.9 percentage points below the rate at the end of 2019.

Galician economy, with a 3.8% GDP growth in 2022 as a whole, finally recovered pre-pandemic activity rates, compared to the 0.9 percentage points gap for the whole of Spain. At the end of the year, unemployment rate stood at 10.6%, 2.3 percentage points lower than the national average.

Financial environment

In a context of inflationary pressures, central banks have confirmed their intention of not straying from the path of tightening of monetary policies. In the case of the European Central Bank, following an initial 50 basis points rise in July, interest rate rises have intensified, leaving the deposit facility rate at 2% in December, and at 3% in March 2023. Additionally, the Governing Council announced that, as from the beginning of March 2023, it will not reinvest all of the principal payments from maturing securities purchased under the Asset Purchase Programme (APP). Consequently, the APP portfolio will begin to decline, on average, by €15,000 million per month, at least, until the end of the second quarter of 2023. These measures seek to bring down inflation rates to a level compatible with the ECB's monetary policy target.

In this context, public debt yields have increased since late July. In particular, at the end of the year, the yield from Spain's 10-year bond reached 3.5% (+300 basis points in the year) and the Bund's IRR increased

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to 2.4% (+262 b.p. in 2022). Thus, Spain's risk premium closed the year at around 109 basis points. In the interbank market, 12m-Euribor closed 2022 at 3.3% (compared to -0.5% at the end of December 2021).

In Spain, the industry's retail lending balance slightly decreased (-0.2%) in 2022, with a reduction of -0.1% in loans to individuals and of -0.4% in loans to companies. Conversely, during the year, new retail lending rebounded by +16.5%, with growth in all segments (+19.9% in loans to companies, +9.8% in home loans, and +6.3% in consumer loans), except for loans to self-employed workers (-9.2%).

During the year, individual customers' funds increased by 2.6% in Spain. This growth was driven by a significant increase in demand deposits from customers (+6.7%), which offset the decline in term deposits (-18.2%) and investment funds (-3.6%) in an adverse context for markets.

3. Relevant events in 2022

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 MREL 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 with the Group's forecasts and with the financing plan included in the Group's strategic plan.

In February 2022, the European Central Bank (ECB) announced its decision regarding prudential capital requirements applicable from March 2022 following the Supervisory Review and Evaluation Process (SREP). Additionally, this decision included a recommendation or guidance for Pillar 2 (P2G). The aggregated requirement level and the Pillar 2 guidance (P2R + P2G) from the SREP decision were improved compared to the ECB's previous decision. The decision required the Entity to maintain, on a consolidated basis, a minimum phased-in Regulatory Tier 1 Common Equity Capital (CET1) of 8.125% and minimum phased-in Total Capital ratio of 12.50%. These minimum capital requirements include: i) the minimum Pillar 1 requirement (4.50% CET1 and 8.00% total capital); ii) a Pillar 2 requirement (1.125% CET1 and 2.00% Total Capital); and, iii) a 2.50% capital conservation buffer.

Subsequently, in December 2022, the ECB announced its decision regarding minimum prudential capital requirements applicable from 1 January 2023 following completion of the next the Supervisory Review and Evaluation Process (SREP). The requirements, on a consolidated level, remain unchanged in both their amount (minimum phased-in CET1 ratio of 8.125% and minimum phased-in Total Capital ratio of 12.50%) and their composition, compared to those previously announced. Furthermore, the aggregated requirement level and the Pillar 2 guidance (P2R + P2G) from the latest SREP decision have also remained unchanged compared to the ECB's previous decision. ECB has decided not to establish specific Pillar 2 requirements linked to leverage ratio.

ABANCA Group's current ratios are well above the ECB regulatory requirements.

On 27 June 2022, the Annual General Meeting of ABANCA Corporación Bancaria, S.A. appointed Mr. José Manuel González-Páramo Martínez-Murillo independent director for the statutory 4-year term in office.

Dated 7 September 2022, 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 14 September 2022.

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.

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On 22 October 2022 and according to schedule, ABANCA Corporación Bancaria, S.A. completed the incorporation of Novo Banco España's business upon completion of the latest operation in the process: migration of activity to ABANCA's technological and operational platform. Technological migration concludes the process initiated in April 2021, following the announcement of the agreement between ABANCA Group and Novo Banco, S.A.

Dated 22 December, Banque Fédérative du Crédit Mutuel and ABANCA Corporación Bancaria, S.A. announced the opening of negotiations for the purchase of Targobank España by the latter; the sale and purchase agreement was signed in February 2023. The transaction, which will be completed throughout 2023, is subject to obtaining administrative authorisations from the various competent regulatory authorities; technological incorporation will take place in 2024.

With this purchase, ABANCA will consolidate its position in the Iberian Peninsula with a significant growth in Madrid and the Mediterranean coast, since Targobank España has circa 150,000 customers in 51 branches throughout Spain.

In the area of ESG (Environmental, Social and Governance), the following relevant facts occurred in 2022:

- Following publication in 2021 of the 2021-2024 Action Plan for Responsible and Sustainable Banking, in furthering its commitment to provide continuous support to the sustainable transition of its customers, ABANCA Group defined the following goals: to discontinue carbon financing by 2030 and to reduce between 2021 and 2030 the intensity of carbon emissions from its banking book: by 37% in aviation, by 25% in steel production and by 20% in cement production.
- In June, ABANCA, Afundación and UIE (Universidad Intercontinental de la Empresa) joined the Galician Alliance for Climate. The adhering organisations committed themselves to assess the environmental and climate impacts from their respective activities, to implement actions and measures intended to achieve adaptation to or mitigation of climate change, and to develop the strategic lines annually proposed within the Climate Alliance.
- During the year, in collaboration with Xunta de Galicia, the network of ATMs has been expanded to improve coverage and financial inclusion of Galician rural areas. Additionally, in parallel to the installation and commissioning of ATMs, training sessions were addressed to the individuals using those devices to ensure that they may perform any operations with confidence and every safety assurance.

Changes in ABANCA Corporación Bancaria, S.A. credit ratings in 2022 were as follows:

- On 28 March 2022, S&P Global Ratings upgraded the outlook for ABANCA mortgage-covered bonds to stable while affirming their rating at AA+.

Dated 7 April 2022, this credit rating agency upgraded one notch ABANCA long-term issuer rating, from BB+ to BBB-, thereby placing it in the investment grade category, while affirming the stable outlook. Additionally, short-term issuer rating was upgraded from B to A-3.

Furthermore, on 25 November 2022 this rating agency assigned ABANCA a BBB long-term resolution counterparty rating and A-2 short-term resolution counterparty rating. On that date, the agency affirmed ABANCA long-term issuer rating at BBB-, and ABANCA short-term issuer rating at A-3, while affirming a stable outlook.

- Dated 21 June 2022, DBRS Ratings GmbH (DBRS Morningstar) upgraded one notch ABANCA long-term issuer rating, from BBB to BBB (high), while affirming the stable outlook. Short-term issuer rating was upgraded from R-2 (high) to R-1 (low).

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4. Activities of associates included in ABANCA Group as at 31 December 2022

4.1. Strategy

Financial year 2022 has been the second financial year in ABANCA's 2021-24 Strategic Plan. The Plan clearly differentiates between short and medium-term in the entity's scope of action: short-term affected by the uncertainty initially associated with the pandemic and subsequently with the armed conflict in Ukraine, 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 (ASG); becoming a reference in customer savings advisory services while focusing on consumer financing, means of payment, finance for SMEs and businesses, 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 impacted 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.

The goal has been to achieve a sustainable growth, in particular with respect to value-added products (insurance, investment funds and pension schemes), as well as in consumer and SMEs financing. At the end of the 2022, revenue exceeds €111,000 million, after considering the integration of Targobank, which will contribute to strengthen ABANCA's retails business and represents a significant geographical supplement for the whole commercial network.

Despite the difficulties associated with the latest stages of the pandemic and with the uncertainty caused by the war in Ukraine, in 2022 as in prior years the Bank has remained on the trend of achieving the targets defined in the Plan, with the following noteworthy milestones:

- Profitable growth with improved recurring income: in 2022, the target for recurring income has been exceeded, with net interest income outperforming its target, as well as the basic margin, also exceeding its target, following the inclusion of fee and commission income and the contribution from the insurance business. Hence, recurring profit has reached €217.0 million driven by a good performance from business and risk cost control.
- Growth in both Insurance and savings counselling: furthering in the launching of own insurance products (ABANCA Seguros Generales) at the heart of the strategy. Insurance activity remained focused on improving value proposal to customer, with an 11.0% y-o-y growth in general and life risk insurance premiums. As a result of this effort, premiums issued through the bancassurance channel have increased by 7 b.p. In value-added products, the bank has also significantly increased its market share in investment funds (+5 basis points over the year¹) and pension plans (+11 basis points).

¹ Excluding the impact from Novo Banco España.

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- Selective growth of lending focused in supporting business fabric: financing to SMEs and self-employed workers remained a pillar for credit growth, with performing loans exceeding €45,000 million.
- Risk quality: NPL ratio has outperformed the targets defined for 2022 closing the year at 2.1%, remaining stable, well below the industry's average (3.0%) and with the industry's higher coverage in Spain: 76.0%, of non-performing assets (NPLs and foreclosed).
- Solvency and liquidity: ABANCA Group has closed 2022 with a 16.4% total capital ratio and with a total capital surplus of €1,414 million over CET1 regulatory requirement. The financing structure remains clearly based on retail deposits, which has led to LTD being at 92.4%.

4.2. Business and results

At the end of 2022, ABANCA Group balance sheet stands at €76,051 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 has increased to 83.1% and 76.0%, respectively.

a) Results

ABANCA Group profit attributable to owners of the parent company has amounted to €215.0 million. Net profit has reached €217.0 million, representing a +40.7% change compared to 2021 excluding the effects arising from the integration of Bankoia and Novo Banco España (badwill and provisions for completion costs) in 2021.

The Group results show a good performance from the more recurring income items from the statement of profit and loss. Net interest income has increased by 14.2%, driven by the shift towards profitable transactions with a good credit profile, as well as by a context of increasing interest rates. Additionally, net fees and commissions have increased by 9.4%. These two items (financial margin and net fees and commissions) have pushed the basic margin up to €1,051.5 million, a 12.9% increase compared to the same period a year ago. Net interest income and net fees and commission income already represent in aggregate 94% of ABANCA total gross margin (vs 89% registered during the same period last year), thereby reinforcing the improvement of recurring income registered by ABANCA during the year.

Similarly, net trading income has amounted to €32.3 million, while exchange gains totalled €-0.2 million and dividend income was €6.7 million.

At the end of 2022, operating expenses amounted to €754.1 million, a 6.3% increase compared to the same period a year ago, influenced by the inclusion of Novo Banco España within the Group's consolidation perimeter and by the efforts made to boost business generation (new projects, launching of the nationwide marketing campaign, etc.). These negative aspects have been partially offset by the synergies arising from the acquired businesses; those synergies have been achieved during the year and, although they have not yet reached their maximum expression, have already started to contribute recurring returns to the Group.

As a result of all the foregoing, recurring operating profit (understood as basic margin less operating expenses) has improved by 33.8% during the year, up to €297.3 million, while the cost to income ratio now stands at 67.7%.

Lastly, ABANCA Group's cost of risk has been 0.18%, supported by the good credit quality achieved by the Group and by the high level of credit provisions recognised in its balance sheet.

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b) Business

At the end of December, ABANCA Group revenue stands at €106,423.8 million; revenue, including the expected contribution from Targobank (based on the latest available figures from that entity) would exceed €111,000 million.

At the end of December 2022, the performing loans portfolio amounted to €45,022.8 million, this represents a slight reduction of 1.2% on the same period last year. Including the contribution from Targobank, performing loans would reach €48,155.7 million. Aside from the above-mentioned change, the Group has kept showing dynamism in lending activities, as shown by the €6,903 million new loans granted during the year to individuals and companies (an 8.4% increase on the same period last year). Within new loans, it is worth noting the performance from mortgage loans (which have reached €1,079.5 million, an 0.8% increase compared to 2021), consumer loans (which have reached €623.9 million, a 11.7% increase compared to 2021) and loans to SMEs and self-employed workers (which have reached €2,845.1 million, a 17.5% increase compared to 2021). Business in Portugal has followed a similar line, with €264.0 million in mortgage loans and €340.8 million loans to companies executed during the year (a 97.1% and a 12.9% increase, respectively, compared to last year).

The fixed-income portfolio stands at €12,894.3 million, in consistency with the Group's policy of optimising the weight of this item in the balance sheet in accordance with the existing economic policies. 84% of this portfolio is recognised at amortised cost, thereby reducing the volatility of the entity's shareholders' equity.

At the end of the year, deposits from customers have reached €48,906.1 million, with a 0.6% increase in deposits from the private sector.

Off-balance sheet funds sum €12,350.2 million, influenced by the performance from stock markets in 2022, which has impacted on the measurement on certain assets recognised under this item. Excluding this effect, off-balance sheet funds would have increased by +4.3% year on year.

At the end of 2022, total customer funds stood at €61,256.4 million, an 2.3% year-on-year reduction. This change has been influenced by a reduction of positions in deposits from the Public and financial sectors (the balance of which has decreased by 17.2% year on year) and by the above-mentioned performance of stock markets in 2022. Excluding this market effect, resources attracted from the private sector would have improved by 1.4%. With regard to the composition of this balance, demand deposits represent 68% of total customer funds, term deposits represent 12% and off-balance sheet funds represent another 20%.

The insurance business has continued to show the dynamism of the past annual periods, as testified by €379.3 million premiums from general insurance and life risk policies underwritten during the reporting period, an 11.0% increase compared to the same period a year ago. Particularly noteworthy is the performance of payment protection insurance premiums (a 17% increase), car and corporate insurance premiums (a 13% increase), as well as life risk insurance premiums (an 11% increase).

c) Risk quality, solvency and liquidity

At the end of December 2022, ABANCA Group's non-performing loans stand at €943.0 million, bringing its NPL ratio to 5.3%, mainly thanks to the sales of non-performing loans portfolios completed during the last quarter of 2022. Non-performing loans ratio remains unchanged with respect to the preceding year, standing at 2.1% (1.7% excluding non-performing loans arising from the acquisition of Novo Banco España) and confirming the good credit quality of ABANCA's portfolio.

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Impairment allowances stand at €783.5 million —thanks to the ordinary provisions established by the Group—, leaving the non-performing loans coverage ratio at 83.1%.

As a result of the portfolio sales completed during 2022, foreclosed assets have fallen by €115.0 million compared with December 2021, and currently only represent 0.3% of the Group's balance sheet, while the coverage ratio stands at 63.2%. The foregoing figures, together with the figures for non-performing loans, resulted in total coverage of non-performing assets rising to 76.0%.

ABANCA Group's solvency level continues to be broadly above the requirements of the regulator, as shown by its 16.4% Total Capital ratio and 12.5% CET1 ratio. MREL ratio stands at 19.5%, including capital allocated to meet the CBR (Combined Buffer Requirement) of 2.5% TREA.

With liquid assets plus covered bonds issuance capacity of €20,334 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 end of 2022, ABANCA Group has an operational network of 669 branches in Spain, of which 435 branches are located in the Autonomous Region of Galicia and 188 branches across the rest of Spain. Additionally, ABANCA Group has 44 branches in Portugal. This network of branches is supplemented by the entity's 51 agents (23 in Spain and 28 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 2022, the Group has 6,156 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 presents the mandatory non-financial information in a separate report entitled "ABANCA Corporate and Social Responsibility Report 2022".

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4.4. Transactions involving the portfolio of investees

Dated 3 August 2022, the Group, acting through the companies Abanca Corporación Bancaria, S.A. and ABANCA Corporación Industrial y Empresarial, S.L., purchased the remaining 61.65% (67.26% including treasury stock) of the capital of Imantia Capital, S.G.I.I.C., S.A. company of which the Group already had a 30.01% (32.74% including treasury stock) interest prior to the business combination. Following this transaction, the Group controlled 100% of that company.

Additionally, during the last quarter of 2022, the following transactions were completed: sale of the 33% interest in the company Figrupeo Marinas, S.L., and sale of the 25.06% interest in Olazabal y Huarte, 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.

The most relevant aspects relating to the policies and limits for each type of risk exposure at the end of 2022 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 2022, the value at risk of the trading portfolio stood at €3,717 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 2022, ABANCA Group had non-performing loans totalling €943 million, for which provisions of €783 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 €14,286 million at the end of December 2022, a volume that allows x3.5 cover of the total net issues of treasury stock.
- **Interest rate risk:** For its control, models are used to establish limits and determine the sensitivity of the financial margin and the economic value of the entity to variations in the interest rate. At the end of December 2022, a 200 b.p. rise in interest rates would have a positive effect of €+368 million on the economic value and, in a scenario of constant balance sheet, the effect of that change in market interest rates would amount to +€74 million.
- **Currency risk:** Currency risk is managed by setting limits to global exchange positions in the currencies of greater relevance in international transactions; at the close of December 2022, the equivalent value in euros of the global position of ABANCA was 0.02%, well below the maximum threshold of 2%.

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- **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 2022, 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:

- Roll out of the new Mobile Banking, with a new more visual and organised interface and new features, such as Bizum integration or account holder certificate download, while retaining features introduced in past years, such as card activation and deactivation or creation of virtual cards.
- Implementation of the new Online Banking for companies, with a renovated design and new functions.
- Introduction of Hipoteca DIY, the first 100% digital mortgage offered by the bank, and of the TAX DOWN service intended to make the filing of tax returns easier for our customers.
- The automation of processes has continued, leading to a significant increase in productivity from different areas of the Bank, both in business and back-office, as well as to a reduction in operational risk, the improvement of response times to customers in some tasks and to a substantial reduction of the administrative workload.
- Advances have been made to improve communication with customers, introducing alternative channels, such as chat and video conference.

7. Activities and outlook for 2023

The outlook for 2023 points to a global economic slowdown, driven by the persisting inflation, the tightening of monetary policies and the uncertainty, still high, associated with the consequences from the war in Ukraine. However, the revised and improved outlooks issued over the past few months have dissipated the risk of recession in Europe and Spain.

This way, according to the European Commission latest forecasts, the Eurozone GDP could grow by 0.9% while the Spanish economy would grow by 1.4% during the whole of 2023.

In this context, ABANCA Group will continue the implementation of 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. Legally required disclosure on average suppliers payment times

In compliance with the provisions of Law 18/2022, of 28 September, amending, inter alia, Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, establishing measures to combat late payment in commercial transactions that, inter alia, regulated the payment times in commercial transactions between companies or between companies and Public Entities.

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

	2022	2021
	Days	Days
Average supplier payment period	18.04	16.93
Ratio of transactions paid	17.72	16.83
Ratio of transactions outstanding	85.95	43.14
	Amount (Thousands of euro)	Amount (Thousands of euro)
Total payments made	243,569	200,727
Total payments outstanding	1,161	738

The breakdown of invoices paid within a period shorter than the maximum time laid down in regulations on late payment is as follows:

Payments made in <60 days (amount in thousands of euro) (*)	237,609	195,595
Monetary volume of invoices paid	97.55%	97.44%
Number of invoices paid in <60 days (*)	21,869	18,733
Percentage of the total number of invoices	98.11%	98.43%

(*) Monetary volume and number of invoices paid within a period shorter than the maximum time laid down in regulations on late payment.

9. Subsequent events

In January 2023, 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 replaces the decision previously applicable.

This decision establishes a binding interim MREL 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 18.84% TREA and 5.22% LRE. These requirements do not include capital allocated to meet the Combined Buffer Requirement of 2.5% TREA. The MREL decision for 1 January 2024 is aligned with ABANCA's forecasts and with the financing plan included in its strategic plan.

In February 2023, ABANCA Corporación Bancaria, S.A. invited holders of mortgage covered bonds from the "First Issue of Mortgage covered bonds I/2019" (ISIN Code ES0465936054) to offer their mortgage covered bonds to be repurchased in cash, in order to provide those bond-holders with liquidity and to optimise ABANCA's exposure to interest rate risk and liquidity and financing positions. The process was closed in February with mortgage covered bonds for a nominal amount of €168.200 million being repurchased.

Once the applicable authorisations were obtained, in February 2023 ABANCA Corporación Bancaria, S.A. merged its two investment fund management companies, Imantia Capital, S.G.I.I.C., S.A. (acquired in the financial year 2022, see Note 5) and Bankoa Gestión, S.A., S.G.I.I.C., into a single company: ABANCA Gestión de Activos, S.A., S.G.I.I.C. The two merged companies managed investment funds with an aggregated equity of €3,600 million, and marketed third-party international funds amounting to €3,800 million. The new management company resulting from the merger starts with a total of 152,000 customers.

Dated 22 December 2022, Banque Fédérative du Crédit Mutuel and ABANCA Corporación Bancaria, S.A. announced the opening of negotiations for the purchase of Targobank España by the latter; the sale and purchase agreement was signed in February 2023. The transaction, which will be completed throughout

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2023, is subject to obtaining administrative authorisations from the various competent regulatory authorities; technological incorporation will take place in 2024.

With this purchase, ABANCA will consolidate its position in the Iberian Peninsula with a significant growth in Madrid and the Mediterranean coast, since Targobank España has circa 150,000 customers in 51 branches throughout Spain.

Apart from the disclosure referred in the foregoing paragraphs, between 31 December 2022 and the date of authorisation for issue of these financial statements no significant event has occurred, other than those disclosed in these notes.

10. 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 Law², 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 11 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.

² "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."

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10.1 Internal control and risk management systems related to the financial reporting process (ICFR)

10.1.1. 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

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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.

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- 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.

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- 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 acquired 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.

10.1.2. 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 of 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.

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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 perimeter 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 perimeter 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.

10.1.3. 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

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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 within the framework of the annual financial statements. The major estimates identified by the Entity are as follows: Useful lives

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of tangible and intangible assets; Measurement of certain financial assets; Fair value of certain non-financial assets; Income tax; Integrity/accuracy of the consolidation perimeter; Provisions for future contingent liabilities, and Impairment losses on certain financial assets.

10.1.4. 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
- Business continuity: 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.
- Segregation of functions: 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.

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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.

- Change management: 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.

- Incident management: 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.

10.1.5. 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.

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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 of 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.

10.1.6. 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.

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10.1.7. 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 tool 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 is captured and prepared using uniform formats.

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10.1.8. 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 perimeter 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.

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- 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.

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11. 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 Law³, 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 54 recommendations and partially complies with 4 recommendations.

Recommendations numbers 2, 11, 19, 34, 37 and 38 are not applicable.

The four recommendations partially complied with are recommendations number 3, 15, 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

12. 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:

³ "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."

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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	
		31.12.2022	31.12.2021
Numerator	1/2 Dec year-1 Total Assets	80,496.91	67,417.45
	+ Mar year Total Assets	77,750.23	70,471.17
	+ Jun year Total Assets	80,329.22	73,523.08
	+ Sep year Total Assets	78,403.74	73,995.76
	+1/2 Dec year Total Assets	76,050.77	80,496.91
Denominator	1 to 4 (Depending on the date)	4	4
ATAs		78,689.26	72,986.80

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	
		31.12.2022	31.12.2021
	Fee and commission income	335.60	306.00
Minus	Fee and commission expense	53.87	48.48
Net fees and commissions		281.72	257.53

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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	
		31.12.2022	31.12.2021
	Net interest income	769.73	674.15
Plus	Net fees and commissions	281.72	257.53
Basic margin		1,051.45	931.67

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	
		31.12.2022	31.12.2021
	Administrative expenses	664.24	616.64
Plus	Depreciation and amortisation	89.89	92.82
Operating expenses		754.13	709.46

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.

		%	
		31.12.2022	31.12.2021
	Return of the performing loans portfolio (rate) (*)	1.97	1.28
Minus	Cost of retail funds (rate) (**)	0.10	0.01
Commercial margin		1.87	1.27

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.

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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 %	
		31.12.2022	31.12.2021
Numerator	Administrative expenses	664.24	616.64
	Plus Depreciation and amortisation	89.89	92.82
Denominator	Gross margin	1,114.05	1,052.32
Cost to income ratio		67.7%	67.4%

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 %	
		31.12.2022	31.12.2021
Numerator	Profit for the year/period attributable to the owners of the parent	215.01	323.31
Denominator	Average of the shareholders' equity (*)	4,740.51	4,616.01
ROE		4.5%	7.0%

(*) 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.

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 %	
		31.12.2022	31.12.2021
Numerator	Profit for the year/period attributable to the owners of the parent	215.01	323.31
Denominator	Average of the shareholders' equity (*)	4,740.51	4,616.01
	Minus Average of the intangible assets (**)	460.68	473.48
ROTE		5.0%	7.8%

(*) 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.

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*(**) 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 %	
		31.12.2022	31.12.2021
Numerator	Net loans and advances to customers	45,167.46	45,982.39
Minus	Reverse repurchase agreements	-	-
Denominator	Gross deposits from customers	52,448.49	54,175.98
Minus	Securisation	-	-
Minus	Repurchase agreements	2,432.09	3,142.83
Minus	Covered bond issues classified as deposits from customers	1,110.26	1,239.89
Minus	Other long-term financing classified as deposits from customers	-	-
Retail Loan to Deposits ("LtD") ratio		92.4%	92.3%

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	
		31.12.2022	31.12.2021
	Gross loans and advances to customers	46,165.54	46,692.73
Minus	Reverse repurchase agreements	-	-
Minus	Extraordinary activities (*)	199.83	139.25
Minus	Impaired assets in loans and advances to customers	942.95	995.77
Minus	Advance to Social Security due to extra payment	-	-
Performing loans portfolio		45,022.76	45,557.71

() For more information on "Extraordinary activities", see Note 10 of the Consolidated Financial Statements for the years 2021 and 2022.*

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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 %	
		31.12.2022	31.12.2021
Numerator	Impaired assets in loans and advances to customers	942.95	995.77
Denominator	Gross loans and advances to customers	46,165.54	46,692.73
	Minus Reverse repurchase agreements	-	-
	Minus Extraordinary activities (*)	199.83	139.25
NPL ratio		2.1%	2.1%

(*) For more information on "Extraordinary activities", see Note 10 of the Consolidated Financial Statements for the years 2021 and 2022.

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 %	
		31.12.2022	31.12.2021
Numerator	Accumulated impairment losses of loans and advances to customers	783.47	849.17
Denominator	Impaired assets in loans and advances to customers	942.95	995.77
NPL coverage ratio		83.1%	85.3%

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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	
		31.12.2022	31.12.2021
	Impaired assets in loans and advances to customers	942.95	995.77
Plus	Gross foreclosed assets or received in payment of debt	522.33	637.28
NPA		1,465.29	1,633.05

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 %	
		31.12.2022	31.12.2021
Numerator	NPA	1,465.29	1,633.05
Denominator	Gross loans and advances to customers	46,165.54	46,692.73
	Minus Reverse repurchase agreements	-	-
	Minus Extraordinary activities (*)	199.83	139.25
	Plus Gross foreclosed assets or received in payment of debt	522.33	637.28
NPA ratio		3.2%	3.5%

(*) For more information on "Extraordinary activities", see Note 10 of the Consolidated Financial Statements for the years 2021 and 2022.

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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 %	
		31.12.2022	31.12.2021
Numerator	Accumulated impairment losses of loans and advances to customers	783.47	849.17
	Plus Accumulated impairment losses of foreclosed assets or received in payment of debt	330.00	398.24
Denominator	Impaired assets in loans and advances to customers	942.95	995.77
	Plus Gross foreclosed assets or received in payment of debt	522.33	637.28
NPA coverage ratio		76.0%	76.4%

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 %	
		31.12.2022	31.12.2021
Numerator	Accumulated impairment losses of foreclosed assets or received in payment of debt	330.00	398.24
Denominator	Gross foreclosed assets or received in payment of debt	522.33	637.28
Coverage foreclosed assets ratio		63.2%	62.5%

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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 %	
		31.12.2022	31.12.2021
Numerator	NPA	1,465.29	1,633.05
	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	2,084.22	1,831.37
	Plus Other reserves	(113.24)	(68.30)
	Plus Risk hedging for debt securities	3.37	2.14
	Plus Accumulated impairment losses of loans and advances to customers	783.47	849.17
	Plus Accumulated impairment losses of foreclosed assets or received in payment of debt	330.00	398.24
Texas ratio		25.4%	28.7%

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	
		31.12.2022	31.12.2021
	Investment funds	8,339.64	9,085.60
Plus	Pension funds	1,752.39	1,891.07
Plus	Structured products	434.15	415.79
Plus	Insurance products	1,824.05	1,513.55
Off-balance sheet funds		12,350.23	12,906.00

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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	
		31.12.2022	31.12.2021
	Net loans and advances to customers	45,167.46	45,982.39
Minus	Reverse repurchase agreements	-	-
Plus	Gross deposits from customers	52,448.49	54,175.98
Minus	Securisation	-	-
Minus	Repurchase agreements	2,432.09	3,142.83
Minus	Covered bond issues classified as deposits from customers	1,110.26	1,239.89
Minus	Other long-term financing classified as deposits from customers	-	-
Plus	Off-balance sheet funds	12,350.23	12,906.00
Retail Business Volume		106,423.84	108,681.66

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 %	
		31.12.2022	31.12.2021
Numerator	Retail Business Volume	106,423.84	108,681.66
Denominator	Banking activity employees (units)	5,619	5,753
Retail Business Volume per employee		18.9	18.9

Corporate and Social Responsibility Report ABANCA 2022

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ABOUT this report

>>>>>²⁻²

For the purposes of this report:

- “ABANCA” makes reference to the company ABANCA Corporación Bancaria, S.A.
- “ABANCA Group” makes reference to ABANCA Corporación Bancaria, S.A. and all the companies comprising the ABANCA Corporación Bancaria Group, which may be consulted in the Group's consolidated financial statements.

Governing principles

This document offers detailed information pursuant to Law 11/2018, of 28 December, amending the Code of Commerce; to the consolidated text of the Spanish Limited Liability Companies Law, approved by the Spanish Royal Legislative Decree 1/2010, of 2 July; and to Law 22/2015, of 20 July, on Auditing, as regards non-financial information and diversity (hereinafter, Law 11/2018).

In this context, ABANCA includes the consolidated statement of non-financial information in the 2022 ABANCA Corporate and Social Responsibility Report pursuant to the table “Index of Contents required by law 11/2018” included herein.

The key non-financial performance indicators 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, 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 Information, which is an integral part of the Consolidated Directors' Report and which accompanies the Consolidated Financial Statements for 2022, 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 2022 was prepared, in all significant aspects, in accordance with the GRI (Global Reporting Initiative) Sustainability Reporting Standards, as detailed in point GRI 1: Foundation 2021, included in the "GRI Content Index" section of the Report, which was also reviewed by KPMG Asesores, S.L.

Scope of the information

The financial information included in the Report has been obtained from the Consolidated Financial Statements for the year ended 31 December 2022, 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 therefore 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.) and financial investees (Txstockdata, S.L. and Imantia Capital, S.A.), which account for 4.7 % of total employees.

With regard to environmental information for 2022, 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 the consumption and emissions of ABANCA in other countries, of the non-financial investees or of the financial investees Txstockdata, S.L., Inventtium Consultoría de Proyectos, S.L., and Invertia Capital, S.A., which account for 5.8 % of total employees, are not included.

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

This new edition of the Corporate and Social Responsibility Report includes the activity carried out by ABANCA in the second reporting period of those envisaged in our Responsible and Sustainable Banking Action Plan 2021-2024, the roadmap that guides our activity and our relationship with our customers and other stakeholders.

The Bank faces the current uncertain macroeconomic environment from a solid financial position, at the forefront of the Spanish system in terms of portfolio quality and asset hedging, and with robust levels of capitalisation and liquidity.

This strength is the basis on which we have operated since our launch. And it is also an essential requirement to carry out the different non-financial actions through which we want to make a positive impact on society. Thus, ABANCA is highly committed to people's well-being and specifically to the principles of the Global Compact, to human rights and to sustainability.

In the last three years, ABANCA has actively participated in the effort made by the financial sector to mitigate the effects of the pandemic. We now face a new mission: contributing to the transformation of the economy towards a more sustainable model, one of the objectives of the Next Generation EU Funds. In order to facilitate access to said funds, in 2022 we implemented different financial services and solutions aimed at companies and self-employed professionals endorsed by what we could call the "ABANCA seal": added value for the customer, from the start and in every step of the process.

We also presented other important innovations in terms of products and services, such as our own home insurance, with which we continued to expand our protection and insurance catalogue, or our Mari Carmen Plus Mortgage, which limits the impact of the rise in Euribor for six years. Furthermore, with the same goal of supporting our customers in the face of rising rates, we adhered to the Codes of Best Practices on real estate lending.

Another important milestone in our activity was the completion of the incorporation of the acquisition of Novo Banco's business in Spain, the sixth successfully completed transaction of its kind in recent years in the context of our growth process, a path we want to continue on in 2023 with the acquisition of Targobank España.

We also applied excellence in corporate governance, another pillar of our model. With the appointment of José Manuel González-Páramo, ABANCA's Board of Directors reinforced its large majority (75 %) of independent directors, in line with best practices and above the sector.

We are, undeniably, a bank that is moving towards the future, but without leaving anyone behind. This will be translated into initiatives such as our commitment to remain in the 141 Galician municipalities where we are the only financial institution and to install ATMs in rural areas to improve their financial coverage and inclusion. These lines of work are accompanied by an education and training programme so that older people, especially those living in rural areas that are usually less digitalised, can use the new channels to perform their usual transactions confidently and securely. Moreover, for the benefit of our older customers, we adopted measures such as personal and priority telephone and in-branch service, extension of counter service hours until 2:00 p.m. throughout our network of branch offices, simplification of the menus of the ATMs installed in rural areas and advanced pension payment on the 25th of each month.

Financial education is one of the basic pillars of our relationship model with our customers and with society as a whole. We are very proud to be able to say that, also in 2022, as in previous years, our financial education actions were acknowledged, in this case with the prize awarded by the Spanish Confederation of Savings Banks (CECA) in the children and youth category for our programmes "Financial Grand Prix" and "The crazy adventure of saving". Now we intend to continue to contribute positively to society through our participation in the Funcas Educa Programme 2022-2023 and the launch, in collaboration with Afundación, of our own Financial Education Programme 2022-2023.

We must also highlight the importance of sustainability as another of our core issues. It is a priority that is present in everything we do, from the design of our corporate head offices to our activity in financial markets and social actions. It is all planned and executed with a final goal: achieving carbon neutrality in 2024 and having a sustainable alternative to our financial products.

Some of the actions we developed in 2022 in this sphere include our second green bond issue, with a demand more than twice the issued amount; the achievement of the AENOR Zero Waste certification and Gold LEED certification of the U.S. Green Building Council for our branch office Espacio Serrano 45; new shipments of fishing nets recovered for sports use within the "Living Nets" programme; the organisation of the 3rd Sustainable Finance Session; and the adhesion of ABANCA, Afundación and the Intercontinental Business University to the Galician Climate Alliance.

Also worth mentioning are another three actions that faithfully represent ABANCA's understanding of its responsibility as an organisation. We are referring to the first academic year of the Intercontinental Business University, a non-profit project that represents a major contribution for Galicia in terms of tertiary education; the solidarity campaign launched with Afundación to support Ukraine, which responds to our vocation to help people in need; and, also in relation to Afundación, the contribution of €45 million for this institution until 2027, an allocation with which we reinforce the commitment to our Social Welfare Project.

All these actions bear witness to our will to be an organisation that not only creates value for its customers, but also, through a comprehensive programme of social, educational and environmental initiatives, is a catalyst for the improvement of society as a whole; we will continue to pursue this goal in the coming years.



Juan Carlos Escotet Rodríguez

Chairman of ABANCA



Francisco Botas Ratera

CEO of ABANCA

1

ABANCA
responsible

>>>>> 1
OUR
contribution
 2-6, 2-7

Employees

5,868
professionals.

€398.7
million
personnel expenses.

92.94 %
of employees
with permanent
employment
contracts.

16.13
years old
average length of
service at the
company.

€1.9
million
investment in
training.

Customers

2.1
million
customers.

677
branch offices

Society

18.3 million
social investment.

1.7 million
beneficiaries.

139,475
beneficiaries of
the financial
education
programme.

Business

16.4 %
ratio of total capital.

2.0 %
NPL ratio.

€111,000 million
revenue.

> 1,100,000
mobile banking users.

Suppliers ¹

€221.45 million
in payments to suppliers.

1,833
approved suppliers.

91.56 %
Spanish suppliers (by
invoiced amount).

Promoting sustainable development by contributing to the progress of society, the protection of the environmental in which it operates and addressing the main global challenges is part of ABANCA, of its values and its modus operandi.

¹Supplier data corresponds to natural and legal persons engaged by the Procurement area for ABANCA and its financial investees. It does not include supplies or intra-Group billing.

The Bank continues to progress in the integration of ESG criteria and in its commitment to economic and social progress and to people's well-being through its sustainability strategy.

In 2021 ABANCA launched its sustainability plan, a responsible and sustainable banking action plan with a series of objectives and commitments. The plan includes a roadmap until 2024, aligned with the [Bank's global strategic plan](#) to achieve three main objectives:

- **Work to mitigate the effects of climate change** and promote sustainability within the environment in which we operate.
- **Promote sustainable economic activity**, incorporating ESG aspects in the management business and risk model.
- **Support our customers' transition** to sustainability.

The Bank has established three major lines of action to achieve the objectives:

- The **environmental line (A)**: in response to the concern for the climate emergency and contribution to the protection of biodiversity. The goal is to achieve net-zero carbon emissions by 2050 through the definition of decarbonisation objectives and measures, and to maintain a neutral operational carbon footprint.
Further information about the plans and initiatives under way that allow us to mitigate the potential impact of our activity can be found in the chapter on environment.
- The **socio-economic line (S)**: the recovery and transformation of the economy towards a sustainable model and inclusive growth. Support for education and internal talent is essential.
For further details on this line, see the chapter on business strategy.
For further details on social welfare and the executor, which is Afundación, ABANCA's Social Welfare Project, see chapter 6 of this document.
- **Good governance (G)**: a management model aimed at providing a swift response to stakeholders' needs with a special focus on new risks.

The focus is to work progressively, following 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 beyond legal requirements in order to manage change as efficiently and inclusively as possible.

The area of Sustainability is closely monitored by the Bank's highest governance body.

The **Board of Directors** discharges its functions with unity of purpose and independence of judgement and is guided at all times by social interest, understood as the achievement of a profitable and sustainable business in the long term, promoting its continuity and maximising the Company's value. Furthermore, 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 best practice, the directors 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.

Its functions and composition, in addition to its basic operating rules, are set out in the Regulation of the Board of Directors. For more information, see the chapter on Corporate Governance.

The Board of Directors adopts the necessary measures to supervise the development and application of the Sustainability strategy.

The **Appointments and Sustainability Commission** has the function of supporting the Board in the supervision. Among its functions, it periodically evaluates and reviews 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. Furthermore, it reviews and proposes to the Board the approval of the policies and measures developed in the sustainability strategy.

The **Social Responsibility and Sustainability Committee** is the body that oversees the strategic lines in relation to social responsibility and sustainability. In addition, it puts forward proposals to the corresponding governing bodies, and policies in this area to the Management Committee. Additionally, the inclusion of the Corporate and Risk Control Division, as a member of this Committee, to guarantee the coordination between the main risk functions in the ESG sphere should be noted.

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 DG of Corporate Social Responsibility and Communication.

This corporate unit meets regularly with the cross-cutting working groups to agree upon and align actions on environment and climate change, adaptation to ESG regulatory requirements, sustainable finance, etc.

- The ESG operating working group has the objective of showing solid progress and positioning, and supporting the business units in the introduction of information into the Bank's systems, general consultancy on ESG aspects and training, inter alia.
- The environmental and energy efficiency working group has the function of coordinating the necessary environmental actions ensuring compliance with the energy efficiency and environmental policy.

We work towards this in a corporate context that establishes principles, functions and responsibilities, and defines the adequate processes and governance to achieve the commitment of responsible and sustainable banking. This framework 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.

The annual review was carried out to adapt the [Sustainability 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.) are 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 and the 2030 Agenda.

>>>> 3 CONTRIBUTION to the Sustainable Development Goals (SDG)

3-3, FS7, FS8

Since the launch of the 2030 Agenda, the bank strives to align its global strategy with the SDGs and with the Paris Agreement 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.

Identification of priority SDGs

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.



Priority

Direct impact due to
ABANCA's main activity

● Contribution as a financial agent

● Contribution as a social agent



Complementary

There is a degree of influence

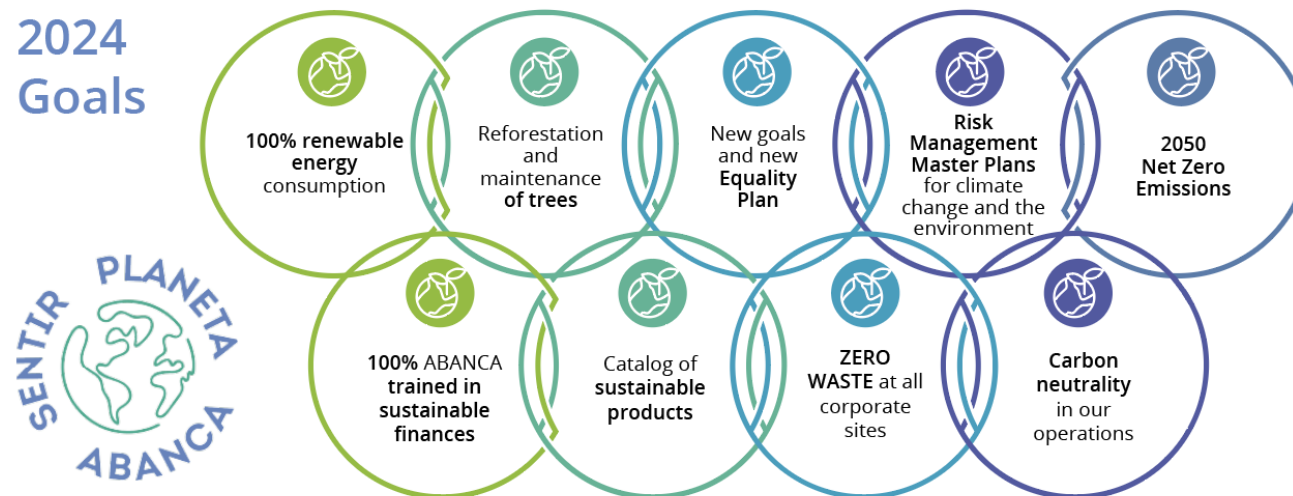


Indirect

ABANCA acts indirectly

Analysis of the contribution to the priority SDGs and progress in commitments

In 2022 we progressed in the medium-term objectives of our Responsible and Sustainable Banking Plan 2021-2024, which allows us, in turn, to contribute to achieving the United Nations Sustainable Development Goals, the Paris Agreement and the different global commitments acquired.



We endeavour to apply SMART methodology (specific, measurable, achievable, relevant and with a certain duration) in the definition of objectives.

		2020	2021	2022
	ENVIRONMENTAL			
     	- Reduction of water consumption. - Reduction of paper consumption. - Reduction in electricity consumption. - Emissions avoided by reusing electronic waste. - Emissions avoided by using 100 % renewable energy. - Generation of renewable energy in proprietary photovoltaic plants. - Hours dedicated to environmental volunteering. - Number of trees planted in volunteering actions. - Number of head offices with Zero Waste measures implemented. - Establishment of the decarbonisation pathway of our portfolio (more information in the section on "Partnerships"). - Support in the transition through the financing of renewable energy projects (following EU Taxonomy criteria). - Issue of green bonds to finance wind and solar energy projects.	31,430 m ³ 303.93 t 6 % base 2019 33.6 t CO ₂ 2,717.12 t CO ₂ 391,82 GJ 921 h 300 3	28,003 m ³ 215.06 t 5.5 % base 2020 77.4 t CO ₂ 5,305.87 t CO ₂ 392,97 GJ 3,617 h 600 6	29,217 m ³ 132.16 t 0.7 % base 2021 24.0 t CO ₂ 5,953.3 t CO ₂ 725.59 GJ 1,973 h 250 7 4 intermediate objectives in 2023 €830.9 million €500 million (2nd issuance)
		€700.0 million	€736.4 million €500 million (1st issuance)	

	SOCIAL			
     	- Number of employees with internal promotion. - Number of employees whose performance was evaluated. - Investment in training. - Percentage of employees with training in sustainable finance. - Increase in digital contracts. - Number of dwellings intended for social housing. - Number of customers over 65 who participate in person in the financial, digital and fraud prevention education training programmes (mobile banking, electronic banking, ATMs). - Number of collaboration agreements with fisheries industry agents. - Number of participants in Afundación education projects. - Number of participants in plastic and performing arts. - Beneficiaries of the financial education programme. - Number of participants in the Afundación active ageing programme.	454 96 % €1.5 million 162.1 % 436 90 183,609 157,696 92,273 22,554	336 94 % €1.6 million 15 % 5.8 % 440 1,895 91 185,862 351,793 123,170 49,126	494 96 % €1.9 million 46.7 % 1.5 % 397 2,440 92 222,161 450,964 139,475 32,441
	GOVERNANCE			
  	- Percentage of women in the Board of Directors. - Percentage of independent directors. - Percentage of suppliers with ESG analysis. - Percentage of national suppliers by amount.	30.0 % 66.6 % 8.40 % 90.30 %	36.4 % 72.7 % 20.22 % 91.10 %	33.3 % 75 % 35.84 % 91.56 %

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.

- Balanced staff, where 51.45 % of permanent contracts correspond to women and 48.55 % to men.
- 94.6 % of employees with permanent employment contracts.
- ABANCA Innova: technological observatory, intra-enterprising, startups programme, lithium project acceleration and development programme.
- ABANCA Corporación Bancaria, S.A. Collective Bargaining Agreement.
- The economic value generated by ABANCA in 2022 amounts to €1,186.4 million.
- Commitment to Human Rights.
- Health and Safety Committee.
- Training in regulatory issues, sustainability and development of specific capabilities for employees.
- Investment in new branch office and headquarters model.
- Quality policy and service.
- Variable and Flexible Remuneration System (REFLEX)
- Pension plans for employees.
- Corporate Governance Excellence Plan.
- Financing for companies and self-employed professionals.
- Job creation.
- Evaluation of suppliers with ESG criteria.
- Support through programmes for accessibility to services in rural areas or with low population density.

▪ **SDG 9: Innovation and infrastructures**

Internally, we promote the value of initiative and improvement proposals, strive to stay abreast of new technologies and leverage on all their functionalities to improve the performance and efficient use of our work. From our institutional role, we drive initiatives that favour social innovation, revitalisation of the production sector and R&D&I.

- ABANCA's core business involves support to businesses and SMEs.
- Promotion of Mobile Banking and ABANCA Digital: they pursue an omnichannel objective so it is the customer who chooses when and how to carry out transactions and contracts. Mobile Banking has more than 1.2 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.
- Investment in information security and digitalisation.
- Through the Next Generation unit, we are a driving force for European funds.
- Initiatives to improve access to financial services for disadvantaged people.

▪ **SDG14 & 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 is why we favour initiatives that promote adequate environmental protection and conservation, particularly in our immediate surroundings: the ocean and our forests.

SDG 14: Underwater life

- 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 and seabeds.
- Adherence to the Sustainable Ocean Principles.
- Awareness actions: sustainability promotion activities programme.
- Living Nets project.
- Collaboration with the ON Territorial Conservation Plan (PLANKTON).

SDG 15: Life on land

- Collaboration with the ON Territorial Conservation Plan (PLANKTON)
- Environmental sustainability initiatives launched in conjunction with the forestry sector.
- Reforestation and ecosystem cleaning actions through corporate volunteering.
- Compensation strategy based on forestry projects in areas degraded by natural disasters.
- Energy and Environmental Policy.
- Reduction in the use of paper both in branch office networks and corporate headquarters.
- ABANCA Agro: financing lines for companies and their sustainability projects. In addition to entering into agreements with sector organisations and groups.

Contribution as a social agent

- **SDG 4: Quality education**

Through ABANCA's Welfare Project, Afundación, we promote a transformative education model based on innovation, internationalisation and multiculturalism, sustainability and training best practice.

- We promote tertiary education through the UIE.
- Regulated Training (over 1,000 beneficiaries).
- Non-Regulated Training (over 220,000 beneficiaries).
- Conferences, courses and sessions.

It is supplemented with the following internal initiatives of the Entity

- Continuous Training Plan for the Board of Directors.
- Employee training in regulatory affairs and sustainable finance.
- Development plan aimed at so-called soft skills and hard skills.
- Company internship programme.
- Staff SDG awareness.
- Chair in ABANCA, Afundación and ICADE longevity, economy and society.
- Financial education and values education programme.

- **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.

- Equality Plan for the period 2021-2025 and renewal of the principles of the Equality Policy.
- 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.
- Social and environmental Corporate Volunteering programme.
- Financial education and inclusion programme: close to 140,000 digital and physical beneficiaries.
- We are the sole sponsor of Afundación.
- ABANCA has a "Singular Housing Management" Unit, the only liaison, negotiation and management channel between public administrations, platforms for people affected by mortgages (PAHs) and other associations.

- **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.
- Energy Management System.
- Global Energy Efficiency Plan.
- Investment in renewable energy production societies.
- Internal waste management and Zero Waste certification.
- Certification of sustainable buildings: BREEAM and LEED.
- Zero Paper Initiative.
- Promotion of the use of e-mail.
- Creation of indirect jobs by hiring local providers.
- Guarantee of origin of consumption of renewable energy.
- Energy and Environmental Policy and Guide of Best Practice.
- Responsible purchases process criteria.
- Quality policy and continuous improvement in customer experience.
- Services and products with the information and labelling necessary to understand them.

- **SDG 13: Climate action**

Our commitment to the climate emergency is materialised through initiatives:

- The financing of renewable energy projects exceeded €830 million at 2022 year-end (following EU Taxonomy criteria).
- 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.
- Adhesion to the Collective Commitment to Climate Action (CCCA) and to the Net-Zero Banking Alliance of UNEP-FI.
- Environmental volunteering.
- Adhesion to the Alianza Galega polo Clima.
- Consumption of renewable energy.
- Compensation of 100 % of CO2 emissions.
- Financing of transition projects.

- Adhesion to PCAF.
- Establishment of decarbonisation objectives of the financed portfolio.
- Definition, monitoring and indicators for environmental and climate risk management.

>>>>> 4 PARTNERSHIPS to achieve the goals

2-28, 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 for sustainable development and contribute to progress.

In addition to the following commitments, it means ABANCA's participation 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 a local and international level are as follows:

1. **United Nations Global Compact**

In 2015, the year of its incorporation, ABANCA joined the Spanish Global Compact Network as a partner, and in 2019 it became a member of the United Nations Global Compact Network and participates in the actions and initiatives that the partnerships launches at national and international level.

2. **Principles for Responsible Banking (PRB)**

ABANCA became one the banks in the world to adhere to the Responsible Banking Principles, developed by the Financial Initiative of the United Nations Programme for the Environment (UNEP FI).

This initiative is aimed at aligning the banks' actions to achieve the Sustainable Development Goals of the United Nations and the Paris Climate Agreement.

This document includes the progress in the implementation of the 6 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:** ABANCA's relationship with the 17 SDGs is analysed, 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. Key impact areas and objectives have been established, prioritising the mitigation of climate change and financial health and inclusion, in accordance with the Bank's strategies.
- **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.
- **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 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.

3. 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. Adhesion to these principles has led ABANCA to prepare a Policy of Sustainable Investment and incorporation of sustainability risks, reviewed in 2020 to adapt it to the new requirements of the regulation approved by the Board of Directors. The policy establishes that ABANCA undertakes to base its actions on the development of the six Principles.

4. 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.

5. Commitment to Climate Action

In 2019, ABANCA joined the **Agreement on climate in the Spanish banking sector**, whose main objective is to promote a more sustainable, low-emission economy, presented in the context of the Climate Summit COP25, aligned with the **UNEP FI's Collective Commitment to Climate Action** and signed by banks around 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.

Two years later, ABANCA reinforced its commitment with the objective of reducing emissions established in the Paris Agreement with the adhesion to the Net-Zero Banking Alliance, which represents an increase in ambition compared to the aforementioned commitments. The project is promoted by the 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 the pre-industrial levels by 2100.

The first steps, with respect to progressing in this commitment, were as follows:

- Establishment of a calculation methodology for financed emissions. To this end, the Bank participated in a sectoral project, coordinated by AEB, CECA and UNACC, in which other Spanish banks participated with the objective of establishing a common methodology and tool for calculating CO₂ emissions and reduction targets.
- Adhesion to the PCAF (Partnership for Carbon Accounting Financials) global alliance, whose objective is to establish an international methodology for measuring and disclosing the greenhouse gas emissions financed by banks and investors.
- Establishment of the first decarbonisation objectives for 2030, following the guidelines set by UNEP FI in its Guidelines for Target Setting.

In 2022, ABANCA published the first interim objectives, in which it undertakes to stop financing carbon by 2030 and announces that it would reduce the carbon emission intensity of its credit portfolio by 37 % in aviation, 25 % in steel production and 20 % in cement production between 2021 and 2030. More information on the objectives in the chapter on Environmental Commitment.

In 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.

6. Alianza Galega polo Clima

In June 2022, ABANCA, together with its Social Welfare Project, Afundación, and the Intercontinental Business University (UIE), became integrated in the Alianza Galega polo Clima (Galician Climate Alliance), an initiative started up by the Department of the Environment, Territory and Housing of the Galician Government to advocate a climate action commitment, define and prioritise strategies for resolving the main environmental problems of the community and involve the Galician business fabric in the fight against climate change.

By adhering to this initiative, which falls under the Galician Climate Change and Energy Strategy 2050, ABANCA, its Social Welfare Project, Afundación, and the Intercontinental Business University (UIE) joined efforts with the entire Galician society to protect Galicia's natural environment and curb climate change. It is also aimed at driving improvements in sustainability practices in organisations and offering tools to small and medium-sized enterprises and local companies to join the alliance.

The signatory organisations undertake to conduct an environmental impact assessment or evaluation derived from its activity, to establish actions and measures aimed at adapting or mitigating climate change, to promote and support cooperation and exchange, and to develop the strategic lines proposed each year within the Climate Alliance.

7. Associations within our sphere of activity

ABANCA generally shares its opinions through different associations to try to reach a consensus on the sector's position, without prejudice to the fact that, in specific cases, its own messages are conveyed directly to regulators and public authorities.

ABANCA participates in various sectoral associations, such as the Spanish Banking Association (AEB), the Spanish Confederation of Savings Banks (CECA) and the Spanish Mortgage Association, allocating €631,788.0 to membership fees.

As set out in its Code of Ethics and Conduct and its Anti-Corruption Policy, ABANCA, as regards its links with political parties and official institutions, complies at all times with national regulations on the financing of political parties and carries out its activities with full respect for the political pluralism of the countries in which it operates. ABANCA does not make contributions or donations to political parties and their related foundations, nor does it make contributions to election campaigns. Nor may it enter into partial or total debt cancellation agreements with political parties or their related foundations.

In addition, ABANCA also maintains solid performance standards in the areas of: Sponsorships, Donations and Suppliers. In this area, ABANCA does not currently have, and generally will not contract direct lobbying or interest representation services to position itself before the authorities. For the purposes set out above, a pressure group or lobby should be understood as an organised pressure group made up of people with the capacity to lobby in favour of certain interests.

Moreover, the Bank has appointed representatives in foundations and sectoral entities that contribute 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 €173,210.15 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.

>>>>> 5 DIALOGUE with stakeholders

2-6, 2-12, 2-29,
3-3

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.

We always maintain rationalisation in the consumption of resources and in the acquisition of environmentally-friendly products and services and we transmit these principles to our collaborators and suppliers.

