



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 2023)

(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 (the "Group"), which comprise the consolidated balance sheet at 31 December 2023, and the consolidated statement of profit and loss, consolidated statement of recognised income and expense, consolidated statement of 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 2023 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, 10 and 48 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 reflect a net balance of Euros 45,516,118 thousand at 31 December 2023, while allowances and provisions recognised at that date for impairment total Euros 834,371 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 provided for credit transactions. 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 actual historical experience.	Our audit approach in relation to the Group's estimate of impairment of loans and advances to customers due to credit risk 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. - Assessing the relevant controls that ensure the appropriate classification of the portfolio of loans and advances to customers based on credit risk in accordance with the criteria defined by the Group. - 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. - Assessing the control and management process established in regard to the completeness, accuracy and updating of the data used. - 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. - We assessed the process of reviewing the updates of the additional temporary adjustments to the expected loss models recognised by the Group.

Impairment of the loans and advances to customers portfolio

See notes 2.10, 10 and 48 to the consolidated financial statements

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
The ongoing geopolitical uncertainty, the current levels of inflation and the monetary policy decisions of central banks continue to generate uncertainty about the future direction of the macroeconomic environment, affecting 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 analysed the appropriateness of the discounted cash flow models used by the Group. We also selected a sample from the population of significant transactions and assessed the appropriateness of both the credit risk classification and the corresponding allowance and provision 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. – 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 2023. – 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.

Recoverability of deferred tax assets

See notes 2.14 and 28.3 to the consolidated financial statements

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
At 31 December 2023, the Group held deferred tax assets on the balance sheet amounting to Euros 3,670,493 thousand, of which the recovery of Euros 1,012,963 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, together with the involvement of our specialists in financial projections and taxation, the methodology and the main economic, financial and tax assumptions used by the Group to estimate future taxable profits in the projected recoverability period, 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.

Business combinations

See note 5 to the consolidated financial statements

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
As mentioned in note 5 to the consolidated financial statements, on 6 October 2023 all of the required conditions precedent were met for the Bank to acquire Targobank, S.A.U. Pursuant to IFRS 3 Business Combinations, the Group has recognised the identifiable assets acquired and liabilities assumed at their fair value at the acquisition date, to which end it performed the allocation of the price paid in the business combination (PPA - purchase price allocation). This allocation was carried out based on management's estimates, with the collaboration of an independent expert.	Our audit procedures mainly include the following: – Obtaining the sale-purchase deeds of the transaction, checking the contractual terms of the transaction. We also assessed the existence of the relevant administrative and regulatory authorisations. – Procuring the documentation supporting settlement of the transaction by the Bank. – Procuring the independent expert report on the identification and estimation of the fair value of the identifiable assets acquired and liabilities assumed.



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Business combinations

See note 5 to the consolidated financial statements

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
The net fair value of the identifiable assets acquired and liabilities assumed exceeded the consideration given. Therefore, in accordance with accounting standards, the Group has recognised this difference as income of Euros 201,274 thousand under “Negative goodwill recognised in profit or loss” in the consolidated statement of profit and loss for 2023. Recognising this transaction is a complex exercise that requires the application of judgement in identifying and determining the fair value of assets acquired and liabilities assumed and we have therefore considered this as a key audit matter.	– Assessing, together with our valuation and credit risk specialists, the methodology and assumptions used by the Group and its independent expert in the process of identifying and estimating the fair value of identifiable assets acquired and liabilities assumed. – Assessing the existence, completeness and accuracy of the main input data in the valuation process, with the involvement of the auditor of Targobank, S.A.U. – Analysing the recognition of the negative goodwill recognised in profit or loss, checking that it corresponds to the negative difference between the consideration given and the net fair value of the identifiable assets acquired and liabilities assumed. – We analysed whether the disclosures in the notes to the consolidated financial statements are appropriate, in accordance with the criteria set out in the financial reporting framework applicable to the Group.



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Risks associated with information technology

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
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 2023 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 2023, 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.
- 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.



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- 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 __ March 2024.

Contract Period _____

We were appointed as auditor of the Group by the shareholders at the ordinary general meeting on 26 June 2023 for a period of one year, from the year beginning 1 January 2023.

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

__ March 2024

ABANCA Corporación Bancaria, S.A. and subsidiaries

Consolidated Financial Statements
31/12/2023

Consolidated Directors' Report
Financial year 2023

ABANCA CORPORACIÓN BANCARIA, S.A. GROUP

CONSOLIDATED BALANCE SHEET AS AT 31 December 2023 AND 2022
(Thousands of euro)

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

ASSETS	Note	2023	2022 (*)	EQUITY AND LIABILITIES	Note	2023	2022 (*)
Cash, cash balances with central banks and other demand deposits	6	7,584,994	8,581,607	Financial liabilities held for trading	11		
				Derivatives		338,851	461,503
Financial assets held for trading						338,851	461,503
Derivatives	11	337,173	470,919	Financial liabilities designated at fair value through profit and loss		54,512	-
Debt securities	8	-	-				
		337,173	470,919	Financial liabilities at amortised cost			
Non-trading financial assets mandatorily at fair value through profit and loss				Deposits			
Equity instruments	9	153,826	162,666	Central banks	18	921,139	8,014,723
Debt securities	8	35,622	96,863	Credit institutions	18	2,899,740	3,923,675
Loans and advances				Customers	19	57,810,888	52,518,531
Customers	10	-	-	Debt securities issued	20	3,946,743	2,811,074
		189,448	259,529	Other financial liabilities	22	331,190	329,073
				Memorandum item: subordinated liabilities	21	1,551,431	1,304,529
						65,909,700	67,597,076
Financial assets designated at fair value through profit and loss				Derivatives - hedge accounting	11	419,723	523,249
Debt securities	8	-	-	Liabilities covered by insurance or reinsurance contracts	29	1,762,767	1,534,241
		-	-				
Financial assets at fair value through other comprehensive income				Provisions	23	212,649	237,562
Equity instruments	9	586	21,084	Pensions and other post-employment defined benefit obligations		11,793	20,221
Debt securities	8	2,311,150	1,919,821