- **Society:** 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 Entity 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 entity, 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	People managers Intranet ABANCA's whistle-blowing channel Corporate website	Working climate survey Employees' representatives Work sessions Training sessions
Customers	Commercial Network Commercial website Customer attention service Customer service helpline Social media	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 ABANCA's 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

>>>>> 6

MATERIALITY

analysis

2-12, 2-29,
3-1, 3-2, 3-3

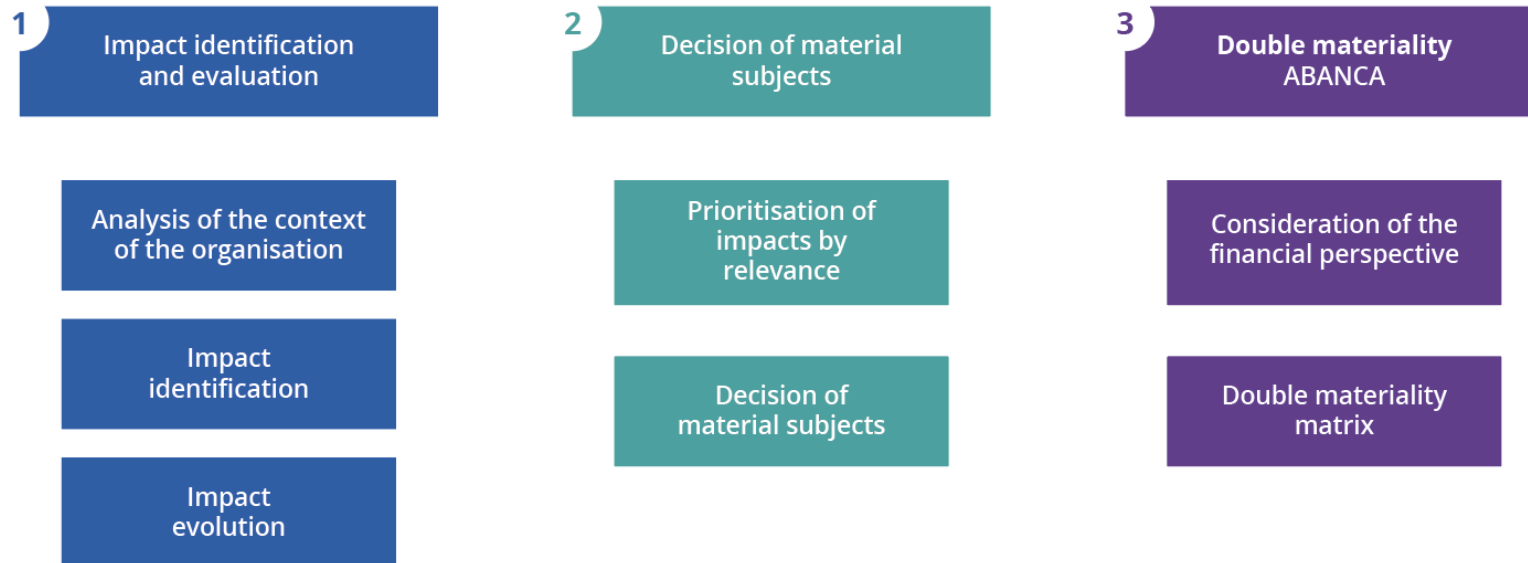
Since 2015, and in the context of the preparation of its Corporate and Social Responsibility Report, ABANCA performs a materiality analysis that allows it to identify the Bank's relevant sustainability issues. The main objective of this analysis is to be able to inform on these issues and defined strategies and initiatives that meet its stakeholders' needs and expectations.

This year the methodological approach to perform the materiality analysis has changed with respect to previous years, in accordance with the new methodology defined by the GRI 3 standard: GRI Material Topics in 2021, which focuses on the identification and assessment of the impacts that organisations have on their environment.

Also, once ABANCA's material issues have been identified in accordance with impact materiality, the financial impact thereof in the company will also be taken into account to have a double materiality approach, as established in the ESRS (EU Sustainability Reporting Standards) developed by the EFRAG.

The new GRI 3 describes a new materiality analysis methodology that focuses on the impacts generated by organisations on the environment and, based on their analysis, the material aspects are determined. This methodology consists of phases 1 and 2 described below.

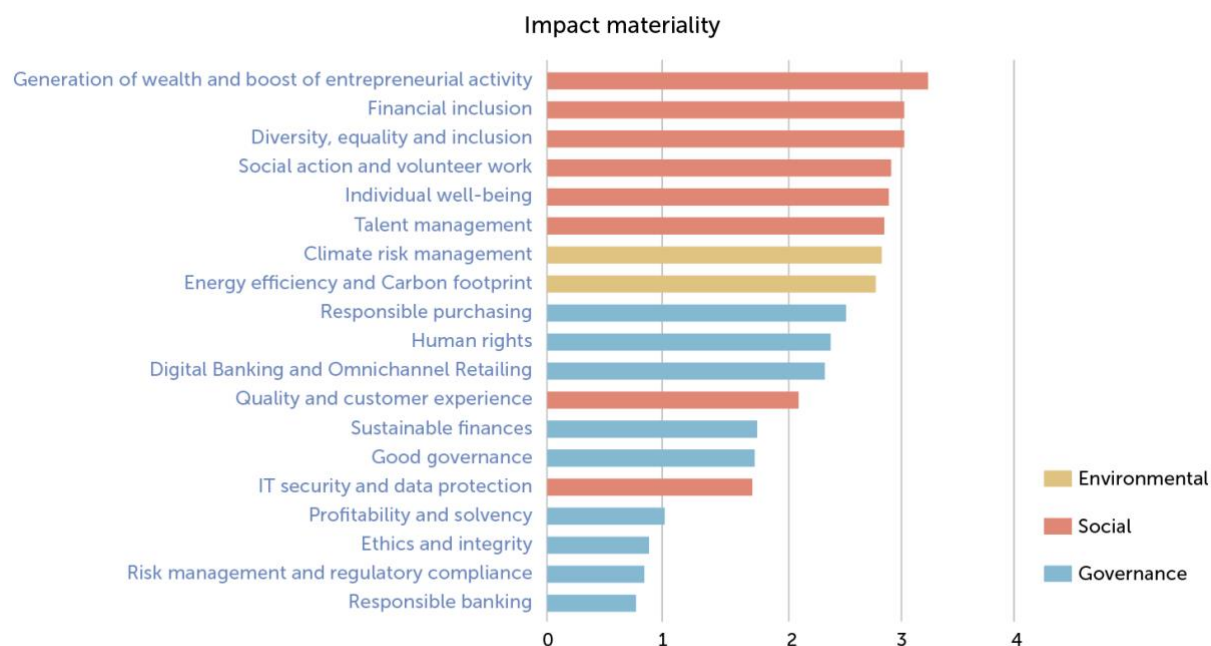
Phase 3 is carried out to take the financial perspective into account, i.e. the impact on the Company's environment. The aim is to identify the sustainability issues that are material to the creation of value in the Company, from the perspective of their financial impact in the short, medium and long term.



- **Impact materiality**

ABANCA has updated its materiality study with the aim of identifying material issues for the Entity and its stakeholders and, on this basis, define the contents of this Report.

This year, in accordance with the new methodology defined by the GRI 3 standard: GRI Material Topics for 2021: a total of 47 impacts were identified that were grouped into 19 material topics.



Impact materiality (in-out perspective) has changed with regard to previous reporting periods and the most relevant topics include the generation of wealth and promotion of the business activity, diversity, equality and inclusion and financial inclusion, all under the social dimension.

It should also be noted that this year, topics related to the environment have greater importance: energy efficiency, carbon footprint and climate risk management.

- **Financial materiality**

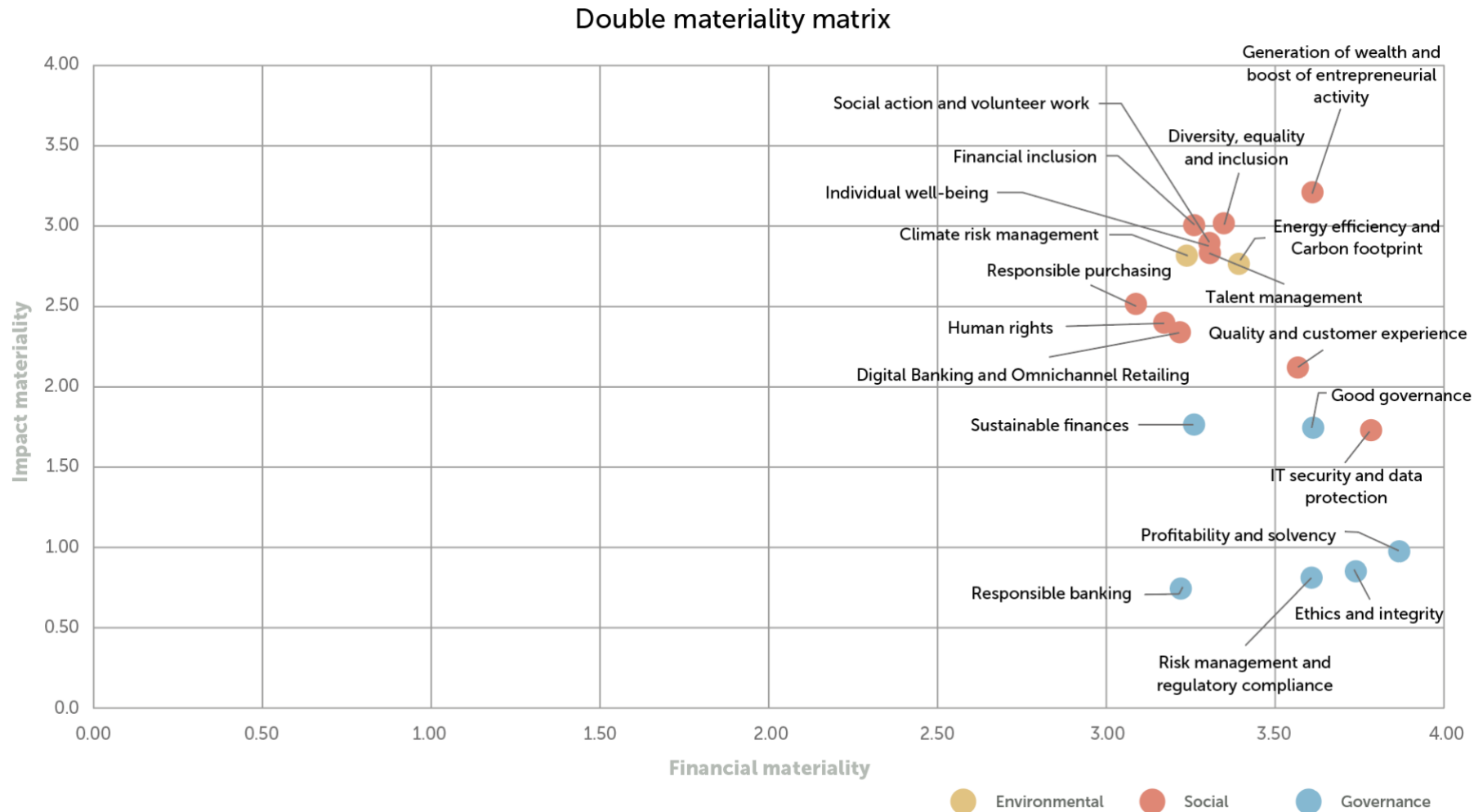
In order to have a vision of dual materiality, once the impact materiality of the different topics has been assessed, the financial impact thereof on ABANCA is calculated, obtaining the following results:



In relation to financial materiality (in-out perspective), the most relevant topics are as follows: Profitability and solvency, Ethics and integrity, Risk management and regulatory compliance, led by the IT security and data protection topic. These positions in the matrix

are due to the high valuation by the Bank's senior management of the aspects related to stability, good governance and security that ABANCA provides to its customers in terms of personal data.

- **Double materiality matrix**



>>>>> 7

DETERMINATION of contents

3-2

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).

Material topics	GRI Standard	Contents	Coverage				SDG related	Non-financial information law
			Origin		Implication			
			Inside	Outside	Direct	Indirect		
1 Profitability and solvency	GRI 3 Material topics 2021 GRI 201 Economic Performance 2016	3-3 201-1 to 201-4	•	•	•	•	SDG 8 SDG 9 SDG 13	Management approach Business model
2 Good governance	GRI 2 General disclosures 2021 GRI 3 Material topics 2021 GRI 415 Public Policy 2016	2-9 to 2-21 3-3 415-1	•		•		SDG 16	Management approach Employment
3 Ethics and integrity	GRI 2 General disclosures 2021 GRI 3 Material topics 2021 GRI 205 Anti-corruption 2016 GRI 206 Anti-competitive behaviour 2016	2-23, 2-26 3-3 205-1 to 205-3 206-1	•	•	•	•	SDG 16	Application of due diligence procedures Management approach Corruption and bribery
4 Risk and regulatory compliance management	GRI 2 General disclosures 2021 GRI 3 Material topics 2021 GRI 207 Tax 2019	2-12, 2-27 3-3 207-1 to 207-4	•	•	•	•	SDG 16	Environmental management Management approach Tax-related Information
5 Responsible banking	GRI 2 General disclosures 2021 GRI 3 Material topics 2021	2-29, 2-30 3-3	•	•	•	•	SDG 1 SDG 8 SDG 13 SDG 16 SDG 17	Company Information Management approach
6 Responsible purchasing	GRI 2 General disclosures 2021 GRI 3 Material topics 2021 GRI 204 Procurement Practices 2016 GRI 308 Supplier Environmental Assessment 2016 GRI 414 Supplier Social Assessment 2016	2-6 3-3 204-1 308-1 to 308-2 414-1, 414-2	•	•	•	•	SDG 5 SDG 8 SDG 12 SDG 16	Management approach Subcontractors and suppliers
7 Digital Banking and Omnichannel	GRI 3 Material topics 2021	3-3	•	•	•		SDG 9	Management approach
8 Sustainable finances	GRI 3 Material topics 2021 Industry supplement	3-3 FS7, FS8, FS10, FS11	•	•	•	•	SDG 1 SDG 8 SDG 10 SDG 12 SDG 16	Management approach
9 Energy efficiency and Carbon footprint	GRI 3 Material topics 2021 GRI 302 Energy 2016 GRI 305 Emissions 2016	3-3 302-1 to 302-5 305-1 to 305-7	•	•	•	•	SDG 3 SDG 7 SDG 8 SDG 12 SDG 13 SDG 14 SDG 15	Management approach Sustainable use of resources Climate change
10 Climate risk management	GRI 2 General disclosures 2021 GRI 3 Material topics 2021	2-27 3-3	•	•	•	•	SDG 13 SDG 14 SDG 15	Management approach Environmental management

11 Quality and customer experience	GRI 2 General disclosures 2021 GRI 3 Material topics 2021 GRI 416 Customer Health and Safety 2016 GRI 417 Marketing and labelling 2016 Industry supplement	2-29 3-3 416-1, 416-2 417-1 to 417-3 FS6, FS13, FS14	•	•	•		SDG 1 SDG 8 SDG 9 SDG 10 SDG 12 SDG 16	Management approach Consumers
12 IT security and data protection	GRI 3 Material topics 2021 GRI 418 Customer privacy 2016	3-3 418-1	•	•	•		SDG 16	Management approach Consumers
13 Human rights	GRI 3 Material topics 2021 GRI 406 Non-discrimination 2016	3-3 406-1	•	•	•	•	SDG 1-17	Management approach Application of due diligence procedures
14 Talent management	GRI 2 General disclosures 2021 GRI 3 Material topics 2021 GRI 202 Market Presence 2016 GRI 401 Employment 2016 GRI 404 Training and Education 2016	2-8 3-3 202-1 to 202-2 401-1 to 401-3 404-1 to 404-3	•		•		SDG 1 SDG 4 SDG 5 SDG 8 SDG 10	Employment Management approach Training
15 Diversity, equal opportunities and reconciliation	GRI 3 Material topics 2021 GRI 405 Diversity and Equal opportunities 2016	3-3 405-1 to 405-2	•		•		SDG 5 SDG 8 SDG 10	Management approach Equality Labour organisation Universal accessibility for disabled people
16 Well-being of people	GRI 3 Material topics 2021 GRI 403 Occupational Health and Safety 2018 GRI 402 Labour/Management Relations 2016	3-3 403-1 to 403-10 402-1	•		•		SDG 3 SDG 8	Management approach Health and Safety Social relations
17 Generation of wealth and promotion of business activity	GRI 3 Material topics 2021 GRI 203 Indirect economic impact 2016	3-3 203-1, 203-2	•	•	•	•	SDG 1 SDG 3 SDG 5 SDG 8 SDG 9 SDG 11	Management approach
18 Social action and volunteering	GRI 3 Material topics 2021 GRI 203 Indirect economic impact 2016 GRI 413 Local communities 2016	3-3 203-2 413-1, 413-2	•	•	•	•	SDG 1 SDG 2 SDG 3 SDG 8 SDG 10	Management approach Corporate commitments to sustainable development
19 Financial inclusion	GRI 3 Material topics 2021 GRI 203 Indirect economic impact 2016	3-3 203-1, 203-2	•	•	•	•	SDG 1 SDG 5 SDG 8 SDG 10	Management approach

2

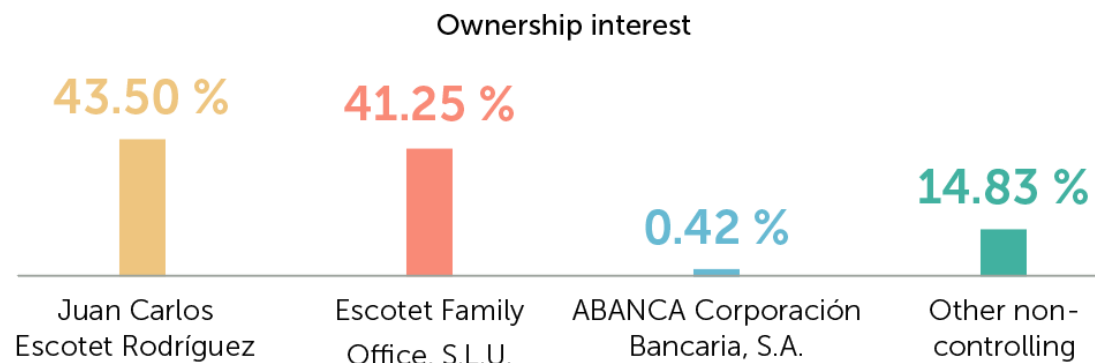
Corporate governance

>>>>> 1

SHAREHOLDER structure

2-1

ABANCA has two reference shareholders: Juan Carlos Escotet Rodríguez and Escotet Family Office, S.L.U., who hold 43.50 % and 41.25% of the share capital, respectively, as at 31 December 2022. ABANCA Corporación Bancaria, S.A. has treasury shares amounting to 0.42% of the Bank's share capital, while the other non-controlling interests hold 14.83 %.



>>>>> 2

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 the needs of its customers and shareholders.

Annual General Meeting

2-9

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.

Board of Directors

2-9, 2-10, 2-11, 2-12, 2-18, 405-1

It held a total of 10 meetings attended by all the members and is made up of 12 members.



Chairman

Juan Carlos Escotet Rodríguez
Proprietary director
Appointment: June 2017 ²



CEO

Francisco Botas Ratera
Executive
Appointment: June 2014
Other positions: Executive Credit Commission



Vocal

Ana da Cunha Barros
Independent
Appointment: July 2019
Other positions: Comprehensive Risk Commission



Vocal

Eduardo Eraña Guerra
Independent
Appointment: October 2016
Other positions: Appointments and Sustainability Commission.

² Was Deputy Chairman from June 2014 to June 2017.



Vocal

José García Montalvo

Independent

Appointment: August 2014

Other positions: Audit and Compliance, Remuneration, Comprehensive Risk Commissions.



Vocal

José Manuel González-Páramo Martínez-Murillo

Independent

Appointment: September 2022

Other positions: Comprehensive Risk Commission



Vocal

Leticia Iglesias Herraiz

Independent

Appointment: May 2018

Other positions: Audit and Compliance, Remuneration, Comprehensive Risk Commissions.



Vocal

Manuel López Figueroa

Independent

Appointment: October 2019

Other positions: Executive Credit Commission



Vocal

Pedro Raúl López Jácome

Other non-executive

Appointment: June 2014

Other positions: Executive Credit, Audit and Compliance, Appointments and Sustainability, and Remuneration Commissions



Vocal

José Ramón Rodrigo Zarza

Independent

Appointment: August 2014

Other positions: Executive Credit, Audit and Compliance, Appointments and Sustainability Commissions



Vocal

Rosa María Sánchez Yebra Alonso

Independent

Appointment: November 2021

Other positions: Comprehensive Risk Commission



Vocal

Carina Szpilka Lázaró

Independent

Appointment: June 2014

Other positions: Audit and Compliance, Remuneration Commissions.

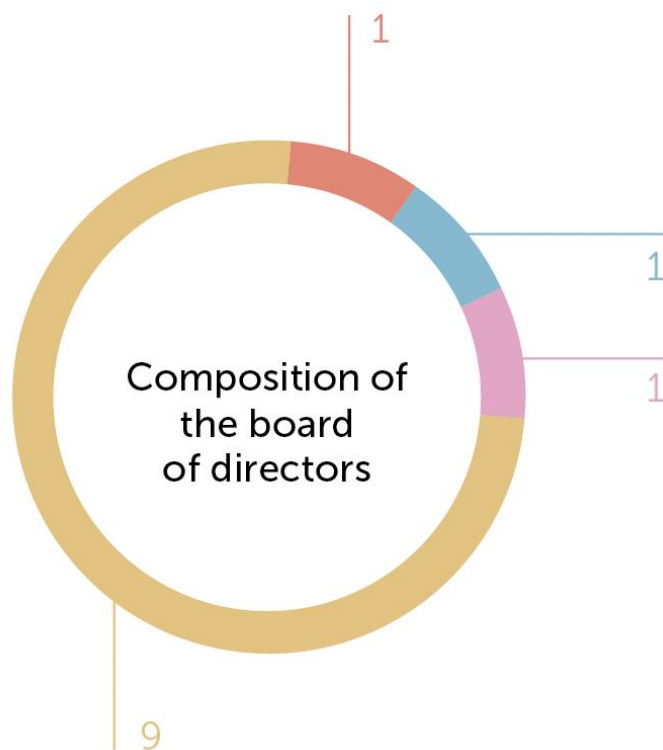


Secretary
José Eduardo Álvarez-Naveiro Sánchez
(non-board member)

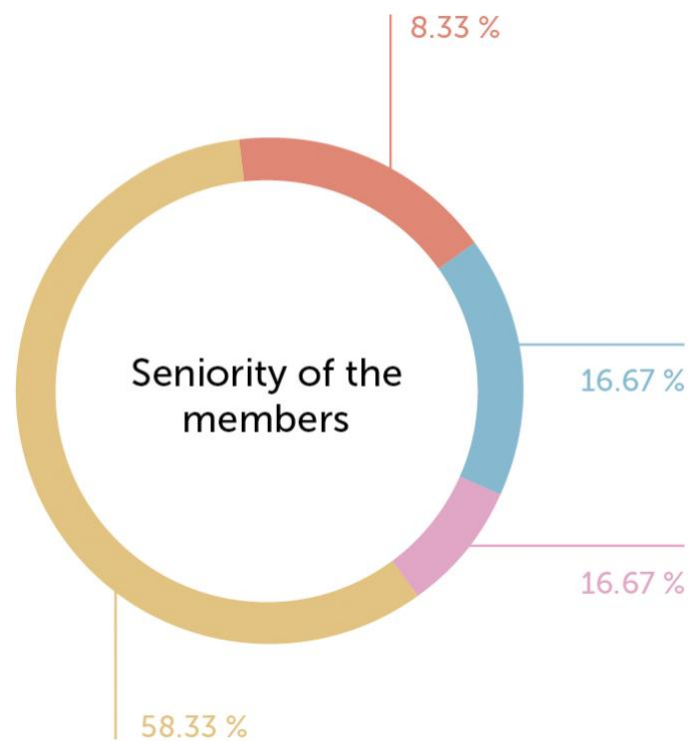


Deputy Secretary
María Consolación Borrás Retamero
(non-board member)

- **In accordance with Article 529k of the Spanish Limited Liability Companies Law**, “independent directors will be considered those who, appointed on the basis of their personal and professional qualifications, can discharge their functions without being conditioned by relationships with the Company or its Group, its significant shareholders or its executives”.
- **Additionally, section Six (Types of Directors) of the Policy for the Selection and Continuous Evaluation in relation to Suitability and Qualification of Directors of ABANCA (hereinafter, Suitability Policy)** establishes that “... the number of independent directors will represent a majority in the composition of the Board of Directors”. So much so that, in the current composition of ABANCA's Board of Directors, 75 % of them are independent.



- Independent
- Other externals
- Executive
- Dominical



- More than 5 years
- More than 3 years
- More than 1 year
- Less than 1 year

Distribution of the Board of Directors by gender and age

405-1

	2020					2021					2022				
	Women		Men		% Total	Women		Men		% Total	Women		Men		% Total
	No.	%	No.	%		No.	%	No.	%		No.	%	No.	%	
Under 30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Between 30 and 50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Over 50	3	30.0 %	7	70.0 %	100 %	4	36.4 %	7	63.6 %	100 %	4	33.3 %	8	66.6 %	100 %
Total	3	30.0 %	7	70.0 %	100 %	4	36.4 %	7	63.6 %	100 %	4	33.3 %	8	66.6 %	100 %

The selection of the members of the Board of Directors has been made based on criteria of professionalism, independence, diversity, personal prestige and experience in the management of financial institutions, and is governed by the principles and rules established in the Suitability Policy.

As regards economic, environmental and social competencies, the Regulation of the Board of Directors establishes in its Article 4 the non-delegable competencies exercised by the Board including, namely, the following economic competencies:

1. **Approve the major strategies of the Company and Group of which it is the Parent**, in addition to monitoring and supervising their execution, assuming responsibility for the administration and management of the Company and for approving and monitoring its strategic objectives and risk strategy.
2. **Guarantee the integrity of the accounting and financial information systems**, including financial and operational control, and compliance with the applicable legislation.
3. **Approve all manner of strategic investments or transactions**, unless their approval corresponds to the shareholders at the Annual General Meeting.
4. **Formulate the separate and consolidated financial statements**, the other financial information that the Company must disclose on a regular basis and the proposed allocation of results.

5. **Actively participate in the management of all the substantial risks** envisaged in solvency regulations, ensure the assignment of the adequate resources for risk management and participate in the valuation of assets and in the use of external credit ratings and internal models relative to these risks.
6. **Approve and review the assumption, management, supervision and risk reduction strategies and policies** to which the Company is or may be exposed, including those arising from the macroeconomic context in which it operates in relation to the phase of the economic cycle.

Furthermore, as set out in point 2 of section Four (General Requirements) of the Suitability Policy, *“The main purpose of all 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, to promote its continuity and to maximise the Company's economic value. In the pursuit of social interest, in addition to respecting laws and regulations and to conduct based on good faith, ethics and respect for commonly accepted best practice, 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 must discharge their functions effectively, objectively and independently».*

Committees and Commissions

2-9, 2-13, 2-16

CREDIT

Director	Position	Category	Appointment
Francisco Botas Ratera	Chairman	Executive	August 2014
Manuel López Figueroa	Vocal	Independent director	March 2020
Pedro Raúl López Jácome	Vocal	Other non-executive	August 2014
José Ramón Rodrigo Zarza	Vocal	Independent director	August 2014
José Eduardo Álvarez-Naveiro Sánchez	Secretary (non-member)		
José Luis Dorrego Martín-Barbadillo	Deputy Secretary (non-member)		

AUDIT AND COMPLIANCE

Director	Position	Category	Appointment
José García Montalvo	Chairman	Independent director	August 2014 ³
Leticia Iglesias Herraiz	Vocal	Independent director	May 2018 ⁴
Pedro Raúl López Jácome	Vocal	Other non-executive	August 2014
José Ramón Rodrigo Zarza	Vocal	Independent director	August 2014
Carina Szpilka Lázaro	Vocal	Independent director	December 2014
José Eduardo Álvarez-Naveiro Sánchez	Secretary (non-member)		

COMPREHENSIVE RISK 2-12

Director	Position	Category	Appointment
Leticia Iglesias Herraiz	Chairwoman	Independent director	September 2018 ⁵
José García Montalvo	Vocal	Independent director	August 2014 ⁶
José Manuel González-Páramo Martínez-Murillo	Vocal	Independent director	September 2022
Ana da Cunha Barros	Vocal	Independent director	October 2020
Rosa María Sánchez-Yebra Alonso	Vocal	Independent director	November 2021
José Eduardo Álvarez-Naveiro Sánchez	Secretary (non-member)		

³ Was Chairman from August 2014 to May 2018 and member from May 2018 to June 2022, date on which he was reappointed Chairman.

⁴ She was Chairwoman from May 2018 to June 2022, date on which she was appointed member.

⁵ Was a member from September 2018 to June 2022, date on which she was appointed Chairwoman.

⁶ Was a member from August 2014 to September 2018 and Chairman from October 2018 to June 2022, date on which he was appointed member.

APPOINTMENTS AND SUSTAINABILITY COMMITTEE 2-10

Director	Position	Category	Appointment
Eduardo Eraña Guerra	Chairman	Independent director	October 2016
Pedro Raúl López Jácome	Vocal	Other non-executive	June 2016
José Ramón Rodrigo Zarza	Vocal	Independent director	December 2014
José Eduardo Álvarez-Naveiro Sánchez	Secretary (non-member)		

REMUNERATION

Director	Position	Category	Appointment
Carina Szpilka Lázaro	Chairwoman	Independent director	June 2016
José García Montalvo	Vocal	Independent director	August 2014
Pedro Raúl López Jácome	Vocal	Other non-executive	June 2016 ⁷
José Eduardo Álvarez-Naveiro Sánchez	Secretary (non-member)		

Changes in the Board of Directors in 2022

The Board of Directors, at its meeting held on 27 June 2022, approved, at the proposal of the Appointments and Sustainability Commission, the appointment of Mr. José Manuel González-Páramo Martínez-Murillo as independent director of ABANCA Corporación Bancaria, S.A., taking effect upon his acceptance on 26 September 2022.

⁷ Was Chairman from August 2014 to June 2016.

Operation and relevant matters in the year

2-12, 2-16, 2-17

- a. The Annual General Meeting was held on 27 June 2022. All the decisive agenda items were approved including, namely, the appointment of Mr. José Manuel González-Páramo Martínez-Murillo as independent director of Corporación Bancaria, S.A. for a four-year tenure from the date of authorisation from the supervisory authorities and subsequent acceptance of the appointment, the re-election for the same period of Ms. Leticia Iglesias Herraiz as independent director, and the ratification of the appointment through co-option of Ms. Rosa María Sánchez-Yebra Alonso as independent director, made by the members of the Board of Directors at their meeting held on 28 June 2021, for the same period and from the date of her acceptance, i.e. 29 November 2021. The resolutions are detailed on the corporate website, under the section [Annual General Meeting](#).
- b. Also, in 2022 measures were adopted to promote corporate governance best practices under the Corporate Governance Excellence Plan. Some of the most significant measures were:
 - Amendment of the Regulation of the Board of Directors to explain the function of supervising and monitoring decision-making processes and actions of the Senior Management.
 - Incorporation of the functions set out in the EBA Guide on Internal Governance in relation to the Comprehensive Risk Commission.
 - Inclusion of the environmental, social and governance risks to the Corporate Risk Framework to ensure a sustainable business model.
 - Approval of ABANCA Group's Corporate Governance Policy in order to combine the content of the principles from the different corporate policies and from the internal governance rules and procedures, with the aim of applying them to the companies comprising the ABANCA Group. It also describes the Internal Governance Framework.

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 2022, focused on aspects such as cybersecurity, U.S. banking regulation, diversity, artificial intelligence, prevention of money laundering and terrorist financing, and sustainability.

Remuneration

2-19, 2-20

The remuneration of the 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 27 June 2022 (of which 92.2569 % attended). The proposal received 99.38294 % of votes in favour.

Remuneration policies

2-19, 2-20

In compliance with corporate governance best practices and the legislation applicable to credit institutions in Spain (Law 10/2014, of 26 June, on management, supervision and solvency), information about the remuneration of the directors and members of the ABANCA group is published on the corporate website, under the section on [Corporate governance and remuneration policy](#).

The following policies can be found in said section:

- Remuneration policy of the Board of Directors.
- Remuneration of the directors.
- Information available relative to the group.

Additionally, in the section on [Relevant Prudential Information](#), the remuneration of senior management and the identified group is available under Financial Information.

Steering Committee

2-9, 2-13, 202-2



Francisco
Botas Ratera
CEO



José Eduardo
Álvarez-Naveiro Sánchez
GM Corporate Governance
and Legal Affairs



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



Gabriel
González Eiroa
GM Sales



Jorge
Martínez Martínez
GM Payment Methods and
Consumer



Pablo
Triñanes Lago
GM Corporate Control and
Risks



José Manuel
Valiño Blanco
GM IT, Information,
Processes and Operations



Pedro
Veiga Fernández
GM Strategic Planning and
PMO



Juan Luis
Vargas-Zúñiga Mendoza
GM Capital Markets,
Management and
Institutional Distribution



José Luis
Vázquez Fernández
GM Credit



Manuel
Nogueira Fernández
Business Development and
Customers



Álvaro
García Diéguez
GM ABANCA Seguros



Julián
Serrapio Vigo
Audit

Changes in the Steering Committee

In 2022, the following joined the Steering Committee: Gabriel González Eiroa, as the General Sales Manager; Jorge Martínez Martínez, as General Manager of Payment Methods and Consumer; and Manuel Nogueira Fernández, as Executive Director of Business Development and Customers. And the departure of the General Manager of Spain Business took place.

In 2022 the following continued to form part of the Steering Committee: Álvaro García Diéguez, as General Manager of ABANCA Insurance; and Julián José Serrapio Vigo, as general auditor.

Economic environment and strategic plan

>>>> 1 FINANCIAL environment

Global economic activity lost momentum in 2022, in an environment marked by the adverse effects of the war in Ukraine on activity, strong inflationary pressures and tightening of monetary policies.

Despite this global context, characterised by an extraordinary degree of uncertainty and the concurrence of a number of adverse shocks, economic growth has been showing some degree of resilience supported, inter alia, by the gradual recovery of activity following the crisis generated by the COVID-19 pandemic, the fiscal policy measures implemented to address the energy crisis and the spike in prices, and to the dynamic performance of labour markets. In 2022 as a whole, the Eurozone grew by 3.5 %.

Although inflation remained high, in the last months of the year it showed incipient signs of moderation due to the containment of energy commodity prices, the gradual easing of bottlenecks in global supply chains and the slowdown in aggregated demand.

In Spain, after reaching a spike of 10.8 % in July, inflation closed the year at 5.7 %. However, underlying inflation, which excludes the cost of non-processed food and energy products, has continued to rise, reaching 7 % in December and showing that the transfer of increased energy prices to certain products has not yet been completed.

Despite the difficult international context, economic activity in Spain was boosted by the positive evolution of the summer tourism campaign, the dynamism of the labour market and the resilience of household consumption. Thus, in 2022 as a whole, Spain's GDP grew by 5.5 %.

In the labour market, average occupation grew by 617,000 people in 2022, up 2.5 % on pre-pandemic employment levels. At 2022 year-end, unemployment stood at 12.9 %, with a decrease of five tenths over the year and standing at 0.9 percentage points lower than at 2019 year-end.

Galicia's economy, with GDP growth of 3.8 % in 2022 as a whole, recovered its pre-pandemic activity levels compared to the gap of 0.9 percentage points of the Spanish economy. Unemployment closed the year at 10.6 %, standing at 2.3 percentage points lower than the national average.

>>>> 2 FINANCIAL environment

In a context of inflationary pressures, central banks have confirmed their intention of not straying from the path of tightening of monetary policies. In the case of the European Central Bank, following an initial 50 basis points rise in July, interest rate rises have intensified, leaving the deposit facility rate at 2 % in December. Additionally, the Governing Council announced that, as from the beginning of March 2023, it will not reinvest all of the principal payments from maturing securities purchased under the Asset Purchase Programme (APP). Consequently, the APP portfolio will begin to decline, on average, by €15,000 million per month, at least, until the end of the second quarter of 2023. These measures seek to bring inflation rates back to levels compatible with its monetary policy objective.

In this context, public debt yields have risen since the end of July. Specifically, the Spanish 10-year bond yield closed the year at 3.5 % (+300 basis points in the year), while the Bund's IRR increased to 2.4 % (+262 basis points in 2022). Thus, Spain's risk premium closed the year at around 109 basis points. In the interbank market, 12-month Euribor closed 2022 at 3.3 % (compared to the -0.5 % close in December 2021).

>>>> 3 STRATEGIC Plan 2021-2024 3-3

2022 was the second reporting period of ABANCA's Strategic Plan 2021-2024. The Plan clearly differentiates between short and medium-term in the entity's scope of action: short-term affected by the uncertainty initially associated with the pandemic and subsequently with the armed conflict in Ukraine, and medium-term focused on the creation of a sustainable ecosystem.

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), making us a benchmark in customer savings consultancy and maintaining our focus on consumer, finance and means of payment, financing SMEs and corporates 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 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.

The goal has been to sustainably outperform markets, in particular with respect to value-added products (insurance, investment funds and pension plans), as well as in consumer and SMEs financing. At year-end 2022, revenue exceeded €111,000 million, taking the integration of Targobank into account, which strengthens ABANCA's retail business and represents a major geographical complementarity for the Commercial Network as a whole.

Despite the difficulties associated with the last phases of the pandemic and the uncertainty generated by the war in Ukraine, in 2022 the dynamic of compliance with the objectives established in the Plan from previous years was maintained, reaching a global compliance of 96 % and highlighting the following milestones:

- Profitable growth with improved recurring income: in 2022 the target for recurring income has been exceeded, with net interest income that exceeded expectations, outperforming its target, as well as the basic margin, also exceeding its target, following the inclusion of fee and commission income and the contribution from the insurance business. Hence, recurring profit has reached €217.0 million, representing y-o-y growth of 40.7 % thanks to the good performance from business and risk cost control. Recurring revenues stood at €1,051.5 million, up 12.9 % on 2021, motivated by the good performance of net interest income and revenues from services provided. Pre-provision operating profit grew by 5 % to €359.9 million, offsetting the lower gains on financial assets and liabilities, which fell by €86 million in 2022.
- Growth in insurance and savings counselling: continuing with the launch of new proprietary branches of insurance (ABANCA Seguros Generales) as the focal point of the strategy. The insurance activity remained focused on improving the value proposition for the customer, with y-o-y growth of 11.0 % in general and life insurance premiums. As a result, the share of premiums issued in the insurance banking channel grew by +7 b.p., with improvement in all the lines except Life. In value-added products, the Bank increased its market share significantly in investment funds (+5 b.p. in the year⁸) and pension plans (+11 b.p.).
- Selective credit growth focused on supporting the business fabric: financing to SMEs and self-employed professionals continued to drive loans, reaching a normal credit volume exceeding €45,000 million.

⁸ Excluding the impact of Novobanco.

- Risk quality: the NPL ratio exceeded 2022 targets and stands at 2.1 %, remaining stable and far below the system average (3.0 %), and with a higher non-performing asset coverage (NPLs and Foreclosed assets), which reached 76.0 %, the highest in the Spanish sector.
- Solvency and liquidity: ABANCA ended 2022 with a total capital ratio of 16.4 % and with excess capital over CET1 regulatory requirements of €1,414 million. The financing structure continues to be clearly based on retail deposits, with LTD of 92.4 %.

>>>>> 4

MAIN

milestones 2022

2-6

- a. **ABANCA closed a new green bond issue.** In September, ABANCA closed the economic terms for its second Senior Preferred green bond issue of €500 million, with a coupon of 5.25 %, after the successful inaugural issue last year. 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 more than doubled the amount issued and more than 100 individual orders. The issue was placed among professional customers and eligible counterparties, with significant presence of specialised investors with ASG profile, which appreciated the rigour in the ESG approach, endorsed by Sustainalytics' opinion of the framework.

With this issue, ABANCA continues to advance in its roadmap in the fulfilment of our minimum requirement 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 210 basis points.

- b. **ABANCA obtains the Gold LEED and Zero Waste certifications for its branch office Espacio Serrano, 45 (Madrid).** With these two new milestones, the Bank is progressing along the lines established in its Responsible and Sustainable Banking Action Plan 2021-2024 for improving the efficiency of its network of buildings, to reduce the adverse impact of its activity on the environment and guarantee the responsible use of resources.

LEED (Leadership in Energy and Environmental Design) certification is granted by the U.S. Green Building Council, an independent association in the U.S. and one of the most prestigious seals for sustainability in design and construction.

This standard verifies that a building was designed using strategies aimed at reducing its environmental impact, paying special attention to energy savings, water use efficiency, reduction of CO₂ emissions, increased quality of the indoor environment, the sustainable use of the resources and materials used.

Espacio Serrano 45 also obtained an extra score in the Innovation category for including biophilic aspects, i.e. that include natural elements in the design of the space. Specifically, the Espacio Raíces (Roots Space) or "tree square" were positively valued, along with the rest of the natural vegetation inside the office.

Espacio Serrano 45 is also ABANCA's fourth head office to obtain AENOR Zero Waste certification since the Bank implemented the Zero Waste project in September 2020. This initiative, which was launched to improve the waste management and reduce the carbon footprint, has already become part of the Bank's corporate culture and will progressively extend to the rest of its head offices.

- c. **ABANCA completed the incorporation of Novo Banco's business in Spain** after performing the last operation in the process: migration of its activity to ABANCA's technological and operational platform. Since October, Novo Banco's customers can operate normally, both in person at ABANCA's branch office network and through its remote banking channels (electronic, mobile and telephone banking). The technological migration ended a process initiated in April 2021 with the announcement of the preliminary agreement between ABANCA and Novo Banco, S.A. for the acquisition of Novo Banco's business in Spain.

This transaction strengthens ABANCA's positioning in Spain, especially in Madrid, and in business segments that are strategic to the Bank, such as personal and private banking and the corporate business.

- d. **ABANCA Seguros launches its first home insurance**, a simple, modular and fully customisable product that the customer can configure in accordance with their profile, their protection needs and the characteristics of their dwelling.

The General Manager of ABANCA Seguros, Álvaro García Diéguez, and the Sales Manager of the Division, Sonia Lucio, presented the differential characteristics and advantages of the insurance, accompanied by famous rally co-driver Luis Moya, advocate of the Bank's insurance division. ABANCA's new home insurance includes competitive advantages available in all the policies, such as the "Manitas" service for repair and replacement of domestic appliances or water damage coverage, among

others. Moreover, the customer can adapt the coverage -and capitals- to their circumstances and protection needs from the start.

- e. **43rd Julio Camba International Journalism Prize awarded to Manuel de Lorenzo.** Afundación, ABANCA's Social Welfare Project, awarded its 43rd Julio Camba International Journalism Prize to Manuel de Lorenzo Paradela for his article "*Límites*", published in *El Progreso*. The ceremony was held in the Westin Palace Hotel in Madrid and was presided by Juan Carlos Escotet, Chairman of ABANCA and trustee of Afundación, and Miguel Ángel Escotet, Chairman of Afundación; Alfredo Conde, President of the jury; Cristina Sánchez-Andrade, Bibiana Candia, Ramón Pernas and Gervasio Posadas, members of the jury; and Isaac González Toribio, Secretary of the jury. The three finalists were also present: Esther Baeza Navarro (Rosa Palo), for her article "Ex", published in all the regional newspapers of the Vocento Group; Manuel de Lorenzo Paradela, for "*Límites*", published in *El Progreso*; and Alberto Olmos, for "*Cuando hasta la nieve nos la tomamos personalmente*", published in *Elconfidencial.com*.

On this occasion, 118 works were submitted in the genre of literary or opinion journalism.

- f. **The CECA acknowledges two ABANCA financial education programmes and its Social Welfare Project, Afundación,** at an award ceremony held in December at its Madrid head office. The Managing Director of Afundación, Pedro Otero, collected the prize, which distinguishes the programmes "Financial Grand Prix" and "The crazy adventure of saving". The prizes, of national scope, annually reward the work of those entities and foundations that demonstrate a high degree of commitment to society and, in particular, to the most vulnerable groups.

The programmes "Financial Grand Prix", on-site, and "The crazy adventure of saving", its digital version, were born to bring financial education applied to everyday life to classrooms throughout Spain. In both, through gamified environments, schoolchildren learn how to manage money responsibly, how to plan expenses, make decisions or distinguish between desires and needs, always based on an education in values that lays a useful foundation for adult life.

The initiative is part of the financial education programme created by ABANCA and Afundación, which is universal and inclusive in nature and has activities adapted to the financial training needs of the different social groups, from infancy to over-60s. 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.

- g. **AI: More than Human.** In September, Afundación, ABANCA's Social Welfare Project, inaugurated the international exhibition "AI: More than Human", one of the most important projects in the year, immersive and interactive. Created by the Barbican Centre in London and co-produced by the Groningen Forum in the Netherlands, the exhibition presents a journey through the origins, challenges and opportunities that artificial intelligence poses to humans, starting from its ancient roots anchored in Japanese Shintoism and the first experiments of Ada Lovelace and Charles Babbage in the field of information technology, to the major developments made from the 1940s to the present.

Visitors were able to directly interact with the exhibited objects to experience the capabilities of artificial intelligence first hand. Additionally, as part of Afundación's commitment to the dissemination of knowledge and to complete the project with a cross-cutting experience, a full programme of parallel activities related to the artificial intelligence was launched: film cycle, conferences, music... Moreover, the Education of ABANCA's Social Welfare Project designed a comprehensive teaching programme adapted to the different academic cycles.

- h. **Acquisition of Targobank España.** In December, ABANCA and BFCM (Banque Fédérative du Crédit Mutuel) announced exclusive negotiations for the acquisition of Targobank España. The proposed transaction was subject to the usual conditions, including the remittance of information and consultation with the workers' representatives, pursuant to French legislation, in addition to obtaining the required regulatory approvals.

On 22 February, ABANCA and BFCM announced the signing of the purchase contract. The transaction, which will be completed in 2023, has yet to obtain the administrative authorisations from the European Central Bank, the National Commission for the Markets and Competition and DG of Insurance and Pension Funds. Subsequently, technological incorporation will take place in 2024, a process for which ABANCA has a successful model proven in the six corporate transactions performed since 2014.

LINES of action and outlook for 2023

2-6, 3-3

The outlook for 2023 heralds a global economic slowdown, motivated by persistent inflation, monetary tightening and still high uncertainty regarding the consequences of the war in Ukraine.

In 2023 as a whole, GDP growth in the eurozone could stand at 0.9 %, according to the provisions of the European Commission. For the Spanish economy, the provisions point to growth of nearly 1.4 % for 2023.

In this context, ABANCA will continue to implement its Strategic Plan for the four-year period 2021-2024, which pivots on four main strategic lines: increase the generation of recurring revenues, cost efficiency, manage the risks associated with the current environment and exponentially transform the organisation.

Business model

ABANCA is currently the seventh bank in the Spanish financial system by asset volume (€76,051 million as at December 2022) with strong asset quality levels (one of the 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) with individual and specialised attention for the profiles requiring so. The management of non-performing assets is another activity for which customized management is offered, with action policies designed under the premise of maximising the value of these assets. Also, ABANCA operates in financial markets as a diversifying source of recurring revenues 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.

>>>>> 1 Distribution CHANNELS

2-1, 2-6

ABANCA is committed to a customer relationship model based on omnichannelling, 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:

a. Spain:

- In the autonomous regions of Galicia, Asturias, Extremadura and León, ABANCA has a proximity network with strong capillarity focused on families and SMEs through a specialist service with personal banking customer managers, micro-SMEs 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 incorporation of Bankoa has reinforced the presence of ABANCA in the Basque Country, especially in the corporate and private banking segments. At 2022 year-end, ABANCA initiated the process of the potential acquisition of Targobank, which, if materialised, would reinforce ABANCA's presence in the Mediterranean and in Madrid.

b. Portugal: 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 is focused on private banking, SMEs, insurance, consumer finance and digital solutions. At the close of 2022, ABANCA has 44 operational branch offices in Portugal, supported by digital solutions (mobile banking), which, together with 28 representatives, totals 72 points of sale in the country.

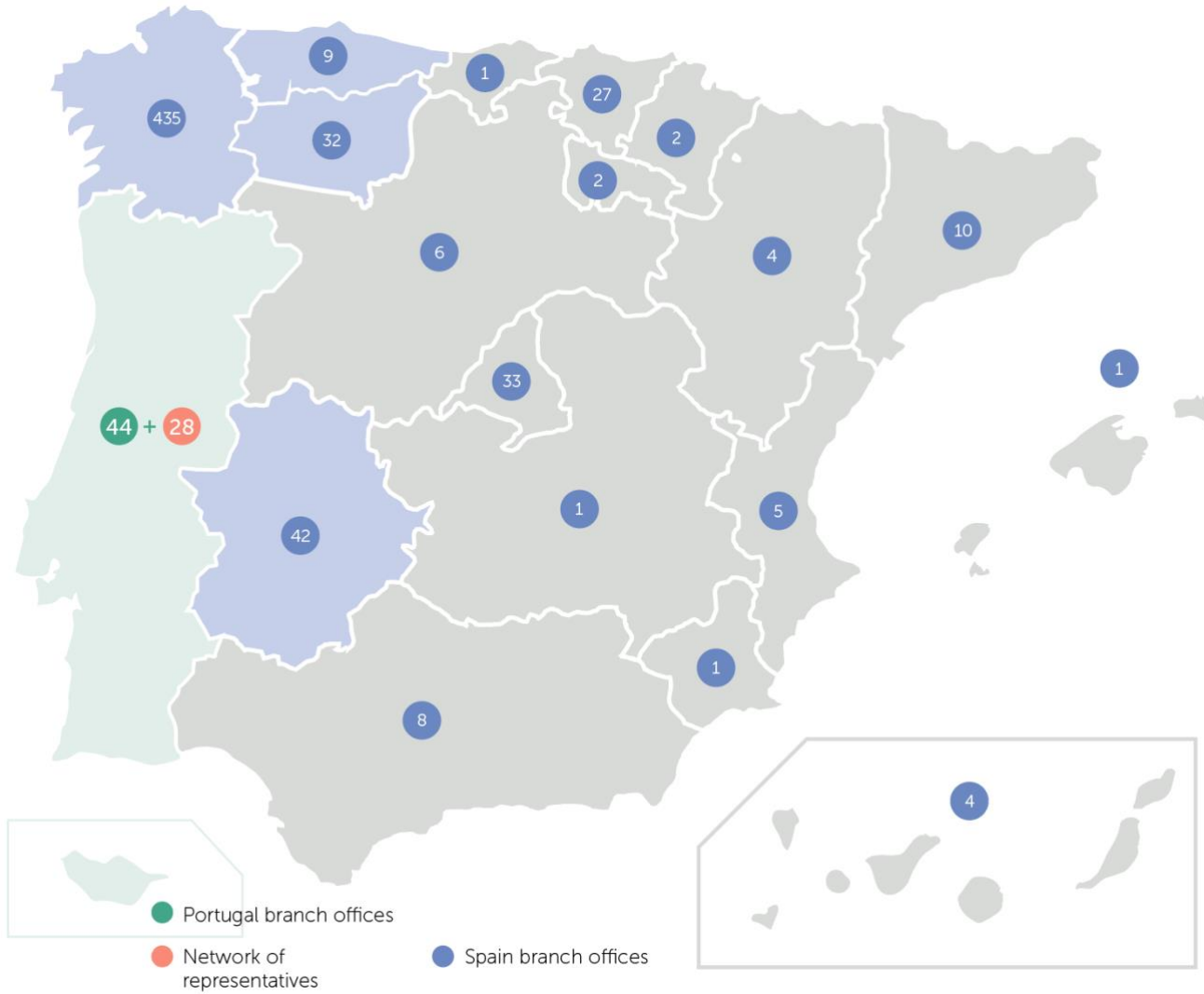
c. International presence: ABANCA's presence abroad is supplemented with 2 branch offices operating in Switzerland (Geneva) and the United States (Miami) and 8 representative offices (France, United Kingdom, Switzerland, Germany, Panama, Brazil, Mexico and Venezuela) focused on assisting the large community of entrepreneurs and families of Spanish origin in European and American countries.

ABANCA ended 2022 with a network of 677 branch offices, of which 623 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 (on-line and mobile banking, 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 the optimisation of its network, adjusting it according to the demographics and economic activity of the area. Additionally, ABANCA has leveraged the opportunities that have arisen in the

sector to acquire businesses and entities, which has allowed it to improve its positioning as an Iberian operator, such DB PCB in Portugal and Banco Caixa Geral, Bankoa and Novobanco in Spain.



2. Digital channels

a. ABANCA Digital

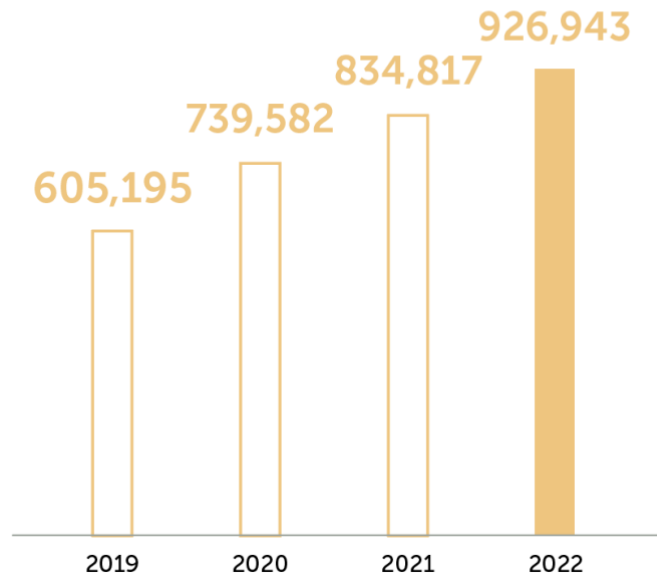
3-3, FS13, FS14

ABANCA has a virtual banking service (mobile, electronic and telephone) that is used by 70 % of its customers. Its mobile banking has more than 1.2 million users and is among the most highly rated in the Spanish financial system by 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 has 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 2022, 73 % of ABANCA's individual customers used remote services for their queries and transactions and 82 % of the bank's transactions were performed via digital channels.

Evolution of customers
connected to mobile banking
(units-month data)



b. ATMs

ABANCA offers its customers a network of 1,170 ATMs that are continuously upgraded with new functionalities to enable customers to perform practically all their usual transactions in a simple way. Additionally, ABANCA has a wide network of point-of-sale terminals (54,810 units) for the payment of transactions and a card fleet (debit, credit, wallet, etc.) of more than 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.

>>>>> 2

MAIN

lines of business and products

2-6, 3-3, FS6, FS13

ABANCA defines three priority lines of business in accordance with the Group's organisational structure, dividing the structure of the business into the following areas:

- **Retail banking:** ABANCA's main line of activity, carried on and oriented to the different types of retail customers (citizens, businesses and public administrations), offering a range of financial and para-financial products both through its branch office network and its alternative distribution channels (mobile banking, Internet, ATMs, POS terminals...). Within this line of activity, individuals, self-employed professionals and small companies are considered strategic.

In 2022, this line of activity accounted for 82 % of gross margin and 72 % of the Bank's PBT, accounting for 60 % of assets and 64 % of liabilities.

- **Wholesale banking:** it basically includes trading in financial markets (cash, issues, fixed-income portfolio, derivatives, etc.), in addition to the management of the equities portfolio, in which ABANCA holds non-material ownership interests. It also holds assessment activities in mergers and acquisitions consisting mainly of the comprehensive management of external purchase/sale transactions and shareholder movements in the Iberian market, in addition to capital increases, debt restructuring and other corporate transactions.

In 2022, this line of activity accounted for 7 % of gross margin and 9 % of the Bank's PBT, accounting for 36 % of assets and 32 % 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.

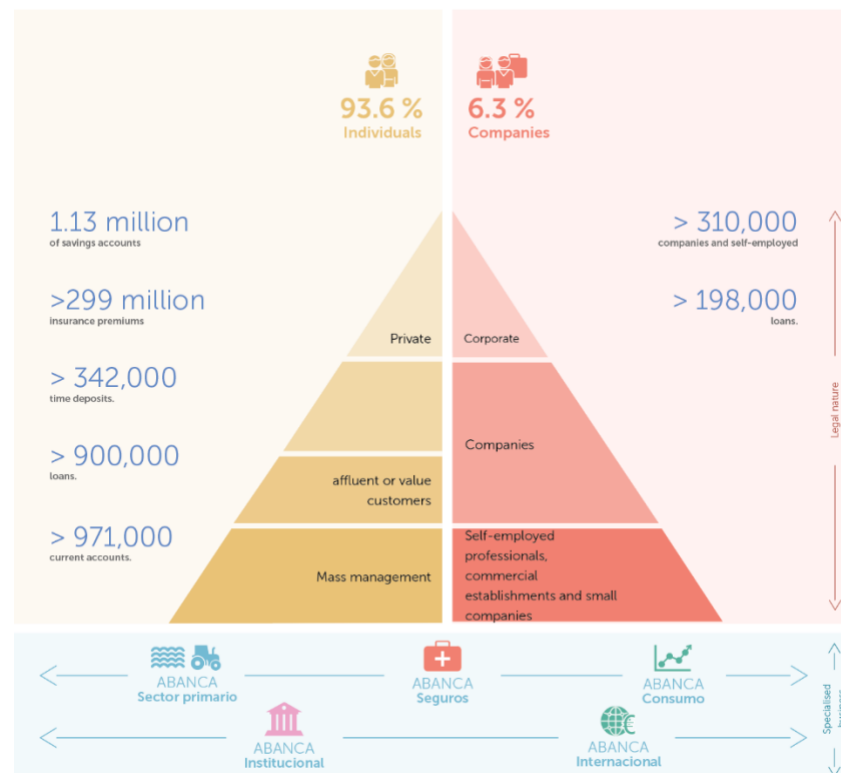
In 2022, this line of activity accounted for 11 % of gross margin and 19 % of the Bank's PBT, accounting for 3 % of assets and liabilities.

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 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-entity interrelationship.

As indicated in the graph below, the customer segmentation is divided into two interconnected dimensions in order to provide the most personalised and professional customer service.



Specialisation by legal status

The first dimension classifies customers by their legal nature and, on this basis, identifies more detailed categories:

a. Individuals

Individuals represent ABANCA's main client base, accounting for 85 % of its 2.1 million customers in Spain and the 39 % of the balance of financing granted to customers.

Customers in Spain by segment	%
Individuals	85.4 %
Companies	14.5 %
Public	0.1 %
Administrations	

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, 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 their financial capacity: mass management, value customers, personal banking and private banking:

- **Mass management:** it is the unit with the largest customer base, who are assisted by branch office staff following value-added criteria. The specialised members of the “Mass management” unit also provide services adapted to the needs of clients with a higher number of ABANCA products or services.
- **Value customers:** it also provides services to customers with recurring monthly income and an additional relation with ABANCA (mortgages, savings products, off-balance sheet funds, guarantees or payment methods). These customers are assisted by specialist managers with whom they maintain a specific financial relationship. After the acquisition of DB PCB, ABANCA leveraged on DB 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) certifications, respectively, in financial markets, investment and savings products, taxes, regulations and standards, and financial planning and assessment, accredited by the European Financial Planning Association (EFPA).
- **Private banking:** this unit is focused on customers with a high net worth, offering them a very specific degree of personalisation, tailored to each customer. The team of professionals who make up the private banking unit includes both senior advisors and asset managers, qualified in different areas related to financial assessment and asset management, with European certifications, such as the aforementioned EFPA.

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 307,000 customers in Spain that are companies and self-employed professionals (14.5 % of the total), assisted by 250 specialist managers.

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 implementing solutions, to which end ABANCA has personalised attention units:

- **MCA Unit:** coverage at micro-enterprises, commercial establishments and self-employed professionals.
- **SMEs Unit:** aimed at small and medium-sized companies.
- **Corporate Banking Unit:** assists large companies. Leveraging its know-how, it also provides companies with specialised "tailored" financing structures (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. 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 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 the agriculture industry (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. Insurance

The development of this line of business is of key importance as a generator of recurring revenue, while making it possible to diversify ABANCA's sources of generation of resources.

ABANCA's insurance business is structured on three lines of action: 1) "ABANCA Vida y Pensiones", which develops a wide range of life insurance products (risk and savings); 2) "ABANCA Seguros Generales", a joint venture with Crédit Agricole to cover the general insurance offering; and 3) "ABANCA Seguros Correduría", a brokerage line for meeting the needs of 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, backed by 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.

After the launch of its first products (car and life/payment protection insurance) in 2021 and the "Flat Rate" service, in 2022 ASG expanded its catalogue in three new branches (home, life and commercial insurance). In 2022 ABANCA Vida y Pensiones launched a new life-risk insurance, a life-savings insurance, a unit linked insurance plan and a pension plan.

c. 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 centre service for telephone sales and support to commercial establishment customers.

d. 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 institutions, state-owned companies, associations, foundations, etc. The Institutional Banking coordinators are organised in a territorial network to offer a friendly and individualised assessment and to 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 initiatives to promote local social, economic and cultural development.

e. ABANCA International

[2-1](#), [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.

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 do not reside in Spain but have a banking relationship with ABANCA España. In December 2022, we had more than 61,000 individual customers and almost 1,500 corporate customers with these characteristics, who are attended by the following teams:

In their country of residence, by ABANCA branch offices' external representative office network:

- Europe: Frankfurt (Germany), Geneva (Switzerland), London (United Kingdom), Paris (France) and Zurich (Switzerland).
- America: Caracas (Venezuela), Mexico City (Mexico), Panama (Panama) and Rio de Janeiro (Brazil).

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 an ABANCA International operational branch office. In December 2022, we had almost 67,000 individual customers and more than 10,000 corporate customers belonging to this segment. These customers are assisted at our foreign operational branch office network located in:

- Portugal, network of 44 office branches and 28 representatives.
- The United States, Miami office.
- Switzerland, Geneva office.
- Mexico, AINVEST SOFOM with offices in Mexico City and Monterrey.

– **Foreign trade**

This segment is made up of corporate customers in Spain and customers of ABANCA Spain with significant foreign trade activity (import or export). These customers require a very specialised attention model. We call this type of customers "COMEX customers". In December 2022, we had more than 2,250 COMEX foreign trade customers, which are attended by:

- The team of specialist Foreign Trade managers, a manager profile with great expertise.
- The Foreign Trade Back Office Department, which provides technical and structural support for marketing these COMEX products both in Spain and in the external branch office network.

ABANCA's national and international network for 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.

f. Recoveries and real estate assets

ABANCA pays special attention to reducing the volume of non-performing assets and to maximising their value for the Entity. 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 order 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 2.00 % at 2022 year-end and coverage for problematic assets of 76.0 %.

2. Wholesale banking

Notwithstanding the fact that ABANCA finances its loan activity with deposits from customers, with a Loan to deposit (LtD) ratio (credits/deposits) of 86.0 % as at 31 December 2022, 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 aim of supporting the productive fabric and 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).

At the close of 2022, 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 others such as information technologies and telecommunications, automotive, naval, real estate, energy, etc.

>>>> 3

Sustainable FINANCES

3-3, FS7,
FS8, FS11

ABANCA continues to work towards the goal of being a local driving force for sustainability in its sphere of action, supporting the transition to a sustainable economy, continuing with a progressive and incremental approach that meets the new disclosure requirements of the Supervisory Authority and the new needs arising from the adaptation of our economic activity to the taxonomy of the European Union.

Action plan

The Responsible and Sustainable Banking Action Plan establishes the roadmap and objectives for 2024 with the aim of incorporating the environmental criteria in the management, business and risk models, and in the decision-making process. It also has the aim of accompanying our customers in the transition towards a new economic model based on sustainability, consistent with our business model focused on people and SMEs.

The actions envisaged to drive an environmentally friendly economic and social model are structured around three main lines of action mentioned in the chapter ABANCA responsible.

Within its socio-economic line of action, ABANCA continues to adapt its product and service portfolio to offer a sustainable alternative to its catalogue. In this context, we consider it crucial to channel financing 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, 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.

Renewable energy projects

FS8

ABANCA continues working on the transition to an economy with low greenhouse gas (GHG) emissions. To this end, we support the financing of projects that contribute to the use of more efficient energy transformation technologies and that enable the mitigation of and adaptation to

ABANCA strives to be ranked among the main Spanish banks that promote the financing of renewable energy projects, mainly working with the expert team from its specialist financing area, added to the efforts of the branch office network teams for other customer segments.

In 2022, the financing projects that promote a transition to an economy with low CO₂ emission intensity exceeded €899 million.

Financing with interaction in environmental issues (millions of euros) by sector of activity

	2020			2021			2022		
	National	International	Total	National	International	Total	National	International	Total
Wind (incl. offshore)	218	70	288	178	69	247	147	50	197
Solar (incl. thermal solar)	333	10	343	489	10	499	619	44	663
Small-scale hydro power plant	34	0	34	18	0	18	15	0	15
Cogeneration	3	0	3	2	0	2	2	0	2
Biomass	21	0	21	14	0	14	13	0	13
Other ⁹	11	0	11	15	25	40	9	0	9
Total	620	80	700	716	104	820	805	94	899

⁹ Includes, for example, transactions that finance regasification plants.

Sustainable markets and wholesale financing

The Bank's financing model is largely drawn from its customer base, but it continues to opt for wholesale financing through capital markets is to properly articulate the transition to the new economy. In 2022, we updated the [Framework for Emissions with Sustainable Development Goals](#), 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.

In this context, ABANCA successfully placed its second Senior Preferred green bond issue amounting to €500 million, in addition to financial quality, reflected in the Fitch (BBB-) and Moody's (Baa3) ratings obtained, which confer Investment Grade status on the bonds, allowing the Bank to access the most demanding part of the investment spectrum, backed by Sustainalytics's opinion of the context and corroborated by the widespread interest in the issue, featuring the most important representatives of sustainable investment, with significant participation of the "Dark Green" sector.

ABANCA's Framework for Emissions with Sustainable Development Goals initially focuses on the renewable energy line of business; since its update, it is widened to include a new one:

Eligible Green Business Line	Eligibility criteria	EU Environmental Objectives	UN SDGs
Renewable energy	Electricity generation Loans/investments to finance the acquisition, construction, operation, maintenance and repowering of renewable energy production facilities from the following sources: - Solar: photovoltaic or concentrated solar power - CSP - Wind (inland or offshore floating platforms)	- Climate change mitigation - Climate change adaptation	  
Green Building/ Efficient Housing	Facilities granted to finance acquisition of new or previously owned efficient buildings or housing solutions, and refurbishments, modifications, or any other intervention wich results in an efficient buildings of housing solution (building that have obtained or will obtain through the granted finance an Energy Performance Certificate -EPC "A")		

From the publication of the Taxonomy Regulation, which establishes the formal framework for classifying investments considered sustainable and specifically the delegate acts that complement it and which fixed 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.

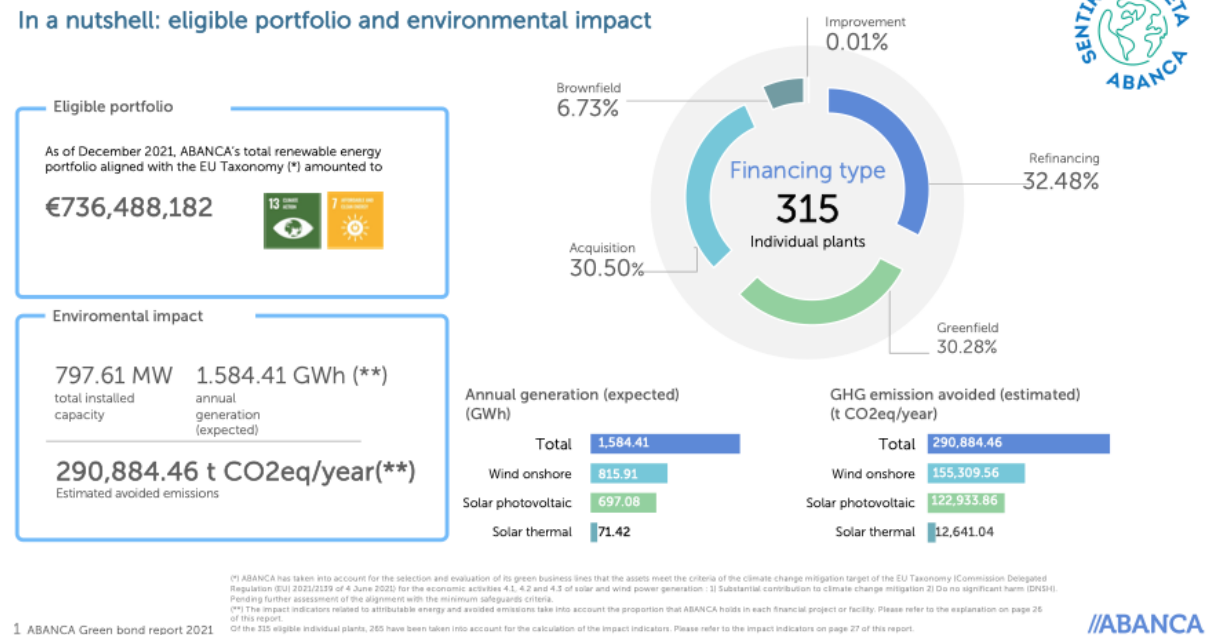
An example of this is the individual evaluation and selection of eligible projects as a step incorporated in the risk assessment. In this regard, ABANCA has implemented a marking system which, at business unit level, applies the corresponding label (with the necessary data and metrics to calculate its impact evaluation) to each financing operation of the defined type aligned with the Taxonomy regulation.

Analysis of the contribution to priority SDGs and alignment with the environmental objectives of the EU Taxonomy	2022
Ending balance of renewable energy projects (solar and wind) (millions of euro)	830.9

In 2022 ABANCA published its first Green Bond Report, previously submitted to an external audit process that resulted in a favourable opinion on the consistency of the calculation of the non-financial impact indicators included in the ABANCA SDG Emission Framework for the year ended 31 December 2021, in compliance with the "Green Bond Principles" of the ICMA (International Capital Market Association), in addition to the verification of the electronic labelling process developed by ABANCA and the criteria applied to identify eligible transactions compliant with three of the four main technical criteria of the Taxonomy Regulation of the European Union.

Following is an extract of the impact assessment with the main [indicators for the eligible portfolio](#) at 31 December 2021:

In a nutshell: eligible portfolio and environmental impact



Design of a sustainable product catalogue

ABANCA works to meet its customers' demand for sustainable products. To this end, the Bank markets several products aimed at both individual and self-employed professionals, SMEs, companies and homeowners' associations.

Renewable energies: we developed a line aimed at financing installations for self-consumption and storage of renewable energies for individuals (families, self-employed professionals and homeowners' associations) and companies. Eligible installations are supported within the limits established by the Self-Consumption Plan, 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.

Driving recovery and transformation

FS7

a. Specialised business

With regard to the work carried out by the specialist business team, it focuses on supporting the primary sector in 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, and the advancement of grants and finance for reducing the environmental impact and investing in social welfare projects.

ABANCA Agro

Through its Agro unit, ABANCA supports the primary sector including the entire value chain. This commitment to the sector is materialised through the participation, support and dissemination of projects directly related to sustainability (for example, with the participation of Fundación ARUME), and in the development of specific products aimed at financing investments that endorse the sustainability of the sector, whether through the efficient use of water (more efficient irrigation projects), renewal of machinery, implementation of energy saving systems and renewable energy installations, inter alia, in addition to participating and promoting agreements with groups that bring together many sector agents and with a particular focus on the implementation of sustainability actions (for example, the agreement with BOAGA -Galician Autochthonous Breed Federation).

ABANCA Mar

The ABANCA Mar team is devoted to supporting the value chain in all spheres of the blue economy. Investments continue to focus mainly on the renewal of the fishing fleet, seeking energy efficiency and the safety and protection of biodiversity. It also supports investments in the processing industry, which is the leading industry in Galicia, by financing investments in new plants and in property, plant and equipment that will enable modernisation, energy efficiency and less generation of waste. Special focus is placed on financing collectives in which the maritime and fisheries sector is grouped (a total of 92 agreements were

signed in 2022) for actions to improve biodiversity and reduce the impact of the work of its partner shipowners and shellfish gatherers on climate change.

The team promotes the investments of the EMFF (European Maritime and Fisheries Fund), which align their growth with the sustainability goals of the European Union.

Next Generation ABANCA

The internal unit, Next Generation ABANCA, keeps collaborating 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 to provide bank guarantees required by the Administration, advance the amount of the aid, in addition to supplementing it, to ensure the feasibility of each of the project phases.

b. Collaboration agreements

In 2022, 320 agreements were entered into with public and private bodies: municipal councils, provincial authorities, autonomous communities, professional associations, business areas, merchant associations and small entrepreneurs.

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.

ABANCA kept the "COVID ICO Line of Guarantees" active during the first half of 2022, which represents the financing of companies and self-employed professionals to mitigate the economic effects of COVID-19, guaranteeing liquidity and meeting the working capital needs of self-employed professionals.

In October of the same year, the Bank entered into another agreement with the **ICO (Official Credit Institute)** “Ukraine ICO Line of Guarantees”, regulated by Royal Decree-Law 6/2022, of 29 March, adopting urgent measures in the framework of the National response plan to the economic and social consequences of the war in Ukraine, with the aim of supporting the economy of the European states in relation to the economic and social consequences arising from Russia's attack on Ukraine.

We also support self-employed professionals, entrepreneurs and companies (inside and outside Spain) with a MGS (Mutual Guarantee Society) or AECA (State Agricultural Guarantee Institute) guarantee, through the "MGS Line". It is an initiative sponsored by CERSA in collaboration with the Ministry of Industry and Commerce (MINCOTUR). This programme is financed by the Next Generation funds.

ABANCA entered a collaboration 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 (70 % of the principal) which allows the Bank to offer 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 their liquidity and preserving employment in the country.

ABANCA and its Social Welfare Project, Afundación, 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 secondary and of training schools. The agreement gives special emphasis to the objectives of family-owned businesses of reinforcement and continuity, the improvement of the legal and tax environment and the promotion of entrepreneurship.

Sustainable investment

FS10, FS11

ABANCA it has a sustainable investment strategy supported on the following pillars:

- a. Incorporation of sustainability risks: environmental, social and governance (ESG) risks in investment decision-making to contribute to better long-term risk management of investments and to identify opportunities arising from sustainability.
- b. Inclusion of sustainability criteria in the investment process for making better informed decisions. It is considered a good practice by customers, which is reflected in the higher demand for products and services related to responsible investment.

In 2022, the Bank reviewed its **Responsible Investment and Sustainability Risk Integration Policy** to include the strategy and basic action principles in this area: we continue to seek return on investment consistent with our profitability objectives and, in turn, consistent with the fulfilment of our customers' sustainability and environmental respect objectives, without forgetting social well-being.

The document is a reference framework for the products, investment services and assets managed and/or supervised by the Investment Management Unit under the Capital Markets, Institutional Management and Distribution Division and ABANCA Seguros.

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 and its goal is to inform on the integration of sustainability risks in the investment and advice decision-making processes.

In 2022, the new regulatory framework related to sustainability in the sphere of investment entered into force. This new regulation, which amends MiFID II and IDD, implies relevant changes in the provision of portfolio management services (DPM) and advice on financial instruments and insurance-based investment products. ABANCA has adapted to this new regulation to respond to the possible sustainability preferences of its customers. In this regard, a training plan for the teams who provide advisory services was carried out, among other internal actions, in order to respond to customers' requirements in due time and form.

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 incorporation allows ABANCA to make better-informed decisions both in relation to the fixed-income and equities assets of the different treasury portfolios, and to offer financial products and services for customers.

In order to carry out this integration, the following measures were adopted, inter alia: the application of Responsible Investment Principle, Responsible Banking Principles and Principles of the United Nations Global Compact, in addition to promoting specific internal training, the use of ASG tools and external data providers, and the establishment of thresholds.

The Alpha model offers different DPM strategies (Discretionary Portfolio Management) including, namely:

- **Alpha Cíclica:** 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 and incorporating sustainability risks.
- **Alpha Exponential Future:** the strategy identifies three main megatrends linked to sustainable development: Innovation, Demographics and Sustainability.
- **Alpha Responsable:** the Alpha Responsible portfolios only 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.
- **ABANCA 360 portfolio:** it allows us to offer an investment opportunity for all types of customer profiles that demand a professionalised management of their portfolio, the fostering of ESG criteria, 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's passive management.

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, and the also take into account the Main Sustainability Negative Impacts (PIAS, in Spanish). Last year we made the first periodic remittance of sustainability information to customers which have one of these DPMs.

DPM sustainable investment	2020	2021	2022
Total Volume AUM managed at DPM (millions of euro)	576.84	1,245.62	1,200.03
Total volume managed classified as Art. 8 according to the SFDR criterion (millions of euro)	436.45	1,095.76	1,047.39
% of AUM included in sustainable strategies, classified as Article 8 according to the SFDR criterion.	75.7 %	88.0 %	87.3 %

More than 95 % of the funds underlying DPM strategies, including those that do not meet SFDR criteria, such as Alpha Cíclica, are funds classified as Article 8 and Article 9 in the aforementioned regulation.

In the field of insurance, we highlight our "ABANCA Unit Linked Alpha DPM" life-savings insurance plan, which follows Alpha Responsible and Alpha Exponential Future investment strategies and allows us to offer sustainable DPM-based investment to more customers. This product is classified as Article 8 under the SFDR Regulation.

With regard to ABANCA brand sustainable investment funds, we have various funds, included in advisory lists, which have a sustainable investment objective compliant with the SFDR Regulation, such as ABANCA Renta Fija Patrimonio, FI. Additionally, ABANCA has the following funds intended exclusively for the service of discretionary portfolio management (DPM): 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 Regulation.

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		2022	
Sector of activity	Output (MW)	Holding (%)	Output (MW)	Holding (%)	Output (MW)	Holding (%)
Norvento Montouto, S.L.						
Fiouco	24.00	19.90	24.00	19.90	24.00	19.90
Montouto	20.46		20.46		20.46	
Norvento Curuxeiras, S.L.						
Curuxeiras	49.60	19.90	49.60	19.90	49.60	19.90
Norvento Sasdónigas, S.L.						
Sasdónigas	18.00	19.68	18.00	19.68	18.00	19.68
TOTAL	112.06	< 20 %	112.06	< 20 %	112.06	< 20 %

Information on the adaptation of the European Taxonomy and disclosure on Article 8 of Regulation 2020/852

FS10, FS11

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, an 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 depend on the classification in an activity in the Taxonomy, without further evaluation or verification than the mere reference in the regulation.

Lastly, also worth mentioning is the publication of three FAQ documents relative to the second Taxonomy delegated act, in December 2021 and February 2022, by the European Commission, which have also been considered.

In this respect, ABANCA has carried out the eligibility analysis according to the two possible approaches currently available for the reporting of the Taxonomy of financial institutions, whose methodology is set out below.

Determination and methodology

Taking into account the provisional and temporary nature of the calculation of the eligibility ratio for 2021 and 2022, 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 2022 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 portfolio.

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.

The information presented by ABANCA meets the requirements established by the European Commission in the different documents mentioned above. For this reason, the results generated and presented are supported by the following general premises:

- The basic data used in the composition of the information on sustainability are the same used by ABANCA to prepare the consolidated financial statements it presents to the Bank of Spain and to other competent authorities.
- 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).
- Following the criterion established by the European commission in the templates of Appendix VI of the Delegated Act of 6 July 2021, the information used as a basis for calculating the indicators is expressed as the gross carrying amount.

In line with the regulatory framework, the eligibility results generated and presented in its mandatory version are supported by the individual analysis of each of the Group's financial instruments and other assets and not by global estimates on certain items on this side of the Bank's balance sheet. Furthermore, the main criteria used to determine the eligibility of the exposures are as follows:

- General-purpose financing to financial and non-financial companies obliged to publish non-financial information pursuant to articles 19 bis or 29 bis of Directive 2013/34/EU have been considered eligible according to the ratios documented in the sectoral project in which ABANCA has participated and according to the indications established by the European Commission.
- Specific-purpose financing to financial and non-financial companies obliged to publish non-financial information pursuant to articles 19 bis or 29 bis of Directive 2013/34/EU have been considered eligible based on whether the activity of the company finance through the transaction is considered eligible.
- Financing or assets that, as envisaged in the Delegated Implemented Regulation for Article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation), considered eligible due to their nature, such as loans to households to finance home purchases, refurbishments or car purchases, foreclosed commercial and residential properties and financing to local authorities for the financing of public housing.

- 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.
- 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, according to the experts, meet the technical requirements for alignment with the EU Taxonomy Regulation.

In addition, and complementarily, the calculation has been carried out in line with the voluntary approach, which, based on compulsory eligibility, attempts to complement the data, and therefore includes approximations with regard to:

- Financial and non-financial companies; that is, both those which are subject to the Non-Financial Reporting Directive (NFRD) and those which are not have been included.
- The purpose has been taken into account or internal entity information on transactions has been used.

The result of applying this methodology is that, at 2022 year-end, ABANCA had an eligibility ratio of 39.6 %.

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 Entity information was used, the eligibility ratio would stand at 29.05 %.

Eligibility ratios according to EU Taxonomy - VOLUNTARY BASIS

	Assets included within the scope of the GAR	
Proportion of eligible economic activities	Millions of euro	%
Proportion of eligible assets	22,569	39.6 %
Proportion of non-eligible assets	34,432	60.4 %
Portfolios included within the scope of the ratios of eligible and non-eligible activities	57,001	100 %

Proportion of exposure in total assets	Millions of euro	%
Exposure to regional governments, central banks and supranational issuers	18,651	24.5 %
Exposure to derivatives	870.89	1.1 %

Exposure to companies not obliged to present non-financial information (applying the voluntary approach ¹⁰)	10,161	13.4 %
Trading book	453.74	0.6 %
Interbank loans	213.56	0.3 %
Total assets for calculating the eligibility ratio	76,106	100 %

Composition of exposures on a voluntary basis

In the numerator, eligible amount of €22,569 million, broken down into:

- Investment portfolio to financial companies with economic purposes defined as eligible: €327 million
- Investment portfolio to non-financial companies with economic purposes defined as eligible: €6,995 million
- Portfolio of eligible homes (including loans guaranteed with residential real estate, building renewal loans and car loans): €14,803 million
- Portfolio of security interests obtained by take-over (foreclosed residential or commercial properties): €444 million

In the denominator, total assets amounting to €57,001 millions product of the sum of:

- Loans and advances, debt securities and non-trading equity instruments admissible in the calculation of the eligibility ratio: €20,128 million
- Portfolio of homes (including loans guaranteed with residential real estate, building renewal loans and car loans): €14,803 million
- Security interests obtained by take-over (foreclosed residential or commercial properties): €444 million
- Other assets (derivatives, interbank loans, cash and other assets): €21,624 million

¹⁰ The voluntary approach, as explained throughout the section, includes in the GAR numerator exposures to companies that are not required to submit non-financial information and that the company has estimated that their eligibility can be analysed, while in the mandatory approach these exposures are only considered for the denominator for the GAR.

Findings and changes in the Disclosure of 2022 with respect to the Disclosure of 2021

The main changes made to the Disclosure with 2022 data with respect to the Disclosure of the previous year, with 2021 data, are as follows:

- For the current reporting period, a scope of persons subject to NFRD has been provided in the sectoral project in which ABANCA has participated and compliant with Article 8 of Regulation (EU) 2020/852 and pursuant to articles 19 bis and 29 bis of Directive 2013/734/EU.
- The counterparties of the Bank subject to NFRD were obliged to disclose information about their eligibility in 2022, due to which said data is include in the calculate of ABANCA's GAR ratio.
- Based on Delegated Regulation (EU) 2022/14, whereby economic activities in certain energy sectors are included in the Taxonomy and disclosed, ABANCA concludes that it does not have significant exposures to nuclear energy and fossil gas activities according to the criteria indicated in the Regulation.

Our business strategy, specifically for sustainable finance to support our customers in the transition, is indicated at the beginning of this chapter. This strategy is aligned with climate and environmental risk management, as explained in the chapter on Risk Management.

ABANCA Innova

3-3, 413-1, FS14

POCs launched under the paradigm of the new POC process

With the new definition of the process for executing POCs in the Bank in 2021 (internal sandbox), a tool has been achieved for the agile execution of proofs of concept demanded by the different business areas. In addition to those executed under the umbrella of the different collaboration programmes with startups of ABANCA Innova, up to eight of these proofs of concept have been completed in verticals such as insurance, fraud, talent and payment methods. In those cases where the results have met expectations and the promise of value has been fulfilled, we are working on the implementation of the solution at the Bank.

Startup programmes

In 2022 two calls for startups to participate in the sixth and seventh editions of the ABANCA Innova programme were made. A total of five proofs of concept sponsored by different business areas have been defined:

- MyChoice2Pay: integrator of payment solutions for businesses, it complements the services of our virtual POS terminal with other widely used payment gateways.

- Rentall & Partners: consumer electronics renting platform.
- WeTalk: chatbot with digital humans with automated emotional expression.
- Colibid: it is the first mortgage auctions platform which allows users to request a mortgage loan simply and in a single place and enables banks and intermediaries to bid (with real offers) through a reverse auction.
- Flanks: SaaS banking aggregation oriented towards investment products makes it possible to integrate all of the customers' investment positions on a single interface.

Intra-enterprising programme

In 2022 ABANCA launched the fifth edition of the intra-enterprising programme, combining in-person and remote activities, which made it possible to generate a friendlier atmosphere thanks to the face-to-face interaction and increase the efficiency of the teams' work through remote sessions.

In 2022 the first phase of the programme was carried out, where the participants focused on identifying the problem to be solved within the challenge and gather in-depth knowledge on customers and stakeholders in order to have the best approach towards a first solution that will be developed in the second phase of the programme. 51 intra-entrepreneurs, distributed in 10 teams, worked on challenges such as digitalisation, reputational improvement and operating improvements. Over a two-month period, they applied design thinking methodology tools to present their idea for a solution to the problem detected on Sponsor Day, the milestone of this first phase. Finally, four solutions remain in the second phase, working on challenges related to consumption reduction, value customers, off-balance sheet products and financial education.

New Corporate launch with Lanzadera

ABANCA's association with Lanzadera, the benchmark accelerator in Spain was renewed through its Corporate programme. This initiative includes the collaboration of the Bank's business areas that pose high-level challenges aligned with ABANCA's strategy related to new digital services, sustainability, loyalty building and payment methods. The objective of the agreement is to identify startups with innovative solutions that are integrated with the Bank's strategy and whose impact will be validated through proofs of concept.

5

Responsible
professionals

5,868

professionals

Average age

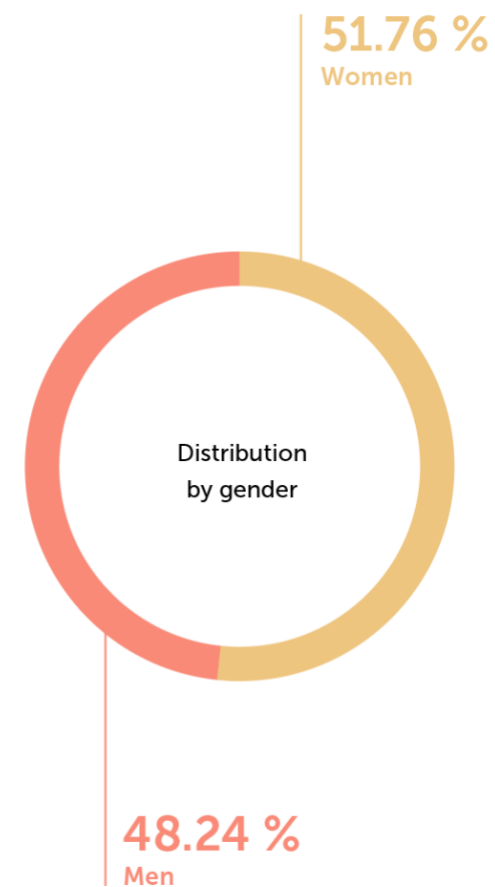
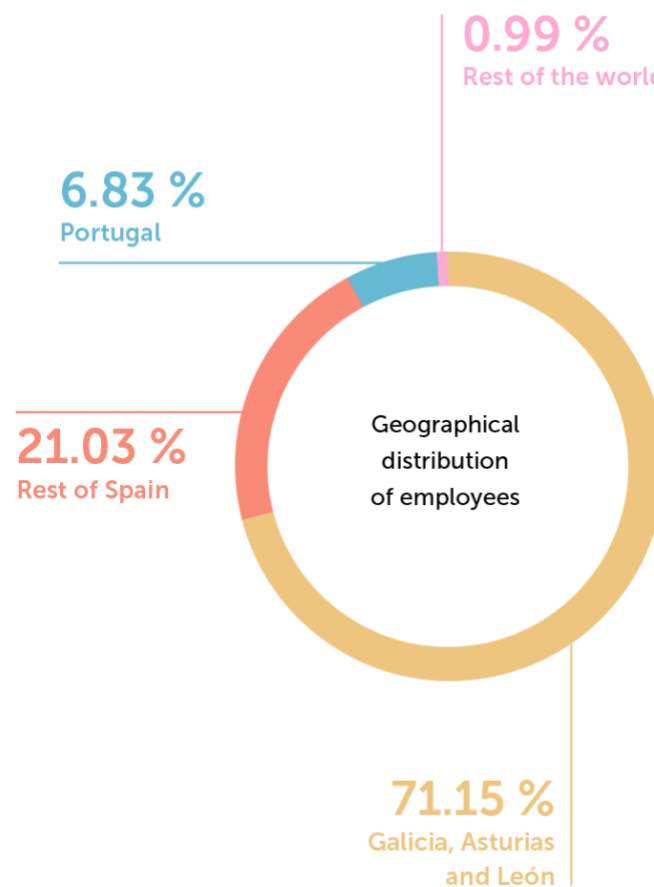
44.56 years

Average seniority

16.13 years
old

94.62 %

permanent contracts
excluding internships



TALENT

3-3, 404-2

Reskilling and career plans

Reskilling: EvolucionA ABANCA project

As highlighted in last year's report, companies have undergone major internal changes in recent years through the renovation of corporate culture, digitalisation and the promotion of creativity and innovation among our teams. Similarly, our employees have had to embrace continuous learning to stay up to date. Indeed, the digital revolution is imposing a very demanding pace, continuously creating new jobs and roles for which there is a shortage of adequately qualified citizens.

This means that the new labour market entails the transformation of the most routine and mechanical work, which is easy to automate, 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 and in the evolution of most existing jobs.

The new needs in response to changes in the market or in organisations' objectives make reskilling and upskilling processes important in order to equip to people with new knowledge to meet the new requirements.

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 have been made in this part of the organisation (reorganisation of branch offices, 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. The project 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 on 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.

In 2022, more than 35 % of the members of the EvolucionA team were promoted to positions for which they had received training, thereby putting their newly acquired skills and knowledge into practice. In 2023 we aspire to increase that percentage to 40 %.

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. If in 2021 specific career plans were defined and implemented for the customer intelligence and digital marketing teams and for managers specialising in personal banking and private banking, in 2022 these plans were extended to the corporate banking and enterprise banking areas, and the inclusion of business and SME managers is envisaged for 2023.

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.
- Also, in 2022 an ambitious transformation plan has been designed for ABANCA's technology teams, which will include a reskilling plan that will be developed throughout the period 2023-2025 and that will entail a new working model and splitting of the professional career into technical and management branches for all the people in these teams (250 people).

Young talent

One of the basic pillars for the sustainability of ABANCA's staff is the incorporation of young talent in the initial stages of the different professional careers. To facilitate this incorporation, Human Capital has defined an **employer branding strategy** supported by five main initiatives:

- Presence in **job fairs and events**: the Talent team promotes and participates in the different job fairs in the north-west region of Spain, presenting ABANCA's job offering and addressing the requests and concerns of those approaching the labour market for the first time. In 2022, although the number of such events was still lower than before the pandemic, ABANCA was present at four on-site events (Universities of Vigo and Oviedo, Comillas Pontifical University - ICADE, A Coruña Chamber of Commerce) and one virtual event (Talentia Santiago City Council).
- **Internship agreements** entered into with educational institutions: for curricular and extracurricular internships, ABANCA has entered into collaboration agreements with more than 30 university centres in Spain, both public and private, in the main regions where we carry on our commercial activity.

Additionally, we have also entered into collaboration agreements with more than 60 vocational training centres in the north-west region to promote the incorporation of these profiles into the financial business.

- **Agreements for mentoring Bachelor's and Master's Degree Final Projects**: different areas of the business and central services offer relevant projects to their activity to the Universities of A Coruña and Vigo, so they can include them in their Bachelor's and Master's Degree Final Projects and offer them to the interested students. These projects are developed together with ABANCA's internal teams and have a person assigned for project mentoring and evaluation. Through these projects, students acquire first-hand experience in a real area of work and ABANCA evaluates the knowledge contributed by them in a real business project.
- **ABANCA Scholarships** for specialising in critical knowledge: ABANCA finances certain highly specialised postgraduate courses (actuarial sciences, data science and analysis, etc.) in the Universities of A Coruña, the Basque Country and Leon. The scholarship covers the academic costs of the programme and offers a contract with a minimum duration of one year at ABANCA after obtaining the corresponding degree.
- **ABANCA TOP and ABANCA Experience programmes**: as a first work experience, while building a comprehensive training curriculum in finance and insurance, ABANCA offers two commercial business entry programmes for recent graduates and vocational training graduates. As part of the teams of the leading offices in each geographical area, they will combine commercial work and customer relations with theoretical and practical training in ABANCA's products and systematics, in addition to preparing themselves to obtain the different professional certificates required by legislation for the counselling and marketing of financial and insurance products (LCCI, MiFID, IDD, etc.). These programmes were published on the Bank's employment webpage (<https://empleo.abanca.com/>), were presented over 11 sessions at the Universities of Santiago, Vigo, A Coruña, the Basque Country and Extremadura, and in the UIE, the first private university in Galicia, and were supported by audiovisual media that record the testimony of young people who have recently joined the Bank (<https://www.abanca.com/es/empleo/vive-abanca/#innova>). In 2022, 152 people joined the commercial teams under these two programmes.

New business structure

In 2022 the Bank implemented a new organisational structure for the business in Spain, which is now structured into two main areas: a Commercial DG and an Executive Business Development and Customer DG.

The objectives pursued with this change were:

- Promote the omnichannel vision, with a unique and efficient vision from a customer and entity perspective on the different channels for interacting with ABANCA, generating greater proximity to customers.
- Promote proximity to and between teams by giving greater relevance to all the physical and digital commercial networks and by driving the efficient and accelerated transformation in forms and processes.
- Promote agility in the face of changes in the environment that will allow us to quickly adapt to new challenges with a proactive and anticipatory vision and that facilitates the support and service to the Bank's different businesses in a coordinated, agile and efficient way (retail business, corporate business, private banking business, insurance business, payment methods business, international business, institutional business, etc.)
- Decisively drive recurring profitability and linkage through approaches that are both agile and persistent over time.

In all cases, internal talent has been promoted based on purely meritocratic criteria and non-discriminatory criteria on the basis of gender or any other reason, as provided for in the Succession Plan for the Spain Business Division. As a consequence of this reorganisation, three women were promoted to the first-line management of these new teams, with a total of seven people, increasing the percentage of women in first-line management to 43 %.

Job stability

ABANCA remains committed to job maintenance and creation in its areas of activity. In 2022, voluntary attrition of the Company stood at 1.48 %, below attrition ratios in the financial and insurance industry, and also far below the 17 % that the Randstad Research annual study determines as the average voluntary attrition in Spain (<https://www.randstadresearch.es/informe-rotacion-2022/>).

The global attrition rate (without incorporations) stands at 4.02 %.

>>>> 2 DIVERSITY and inclusion

ABANCA equality plan and companies of the group

2-23, 2-24, 3-3

The [Equality Plan](#) of ABANCA Corporación Bancaria, S.A., for 2021-2025, covering 88.34 % of the Group's personnel, has ten 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 sex and, lastly, gender-based violence.

In 2022 the following initiatives were launched in compliance with the commitments acquired by the Bank in this plan:

- Participation in the 8 M Challenge (promotion of the re-entry of women in disadvantaged situations into the labour market) and awareness-raising and counselling actions for people with disabilities.
- External dissemination of the Bank's Equality Plan. Dissemination of the Equality Plan in different forums, considered a benchmark by other companies, for example in the AEDIPE Conference held by the Confederation of Employers of Pontevedra. In fact, ABANCA received the acknowledgement of the Galician Business Forum for Equality at the CEP held in October. Through this prize, the CEP acknowledged ABANCA's strong commitment to equal opportunities, highlighting our Equal Opportunities Plan, which is aimed at moving towards co-responsibility and the achievement of real equality of treatment and opportunities. The CEP also highlighted the implementation of the ABANCA Equals programme as "an ambitious equality and diversity training plan for all employees with different actions aimed at promoting diversity and equality at the Bank"; our adhesion to the protocol for the detection and treatment of gender violence situations occurring in and outside the workplace and all the actions implemented through Afundación, ABANCA's Social Welfare Project to raise awareness among the population of the need to solve the problem of inequality.
- Management of the working hour adaptation procedure to foster work/life balance and co-responsibility at the Bank, avoid reductions in working hours with the aim of minimising differences in remuneration arising from the application of this work/life balance measure.
- Additionally, the protocol for the prevention of and action against sexual harassment and harassment on grounds of sex in the workplace has been updated pursuant to Law 10/2022, of 6 September, on the comprehensive guarantee of sexual freedom.

- The measures adopted at ABANCA to facilitate employee well-being in the performance of their work and in their personal life are detailed in the "Well-being and life balance" section.

After signing the Entity Plan, the Bank continued to enter into agreements to sign similar plans in the ABANCA Group's other companies:

- Signing of the plans in ABANCA Life and Pensions and in ABANCA Financial Services for the period 2022-2026.
- Start of the drafting and negotiation process for ABANCA Brokerage Linked Banking-Insurance Operator.

Monitorisation of the salary gap and other indicators

Commitment and involvement of the Board of Directors

In order to respond to the commitment expressed by the Board of Directors for the promotion and monitoring of measures that favour equal opportunities at ABANCA, the Human Capital DG prepares a quarterly report on the subject and presents it every six months to the Remunerations Commission in the form of a dashboard with the main metrics, grouped into six main categories:

- Demographics: women in key positions to break the glass ceiling and access positions with higher responsibility.
- New hires: women that occupy positions of responsibility, whether external recruits or internal promotions.
- Departures and leaves: women who voluntarily leave the entity and women who are on sick leave.
- Salary gap: remuneration differences between men and women.
- Performance and productivity: differences between men and women in performance calibrations and in the productivity of the offices they lead.
- Succession: women who have been identified as potential successors for positions first and second-line management lines.

The target set by the ABANCA team with respect to the percentage of women in positions of responsibility at the commercial office network is to reach 35 % in 2023.

Evolution of the salary gap

In 2022, in accordance with the Equality Plan, ABANCA shared the pay register reports with the workers' legal representatives. These reports contain the breakdown required by Spanish labour legislation, including the mean and median statistics for all the salary concepts in the comparable aggregation levels.

Applying the salary gap analysis methodology internally developed to enable the comparison of actual salaries between positions of equal value and contribution, without taking into account the other factors, the gap between men and women stood at 5.7 % at 2022 year-end.

ABANCA Equals

ABANCA Equals is the comprehensive plan of communication, awareness-raising and training actions on equality and diversity, adapted to the different audiences.

The actions carried out in 2022 were as follows:

Audience	Objective
Board of Directors and Management Committee	• Round table with Ms. Eva Murciano, HR Manager of the European Central Bank, in which aspects such as diversity culture and inclusive leadership at the ECB, the experience during and after the pandemic, and the impact on monitoring criteria and mechanisms were addressed. • Presentation of the equality and diversity indicator monitoring dashboard, described in the "Monitoring of the salary gap and other indicators" section.
All personnel.	• Monthly episodes in which all the barriers that hinder diversity in the workplace, in communication, work/life balance or harassment were addressed. • Bi-monthly portraits of figures that address six types of diversities with a reference figure for each (who, biography, phrase, curiosity, impact). • Six-monthly conferences that inspire reflection and transformation from a personal level without falling into gender-based confrontations (Mercè Brey and Erik Pescador).
"Diverse talent" development programme.	• First, with 24 graduates, with the promotion of three women and one man from said promotion to positions of higher responsibility, to date. • Second, under way.
Teams involved in recruiting and selection	• Workshops for promoting diversity in internal promotions and in new hires: lowering of functional mobility and geographical barriers, improved advertising of vacancies, resources for assuming a first-line management position, monitoring indicators.
Team leaders	• Work plan coordinated with an external expert and executed with the Commercial Division, Networks and Territories Division, and Territorial Divisions. • Extension of the work to the teams of the Territorial Division and Area Division in 2023.

>>>> 3

Change

CULTURE AND MANAGEMENT

3-3

Engagement survey

The Bank's engagement index remained above 80 % in 2022, despite the difficult situation (war in Ukraine, inflation, energy crisis, rising interest rates, etc.). Especially positive factors included, namely: teamwork, relationship with the immediate superior and alignment with the strategy.

In 2022 we also made a step forward and evolved our engagement model to support the growth envisaged by the organisation in the coming years, with metrics that will allow us to compare ourselves with the talent market while allowing us to monitor the effectiveness of our actions in key collectives and in business, in line with our main competitors.

The improvements to the model are materialised in five key elements:

1. Possibility of co-relating the engagement index to key business and management indicators.
2. Having a comparative market benchmark.
3. Capacity to analyse qualitative comments (text analytics) by extracting, grouping and prioritising conclusions thereon.
4. Endowing managers with tools to ensure better engagement management by their teams (module incorporated to the action plans tool).
5. Improving the user experience (managers and collaborators).

The first results position us at an engagement level above the market average and three (3) points above the benchmark in terms of highly committed employees. In turn, levers such as flexibility, collaborative work, learning options and satisfaction with the work done also stand out. All this drives us towards a culture committed to the Bank's strategy and growth.

Listening spaces, approximation of central services to business

In 2022 we continued with our Listening Spaces, an initiative that fosters the direct meeting between service and control managers and office professionals in order to directly gather their perception of the services, along with their suggestions for improvement. A total of 15 sessions of between 1-1.5 hours were held with the participation of managers from eight Central Services areas and more than 100 people of the Commercial Network, with a utility assessment of 9.2 out of 10 for the Central Services areas and 8.2 for the territorial divisions of the Commercial Network. 30 % of the improvements gathered were implemented, another 25 % are being implemented and another 28 % are under analysis or pending availability of resources for the development thereof.

Hita Project in Portugal

In 2022 the HITA project was born in Portugal. A project built by people for people. Inspired in the Balinese Tri Hita Karana theory (where the sustainable development objectives are grouped into three blocks: social, environmental and spiritual harmony), people with different positions, teams or geographic regions in Portugal will be grouped to organise nine activities, 93 hours of volunteering, with the participation of 745 volunteers, in order to unite the ABANCA brand to a common purpose: be an innovative bank with a dynamic, united and focused team that contributes, through people, to the Sustainable Development Goals, and that stands out in the Portuguese banking market for its responsible and sustainable actions. The aim of this project is to promote positive experiences involving ABANCA's employees in Portugal that will help develop internal collaboration and communication, contributing to a better world and that guarantee business results through a healthy, happy and sustainable environment.

2022 Training and change management plan

The main training and change management milestones in 2022 were the support for new insurance launches, alignment of Bankoa in commercial activity and productivity parameters with the rest of the sales force, change management associated with the implementation of ATENEA as a new service platform for offices and the inclusion of automation capabilities in Central Services areas.

Launch of new insurance businesses: ABANCA brand life and home.

Taking as a reference the lessons learned from the plan defined in 2021 for car and payment protection insurance as a reference, in 2022 we supported the launch of business and life insurance (June) and home insurance (September), with a plan that combined communication (notes and presentations), online training in each of the insurance products, 45 booster webinar sessions with in-house experts and subsequent accompaniment through the insurance managers. Overall, more than 3,000 people participated in some of the plan's actions. Given the good results obtained, this approach will be replicated in the launches envisaged in 2023.

Alignment of Bankoa in ABANCA's commercial culture.

Having successfully concluded the integration of Bankoa's offices in ABANCA's transactional platform, in the last quarter of 2021, in 2022 the next step was to align its commercial activity and productivity parameters with those of the rest of the Bank. The challenge lied in the change in culture from a niche bank, focused on specific lines of business in which it was positioned prior to its inclusion in the ABANCA Group to one that aims to reach all the segments, with a much broader value proposition. We began by closing the existing gaps in product knowledge to advance in an ambitious commercial systematics training plan that combined in-person training and mentoring in which all the people of this new unit participated. In order to consolidate the change, a commercial dynamiser was incorporated, supporting the commercial manager in this function. From May, these actions were reinforced with the stays of Bankoa's office managers at ABANCA reference offices in Galicia and Madrid, with the incorporation of professionals from the ABANCA's other territorial divisions to fill vacancies in important positions and listening spaces to monitor the adoption of the new model. A total of 85 sessions were held with more than 500 participants. This plan will conclude in 2023 with a new training plan focused on attracting new customers.

//AI, ABANCA's Intelligent Automation project.

Continuous improvement in organisations is often compromised by the scarcity of available technological resources for such purpose. The solution involves endowing the areas with capabilities that will enable them to address this improvement autonomously, particularly in terms of automation of routine tasks and processes to free up time for value-added tasks using existing technologies, such as robotisation of tasks or low-code development work, accessible to non-technological profiles. With this objective, in 2021 the IT Governance and Processes areas jointly implemented //AI, ABANCA's Intelligent Automation project. Twelve professionals were selected, mainly from the Assets and Liabilities Back Office, who were trained and mentored for a year in the automation of routine processes and tasks of their areas, using robotisation software and low-code programming. The result is that 14 tasks were automated and another 19 are under development, with an estimation of 9,000 freed-up hours for higher added value dedications, an estimated savings of 3 hours of software development work per hour used in automation and a reduction of at least 6 months in the development of the solution with respect to a traditional software development process. These good results have allowed us to expand the //AI community in 2023 with 14 people in the Insurance, ABANCA Financial Services, ABANCA Portugal and Human Capital areas.

Support for the implementation of ATENEA as the new operating service platform in offices.

At the end of 2021, the implementation of ATENEA, ABANCA's new operational knowledge management and operational demand, commenced at the Bank. This new platform implies a significant change in operational support uses for people, since the aim is to promote self-service through its FAQ search engine to reduce the resource of direct call to the User Helpdesk (CAU) or the Back Office units. In order to promote this change in mentality, in 2022 a plan was implemented jointly with the Processes Area underpinned by the publication of three micropills on best usage practices (4,605 views), combined with an offering of four training sessions in webinar format with more than 260 participants. Together with these actions, five focuses with offices were carried out with the aim of monitoring the adoption of the change while identifying and testing improvements. Based on this monitoring, in 2023 its implementation will be reinforced with a plan for disseminating usage tips focused on people with the greatest difficulties, the provision of a change agent collective in offices to support the transition in the workstation, and awareness-raising sessions for service managers with the aim of improving the quality of response given to the offices.

Regulatory training

Training in the rules that regulate our activity has significant bearing on the total training dedication of ABANCA's employees and is aimed at guaranteeing the rigorous compliance with the regulatory framework in their professional performance. To this end, every year a training plan specific to regulatory issues is established, in which each person is assigned the training sessions they must receive to fulfil their obligations in this regard. This plan includes training in the prevention of money laundering and terrorist financing, of special relevance to the financial sector, in which tax fraud issues are recurrently included. At 2022 year-end, more than

3,800 people had fulfilled their tri-annual training on this subject and the rest will do so by the end of the three-year period next year.

In 2022, 1,431 people received criminal risk and anti-corruption training, which includes contents about our code of ethics and whistleblowing channel. With this, more than 4,100 people have already received training on this subject, which recurrently forms part of the regulatory training plan.

The ABANCA Group has a training plan with generic modules on knowledge of data protection legislation (privacy basics; how to understand privacy from design) and with specific role-based modules (practical view of the RGPD (General Data Protection Registry) for the marketing or business development areas; data privacy for information security professionals), updated tri-annually. At 2022 year-end, the corporate target of having at least 90 % of ABANCA's professionals with some training in privacy in the three-year period was achieved. As a reinforcement, privacy topics were included in the risk and security sessions held in the first quarter, with practical training on the subject for professionals directly in contact with customers.

We also continued to certify and update our professionals in investment consultancy, home credit marketing and insurance consultancy. All these topics include contents on responsible marketing and safeguards consumers' rights to these services¹¹. In 2023 we reinforced responsible marketing issues with specific training in attention to vulnerable customers and the code of best mortgage practices, to which ABANCA has recently adhered.

Additionally, both in investment and insurance consultancy, ABANCA exceeds the scope established by the corresponding regulations, accrediting people who are outside the subjective scope of the rule, as in level, and training certain people to higher levels of certification than those required by regulators.

¹¹ Within the structure of the corporate committees of the corporate governance system, ABANCA has established a Business and Customer Experience Committee, presided by the CEO, within the first line of defence of our customers' interests. The main functions of said committee are as follows:

- Understand the usage and consumption trends of users (customers and non-customers) of financial services. Generate strategic guidelines for segments, products, channels and service quality.
- Define the marketing and commercial management strategy and plans.
- Ensure the coordinated management of the Bank's segments, products and channels.
- Monitor the execution of the segment, product and channel plans.
- Drive the execution in times and budgets, and safeguard the commercial projects and initiatives portfolio, in addition to endorsing the development of emerging initiatives of strategic value.
- Monitor and improve the customer experience.

The Product Governance Committee is established within the second line of defence, whose responsibilities are:

- 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 according to the Product Governance Regulation.
- To monitor the new products or services launched, in addition to market changes that could affect products in the distribution phase.
- The full committee in plenary session will monitor the resolutions adopted by the Standing Committee, will approve new products/services submitted thereto by the Standing Committee or called for by it, and exercise any other functions deemed relevant to better apply the product governance policy.

A relevant new development in 2022 was the introduction of ESG factors in risk management, required by the related regulations that have entered into force in this area. To give it support, a specific training plan has been defined with training in governance, taxonomy, reporting, the management of these risks or their impact on business development. This plan was aimed at the managers and specialists of units responsible for the management of said topics, in addition to the senior management with respect to its governance. A total of 38 training sessions were held, with a total of 470 participants and 2,227 hours. This plan will continue in 2023 with its extension to the sales force to train them in the internal procedures developed for managing these risks at ABANCA.

Training in cybersecurity and secure development

Information technology security is one of the pillars that support ABANCA's growth in its digital strategy. In 2022 we implemented a new tri-annual plan for raising awareness and training in cybersecurity, with the aim of delving deeper into the progress made in this area with the previous plan. With this new plan we intensify awareness by enabling the Kymatio training platform, which tests employees' level of knowledge on a monthly basis, making customised training recommendations based on the responses. Furthermore, we have identified new collectives that deserve reinforced training due to exposure, risk or responsibility in security control, such as senior management assistants, control units or back-office units of especially sensitive operations. During the first year of execution of the plan, 77 % of ABANCA's professional staff had used the Kymatio platform, with 60 % who had received at least 50 % of the training sessions enabled, exceeding the corporate target set by more than 10 percentage points; the aim in the coming years is to increase these percentages to thresholds of 90 % and 80 %, respectively. Additionally, 21 training sessions were held with 411 participants and two pills were published with 2,319 completions. The simulation made in the year testifies to the progress made in response to potential events, both in comparison to previous simulations and with respect to the supplier's benchmark.

Training programme for Branch Managers in Portugal

A relevant milestone this year at ABANCA Portugal was the development programme for branch managers called "Leadership with a Purpose". The purpose of this plan was to empower the 35 branch managers and heads of commercial offices as leaders in the commercial transformation of their teams. We worked with these people for eight months combining self-awareness actions, training, individual action plans, coaching and mentoring, concluding with a final presentation on future training and goals. One of the outstanding elements of the plan was the involvement of several people of the Steering Committee of ABANCA Portugal as mentors, each of them with a group of participants, which has led to a better alignment of the development plans of each person with the change objectives pursued in Portugal for its office network.

>>>> 5

WELFARE

and life balance

2-23, 2-24, 401-2, 403-2, 403-3,
403-5, 403-6, 403-7, 403-8

Occupational risk prevention policy

The occupational risk prevention policy and Prevention Plan implementing its contents are available to all employees in the "Occupational risk prevention" section in the employee portal.

ABANCA considers employee health, safety and well-being essential pillars to achieving a secure and healthy workplace, due to which the continuous improvement of working conditions is proposed as a priority objective.

ABANCA's general principles in this regard are as follows:

- Achieve a workplace that ensures the health and well-being of all employees so they can carry out their work in the best conditions.
- Reach an optimum level in occupational security beyond the mere fulfilment of occupational risk prevention regulations.

To this end, ABANCA undertakes to establish the following as the general points of its occupational risk prevention policy:

- Integrate the prevention of occupational risks and the promotion of health and well-being in all the activities and at all levels of the organisation.
- Undertake to optimise the level of occupational health and safety, accepting the legal provisions published in this regard and endeavouring to improve the necessary preventive actions.
- Occupational risk prevention is reasonable with the human capital policies developed to guarantee the commitment and well-being of all ABANCA employees.
- Undertake to adopt and disseminate the objectives of the prevention policy implemented.
- Provide human, technical, material and economic resources to guarantee compliance with the legal regulations in relation to occupational risk prevention, and for the development of its action plans in relation to safety, health and well-being.

- Inform all employees on the potential risks associated with the performance of their activities and facilitate their participation in everything that might affect their safety, health and well-being.
- Train and inform all employees so that they are aware of and fulfil the applicable prevention and protection measures.
- Develop action plans to reduce accident rates, specifically in the movement of persons.
- Develop preventive health campaigns and healthy lifestyles.

Public commitment to occupational health and safety (OHS)

The Prevention Plan is the basic document of ABANCA's Occupational Risk Prevention Management System. This plan establishes, in an orderly and systematic way, the policy and necessary procedures to develop the prevention management system oriented to effectiveness, i.e. achieve safe and healthy workplaces.

In order to prevent risks, ABANCA must adopt the appropriate measures, being one of the most important principles the preventive action of preventing risks, pursuant to Article 15, 1.a) of the LPRL (Spanish law on the prevention of occupational hazards), a principle that the Bank assumes as a priority goal of its activity.

To this end, ABANCA undertakes to meet the following objectives and aims:

- Fulfil the prevention legislation in force.
- Perform risk assessments at all work centres. These assessments may be initial (whenever a work centre is opened), periodic (every six years, as agreed upon with the CSS - Health and Safety Committee) or due to substantial changes in workstations pursuant to articles 4.2 and 6 of Royal Decree 39/1997.
- In order to perform the risk assessments, the methodology of the National Institute for Safety and Health at Work (INSST) will be used.
- Identify, assess and evaluate risk to achieve safe workplaces.
- Identify the risks and adopt the preventive measures resulting from the risk assessment, planning control measures, establishing priorities and setting certain time frames for each required action to ensure effective risk control. The measures will be communicated to all the areas responsible for their execution through the management tool of the Prevention Service.
- The employees associated with the centre to be assessed will receive all the necessary information in relation to the risks that affect their safety and health and those of their colleagues with the protection measures that must be adopted, pursuant to Article 18 of the LPRL.
- As established in Article 19 of the LPRL, all ABANCA employees will receive sufficient and adequate theoretical and practical prevention training.

- Pursuant to Article 20 of the LPRL, ABANCA makes the necessary instructions to know how to act in case of an emergency available to the employees of each work centre.
- In singular buildings where it is required by law, self-protection and simulation plans must be carried out.
- Pursuant to Article 22 of the LPRL, ABANCA guarantees its employees regular health checks by means of medical examinations: initial, periodic (voluntary) or after a long sick leave, taking the relevant tests, all in accordance with the risks inherent to their job role.
- ABANCA will prepare and safeguard all the documents relative to that mentioned in previous points, pursuant to Article 23 of the LPRL.

ABANCA's Safety and Health Committee is the joint and collegiate body of participation, intended for the regular and periodic consultation of the Bank's occupational risk prevention actions.

The most important task of this committee is to ensure that the functions carried out are perfectly aligned with ABANCA's Prevention Plan and its prevention policy, and they act as a whole, where the persons representing the Company, technical personnel and workers' legal representatives join forces to solve problems and assume the objectives of said plan.

This committee is also responsible for promoting initiatives on methods and procedures for the effective prevention of risk, proposing the improvement of conditions or the remediation of existing deficiencies to the Company.

Promoting health and a healthy lifestyle

In 2022 the **ACTIVATE platform** was consolidated, increasing by 38 % the number of people registered in the program with respect to the previous year. With the aim of continuing to improve the quality of life of its employees and their satisfaction within the organisation, in 2022 various initiatives were launched with the aim of generating healthy workplaces.

The initiatives related to physical activity, healthy eating and emotional well-being include, namely:

- 2022 Health Campaign **“Cardiovascular prevention sessions”**, aimed at raising awareness on the risk factors that could lead to cardiovascular diseases, early detection of said risk factors and application of preventive measures to reduce those risks.
- **Nutrition workshops** to improve eating habits. The goal is for each person to acquire a set of simple skills that will enable them to eat a balanced diet.

- **Healthy recipe book** created by the employees.
- **Emotional management workshops.** In the last quarter of 2022, two emotional management workshops were organised by the ACTIVATE platform, where aspects related to mental well-being were addressed. The content of the first workshop was aimed at self-care, with the objective of helping employees to properly manage their internal emotions. In the second workshop, coinciding with the Christmas season, we took advantage of the workshop to discuss the emotions that arise at this time of year, giving all the participants tools to manage them.
- **ABANCA Sports Day.**

With this ACTIVATE platform, ABANCA intends to express its commitment to the promotion of healthy workplaces as an essential factor for the growth of the Bank and of society. In 2022 this initiative received the **ORPHEUS award**. These awards, sponsored by the ORP International Foundation (Occupational Risk Prevention), showcase the work, projects, results, commitment and progress to achieve healthy companies that generate wealth and employment that favour the establishment of roots in their territory of influence.

Furthermore, and as part of the global commitment that cardiovascular prevention implies in every sphere of society, in 2022 ABANCA participated in the **“Cardiovascular health, secondary prevention challenges” session**, demonstrating its predisposition to participate as agents of change within secondary prevention. One of the initiatives carried out by ABANCA to prevent cardiovascular risk is to include more tests in the medical examinations than those established in health surveillance protocols; for example, cholesterol dissociation analysis.

Flu vaccination campaign

During **the 2022 flu vaccination campaign**, the number of people vaccinated was the same as in 2021. This figure confirms that this action continues to be appreciated by employees and that it allows to reduce cases thereby contributing to reducing the impact of this disease on healthcare pressure.

During the 2021 flu vaccination campaign, the number of people vaccinated was the same as in 2020. This figure confirms that this action is consolidated among employees and makes it possible to reduce cases thereby contributing to reducing the impact of this disease on healthcare pressure.

Assessment of psychosocial risks

As a result of the psychosocial risk assessment performed in 2021, which included the participation of more than 60 % of employees, in 2022 the Bank is working on the planning of psychosocial risks to adopt preventive measures at source.

Participation in the first national symposium of occupational radon

Participation of ABANCA in the first National Symposium of Occupational Radon as an example of best practices prioritisation, remediation and information to employees. Despite the fact that ABANCA's centres are not included among work centres in which it is mandatory to perform radon measurements, these are equally carried out with the aim of ensuring employee health. Sampling is carried out annually, previously identifying the work centres located in areas with higher exposure to radon gas in Spain. In 2022 a total of measurements were made in 13 centres.

Measures to promote work/life balance

In order to adequately balance the different spheres of life of ABANCA's employees, the Bank offers a wide range of measures such as flexible working time, flexible working hours and permits that vastly improve those established in the general regulation (Workers' Statutes) and in the sector's collective bargaining agreement. These measures have been agreed upon with workers' legal representatives within the Equality Plan and are published and available to all employees on the employee portal. The measures agreed upon regulate the different matters that directly or indirectly affect work/life balance, such as the work permit regime (reasons, duration, etc.), holidays, reduced working hours, flexibility in work delivery, leaves of absence, gender violence, absenteeism, training, enjoyment of social benefits in situations of suspension of contract, etc. The [corporate website](#) includes a comparative summary of these measures with respect to those required by the Workers' Statute and the collective bargaining agreement.

Social welfare plan promoted by the Bank

In view of the trend towards zero supplementation of the benefit system defined for risk benefits (death and invalidity), since 1 January 2022 ABANCA has a Supplementary Social Welfare System. Said system is applicable to the Bank's employees (majority system within the Group) and significantly improves the benefits envisaged in the two collective bargaining agreements in force in Spain that regulate the financial activity (banking and savings), granting all employees access to effective benefits in the event of such contingencies. In the case of savings benefits, ABANCA's average contribution triples that of the savings agreement and quadruples that of the banking agreement.

You can consult the details of the Complementary Social Welfare System at this [link](#).

Hybrid work

In 2022 the hybrid work model defined in September 2021 was maintained in the main head offices. Currently, around 20 % of employees carry out their work under a mixed model, teleworking one or two days a week.

With the aim of guaranteeing the proper use and functioning of the means made available to employees and of the control mechanisms, ABANCA has a digital disconnection protocol under the terms established in the collective bargaining agreement of the sector for savings banks and financial institutions (2019-2023).

>>>> 6

INCORPORATIONS and expansion

Novobanco and Imantia incorporations

ABANCA has successfully tested its model for incorporating other entities in the corporate transactions it has performed in recent years. The first was the incorporation in 2014 of Banco Etcheverría; in 2017 ABANCA acquired Popular Servicios Financieros; in 2018, it acquired Deutsche Bank PCB; and also in 2018, it acquired Caixa Geral de Depósitos's bank in Spain, Banco Caixa Geral. In 2020 it acquired Bankoa, whose process of incorporation in ABANCA was completed in the fourth quarter of 2021.

ABANCA completed the integration of the Novo Banco business with the migration of its activity to our technological and operating platform. The process, successfully completed in the last quarter of 2022, implied that Novo Banco's customers can now operate normally, both in person at our office network and via our remote banking channels (electronic, mobile and telephone banking).

The entire technological process (planning, prior testing and definitive migration to the ABANCA platform) was carried out in the last months of 2022 by a team of more than 300 professionals and 12 work groups from both entities, executing 1,460 tasks and 3 simulations to complete the migration of 661,000 records and 260,929 contracts.

>>>> 7
**ABANCA's
COMMITMENT**
2-23, 2-24

**Commitment to Human Rights, Global
Compact, Responsible Banking and
national and international regulations**

We have defined an action model in which sustainability is one of the focal points in the decision-making process to create value, analyse, prevent and mitigate the adverse impacts that their actions may have on the environment and on society.

Our adhesion to the following principles and commitments represents our participation in work groups whose objective is to project and implement a set of measures to combat climate change and develop a sustainable banking business model.

All the [commitments](#) acquired by ABANCA are updated on the corporate website.

All of ABANCA's employees annually review their commitment to the Code of Ethics and Conduct, and all its appendices, which include the Commitment to Human Rights and Anti-Corruption Policy. This renewal is performed through the conflict of interest declaration application to ensure the monitoring and traceability of individual commitments.

For ABANCA, respect for human rights is assumed as a minimum action standard. Our commitment is understood as one of the foundations towards a sustainable path of progress and continuous well-being, and for a more dignified life for our stakeholders and for society as a whole, of which we are all part.

Corruption is a form of criminality that is contrary to our basic values and principles of action. Our commitment to combat this practice adopts a ZERO tolerance policy and is understood as an essential tool to prevent both the Bank and any others from engaging in this type of conduct.

Measures in response to the economic situation

After a long negotiation period, we reached a sectoral agreement on salary reviews and ABANCA decided to improve it by adopting additional measures to those agreed upon, effective as of 1 January 2023.

The agreement consists of a 4.25 % increase in the basic salary, with a minimum of €1,000, which will be paid as a lump sum in the first quarter of 2023. This bonus will not be pensionable, but neither can it be absorbed nor compensated, and will be updated in the same percentage as the basic salary.

In addition to the foregoing, ABANCA has decided to adopt a series of additional measures, such as the recognition of the commitment and good work of the team, which will be the following:

- In 2023, exceptionally, neither the absorption nor the compensation on the 1 % wage increase in the tables provided for in the collective bargaining agreement for this year will be applied.
- Associated with the 2022 results, a payment of 0.25 % of the basic salary will be made in a lump sum, also in January, also without absorption or compensation.
- Recovery of the Variable Agreement Bonus without absorption or compensation.

With all these measures, and especially with the decision to exempt the absorption and compensation, the salary increase at ABANCA will exceed the percentage applied by the sector.

Additionally, as a complement to the foregoing measures, the interest rate corresponding to its regulation in loan agreements for the purchase of the main and permanent home will not be applied, being settled exceptionally at 1 %, unless the interest rate at which it is arranged is more beneficial, in which case the latter would be applied.

Union elections

We are firmly committed to our employees' labour rights, guaranteeing the freedom of association and collective bargaining in accordance with chapter III of our Code of Ethics ("ABANCA respects in all cases the rights of syndication, association and collective bargaining, in addition to the individual or collective activities carried out by the union sections in accordance with the legally attributed functions"), as the promotion of a climate of permanent dialogue with workers' representatives and a collective bargaining culture based on the achievement of economic, social peace and job stability objectives as an essential element in the sustainable development of the business model. In this way, we guide our business conduct in compliance with the provisions of the fundamental

agreements of the International Labour Organisation, maintaining a constant, fluid and reliable dialogue with the employees' legal representatives.

Thus, and within the scope of coverage of the Collective Bargaining Agreement for Financial Savings Institutions, on 30 November union elections took place in the sector and, thus, in ABANCA, in a climate of social peace and without any challenges to the electoral processes that took place. In said electoral processes, 174 members of the works council corresponding to 18 committee electoral constituencies and 26 delegates corresponding to 22 constituencies in workplaces with less than 50 people were elected. A total of 200 representatives were elected out of a total representation of 210.

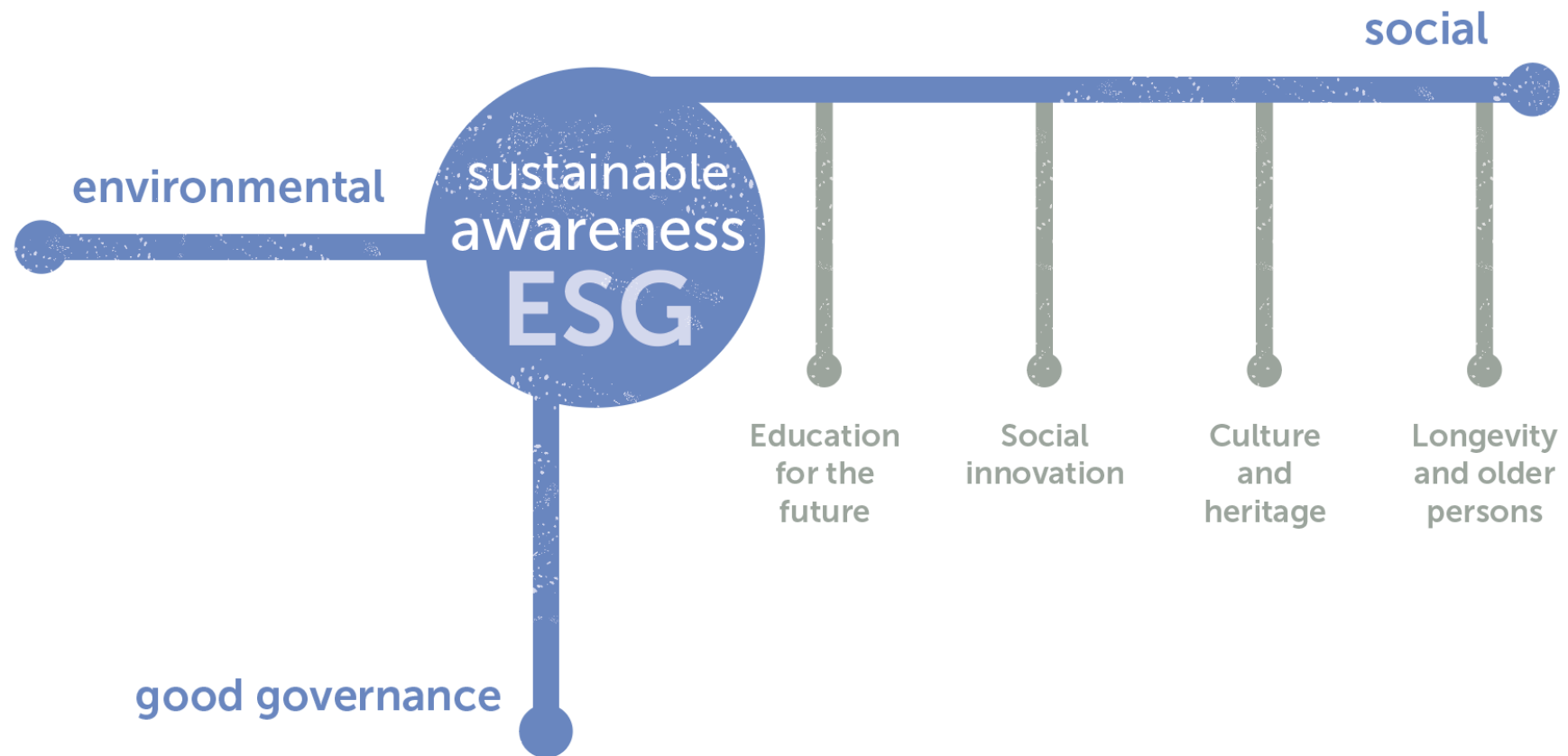
In this same context, in 2022 the agreement on the harmonisation of conditions of Bankoa and Novo Banco was implemented, as well as the shared management agreement and the social welfare agreement for Bankoa's employees.

Remuneration policies

In compliance with corporate governance best practices and the legislation applicable to credit institutions in Spain (Law 10/2014, of 26 June, on management, supervision and solvency), information about the remuneration of the directors and senior managers of the ABANCA group is published on the corporate [website](#).

6

Sustainable Awareness



ENVIRONMENTAL awareness

Each of our actions affects the environment, due to which we have great potential as a driver of change.

To this end, ABANCA is moving forward in its involvement to address the climate emergency: from adhesion to various international collective commitments, including support for renewable energy projects, to the reduction of energy and environmental consumption, and waste, or the promotion of biodiversity awareness and protection initiatives.

In 2021, the Bank presented its Responsible and Sustainable Banking Action Plan 2021-2024, which includes the roadmap and 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 towards sustainability.

The actions envisaged to drive an environmentally friendly economic and social model are structured around three main lines of action. Specifically, in the environmental line of action, it recognises the urgency and importance of adopting measures at the corporate level; this is reflected in the objectives, principles and criteria established in its energy and environmental policy and in its sustainability policy, in addition to the different plans and measures implemented in this sphere.

The Bank has set itself the objective of becoming a carbon-neutral entity by 2024 in its internal operations and reaching zero emissions attributable to the portfolio by 2050, pursuant to the objectives of the Paris Agreement. As first steps, it has begun to calculate its carbon footprint and has established annual emission reduction objectives; additionally, it has a Global Energy Efficiency Plan. Since 2020, all the energy it consumes is renewable and compensates its emissions through support in reforestation projects in areas degraded by natural disasters.

>>>> 1

Partnerships and commitments

2-23, 2-24, 3-3, 201-2

ABANCA is part of the main collective climate action initiatives promoted at a national and international level. Joining this type of initiatives enables the exchange of ideas to work together in the search for responses to climate change challenges and represents a further step in its commitment to sustainability and environmental protection.

ABANCA is adhered to the Collective Commitment to Climate Action and the Net-Zero Banking Alliance of the UNEP-FI, in addition to the Spanish banking sector's Sectoral Climate Agreement. In the last year, the Bank joined the Alianza Galega polo Clima, among other strategic sustainability partnerships that can be consulted in the ABANCA Responsible section.

Environmental certifications

ABANCA has achieved Gold LEED (Leadership in Energy & Environmental Design) certification for its most innovative and sustainable centre, Espacio Serrano 45, in Madrid. The certification recognises buildings that include sustainable criteria in its design and high efficiency in its operation and maintenance. 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. Natural light through large windows and the use of natural materials in the furniture are complemented, following a biophilic design, by the prominent role played by vegetation throughout the space, with plants that absorb pollutants and aromatic species that evoke nature and provide well-being.

ABANCA also has another sustainable construction and design certification at its Madrid head office located at Recoletos 4. It is the BREEAM seal with Very Good rating.

These building certifications guarantee considerably better air, lighting and noise quality levels and reduce the possibility of noise from the fixed installations of the new building from affecting nearby noise-sensitive buildings.

This year, the Serrano centre also received the AENOR Zero Waste seal which, together with the renewal of the certificates in the A Coruña and Madrid head offices and the ABANCA Seguros head office in A Coruña, certifies the recycling of more than 90 % of the waste generated therein.

Furthermore, ISO 9001 and ISO 14001 certifications were successfully renewed in two ABANCA investees: Gestión Operativa and Espacios Termolúdicos.

Obtaining these two environmental seals represents a further step in the Bank's commitment to implement best practices and responsible consumption of resources.

Environmental policies

In its commitment to respect for the environment, ABANCA has developed 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.

The policies are approved by the Bank's highest governing body and was externally published for consultation by all the stakeholders.

- **Sustainability Committee**

The Sustainability Committee is the main tool and defines the general ESG principles for developing specific and measurable actions. This policy coordinates global efforts and encompasses the entire organisation and addresses the challenges of climate change.

The principles of the policy are aligned with the Sustainable Development Objectives (SDG), Principles for Responsible Banking (PRB) and Principles of Responsible Investment (PRI) of the United Nations. These commitments to sustainability include transparency and disclosure of the progress achieved.

- **Energy and Environmental Policy**

It reflects the urgency and importance of adopting measures at the corporate level to change habits, be more efficient and contribute to curbing the climate emergency.

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 Energy and Environmental Policy and to fulfil its objectives by translating them into the necessary environmental initiatives.

- **Quality Policy: commitment to excellence**

ABANCA has a Quality Policy that reflects our commitment to continuous improvement and the promotion of best practices in management systems, a commitment to service excellence.

Other policies relative to climate and environmental management, such as the climate and environmental risk management policy or the sustainable investment and sustainability risk integration policy, are described in detail throughout the different sections of this document.

- **Guide to best environmental practice**

In addition to policies, the Bank continues to raise awareness through the Guide of Best Practice, which aims to establish guidelines conducive to the sustainable consumption of resources by the team and a positive effect on their health and well-being, and on that of our customers.

It includes a series of guidelines and recommendations for reducing daily energy consumption, using water responsibly, improving waste management, reducing paper consumption and contributing to sustainable mobility in the workplace.

>>>>> 2 ADAPTATION and mitigation of climate change

ABANCA undertakes to continuously improve its environmental and energy practices using, where feasible, the most appropriate techniques and to integrate the environmental and energy efficiency aspects in the Bank's financial activity.

Environmental Footprint

3-3, 302-1, 302-3, 302-4, 305-1, 305-2, 305-3, 305-4, 305-5, 413-2

ABANCA is an entity committed to the environment and therefore measures, manages and adopts measures for reducing its environmental footprint in order to promote the sustainable consumption of resources and a positive effect on health and well-being.

The Bank is reinforcing its environmental footprint plan, which serves as a roadmap and environmental management mechanism, and encompasses all the actions for monitoring and measuring the progress made.

a. Energy

▪ **Energy efficiency**

In 2022 it continued applying its Strategic Energy Efficiency Plan 2021-2024, an essential tool for advancing in the organisation's decarbonisation by reducing energy consumption. In this context, various initiatives have been launched, including, namely:

Global Energy Efficiency Plan	2020	2021	2022	Variation % s/2020
Number of branch offices with automatic shut-down of air-conditioning systems	356	356	528	48.31 %
Number of obsolete cooling units replaced	41	31	31	-24.39 %
Number of lamps for the warehouse LED lighting project			2,453	N/A
Percentage of reduction of energy consumption	4.5 %	1.8 %	5.1 %	N/A
Reduction in consumption (Gj)	4,312.08	1,668.61	4,604.32	6.78 %

Implementation of an energy efficiency objective

ABANCA has implemented an energy management system based on the UNE EN-ISO 50.001:2018 standard, which makes it possible to monitor energy performance by monitoring consumption baselines and establishing a KPI (Lb kWh/m²).

En 2022, 477 centres were monitored, accounting for approximately 70 % of ABANCA's consumption with resulting savings of 3.16 % (499,885.61 kWh).

Projects

The projects implemented in 2022 with the most significant impact on the indicator were as follows:

- Power down project, encompassing a total of 528 connected offices.
- Project for the renewal of obsolescent climate control equipment, through which 31 climate control installations were renewed.
- Replacement of LED luminaries and sensorisation in warehouses, which involved renewing the lighting in four industrial warehouses, installing 2,453 LED lamps and 106 wireless sensors.

▪ **Energy from renewable sources**

ABANCA, through the Agreement entered into with ENDESA in 2021, managed to certify 99.76 % of the organisation's electricity supply with guarantees of origin. These certificates corresponded to the renewable energy supplied by the Pena Ventosa Wind Farm in Lugo.

Consumption	2020	2021	2022	Variation (%) s/2020
Energy (GJ)	91,511.88	86,762.41	84,814.39	-7.32 %
Energy from renewable sources (GJ)	64,011.42	81,487.82	83,085.33	29.80 %
Energy from non-renewable sources (GJ)	27,500.46	5,274.60	1,729.06	-93.71 %
Electricity (GJ)	88,778.43	83,864.32	83,314.68	-6.15 %
Fuels (GJ)	2,733.45	2,898.10	1,499.71	-45.13 %
Energy intensity (GJ/employee)	16.20	15.03	14.63	-0.7 %

Additionally, ABANCA promotes different initiatives for the production of photovoltaic energy for self-consumption:

- It owns two photovoltaic plants that generate 119,106 kWh and 82,466 kWh of energy per year in A Coruña and Navarre, respectively.
- In July 2022, the Bank launched a renewable energy implementation project ("Pocomaco Energy Community") through the installation of solar panels in five of the Bank's warehouses in A Coruña, which will be completed and producing in 2023. According to the project calculations in the last phase, the Bank expects to compensate 382,466 kWh of annual consumption of the centres located in the Pocomaco Industrial Park in A Coruña, with annual surpluses of 8,788 kWh.

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.

To this end, ABANCA works on the use of environmentally friendly materials that can subsequently be recovered, reused or recycled and whose content is non-hazardous, and on more efficient waste management capable of reintegrating the discarded materials in the value chain.

The Bank has also established a series of measures and initiatives through which it seeks to reflect these key aspects.

The following table shows generated, recycled, reused or eliminated solid waste, classified into hazardous and non-hazardous waste in 2022, at the centres where it has obtained Zero Waste Certification and at those where Zero Waste measures have been implemented.

Waste	2022
Total waste generated (kg)	63,571 kg ¹²
HAZARDOUS WASTE	31,787 kg¹
Recovered (recycled, reused)	
+ Batteries	62 g
+ Electrical and electronic equipment (WEEE)	1,470 Kg ¹
+ Toner	80 kg
+ Refurbishment waste ABANCA Collection	17 kg
Eliminated (landfill, incineration)	
+ WEEE	30,158 kg ¹
NON-HAZARDOUS WASTE	31,784 kg
Recovered (recycled, reused)	
+ Paper and cardboard	17,910 kg
+ Confidential paper	455 kg
+ Plastics and containers	11,347 kg
+ Glass	88 kg
+ Pallets	266 kg
Eliminated (landfill, incineration)	
+ Organic waste	892 kg
+ Residual fraction	826 kg

¹² Includes electronic waste managed by Revertia.

Each of the centres is obliged to deliver the Identification Documents (ID) of each of the categories collected (paper, cardboard, confidential paper, toner, batteries, etc.) so that this weight can be valorised in each Zero Waste (OW) certification and renewal, due to which it is an indispensable requirement.

- **Zero Waste Project**

In September 2020, ABANCA launched the Zero Waste project with the aim of improving waste management. The initiative was initially launched at the head offices of Rúa Nueva 30 and Calle Olmos (A Coruña) and Recoletos 4 (Madrid) with the removal of rubbish bins and the installation of recycling points called Eco Corners.

In 2021 the first milestone of the project was achieved upon obtaining AENOR Zero Waste certification for the head offices of A Coruña and Madrid. This environmental seal acknowledges organisations that carry out an efficient waste management and which are capable of reintegrating at least 90 % of the waste in the value chain. In that same year it also obtained the certification for its ABANCA Seguros head office in A Coruña.

In 2022, zero waste measures were extended to new head offices and the three certifications were renewed, in addition to obtaining the AENOR Zero Waste seal in the Serrano centre, all of them above the required 90 % to obtain this environmental seal.

Of the total waste generated (32,543 kg), 95 % was sent for recovery, while only 5 % was sent to landfill.

In 2023 the Bank expects to extend the Zero Waste measures to four new head offices (which would total 11) and continue to progress towards the Zero Waste target.

In 2022, six training actions were carried out in hybrid format, with the objective of raising awareness of the importance of reducing the waste and its proper separation both in professional and personal settings. The project is supported by colleagues, called "allies", who reinforce the training and awareness-raising actions started up, explaining to the other users of its plants how we should separate waste and clarifying any doubts.

- **Electronic Waste Management**

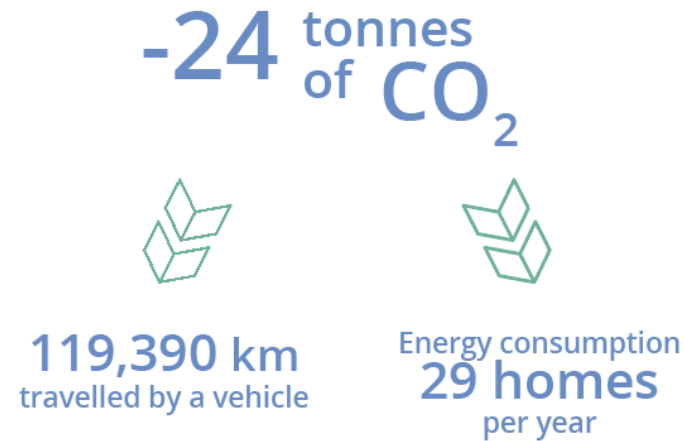
Improper treatment of electronic waste poses serious health problems due to the fact that they contain hazardous polluting components. At ABANCA we continue working so that electronic devices can have a second life, thereby reducing the environmental impact generated by this type of waste through their refurbishment.

In 2022, Revertia withdrew more than 31 tonnes of electronic waste from our facilities. Of the waste managed, ten desktop PCs were reused, accounting for 12 % of the material received for this type of devices; also, of the total laptops received, five units were reused, accounting for 31 % of the total. The rest of the equipment that could not be refurbished was sent to treatment plants to proceed with the proper recycling thereof.

In 2021 the LCA (Life Cycle Analysis) calculation methodology was updated, including new waste categories such as laptops, tablets and smartphones. Furthermore, a total of nine new impact categories and environmental indicators were added for the analysis of this project

	2020	2021	2022	Variations/2020
Electronic waste managed (kg)	208,849	75,283	31,028	-85.14 %
Electronic waste removed (t)	208	75	31	-85.14 %
Electronic waste recycled (t)	n.a.	7.1	0.8	
Electronic waste reused (t)	2.3	1.3	0.1	-95.22 %
Emission savings due to reuse (tCO ₂ eq)	33.62	77.4	24.0	-28.61 %
Household energy consumption during one year (no.)	43	78	29	-32.56 %
Distance travelled by one vehicle (km)	101,241	381,329	119,390	17.93 %

The reuse and recycling processes made it possible to avoid the emission of 24 tonnes of CO₂, equivalent to 119,390 km travelled by a vehicle or to the energy consumption of 29 households for one year.



c. Digital transformation: reduction of paper consumption.

ABANCA has been improving the digital transformation of its processes for several years, an initiative that helps to reduce paper consumption and favour the use of digital media to share information.

The aim is to promote the "Zero Paper" work philosophy by trying to print the least possible number of documents without losing functionality or quality of work.

The first measure was the removal of printers and currently the most important initiative in the sphere of paper reduction is the implementation of the ABANCA Signature on the different products. ABANCA Signature makes it possible to sign documents online (Electronic Banking and Mobile Banking). The aim is to improve the document digitalisation and classification processes in document managers that expedite and facilitate the procedure, favouring the increasingly infrequent use of physical documents.

Additionally, the DIN A4 paper used by the Bank is elemental chlorine-free (ECF) paper which also has other production-level certifications including, namely, the Forest Stewardship Council Certificate (FSC) and Programme for Endorsement of Forest Certification (PEFC) or the EU Ecolabel, granted to products that guarantee a high level of environmental protection throughout their life cycle.

Work continues on action and awareness-raising measures to reduce total paper consumption.

Volume of correspondence	2020	2021	2022
Total (thousands of remittances)	10,287.40	4,903.64	4,460.00
Percentage variation	-1.72 %	-52.33 %	-9.00 %

Paper consumption	2020	2021	2022
Total (t)	303.93	215.06	132.16
Percentage variation	-11.1 %	-29.24 %	-38.55 %

d. Water

Water is only consumed at offices by the ABANCA team and cleaning services, due to which it is not currently considered material. However, measures are being developed to reduce it, including the following:

- Installation of preventive maintenance programmes and inspections to avoid misuse and waste, in addition to guaranteeing the detection and repair of leaks, inspecting the functioning of water-saving elements, the proper insulation of pipes, etc.
- Installation of elements that make it possible to reduce the consumption of water: flow rate reducers, diffusers, pressure limiters in taps, installation of timer taps and prioritise the installation of individual presence detectors, avoiding those that collectively activate discharge systems, and limiting cistern capacity by maintaining cleaning capacity with water savings.
- Establishment of an adequate operation and maintenance programme (control of pH, alkalinity...) to reduce water consumption in cooling towers.
- Drafting of the water-saving policy and updating of the Guide of Best Practice, informing of its application and responsible use of water.

Consumption	2020	2021	2022	Variation (%) s/2020 ¹³
Water (m ³)	31,430	28,003	29,217	-7.04 %

In 2022 a pilot project was developed with a range of water-saving measures at the Vigo head office, achieving a 15 % reduction in water consumption in the building, compared to the pre-pandemic consumption level, with similar occupation levels. Some of the measures adopted included adjusting the flow rate both in taps and urinals, optimising cleaning processes and monitoring water consumption through daily readings.

The adjustments made are considered optimal, extending the tested water-saving measures to the rest of the Bank's head offices.

e. Use of organic products

Another measure adopted by ABANCA is the use of environmentally friendly cleaning products, whose pilot began in 29 offices and completed its implementation in the entire network of offices and central services buildings last year.

The advantages of this new system with respect to safety and environment represent a significant change:

- Disposal of uncontrolled discharges during transfer.
- Water and electricity savings in the manufacture of the product.
- Reduction in the carbon footprint: elimination of CO₂ emissions from the transport of bottled water by weight and volume.
- Removal of plastic and cardboard container waste.
- Minimum storage space.

f. Carbon footprint

ABANCA has set itself the objective of becoming a carbon-neutral entity by 2024 in its own activity; in this regard, since 2019 it calculates and verifies its scope 1, 2 and 3 carbon footprint annually, under an operational control approach, pursuant to the methodological requirements of the Greenhouse Gas Protocol (GHG Protocol) and is externally verified annually.

It also has the "Calculation" seal of the Spanish Climate Change Office for the footprints of 2019, 2020 and 2021.

¹³ Comparison to similar pre-pandemic levels.



For the calculation, ABANCA uses an *ad hoc* tool that uses emission factors based on annually updated official sources, such as the MITERD (Ministry for Ecological Transition and the Demographic Challenge, Government of Spain) and DEFRA (Department for Environment, Food & Rural Affairs, Government of the United Kingdom).

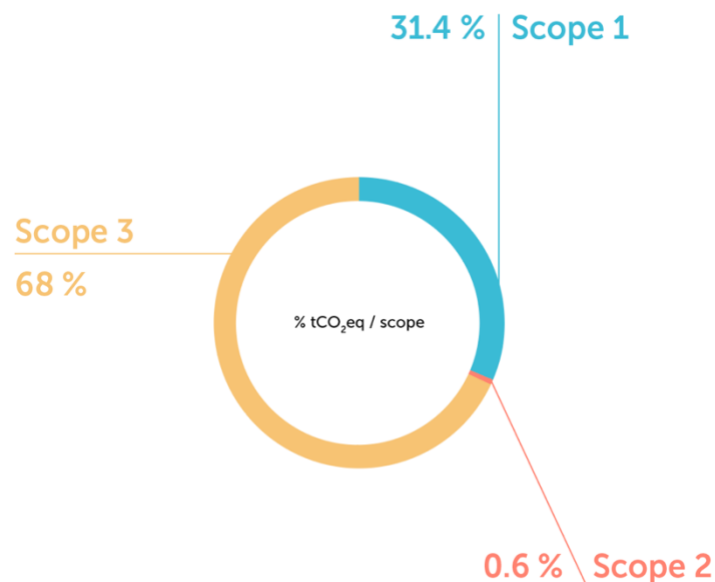
The 2022 GHG inventory has maintained the same organisational and operational limits as previous periods. The global trend was the reduction in GHG emissions in each year reported.

Emissions	2022
Scope 1 (tCO ₂ eq) ¹⁴	871.41
Scope 2 (tCO ₂ eq)	16.41
Scope 3 (tCO ₂ eq) ¹⁵	1,884.46
Total	2,772.28
Staff emission intensity (tCO ₂ eq)	0.48

¹⁴Direct emissions arising from the consumption of refrigerant gases and fuel.

¹⁵Direct emissions associated with business trips; losses in the transmission and distribution of electricity; and the extraction, production and transport of fuels consumed.

Of the total 2,772.28 tonnes of CO₂ emitted in 2022, 68 % corresponds to Scope 3, 31.4 % to Scope 1 and the remaining 0.6 % to Scope 2.

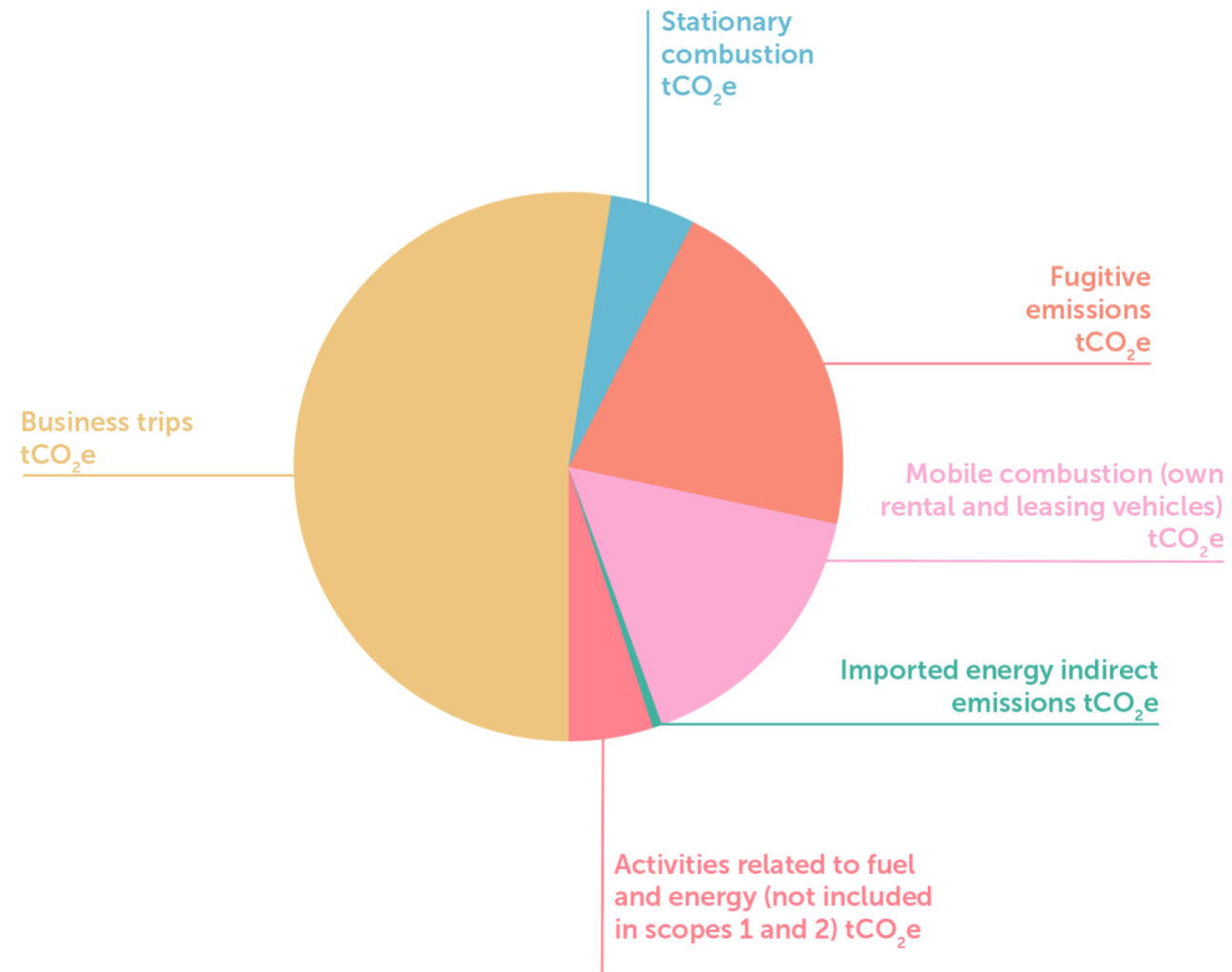


Although Scope 2 accounts for less than 1 % of the organisation's total carbon footprint, energy consumption in offices and commercial premises is ABANCA's most significant source of emissions. Therefore, in addition to adopting specific measures through the Global Energy Efficiency Plan, the Bank continues to purchase green energy with certificate of origin.

Energy consumption	2022
Emissions according to the "market-based" method, including GdOs (Guarantee of Origin and Labelling of Electricity).	16.41 tCO ₂
Emissions according to the "location-based" method ¹⁶ , not including GdOs (Guarantee of Origin and Labelling of Electricity).	5,935.4 ¹⁷ tCO ₂

¹⁶According to the GHP Protocol, Scope 2 emissions must be reported according to the market-based method (based on the country's localisation or mix)

¹⁷ Figure obtained from the electricity mix for Spain and Portugal. Spain: 0.259 kgCO₂eq/kWh (Source: CNMC. Spain, 2021). Portugal: 0.20 kgCO₂eq/kWh (Source: CNMC. Association of Issuing Bodies, 2021).



Within Scope 3, business trips are responsible for approximately 44 % of ABANCA's global emissions, of which 52.6 % come from travel in employee cars, 40.9 % of air travel and the remaining 6.5 % from travel by train, taxi and chauffeur-driven touring vehicles.

- **Afundación carbon footprint**

Furthermore, the Bank continues to calculate the carbon footprint of Afundación, ABANCA's Social Welfare Project:

Emissions	2022
Scope 1 (tCO ₂ eq) ¹⁸	410.53
Scope 2 (tCO ₂ eq)	0.00
Scope 3 (tCO ₂ eq) ¹⁹	195.42
Total	605.96

- **Reduction and Compensation Plan**

ABANCA, through its Responsible and Sustainable Banking Action Plan 2021-2024, continues acquiring clear and transparent commitments aimed at reducing its direct and indirect GHG emissions.

The Bank has anticipated the climate neutrality target included in its Sustainability Plan 2021-2024 because it is carbon-neutral since 2020.

The reduction and compensation actions defined by ABANCA to progress towards the decarbonisation of its operations include, namely, the following:

- Responsible and sustainable banking action model.** Through internal initiatives such as the Guide of Best Environmental Practice, ABANCA includes guidelines aimed at reducing the GHG emissions generated as a consequence of its activity by promoting, for example, sustainable mobility and reduced energy consumption.
- 100 % renewable energy consumption.** In 2022, 99.78 % of the energy demand of the offices and commercial premises in Spain and Portugal was met with 100 % renewable energy acquired through the purchase of green energy with certificate of guarantee of origin and labelling of electricity (GdOs).

¹⁸Direct emissions arising from the consumption of refrigerant gases and fuel.

¹⁹Direct emissions associated with business trips; losses in the transmission and distribution of electricity; and the extraction, production and transport of fuels consumed.

- c. **Execution of the Global Energy Efficiency Plan.** It includes measures that seek to reduce the energy consumption generated, such as the new office model, which makes it possible to optimise the use of electricity through the automated remote management of lighting and climate control.
- d. **Obsolescence Plan.** It is aimed at replacing obsolete and low-efficiency cooling equipment in offices and premises, minimising their carbon footprint by reducing their energy consumption and fugitive emissions.
- e. **Compensation of 100 % of operational GHG emissions that cannot be mitigated by means of reduction measures** through environmental restoration projects and sustainable forest management, contributing to forest recovery.
- f. **Commitment to achieve net-zero emissions attributable to its financing and investment portfolios by 2050.** To this end, ABANCA will accompany its customers in the transition to more environmentally friendly business models, channelling financing and investments towards projects that can transform the economy.
- **Environmental restoration initiatives and sustainable forest management**
ABANCA supports autochthonous species in Galicia (ecologically adapted conifers) in degraded forest areas that need to be restored because they have been affected by forest fires or natural disasters.

To this end, the Bank has entered into a collaboration agreement with Fundación ARUME and the Galicia Forestry Association to restore these areas with the help of a team of experts and to allow it to progress in its decarbonisation objectives, compensating the emissions it has not been able to reduce internally through absorption projects registered at the Spanish Climate Change Office.

The work is carried out with full integration in the environment, following forestry 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).

ABANCA has obtained the “Compenso” seal of the Spanish Climate Change Office by compensating 100 % of its carbon footprint in 2020 through absorption projects that included the plantation of autochthonous species such as *Quercus suber*, *Pinus pinaster* and *Fraxinus excelsior* in forests of the Galician provinces.



The aforementioned compensation model is applied for 100 % of the carbon footprint in 2021, in the process of being registered at the Spanish Climate Change Office.

g. Financed footprint

ABANCA, in line with the climate commitments acquired (detailed in the ABANCA Responsible section), has published its first interim objectives for 2030, in which it undertakes to stop financing carbon by 2030 and announces that it will reduce the intensity of carbon emissions from its credit portfolio: by 37 % in aviation, 25 % in steel production and 20 % in cement production.

The definition of these objectives for 2030 represents further progress in the Responsible and Sustainable Banking Action Plan 2021-2024 and in its commitment to continue supporting its customers in sustainable transition.

The decarbonisation pathway has been approved by the Bank's highest governing body, the Board of Directors, which will monitor the progress made. The Bank intends to establish new alignment objectives for other greenhouse gas emission-intensive sectors, both in their credit finance and investment portfolio.

Industry	Scope of emissions	Metric	Reference scenario	Year base	2030 reduction target
Steel	1+2	tCO ₂ e/t-steel	IEA Net Zero 250	0.832	0.624 (-25 %)
Aviation	1	KgCO ₂ /Revenue Tonne Kilometer	IEA Net Zero 250	1.269	0.800 (-37 %)
Coal	1	tCO ₂ e	Plan for non-financing in 2030		Plan for non-financing in 2030 (-100 %)
Cement	1+2	tCO ₂ e/t-cement	IEA Net Zero	0.707	0.566 (-20 %)

- The reduction objectives follow emission intensity metrics by production unit, with a starting point in 2021 and a target for 2030 for the four sectors (among the ten sectors identified by the NZBA as the most emission-intensive). These metrics follow the Sectoral Decarbonisation Approach, which takes certain elements of the PACTA (Paris Agreement Capital Transition Assessment) into account.
- The 1.5°C scenarios, specifically the net-zero emissions scenario of the International Energy Agency and the calculation methodology developed by the Partnership for Carbon Accounting Financials (PCAF), were taken into account. This initiative is aimed at establishing an international methodology for measuring and disclosing the greenhouse gas emissions financed by banks and investors.
- These decarbonisation pathways will be reviewed as more and more companies publish their carbon footprint data and the methodologies used as a reference are refined.
- This first disclosure does not include the fixed-income and equities portfolio.

The Bank's efforts are focused on the opportunity to accompany its customers with financing in the development of new, less emission-intensive technologies, thereby helping them in their transformation and energy efficiency, in addition to identifying and establishing measures against the potential risks arising from climate change.

>>>> 3 INITIATIVES for biodiversity protection and awareness

413-1

1. Best practice campaign

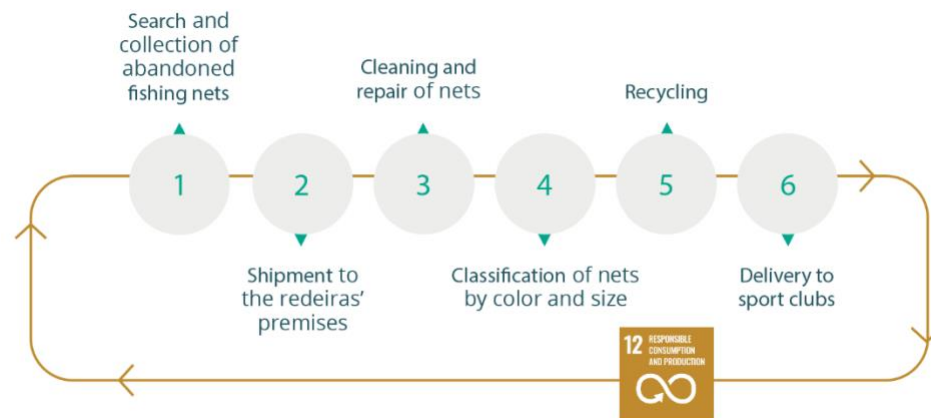
Consistently with the objective of the Guide of Best Environmental Practice, in 2022 an internal campaign was launched as a continuation of the one already under way, which will extend throughout the coming years with the aim of raising awareness among the employees of the importance of responsible energy consumption. This initiative aims to offer tips on how to reduce energy costs in the professional and personal environment.

2. Living nets

ABANCA's Living Nets project, initiated in 2021, is aimed at recovering fishing nets abandoned in coastal areas to give them a new use as sports material.

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.

The project follows a model based on recycling and reuse.



Since the start of the project, 1,938 kilos of fishing nets have been recovered from the coastal areas of Galicia, which have been transformed into 2,076 m² of recycled material for use in four sporting disciplines of the 34 sponsored by the Bank through its ABANCA Grassroots Sport programme: football, handball, indoor football and kayak polo.

In 2022, 27 new sets of nets (54 football goals) were delivered, widening the scope of the programme, since they were sent both to grassroots sports clubs and to other professional teams sponsored by the Bank. The Living Nets project has managed to renew a total of 96 football goals, benefiting an additional 6,000 sportsmen and women.

The advertising campaign launched to raise awareness of the project on the need to protect our marine ecosystem and promote sports in Galicia obtained three awards:

- On the one hand, the communication action, commissioned by the Bank to Accenture Song and Proximia, was distinguished with the silver award in the Best Demonstration of Social Brand Purpose category in the last edition of the Effectiveness Awards.
- And on the other, the campaign also obtained the Bronze award in the Planet Corporate Social Commitment category at the 15th edition of #Inspirational Awards, promoted by IAB Spain, the association of advertising, marketing and digital communication in Spain, with the aim of showcasing the most inspiring campaigns, projects and companies for the communication and advertising in digital environments sector.
- To these two awards we add the Mestre Mateo Prize to the best advertising spot achieved by the campaign sport at the beginning of 2022, in the 20th edition of this prize, annual awarded by the Academia Galega do Audiovisual.

3. [Wishing for a better world](#)

In 2022 we sent a birthday greeting to our customers through which they could encourage their loved ones to carry out small actions for our planet.

We sent a birthday greeting email from which our customers accessed a landing page where they found a series of tips on how to take better care of their surroundings and inviting them to include those small gestures in their everyday life. The invitations were divided into three types: an invitation to help keep our coasts clean and reduce the consumption of plastics (collect waste on the beach, for example), an invitation to maintain the biodiversity of our forests (respectful care of orchards, avoid lighting fires, etc.) and an invitation to care for our cities (consume proximity products, use of reusable containers, etc.).

4. [ABANCA Seguros Life Insurance](#)

In line with the previous initiative, on the occasion of the commercial launch of ABANCA Seguros Life Insurance in June 2022, for each new policy taken out the Bank donated €1 to social or environmental protection causes.

The client can choose the destination of that donation from among the following options: "Culture for food" and "PLANKTON", which Afundación, ABANCA's Social Welfare Project, will execute in 2023.



Social commitment

We will donate €1 to the social initiative of
your choice.

5. [Earth Hour](#)

ABANCA, Afundación and the UIE participated by powering down their head offices on "Earth Hour", promoted by the World Wildlife Fund (WWF) since 2007 with the aim of raising awareness on the climate change problem. Since then, every year, people, city councils and organisations around the world participate in this action.

6. [«PLANKTON»](#)

The PLANKTON project involved the recovery of various Galician sandbanks and was distinguished by the Galician Government in 2022 in its Blue Economy awards. Since its implementation in 2021, more than 25 tonnes of waste have been collected by volunteers organised by Afundación and professionals of the Galician fishing and seafood sector. In addition to cleaning the beaches, seabeds were also cleaned in specific areas.

In 2022, 12 interventions were made in enclaves along the coast of special natural value which included the participation, in the context of ABANCA and Afundación's Act programme, volunteers from third sector associations such as ASPANANE, professionals from fishermen's and shellfish gatherer's guilds such as the Association of Shellfish Gatherers of Carril, schoolchildren, members of Afundación's Espazos +60, Grupo Naturalista Habitat and Atlantic Islands of Galicia National Park, thus having a great impact on a wide range of social sectors.

The main points of action were: Illote Guidoiro Areoso, Viveiro, O Grove, Cambados, Barrañán and, within the Atlantic Islands of Galicia Maritime-Terrestrial National Park, the archipelagos of Sálvora, Cíes and Cortegada, which featured the presence of Ona Carbonell, Olympic swimming medallist and ambassador for CECA's Social Work and Financial Education programme, to participate in the clean-up work.

In addition to waste removal, the "Enjoy the beach without leaving a trace" campaign was launched in summer with the aim of promoting best practice in beaches with areas dedicated to gathering shellfish. With the same purpose, two audiovisual projects were implemented: a video showcasing Illote Areoso, an enclave located in the heart of Illa de Arousa of great environmental, archaeological and economic value; and the third edition of "Sea women", aimed at giving visibility to the role played by women in the fishing industry, in this case as managers of sector companies.

7. [Improving Our Natural Heritage](#)

Among the environmental volunteering activities, work continued on the "Working for the improvement of natural heritage" programme. Its first action took place in May in the vicinity of Torre de Hércules and the second action took place in November in the vicinity of the Corrubedo Lighthouse. In collaboration with Grupo Naturalista Hábitat, in both actions a total of more than 4.5 tonnes of *Carpobrotus edulis*, hottentot-fig, an invasive botanical species, were removed.

The volunteers of this same programme planted 250 autochthonous tree species (strawberry tree, cork oak, birch, holly, alder and rowan trees) in collaboration with the Comunidade de Montes de Coruxo and the Matogueira group.

8. Culture and education for sustainability

a. Exhibitions

- **The reality of the planet.** In 2022 we held a travelling exhibition in Galicia which, in addition to photographs, offered visitors a series of dissemination and environmental awareness-raising activities. “Our planet”, in collaboration with Editorial Planeta, is a photographic exhibition based on the Netflix documentary series of the same name. In 2022 it could be visited in Pontevedra, Boiro and Fox.
- **Oceans.** Along the same lines and with the same awareness-raising vocation, the exhibition “Our oceans” travelled throughout Galicia as another strong commitment of Afundación to draw attention to the need to protect water surfaces. The photographic exhibition brought together works by different international authors who reinforced the consideration of oceans as the cradle of life. In 2022, the exhibition was on display in Cambados, Ferrol, O Carballiño, O Porriño and Ribadeo.
- **Responsibility for water.** Manuel Valcárcel is the author of “Water, blood of the Earth”, an exhibition that brings together images from places as far apart as Atacama, New Zealand, India and Galicia. The exhibition, which formed part of the Xacobeo 21-22 programme, was on display this year in Valdoviño, Guitiriz and Portosín.

b. Training activities

- **Imitating the role of trees.** “Planting trees with paintbrushes” is a school, cultural and sustainability project in which boys and girls of Galician schools draw murals with anti-pollution photocatalytic paints designed to absorb CO₂ from the environment. In 2022 the programme was carried out in Galician education centres with more than 4,700 participants between students and teachers.
- **The place to experiment.** Naturnova is Afundación's interactive environmental education centre that, headquartered in Vigo, carries out intense activity focused on ecological outreach and on the interactive and participatory education of schoolchildren. Throughout 2022, more than 2,700 people in general public visits and more than 6,000 schoolchildren had the opportunity to participate in proposals such as “Programming the Universe”, “Taking care of our sea birds”, “The Moon and the planets”, “Naturnova Challenge”, “Scientific summer camps” and “Galicia and its surroundings”.

- **Tribute to eco-pilgrims.** On the occasion of World Environment Day, Afundación and ABANCA collaborated with the Galician Government and Ecoembes in a tribute concert to the eco-pilgrims who contribute to keep the Way of Saint James clean. The recital was performed by the Recycling Music Orchestra, whose instruments are made of recycled materials.

SOCIAL
awareness

>>>> 1 EDUCATION for the future

3-3, 203-1, 413-1

Education is one of Afundación's four main lines of action and is approached from an integrative perspective that transversely permeates all the activity and projects of ABANCA's Social Welfare Project. In this regard, the creation of the Intercontinental Business University (UIE) is the materialisation of one of the major projects of Afundación and ABANCA, not only because of the involvement of the two institutions, but because of their influence in the in the Galician educational and business world. The UIE inaugurated its first academic year on the A Coruña and Vigo campuses in 2022 with the vocation of being a driving force for economic training in Galicia and with a firm commitment to the comprehensive development of its students.

From the perspective of promoting knowledge as an essential driving force for social development, Afundación includes vocational training in its tertiary education model. With its two centres, Colegio Hogar Afundación Vigo and Centro de Formación Profesional Afundación A Coruña, ABANCA's Social Welfare Project continued to intensify its collaboration with companies during this period as a key element in the improvement of its students employability.

In relation to extracurricular training and with the startup of projects such as financial education, STEAM Classrooms or work carried out on Naturnova, Afundación has become key benchmark in its work with the school community and with society, in whose activities more than 220,000 students have participated.

UIE, educating people's talent and attitude

In 2022 ABANCA and Afundación promoted, as a strategic corporate and institutional social responsibility project, the creation of the Intercontinental Business University (UIE), with its own legal personality and financed, as ratified by the Board of Trustees of Afundación, exclusively with its own resources. Therefore, the UIE is a state-of-the-art private university with a non-profit public service vocation specialising in business and committed to the sustainable development of society and of the Galician economy.

With the value of experience spanning more than three decades of executive education through the IESIDE and as one of the first universities specialised in business in the world, the UIE fosters close collaboration with the business sector as part of the educational process. Through an innovative academic model that combines the European and Anglo-Saxon tertiary education

systems, the UIE offers a flexible and personalised education/learning proposal committed to students and their comprehensive development as people and professionals.

The first academic year kicked off with four degrees (Intelligent Systems Engineering, Digital Business Administration, Business Engineering and Business Administration and Management), which are simultaneously delivered in the A Coruña and Vigo campuses. In addition to these, we offer our own postgraduate degrees, Executive Education, continuous and in-company education.

Vocational training, a benchmark for social inclusion

High demand. With the end of the pandemic, full attendance in the classroom was restored, while at the same time making certain changes in teaching methods, including greater use of digital resources and their pedagogical possibilities. Afundación's two vocational training centres, Colegio Hogar Afundación Vigo and Centro de Formación Profesional Afundación A Coruña, close their enrolment periods with high demand in Computer Science cycles. In 2022 the first promotion of the Web Application Development cycle, initiated in 2020 at the centre in A Coruña, completed their studies.

Knowledge for the future. As benchmark centres for labour market inclusion, activities were started up in 2022 to continue to drive that inclusion. These included Technical Week (SETEC) in Vigo, which brought together professionals from companies from all over Spain, with a programme focused on labour market inclusion, self-employment and entrepreneurship. Under the slogan “Excited for the future, passionate for life”, Technical Week was structured into five sessions oriented towards the practical knowledge of digital and technological professions.

Erasmus +. Internationalisation is one of the strategic projects for Afundación's vocational training centres and the experience accumulated by the A Coruña centre was acknowledged with the renewal of the ECHE Certificate for facilitating the mobility of students of higher cycles. In turn, the Colegio Hogar Afundación is undergoing its first experiences in this international field and in 2022 was selected as one of the centres that aspires to obtain the VET Certificate for mobilities of students of intermediate cycles.

Furthermore, students and teachers of the Colegio Hogar Afundación participated in the “The power of the triangle” Project, developed on the Etwinning platform within the framework of the Erasmus+ programme, in collaboration with the Max Eyth Schulle Institute in de Dreieich, Hesse, Germany. Part of the project consisted of building a dome (geodesic dome) as a symbol of the cooperation between different countries, cultures and languages.

Residence hall, a home away from home

International residents. The more than 130 places offered by the Afundación Student Residence Hall in Pontevedra were covered for another year. The residence hall's users are students of the UIE's Vigo campus, both permanent and international stays, the University of Vigo's Pontevedra campus and vocational training centres.

After the end of the academic year, the activity of the Afundación Student Residence Hall continues. In summer 2022, its facilities welcomed the participants of the holiday programme for people with intellectual disabilities, a programme promoted by Special Olympics. A total of more than 200 people from Galician entities enjoyed the activities organised at the residence hall, thereby broadening their duties and further exploring the inclusive and integrating nature of the entity. The summer camps for young Ukrainian refugees in Galicia also took place in August at these facilities.

Afundación Zalaeta Nursery School, the first steps

High specialisation. The more than 85 places offered by the Escuela Infantil Afundación Zalaeta in A Coruña were fully covered again. With a highly specialised and qualified team for early childhood education, the school has a series of services for accompanying growth and training: afternoon snack, early bird service, paediatrics and psychology. This favours the development of psychomotricity, the identification of emotions, curiosity for knowledge and sociability.

Education in values, committed to an ethical society

a. Financial education

The initiative is part of the financial education programme created by ABANCA and Afundación, which is universal and inclusive in nature and has activities adapted to the financial training needs of the different social groups according to their stage of life, from infancy to over-60s. Paying special attention to the first years of education and the development of extracurricular learning programmes, some of them have been awarded national prizes for their design and development. The programme is supported by four major pillars: learning how to manage money, learning how to manage risks, health and financial literacy and promotion of an enterprising culture. **In 2022 more than 200 volunteers participated in these activities and nearly 140,000 people benefited.**

b. CECA Awards

In 2022 Afundación was distinguished with two CECA prizes in its last edition, which drew a total of 72 initiatives distributed into 10 categories. The two projects recognised by CECA are the “Financial Grand Prix”, held in-classroom, and “The crazy adventure of saving”, its digital version, both of which were designed to bring financial education applied to everyday life to classrooms throughout Spain. Through both games, students learned to manage their money, plan their expenses and distinguish between desires and needs. The prizes, of national scope, annually reward the work of those entities and foundations that demonstrate a high degree of commitment to society and, in particular, to the most vulnerable groups.

c. Training from childhood

The financial education programme designed for each academic year combines in-classroom initiatives with others in digital format in order to reach the largest possible number of beneficiaries, regardless of their place of residence. Thus, in 2022 Afundación and ABANCA promoted digital and hybrid programmes such as ABANCA Segura-Mente, which reached its fifth edition, wherein, through a great digital board game, students are presented an immersive adventure in which they must assume the challenge of planning a trip. Also in digital format, “The crazy adventure of savings” was held, a recreational activity in which, through mathematical operations and everyday situations, students become aware of the importance of correctly managing money, saving and being charitable, while preparing themselves for adult life.

In 2022 the programme was completed with on-site activities. Thus, for students of secondary education, baccalaureate and training cycles, the proposal included the “Your finance, your future” workshops, in collaboration with Junior Achievement, in which topics such as household budget, responsible consumption and cybersecurity were addressed, and the conference cycles “Ready to make the leap”, focused on financial topics that young people must be aware of to prepare their personal and professional development. Another edition of the programme “How to create a virtual store using digital payment tools” was held, aimed at students of the Commerce and Marketing, Administration and Management, and Health training cycles. The proposals were also aimed at primary school students with the Financial Grand Prix, wherein schoolchildren learned how to manage their money through play, simulating everyday situations.

d. Cybersecurity and entrepreneurship

The programme was expanded during the 2022-2023 academic year with a new activity, “Keep your money safe”, focused on raising awareness among secondary school students on the current risks in the field of cybersecurity, helping them to develop new competences that favour their digital and financial responsibility.

The second edition of “Family business in the classroom” was held in collaboration with the Galician Family Business Association, which is aimed at promoting entrepreneurship among young people through the direct contact with the business world. In addition to organising encounters with representatives of the most important family businesses in Galicia and visits to some of them, the contest “Imagine your business” was promoted, which invites students to design the creation of a new company in Galicia on paper, in any sector or activity, proposing a business plan.

With the aim of working jointly with other entities to facilitate access to financial education for the whole of society, ABANCA's Social Welfare Project participated in Financial Education Day by organising activities in Galicia and Madrid, such as the round table “Keys for bringing cybersecurity to your classroom”, aimed at the educational community, at the Madrid Higher Institute for Educational Innovation; or the contest “The financial galaxy”, in ABANCA's “Clear accounts” blog.

e. Digital and financial training of older people

Promote the financial inclusion of older people and offer them the necessary support to address the digitalisation process is another of the programme's strategic pillars.

The proposals aimed at this group are developed in Afundación's Espazos +60 and in other spaces in collaboration with the municipalities in rural areas of Galicia and León. Their objective is to train them in the use of mobile banking and self-service devices, with the aim of gaining security and autonomy to perform the most usual financial transactions, when and where they want, and improve control of the personal and family economy.

Education through culture, the value of the arts

From a perspective of educational innovation, the purpose of Afundación's programme for schoolchildren is to reinforce the training they receive in the classroom, using it as a tool that complements the curricular programmes of the educational centres and that, in turn, promotes education in cross-cutting competences that foster students' talent, autonomy, solidarity, creativity, self-esteem or team work.

Once all on-site activity was restored in the 2022-2023 academic year, which is complemented by a programme in digital format and through Afundación TV, new emotional and diversity education proposals, intergenerational projects, that facilitate the transfer of knowledge and experiences between young and older people or activities linked to sustainability and the environment were introduced.

a. Learning on the stage

The performing arts are considered one of the most useful tools to stimulate students' observational skills and for promoting dialogue and reflection, developing social skills and critical thinking. All the works that comprise the programme are selected for their relevance and have been awarded prestigious prizes to their educational contents. The companies, Galician and from the rest of Spain, are also a reference at the European level.

The first half of 2022, still conditioned by the pandemic, was marked by flexibility. Theatre plays were broadcast live for schools through Afundación TV, allowing students to interact from the classroom with different members of the cast. Through this same channel, the documentary *Outros camiños* was screened for schoolchildren throughout Galicia. This diversity valorisation project, produced by Claqueta Coqueta Produccións, also included an interview with its director, Rubén Ríos, who explained to the participants how, through tolerance, respect and empathy, it is possible to relate to each other regardless of our differences, believe in ourselves and break down the boundaries that limit us.

In the last quarter of the year, with the start of the new academic year, the plays returned to their usual stages at theatres and auditoriums of the seven main Galician cities, with an excellent response from the educational community, which filled all the scheduled plays. In a playful and educational way, *La aventura de aburrirse* (The adventure of getting bored), *el ratón viajero* (The travelling mouse), *Amantis* or *Só* addressed, among other topics, equality, identity, the promotion of creativity, the impact of technology, time management or perseverance in work. The return to on-site activity also made it possible to schedule, in collaboration with the University of Vigo, the Submarine Film Cycle, the screening of documentaries that broaden the knowledge of our planet and valorise its ecosystem.

Furthermore, with the aim of bringing classical music to young people, Afundación start up a new edition of "*Quedamos no palco, quedamos coa clásica*", which offers free ticket to classical music concerts to ESO (Compulsory Secondary Education), Baccalaureate and training cycle students. In 2022, female Ukrainian students beneficiaries of an Erasmus scholarship at the Vigo Conservatory of Music were also able to enjoy this activity.

b. Visual arts

In spring 2022, schoolchildren were able to return to Afundación's exhibition spaces and revisit the plastic arts through the different exhibitions programmed and the educational proposals adapted to participants' ages, from grade one to Baccalaureate and training cycles. With great demand from the centres, which even generated waiting lists, the exhibition rooms of ABANCA's Social Welfare Project were transformed into innovative learning spaces.

The academic year was inaugurated at Afundación's headquarters in Vigo with the exhibition “I spy with my little eye: games, humor and metaphors in the Art Collection of Afundación”, which focused on the management of emotions and feelings through art. How to address adversity was at the core of the educational project of the exhibition “La Palma. Volcano and life”, at its headquarters in Lugo, while in the last quarter of the year other topics of priority interest such as sustainability, children's mental health or the different implications of the daily use of technology were addressed in the educational proposals of the exhibitions.

The educational proposals were not only developed in the exhibitions programmed at Afundación's headquarters in the different Galician cities, but rather in the context of the “Cultural trend” project, schoolchildren of Valdoviño, O Barco de Valdeorras and Barbadás were also able to participate in these activities.

“21st-century education”, relearning how to learn

Afundación launched a new edition of the “21st Century Education” programme, a series of conferences whose objective is to create a framework for reflecting on the work and challenges of mothers, fathers, teachers and students in current education, thereby broadening the entity's scope of action to the entire educational community. Held at Afundación's different headquarters and also broadcast by Afundación TV, in this new edition of the programme some of the casuistries of greatest interest to the educational community were addressed. Thus, from the use of new technologies, addiction in its very different forms, creativity in the classroom as a learning mechanism, neuronal ageing, financial education and suicide were some of the connecting threads of this new cycle of talks. Raúl Bermejo, Rafael Guerrero, Ximo Lizana, Manuel Isorna, Patricia García, Antonio Rial and Luis Ferrer i Balsebre, in this last case in collaboration with the Royal Academy of Medicine of Galicia, participated in the 2022 edition.

In 2022 the number sessions of this cycle aimed at schoolchildren grew exponentially. The conferences filled physical spaces and connected students from Galicia, Asturias, Andalusia and Extremadura, among other communities, via streaming. The cycle also included a session related to the performing arts project, Amantis, in collaboration with the University of Santiago. Thus, researcher Patricia Gómez talked to schoolchildren on adolescence and its relationship to technology.

Research and teaching awards, stimulating research and educational praxis

- **Prize-winning research.** In 2021 Afundación launched the International Prize for Educational Research. 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 level, dimension or modality.
- **The best teachers.** Afundación collaborates with the educational platform Educa in the award of the ABANCA Educa prizes, which are aimed at rewarding excellence in Spanish teachers. In 2022 the prizes corresponding to 2021 were awarded and the next edition, which will be awarded in 2023, were convened. The award ceremony, held in Santiago, featured the presence of the President of the Galician Government and the Minister of Education. The prizes were awarded to professionals who teach in different locations throughout Spain.

Innovation, connecting with the times

- **STEAM Class.** In 2021, Afundación launched the travelling classroom STEAM (acronym of science, technology, art and mathematics), which offers teachers at the centres a programme that combines technological disciplines with artistic and natural contents. The STEAM project meets an urgent need in the educational programme and accompanies schoolchildren and teachers to help them achieve the objectives associated with computational learning. In 2022 it included the participation of more than 3,900 schoolchildren.

With the start of the academic year, the educational programmes of the exhibitions also included STEAM workshops, combining educational content linked to the different exhibitions with applied robotics and computational language workshops.

- **Remote 5G laboratory**
The Colegio Hogar Afundación was selected in a project presented in conjunction with two centres in Euskadi and one in Catalonia, together with the multinational company Universal Robotics, to develop a laboratory with 5G remote connection for collaborative robotics, within call from the General Secretariat for Vocational Training for aid intended for the implementation of applied innovation and research projects and knowledge transfer in Vocational Training. Said project began in 2022 and is expected to be completed in 2023. It is a proposal that enables the inclusion of innovative technology with robots, artificial vision cameras and hardware for IoT, in addition to courses for the teaching staff of the educational centre, which will enhance the teaching provided.

One planet Earth and one way of living on it

There is only one planet Earth and every action to care for it counts. For this reason, at Afundación, ABANCA's Social Welfare Project, we combine our social and environmental programmes in order to act jointly and in a cross-cutting way in two areas that are essential to our development as human beings. We understand that **participation** is an indispensable tool, hence our promotion of the strategic line of **volunteering**, aimed both at environmental and sports groups and members of the Espazos +60 or schoolchildren registered in the different cultural, educational or environmental actions of our entity. This scope of the call and commitment of those who are involved in these projects represent two of the major awareness and sensitisation assets of Afundación's initiatives.

One of the coordinates in which Afundación moves is **social innovation**, reinforcing our commitment and activity where it is most needed. Therefore, and following the **Ukraine** war, we have started up several proposals to contribute to mitigate the situation of need of the affected population to the extent possible. Similarly, Afundación continued to focus on support for the people affected by the eruption of the Cumbre Vieja volcano, on the island of **La Palma**, through a programme in which cultural sensitisation proposals were combined with other proposals for driving economic activity on the island.

Along this same social line, in 2022 Afundación consolidated its “**Culture for food**” programme, which promotes the donation of non-perishable products as a solidarity ticket for events designed by ABANCA's Social Welfare Project.

Ukraine, solidarity against the war

Afundación, in solidarity with the Ukrainian people, has launched a wide range of programmes which involve very different sectors of society, aimed at helping wherever possible. In collaboration with AGA-Ukraine, the association of Ukrainian residents in Galicia, Afundación's network of centres were enabled as aid collection points and solidarity events were organised, from concerts to exhibitions, such as “The art of the brave”, an exhibition of Ukrainian paintings donated by the artists to raise funds. Together with entities such as UNICEF, Red Cross and Save the Children, and thanks to the participation of volunteers in Galicia and Castilla y León, nearly 100 tonnes of food, first-aid materials, clothes and medicines were sent to conflict areas, added to economic aid of the solidarity account, opened at ABANCA's request, which amounted to €270,000.

During the summer school holidays, Afundación and AGA-Ukraine launched the **camps programme for Ukrainian boys and girls**, with the aim of offering them some weeks in which fun, learning and socialising helped them to counteract the traumatic experiences lived in their country. Organised into four shifts, this programme consisted of sporting, creative, cultural and environmental activities. With two support translators, the camps at the Afundación University Residence in Pontevedra were also open to the participation of the mothers of the boys and girls and their host families in Galicia.

Christmas Campaign. Also in collaboration with AGA-Ukraine, ABANCA and Afundación organised a special Christmas camp. In order to centralise the collection and subsequent shipment of material, ABANCA provided AGA-Ukraine with a warehouse on the POCOMACO industrial estate, where toys, blankets, warm clothes and non-perishable foods were sent. To this we must add two electrical generators, donated directly by ABANCA's Social Welfare Project to the Kalush Central District Hospital and to the Belgorod-Dnistrrian boarding school for children with disabilities.

Solidarity with La Palma, culture and economic recovery

Taking the “La Palma. Volcano and life” exhibition as its focus, Afundación developed a social welfare project with two objectives: supporting the people affected by the eruption of the Cumbre Vieja volcano and raising awareness of the need for generalised aid for the victims. The exhibition brought together 45 photographs signed by Abián San Gil, which were complemented by texts of Palma-born poet Elsa López, chef José Andrés and psychologist Belén Colomina. Visitors were able to experience, thanks to virtual reality, the impact of the lava flow and the crater of the volcano. Thanks to the social media campaign between ABANCA's customers and employees, €50,000 were sent to the La Palma Island Council, to which the proceeds of the solidarity concert were added, organised by the Casablanca Choir in the Afundación Theatre in Vigo called “Vigo with La Palma”. Through Afundación's Espazos +60, a trip was organised to aid the recovery of tourist activity on the island.

“Culture for food”, feeding solidarity through culture

In the context of the promotion of social innovation proposals, and in collaboration with FESBAL (Spanish Federation of Food Banks), in 2022 Afundación continued to develop this ambitious programme, initiated in 2021, which encourages attendees of the events of ABANCA's Social Welfare Project to donate non-perishable products by way of solidarity ticket. It is a project that calls for citizen participation and responds to the solidarity call of food banks, also giving concerts, exhibitions, literary

meetings, theatre plays, informative talks and commemorations, such as Book Day or Environment Day, a solidarity dimension. As a result of the programme, on December 2022 more than 10 tonnes of non-perishable products had been donated.

- **“Preserve”, by Jorge Perianes.** An exhibition proposal created by Jorge Perianes for “Culture for food” in September, coinciding with the first anniversary of the programme, filled the exhibition room of the Afundación Theatre in Vigo. The spectacular facility, designed by the Galician artist, was inspired by the Vigo canning industry, paying tribute to the women workers in the sector. With the collaboration of ANFACO-CECOPECA and FESBAL, the facility, created ad hoc by Jorge Perianes, was complemented by the exhibition of the documentary material of the creative process.
- **“This is pop. From Andy Warhol's cans to yours”.** The title of the exhibition itself encouraged visitors to donate canned food for the solidarity programme and it did so through a multidisciplinary and informative route. The public was able to observe the Afundación Modern Café, in the last quarter of the year, from the screen prints of Marilyn Monroe created by Andy Warhol to its famous Campbell cans. The exhibition also featured works by Lichtenstein, Rauschenberg, Paolozzi, Hamilton, Blake, Equipo Crónica, Equipo Realidad, Arroyo, Canogar and Hirst, among others, to review “From Andy Warhol's cans to yours”.
- **“Butaca de Jazz”. Galician trios cycle.** Paco Charlín, Lucía Fumero and Nani García, Galician Jazz performers of international renown, starred in November and December in the 2022 edition of “Butaca de Jazz”, aimed at exploring the limits of piano, double bass and battery bands.
- **Book week. Reading for food.** On the occasion of Book Day, a food-for-books exchange was launched, with more than one thousand copies of 65 works of art, poetry or narrative available in the Afundación headquarters and in the Espazos +60.
- **Childhood Day.** Afundación joined UNICEF in the celebration of these events, programming different shows for the whole family to enjoy at all of its headquarters, in which the ticket was the donation of baby food.
- **Film cycles.** Two film cycles were held in the last quarter of the year in A Coruña under the premises of exchanging food for culture. One, focusing on the opera season, organised in collaboration with Friends of the Opera. The second, linked to the exhibition “AI: More than Human”.

- **Charitable Classics.** In February, the music of Manuel de Falla, lyrics of Federico García Lorca and the voice of flamenco singer Marina Heredia came together in a recital with the Symphony Orchestra of Galicia in Pontevedra, promoted by Afundación, whose fee was the donation of non-perishable products.

Solidarity and inclusion, addressing diverse abilities

As a result of the new approaches resulting from the pandemic and Afundación's commitment with social innovation, in 2021 “Music under the skin” was born, an activity that takes music to special education centres throughout Galicia, after detecting the specific needs of this group.

The great success of the programme was reflected in its participation numbers. Practically all the special education centres existing in Galicia hosted the “Music under the skin” concerts at their facilities, which were enjoyed by more than 1,900 students.

The centres had the opportunity of choosing between two types of programmes: with the De tap@s group, of the Fundación Igalarte, specialised in working with audiences of varying abilities, or with the violinist and accordionist Carlos Quintá, also a collaborator of theatre companies such as Seisdedos, Viravolta and Fantoques de Baj.

- **“Music under the skin”** works on the positive effects that music has on the management of emotions, the reduction of fears and tensions, sensorial and perceptive development, the promotion of creativity or the reinforcement of communication, while representing an interaction between cultural activity and its application in accordance with social needs.
- **Special Olympics Galicia** is the Association of Parents, Professionals and Families in favour of the promotion of leisure time and sport for people with intellectual disability. In 2022, and in collaboration with Afundación, Special Olympics Galicia presented its holiday programme for people with intellectual disability, given that the objective of the association and its programme is to promote social inclusion through culture, the practice of sport and leisure. Between the months of July and August, more than 200 people participated in this programme at the facilities of the Afundación University Residence in Pontevedra.

As a result of this collaboration with Special Olympics Galicia and in the context of the different inclusive activities promoted by ABANCA's Social Welfare Project, in November the **Performing Arts Festival for People with Intellectual Disabilities** was held, an event in defence of people's equality in an initiative with an intense social, artistic and emotional charge.

- **Workshops and shops for charitable causes.** The members of the different Espazos +60 maintained an intense solidarity activity throughout the year. In addition to their trip to La Palma, craft workshops were organised in different cities such as A Coruña, Betanzos and Ferrol with the participation of volunteers, whose crafts were sold in solidarity markets. In the case of A Coruña, the proceeds went to the Asociación Curemos el Párkinson (Let's Cure Parkinson's Association); in Betanzos, to Red Cross; and in Ferrol, to the Spanish Association Against Cancer.
- **Solidarity art.** In 2022, Afundación and Tierra de Hombres teamed up to jointly present the exhibition “A solidary and creative trip to life”, a collective exhibition project aimed at raising funds to bring girls and boys from underdeveloped countries to Spain to undergo surgery for serious pathologies for which they cannot receive treatment in their countries of origin.
- **Concienciarte.** Afundación hosted, at its headquarters in Santiago de Compostela, the event “*Concienciarte*” in the context of the “Myselfie” pictorial exhibition comprising artworks created under the Art for Dent initiative, promoted by the Asociación Galega da Enfermidade de Dent (Dent Disease Galician Association).

>>>>> 3 CULTURE and heritage

At the service of creativity and innovation

Through cultural activity, Afundación offers Galician society a comprehensive annual programme with exhibition, stage, audiovisual and literary proposals in line with the cross-cutting principles of innovation, sustainability and promotion of knowledge inherent to all areas of ABANCA's Social Welfare Project.

All these initiatives are mainly carried out at Afundación's headquarters and centres throughout Galicia and which have become references in the cultural life of its respective cities. This network also includes the spaces provided by the local entities with which we drive joint projects under the interinstitutional collaboration frameworks we promote, thereby allowing us to transcend traditional circuits to reach greater cultural capillarity beyond urban centres.

The activities promoted in 2022 include the exhibition “AI: More than Human”, which, with its innovative content and approach, became one of the most high-profile exhibitions of its kind. Designed by the Barbican Centre of London, Afundación's headquarters in A Coruña was its first European stop after its presentation in the United Kingdom. With over 20,000 visitors, the exhibition made it possible to live experiences as unusual as smelling an extinct prehistoric flower, write a poem using artificial intelligence from a single word or train a robotic dog.

“AI: More than Human”, interacting with artificial intelligence

“AI: More than Human” is one of the major exhibition milestones in Galicia's cultural activity in 2022. It is an ambitious, immersive and interactive project on artificial intelligence created by the Barbican Centre of London and co-produced by the Groningen Forum of The Netherlands. The challenge taken by Afundación and UIE to exhibit this international proposal in Spain for the first time turned out to be a great success with the public, which confirms the receptiveness of our society to new challenges arising from areas linked to artificial intelligence.

The exhibition was divided into four sections and visitors were able to interact with cutting-edge research projects and systems in each field. These included Denso Corporation's robotic arm, a system capable of converting the objects it perceives into paintings in real time or a spray can that stores millions of copies of a music album previously encoded in DNA. Historical

inventions were also on display, such as the almighty Enigma, the message encoding machine used by the German Army in World War II, and Bombe, the decoding machine designed by Alan Turing to decipher Nazi communications. The prototype exhibited in A Coruña was the same as that used in the film on the life of British scientist *The Imitation Game*.

With the exhibition as the common denominator, Afundación carried out a wide range of activities in order to immerse visitors in the new scenarios resulting from the technological society, from film cycles and conferences featuring internationally renowned IA experts to a session on music created using this technology.

Virtuality in culture, news ways of approaching art

- **Virtual visits.** The application of the new technologies facilitates access to many of the exhibitions of Afundación's programme. Thus, in-person attendance at the headquarters and centres of ABANCA's Social Welfare Project was complemented by virtual visits via Afundación's website.
- **Agalería.** Autonomous digital and technological spaces have been gaining ground in the world of culture. Already in 2020, Afundación created the Agalería virtual space, a completely virtual exhibition room aimed at hosting digital exhibitions.

Exhibitions, art, knowledge and social commitment

Afundación has, in the promotion of plastic arts, one of its main lines of action in the context of cultural dissemination. With a global vision, in Galicia we show new national and international trends, also devoting our efforts to driving Galician talent, from the perspective of both showcasing new talents and promoting awareness of established figures in different fields. Focusing on new artistic and creative languages, diversity is a constant in Afundación's programme of activities, in addition to the strong educational component that impregnates our exhibition projects and the consolidation of interinstitutional collaboration frameworks, which allows us to reach a broader audience, corroborated by the more than 300,000 people who participated in Afundación's exhibition proposals.

Institutional collaboration, pooling resources, broadening the scope

In the context of the Xacobeo 2021-2022, different exhibitions were held in collaboration with the Galician Government. Thus, in June we launched the **“Cities in time”** project, which showcases Galicia's urban identity, presenting a multimedia itinerary through the city as an inhabited space. The proposal, one of the most complex and ambitious organised in the community, is comprised of seven different exhibitions, one for each of the main Galician cities. In 2022 those corresponding to **“Santiago in time”** and **“Ferrol in time”** were held at the corresponding Afundación headquarters. The programme, which extends until 2024, will continue with the exhibitions in Lugo, A Coruña, Vigo, Pontevedra and Ourense. All the exhibitions have, and will have, their corresponding catalogue in printed format.

Afundación hosted **“Future Galicia. Everything we are going to be”** at its headquarters in Lugo and Vigo, an exhibition proposal programmed in collaboration with Cidade da Cultura. The exhibition imagined the Galicia of tomorrow through a selection of milestones and innovative ideas that are already paving the way to the future of the community in different fields, from arts and biomedicine to engineering or design.

With the aim of taking another look at our surroundings, showcasing and protecting them, Turismo de Galicia's **“Galicia, just a step away”** project was born, articulated by the images of Adolfo Enríquez and which can be visited at Afundación's headquarters in Vigo.

“The Way illustrated. A journey painted by Alicia Aradilla”, in the framework of collaboration with Xacobeo 21-22, exhibited at the Afundación Ourense 60 Exhibition Room watercolours painted by renowned illustrator and author of travel guides Alicia Aradilla, who currently has more than 125,000 followers on Instagram.

“Drawing is the Way: the English Way”, with illustrations drawn by Irish and Catalan artists Róisín Curé and Maru Godàs in their pilgrimage through different parts of the English Way, was exhibited at Afundación headquarters in Santiago, A Coruña and Ferrol.

The collaboration with the Galician Government also gave rise to **“Xuventude Crea, more than a decade. A look at the past, a look at the future”**, an exhibition project made up of 29 works presented at the 14 editions of the eponymous event, a benchmark for the promotion of new Galician artistic talents. With a multidisciplinary and plurigenerational approach, the exhibition made it possible to observe Galicia's creative potential at Afundación's headquarters in Ferrol.

“Castro visual art” was the title of the exhibition organised by the Provincial Archaeological Museum of Ourense, belonging to the Galician Government, and which was held at Afundación's Exhibition Room in Ourense. The exhibition consisted of 75

stone sculptures: warriors, seated figures, severed heads and architectural elements were some of the works displayed and which are part of the museum's collection.

The agreement entered into with the Galician Parliament in 2022 made it possible to reveal the dimension of this institution to the public through the exhibition **“The power of words. 40 years in the Galician Parliament / 1981-2021”**, which was held at Afundación's headquarters in A Coruña, Ferrol, Lugo, Ourense, Vigo and Pontevedra. The exhibition took visitors on a journey through the four decades of life of the Galician Parliament, while including materials related to the shaping of Galician autonomy.

This institution also gave rise to the **“Our art”** project, inaugurated in Vigo in November and which will continue its tour through other cities in 2023. The exhibition is comprised of a selection of 37 works of the Art Collection of the Galician Parliament, which houses a total of 300 works of Galician art, a living memory of the different historical stages that determined the artistic trends adopted in Galicia in the last hundred years.

Art, creativity and message. A commitment with society

At Afundación's headquarters in Vigo and at ABANCA's Social Welfare Centre in Santiago, **“A sailor's dream”** was opened to the public, an exhibition comprising a selection of contemporary Cuban art from the collection of Luciano Méndez Sánchez, in collaboration with Fundación Salamanca Ciudad de Cultura y Saberes. A total of 57 works by 26 artists together in an exhibition focused on reflecting the identity of current art in Cuba, in relation to tricontinental influences (African, Latin American and European), through creations impressive in their formats, their expressionism and in the poetry of their language. The sample was completed with two catalogues, in Galician and Spanish, published in digital format.

Afundación's headquarters in Santiago hosted the **“4th International Contemporary Illustration Exhibition (Miic). Imaxinaria”**, an anthology of works based on illustration as the basis of their creation, made using very different techniques: gouache, collage, ceramics and even animation. The common denominator between all of the them was the creativity in the renewal of the formal languages.

With women's work at the core, **“Look again. Women against time”** is a proposal for reformulating the traditional view of the art history canon, focusing on women artists who, contrary to the traditional exclusion of women, did gain widespread recognition for their work. Works by Cristina Iglesias, Soledad Sevilla, Yolanda Ferrer and Pamen Pereira made up this exhibition of works from the collections of ABANCA and Afundación that was open to the public in A Coruña and Ferrol.

“Untamed. Trail-blazing women”, which was exhibited at the Ferrol, Lugo and Santiago headquarters, presented 12 stories of women to reflect on the current decisive moment in the sphere of equality through the work of renowned authors Ofelia de Pablo and Javier Zurita and curated by Silvia Oviaño. Women barnacle pickers, wine growers, miners, Egyptologists and graphic artists, among other professions, served to inspire the new generations of women in the absence of limits to their aspirations.

“Sacrifice and ascension. 15 years of David Rubín's comics” was the first great anthological exhibition of this author, which takes visitors on a journey through the different stages, influences and series of this reference in the field of illustration, from his first works in Galicia to his most recent in the demanding American market. David Rubín, born in Ourense, is one of the most internationally renowned cartoonists in recent years.

The exhibition **“Slow life. Memories and rhythms of the Galician countryside”**, was held in Ourense and Pontevedra and combined photography, audiovisuals, poetry and music to offer a reflection on contemporary life in the Galician rural environment, bringing together tradition and the most creative innovation. Coordinated by Aser Álvarez, a pioneer in approaching a monographic anthology with the Galician documentary resources catalogued by the Ministry of Agriculture, Fishing and Food.

For 57 years, the **nativity scene contest** has been held in Vigo for 57 years, which features a large number of participants, both individuals and a wide range of entities including, namely, groups of older people or centres for the care of functional diversity, which regularly participate in this contest. In 2022, 40 nativity scenes were presented to the contest with a large diversity of profiles, materials and languages, which were exhibited at Afundación headquarters in Vigo throughout the month of December.

Cultural trends, beyond cities

Through the “Cultural trend” project, Afundación and ABANCA promoted for another year, the capillarity of culture in Galicia, expanding the artistic offering beyond its headquarters and transferring the Bank's activities to different Galician cities. Municipal exhibition rooms and outdoor public spaces hosted the different exhibition proposals resulting from the collaboration between Afundación and ABANCA with local corporations. In 2022 the municipal councils of Allariz, A Rúa, Barbadás, Boiro, Carballo, Foz, Mondoñedo, Monforte de Lemos, Muros, Narón, O Barco, Cambados, O Carballiño, Outes, Palas de Rei, Ponteareas, Ponteceso, Portosín, Ribadavia, Ribadeo, Sada, Sanxenxo, Tui, Valdoviño, Vilalba and Xinzo de Limia participated in this project.

“The art of engraving. From Picasso to Barceló”, “Water, the Earth's blood”, “Castelao graphic artist (facsimile)”, “We too were immigrants”, “The illustrated Way. A journey painted by Alicia Aradilla”, “Our oceans” and “Our planet” were the exhibitions included in “Cultural trend”.

Performing and audiovisual arts, reaching new audiences

The classical music and theatre seasons or film cycle on trending topics of interest to society are pillars of Afundación's cultural programme, through which participation in first-level events that combine the promotion of knowledge with cultural enjoyment is promoted.

- **Music.** The Afundación Theatre in Vigo hosted two **classical music seasons**. The programmes offered 14 concerts performed by the Royal Philharmonic Orchestra of Galicia, the Symphony Orchestra of Galicia, the Baroque Orchestra of Galicia and Vox Stellae Ensemble, Camerata Atlántica de Lisboa, with works by Mozart, Purcell, Correlli, Gabriel Fauré, Clara Schumann, Beethoven, Rachmáninov, Bach, Heitor Villa-Lobos, Ravel and Sibelius, among others.

The novel series of concerts “**From silence to emotion**” were held at Afundación's headquarters in Pontevedra with the aim of inviting spectators to rediscover classical music but in a different way, breaking down barriers between public and artists through a multidisciplinary approach in which dance, art, literature and theatre merge with the music. In collaboration with Camerata Arven and with the participation of the Galician Ballet and illustrator Marc Taeger, four concerts were programmed in which the public was able to interact with the performing artists by sharing the stage.

- **Theatre.** Three of our entity's scenarios, the Afundación Theatre of Vigo, the Auditorium of Afundación's Pontevedra Headquarters and the ABANCA Auditorium in Santiago became statewide benchmarks for touring companies and especially for Galician companies. **The theatre seasons** of the first half and last quarter of the year offered productions based on texts by Emilia Pardo Bazán, Federico García Lorca and José Sanchis Sinisterra, protagonised by well-established actresses and actors such as Pere Ponce, Miguel de Lira, María Galiana, María Castro, Pepón Nieto, Els Joglars, Loles León, Diana Navarro and María Adán, among others. *Los pazos de Ulloa*, *La casa de Bernarda Alba*, *N.E.V.E.R.M.O.R.E*, *O electo*, *El abrazo*, *La coartada*, *Una noche con ella*, *En tierra extraña*, *¡Ay*, *Carmela!* and *¡Que salga Aristófanes!* were some of the plays performed.
- **Cinema** On the occasion of International Women's Day, Afundación launched the sixth edition of the film cycle which, under the title “**Women**”, offered films focused on the claiming of rights, loneliness or dignified work. *The Favourite*, *On the Basis of Sex*, *The Good Wife* and *Toni Erdman* were chosen to be part of the programme in 2022 and were screened at Afundación's headquarters in A Coruña, Ferrol, Lugo, Ourense, Pontevedra, Santiago de Compostela and Vigo, between March and April.

In collaboration with Athenaeum of Santiago “Cineduca”, a cycle composed of six films and two round tables, was held between 25 April and 11 May at Afundación’s headquarters in Santiago de Compostela.

Awards, acknowledging talent

The Julio Camba del Riego Journalism Prizes and Afundación Poetry Prize are three of the most prestigious awards of the Galician and Spanish panorama, through which Afundación rewards the work of Galician journalism and literature professionals.

- **Julio Camba International Journalism Prize.** In November 2022, the Julio Camba International Journalism Prize, worth €10,000, was awarded at The Westin Palace Hotel in Madrid. With Esther Baeza Navarro (*Rosa Palo*) and Alberto Olmos as finalists, the winner was Manuel de Lorenzo for this article “*Límites*”, published in the Lugo newspaper *El Progreso*. In addition to the award ceremony, Afundación extended the tribute to the illustrious journalists with an exhibition at the Bar Museum of the same hotel, where the Pontevedra-born illustrator lived until his death. In 2022 it held its 43rd edition, to which 118 articles were presented.
- **Fernández del Riego Journalism Prize.** The Journalism Premio Afundación, which bears the name of Francisco Fernández del Riego, which in 2023 will be honoured with the Día das Letras Galegas, was awarded in October. With a prize worth €10,000, the winner was author and editor Francisco Castro for this article “*Coiden da música*”, published in *La Voz de Galicia*. Cláudia Morán and Diego Giráldez were the finalists of this 19th edition.
- **Afundación Poetry Prize.** The Afundación Poetry Prize celebrated its 20th anniversary in 2022. The winner of this edition was renowned Galician author Leticia Costas, for her poetry book *Ultraluz*. The prize, organised by the Centro Pen de Galicia and in collaboration with the Galician Government, is worth €6,000 and the publication of the book in the collection “*Arte de Trobar*”.

>>>> 4 LONGEVITY and older persons

Longer, more active and healthier lives

In 2022 Afundación launched its new Strategic Plan 2022-2026, which places the sphere of longevity and older people as one of its main lines of action.

Life expectancy has increased dramatically in the 20th century and the general trend is for this phenomenon to continue. The challenge lies in ensuring that these added years are lived in good health so that older people can maintain their independence and active participation in all areas of interest to them.

In this regard, the changes in older people's profiles, with better access to information and more participatory lifestyles, challenge Afundación to continue researching and innovating to develop, in conjunction with our recipients, projects for promoting healthy ageing that meet their new needs and demands.

Furthermore, in this new period, ABANCA's Social Welfare Project maintains its commitment to explore new opportunities to valorise the personal and professional experience of older people and bring about a change, together with them and in collaboration with other agents, in the way of understanding age and ageing, seeking a society free of stereotypes and ageism.

Espazos 60+, activities and experiences

Afundación's Espazos +60, with 11 distributed throughout Galicia, are a reference in their field of action in terms of orientation, number of activities and involvement of their members. Within ABANCA's Social Welfare Project, in its +60 area for accompanying older people in their life journey, the programmes organised in these spaces promote socialisation, lifelong learning, well-being, personal development and leveraging personal and professional experience through intergenerational and volunteering projects. In a cross-cutting approach, the proposals also focus on creating opportunities to interconnect different generations and promoting a social image of old age ageing that is free from stereotypes.

After the isolation period caused by the pandemic, members have gradually returned to the programmes in 2022. Thus the Espazos +60 network, which extends across A Coruña, Betanzos, Ferrol, Lugo, Monforte, Ourense, Pontedeume, Pontevedra, Santiago, Vigo and Viveiro, currently includes over 12,000 members.

- **Lifelong learning.** Learning needs are constant through the life cycle, facilitating the adaptation of people to new situations or needs, for reasons of self-improvement and personal growth, for self-healthcare or for efficiently managing finance, etc. Thus, lifelong learning provides personal security and makes it possible to maintain their commitments to themselves and to their environment.

With the aim of facilitating adaptation to the current scenarios, Afundación proposes a wide training programme in areas related to art, languages, health, financial education or history, among others, thereby facilitating the acquisition of new skills in response to the most varied interests.

- **Healthy habits.** The inclusion of exercise in everyday life has beneficial effects and directly affects quality of life at any age. Doing exercise in a group further benefits its practice, since it fosters socialisation and cooperation between the participants. To facilitate this, Afundación develops a variety of proposals that adapt to the objectives, physical condition and particularities of each participant, such as gymnastics, yoga, pilates, dance, corporal expression or fall prevention workshops, among others.
- **Cognitive training.** For those who want to carry out specific activities to favour the maintenance of their cognitive abilities, Afundación designs workshops for training coordination, memory, concentration or executive control in a fun and entertaining way.
- **Trips 60+.** In 2022 Afundación resumed its travel programme in which, in addition to learning customs and cultures, the participants connected with other people. The first destination, with a clear social implication, was the island of La Palma, to contribute to its economic revitalisation and recovery as a tourist site. Madeira, Austria and Tyrol, Egypt, Provence and Côte d'Azur, La Rioja and Alava, and the Way of Saint James were the programmed trips.

Also, depending on the time of year, each Espazo +60 offers group leisure plans to discover Galicia's historical and natural heritage, visit museums or participate in traditional celebrations, often with previous theoretical classes.

Build relationships, talk and share

- **Pedal and talk.** It is an accompaniment programme in which volunteers and older people with reduced mobility share rides in adapted tricycles in order to visit places, talk and “feel the wind on their face”. As part of the international movement “Cycling for any age”, initiated in Denmark and present in more than 50 countries, Afundación launched “Pedal and talk” in A Coruña, Vigo and Pontevedra, with the intention of extending it to other cities in the future.

With two especially adapted electrical tricycles available in each city, Afundación understands this programme to be a sustainable way of living in cities, a different way of feeling and calling for the participation of older people in physical spaces in cities where the creation of new relationships between volunteers and participants is one of the essences. It is a project in which intergenerational barriers are broken to share stories between, up to that moment, strangers.

- **Go out and walk and talk.** This programme was developed with the aim of accompaniment and socialisation, to encourage people to get out of the house and connect with others through walks or cultural visits. Open to members of Espazos +60, participants follow the itineraries of their choice, which invite them to share knowledge and memories, discover new spaces and chat.

Emotional well-being, discovering emotions

Dimensions such as the affective or emotional area usually lacks its own space in active ageing programmes, which mainly focus on lifelong learning, physical activity or leisure. In this context, in 2022 Afundación launched the first edition of “Discovering emotions” in ten Espazos +60, an innovative and unprecedented programme resulting from the collaboration between Afundación and Matía Instituto since 2017 to generate resources that will contribute to the knowledge and emotional well-being of people as they age.

For its development in 2022, in addition to including the participation of Afundación and independent professionals, collaboration agreements were established with the Alzheimer's Disease associations in Vigo (AFAGA), Pontevedra (AFAPO), Monforte (AFAMON), Viveiro (AFA Viveiro) and Ourense (AFAOR), and the Ferrol branch of the Spanish Association Against Cancer, including the participation of its psychology professionals.

Volunteering, the value of sharing

The programme “The value of experience” is aimed at offering new participation opportunities to leverage the talent and personal and professional experience of older people at the service of young and older people in different areas. Thus, the members of the Afundación's Espazos +60 can participate in intergenerational volunteering activities, cultural and educational volunteering, social and community volunteering, and environmental volunteering. In 2022 Afundación resumed its projects in this area, interrupted as a consequence of the pandemic.

- **Volunteers who share their experience.** Older people with experience in different fields share their knowledge in the Espazos +60 through chess workshops, genealogy courses, English and French conversation classes, cooking, musicotherapy, talks about public pensions or participating as natural and artistic guides in historical or environmental tours.
- **Intergenerational projects.** Putting the talent and knowledge of older people at the disposal of young people so they can learn from the experience of previous generations is the connecting thread of such relevant programmes as “Tell me about emigrating” and “Talking about school”. Both projects foster an informal and participatory learning framework which is in line with the transformative educational model promoted by Afundación. In the 2022-2023 academic year, and after its interruption as a result of the pandemic, both programmes were resumed and will take place in Galician educational centres in the first half of 2023.

The narration of school experiences and life circumstances of volunteers born in the 1930s, 40s and 50s in the last century are the main pillar of “Talking about school”, a programme aimed at encouraging young people to become aware of and value the fact that the universal right to education is a very recent achievement that older people could not enjoy.

The life stories of emigration of older people are the connecting thread of “Tell me about emigrating”, a programme that approaches experiences in the diaspora, from the reasons for leaving to everyday life in a foreign place, and participants are encouraged to reflect on this phenomenon.

Solidarity workshops and markets. Volunteers make artisanal creations throughout the year to subsequently sell the products in solidarity flea markets. In 2022 the actions were carried out at the Espazos +60 of A Coruña, Betanzos and Ferrol. The proceeds obtained were donated to Fundación Degén for the research of neurodegenerative diseases, to Red Cross in Betanzos and to the Cocina Económica in Ferrol.

- **Collaboration in environmental activities.** In the context of the PLANKTON environmental programme, launched by Afundación in 2021, volunteers of the Espazos +60 participated in different activities programmed in beaches and natural spaces in Galicia, participating in the activity with other groups such as schoolchildren, third sector associations, women shellfish gatherers and naturalist groups, among others.
- **Cultural and educational volunteering.** The Espazos +60 have artistic storytelling, theatre, puppet or musical groups, whose participants and directors, all volunteers, offer performances throughout the year for different groups.

In 2022, the Espazo +60 Theatre group in Pontevedra premièred a new play, *El kiosko*, in the context of the “Culture for food” programme, whose ticket consisted of the donation of non-perishable goods for the benefit of the Spanish Federation of Food Banks.

The celebration of the Día das Letras Galegas at the Escuela Infantil Zalaeta featured an intergenerational storyteller belonging to the La Tarara puppet group, formed in 1993 by members of Afundación's Espazo +60 in A Coruña. The adaptation, scenography, puppetry and performance is the result of the volunteering work of this group, which was born 30 years ago. La Tarara also performs in hospital and gerontological centres.

Women of the Espazo +60 in Ferrol were portrayed in iconic poses of historical leaders, from Che Guevara to Einstein, in the context of the exhibition project of Ana Amado “Galician-style women leaders”. The exhibition was inaugurated at Afundación's headquarters in Ferrol to commemorate International Women's Day. The exhibition also included the participation of female students of the IES Saturnino Montojo, Rodolfo Ucha and Carballo Calero.

Lived stories, a book and a unique legacy

In 2022, Afundación repeated the programme “Lived stories” in which, over a year, the participants use as a support a platform that guides them in the compilation of memories and reflections on their life story, adding texts and images, following a time line. This activates their memory and adds content, chapter by chapter, coinciding with the different stages: infancy, youth, adult life and maturity, which are materialised in a unique life book. This process favours the review and valorisation of their life story, achievements and helps to orient their future goals, while serving as a legacy for future generations.

Afundación's team of professionals trains and accompanies the participants at all times, who in turn configure a community in which they share experiences, lean, relate and support each other mutually.

Research and dissemination, knowing the new contexts

- **Live more, live better.** On the occasion of International Older People's Day, which is celebrated every 1st October, HelpAge International España, which forms part of a global network of 158 organisations from 86 countries and Afundación organised the 6th International Forum "Live longer, live better". The Forum featured the participation of national and international figures such as Claudia Mahler, an independent expert of the United Nations on the rights of older people; Vânia de la Fuente-Núñez, responsible the world campaign against ageism of the WHO; Isabel Martínez Lozano, Chairwoman of HelpAge International España; Apolline Parel, of Age Platform Europe; Ken Bluestone, representative of The Global Alliance for the Rights of Older People (GAROP); Felipe Morente Mejías, Chair of Sociology of the University of Jaén; Julia Sevilla Merino, jurist and feminist; and María Sánchez Román, CSIC researcher. The Forum also featured the speakers, in the intergenerational colloquium, Marisol Bravos López, Emilio Santiago Santos, Nuria Quiroga Rodríguez and María José Fernández Menéndez, members of Afundación Espazos +60; Susana Mouzo, of the del Older People area of the entity; and Miguel Rouco Padín, of the Galician Youth Embassy.

The conclusions of this Forum, held in Galicia for the first time and broadcast by Afundación TV, evidenced the need for raising awareness among citizens and the political and social actors about older people's rights, for drawing attention to the impact of ageism that affects thousands of older people around the world who face permanent obstacles to continue participating in society, and to the urgent need to build intergenerational bridges and abandoning the catastrophic view of ageing.

- **Scientific vision of ageing.** In July, in Santiago, Manuel Collado, Director of the Cellular Senescence, Cancer and Ageing Laboratory of the IDIS-CHUS Institute for Health Research of Santiago and Manuel Serrano, Director of the Ageing and Metabolism Unit of the Barcelona Institute for Research in Biomedicine (IRB), recently acquired by Altos Lab, discussed the advances in recent years to understand ageing and the diseases associated therewith, the experimental therapies developed and possibilities of delaying and even reversing it.

Under the title "Is it possible to reverse ageing? Could it be the future of health?", both researchers held an informative dialogue to present the objectives of biomedical research on ageing, focused not so much on the idea of living eternally, but on being able to effectively treat ageing-associated diseases with a common base that we understand better and better.

- **Chair in Ageing.** In 2022 ABANCA, Afundación and the University of Comillas created Pontifical University Chair in Longevity, Economy and, whose objective is to become a forum for study, research and discussion on challenges and opportunities posed by longevity as a society. The demographic transformation experienced by Western societies as a result of the progressive increase in life expectancy -one of the main collective achievements- and of the continuous decrease in fertility, brings us before a new and unfamiliar scenario that requires answers in every sphere: personal, social, political, economic, educational, labour, financial... The three entities have joined forces, through this chair, to drive joint initiatives from their respective fields of action aimed at studying these scenarios from different disciplines and approaches.
- **Impact on emotions.** Parallel to the development of the first edition of the “Discovering emotions” programme, the results were evaluated in the Espazos +60 network, comparing the emotional state of the participants at the beginning and end of the programme. To this end, a mixed methodological approach was followed, combining qualitative and quantitative techniques, with in-depth interviews and two focal groups.

All these data will be published in a report that will be available in the first half of 2023. In a first approach, we can affirm that the results corroborate the starting hypothesis, since the people interviewed reported very significant improvements in their levels of well-being and the measurement made at the start and end of the programme verifies both this and the substantial improvements in the awareness of emotional states and the ability to control them.

Innovation, virtual universe

- **Digital culture.** The use of information and communication technologies connect us with social changes and new trends, due to which they are a means for active participation.

In order to acquire practical skills in the use of smartphones, tablets, the Internet and its utilities for everyday life, such as opening new ways for social relations, Afundación programmes a wide offering of training activities in which over 11,000 elder people participated.

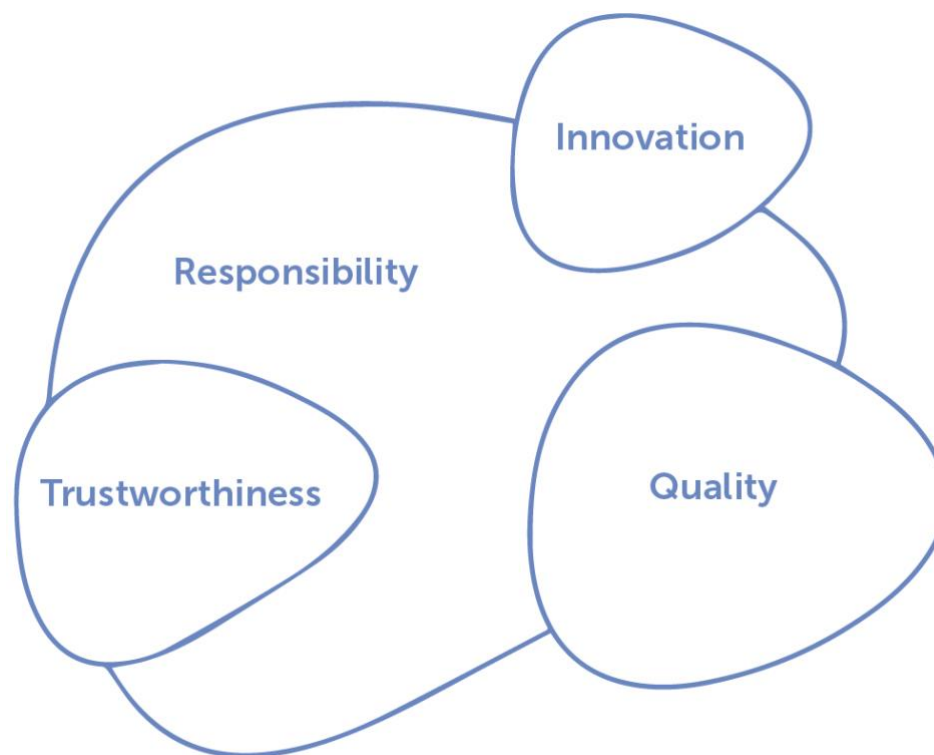
- **60+ online.** The pandemic caused by COVID brought new possibilities for remote social participation. In this new context, in 2022 Afundación developed different programmes and activities that can be followed from home and that encompasses from training in digital skills to the dissemination of knowledge. Photography, chess or English are some of the contents of the 60+ online programme, which is aimed at older people who are interested in or need to carry out activities from home and connected to others.

- **Digital accompaniment.** Taking into account the barriers that exist for some people, Afundación offers, beyond the aforementioned training actions, personalised accompaniment, whether telephone or in person, aimed at building confidence and motivation to overcome them. Thus, the specialists of ABANCA's Social Welfare Project answer any questions about the use of the different technological devices. In this way, advice is given on everyday online formalities, such as scheduling a medical or MOT appointment, renewing your Spanish National Identity Card, reserving books in the library, virtually visiting an exhibition, doing the shopping or taking full advantage of mobile devices, tablets or computers by downloading programmes, applications, etc.

Awareness with **GOOD GOVERNANCE**

3-3

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

2-15, 2-23, 2-24, 3-3,
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.

- **ABANCA's Code of Ethics and Conduct**, implicitly entails a commitment to human rights. Thus, 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.

The Appointments and Sustainability Commission has been assigned responsibility relative to ethical issues, as established both in its own regulations and in the Regulation of the Board of Directors, subsequently informing the Board of the points discussed.

- **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.).
- **Criminal risk prevention policy**: convey the message to all of the Group's administrators, executives and employees, and third parties related thereto, that ABANCA ensures that its activities are based on the principle of respect for the law and on the promotion and defence of the corporate values and principles of corporate social responsibility, which include the fight against delinquency in all its forms.

Furthermore, it seeks to raise awareness on the importance of fulfilling the legislation applicable to its professional activity and the principles that must govern its behaviour, in order to mitigate the possibility of being attributed any criminal behaviour.

- **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.

- **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.
- **Commercial communication policy:** it includes rules, principles, criteria, procedures and controls aimed at minimising the risks related to advertising activity and that ensure that it fulfils the applicable legislation in force at any given time.
- **Sustainability policy:** aims to set out the Entity's strategy, basic action principles and commitments in this connection, assesses their strategic impact and promotes initiatives designed to address the challenges posed by climate change from the environmental, social and governance viewpoint.
- **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).
- **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.
- **Product governance policy:** applicable to different banking products and services: finance and savings, investment, payment methods, insurance and any other financial and non-financial service for which the Bank has administrative authorisation.

It envisages both the design, creation, launch and distribution of a product or service and the subsequent monitoring thereof once placed on the market, with the aim of minimising ABANCA's exposure to behavioural, operating and reputational risks arising from creation and distribution, thereby ensuring that the products are adequately distributed in the target market identified for them.

>>>>> 2

PRODUCT GOVERNANCE

Impact and risk assessment included in product development

To this end, ABANCA has the **Product Governance Committee**, created by agreement of the **Board of Directors**. The committee is presided by the CEO, its members are general managers of the Bank and its secretary is the business development manager.

Its aim is to procure and drive the adequate development of the business, thereby guaranteeing a balance between meeting objectives and greater customer satisfaction, within the framework of ABANCA's good governance policies.

The basic 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.
- Always guarantee products adapted to our customers' needs, compliant with the laws in force, and ensure transparency and protection for the customer.
- The report of the committee's activity is presented to the **Audit and Compliance Commission** of the Board of Directors on a quarterly basis.

ABANCA has a **product governance policy**, approved by the Board of Directors and updated in 2022, applicable to different banking products and services: finance and savings, investment, payment methods, insurance and any other financial and non-financial services for which the Bank has administrative authorisation.

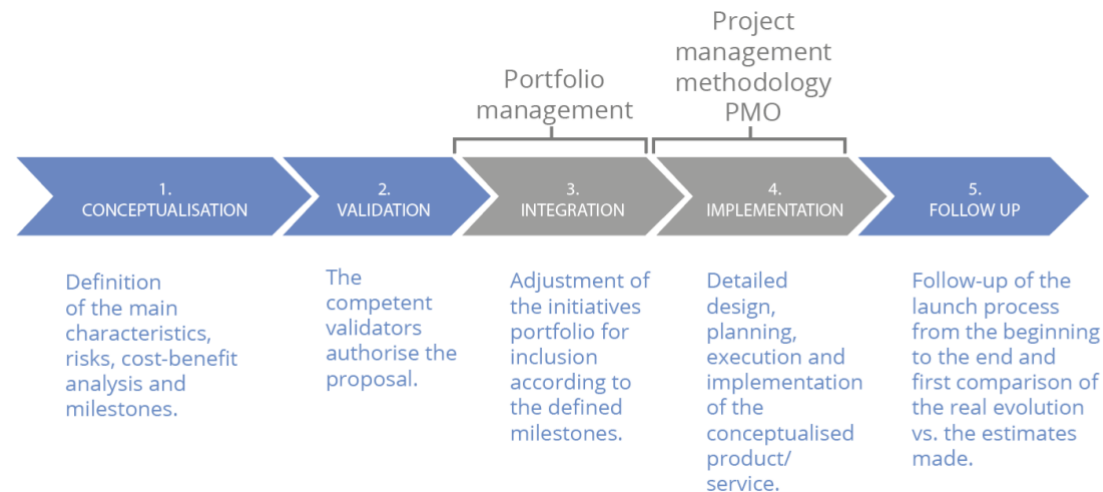
The Board of Directors will be responsible for the product governance process and will maintain an effective control thereover. Furthermore, the Product Governance Committee and the Bank's Steering Committee will also be informed of the conclusions of the review.

Said policy envisages both the design, creation, launch and distribution of a product or service and the subsequent monitoring thereof once placed on the market, with the aim of minimising ABANCA's exposure to behavioural, operating and reputational risks arising from creation and distribution, thereby ensuring that the products are adequately distributed in the target market identified for them.

The aim of the present Policy is to detail the principles underpinning the procedures for the creation/issue or distribution of new products and for the provision of new services by the Bank to its customers, thereby guaranteeing compliance with the legislation in force at all times and, in particular, with requirements related to product governance and services.

The procedure for launching and monitoring a new product or service requires the participation of different relevant areas of ABANCA that ensure the analysis of the needs and characteristics of the customers at whom they are aimed, and that they are compatible and adequate.

ABANCA also has a **Master's Degree in New Product Launches**, in which it defines the main phases carried out:



The *conceptualisation document*, based on which the product will be approved or ruled out by the governance committee (validation phase), must include the following information, except in those cases where, due to the volume and impact, all the detailed information is not deemed necessary.

a. Market and needs analysis.

The need to launch a new product is detected by monitoring the main business aggregates, identifying needs to be met, benchmarking, active listening with customers: focus groups, concept tests, surveys...

b. Definition of high-level functional business design

Its main characteristics are defined at a high level, in addition to the positive and negative target public, the model and form of marketing and communication, and key variables such as: suitability and appropriateness test requirements, incentives (Bank and Commercial Network), conflicts of interest, advertising, pre/post and contractual information, price formation assessment, training needs, IT development needs, sustainability factors, DAC 6 and SPPI test.

c. Key milestones

The main milestones associated with the product launch that must culminate with the startup of the launched product and subsequent monitoring of the implementation.

d. Analysis of associated risks

The specific risks arising from the specific characteristics of the launch of the product and/or service from the viewpoint of:

- The Bank (market, operating, interest rate, liquidity, money laundering and terrorism financing risks).
- The Customer (market, operating, interest rate, derivative, liquidity, exchange rate, credit or delinquency, leverage effect, estimated global risk risks).

In the case that the product/service launch is part of a package, the risks that the acquisition of the product/service pose to the customer must be analysed jointly with the other elements of the package and separately.

e. Preparation of a detailed case study

Costs, income and simulation scenarios

Therefore, in accordance with the foregoing, governance in decision-making in relation to the new products and services is fully guaranteed, since it is assured that they are designed to meet customers' needs and are managed responsibly, according to good Governance policies.

>>>>> 3

Transparent and responsible marketing

2-25

Providing the **best and most comprehensive service to our customers is the main pillar of ABANCA's activity to create a new value proposal in its transition and transformation towards a sustainable model**, with a focus on the retail business to achieve the highest level of satisfaction in each of our products and services.

These principles will apply always acting **responsibly and transparently**, with products adapted to their needs and information pursuant to the laws in force to be considered **transparent, impartial and clear**.

ABANCA has the relevant **policies and procedures, committees and internal controls** for the products to meet customers' needs and characteristics informed.

With this objective, and in accordance with [ABANCA's code of ethics and conduct](#), approved by the Board of Directors, the Bank undertakes to:

- Market financial products and services that are **adequate and understandable** for our customers, under standards that promote a **balanced, fair and loyal customer-bank relationship**, with marketing policies reviewed by specific committees.
- Be clear and ensure that our customers are aware of the **characteristics, risks, commission fees and other direct or indirect costs** applicable to the products or services provided.
- ABANCA will guarantee the **confidentiality** of all restricted information at all times and will fulfil all the legal requirements applicable **in relation to the protection of personal data**.

- We have a quality culture that allows us to anticipate, prevent and manage any formal and informal queries, complaints and claims with greater diligence and speed.

The Bank's customer care service is endowed with the necessary resources to address incidents arising from any disagreement or error in the commercial relationship in due time and form. When the resolution is favourable to the customer, ABANCA will initiate the relevant proceedings to make the necessary changes as soon as possible.

- The Bank will promote the marketing of specific products or conditions adapted to vulnerable persons, such as those affected by unemployment, dependency, old age or professionals from economic sectors in difficulty and will promote financial inclusion solutions for persons who, for physical, geographical, cultural, linguistic or socio-economic reasons have difficulties accessing traditional banking facilities or services.

Also, ABANCA undertakes to extend the **culture of transparency and simplicity to the entire marketing process**.

In the sphere of advertising, ABANCA has a [Commercial Communication Policy](#), updated in 2022 and approved by the Board of Directors, that includes rules, principles, criteria, procedures and controls aimed at minimising the risks related to the advertising activity and that ensure compliance with the applicable legislation in force at any given time.

The main general principles of the Commercial Communication Policy are as follows:

- Ensure that our customers understand the **rights and obligations, benefits, risks and costs** associated with the products and services we advertise.
- To this end, our advertising is **lawful, clear, sufficient, balanced, objective and not misleading**, and uses **simple language that is easy** to understand. We avoid the inclusion of ambiguous, biased, incomplete or contradictory information that can lead to confusion and we do not omit or hide necessary information for the recipient to adopt or can adopt a decision relative to their economic behaviour with full knowledge of the facts.
- We **clearly** explain our products and services and avoid the use of expressions that may give rise to doubts on the nature and characteristics or on the risks associated with the contracting thereof.
- Our commercial communications and adverts contain **clear, exact, sufficient and updated** information about their essential characteristics, adequate to the nature and complexity of the product or service offered.

Furthermore, ABANCA, with the aim of guaranteeing adequate quality in the advertising issued, voluntarily adheres to **Autocontrol, the Association for the Self-Regulation of Commercial Communications** to ensure compliance with the rules, principles and general criteria established in the applicable legislation.

>>>>> 4 QUALITY service 3-3, 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:

- **Promote** the use of quality management systems.
- **Excellence** in management and orientation towards results.
- **Know** our customers' needs and **improve** their satisfaction.

ABANCA has a [Quality Policy](#) 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 2022, ABANCA continued to advance in its commitment to the certification of quality management systems as a means for organising our commercial and management processes and the customer experience, which serves as a lever for excellence in the service provided.



The AENOR Certification in «**Excellence in Business Banking Services**», in force since March 2018, accredits our efforts to ensure the continuous improvement of our processes and services in order to offer our customers the best experience in **a strategic and growing segment**.

	Our commercial systematics, which represents a successful transformation model, ranks among the leading entities with AENOR Certification in Excellence in Personal Banking Services, in force since December 2016.
	Means of payment (credit cards) and individual and corporate electronic banking and individual mobile banking have become the services most highly acknowledged and valued by customers. Since 1996, their quality management system is certified according to the UNE-EN ISO 9001:2015 standard.
	In December 2014 we became the first Spanish and European entity to certify the quality of a financial product (24-hour loan) according to the UNE 93200:2008 standard for Customer Service Charters.
	Only two financial entities in the world, and only ABANCA in Europe, have the highest quality rating in technology, level 5 of ICM (Integrated Capability and Maturity).

Customer Service Charters

ABANCA currently 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:

- [Customer Service Charter](#)
- [Commitment compliance panel](#)

Mari Carmen Mortgage:

- [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.

54 services evaluated in 2022
Average of 763 monthly surveys.
Nearly 4,900 participating employees.

To this end, ABANCA uses two indices:

a. **SQL (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 SQL, 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 2022, 80 % 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.

>>>> 5

CUSTOMER Experience

3-3, 416-1

In recent years we have witnessed an unprecedented change in trends in consumers' habits and demands that has obliged banks to rethink their business model. Without a doubt, the aspect most highly impact in this new scenario has been the need to **accelerate the digital transformation process to meet the high expectations of increasingly demanding and digitalised customers**, who demand more simplicity, more speed and less effort in nearly every aspect of their everyday life. ABANCA has confidently risen to this digital challenge with the main objective of offering our customers the possibility of transparently operating via any channel with a carefully defined omnichannel strategy aligned with the "obsession" of offering the best customer experience. In this regard, we have renewed our strengths and commitment to service at our office network, our involvement in rural areas and production of the primary sector, in addition to our specialisation in accompanying older people, also reinforcing all our digital capabilities.

In 2022, the main focus of the Customer Experience Department was to improve the measurement of all interactions with our customers through any channel to generate positive perceptions and emotions based on a unique and differentiating ABANCA style. Along these lines, two projects stand out: the first is aimed at evolving the customer voice measurement and listening system (Medallia) and the second is related to the management of ABANCA office reviews in Google. The purpose of both initiatives, in addition to measuring and monitoring customer satisfaction and recommendations, is to manage discontent in real time and minimise the potential adverse impacts on the customer, with the challenge of improving their experience, increasing brand bonding and attachment and building loyalty.

+85,000 customers shared their experience with others.

In 2022, in addition to the traditional office-focused mystery and the innovative digital mystery, which has provided an opportunity to obtain the perceptions experienced by customers in different digital situations both with us and with our competitors, we have added what we have called "continuous mystery". In the continuous mystery, a mystery becomes a customer and analyses their daily activity with ABANCA to transfer their perceptions and areas of improvement in each of their experiences, in order to know what a real customer experiences with the Bank first hand.

We maintain constant dialogue with our customers and, for this reason, at ABANCA we remain committed to them through the **ABANCA Community Collaborates**, in order to know first hand what they want, what they seek and what they miss, including their opinion of us from start to finish.

We continue working so that the **customer perceives our proximity in all the channels**, creating an ABANCA style based on the ROUTE protocol, which helps us differentiate ourselves from the competition and generate positive emotions in our customers. Because at ABANCA proximity does not imply physical presence but rather availability.

Medallia:

Listen to the customer's voice with greater clarity to continue improving is a priority of the Customer Experience Department; for this reason, this year we have taken the necessary actions to be able to take the current customer voice measurement and listening system to a new level (Medallia). The new system entails an associated high-technology tool that will allow us to combine all customer interactions on a single platform, identify the aspects for improvement conveyed by customers and resolve their queries in real time. This new system is based on artificial intelligence such as speech analytics, which makes it possible to automatically process written or spoken language, thereby facilitating a better and deeper survey. Additionally, it implies high-impact internal collateral improvements by facilitating the management of customer discontent, involving central services support areas and extending commercial best practices. 2023 will be the year in which this new system is definitively implemented.

ABANCA remote telephone banking style (contact centre, branch office and ABANCA Conecta):

With the premise of creating a unique Style inherent to ABANCA that homogenises customer services and differentiates us from the competition, at ABANCA we have been applying a series of protocol in our on-site contacts for years. This year, we have taken a step further by adapting and extending these protocols to all our telephone contacts with customers, which makes them essential in the sphere of ABANCA Conecta (remote commercial unit) and contact centre. The deployment of the remote ABANCA Style has unified and homogenised the image we transmit to the customer from our call centres, aligned with the other channels. For this reason, we will continue to extend the Style in calls answered from our offices, in addition to implementing it in the written channel in 2023.

In a cross-cutting way, the ABANCA Style helps us generate WOW moments in our customers so they perceive that, regardless of who answers, they are talking to ABANCA.

>>>>> 6

Responsible PURCHASING

2-6, 2-24, 3-3, 204-1, 205-2, 308-1, 308-2, 414-1, 414-2

The function of Procurement, integrated in the DG of Finance through the DG of Efficiency and Procurement, is governed by the Procurement standard, which was updated in February 2022.

a. Procura Regulation rule:

It details the procurement procedures that imply 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.

In February 2022 the rule was updated:

- Implementing measures for expediting procurement processes.
- Establishing subcontracting controls.
- Updating the approval procedure where sustainability issues are assessed.

Number of suppliers	Total billings (millions of euro)	Percentage of suppliers with billings less than €50,000	Percentage of approved suppliers
1,833	€221.45	79.27 %	100%

Note: supplier data correspond to individuals and legal persons engaged by the Procurement area for ABANCA and its financial investees, not including supplies, leases or intra-Group billings.

b. Approval and responsible behaviour of suppliers

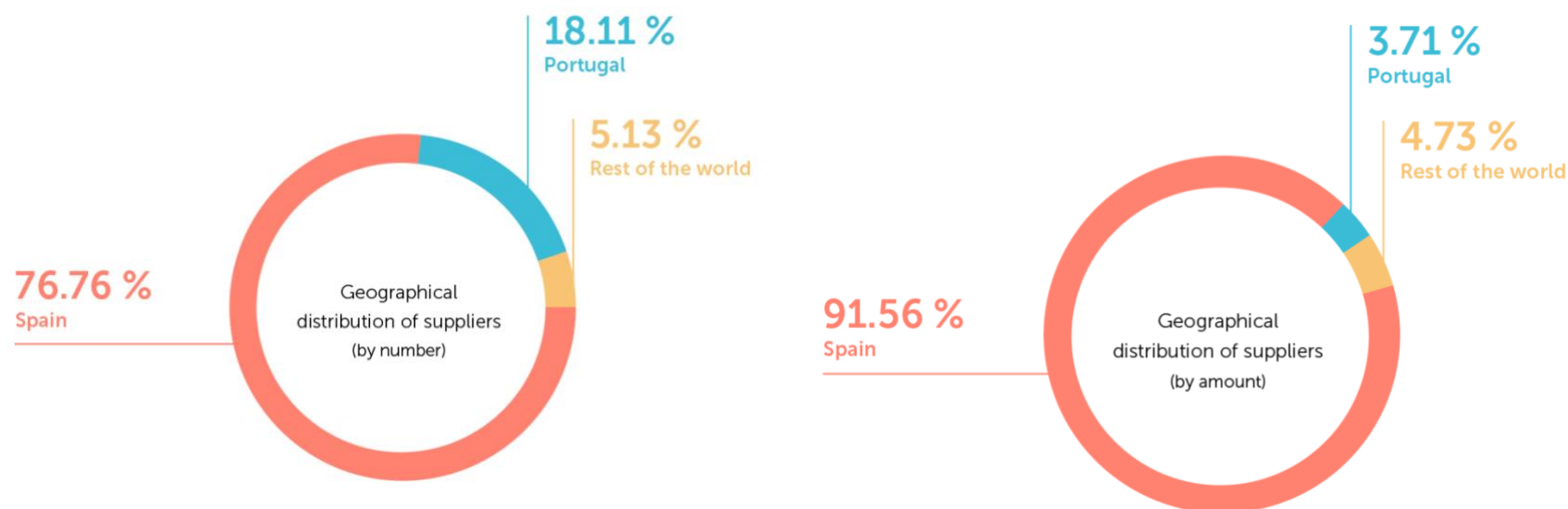
ABANCA, through the Procurement area, maintains an updated supplier record on the purchasing platform. The supplier's suitability for providing services or supplying goods to the ABANCA Group is comprehensively addressed in the approval process. This approval is regularly reviewed.

Upon registration, suppliers must provide the necessary documentation for assessing the different aspects considered in the approval process including, namely:

- Anti-money laundering / counter-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 best practice 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:



ABANCA requires that its suppliers declare their compliance with the social rights established in the internationally recognised labour provisions, which imply:

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 is sensitive to social demands, consequently developing a wide range of services and activities in the sphere of sustainability. Consistently with the foregoing, ABANCA requires responsible business behaviour and commitment to the environment from its suppliers, as first-class collaborators. The criteria used to assess this parameter are based on the accreditation of the degree of involvement in sustainability activities.

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.

Evaluation and selection of suppliers	2021	2022
Number of suppliers evaluated and selected in relation to environmental impacts	402	657
Number of suppliers with negative, significant, potential and real environmental impacts	0	0
Number of suppliers evaluated in relation to social impacts	402	657
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 %	100 %

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.

Purchases from foreign suppliers (€)	2020	2021	2022	
	Amount	Amount	Amount	%
Germany	670,661.95	661,689.38	766,523.38	4.10 %
Australia		4,592.50	4,595.00	0.02 %
Argentina	3,841.20			
Belgium	550,515.02	816,887.04	215,935.04	1.16 %
Canada	27,830.00		29,040.00	0.16 %
United States	1,994,002.11	2,306,248.76	3,776,541.95	20.21 %
France	2,861,436.83	2,326,639.92	501,333.09	2.68 %
Ireland	696,966.34	618,286.17	699,233.67	3.74 %
Italy	596,568.37	797,335.84	647,560.17	3.47 %
Luxembourg	121,929.40	456,364.51	475,217.24	2.54 %
Mexico	393,664.22	1,431,868.63	57,141.60	0.31 %
The Netherlands	12,167.16	20,094.08	1,669,125.28	8.93 %
Panama	6,942.16			
Portugal	11,595,903.17	7,621,795.52	8,205,170.25	43.91 %
United Kingdom	609,630.91	804,666.60	1,564,300.28	8.37 %
Czech Republic	2,570.22	906.29		
Romania	37,026.00	34,969.00	25,712.50	0.14 %
Singapore		1,900.00		
Sweden	18,150.00	18,150.00	18,150.00	0.10 %
Switzerland	22,595.60	26,388.04	28,465.89	0.15 %
Venezuela	29,479.27		1,357.50	0.01 %
Others	845,559.82			
TOTAL	21,097,439.75	17,948,782.28	18,685,512.84	100.00 %

>>>> 7

CLAIMS

Management

a. Whistle-blowing channel

2-25, 2-26, 3-3

With regard to measures for preventing non-compliance, effectiveness is guaranteed through internal regulations, where the ethical standards that all of the Bank's employees must fulfil are regulated in detail. In turn, the Bank's internal governance addresses these issues through the relevant monitoring, in the corresponding committees. Among all the measures, special mention must be made of the updated employee training in such varied areas as the money laundering or capital markets policy, in addition to the existence of a whistleblowing channel managed by the Internal Audit Department, which makes it possible to report potentially reprehensible behaviours to the entity.

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.

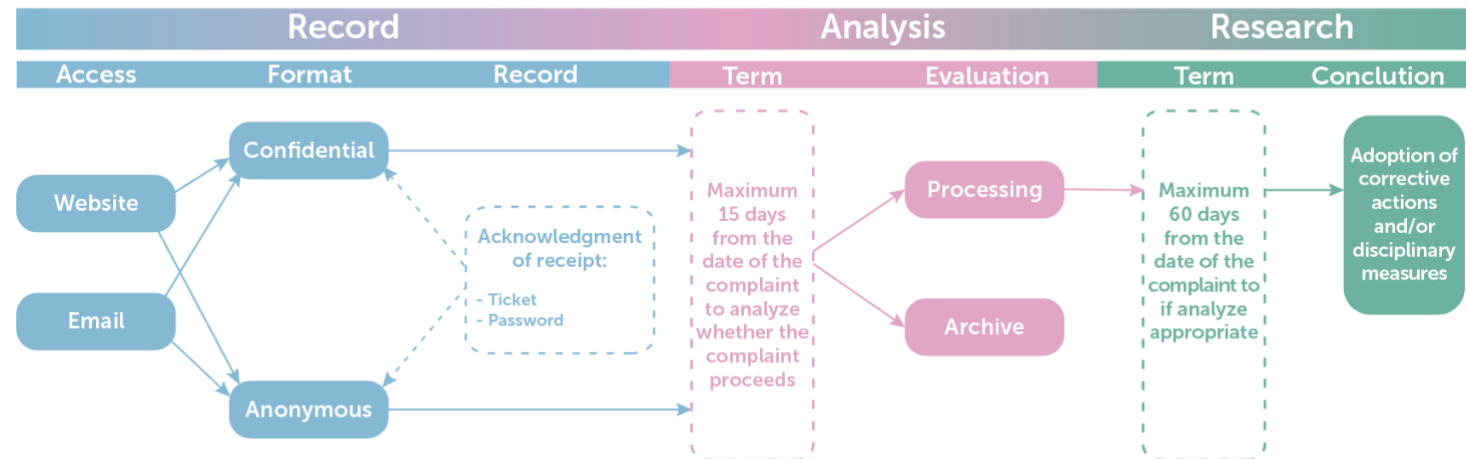
The main objectives pursued are as follows:

- 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:

1. **Confidentiality** of the reporting person's identity and protection against reprisals.
2. **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.
3. **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.
4. **Exhaustive analysis of the facts** reported to ensure the truthfulness of the potential breach.
5. **Presumption of innocence** and respect for the rights of the persons presumably involved.
6. **Rigour in the actions** carried out as a result of the report received that must be grounded and justified.
7. **Good faith:** anyone who reports a breach must do so 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

3-3, 416-1

Protection of financial customers is essential for preserving trust and promoting the stability of the financial system. In this regard, the Banco de España, through the Bank Behaviour Department, supervises bank behaviour and information transparency, in addition to the operation of the Customer Care Service.

Banks are obliged to have a Customer Support Service (CSS), which is aimed at processing and addressing their customers' complaints and claims. 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.

On 1 December 2021 (Official State Gazette number 287), Circular 4/2021, of 25 November, was issued by the Governor of the Banco de España, aimed at credit institutions and other supervised entities, on confidential statement models in relation to market conduct, transparency and customer protection, and on the register of complaints. Said Circular establishes the information that supervised entities must prepare in relation to behaviour, in the execution of their activity, for subsequent reporting to the supervisory body.

In this regard, confidential statement models that entities must submit to the Banco de España and its specificities, in terms of format, frequency and presentation mode. The statements are structured into three main blocks: by product; by commission and interest income; and by claim.

Chapter IV sets out the specific rule related to the register of complaints that entities must place at the disposal of the Banco de España, including a description of the minimum content of the register. In accordance with the date of entry into force of this circular, entities must submit the first conduct confidential statements in March 2023, reporting data of the second half of 2022. Appendix 2 of said Circular establishes the new criteria and headings for the registration of complaints and that, according to said rule, apply as of 1 July 2022 (second half of 2022).

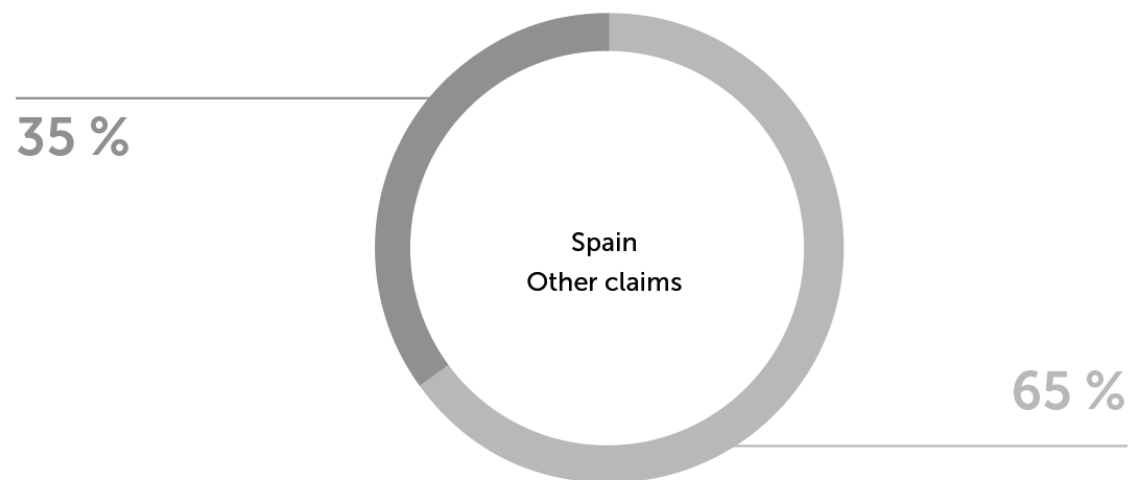
The new classification of complaints by product/reasons differs significantly from that existing until 30 June 2022, due to which it is impossible to maintain the distribution by type in this report that we included in previous reporting periods and that makes it possible to see the evolution.

Spain-Claims by type (%)

	1 st SEMESTER 2022	
	No.	%
Active	2,110	17.3 %
Passive	5,872	48.1 %
Other banking products	2,662	21.8 %
Collection and payment services	196	1.6 %
Investment services	82	0.7 %
Insurance and pension plans	508	4.2 %
Other	766	6.3 %
Total	12,196	100 %

Spain-Claims by type (%)

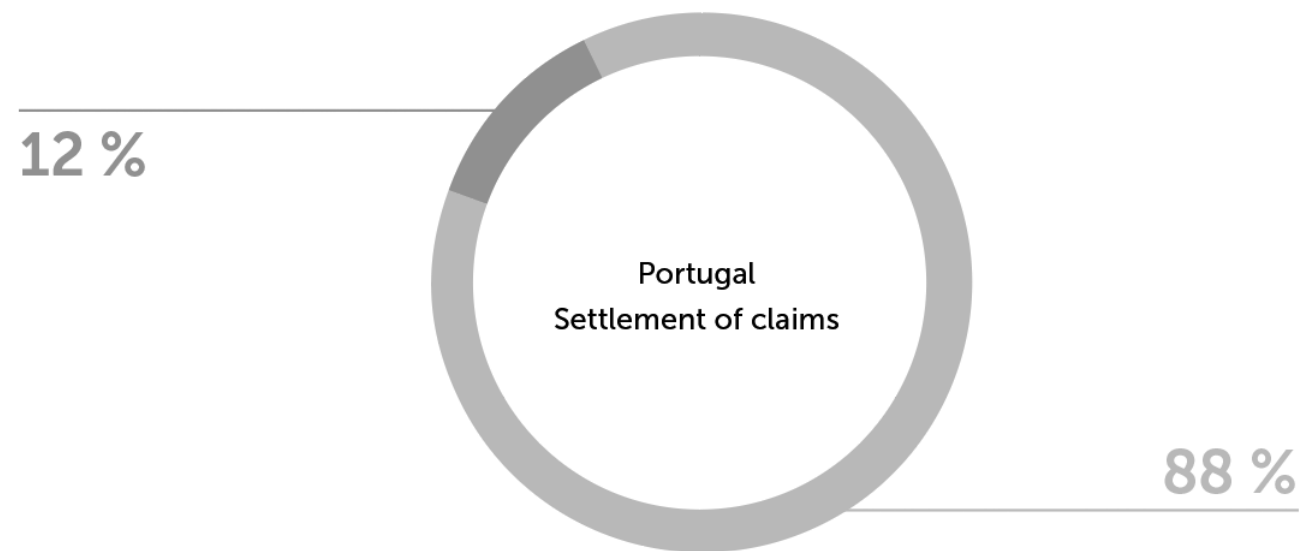
	2 nd SEMESTER 2022	
	No.	%
Active	2,883	26.5 %
Passive	4,776	44 %
Payment services and instruments	1,437	13.2 %
Other banking products/services	1,681	15.6 %
Total	10,777	100 %



Complaints at first instance (25,296 in Spain and 229 in Portugal), of which 22,976 were admitted for processing in Spain and 229 in Portugal. 35 % were ruled in favour of customers and 65 % in favour of the bank.

Portugal-Claims by type (%)

	2020	2021	2022
Active	14.0 %	15.0 %	22.3 %
Passive	24.0 %	23.0 %	29.7 %
Other banking products	5.0 %	3.0 %	6.1 %
Collection and payment services	9.0 %	12.0 %	3.9 %
Investment services	29.0 %	14.0 %	8.3 %
Insurance and pension plans	7.0 %	6.0 %	3.9 %
Other	12.0 %	27.0 %	25.8 %
Total	100 %	100 %	100 %



Complaints at first instance (25,296 in Spain and 229 in Portugal), of which 22,976 were admitted for processing in Spain and 229 in Portugal. 12 % were ruled in favour of customers and 88 % in favour of the bank.

>>>> 8

CYBERSECURITY and protection of personal data

3-3

555 Initiatives analysed	78 External enquiries to the Data Protection Officer attended	1,837 Exercises of rights made

The security of the information, cybersecurity and protection of personal data are the pillars and basis of good governance of the ABANCA Group and are aimed at preserving the information of the organisation, the assets that support it, operation and protecting its interests and strategic interests, in addition to guaranteeing the fundamental rights of ABANCA's customers and employees, ensuring the proper management of personal information by constantly analysing and updating the privacy requirements that govern data processing.

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 cyber security plan, renewed for the period 2022-24, is the cornerstone of the management of risk, prevention and awareness, the execution and operation of protection, addressing the Bank 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 being increasingly capable of anticipating and responding to incidents, as well as recovery by means of coverage through specific insurance policies, all of it fundamental to improve operational resilience.

i) **Privacy and data protection** and ii) **Information security and cybersecurity** are the basic levers 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.

Privacy and data protection

The ABANCA Group has an organisational privacy management structure that is integrated by different roles and units that, within the Group, has attributed specific functions related to the application of the regulation.

With the establishment of said organisational structure, the Bank seeks to efficiently develop and coordinate the work relative to the protection of personal data, in addition to guaranteeing the reports to the **privacy committee** (interdepartmental body presided by the **Data Protection Officer (DPO)**, who monitors the actions and projects implemented at ABANCA with implications on privacy, analyses regulatory changes and verifies the status of the policies and other regulatory documentation available at any given time), to the **Comprehensive Risk Committee** and, in turn, to the **Board of Directors** or body ultimately responsible for determining the ABANCA Group's risk assumption policy.

This organisational structure is developed in **privacy governance**. This regulation aims both to comply with legal obligations in terms of privacy and to reduce the risks associated with data processing of this nature and to carry out, in an efficient and coordinated way, the work relative to the protection of personal data. This rule is reviewed annually and is approved by ABANCA's Privacy Committee, having been last updated in 2021.

Risk management in the processing of personal data is managed through basic risk analysis and Privacy Impact Assessments (PIA), following the internal risk analysis regulations both for the processing of personal data of the Bank and for the new commercial and supplier contracting initiatives and/or actions. These risk analyses, in addition to their respective conclusions, are reported to the Privacy Committee for monitoring.

In order to ensure the proper processing of personal data, the ABANCA Group has a series of privacy regulations that regulate different process, in particular: a **general privacy policy** (that includes the principles of personal data protection), privacy governance, **data storage management rule**, **cookie management policy**, **rule for the methodology applied to the analysis of privacy risks**, **personal data security breach management procedures**, **ABANCA web domain management procedure**, **cookie implementation procedure**, **privacy risk management procedure for commercial initiatives and actions**, **supplier-service analysis privacy risk management procedure**, **processing activity log updating procedure**, **web form management procedure**, **procedure for the management of the exercise of rights by the interested parties**, **personal data blocking and deleting procedure**, **guide to the rights of interested parties**, **glossary of privacy terms and privacy considerations for proactive commercial campaigns launched by offices**. These documents are available to all ABANCA Group employees, are reviewed at least annually and, as appropriate, are approved and reported at the Privacy Committee.

ABANCA has a customer addition and registration process adequate to the general principles of personal data protection, especially in compliance with the principle of minimisation, providing the privacy information required by the *General Data Protection Regulation and the European Supervisory Authorities*. Furthermore, consent is requested in a granular form for each of the purposes of the processing pursued by the Bank.

Customers may, at any time, exercise their rights of access, rectification, portability, limitation of processing, suppression and opposition, in accordance with section number 7 of the [customer privacy policy](#) published on ABANCA's website. In this regard, customers may withdraw consents previously given via different channels, even via Mobile Banking.

Furthermore, the ABANCA Group has an internal Guide to the exercise of rights of interested parties, which sets out the channels established for interested parties to exercise their rights, the criteria for reliably verifying the petitioner's identity (or, where applicable, of the representative of the petitioner of the request on the petitioner's behalf) and response models.

ABANCA informs customers on privacy aspects (responsible for processing, data sources, purposes of processing and legal standing, data recipients, data storage and rights to which they are entitled) both the Customer Privacy Policy ([basic](#) and [additional](#) information) delivered upon customer registration and which is permanently available on ABANCA's website and on the website of each of the Group's companies and in other personal data protection policies ([web privacy policy](#), [mobile application privacy policy](#) and [cookie policy](#), etc.). These Policies are public in nature and are reviewed, at least, annually. This periodicity may be less than annual depending on possible regulatory changes or changes in the processing of personal data carried out by ABANCA.

In 2022 ABANCA proceeded to restructure and update the privacy policies of the ABANCA Group companies' customers to endow them with greater transparency and understanding of the personal data processing carried out. In this regard, the customer registration process has improved in order to ensure that all the privacy information is provided prior to accepting the applicable data protection regime.

Additionally, as one of the main milestones of 2022, with the aim of endowing customers with more efficient consent management capacity, ABANCA has incorporated consent management in granular way via mobile banking.

ABANCA also focuses on the improvement and deepening of risk management in the Privacy by Design process, including technological projects.

Cybersecurity and information security

ABANCA has a formalised cybersecurity governance model in which the principles of security governance are reflected, in addition to the structures (organisational and governance) thereof, including the different governance bodies, actors in the area of cybersecurity and functions.

ABANCA's Chief Information Security Officer (CISO) reports to the Board of Directors through the Chief Risk Officer (CRO) and the Comprehensive Risk Committee as the Bank's highest risk management and monitoring body.

The **Security Committee** is the decision-making body for aspects related to information security at the corporate level. Its ultimate purpose is to ensure information security at the ABANCA Group by monitoring the application of the **security policy of corporate information and management of the risks identified**, whose last review and approval by the Board of Directors through the Comprehensive Risk Commission was in February 2023.

All the information of the Security Committee is transferred to the Comprehensive Risk Committee, where the business and global risk is governed to finally reach the Comprehensive Risk Commission as part of the Board of Directors.

Under the model of three lines of defence in risk management, information security is in charge of the continuous and independent assessment of security risk through the assurance of the implemented controls. The third line, IT audit, supervises the first two lines, including information security.

With regard to the control framework, there are both organisational and technical controls in the areas of protection (protect) to avoid occurrence, detection (detect) for early alert and response (respond) to minimise the impact in case of an incident.

The protection of the operation, maintaining high early warning and response capabilities, is key to sustaining business processes and attending the services, especially digital, that support them. To this end, control standards and best practice are followed for the selection and application thereof (such as the NIST CSF, ISO/IEC 27002 frameworks and the MITRE ATT&CK threat model).

Moreover, ABANCA has response plans and recovery procedures to minimise the potential disruption caused by cyberattacks and the security measures are regularly proven through both internal security personnel and by specialised external teams.

ABANCA annually develops an annual operating plan with the different types of security reviews to guarantee the fulfilment of the security policies and effectiveness of their controls. Among the tests, the scanning of external and internal vulnerabilities, analyses of static code and running code, intrusion testing, etc., stand out, which are conducted by both internal personnel and certified third parties. These security reviews encompass the scope of all systems classified as relevant taking into account criteria such as exposure, type of data and criticality for the business.

ABANCA has a 24x7 Security Operations Centre (SOC) the year round, based on an hybrid model with external and internal personnel to address any alert and to respond to potential incidents.

In order to keep the organisation informed on the relevant aspects of security, in the relationship with its customers and stakeholders, ABANCA maintains all the information available on its [corporate website](#).

ABANCA actively collaborates with the industry and with stakeholders, such as ISMS Forum, to promote information security in Spain, help generate a cybersecurity culture for citizens and create an ecosystem for professionals and companies. ABANCA has also established collaboration agreements with the main Spanish cybersecurity centres, such as INCIBE-CERT, for information exchange and support for incident management.

>>>> 9

Monitoring of the criminal risk prevention model

Criminal risk prevention policy

The Board of Directors of ABANCA Corporación Bancaria, S.A. approved the "Criminal Risk Prevention Policy of Grupo ABANCA Corporación Bancaria, S.A.", recently reviewed on 26 September 2022 and which is aimed at:

- a. Conveying the message to all of the Group's administrators, executives and employees, and third parties related thereto, that ABANCA ensures that its activities are based on the principle of respect for the law and on the promotion and defence of the corporate values and principles of corporate social responsibility, which include the fight against delinquency in all its forms. ABANCA works so that these principles are translated into increasingly better guidelines that naturally govern both the behaviour of the organisation's employees and the processes that define the ways of works and decision-making in all of the Group's companies.
- b. Sensitising all the administrators, executives and employees of the Group of the importance of fulfilling the legislation applicable to their professional activity and the principles that must govern their behaviour, in order to mitigate the possibility that they or the Bank or any of the Group's companies might be attributed any criminal behaviour.
- c. Establishing the general criminal risk prevention framework for the prevention of crime at ABANCA, which comprises the set of measures aimed at the prevention, detection and reaction thereto within the framework of the provisions of Organic Law 10/1995, of 23 November, of the Criminal Code, amended by Organic Law 1/2015, of 30 March, and Organic Law 1/2019, of 21 February.

The purpose of the criminal risk prevention policy is to guarantee between shareholders, public administrations, other stakeholders and judicial bodies that the Group exercises the control required by law, considering the Group's governance model. In particular:

- The control of potential situations of risk of commission of criminal offences that may arise within the scope of action of the companies that make up the Group, including those cases where it is not possible to attribute them to a specific person.

- The rejection of corruption and fraud in all its forms, including extortion, bribery or corruption, money laundering and market abuse, in the context of solid Corporate Governance principles, based on corporate transparency.

This policy applies to all the administrators, executives and employees of all the Group companies over which ABANCA has effective, direct or indirect control.

Criminal risk prevention manual

In compliance with the provisions of the aforementioned Policy, ABANCA's Board of Directors approved the Criminal Risk Prevention Manual of Grupo ABANCA Corporación Bancaria, S.A., last reviewed on 26 September 2022.

The objective of said Manual is to define the internal control model for the prevention of criminal risks of the ABANCA Group, to which it details the activities and bodies that participate in the operation of the model and its operation. The foregoing ensures compliance with current legislation on crime prevention.

The model, which must be applied in the Group's companies included in its scope of application, takes into consideration the controls established at the Group, which are necessary for the prevention of the crimes typified in the applicable legislation in force and must be adopted by each of its companies in accordance with their requirements and their scope of application.

This Manual also aims to set out the Group's general principles and commitments to criminal risks, in addition to the scope and persons responsible for applying them, detailing aspects such as the first-level responsible areas/departments within the organisational structure, the definition of third-party relations, internal training, etc., to conclude with the control and supervision activities of its application.

The internal control model for the prevention of criminal risk has been designed as a relational system of the criminal risk that may impact the ABANCA Group in the course of its activity, with the internal and operational controls established at the Group within its organisational structure. For the development of the internal control model, the controls that the ABANCA Group already has established for the mitigation of the potential impacts in accordance with the degree of exposure thereto have been identified.

As an appendix to this manual, the ABANCA Group's risk-control matrix and risk map are also included, a document that identifies the criminal risks and established the risk map for the ABANCA Group's companies.

Independent monitoring and review of the criminal risk prevention model

The assessment of the criminal risk prevention model is carried out by means of a continuous supervision process through audits conducted by Internal Auditing and by the monitoring information of the model submitted to the Audit and Compliance Commission on a six-monthly basis by the model verification body, which makes it possible to:

- Obtain information on the fulfilment of the controls and the documentation thereof.
- Have sufficient confidence in the model.

Enable its evolution in the face of external or internal deficiencies and changes that affect the Group, in addition to evidencing the validity and efficiency of the model vis-à-vis third parties.

Furthermore, in 2018 the review of the aforementioned Model by an external expert, concluded in 2019 through the issue, on 20 February 2019, of the corresponding Independent Review Report of the ABANCA Group's Criminal Risk Prevention Model was initiated.

>>>> 10

Singular

HOUSING MANAGEMENT

3-3, 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 Practice (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.

ABANCA has signed agreements with the Fondo Social de Viviendas FSV (Social Housing Fund), promoted by the Government of Spain, and with the Instituto Galego de Vivenda e Solo IGVS (Galician Institute of Housing and Land), of the Xunta de Galicia, with the intention of providing housing for hosting purposes, under a social rental regime, to people in a situation of social vulnerability. Of the total number of homes contributed, as at December 31, 2022, more than 90% are rented.

Since 2015, ABANCA has had a "Committee on Situations of Special Vulnerability" (CSEV by its acronym in Spanish) that has powers to evaluate and endorse approaches in which debtors are classified as in a situation of special vulnerability, which includes the assessment of different aspects of the entity. In 2022, the CSEV has received 72 cases considered to be of special vulnerability.

Comprehensive risk management



205-1, 3-3, 207-2, 207-3

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 a cross-cutting risk management that encompasses the entire organisation and is broken down into three differentiated lines of defence:

1. **First line of defence:** functions of management and control by the Group's units, understood as business units and the credit unit²⁰. 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. In the sphere of ASG risks, the Social Responsibility, Sustainability and Communication area are the first line of defence.
2. **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 DG 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 guarantees that they are managed in line with the strategy defined under the approved risk appetite level, in order to obtain the target risk profile.

²⁰In the sphere of ESG risks, the Corporate and Risk Control DG and the Corporate Governance and Legal Affairs DG are the divisions that, on the one hand, through the various areas specialising in the different risks, generate technical knowledge and integrate ESG factors in management, which is cross-cutting insofar as climate risk acts as a risk driver of the different traditional risks and, on the other, discloses the information related thereto.

In the sphere of ESG risks, the Corporate and Risk Control DG and the Corporate Governance and Legal Affairs DG are divisions that, on the one hand, through the various areas specialising in the different risks, generate technical knowledge and integrate ESG factors in management, which is cross-cutting insofar as climate risk acts as a risk driver of the different traditional risks and, on the other, disclose the information related thereto.

3. **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 that 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) are controlled. Therefore, internal auditing is responsible for guaranteeing that the policies, methods and procedures are adequate, effectively implemented and regularly reviewed. In the third line of defence with respect to climate and environmental risk, the progressive inclusion of climate risk management is under way.

With this model, the Group seeks to ensure an adequate management of traditional risks, which include climate change risks as a driver, and to focus the Entity on banking best practices by promoting a risk culture throughout the entire organisation, gradually including climate change risks as drivers for traditional risks, as well as a comprehensive management of risks (credit, market, liquidity, interest rate, operational, security and continuity...) that ensures the Entity's solvency and resilience in accordance with the Risk Profile as defined by the Governance Bodies.

The Group's risk culture is based on the principles of the Group's risk management model 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 from 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 Commission.
- **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 Executive Credit Commission). 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.

It should be noted that, in relation to climate change risks, ABANCA considers supervisory expectation number 3 of the ECB, which expects the Board of Directors to take climate and environmental risks into account when defining the general business strategy, the Bank's business objectives and the risk management framework and that it will effectively monitor said risks.

- **Active management of the entire risk life**, from pre-analysis, analysis/concession, tracking, and through to its the extinction. The primary risks are not only analysed when they originate or when irregular situations arise in the ordinary recovery process, but this is done continuously for each and every customer.

In this regard, in relation to climate change risk, the Bank takes supervisory expectation number 8 of the ECB into account, since ABANCA fulfils the supervisor's expectations that entities take into account climate and environmental risks in all the relevant phases of the loan grant process and monitor their portfolio risk.

- **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.

Climate factors have been integrated in the transaction origination and analysis process, performing -in this first phase- a climatic assessment for those customers most exposed to the transition, a model we expect to extend to all of the Bank's origination.

- **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.

The assessment of climate risk is another variable that is integrated in the Bank's admission circuit.

- **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, self-employed people and micro-SMEs), rating systems (exposures with medium-sized and large enterprises) and pre-classifications (large customers). There are also limits for operational risks.

Following the monitoring of various climate risk indicators, work is currently ongoing in the definition of credit risk limits for the loans and receivables portfolio. These limits will take the decarbonisation objectives established by the Bank for certain sectors as a basis which, in turn, will be taken as a starting point for the next definition of sectoral policies.

- **Generation, implementation and dissemination of advanced** analysis and decision **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.

The development of the necessary systems and databases are a priority aspect within the sustainability PIPE.

Additionally, worth noting is the existence of a series of procedures that support the transmission of the risk culture, such as the risk appetite framework, the training activity, the remuneration and incentives policy, strict compliance by employees with 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 DG 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 division there 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. In the sphere of capital planning, ESG risk is considered a risk factor (driver) of all the types of traditional risks. In this regard, climate risks are already being included in all risk types presented in ICAAP 2022, and is considered in assessing the materiality of those risks. The same line will be followed in 2023, delving deeper into their quantification methodologies.

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 includes, as part of its set of RAF indicators, a series of indicators with the aim of monitoring ESG risk in different areas (business, credit and market), monitoring them in accordance with the governance established in the appetite framework.

The Group defines risk appetite as the quantity and types of risk, including ESG risk in all its aspects, 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).

Tools to facilitate the assessment of climate risk have been included in the origination of credit risk. The Bank is also working on automated tools for historical portfolio rating.

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 least annually and deals with credit risk, as well 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.

>>>> 1
DEPARTMENTS
responsible for
the elaboration
and management of
risks
2-12, 3-3

- 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 coherent with its level of risk tolerance, establishing global limits on the main risk exposures, conducting a review and taking the necessary actions in the event of deviations.

Furthermore, in relation to ESG risk management, as in the other types, ABANCA's Comprehensive Risk Commission will also be responsible for advising the Board of Directors on the current and future global risk trends (including environmental and climate risk) of society and its strategy in this regard, and assist it in monitoring the application of this strategy.

- The **Audit and Compliance Commission** has, among its functions, the supervision of the efficacy of internal control and risk management systems. Furthermore, it is in charge of receiving reports on internal incidents by the from the Bank's information and internal control systems and audit function, in addition to the corrective actions to be implemented in this regard.
- The **Executive Credit Commission** has been delegated powers that correspond to the Board of Directors regarding the concession and tracking of financing operations.

- The **Steering 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.
- The **Appointments and Sustainability Commission**: this department 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 are adapted to the established strategy and policies.
- The **Social Responsibility and Sustainability Committee**, whose functions have recently been reinforced, is in charge of: assessing, implementing and disclosing social responsibility and sustainability best practices (including the environmental sphere) at the Bank, generating change processes in the different units in order to drive competitiveness, integrate ESG criteria, strengthen the Organisation's image and reputation; coordinate the Bank's action strategies in accordance with the social responsibility and sustainability policies and guidelines established by the Board of Directors; monitor the implementation of the social responsibility and sustainability strategies and plans (including the environmental sphere); and assess, validate and monitor the classification of eligible assets (eligibility guide) for the proper identification, quantification and reporting of transactions, branches of activity or sectors to properly develop the ESG framework.

Additionally, the inclusion of the Corporate and Risk Control Division, as a member of this Committee, to guarantee the coordination between the main risk functions in the ESG sphere should be noted.

>>>>> 2

RISK

tolerance

level

3-3

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 DG 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 defined by the latter. 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 Steering Committee have a very active participation in the conceptualisation and establishment of appetite, based on the strategic planning defined for the Bank.

The definition of appetite and tolerance is made by selecting from a set of indicators, qualitative and quantitative, after calibrating the desired (appetite) and maximum (tolerance) levels.

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

- **Solvency risk:** this is the probability of suffering losses due to failure to follow capital solvency coefficients, which 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:** it 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. The interest rate also falls within market risks in the banking book (IRRBB), 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** 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 within a reasonable time and the cost given the environment or requirements of the business change.
 - **Reputational risk:** this is linked to the perception that different stakeholders have of the Group that it relates to, both internal and external, in the development of its activity, and that could have an adverse impact on the results or expectations for developing the business. It also includes climate risk, 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).

Lastly, worth noting is the evolution in the treatment received by ESG (climate) risk, which, to date, was treated as a dimension of reputational risk.

At ABANCA, climate and environmental risk are defined as the risk of the ABANCA Group not assessing, analysing, preventing, or mitigating the negative impacts of its decisions and activities in the environment, with a special focus on climate change.

Climate change risk poses financial risk to banks, insurance companies and the financial system in general. Therefore, it is relevant for ABANCA in terms of its financial stability and the security and soundness of the balance sheet, since climate change poses financial risks through two main transmission channels:

- The **physical risks** arising from the increased intensity and frequency of the climate and climate-related events.

These events seriously damage physical assets and other infrastructures, interrupt company supply chains, affect agricultural production and can lead to the loss of lives and migration. This reduces asset value, results in lower profitability for companies, damages public finance and raises the cost of settling underwriting losses for insurance companies. The indirect effects on the macroeconomic environment, such as lower production and productivity, exacerbate these direct impacts.

- The **transition risks** arising from the adjustment towards a carbon-neutral economy, which will require significant structural changes in the economy.

These changes will trigger the reassessment of a wide range of asset values, a shift in energy prices and a fall in the income and creditworthiness of some borrowers. In turn, this implies credit losses for lenders and market losses for investors. The transition to a carbon-neutral economy also presents some opportunities to the financial sector; for example, the financing of investment in the construction of energy efficiency, renewable energy and carbon-neutral transport.

Risks (transition and physical) associated with climate change are considered an additional factor that affects the "traditional" risk categories, through which it is materialised, and are therefore managed through the management frameworks of said risks.

For the assessment of each of these types of risks, ABANCA uses regulatory or internal methodologies defined according to 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 concerning the control mechanisms, reviewing them at least annually and seeking continuous improvement for the different processes and procedures established.

>>>> 3

Environmental, Social and Governance RISKS (ESG)

2-24, 3-3, 205-1

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 decision-making in 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 gradually including the assessment of ESG risk in its credit risk admission processes, initiating a first phase focused on the rating of the risk, which has evolved to, subsequently, link the grant decision and, lastly, establish grant parameters (pricing, horizon, etc.).

To this end, in 2021, ABANCA defined an action plan as a roadmap to understand, measure and adequately manage 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, it is essential to the Entity to identify, understand, measure, assess and manage the environmental and climate risk associated with these exposures. For this reason, the Bank has defined a criterion for classifying activity sectors in accordance with their environmental impact that will make it possible to channel cash flows towards sustainable activities.

In accordance with the environmental impact of the sectors of activity, the following categories are distinguished at ABANCA:

- **Sectors 'more sensitive to transition risk'**. Those related to activities more sensitive to transition risk, as follows:
 - energy-generating or fossil fuels sectors (energy, utilities, coal mining),
 - basic emission-intensive industries (steel industry, cement), and
 - the activities that ultimately use the energy through their products or services (car manufacturers, air and maritime transport).
- **"Less sensitive" sectors**. Sectors with a low level of environmental and/or climate risk will be considered less sensitive, taking as a reference the CNAE (National Classification of Economic Activities) sectors that are currently considered to have a low impact on the risk admission process.
- **"Neutral" sectors**. They are sectors that are not included in any of the two previous categories.

For said sectors, ABANCA analyses, from an operating and customer perspective, the climate and environmental variable in order to identify the tools that can evaluate physical and temporary risks in the portfolio in which they originate. The result shows a very low, low, medium, high and very high risk classification. In the last two cases, the expert judgement of sustainability analysts is also required to decide on the transaction. This admission circuit includes an automated questionnaire that exclusively applies to customers of sectors sensitive to transition risk that are part of the Bank's admission circuit.

Additionally, in order to achieve this risk rating not just for newly originated transactions, but also for the bulk of the historical portfolio, ABANCA is currently working in integrating an automated tool for ESG risk rating that will produce a scoring for each customer based on the financial information (both internal and external) available on that customer and on a number of specific variables according to that customer's activity.

Additionally, in order to classify transactions of a more significant amount, the transactions sanctioned by the Executive Credit Commission include, for information purposes, the customer's "susceptibility to ASG risk affectation" rating, which is currently determined by the applicant's National Classification of Economic Activities (CNAE).

In any case, the Bank is constantly evolving its climate and physical risk assessment tools and capabilities, and its credit management cycle processes, including best practices in its processes.

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 and the acquisition or refurbishing of buildings and vehicles that may be considered “green”. Subsequently, the scope of these labels will be extended to other types of transactions that are aligned with the UE'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 aim of implementing the Responsible and Sustainable Banking Plan, has 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. Both the Comprehensive Risk Committee and Commission specifically monitor all the actions of the Sustainability Project carried out in the sphere of risks on a monthly basis.

At strategy level, it should be noted that the Bank has begun to include the climate dimension in its definition of strategic customer, with the aim of integrating this risk in the Bank's business strategy. To this end, in 2022 ABANCA designed a strategic matrix with the following axes: (I) the strategic relevance of the customer or sector of activity in which it operates, and (II) its carbon emission-intensive sector/customer status and its ability to transition; in it, ABANCA segmented (based on reference standards such as the Recommendations of the TCFD) the customers of specific sectors to determine the line of action regarding the Bank's positioning relative to the support of their transition, thus focusing the Bank's effort on accompanying its customers in the development of new, less emission-intensive technologies, thereby assisting them in their transformation and efficiency improvement processes.

This matrix is currently being further developed, which will serve as a starting point to establish KPIs related to climate-related risks for our exposures and for establishing sectoral policies.

In this connection, ABANCA has defined decarbonisation objectives for 2030, which represents further progress in the Responsible and Sustainable Banking Action Plan 2021-2024 and in its commitment to continue supporting its customers in sustainable transition.

In this regard, ABANCA undertakes to stop financing carbon by 2030 and announces that it will reduce the intensity of carbon emissions from its credit portfolio by 37 % in aviation, 25 % in steel production and 20 % in cement production between 2021 and 2030.

This decarbonisation pathway has been approved by the Bank's highest governing body, the Board of Directors, which will monitor the progress made. The Bank intends to establish new alignment objectives for other greenhouse gas emission-intensive sectors, both in their credit finance and investment portfolio.

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, in 2022 ABANCA is working on redefining the approach to these risks and elevating them to cross-cutting risks, a risk factor 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 (EBA report on ESG risk management and monitoring).

Furthermore, it should be noted that in 2022 specific ESG risk indicators were included in the Bank's Risk Appetite Framework, after the analyses performed on the impact of these ESG risks in all types of traditional risk.

On this basis, and in accordance with their materiality, the Bank has considered including specific ESG indicators in different types of risks (business risk, credit risk and market risk). In this regard, it should be noted that this is a series of indicators considered from a progressive approach, and the calculation of those indicators is understood to evolve along with advancements in ESG risk management, in order to achieve a greater degree of detail and depth. In this initial phase, the objective of including those indicators is their monitorisation. Similarly, ESG indicators have been integrated in the management dashboards of traditional risks. We are currently working on the establishment of objectives and limits for these indicators with a view to their approval in the 2023 RAF.

It should also be noted that, in 2022, as part of the capital planning exercise, ABANCA assessed the ESG risk impact through credit, market, operating and business risk, although it has only been quantified through credit risk, since the impact is not material in the other traditional risks.

In relation to **credit risk**, it should be noted that the assessment of said impact is carried out using transition risk and physical risk scenarios.

- **Transition risk:** A scenario aligned with the approach followed by the ECB in the 2022 Climate Stress test, specifically with its short-term disorderly transition scenario, in which there is a sudden rise in emission prices, with the ensuing effects on the economy. This is a scenario in which the impacts are highly discriminated by sector of activity, affecting those sectors most dependent on fossil fuels to a greater extent, due to which macroeconomic variables discriminated by sector of activity have been used.
- **Physical risk:** For the Heatwave and Drought event, an approach aligned with the ECB in the 2022 Climate Stress Test was followed, using macroeconomic shocks discriminated by sector of activity, such that the different vulnerabilities of the sectors to the loss of productivity resulting from a heatwave and drought event. Additionally, an in-house scenario was developed for fire risk.

In relation to **non-financial risks**,

In recent years, the focus on vision and the integration of ESG factors (Environmental, Social and Good Governance) takes on particular importance which, being ABANCA's origin basic elements of concern for our entity, are being progressively included in non-financial risk management dynamics.

Follow-up and monitoring initiatives and strategies are defined for each of the risks encompassed by the acronym ESG. To analyse the impact of ESG risk in non-financial risks, ABANCA assesses said impact through conduct risk, operating risk, legal risk, ICT risk and reputational risk.

Monitoring these physical and climate risks is based on the assessment of the impacts on material assets, incidents in the business and malfunctions in systems due to floods, droughts, environmental degradation (air, water and land pollution), water stress, loss of biodiversity, deforestation, etc. Furthermore, the Bank has carbon footprint monitoring systems and systems for monitoring compliance with ESG aspects in our supply chain in clear commitment to the environmental. With regard to the Bank's own internal operating processes, measures continue to be adopted to ensure more efficient and sustainable management of resources, such as monitoring of the use of paper in contractual documents, prioritising cleaner and more sustainable digital media.

If we focus transition risks and the eventual legal risks that might arise therefrom, ABANCA Group proactively makes every possible effort to achieve full compliance with regulations and regulatory expectations, implementing control, monitoring and reporting systems to identify eventual breaches, such as greenwashing or dissatisfaction from our main stakeholders.

Thus, from a structural viewpoint, ABANCA is working on improving its corporate reputation, in addition to the management of ESG risks that threaten it, on the following pillars:

- Our **commitment to Good Governance**: At ABANCA we believe in an ethical and transparent way of working, defend it and share it through our style of doing and communicating things based on reliability, innovation, quality and responsibility values.

Based on this objective, different institutional tools and measures have been established to contribute to ensuring the Bank's corporate reputation.

- We have a management model focused on our stakeholders' needs and focused on the integration of ESG factors and management of new risks.
- ABANCA has a Responsible and Sustainable Banking Plan 2021-2024 that includes the roadmap with a vision and the main lines of action in relation to sustainability on which to focus. In 2021 the Equality Plan was also launched.
- There is a governance defined at the highest level in the field of ESG.

The Board of Directors will adopt the necessary measures to implement and supervise the development and application of the related policies.

- **Social responsibility**: The **Social Responsibility, Sustainability and Communication DG** drives multiple initiatives and projects that contribute to strengthen ABANCA's corporate reputation. These initiatives are developed on the basis of **ABANCA's various commitments to society and the environment**: institutional initiatives, education, social involvement, culture and the environment.
- **Environmental management and the fight against climate change, and the protection of biodiversity**: Worth noting is the growing importance of ABANCA's concern for the defence of the environment, since the Bank is aware of the growing concern of the different stakeholders in this regard and especially because of its impact on climate change. In this way, "environmental risk" and particularly "climate change risk" are becoming increasingly important insofar as they are risks specifically managed at the Bank.

The Bank considers that the area of sustainability and climate change impacts and is considered in the bulk of its strategies, which will have a limited impact on its financial projection in the short term but that will increase in importance in the medium and long term. The Bank makes use of different tools to manage these risks. Additionally, at the corporate level:

- ABANCA has entered into a Collective Commitment to Climate Action and has joined the Net Zero Banking Alliance (NZBA), promoted by the Financial Initiative of the United Nations Environment Programme (UNEP FI); the decarbonisation objective of the credit portfolio is aimed at achieving the decarbonisation of credit and investment portfolios by 2050 in order to fulfil the objectives of the Paris Agreement. In 2022 ABANCA responded to these commitments with the publication of its objectives: stop financing carbon by 2030 and announces that it will reduce the intensity of carbon emissions of its credit portfolio by 37 % in aviation, 25 % in steel production and 20 % in cement production between 2021 and 2030.
- The Bank has an Energy and Environmental Policy (updated in 2022) that provides a common reference framework for the other companies 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.
- We have defined energy efficiency and consumption reduction plans and objectives within the fields of energy, paper, water and waste.
- Since 2019 we have calculated our carbon footprint and have reduced our emissions. In 2022 ABANCA obtained the CALCULATION and COMPENSATION seals of the Spanish Climate Change Office. We have a neutral operational footprint since 2020.
- We have several projects under way or collaborate in the sphere of circular economy and protection of biodiversity. Plankton (Afundación), Living Networks, Zero Waste.
- We have various environmental certificates and seals relative to the good sustainable management of our buildings: ZERO WASTE, LEED and BREEAM.
- **The specific management of the different stakeholders:** Our different stakeholders have different interest and expectations, due to which corporate reputation depends on their encounter with actual experiences derived from the compliance or non-compliance with the commitments acquired by the company.

To this end, the Bank has different areas and units in its structure with specific duties, which ultimately ensure ABANCA's corporate reputation with certain stakeholders.

- Our Sustainability Policy and Code of Ethics and Conduct include information on our commitments with all our stakeholders.
- One of ABANCA's priorities is to maintain a fluid dialogue and permanent participation with all its stakeholders through the different communication channels, which allows us to identify their material aspects and associated risks and opportunities within the Social Responsibility framework. In this way, the Bank ensures that the lines of action of the organisation are aligned with our stakeholders' expectations.

Corporate management of Reputational risk: ABANCA strives to progressively build an effective and efficient reputational risk management model, implementing the necessary pieces for the identification, assessment, control and mitigation thereof (risk map and operating risk controls).

To coordinate this action, the Comprehensive Risk Management Area has the Operational and Reputational Risk Department under its structure, which has the mission of implementing and maintaining the system for comprehensively managing the Bank's operational and reputational risk and contributing to the continuous improvement of the processes to avoid, prevent or mitigate the adverse impacts derived from the potential materialisation of operational and/or reputational risks. New measures and actions that enable a more explicit and specific management of the aforementioned ESG spheres are progressively being included in reputational risk management dynamics, with a view to reinforcing corporate reputation and reputational risk management. For the impact of climate risk on reputational risk, the Bank carries out a prospective qualitative assessment linked to the net prescription ratio (NPR) which measures, among other aspects, under a market perspective, the perception of ESG risk management, such that it indirectly includes an eventual impact on the Bank's economic capital.

In the sphere of **market risk**, ABANCA considers ESG risk from a dual perspective:

- a. From the perspective of the direct impacts of ESG risk, both transition risk and physical risks.
- b. From the perspective of formation of market prices and the difficulties for assigning financing and investment, arising from the market's perception that ABANCA is not well positioned in the sustainable segment.

In relation to **liquidity risk**, the Bank is aware of the effects of ESG risk from a dual perspective:

- a. From the perspective of the direct impacts of ESG risk, both transition risk and physical risks.

- b. From the perspective of the financing difficulties that the nonfulfilment of ESG expectations or a worse positioning/benchmarking of said risk that the Bank could generate in its sector.

In this regard, the Bank analyses the materiality of said risk and its potential impacts:

- assessing the composition of the Bank's liquidity buffer and its sensitivity to ESG risk (impairment of its market value, larger haircuts, etc.);
- assessing the effects that the materialisation of said risk could have on losses on deposits/cash;
- analysing sector behaviour in making strategic funding decisions, influenced by the Bank's positioning in ESG risk management expectations and financing problems that could give rise to a worse relative positioning therein, in addition to assessing the risk position (in financing of wholesale deposits, financing of monetary markets and collateral, financing in capital markets, etc.).

The Bank's current proactive management and control of risk, as well as the existence of a roadmap for the fulfilment of ESG expectations, the structure of its buffer of liquid assets and its limited exposure to wholesale markets enable the Bank to mitigate and maintain an immaterial exposure to ESG risk from the perspective of impact on liquidity in the short to medium term.

In 2023 the Bank is working on quantifying the impact of this risk in all its dimensions (as a factor/driver of traditional risks). This work is materialised in the capital planning exercise corresponding to 2023.

However, it should be noted that ABANCA has a highly diversified asset portfolio, more focused on retail, which provides an 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. Taking this into account, climate risk is not expected to have a relevant impact on the Bank's business model or strategic plan in the short term.

Lastly, in relation to emerging risks, worth noting is the focus on monitoring and management of technological risk, with special focus on cybersecurity (ICT risk), and the management of the macro situation arising from the COVID health crisis and the war in Ukraine, 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 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.

Financial information

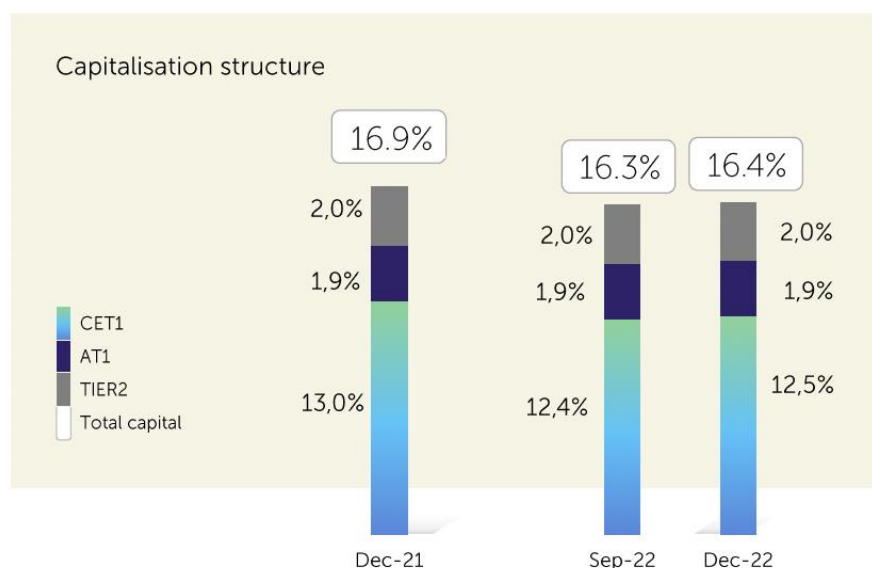
ABANCA achieved €217 million in profit, 41 % more than in 2021 in recurrent terms



Solvency and liquidity:

3-3

The capital ratio stood at 16.4 % with €1,414 million excess over regulatory requirements



435bp

EXCEEDING
CET1 CAPITAL
REQUIREMENTS

390bp

EXCEEDING
TOTAL CAPITAL
REQUIREMENTS

1,414M€

EXCEEDING
CET1 CAPITAL
REQUIREMENTS

1,268M€

EXCEEDING
TOTAL CAPITAL
REQUIREMENTS

MREL ratio

19.5%

+ 102 bp vs Dec-21



Broadly meeting the
MREL requirements set for
2022 (17.27*%)



**Wide buffer on the established
requirements** thanks to a more
diversified capital structure

/ * Including the capital allocated to cover the Combined Buffer Requirement (2.5% TREA).

Income statement

2-6, 3-3

Profit grew by 40.7% in recurrent terms and reached €217 million

(million euros)	Dec-22	Dec-21	Var.
NET INTEREST INCOME	769.7	674.1	14.2%
Revenues from services provided	281.7	257.5	9.4%
BASIC MARGIN	1,051.5	931.7	12.9%
Dividends and share of profit or loss of equity-accounted investees	3.6	4.1	-10.2%
Gains or losses on financial assets and liabilities (net)	32.3	118.3	-72.7%
Others (net)	26.7	-1.7	-
GROSS MARGIN	1,114.1	1,052.3	5.9%
Operating expenses	754.1	709.5	6.3%
PRE-PROVISION MARGIN	359.9	342.9	5.0%
Provisions and impairments	53.8	137.6	-60.9%
Credit allocations	82.2	138.8	-40.8%
One-off recoveries and others	-28.4	-1.1	-
Others	5.5	-1.2	-
PBT	311.6	204.0	52.7%
Taxes and others	94.6	49.8	90.0%
RECURRING PROFIT	217.0	154.2	40.7%
Accounting impact of Bankoia and Novo Banco incorporations	0	166.3	-
Profit	217.0	320.6	-32.3%

Basic margin increases 12.9% thanks to the good performance of net interest income and revenues from services provided

We improved the pre-provision margin by 5.0%, offsetting the generation of 86M€ less in Trading Gains

Profit grows 40.7% thanks to the good performance of the business and the control of cost of credit

/ The impact (badwill and associated allocations) of the acquisition of Bankoia (01/01/2021) and Novo Banco España (01/12/2021) falls in "Accounting impact of Bankoia and Novo Banco incorporations" instead of "Others" and "Provisions and impairments"
2021 figures: Taking into account the natures of some items registered as "Impairment of non-financial assets", they have been classified in "Provisions and impairments"

Economic value generated, distributed and retained

201-1

ABANCA's objective of contributing to the development of its environment translates into a commitment to both financial and social development.

The economic value generated by ABANCA in 2022 amounted to €1,186.4 million, 18.4 % lower than in 2021, due to the absence of impact on the 2022 account of goodwill (€206 million in 2021 due to the incorporation of Bankoa and Novobanco) and lower provisioning requirements (consistent with the high quality of the bank's assets).

For its part, the economic value distributed in 2022 stood at €777.7 million, 8.8 % higher than in 2021. If we include the amount channelled through Afundación Obra Social ABANCA, the total economic value distributed was €786.2 million.

The economic value retained in 2022 was €400.2 million, which was used to capitalise the institution.

Economic value generated, distributed and retained (201-1)	2020	2021	2022
Thousands of euro			
Gross margin	1,103,950	1,052,316	1,114,051
Income from removing assets not classified as non-current assets held for sale	582	-52	3,489
Goodwill	0	205,892	0
Allowance to provisions	219,700	186,721	60,338
Income from non-current assets held for sale	5,655	8,411	8,518
Economic value generated	1,329,887	1,453,288	1,186,396
Suppliers - general administrative expenses (except fees)	194,005	216,106	237,729
Employees - personnel expenses	379,296	375,655	398,606
Public Admin. - income tax + and fees for general admin. expenses. ²¹	45,050	44,156	45,604
Shareholders - dividends	27,765	71,567	86,005
Community (without foundation)	6,473	7,470	9,788
Economic value distributed	652,589	714,954	777,732
Foundation	10,100	7,500	8,500
Total economic value distributed	662,689	722,454	786,232
Economic value retained	667,198	730,834	400,164

²¹ 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

3-3, 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 compliance with its tax obligations, all of this according to the strategic principles used to develop ABANCA's fiscal policy published on the company's website, and which can be summarised in the following aspects:

- Responsible payment of taxes.
- Compliance with regulations.
- Fiscal transparency.
- Loyal collaboration with the Tax Administration.
- Establishment of control mechanisms.

In 2022, the transaction for the acquisition of Imantia Capital, S.G.I.I.C., S.A. by ABANCA Corporación Industrial y Empresarial, S.L., formalised in a public deed authorised on 3 August 2022 in the presence of the Notary, Mr. Raúl Muñoz Maestre, under number 5,078 of his protocol can be highlighted. As a consequence of this transaction, net of the Company's treasury shares, the ABANCA Group is the sole shareholder of Imantia Capital, S.G.I.I.C.

Country

	Cost of Corporate Tax	Profit before tax	Gross margin	No. of employees	Primary	Company Activity
Spain	28,945	293,475	1,015,181	5,704	Financiera	ABANCA Corporación Bancaria S.A.
Portugal	6,737	14,000	81,009	395	Financiera	ABANCA Corporación Bancaria S.A.
Switzerland	325	2,263	6,345	11	Financiera	ABANCA Corporación Bancaria S.A.
USA	0	2,213	8,983	17	Financiera	ABANCA Corporación Bancaria S.A.
Other	-20	-361	2,533	29	Financiera	S. Común México, S.A., de CV SOFOM ENR

Tax per country (thousands of euro) (207-4)

	Income from sales to third parties	Income from intragroup 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	1,355,650	8,592	1,015,181	293,475	1,096,291	28,945	5,704
Portugal	103,518	-4,536	81,009	14,000	92,335	6,737	395
Switzerland	6,381	-239	6,345	2,263	1,091	325	11
USA	12,056	0	8,983	2,213	503	0	17
Other	6,440	0	2,533	-361	16	0	29

The scope of this information also includes, in addition to ABANCA Corporación Bancaria, S.A., information relating to its financial and non-financial investees.

Total tax contribution of the ABANCA Group in 2022

In a project carried out in collaboration with CECA, the entity estimated for the first time in 2021 the ABANCA Group's tax contribution²². Currently, the entity is estimating its contribution for 2022, so this Report reports the estimated contribution for the previous year, since it is the information available at the date of its publication.

The ABANCA Group's tax contribution during 2021 amounted to 372 million euros²³, of which 234 million were taxes paid by the Group and 138 million collected from third-party payments.

Likewise, during that year the Group made contributions of a parafiscal nature (to the Deposit Guarantee Fund, the Single Resolution Fund and the Single Supervisory Mechanism) for an amount of 74.6 million.

²² The scope of this information is as follows: ABANCA Corporación Bancaria S.A and the companies that make up the Consolidated Fiscal Group (note 28.1 of the Consolidated Annual Accounts), with the exception of: Alisios Sea Farm, S.L, Corporación Empresarial de Participaciones en Organizaciones de Galicia, S.L, Torre de Hércules Inversiones Corporativas, SL.

²³ Cash-based criteria is used.

Appendix

>>>> 1
MAIN
METRICS

Employees

Total no. of employees and distribution by gender (2-7, 405-1)

	2020	2021	2022
No. of employees (102-7)	5,648	5,979	5,868
Distribution by gender (%)			
- Women	51.0 %	50.9 %	51.8 %
- Men	49.0 %	49.1 %	48.2 %

Distribution of employees by nationality	2022	
	No.	%
Spanish	5,400	92.0 %
Portuguese	407	6.9 %
Other European nationalities (Italian, Romanian, Danish, Swiss, etc.)	19	0.3 %
American nationalities (Mexican, Venezuelan, Argentinian, American, Brazilian, etc.)	38	0.7 %
Other nationalities (Moroccan, Chinese, Algerian)	4	0.1 %

Breakdown of staff by location and gender (405-1)

	2020	2021	2022			
			Women	Men	Total	%
Galicia, Asturias and León	4,202	4,138	2,259	1,916	4,175	71.1 %
Rest of Spain	1,003	1,397	553	681	1,234	21.0 %
Abroad	443	444	225	234	459	7.8 %
Total	5,648	5,979	3,037	2,831	5,868	100.0 %

Breakdown of staff category and gender (405-1)

	2020	2021	2022			Distrib.
	Distrib.	Distrib.	<30	30-50	>50	
Senior management	0.2 %	0.2 %	0.0 %	21.4 %	78.6 %	0.2 %
Management	1.4 %	1.4 %	0.0 %	53.7 %	46.3 %	1.4 %
Middle management	21.3 %	20.3 %	0.1 %	72.3 %	27.6 %	20.5 %
Skilled workers	77.1 %	78.1 %	11.3 %	63.7 %	25.0 %	77.8 %
Total	100.0 %	100.0 %	8.8 %	65.3 %	26.0 %	100.0 %

Geographical distribution abroad (405-1)

	2020	2021	2022
Germany	1	1	1
Brazil	4	2	3
USA	13	15	17
France	1	1	2
England	2	2	2
Mexico	17	16	16
Panama	2	2	2
Portugal	388	392	401
Switzerland	14	12	14
Venezuela	1	1	1
Total	443	444	459

	2020	2021	2022
Proportion of senior management hired from the local community (202-2)	69 %	69 %	79 %

Breakdown of new generate and gender (2-7, 401-1)

	2020		2021		2022	
	Women	Men	Women	Men	Women	Men
Galicia, Asturias and León	57 %	43 %	53 %	47 %	54 %	46 %
Rest of Spain	51 %	49 %	47 %	53 %	54 %	46 %
Abroad	31 %	69 %	53 %	47 %	55 %	45 %
Total	53 %	47 %	51 %	49 %	54 %	46 %

Breakdown of new personnel by age and location (401-1)

	2020			2021			2022		
	<30	30-50	>50	< 30	30-50	> 50	< 30	30-50	> 50
Galicia, Asturias and León	62.4 %	37.1 %	0.5 %	68.9 %	30.6 %	0.5 %	80.8 %	17.5 %	1.6 %
Rest of Spain	48.8 %	46.5 %	4.7 %	75.6 %	23.1 %	1.3 %	63.2 %	31.6 %	5.3 %
Abroad	13.8 %	82.8 %	3.4 %	17.6 %	76.5 %	5.9 %	17.0 %	79.2 %	3.8 %
Total	55.2 %	43.3 %	1.4 %	64.9 %	33.8 %	1.3 %	69.7 %	27.6 %	2.6 %

Average turnover by age and gender (401-1)

	2020	2021	2022		
			Women	Men	Total
Under 30	21.9 %	35.3 %	20.4 %	23.7 %	21.9 %
Between 30 and 50	2.4 %	3.2 %	2.2 %	2.8 %	2.5 %
Over 50	18.3 %	3.3 %	1.4 %	2.1 %	1.9 %
Total	7.4 %	5.2 %	3.8 %	4.3 %	4.0 %

Average turnover by location and gender (401-1)

	2020	2021	2022		
			Women	Men	Total
Galicia, Asturias and León	6.2 %	5.5 %	3.2 %	3.8 %	3.5 %
Rest of Spain	12.3 %	4.2 %	3.8 %	4.6 %	4,2 %
Abroad	8.6 %	6.3 %	9.3 %	7.7 %	8.5 %
Total	7.4 %	5.2 %	3.8 %	4.3 %	4.0 %

Breakdown of contracts by position and gender (2-7)

		2020			2021			2022		
		Women	Men	Total	Women	Men	Total	Women	Men	Total
SENIOR MANAGEMENT	Total	1	12	13	1	12	13	1	13	14
	Permanent contract	1	12	13	1	12	13	1	13	14
	Temporary	0	0	0	0	0	0	0	0	0
	Part-time	0	0	0	0	0	0	0	0	0
MANAGEMENT	Total	14	66	80	14	71	85	16	66	82
	Permanent contract	14	66	80	14	71	85	16	66	82
	Temporary	0	0	0	0	0	0	0	0	0
	Part-time	0	0	0	0	0	0	0	0	0
MIDDLE MANAGEMENT	Total	378	826	1.204	375	839	1.214	392	813	1.205
	Permanent contract	378	826	1.204	375	839	1.214	392	813	1.205
	Temporary	0	0	0	0	0	0	0	0	0
	Part-time	0	0	0	0	0	0	0	0	0
SKILLED WORKERS	Total	2,487	1,864	4.351	2,654	2,013	4.667	2,628	1,939	4.567
	Permanent contract	2.277	1.710	3.987	2.495	1.888	4.383	2.397	1.756	4.153
	Temporary	210	154	364	159	125	284	231	183	414
	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.

Additionally, the increase in temporary contracts compared to 2021 is directly related to an increase in fixed-term internship contracts.

Breakdown of contracts by position, age and gender (2-7)

		2020			2021			2022		
		Women	Men	Total	Women	Men	Total	Women	Men	Total
<30 years	Total	236	194	430	199	175	374	284	232	516
	Permanent contract	92	88	180	86	76	162	89	70	159
	Temporary	144	106	250	113	99	212	195	162	357
	Part-time	0	0	0	0	0	0	0	0	0
30- 50 years	Total	2,162	1,807	3,969	2,235	1,829	4,064	2,118	1,711	3,829
	Permanent contract	2,097	1,761	3,858	2,190	1,805	3,995	2,083	1,693	3,776
	Temporary	65	46	111	45	24	69	35	18	53
	Part-time	0	0	0	0	0	0	0	0	0
>50 years	Total	482	767	1,249	610	931	1,541	635	888	1,523
	Permanent contract	481	765	1,246	609	929	1,538	634	885	1,519
	Temporary	1	2	3	1	2	3	1	3	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.

Additionally, the increase in temporary contracts compared to 2021 is directly related to an increase in fixed-term internship contracts.

Breakdown of contracts by position, region and gender (2-7)

		2020			2021			2022		
		Women	Men	Total	Women	Men	Total	Women	Men	Total
Galicia, Asturias and León	Total	2,260	1,942	4,202	2,217	1,921	4,138	2,259	1,916	4,175
	Permanent contract	2,084	1,821	3,905	2,090	1,822	3,912	2,080	1,767	3,847
	Temporary	176	121	297	127	99	226	179	149	328
	Part-time	0	0	0	0	0	0	0	0	0
Rest of Spain	Total	410	593	1,003	610	787	1,397	553	681	1,234
	Permanent contract	379	566	945	581	762	1,343	507	648	1,155
	Temporary	31	27	58	29	25	54	46	33	79
	Part-time	0	0	0	0	0	0	0	0	0
Abroad	Total	210	233	443	217	227	444	225	234	459
	Permanent contract	207	227	434	214	226	440	219	233	452
	Temporary	3	6	9	3	1	4	6	1	7
	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.

Additionally, the increase in temporary contracts compared to 2021 is directly related to an increase in fixed-term internship contracts.

Number of dismissals by gender, age, and professional category

		2020	2021	2022		
				Women	Men	Total
Senior management	Under 30	0	0	0	0	0
	Between 30 and 50	0	0	0	0	0
	Over 50	0	0	0	0	0
	Total	0	0	0	0	0
Management	Under 30	0	0	0	0	0
	Between 30 and 50	1	0	0	1	1
	Over 50	1	1	0	0	0
	Total	2	1	0	1	1
Middle management	Under 30	0	0	0	0	0
	Between 30 and 50	8	10	1	2	3
	Over 50	6	1	2	0	2
	Total	14	11	3	2	5
Skilled workers	Under 30	1	0	0	0	0
	Between 30 and 50	21	20	3	14	17
	Over 50	14	12	4	9	13
	Total	36	32	7	23	30

Employees with disabilities (405-1)

	2020	2021	2022		
			Women	Men	Total
No. employees with disabilities	66	66	36	36	72
Percentage of employees with disabilities	1.17 %	1.15 %	1.19 %	1.27 %	1.23 %
Percentage of Spanish personnel	1.17 %	1.19 %	1.09 %	1.13 %	1.11 %

Being 1.11 % 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 salary by category

	2020	2021	2022		
			Women	Men	Total
Management	113,296	115,587	101,339	123,076	119,000
Middle management	56,194	56,958	51,720	60,242	57,452
Skilled workers	38,156	38,666	36,592	41,410	38,634

Imantia Capital, S.A. data are not included because it was incorporated in August 2022 and, therefore, there has been no influence on the remunerations policy. It will be incorporated in the 2023 scope. Without taking into account Imantia Capital, S.A, remunerations data include 95.3 % of the personnel, since the personnel from non-financial investees (Sogevinus S.G.P.S., S.A.; Espacios Termolúdicos, S.A. and Natur Hotel SPA Allariz, S.A.) and the financial investees Txstockdata, S.L., Inventium Consultora de Proyectos, S.L and the information on personnel out of Spain and Portugal.

Average salary by gender and age

	2020	2021	2022		
			Women	Men	Total
Under 30	21,403	21,617	20,780	20,961	20,861
Between 30 and 50	42,466	42,052	39,302	47,123	42,785
Over 50	54,660	52,355	45,435	59,139	53,361

Only the fixed salaries of personnel in Spain and Portugal are taken into account, 94 % 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 (2-21)

2022	
Spain	10.08
Portugal	4.92

The ratio is 10.08 for ABANCA in Spain and 4.92 for Portugal. The information has been calculated based on annual fixed and variable compensation received in 2022.

Percentage increase in annual total compensation ratio (2-21)

2022	
Spain	-2.86 %
Portugal	4.21 %

The ratio is -2.86 % for ABANCA in Spain and 4.21 % for Portugal. The data has been calculated taking into account the average salary increase for the workforce.

(202-1)

	2020	2021	2022
Ratios of standard entry level wage compared to local minimum wage	1.2	1.2	1.1
Spain	1.2	1.2	1.1
Portugal	1.4	1.3	1.2

The starting base salary for any employee on payroll, regardless of their gender, is 1.1 times the local minimum wage in Spain and 1.2 times in Portugal. The ratio has been calculated as a weighted average between the result of dividing the base salary established in the ABANCA Corporación Bancaria Collective Agreement by the Interprofessional Minimum Wage established in Spain, and the equivalent ratio in Portugal.

Wage gap (405-2)

	2022
Spain	-5.7 %
Portugal	-5.5 %

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 directors' salary

	2020	2021		2022	
			Women	Men	Total
Senior management salary*	396,385	401,963	-	-	397,682
Directors' salary	249,566	246,661	212,500	246,933	233,496

*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 14 people considered senior management personnel to calculate the amount for 2022.

Parental leave (401-3)

	2020	2021	2022		
			Women	Men	Total
Parental leave Maternity/paternity (no.)	186	178	60	66	126
Exercised (%)	100 %	100 %	100 %	100 %	100 %
Return (no.)	186	178	60	65	125
Rate of return*	100 %	100 %	100 %	98 %	99 %
Leaves in the previous financial year that remain in the company after 12 months (No.)	186	181	91	83	174
Retention rate of employees who benefited from parental leave**	98 %	97 %	98 %	98 %	98 %

* 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.

Number of training actions

	2020	2021	2022
Remote	237	257	349
On-site	82	173	206
Mixed	0	1	3
Total	319	431	558

In 2022, live virtual actions (Meets, Teams, etc.) have been reclassified as "On-site/Virtual classroom", so that data from previous years have been recalculated accordingly to ensure coherence.

LCI training

	2020	2021	2022
No. of new LCI certification programmes	2	1	2
No. of participants in the LCI certification programmes	1,481	203	142
No. of professionals certified	3,294	3,721	3,795
Percentage of professionals from the compulsory perimeter certified	85.12 %	86.40 %	88.22 %

MIDIF II training

	2020	2021	2022
No. of new MIFID certification programmes	1	3	2
Number of participants in MIFID certification programmes	14	215	135
No. professionals certified	3,044	3,503	3,524
Percentage of professionals from the compulsory perimeter certified	93.21 %	95.72 %	95.48 %

No. of total training hours per year (404-1)

	2020	2021	2022		
			Women	Men	Total
Senior management and directors	2,805	2,162	445	1,713	2,158
Middle management	49,075	46,052	16,448	30,792	47,240
Skilled workers	236,889	278,312	122,257	90,772	213,029
Total	288,769	326,526	139,151	123,277	262,428

The trend is towards more and shorter training courses; also, in 2022 less people participated in the LCCI and MIFID training programmes (277 in 2022 vs 418 in 2021).

Average training hours per year (404-1)

	2020	2021	2022		
			Women	Men	Total
Senior management and directors	29	23	28	23	23
Middle management	39	38	42	39	40
Skilled workers	54	59	49	49	49
Total	51	54	48	45	47

Employees who have received training on the prevention of money laundering (205-2)

	2020	2021	2022			
	Total (%)	Total (%)	Galicia, Asturias and León	Rest of Spain	Abroad	Total (%)
Senior management	100 %	100 %	14	1	0	100 %
Directors	92 %	95 %	66	15	3	95 %
Middle management	94 %	96 %	839	258	115	97 %
Skilled workers	90 %	87 %	3,204	1,063	300	90 %
Total	91 %	89 %	4,123	1,337	418	91 %

Employees' commitment

	2020	2021	2022
Engagement index	87 %	85 %	81 %
Percentage of employees who actively participate in surveys	67 %	65 %	65 %

98.64 % survey coverage of the workforce at the close of the fiscal year.

Employees whose performance was evaluated (404- 3)

	2020	2021	2022		
	Total	Total	Women	Men	Total
Senior management	100 %	100 %	100 %	100 %	100 %
Directors	100 %	100 %	100 %	100 %	100 %
Middle management	99 %	98 %	99 %	99 %	99 %
Skilled workers	95 %	93 %	95 %	95 %	95 %
Total	96 %	94 %	95 %	96 %	96 %

Employees covered by collective agreement by country (2-30)

	2020	2021	2022
Germany	0 %	0 %	0 %
Brazil	100 %	100 %	100 %
Spain	100 %	100 %	100 %
USA	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 %

Absenteeism due to accidents

	2021			2022		
	Women	Men	Total	Women	Men	Total
No. of accidents with work release excluding <i>during travel</i>	5	1	6	4	3	7

The types of accidents occurred in 2022 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.

In the financial subject subject of this report, there were no significant leaves (that is, over six months).

Data of accidents and absenteeism include 95.1 % of employees, since personnel from non-financial investees (Sogevinus S.G.P.S., S.A.; Espacios Termolúdicos, S.A. and Natur Hotel SPA Allariz, S.A.) and the financial investees Txstockdata, S.L., Imantia Capital, S.A, and the information on personnel from United Kingdom, Venezuela, Panama, France and Germany is not included.

	2021			2022		
	Women	Men	Total	Women	Men	Total
(403-9, 403-10)						
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	303	285	588	479	311	790
Hours of absence	19,274	15,538	34,812	20,508	10,990	31,498
Absenteeism						
Hours of absence	245,583	149,341	394,924	295,576	155,433	451,010
Absenteeism rate (% of the total of programmed days)	5.06 %	3.18 %	4.14 %	5.78 %	3.22 %	4.54 %
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)

	2020			2021			2022	
	Women	Men	Women	Men	Women	Men		
Accident frequency index	1.51	0.43		1.09	0.22		0.83	0.64
Severity index	0.05	0.03		0.27	0.04		0.03	0.07

Frequency index = (number of accidents with leave / number of estimated hours worked) x 10⁶.

Severity index = (number of days lost per accident with leave / number of estimated hours worked) x 10³.

Statement of use	ABANCA has reported in accordance with the GRI Standards for the period 1 st of January 2022 to 31 st December 2022
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standards	Not applicable

GRI Standard	Content	Number of pages and/or direct responses	Omissions	External assurance	Principles of the Global Compact	SDG
General disclosures						
	THE ORGANIZATION AND ITS REPORTING PRACTICES					
	2-1 Organizational details	37, 60-62, 71-74 ABANCA Corporación Bancaria, S.A For further information about ABANCA's legal nature and form, see the section on the degree of monitoring of the recommendations of the Good Governance Code set out in ABANCA's Separate Financial Statements, available on ABANCA's corporate website, Corporate Information section, Financial Information section. The location of the organisation's headquarters is as follows: Cantón Claudino Pita 2, Betanzos (A Coruña). For further information regarding the location of the operations, see Appendix I to the ABANCA Group's Consolidated Financial Statements, available on ABANCA's corporate website, Corporate Information section, Financial Information section.		Yes, page 311		
	2-2 Entities included in the organization's sustainability reporting	3-4 For further information, see Appendix I to the Consolidated Financial Statements.		Yes, page 311		
	2-3 Reporting period, frequency and contact point	ABANCA includes the Consolidated Statement of Non-Financial Information in the Corporate and Social Responsibility Report for the fiscal year 2022, from 1 January 2022 to 31 December 2022. The report is published annually and its publication date for this fiscal year is 31/03/2023. <u>Contact details</u> ABANCA Corporación Bancaria, S.A. Cantón Claudino Pita, 2 Betanzos (+34) 981 187 000 www.abanca.com		Yes, page 311		
	2-4 Restatements of information	There has been no reformulation of information compared to the 2021 Report. For information with a temporal or organisational scope different to that of previous years, the details of said changes are described next to the relevant figure.		Yes, page 311		
	2-5 External assurance	311		Yes, page 311		

	ACTIVITIES AND WORKERS					
	2-6	Activities, value chain and other business relationships	9, 27-28, 54-58, 60-75, 193-196, 240 The company object of ABANCA Corporación Bancaria, S.A. is as follows: a) the engagement in all manner of activities, transactions and services inherent to the banking business and in general or related directly or indirectly thereto and which are permitted by current legislation, including investment and ancillary services and engagement in insurance brokerage activities; and b) the acquisition, possession, enjoyment and disposal of all manner of transferable securities.		Yes, page 311	
	2-7	Employees	9, 246-247, 250, 253-255		Yes, page 311	6, 8, 10
	2-8	Workers who are not employees	The number of interns and temporary workers with respect to total staff is not material (1.8 % at year-end).		Yes, page 311	6, 8, 10
	GOVERNANCE					
	2-9	Governance structure and composition	38-45, 48-49		Yes, page 311	5, 16
	2-10	Nomination and selection of the highest governance body	38, 45		Yes, page 311	16
	2-11	Chair of the highest governance body	38		Yes, page 311	16
	2-12	Role of the highest governance body in overseeing the management of impacts	27-28, 32-33, 42-46, 222-223		Yes, page 311	16
	2-13	Delegation of responsibility for managing impacts	43-45, 48-49		Yes, page 311	
	2-14	Role of the highest governance body in sustainability reporting	The Board of Directors, the highest governance body in the Company, except on matters reserved for the Annual General Meeting, approves, in a way that cannot be delegated, the main lines of the Company's policies and strategies. The Board of Directors is also in charge of approving the ABANCA's Corporate and Social Responsibility Report, which includes the NFIS.		Yes, page 311	

	2-15	Conflicts of interest	181-182 ABANCA has a Code of Ethics and Conduct in force whereby the organisation's professionals must declare the existence or non-existence of any conflict of interest with respect to the code of ethics. 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 must keep their information up to date about possible conflicts of interest, sending the corresponding declaration through the ABANCA ethics channel The internal code of conduct imposes certain professionals within the organisation the obligation to state conflicts to control the possible self-interested use of privileged information in financial markets.		Yes, page 311		16
	2-16	Communication of critical concerns	46		Yes, page 311		
	2-17	Collective knowledge of the highest governance body	46		Yes, page 311		4
	2-18	Evaluation of the performance of the highest governance body	40		Yes, page 311		
	2-19	Remuneration policies	47		Yes, page 311		
	2-20	Process to determine remuneration	47		Yes, page 311		16
	2-21	Annual total compensation ratio	159 The annual compensation ratio is 10.08 in Spain and 4.92 in Portugal. This information was calculated based on the annual fixed and variable compensation actually received in 2022.		Yes, page 311		
	STRATEGY, POLICIES AND PRACTICES						
	2-22	Statement on sustainable development strategy	6-7		Yes, page 311	1, 2	1-17
	2-23	Policy commitments	10-12, 102-103, 112-114, 119-120, 126-128, 181-182		Yes, page 311	1, 2, 10	1-17
	2-24	Embedding policy commitments	10-12, 102-103, 112-114, 119-120, 126-128, 181-182, 193-196		Yes, page 311	1, 2, 10	1-17
	2-25	Processes to remediate negative impacts	10-12, 187, 198-208		Yes, page 311		
	2-26	Mechanisms for seeking advice and raising concerns	198-199 It is certified that, in 2022, the whistle-blowing channel received a total of five communications, of which three were processed, opening investigation files and concluding on the adoption of corrective actions and/or disciplinary measures.		Yes, page 311	10	16

	2-27	Compliance with laws and regulations	The ABANCA Group, through the channels available for such purpose, is not aware of having received any notification of significant fines or non-monetary sanctions related to non-compliance with the applicable legislation or regulation, except for: - The administrative penalty imposed on ABANCA Corporación Bancaria, S.A. in December 2022 by the European Central Bank amounting to €3,145,000, on the grounds of non-compliance of the formal obligation of reporting a significant cyberincident to the ECB within a period of two hours of becoming aware of it, as established in the cyberincident reporting framework which entered into force in 2017. - The confirmation of the finality of the sanction imposed on ABANCA Financial Services in 2021 under file 41-000101-20-P, initiated by the Andalusia Autonomous Community Government, in view of the dismissal of the appeal filed.		Yes, page 311	8	16
	2-28	Membership associations	22-26		Yes, page 311		
	STAKEHOLDER ENGAGEMENT						
	2-29	Approach to stakeholder engagement	27-33		Yes, page 311		
	2-30	Collective bargaining agreements	268 That 99.6 % of the employees of ABANCA and investees, which make up its financial perimeter, are covered by a Collective Bargaining Agreement based on the sector of activity to which they belong. There is a collective bargaining agreement in all the countries where ABANCA has significant presence (Spain, Portugal, Switzerland, United States, France and Brazil), there being no evidence of the application of a collective bargaining agreement but rather state laws (similar to the Workers' Statute in Spain) in countries such as Panama, United Kingdom, Germany, Mexico and Venezuela.		Yes, page 311	3	8
MATERIAL TOPICS							
GRI 3: Material topics 2021	3-1	Process to determine material topics	29-35		Yes, page 311		
	3-2	List of material topics	31-35		Yes, page 311		
Profitability and solvency							
GRI 3: Material topics 2021	3-3	Management of material topics	29-35, 222, 239-242		Yes, page 311	7	8, 9, 13
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	241-242		Yes, page 311		8, 9
	201-2	Financial implications and other risks and opportunities due to climate change	22-26, 126-128		Yes, page 311	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 current commitments for a defined benefit or defined benefit commitments are liabilities or early retired employees before 1 January 2020, who have chosen to receive their contributions as annuity income, which is fully insured (policy) and funded, there thus being no contributions accrued as of 31 December 2022 pending funding in Spain. Regarding Portugal's defined benefit scheme for senior staff, the commitment accrued at 31 December 2022 is fully funded (Pension Plan and Internal Fund). 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. In relation to the different early retirement or 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 (in those cases where 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, including those arising from the aforementioned agreements entered into in December 2021. The collective bargaining agreements of Bankoia and Novo Banco were incorporated in ABANCA's supplementary employee welfare system (ABANCA EMPLOYEE PENSION PLAN, defined contribution employment plan) on 1 January 2022. PENSION PLAN, defined contribution employment plan) as of 31 December 2021.		Yes, page 311		
	201-4	Financial assistance received from government	In 2022 the ABANCA Group allocated €267,917.49 of our investment to training through FUNDAE.		Yes, page 311		
Good governance							
GRI 201: Material topics 2021	3-3	Management of material topics	10-12, 29-35, 180-182		Yes, page 311	10	16
GRI 415: Public Policy 2016	415-1	Political contributions	According to the Code of Ethics and Conduct, ABANCA will guide its activity with public representatives following the principle of political neutrality, and will avoid being used as an asset or liability to violate current law or to achieve illegitimate or inappropriate ends.		Yes, page 311	10	16
Ethics and Integrity							
GRI 3: Material topics 2021	3-3	Management of material topics	29-35, 181-182,		Yes, page 311	10	16
	205-1	Operations assessed for risks related to corruption	181-182, 228-236		Yes, page 311	10	16

GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	108-109, 181, 194-195, 266		Yes, page 311	10	16
	205-3	Confirmed incidents of corruption and actions taken	In relation to those cases where the Bank's employees, during the provision of services, have engaged in conduct that can be considered fraud/corruption and that can be considered to have committed a very serious fault in accordance with the collective bargaining agreement, it is certified that in 2022 two cases were detected in ABANCA Corporación Bancaria (Bank - Spain) of fraud/corruption (misappropriation), concluding with the imposition of the sanction of disciplinary dismissal and the filing of a criminal complaint/lawsuit. Also, one case was detected in ABANCA Portugal, currently under judicial investigation (corruption in business - money laundering), which concluded with the dismissal of the employee.		Yes, page 311		
GRI 206: Anti-competitive behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Through the channels available for such purpose, ABANCA has no record of having been charged in regard to legal proceedings for causes related to monopolistic practices and against free competition. Furthermore, having searched the Bank's electronic files, none of the legal proceedings filed against ABANCA have this procedural object.		Yes, page 311		16
Risk management and regulatory compliance							
GRI 3: Material topics 2021	3-3	Management of material topics	29-35, 243-244		Yes, page 311	8	16
GRI 207: Tax 2019	207-1	Approach to tax	243		Yes, page 311		
	207-2	Tax governance, control, and risk management	216-225, 243		Yes, page 311		
	207-3	Stakeholder engagement and management of concerns related to tax	216-223, 243		Yes, page 311		
	207-4	Report by country	244		Yes, page 311		
Responsible banking							
GRI 3: Material topics 2021	3-3	Management of material topics	10-12, 29-35		Yes, page 311	1-10	1, 8, 13, 16, 17
Responsible purchasing							
GRI 3: Material topics 2021	3-3	Management of material topics	29-35, 193-197		Yes, page 311		5, 8, 12, 16
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	194-195		Yes, page 311		

GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	196		Yes, page 311		8
	308-2	Negative environmental impacts in the supply chain and actions taken	196-197		Yes, page 311		
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	196				5, 8, 16
	414-2	Negative social impacts in the supply chain and actions taken	196-197		Yes, page 311		5, 8, 16
Digital Banking and Omnichannel Retailing							
GRI 3: Material topics 2021	3-3	Management of material topics	29-35, 63-64, 204-208		Yes, page 311		9
Sustainable finances							
GRI 3: Material topics 2021	3-3	Management of material topics	29-35, 76-87		Yes, page 311		1, 8, 9, 10, 12, 16
OTHER INDICATORS: Product portfolio	FS7	Monetary value of products and services designed to deliver a specific social benefit for each line of business broken down by purpose.	13-16, 70-76, 81-83		Yes, page 311		1, 8, 9, 10
	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each line of business broken down by purpose	13-16, 70-81		Yes, page 311		
OTHER INDICATORS: Asset ownership	FS10	Percentage and number of companies held in the portfolio with which the reporting organization has interacted on environmental or social issues.	84-94		Yes, page 311		10
	FS11	Percentage of assets subject to positive and negative environmental or social screening.	84-94		Yes, page 311		10
Energy efficiency and Carbon footprint							
GRI 3: Material topics 2021	3-3	Management of material topics	29-35, 126-130, 136-142		Yes, page 311	7, 8, 9	3, 7, 8, 12, 13,

						14, 15	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	129-130		Yes, page 311	7, 8	7, 8, 12, 13
	302-2	Energy consumption outside of the organization	One of the most relevant energy consumptions outside of the organisation is consumption associated with employee travels The data relative to the CO2 emissions caused by these activities are reflected in the content.		Yes, page 311	8	7, 8, 12, 13
	302-3	Energy intensity	129-130			8	7, 8, 12, 13
	302-4	Reduction of energy consumption	129-130, 136-142		Yes, page 311	8, 9	7, 8, 12, 13
	302-5	Reductions in energy requirements of products and services		Not applicable. Due to the characteristics of ABANCA's activity sector, there are no energy requirements associated with the financial products and services offered. Associated with their production.	Yes, page 311	8, 9	7, 8, 12, 13
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	136-142		Yes, page 311	7, 8	3, 12, 13, 14, 15
	305-2	Energy indirect (Scope 2) GHG emissions	136-142		Yes, page 311	7, 8	3, 12, 13, 14, 15
	305-3	Other indirect (Scope 3) GHG emissions	136-142		Yes, page 311	7, 8	3, 12, 13, 14, 15
	305-4	GHG emissions intensity	136-142		Yes, page 311	8	13, 14, 15

	305-5	Reduction of GHG emissions	129-130, 140-142		Yes, page 311	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, there is no associated use or production of ozone-depleting substances.	Yes, page 311	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, there are no significant atmospheric emissions associated with their production.	Yes, page 311	7, 8	3, 12, 14, 15
Climate risk management							
GRI 3: Material topics 2021	3-3	Management of material topics	29-35, 142-144, 222-223, 228-234		Yes, page 311	7, 8, 9	13, 14, 15
Quality and customer experience							
GRI 3: Material topics 2021	3-3	Management of material topics	29-35, 181-182, 188-193, 198-203		Yes, page 311		1, 8, 9, 10, 12, 16
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	188-193, 200-203		Yes, page 311		
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	ABANCA has no knowledge of having incurred any non-compliance with regulations or voluntary codes related to impacts of products and services on health and safety during their life cycle.		Yes, page 311		16
GRI 417: Marketing and labelling 2016	417-1	Requirements for product and service and labelling	188-190		Yes, page 311		12
	417-2	Incidents of non-compliance concerning product and service information and labelling	No sanctions have been received in 2022 regarding standards or transparency with consumers.		Yes, page 311		16

	417-3	Incident of non-compliance concerning marketing communications	No non-compliance in 2022 has caused any significant sanction for this reason.		Yes, page 311		16
OTHER INDICATORS: Product portfolio	FS6	Breakdown of the portfolio by line of business, by specific region, size (e.g. micro-enterprise/SME/large enterprise) and sector	65-76		Yes, page 311		1, 8, 9
OTHER INDICATORS: Local communities	FS13	Access points in low-populated or economically disadvantaged areas by type	63-75		Yes, page 311		1, 8, 10
	FS14	Initiatives to improve access to financial services for disadvantaged people	63-64, 94		Yes, page 311		1, 8, 10
IT security and data protection							
GRI 3: Material topics 2021	3-3	Management of material topics	29-35, 108-110, 204-208 ABANCA is obliged to provide maximum protection to the personal and private information of its customers and employees, as established 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 employees. Likewise, ABANCA registers in the General Data Protection Registry all files under its responsibility containing personal data, and all employees have access to a security document that establishes the necessary measures to guarantee the security of the files containing personal data and processing centres data, etc. Furthermore, no access is allowed to consult customer data that is not strictly necessary for work purposes. If this were possible and carried out, it would be subject to sanction, even if it is not externally relevant.		Yes, page 311		16
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, page 311		16
Human rights							
GRI 3: Material topics 2021	3-3	Management of material topics	29-35, 102-104, 181-182		Yes, page 311	1, 2	1-17

GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	In 2022 no complaints were received through the available channels in relation to human rights violations related to the respect for freedom of association and the right to collective bargaining, the elimination of discrimination in employment and the workplace, the elimination of forced or obligatory labour, or the effective abolition of child labour.		Yes, page 311		5, 8
Talent management							
GRI 3: Material topics 2021	3-3	Management of material topics	29-35, 98-101, 105-111		Yes, page 311	6	1, 4, 5, 8, 10
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	260 The starting base salary for any employee on payroll, regardless of their gender, is: 1.1 times in Spain and 1.2 in Portugal the local minimum wage.		Yes, page 311	6	1, 5, 8
	202-2	Proportion of senior management hired from the local community	48-49, 250		Yes, page 311	6	8
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	251-252			6	5, 8, 10
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	116-117 All ABANCA employees have the same benefits.		Yes, page 311		5, 8
	401-3	Parental leave	262		Yes, page 311	6	5, 8
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	265		Yes, page 311	6	4, 5, 8, 10
	404-2	Programs for upgrading employee skills and transition assistance programs	98-101, 107-111		Yes, page 311		8
	404-3	Percentage of employees receiving regular performance and career development reviews	267		Yes, page 311	6	5, 8, 10
Diversity, equality and inclusion							
GRI 3: Material topics 2021	3-3	Management of material topics	29-35, 102-104		Yes, page 311		5, 8, 10
GRI 405: Diversity and	405-1	Diversity of governance bodies and employees	38-42, 246-249, 257		Yes, page 311		5, 8

Equal Opportunity 2016	405-2	Ratio of basic salary and remuneration of women to men	103, 261		Yes, page 311		5, 8, 10
Individual well-being							
GRI 3: Material topics 2021	3-3	Management of material topics	29-35, 112-117		Yes, page 311	3	3, 8
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, page 311	3	8
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	92.17 % of the employees within the scope of application have legal workers' representatives competent in health and safety issues.		Yes, page 311		8
	403-2	Hazard identification, risk assessment, and incident investigation	112-117, 270		Yes, page 311		3, 8
	403-3	Occupational health services	112-117		Yes, page 311		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, working groups can be established to discuss more specific matters or projects such as that currently open to work on the redesign of medical examinations, take measurements of radon gas in certain geographic areas, psychosocial risks, "ACTIVATE" platform contents, etc. In 2022 (mainly in the first six months) and 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 and the employees' legal representatives were kept permanently informed of the evolution of the pandemic. Also, extraordinary meetings of the Security and Health Committee are held when needed or at the request of the workers' representatives in the appropriate regulatory cases.		Yes, page 311		3, 8
	403-5	Worker training on occupational health and safety	112-117		Yes, page 311		3, 8
	403-6	Promotion of worker health	112-117		Yes, page 311		3, 8

	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	112-117		Yes, page 311		3, 8
	403-8	Workers covered by an occupational health and safety management system	112-114 99 % of the employees within the scope of application have legal workers' representatives competent in health and safety issues.		Yes, page 311		3, 8
	403-9	Work-related injuries	269-270		Yes, page 311		3, 8
	403-10	Work-related ill health	269 No cases or deaths occurred that were related to occupational diseases or similar.		Yes, page 311		3, 8
Generation of wealth and boost of entrepreneurial activity							
GRI 3: Material topics 2021	3-3	Management of material topics	29-35, 65-75		Yes, page 311		1, 3, 5, 8, 9, 11
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	9, 151-178, 212-214		Yes, page 311		5, 9, 11
	203-2	Significant indirect economic impacts	9, 15-22, 51-57, 60-74, 159		Yes, page 311		1, 3, 8
Social action and volunteer work							
GRI 3: Material topics 2021	3-3	Management of material topics	29-35, 151-178		Yes, page 311	1	1, 2, 3, 8, 10, 17
GRI 413: Local communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	94, 144-149, 151-163		Yes, page 311	1	
	413-2	Operations with significant actual and potential negative impacts on local communities	142-143, 212-214		Yes, page 311		2
Financial inclusion							
GRI 3: Material topics 2021	3-3	Management of material topics	9, 15-17, 29-35, 94-95, 151-155		Yes, page 311		1, 5, 8, 10

Index of contents required by Law 11/2018

Information 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, 60-61, 65, 240-242, 271	GRI 2-6 (2021)
Markets in which it operates	Material	60-62, 65-75, 271	GRI 2-1 (2021) GRI 2-6 (2021)
Objectives and strategies of the organisation	Material	6-7	GRI 2-1 (2021) GRI 2-22 (2021)
Main factors and trends that can affect its future evolution	Material	6-7, 51- 52, 224-236	GRI 3-3 (2021) GRI 2-22 (2021)
Reporting framework used	Material	3	GRI 1 (2021)
Principle of materiality	Material	29-35	GRI 3-1 (2021) GRI 3-2 (2021)
ENVIRONMENTAL ISSUES			
Management approach: description and results of policies related to these issues, as well as the main risks linked to those issues related to the group's activities	Material	51, 126-130, 136-141, 228-236	GRI 3-3 (2021)
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	51, 125, 228-236	GRI 3-3 (2021)
Environmental assessment or certification procedures	Material	126-127, 129, 132, 134, 141	GRI 3-3 (2021)
Resources dedicated to the prevention of environmental risks	Material	43-45, 87, 144-149	GRI 3-3 (2021)
Application of the principle of precaution	Material	125-130	GRI 2-23 (2021)
Quantity of provisions and guarantees for environmental risks	Material	See note 1.6 of the financial statements	GRI 3-3 (2021)
Contamination	Not material		N/A
Circular economy and waste prevention and management	Not material		N/A
Sustainable use of resources			
Water consumption and supply according to local limitations	Not material	N.A	N/A
Consumption of raw materials and measures adopted to improve their efficient use	Not material	N.A	N/A
Direct and indirect energy consumption	Material	130	GRI 302-1 GRI 302-3
Measures taken to improve energy efficiency	Material	126-130, 140-142	GRI 3-3 (2021) GRI 201-2
Use of renewable energy	Material	130	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	137-140	GRI 305-1 GRI 305-2

			GRI 305-3 GRI 305-4
Measures adopted to adapt to the consequences of climate change	Material	22-26, 128-130, 142-144	GRI 3-3 (2021) GRI 201-2
Voluntary medium and long-term reduction goals to reduce greenhouse gas emissions and the means implemented for such purpose	Material	136-144	GRI 3-3 (2021) GRI 305-5
Protection of biodiversity	Not 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 the group's activities	Material	107, 224-236	GRI 3-3 (2021)
Employment			
Total number and distribution of employees by country, gender, age, and professional classification	Material	246-248	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	253-255	GRI 2-7 (2021)
Number of dismissals by gender, age, and professional category	Material	256	GRI 3-3 (2021) GRI 401-1
Average remunerations and their evolution disaggregated by gender, age, and professional category or equal value	Material	257-258	GRI 3-3 (2021) GRI 405-2
Wage gap, the remuneration for equal positions or average for the company	Material	103, 261	GRI 3-3 (2021) 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	261	GRI 3-3 (2021) GRI 405-2
Implementation of policies on the right to disconnect from work	Material	117	GRI 3-3 (2021)
Number of employees with disability	Material	257	GRI 3-3 (2021) GRI 405-1
Work organisation			
Working time organisation	Material	117	GRI 3-3 (2021)
Number of hours of absenteeism	Material	269	GRI 3-3 (2021) GRI 403-9
Measures aimed at facilitating work-life balance and encouraging its co-responsible exercise by both parents	Material	117, 262	GRI 3-3 (2021) GRI 401-3
Health and Safety			
Occupational health and safety conditions	Material	112-117	GRI 3-3 (2021) GRI 403-1 to 403-8
Occupational accidents, specifically their frequency and severity, as well as occupational diseases; disaggregated by sex	Material	269-270	GRI 403-9 GRI 403-10
Social relations			
Organisation of social dialogue, including procedures for informing and consulting personnel and negotiating with them	Material	27-28, 29-33	GRI 3-3 (2021)
Corporate mechanisms and procedures for promoting the involvement of employees in the Company's management in terms of information, consultation and participation.	Material	27-28, 29-33	GRI 3-3 (2021)
Percentage of employees covered by collective agreement by country	Material	268	GRI 2-30 (2021)
Balance of collective agreements, particularly in the field of occupational health and safety	Material	268, 282	GRI 3-3 (2021) GRI 403-4

Training			
Policies implemented in the field of training	Material	107-110	GRI 404-2
Total quantity of training hours by professional category	Material	265	GRI 3-3 (2021) GRI 404-1
Universal accessibility			
Universal accessibility for disabled people	Material	63-64	GRI 3-3 (2021)
Equality			
Measures adopted to promote equal treatment and opportunities for women and men	Material	102-103, 181-182	GRI 3-3 (2021)
Equality plans, measures adopted to promote employment, protocols against sexual harassment, and gender discrimination	Material	102-103, 181-182	GRI 3-3 (2021)
Policy against discrimination and, if applicable, diversity management	Material	181-182	GRI 3-3 (2021)
RESPECT FOR HUMAN RIGHTS			
Management approach: description and results of policies related to these issues, as well as the main risks linked to those issues related to the group's activities	Material	10-12, 51, 181-182, 224-227, 228-236	GRI 3-3 (2021)
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	102-103, 181-182, 193-199, 224-236, 273	GRI 2-23 (2021) GRI 2-26 (2021)
Complaints for cases of human rights violations	Material	In 2022 no complaints were received through the available channels in relation to human rights violations related to the respect for freedom of association and the right to collective bargaining, the elimination of discrimination in employment and the workplace, the elimination of forced or obligatory labour, or the effective abolition of child labour.	GRI 3-3 (2021) GRI 406-1
Measures implemented to promote and comply with provisions in the fundamental ILO conventions on the matter, 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	181-182	GRI 3-3 (2021)
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 the group's activities	Material	51, 52, 181-182, 266	GRI 3-3 (2021)
Measures adopted to prevent corruption and bribery	Material	181-182, 224-227, 228-236, 276	GRI 3-3 (2021) GRI 2-23 (2021) GRI 2-26 (2021) GRI 205-1 to 205-3
Measures to fight against money laundering	Material	181-182, 224-236, 266, 276	GRI 3-3 (2021) GRI 2-23 (2021) GRI 2-26 (2021) GRI 205-1 to 205-3
Contributions to non-profit foundations and entities	Material	26, 241-242	GRI 2-28 (2021) 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 the group's activities	Material	10, 51, 151-178, 228-236	GRI 3-3 (2021)

Company commitments to sustainable development			
The impact of the company's activity on employment and local development	Material	69-74, 94-95, 151-178, 193-197	GRI 3-2 (2021) GRI 203-2 GRI 204-1
The impact of the company's activity on local populations and in the territory	Material	144-149, 151-178	GRI 3-3 (2021) GRI 413-1 GRI 413-2
The relationships maintained with actors from local communities and the modalities for dialogue with these	Material	29-33, 191-193	GRI 2-29 (2021) GRI 413-1
Actions of association or sponsorship	Material	26, 241-242	GRI 3-3 (2021) GRI 201-1
Sub-contracting and suppliers			
Inclusion of social matters, gender equality and environmental issues in purchasing policy	Material	193-197	GRI 3-3 (2021)
Consideration in relationships with suppliers and sub-contractors under its social and environmental responsibility	Material	193-197	GRI 2-6 (2021) GRI 308-1 GRI 414-1
Supervision and audit systems and their results	Material	193-197	GRI 2-6 (2021) GRI 308-2 GRI 414-2
Consumers			
Measures for consumer' health and safety	Material	181-182, 198-203	GRI 3-3 (2021) GRI 416-1
Complaint system, complaints received and their resolution	Material	198-203, 280 Complaints at first instance (25,296 in Spain and 229 in Portugal), of which 22,976 were admitted for processing in Spain and 229 in Portugal. No significant sanctions relating to breaches of customer privacy and loss of customer data were received through the channels available for such purpose.	GRI 3-3 (2021) GRI 418-1
Fiscal Information			
Profit obtained by country	Material	243-244	GRI 3-3 (2021) GRI 207-4
Profit taxes paid	Material	243-244	GRI 3-3 (2021) GRI 201-1 GRI 207-4
Public subsidies received	Material	275	GRI 201-4
EU REGULATION (2020-852) - TAXONOMY			
Regulatory Requirements	Material	88-94	ABANCA proprietary methodology prepared on the basis of Article 8 of the European Taxonomy

UNEP FI, UN PRINCIPLES FOR REPSONSIBLE BANKING OF THE UNITED NATIONS

ABANCA became one the banks in the world to adhere to the Responsible Banking Principles in 2019, developed by the Financial Initiative of the United Nations Programme for the Environment (UNEP FI). This initiative is aimed at aligning the banks' actions to achieve the Sustainable Development Goals of the United Nations and the Paris Climate Agreement.

The progress in the implementation of the 6 principles in the Entity in gathered below.



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.

Business model
 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 across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank’s portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

Our business purpose is to carry on and maintain a range of general banking activities, transactions and services, both direct and indirect, permitted by applicable law, including the provision of investment services, whether direct, complementary or ancillary, the provision of insurance intermediation activities, and the acquisition, holding, management, maintenance and sale of all types of marketable assets.

In order to retain the maximum added value generated by the bank and ensure the best level of customer experience, ABANCA controls the value chain by retaining ownership of most of the financial services businesses it uses to develop its business model (insurance, credit cards, fund management, means of payment, real estate services, etc.).

ABANCA has focused its customer relationship model on the omnichannel approach, in which customers decide when and how to carry out their financial transactions, while maintaining the traditional bank branch as the reference channel and the core of a tailored individual service that uses the growing support of alternative channels (mobile banking, payment methods, ATMs, POS, etc.) as a complement.

ABANCA’s main geographical market is Spain. At 2022 year-end, it had a network of 677 branch offices, of which 623 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 (on-line and mobile banking...) 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 the optimisation of its network, adjusting it according to the demographics and economic activity of the area. Additionally, ABANCA has leveraged the opportunities that have arisen in the sector to acquire businesses and entities, which has allowed it to improve its positioning as an Iberian operator, such DB PCB in Portugal and Banco Caixa Geral, Bankoa and Novobanco in Spain.

ABANCA defines three priority lines of business in accordance with the Group’s organisational structure, dividing the structure of the business into the following areas: retail, who lesale and non-financial subsidiaries.

Regarding the segment, individuals represent ABANCA’s main client base, accounting for 85 % of its 2.1 million customers in Spain and the 39 % of the balance of financing granted to customers. In this segment, a segmented and differentiated commercial management of its individual customers in accordance with their financial capacity is carried out: mass management, value customers, personal banking and private banking:

Corporate service is also a priority in ABANCA’s activity, particularly that oriented towards SMEs and self-employed professionals. ABANCA has more than 307,000 customers in Spain that are companies and self-employed professionals (14.5 % of the total), assisted by 250 specialist managers.

Business model ABANCA
 responsible



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.

Business model

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 across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

Strategy alignment

Does your corporate strategy identify and reflect sustainability as a strategic priority(ies) for your bank?

☒ Yes.

☐ No.

Describe how your bank has aligned and/or plans to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement and relevant national and regional frameworks.

Does your bank also refer to any of the following sustainability regulatory reporting frameworks or requirements in its strategic priorities or policies to implement them?

☒ UN Guiding Principles on Business and Human Rights.

☒ Fundamental Conventions of the International Labour Organisation.

☒ United Nations Global Compact.

☐ United Nations Declaration on the Rights of Indigenous Peoples.

☒ Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk; specify which ones:

☐ Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery; specify which ones: -----

☐ None of the above

ABANCA has a corporate framework based on mandatory policies, rules and procedures that ensure the development of responsible and sustainable behaviour in all our areas of activity: sustainability policy, code of ethics and conduct, anti-corruption policy, commitment to human rights, energy and environmental policy, and the rest of the policies included in the Good Governance chapter (Sustainable awareness), which aims to take a step forward in the commitments acquired in recent years and align the bank's strategy with the Development Goals.

Policies are approved and monitored by the Board of Directors.

ABANCA has designed a new global strategic plan 2021-2024 based on five strategic lines: increasing the generation of recurring revenues, cost efficiency, management of risks associated with the environment, acquisitions and exponential transformation of the bank, with special emphasis on the transition to a business focused on sustainability.

In recent years ABANCA has defined a model of action that places sustainability at the centre of its decision-making. It thus moves forward with the commitment to economic and social progress and people's well-being that it has maintained since its origins, although reformulated to adapt it to the current context.

To work towards this vision, a Sustainable and Responsible Banking Action Plan was presented in May 2021. The plan includes the roadmap for the coming years 2021-2024, with three general objectives coinciding with the Entity's global strategic plan.

- Work to mitigate the effects of climate change and promote sustainability within the environment in which we operate.
- Promote sustainable economic activity, incorporating ESG aspects in the management business and risk model.
- Support our customers' transition to sustainability.

Apart from the corporate framework, 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 for sustainable development and contribute to progress.

ABANCA is committed to ensuring that its activity serves as a driving force for social improvement and sustainable growth, and is committed to doing so in a transparent manner and in line with the ten principles of the Global Compact. In this way, the bank is working to align its global strategy with the SDGs and the Paris Climate Agreement and best practices, thus ensuring its contribution as a financial service provider and part of the community.

An initial prioritisation of direct action objectives has been carried out, a total of 4+4 objectives, due to their high impact, repercussion and level of influence on which the lines of action in the economic, social and environmental fields will have an impact. They are:

- Contribution as a financial agent: SDG 8, 9, 14 and 15
- Contribution as a social agent: ODS 4, 10, 12 and 13

ABANCA is a member of the Global Compact Network, a signatory to UNEP FI's Collective Undertaking on Climate Action, the Net Zero Banking Alliance and the Spanish Banking Sector Climate Accord, as well as UNEP FI's Principles for Responsible Investment and the Global Compact's Principles for a Sustainable Ocean, among other alliances and commitments.

ABANCA responsible.

Business model

Sustainable awareness



Principle 2: Impact and target setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact analysis (key step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly¹ and fulfil the following requirements/elements (a-d)²:

a) Scope: What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

ABANCA performs an annual materiality analysis (the scope of the information can be found at the beginning of the document, which is included in this case) that allows it to identify the relevant sustainability issues of the entity. The main objective of this analysis is to be able to inform on these issues and defined strategies and initiatives that meet its stakeholders' needs and expectations.

This year the methodological approach to perform the materiality analysis has changed with respect to previous years, in accordance with the new methodology defined by the GRI 3 standard: GRI Material Topics in 2021, which focuses on the identification and assessment of the impacts that organisations have on their environment.

Also, once ABANCA's material issues have been identified in accordance with impact materiality, the financial impact thereof in the company will also be taken into account to have a double materiality approach, as established in the ESRS (EU Sustainability Reporting Standards) developed by the EFRAG.

The new GRI 3 describes a new materiality analysis methodology that focuses on the impacts generated by organisations on the environment and, based on their analysis, the material aspects are determined. This methodology consists of phases 1 and 2 described in the chapter ABANCA responsible.

Phase 3 is carried out to take the financial perspective into account, i.e. the impact on the Company's environment. The aim is to identify the sustainability issues that are material to the creation of value in the Company, from the perspective of their financial impact in the short, medium and long term.

A total of 47 impacts were identified that were grouped into 19 material topics. Impact materiality (in-out perspective) has changed with regard to previous reporting periods and the most relevant topics include the generation of wealth and promotion of the business activity, diversity, equality and inclusion and financial inclusion, all under the social dimension.

It should also be noted that this year, topics related to the environment have greater importance: energy efficiency, carbon footprint and climate risk management.

In relation to financial materiality (in-out perspective), the most relevant topics are as follows: Profitability and solvency, Ethics and integrity, Risk management and regulatory compliance, led by the IT security and data protection topic. These positions in the matrix are due to the high valuation by the Bank's senior management of the aspects related to stability, good governance and security that ABANCA provides to its customers in terms of personal data.

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). They are taken into account in the actions to be implemented within the lines of the Responsible and Sustainable Banking Plan.

Prior to the launch of the Responsible and Sustainable Banking Plan 2021-2024, the entity carried out a sustainability maturity diagnosis (or compliance with ESG criteria), with the major blocks of work identified (framework: governance, positioning, disclosure, training and taxonomy), risks (policies, management, scenarios, metrics) and business (segments, opportunities, brand, management mechanisms), both to comply with expected regulation and to manage its risks and identify business opportunities. For this reason, a roadmap has been defined that serves to meet stakeholder expectations. This project has been carried out with the global involvement of the entity.

In the environmental area of the loan portfolio, ABANCA participated in a sectoral project, coordinated by AEB, CECA and UNACC, in which other Spanish banks participated with the objective of establishing a common methodology and tool for calculating CO2 emissions (including emissions financed for the loan portfolio) and reduction targets. The 1.5°C scenarios, specifically the net-zero emissions scenario of the International Energy Agency and the calculation methodology developed by the Partnership for Carbon Accounting Financials (PCAF), were taken into account. This initiative is aimed at establishing an international methodology for measuring and disclosing the greenhouse gas emissions financed by banks and investors.

With the methodology, it has defined a first decarbonisation pathway (alignment targets for other greenhouse gas-intensive sectors, both in its credit financing portfolio) approved by the entity's highest governing body, the Board of Directors, which will monitor progress.

ABANCA responsible.

Business model

Sustainable awareness



Principle 2: Impact and target setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

In the investment area, ABANCA has a policy and declares the main adverse sustainability events (PIAS, in Spanish), which are taken into account at entity level and, therefore, on an aggregate basis for all the portfolios managed by ABANCA. PIAS are understood as those material or potentially material adverse effects on sustainability factors caused by investment decisions or advice, i.e. caused by investing in or recommending certain assets.

ABANCA's due diligence process in relation to PIAS is, together with the integration of ESG risks, part of ABANCA's management process. The aim is to improve the sustainability profile of the portfolios and to avoid or reduce, as far as possible, potential sustainability disputes over time.

b) Portfolio composition Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical reach

i) by sectors & industries³ for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or

ii) by products & services and by types of costumers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

Within this multi-channel distribution model, ABANCA positions itself in the market in a differentiated manner by **geographic area**:

Spain: In the autonomous regions of Galicia, Asturias, Extremadura and León, ABANCA has a proximity network with strong capillarity focused on families and SMEs through a specialist service with personal banking customer managers, micro-SMEs 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, it has a much more selective physical network, oriented towards corporate or high net worth customers and heavily reliant on remote customer services (mobile banking, ATMs, POS). The incorporation of Bankoa has reinforced the presence of ABANCA in the Basque Country, especially in the corporate and private banking segments. At 2022 year-end, ABANCA initiated the process of the potential acquisition of Targobank, which, if materialised, would reinforce ABANCA's presence in the Mediterranean and in Madrid.

Portugal: 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 is focused on private banking, SMEs, insurance, consumer finance and digital solutions. At the close of 2022, ABANCA has 44 operational branch offices in Portugal, supported by digital solutions (mobile banking), which, together with 28 representatives, totals 72 points of sale in the country.

International presence: ABANCA's presence abroad is supplemented with 2 branch offices operating in Switzerland (Geneva) and the United States (Miami) and 8 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 defines three priority lines of business in accordance with the Group's organisational structure, dividing the structure of the business into the following areas:

- **Retail banking:** ABANCA's main line of activity, carried on and oriented to the different types of retail customers (citizens, businesses and public administrations), offering a range of financial and para-financial products both through its branch office network and its alternative distribution channels (mobile banking, Internet, ATMs, POS terminals...). In 2022, 76 % of gross margin and 80 % of the Bank's PBT, accounting for 58 % of assets and 62 % of liabilities.
- **Wholesale banking:** it basically includes trading in financial markets (cash, issues, fixed-income portfolio, derivatives, etc.), in addition to the management of the equities portfolio, in which ABANCA holds non-material ownership interests. It also hosts the mergers and acquisitions advisory activity. In 2022, 15 % of gross margin and of 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 2022, 8 % of gross margin and 5 % of the Bank's PBT, accounting for 3 % of assets and 62 % of liabilities.

There is specialisation according to the legal nature of the business model: individuals, companies and public administration. Particulars are the main customer segment of ABANCA.

And a **segmentation of the business by specialised areas** for: primary sector, insurance, consumer, institutional, international, recoveries and real estate assets.

Strategic plan Business
model



Principle 2: Impact and target setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or its clients operate? Please, describe how these have been considered, including the stakeholders you have engaged to help inform this element of the impact analysis.

This step aims to put the impacts of your bank's portfolio in the context of society's needs.

General priority

The entity's efforts are primarily aimed at being a local driving force for sustainability in the area, both through our financial activity and through Afundación. In both cases we have used the concept of supporting the transition to an economy following ESG criteria (environmental, social and governance), from a progressive and incremental approach, highlighting the first green issue, financing operations for renewable energy projects, self-consumption, sustainable mobility, and the launch of new investment options with a sustainable bias. All this effort is being developed, 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 criteria established, in particular, by the EU Taxonomy.

Contribution to 2030 Agenda, to the Sustainable Development Goals

The bank strives to align its global strategy with the SDGs and with the best practice 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.

An initial prioritisation of direct action objectives has been made, a total of 4 + 4 objectives, due to their high impact, repercussion and level of influence on which the lines of action will have an impact in the economic, social and environmental fields. The following were taken into account in the analysis and identification:

- The size of the customer, business and organisation.
- The updated global strategy.
- The progress of the 2030 Agenda in Spain.
- The UN classification and recommendation by sector.

The ABANCA responsible chapter analyses the progress made by the entity in contributing to the SDGs identified as a priority.

Afundación. Obra Social ABANCA

ABANCA, as the sole patron of Afundación, Obra Social ABANCA, actively listens to the needs of its stakeholders, which allows it to be aware of the new situation with its own programmes aimed at the implementation of actions for social promotion, dissemination of knowledge and promotion of culture, with a special sensitivity and vocation for the reduction of inequality and financial inclusion, among others.

Observatories in the field of sustainability

Among other challenges and opportunities, the context in which the entity mainly operates is analysed and taken into account:

- ABANCA Observatory (created in 2020), with the aim of analysing the evolution of Galician society. This initiative, launched in collaboration with the UIE (Universidad Intercontinental de la Empresa), aims to provide Galician society, and especially its productive fabric (self-employed, professionals, shops, businesses, SMEs, companies, corporations), with data on the evolution of the region to support their decisions.
- Sustainable finance regulatory observatory of CECA (Spanish banking association that defends the interests of savings banks and the banks created by them), in which we have participated since 2020. The observatory (developed by an external consultant) is a radar, which aims to advise on the identification of the most relevant ESG regulations and standards for CECA's member institutions as a result of the continuous proliferation of new European and Spanish regulations and public initiatives, with an exhaustive assessment of new developments with a priority impact:
 - » Directive, Regulation, Law, Royal Decree, Order, Circular, Draft Circular, etc.
 - » Guides/guidelines, recommendations and reports from regulatory and supervisory bodies.
 - » Relevant regulations in the process of approval.
 - » Other supervisory reports and priorities (Mainly: EBA, ESMA, EIOPA, BIS, BdE, CNMV, CNMC, AEPD, DGSFP, IOSCO, FSB, etc.).

ABANCA responsible.

Sustainable awareness

⁴ Global priorities could alternatively be considered for banks with highly diversified and international portfolios.



Principle 2: Impact and target setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)? Please disclose⁵.

From the previous analysis, the following priority areas have been identified:

1. Mitigation of climate change:

At both bank and customer level, we aim to reduce GHG emissions. We recognise the importance of joining efforts and implementing climate change adaptation and mitigation measures, as well as promoting biodiversity protection and awareness initiatives.

The actions envisaged to drive an environmentally friendly economic and social model are structured around three main lines of action mentioned in the chapter ABANCA responsible. Our commitment to the environment leads us to identify, manage and implement measures to reduce our environmental footprint and promote sustainable consumption of resources.

The entity has the aim of accompanying our customers in the transition towards a new economic model based on sustainability, consistent with our business model focused on people and SMEs.

Additionally, ABANCA continues to adapt its product and service portfolio to offer a sustainable alternative to its catalogue. In this context, we consider it crucial to channel financing 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, 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.

Climate and environmental risk management is key in this area, as explained in the chapter on Risk Management.

2. Financial health and inclusion:

The social impulse is a transversal axis that drives all projects, the entity has its origins as a savings bank, and therefore in its DNA the development of initiatives that make visible the needs of vulnerable groups and people with different abilities, that enhance solidarity and raise awareness of the importance of sustainability to preserve the future of the planet.

ABANCA's business model is clearly focused on traditional prudent retail commercial banking and on customer service, specifically the provision of financial and credit services for individuals and companies (mainly, SMEs and self-employed professionals) with individual and specialised attention for the profiles requiring so. We offer a range of financial and para-financial products through both the branch network and alternative distribution channels (mobile banking, internet, ATMs, POS, etc.). Within this line, individuals, self-employed professionals and SMEs are considered strategic. Retail banking accounted for 76 % of gross margin and 80 % of the Bank's PBT, accounting for 58 % of assets and 62 % of liabilities.

In addition to this focus on the retail segment, since its inception, ABANCA has promoted social development and impact through its social responsibility and its social work, its executing arm, Afundación. Its support is materialised through the renewed financial contribution until 2027. With this measure, it secures the financing of its action plan for the next five years.

The decision reinforces ABANCA's social commitment in a context of economic uncertainty and goes beyond the commitment signed in 2014. This presents a framework of stability in an unfavourable scenario and will allow Afundación to strengthen the objectives and activity planned within its strategic plan.

During this period, Afundación will continue to promote the cross-cutting areas included in its 2022-2026 strategic plan: innovation and digital transformation, sustainability and social involvement, thus meeting current needs and demands. These three axes are present in all the projects developed by ABANCA's Welfare Projects in its four main areas of action: education, the elderly, culture and volunteering and social participation.

ABANCA responsible.

Business model

Sustainable awareness

Comprehensive risk
management



Principle 2: Impact and target setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

d) For these (min. two prioritised impact areas): **Performance measurement:** Has your bank identified which sectors & industries as well as types of costumers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services.

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and the provision of products and services, please describe this.

The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

1. In the priority area of climate change mitigation:

- ABANCA has defined its decarbonisation pathway (disclosed and communicated to UNEP FI by the end of 2022). The objectives for 2030 represent further progress in the Responsible and Sustainable Banking Action Plan 2021-2024 and in its commitment to continue supporting its customers in sustainable transition.

In doing so, it also responds to the Collective Commitment to Climate Action of the United Nations Environment Programme Finance Initiative (UNEP FI), as a founding member, and that of the Net-Zero Banking Alliance (NZBA), which aim to achieve the decarbonisation of credit and investment portfolios by 2050 to meet the objectives of the Paris Agreement.

ABANCA undertakes to stop financing carbon by 2030 and announces that it will reduce the intensity of carbon emissions from its credit portfolio by 37 % in aviation, 25 % in steel production and 20 % in cement production between 2021 and 2030. Further information is included in the chapter Sustainable awareness.

The decarbonisation pathway has been approved by the Bank's highest governing body, the Board of Directors, which will monitor the progress made.

The reduction objectives follow emission intensity metrics by production unit, with a starting point in 2021 and a target for 2030 for the four sectors (among the ten sectors identified by the NZBA as the most emission-intensive). These metrics follow the Sectoral Decarbonisation Approach, which takes certain elements of the PACTA (Paris Agreement Capital Transition Assessment) into account.

The 1.5°C scenarios, specifically the net-zero emissions scenario of the International Energy Agency and the calculation methodology developed by the Partnership for Carbon Accounting Financials (PCAF), were taken into account. This initiative is aimed at establishing an international methodology for measuring and disclosing the greenhouse gas emissions financed by banks and investors.

These decarbonisation pathways will be reviewed as more and more companies publish their carbon footprint data and the methodologies used as a reference are refined.

The first disclosure in 2022 does not include the fixed-income and equities portfolio. The Bank intends to establish new alignment objectives for other greenhouse gas emission-intensive sectors, both in their credit finance and investment portfolio.

- Additionally, ABANCA continues working on the transition to an economy with low greenhouse gas (GHG) emissions, channelling financing and investment in this area (with evolution metrics in € of new origination of sustainable business). To this end, we support the financing of projects that contribute to the use of more efficient energy transformation technologies and that enable the mitigation of and adaptation to climate change, particularly the financing of renewable energy projects.

ABANCA works to meet its customers' demand for sustainable products. To this end, the Bank markets several products aimed at both individual and self-employed professionals, SMEs, companies and homeowners' associations in: renewable energies (line aimed at financing self-consumption and renewable energy storage installations for families, the self-employed and homeowners' associations) and companies. Eligible installations are supported within the limits established by the Self-Consumption Plan, 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.

For instance, the financing 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.

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We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

With regard to the work carried out by the specialist business team (ABANCA Agro and ABANCA Mar), it focuses on supporting the primary sector in 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, and the advancement of grants and finance for reducing the environmental impact and investing in social welfare projects.

The bank's funding model is largely driven by its customer base, but it remains committed to wholesale funding through the capital markets: it has successfully placed its second Senior Preferred green bond issue for €500 million under ABANCA's Sustainable Development Goals Framework.

We have a set of impact assessment metrics with key indicators for the eligible portfolio, which are included in the Green Bond Report 2021.

2. Financial health and inclusion:

In the area of financial inclusion and financial health, indicators and progress for this block focus on the following.

- Driving recovery and transformation:

In 2022, 320 agreements were entered into with public and private bodies: municipal councils, provincial authorities, autonomous communities, professional associations, business areas, merchant associations and small entrepreneurs (the indicator in this case is the number of agreements adhered to).

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 (with an indicator in formalisation in volume €).

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.

It also fits within the origination of sustainable business, which is detailed in the Business Model chapter.

As for the rest of the indicators that reveal progress in the area of impact, in terms of education and inclusion, the areas of action contemplate different axes:

- Financial education for children and young people:

ABANCA and its Social Welfare Projects, Afundación, have had a financial education programme since 2015, which last year surpassed the record figure of 139,475 beneficiaries. During the last academic year, ABANCA and Afundación have had the collaboration of more than 200 volunteers who have been actively involved in improving the financial culture of the population.

The new edition of the 2022/2023 programme has four different proposals that reflect the inclusive and integrating spirit that has characterised the programme since its inception, recognised last year with the 'Finance for All' award for the "Segura-Mente ABANCA" project.

- Promote the financial inclusion of older people and offer them the necessary support to address the digitalisation process:

The proposals aimed at this group, which are developed mainly in the Espazos +60 of Afundación and in other spaces in collaboration with municipalities in rural areas of Galicia and León, focus on training these people in the use of mobile banking and self-service devices, so that they can gain security and autonomy to carry out the most common financial operations and improve control of their personal and family finances.

In 2022, ABANCA launched a plan, in collaboration with the Xunta de Galicia, to improve financial coverage in rural Galicia, which envisages the placement of 36 devices (installation of ATMs in rural areas) in total.

In 2022, then number of customers over 65 who participate in person in the financial, digital and fraud prevention education training programmes (mobile banking, electronic banking, ATMs) was 2,440. In terms of active ageing programmes, the number of participants in 2022 was 32,441.

- Social investment:

In addition to our patron contribution to Afundación, we continue to invest in the social area on an annual basis (the contribution in 2022 was €18.5 million). We also make housing available for social rental (a total of 397 in 2022).



Principle 2: Impact and target setting

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Self-assessment summary

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?⁶

Scope:	Portfolio composition	Context:	Performance measurement:
☒ Yes.	☐ Yes.	☒ Yes.	☒ Yes.
☐ in progress	☒ in Progress	☐ in progress	☐ in progress
☐ No.	☐ No.	☐ No.	☐ No.

What areas of most significant impact have you identified for your bank as a result of the impact analysis?

Climate change mitigation, climate change adaptation, resource efficiency & circular economy, biodiversity, financial health and inclusion, human rights, gender equality, decent employment, water, pollution, other: specify.

How recent are the data used and disclosed in the impact analysis?

- ☐ Up to 6 months prior to publication.
- ☒ Up to 12 months prior to publication.
- ☐ Up to 18 months prior to publication.
- ☐ Over 18 months prior to publication.

This field is left blank to describe possible challenges, aspects not covered by the above, etc: (optional)

2.2 Target setting (key step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets¹ have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a) Alignment: which international, regional or national policy frameworks to align your bank's portfolio with¹ have you identified as relevant? Show that the selected indicators and 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.

You can build upon the context items under 2.1.

1. Alignment with climate change mitigation:

ABANCA is a member of the Collective Commitment to Climate Action, the Net-Zero Banking Alliance of UNEP FI, the Sectoral Climate Agreement of the Spanish banking sector, Alianza Galega polo Clima, among other strategic sustainability alliances that can be consulted in the ABANCA responsible chapter. ABANCA is therefore committed to achieving zero emissions attributable to its lending and investment portfolio, in line with the objectives of the Paris Agreement.

To achieve this, the 2021-2024 Sustainability Plan and the 2022-2024 Strategic Plan for decarbonisation set out the roadmap and objectives set by the Bank for the coming years and aims to take a step forward in the commitments acquired and in contributing to the SDGs, including working to mitigate the effects of climate change and promoting sustainability in the bank's environment, promoting sustainable economic activity, integrating ESG aspects into the management, business and risk model and supporting the transition to sustainability of our customers. In terms of the objectives of the financing portfolio set for 2030, work has been carried out within the framework of the recommendations of the Zero Net Emissions Banking Alliance (NZBA) and the widely recognised scenario developed by the IEA (International Energy Agency) IEA Net Zero Scenario, which develops a global roadmap to achieve the decarbonisation of the economy by 2050, has been used.

ABANCA has analysed progress in contributing to the SDGs in the ABANCA responsible section.

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Principle 2: Impact and target setting

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In summary, the SDGs to which ABANCA contributes in this area as a service provider and member of the community:

- SDG 7 Affordable and clean energy: increasing the financing of renewable projects and maintaining 100 % renewable energy consumption.
 - SDG 9 Industry, innovation and infrastructure: increasing the financing of sustainable buildings and integrating sustainability criteria into the buildings themselves.
 - SDG 12 Responsible production and consumption: through more efficient use of resources in our business.
 - SDG 13 Climate action: reducing emissions, increasing the use of renewable energies, promoting awareness and training in biodiversity protection, among others.
 - SDG 14 Underwater life. Through collaboration agreements and financing of transformation projects with the fishing sector and environmental volunteering, among others.
 - SDG 15 Life on land. Through collaboration agreements and the financing of transformation projects with the forestry and agricultural sectors.
- In addition to promoting the reduction of consumption of our resources.

2. Alignment with financial health and inclusion:

ABANCA is a signatory to the Global Compact Principles, the Principles of Responsible Banking and the national protocol signed by CECA, AEB and UNACC to reinforce the social and sustainable commitment of the banking sector.

ABANCA has analysed progress in contributing to the SDGs in the ABANCA responsible section.

ABANCA also contributes to ensuring that part of its profits reach society, some of these actions are reflected in the following SDGs:

- SDG 4 Quality education: through ABANCA's investment in training, and support to Afundación for training programmes for society, in general.
- 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.
- SDG 9 Industry innovation and infrastructures: increasing user accessibility to mobile banking and promoting digital contracts.
- SDG 10 Reducing inequalities: through Afundación's various programmes and ABANCA's internal equality and diversity plan.

b) Baseline: Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the baseline year.

IMPACT AREA	INDICATOR CODE	RESPONSE
Climate change mitigation	A.1.1 Climate strategy: Does your bank have a climate strategy?	Yes.
	A.1.2 Paris alignment target: Has your bank set a long-term Paris alignment target for the entire portfolio? To become net zero by when?	Yes. Achieve carbon neutrality in 2050. Emissions baseline / baseline year: 2021. Climate scenario used: IEA Net-Zero 2050 has been used for the financing portfolio for the time being.
	A.1.3 Policy and process for customer relationships: Has your bank established rules and processes for customer relationships (both new and existing customers), to work together towards the goal of transitioning customers' activities and business model?	Ongoing. Awareness-raising actions have been initiated among customers for their transformation towards a sustainable model within the scope of Next Generation, sectoral banking or through the collaboration of Afundación's Plankton Programme.
	A.1.4 Portfolio analysis: Has your bank analysed (parts of) its loan and/or investment portfolio in terms of emissions financed (Scope 3, category 15); mix of carbon-intensive technologies or sectors in the portfolio?	Yes. GHG emissions from the financing portfolio have been estimated.
	A.1.5 Portfolio analysis: Business opportunities and financial products: Has your bank developed tailored financial products to support customers' and clients' GHG emission reductions (such as energy efficient mortgages, green loans, green bonds, green securitisations, etc.)?	Yes. Yes, two green bond issues have been made (500 million each). Yes, green consumer loans are made for energy efficiency, renewable energy and sustainable mobility. 830.9 million in renewable energy project finance has been financed following Taxonomy criteria.



Principle 2: Impact and target setting

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IMPACT AREA	INDICATOR CODE	RESPONSE
Climate change mitigation.	A.2.1 Customer commitment process: Is your bank in the process of engaging with customers regarding its strategy towards a low-carbon business model (for commercial customers) or towards low-carbon practices (for retail customers)?	Ongoing. In the corporate segment, sustainability is promoted through various awareness-raising initiatives (talks on Next Generation Funds, subsidy schemes such as PAC, among others). In addition, there is an initial questionnaire for certain CNAEs, which provides a rating to classify customers according to climate risks.
	A.2.3 Sector-specific emissions intensity (by physical customer results or by financial performance): What is the emission intensity within the relevant sector?	On the 4 objectives set, the Environment Chapter includes the detail of the metrics and intensity.
	A.3.1 Financial volume of green assets/low carbon technologies: How much does your bank lend or invest in green assets/loans and low carbon activities and technologies?	In June 2020, the Taxonomy Regulation was published, which establishes the formal framework for the classification of investments considered sustainable, and whose ultimate goal is to modify economic flows and direct them to purposes and activities with a positive impact on the climate and environmental magnitudes that the framework itself defines. Taking into account the provisional and temporary nature of the calculation of the eligibility ratio for 2021 and 2022, 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 result of the calculation methodology is that, at 2022 year-end, ABANCA had an eligibility ratio of 40%. 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 Entity information was used, the eligibility ratio would stand at 29%.
Financial health & inclusion.	B.1.2 / C.1.2. % of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health.	Percentage of employees with training in sustainable finance: 46.7%
	B.2.1 / C.2.1. Number of people supported with dedicated and effective financial and/or digital education initiatives.	Beneficiaries of the financial education programme: 139475. Number of customers over 65 who participate in person in the financial, digital and fraud prevention education training programmes (mobile banking, electronic banking, ATMs): 2440.
	B.2.2 / C.3.3. % of customers actively using the online/mobile banking platform/tools.	In 2022, 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 has more than 1.2 million users and is among the best valued of the Spanish financial system by the users.



Principle 2: Impact and target setting

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c) SMART targets: (Incl. key performance indicators (KPI)⁹):

Please disclose the target for your first and second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please, disclose.

The objectives and indicators have been mentioned throughout the previous sections. They are summarised again:

1. In the priority area of mitigation of climate change:

ABANCA, as a signatory to the Collective Commitment to Climate Action and to the UNEP FI Net-Zero Banking Alliance, calculates its operational carbon footprint annually and is working on the decarbonisation of its portfolio to achieve net zero emissions by 2050.

ABANCA has set the goal for 2030 to stop financing the coal sector 100 % and reduce the intensity of emissions financed in the following sectors:

- Aviation by 37 % (0.799 tCO₂e/income t-km).
- Steel by 25 % (0.624 tCO₂e/ t-km).
- Cement by 20 % (0.566 tCO₂e/ t-km).

In addition, ABANCA includes new sustainability criteria in its product offer to reduce the impact and involve society in this transition.

2. Financial health and inclusion:

- Increase the number of beneficiaries of the financial education programme.
- Grow in the number of digital users and transactions (mobile, electronic and telephone banking).
- Grow in the mobilization of capital in the field of sustainable finance.

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d) Action plan: Which actions including milestones have you defined to meet the set target? Please, describe.

Please also, show that your bank has analysed and acknowledged significant (potential) indirect impacts of these targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

In general, ABANCA has a global strategic plan 2021-2024 (increase in the generation of recurring revenues, cost efficiency, risk management associated with the environment, acquisitions and exponential transformation of the bank, paying special attention to the transition to a business focused on sustainability), a series of objectives are established, which will be reviewed as the availability of data grows and the methodologies taken as reference are refined.

Regarding sustainability, ABANCA has established a Responsible and Sustainable Banking Plan 2021-2024, which includes objectives at different levels and lines of action to achieve them:

1. The environmental line: in response to concerns about the climate emergency and contribution to the protection of biodiversity, with plans and initiatives that allow us to mitigate the possible impact of our activity on the environment.
2. The socio-economic line: about the recovery and transformation of the economy towards a sustainable model and about social welfare, whose executor is Afundación, ABANCA's Social Welfare Project.
3. Good governance: a management model aimed at providing a swift response to stakeholders' needs and with a special focus on new risks.

The Plan encompasses different underlying plans, projects and initiatives with responsible work teams and specific follow-up KPIs. In line with the sustainability policy, whose objective is to contribute to being a high-performance organisation that manages to be profitable in a sustainable manner in a responsible way, creating value, analysing, preventing and mitigating negative impacts.

Since the launch of the Plan, the entity has had an internal strategic project, with transversal involvement and monitoring by the project office team, which addresses three dimensions of improvement and progress: adaptation to regulatory requirements in the ESG field and to the supervisory expectations (especially the 13 BCE expectations (Supervisory expectations regarding risk management and communication)), positioning and support in the transition of our clients and adaptation to the Taxonomy of the EU.

In addition, the project provides a follow-up for the construction of an ESG data structure and internal governance in the management and risks of the new area of sustainability.

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Principle 2: Impact and target setting

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1. In the priority area of climate change mitigation:

This roadmap articulates several areas of the organisation and as regards the environmental part the bank has set itself the goal of achieving climate neutrality by 2024 as well as consuming 100 % renewable energy, while by 2050 it has set itself the target of reaching zero emissions attributable to the portfolio in accordance with the objectives of the Paris Agreement. To this end, ABANCA calculates its carbon footprint annually and compares the results with the annual targets to identify possible deviations or reinforce the improvements achieved.

- Measurement of the operational and financed footprint.
- To accompany customers with financing in the development of new, less emission-intensive technologies, thus helping them in their transformation and efficiency improvement processes.

For the prevention and minimisation of possible impacts:

- Definition of policies and procedures to be a more efficient entity in the use of resources and in meeting the objectives of decarbonisation of the operational footprint, such as the energy and environmental policy, the Guide to Good Environmental Practices or the Zero Waste project.
- Definition of policies and procedures to prevent, avoid, minimise and mitigate potential negative impacts, in line with the sustainability policy, such as, for example, in the area of investment, the responsible investment policy and integration of sustainability risks, which includes exclusions and measurement of PIAS.
- Issuance of green bonds to support renewable energy projects, under ABANCA's SDG emissions framework, which includes exclusions for certain sectors and seeks to be aligned with the objectives of the EU Taxonomy.

2. In the area of financial health and inclusion:

In this area, the action of various areas of the organization and the close collaboration of alliances and external interest groups are articulated

- Adherence to agreements with public and private bodies: municipal councils, provincial authorities, autonomous communities, professional associations, business areas, merchant associations and small entrepreneurs.
- Participation in collective agreements: Codes of Good Practices, Strategic Protocol to reinforce the Bank's Social and Sustainable Commitment.
- ABANCA participates in various sectoral associations, such as the Spanish Banking Association (AEB), the Spanish Confederation of Savings Banks (CECA), the Entrepreneurs' Association and the Spanish Business Association against Fraud, UNEP FI. 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.
- Afundación, Obra Social ABANCA, has its own strategic plan with initiatives for vulnerable groups with social impact, financial education program, social volunteering, education in values, regulated and non-regulated training projects, among others.

For the prevention and minimisation of possible impacts:

In addition to the policies and procedures related to the Code of Ethics and conduct, the anti-corruption policy, the commitment to human rights, ABANCA has, in relation to compliance with a responsible business model:

- A Product Governance Committee presided, whose aim 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. 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.
- ABANCA has a Commercial Communication Policy and a Product Governance Policy, as well as the relevant policies and procedures, committees and internal controls for the products to meet customers' needs and characteristics informed.
- The training process is key to the network's team. Thus, levels of information and training and the necessary mechanisms are established before the effective commercialization of each product.
- Omnichannel model: ABANCA is committed to a customer relationship model based on omnichannelling, 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.).



Principle 2: Impact and target setting

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Self-assessment summary

Which of the following components of target setting in line with the PBR requirements has your bank completed or is currently in a process of assessing for your...?

	... first area of most significant impact ... (Please name it) Climate change mitigation.	... second area of most ... (Please name it) Financial health and inclusion.
Alignment.	☒ Yes. ☐ In progress ☐ No.	☐ Yes. ☒ In progress. ☐ No.
Baseline	☒ Yes. ☐ In progress. ☐ No.	☐ Yes. ☒ In progress. ☐ No.
SMART objectives.	☒ Yes. ☐ In progress ☐ No.	☐ Yes. ☒ In progress. ☐ No.
Action plan.	☐ Yes. ☒ In progress. ☐ No.	☐ Yes. ☒ In progress. ☐ No.

2.3 Target implementation and monitoring (Key Step 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

1. In the priority area of mitigation of climate change:

Regarding climate change mitigation objectives, the following milestones have been achieved in 2022 with respect to the objectives covered by the Responsible and Sustainable Banking Action Plan 2021-2024:

- Monitoring Global Energy Efficiency Plan 2021- 2024.
- Gap analysis for the definition of an environmental footprint and decarbonisation plan 2022-2024.
- Carbon neutrality of emissions has been achieved (ahead of the 2024 target) in 2020, through the reduction measures implemented and the offsetting of the organisation's entire carbon footprint with credits associated with reforestation projects in Galicia under the absorption projects section of MITERD (Calculation Stamp 2019, 2020, 2021 and Offset Stamp 2020 and 2021).
- Zero Waste renovation at the main sites and a new environmental certification for Espacio Serrano 45 in Madrid with LEED and Zero Waste certification.
- Renewable energy certifications, GdO, have been acquired to cover energy consumption.
- Progress has been made in measuring the carbon footprint of the financing portfolio and 2030 targets have been set for four sectors.
- Active participation in sectoral working groups and international alliances acquired.
- A new green bond issue has been performed.
- In the area of climate and environmental risk management, the environmental risk questionnaire has been extended 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.

ABANCA responsible.

Strategic plan

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Principle 2: Impact and target setting

We will continually increase our positive impacts while reducing negative impacts and managing risks to people and the environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2. In the priority area of financial health and inclusion:

- Roll-out of the initiatives of ABANCA's Equality Plan 2021-2025.
- Specialised training in 2022 for the Risk, Credit and Business teams on Taxonomy, ESG risks, disclosure and potential opportunities in sustainable finance. And for employees of the commercial network in areas related to sustainable investment.
- ABANCA launched a plan to install 36 ATMs to improve the coverage and financial inclusion of rural Galicia, an action that is part of the initiative promoted by the Xunta de Galicia with the collaboration of ABANCA to bring financial services to Galician municipalities. The aim of this plan is to provide the necessary training to the people who are going to use these devices, many of whom are over 65 and not very digitised, so that they can carry out their transactions with confidence and with all the guarantees of security. With this initiative, the Bank aims to help prevent problems of financial exclusion and reduce the current digital divide, which particularly affects the elderly and those living in rural areas.
- Maintaining the capillarity of ABANCA's commercial network in Galicia makes the Galician region the second most accessible region in terms of access to financial services. Only 12 % of municipalities do not have a branch compared to 51 % in the rest of Spain.
- Measures to offer the best service to its customers over the age of 65, such as the service at the counter in all its commercial network until 2pm, the commitment not to close any branch in the 134 Galician municipalities where it is the only institution providing service, the advance of the pension on the 25 of each month or the simplification of the menus of the ATMs located in rural areas.
- Afundación launches its strategic plan 2022-2026, ABANCA increases its development funding.
- In 2022, the number of participants in Afundación educational projects was 222,080.



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 Client engagement

Does your bank have a policy or engagement process with clients and customers¹ in place to encourage sustainable practices?

Yes.



In progress



No.

Does your bank have a policy for the sectors-in which you have identified the highest (potential) negative impacts?

☐ Yes.



In progress.



No.

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 activities¹). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

1. 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. Apart from other related policies: Statement on the main adverse impacts of investment decisions on sustainability factors and engagement policy.
 - 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.
 - 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.
 - Commercial Communication Policy.
 - 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 Entity, 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 Procurement 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.
2. Training for central services and network teams in sustainable finance, risk or investment.
3. Cross-cutting working groups and specialised teams/units (AGRO, MAR, NEXTGENERATION), for the management of aid/subsidies or solutions to implement more sustainable practices.
4. Development and a specific catalogue of sustainable products.

ABANCA responsible.

Business model

Responsible
professionals

Sustainable awareness



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.

3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

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.

- ABANCA segments its business and has specialised teams for the interconnected areas for the following sectors: primary sector, insurance, consumer, institutional, international, recoveries and real estate assets.
- 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 2022 the Entity successfully placed its second €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. In the case of the primary sector: 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.
- It also performs discretionary portfolio management through three investment strategies (following the criteria of Art. 8 or 9 of the SFDR Regulation): Alpha Responsible, Alpha Exponential Future 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.
- 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.

Business model

Comprehensive risk management.



Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups¹) you have identified as relevant in relation to the impact analysis and target setting process?

☐ Yes. ☒ In progress ☐ No.

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

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.

The groups consulted were: employees, customers, shareholders and investors, suppliers and society. ABANCA has a large toolbox available for consultation so that the opinion of and dialogue with stakeholders is enhanced.

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.

In this regard, it has carried out a materiality analysis that allows it to identify the entity's relevant sustainability issues. The main objective of this analysis is to be able to inform on these issues and defined strategies and initiatives that meet its stakeholders' needs and expectations.

- The practices for improving the Bank's customer relations include, namely (focus groups, satisfaction surveys): 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 has undertaken in order to draft and implement a set of measures that they will take in constant dialogue its customers and its stakeholders. These commitments include: the Collective Commitment to Climate Action, the NetZero Banking Alliance of UNEP FI, the Sectoral Climate Agreement of the Spanish banking sector, the subscription to the Principles for Responsible Investment and the Principles for a Sustainable Ocean. The Entity has also been a member of the Global Compact Global Network since its inception.
- The bank has started the ABANCA Observatory by UIE, with the objective of providing to Galician society, particularly its productive fabric (autonomous entities, professionals, trading companies, SMEs, enterprises, corporations), with data on the progress of the Community that serve as a basis for their decisions.
- Participation in the Sectoral Observatory on Sustainable Finance Regulation. In addition, participation in various sectoral projects launched through the banking associations in 2022.
- Participation in ESG meetings with investors, analysts and rating agencies.
- Attendance at the Sustainability Committee of the banking associations (CECA and AEB).
- Organisation of the 3rd Sustainable Finance Session with the aim of analysing different aspects linked to sustainability in the business and financial sphere, as well as the challenges posed by the climate transition, in order to incorporate new strategies to promote change towards a new economic model.
The conference will be attended by representatives from the Bank of Spain and the CNMV, among other public and private authorities.
- Awareness-raising and training for employees through news on the intranet on sustainability.
- Approval process with sustainability criteria and supplier satisfaction survey.

ABANCA responsible.



Principle 5: Governance and culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system that incorporates the PBR?

✓ In progress

□ No.

Please 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 the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

In general, the United Nations Sustainable Development Goals, the Principles for Responsible Banking (PRB) and the United Nations Principles for Responsible Investment, of which ABANCA is a signatory, the internal code of ethics and conduct, have been chosen as the main tool to guide the sustainability policy and all the necessary strategic development for a responsible management and business model. As well as the regulatory and mandatory requirements and expectations.

The approval of the Sustainability Policy corresponds to the Board of Directors, which will adopt the necessary measures to implement and supervise the development and application of the policy.

The Appointments and Sustainability Committee is responsible for evaluating and periodically reviewing the Company's sustainability strategy to ensure that it fulfils its mission of promoting the social interest and takes into account, as appropriate, the legitimate interests of other stakeholders. Furthermore, it reviews and proposes to the Board the approval of the policies and measures developed in the sustainability strategy.

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, including ESG risks.

The Audit and Compliance Commission has, among its functions, the supervision of the efficacy of internal control and risk management systems. Furthermore, it is in charge of receiving reports on internal incidents by the from the Bank's information and internal control systems and audit function, in addition to the corrective actions to be implemented in this regard.

Likewise, to ensure an adequate decision-making process, ABANCA has a Social Responsibility and Sustainability Committee whose function is to propose to the corresponding governing bodies and the Steering Committee the policy and strategic lines of sustainability, to establish management and control measures, to monitor and review the key performance indicators and to review and approve projects in this area, among other functions. In addition, it is worth highlighting the incorporation of the DG of Corporate and Risk Control as a member of this Committee, to guarantee the coordination between the main risk functions in the ESG sphere should be noted.

The functions of the Social Responsibility, Sustainability and Communication DG include coordinating the definition, updating and monitoring of the social responsibility and sustainability strategy, as well as the action plans in this area agreed by the governing bodies.

It is also responsible for drafting and updating the policy, its presentation for approval to the governing bodies and its dissemination.

The Social Responsibility and Sustainability Committee delegates operational management to the Energy and Environmental Efficiency Working Group (EEA). The EEA Working Group will develop the necessary procedures to make the implementation of the policy feasible and to meet the objectives underpinning it. The procedure will include ongoing initiatives (Global Energy Efficiency Plan, waste treatment, consumption reduction, environmental risk management policy, etc.).

Also noteworthy is the internal and operational ESG working group made up of representatives of the various units, which provides internal support in the introduction of the information in the Bank's systems required for the integration of ESG criteria, support for the transition of the catalogue of products adapted to the Taxonomy criteria, training in the area of 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.

Progress in the implementation of the Principles of Responsible Banking is reported annually to the Board of Directors, together with the review of the Non-Financial Information.

As regards remuneration linked to sustainability, the definition of a new metric linked to compliance with sustainability KPIs in the VRS of internal teams is being studied.

ABANCA responsible.

Corporate governance

Responsible professionals

Comprehensive risk management



Principle 5: Governance and culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

5.2 Promoting a culture of responsible banking

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

Employees are guaranteed to know the policies, standards, and procedures that sustain ABANCA's activity and that ensure the development of responsible behaviours throughout the scope of action. For this reason, all relevant initiatives, plans and projects are communicated on the corporate intranet, not only within the sphere of commercial communication, so that all employees are aware of them.

The Entity continues to disseminate 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 and the campaign to raise awareness of responsible energy consumption.

ABANCA in 2020 launched the Sustainable Finance Training Plan for all staff, which consists of a series of training pills that will be completed with specific training based on sustainability management categories. In addition, specific training plans have been launched with the aim of incorporating into the organisation the knowledge necessary for effective management: of ESG risks and opportunities, taxonomy, mandatory training linked to MiFID II regulations, among others.

In addition, and to foster the Bank's culture and values, various training and awareness-raising initiatives have been launched as part of the 2021-2025 Equality Plan, which establishes, among other objectives: to ensure that all people have the same opportunities for incorporation, remuneration and professional development based on their achievements and performance (meritocracy) regardless of their gender.

ABANCA responsible

Responsible
professionals

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?¹ Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

As mentioned above, ABANCA has carried out the materiality analysis of relevant sustainability issues. In addition, it performs risk analysis as part of the risk management process and has assigned responsibilities for risk taking, management and control functions within the corporate risk management framework, including sustainability risk.

Within the scope of the provision of discretionary and individualised management of customer portfolios and advisory services, whether on financial instruments or insurance-based investment products, and decision-making on own portfolio investments, ABANCA has a policy of responsible investment and integration of sustainability risks.

The integration of sustainability or ESG risks in the decision-making process complements the quantitative risk analysis from a qualitative perspective, improving the assessment of investment risks.

The Board of Directors approves 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 entity, 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.

The whistle-blowing channel is a mechanism that ABANCA implemented in 2016 and which allows the employees of the different, suppliers and their employees of the Group 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.

ABANCA responsible
Business model
Comprehensive risk
management

Sustainable awareness



Principle 5: Governance and culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

Self-assessment summary

Does the CEO or other C-suite officials have regular oversight over the implementation of the Principles through the bank's governance system?

☐ Yes. ☒ No.

Does the governance system involve entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)

☒ Yes. ☐ No.

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

☒ Yes. ☐ In progress. ☐ No.



Principle 6: Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

☒ Yes. ☐ Partially ☐ No.

If applicable, please include the link or description of the assurance statement.

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- ☒ GRI
- ☐ SASB
- ☐ CDP
- ☐ IFRS Sustainability Disclosure Standards (pending publication)
- ☐ TCFD
- ☒ Other:...

EINF Verification Report
Table.

6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis¹, target setting¹ and governance structure for implementing the PRB)? Please describe briefly.

- Continue with the lines of action of the Responsible and Sustainable Banking Plan.
- Improve the availability and quality of data.
- Advance in the application of the dual approach to materiality.
- Deepen the analysis of the impact area of financial inclusion and health.
- Deepen the analysis of the main positive and negative impacts.
- Monitor impact areas and established objectives, commitments and alliances.
- Implement Impact Analysis tool developed by UNEP FI.



Principle 6: Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

☐ Mainstreaming PRB supervision into governance.	☐ Customer commitment.
☐ Gaining or maintaining momentum in the bank.	☐ Stakeholder involvement.
☐ How to start: where to start and what to focus on at the beginning.	☐ Data availability.
☐ Conducting an impact analysis.	☒ Data quality.
☒ Assessing negative environmental and social impacts.	☐ Reports.
☐ Choosing the right performance measurement methodology(ies).	☐ Insurance.
☒ Setting targets.	☐ Prioritise actions internally.
☐ Other: ...	

If you wish, you can explain the challenges and how you are addressing



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Independent Assurance Report on the Corporate Social Responsibility Report of Abanca Corporación Bancaria, S.A. and subsidiaries for 2022

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 Social Responsibility Report of Abanca Corporación Bancaria, S.A.(hereinafter, the Parent) and subsidiaries (hereinafter, the Group) for the year ended 31 December 2022, prepared in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative and with the Financial Services Sector Supplement (GRI Standards)(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 2022, included in the Report which forms part of the Group's consolidated Directors' Report for 2022, has been prepared in accordance with prevailing mercantile legislation.

The Report includes additional information to that required by GRI Standards 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 the GRI Standards, in its comprehensive option, 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 substantially 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 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.
- Analysis of the processes for compiling and validating the data presented in the Report for 2022.
- Review of the information relative to the risks, policies and management approaches applied in relation to the material aspects presented in the Report for 2022.
- In relation to the Principles for Responsible Banking (PRB), a review of the internal reporting processes of the information regarding impact analysis, target setting, target implementation and monitoring, governance structure for implementation of the principles, included in the "UNEP FI,

Principles for Responsible Banking of the United Nations” section of the Report, compliance thereof with the PRB requirements, as well as a review of the consistency of the references in this section with the rest of the information in the Report.

- Corroboration, through sample testing, of the information relative to the content of the Report for 2022 and whether it has been adequately compiled based on data provided by the information sources.
- Review of information on the Taxonomy of activities in accordance with Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment.
- 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 Social Responsibility Report of Abanca Corporación Bancaria, S.A. and subsidiaries for the year ended 31 December 2022 has not been prepared, in all material respects, in accordance with the GRI Standards as detailed in the “GRI content index” table of the Report.
- b) The NFIS of Abanca Corporación Bancaria, S.A. and subsidiaries for the year ended 31 December 2022, included in the Report, has not been prepared, in all material respects, in accordance with prevailing mercantile legislation and the GRI Standards, based on each subject area in the “Index of contents required by Law 11/2018” 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 Company's investments are associated with Taxonomy-eligible economic activities. For this purpose, the Directors of Abanca Corporación Bancaria, S.A. have included information on the criteria that, in their opinion, best allow them to comply with this obligation, and which are defined in the “Information on the adaptation of the European Taxonomy and disclosure on article 8 of Regulation (EU) 2020/852” section of the accompanying Corporate Social Responsibility Report. Our conclusion is not modified in respect of this matter.

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 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

31 March 2023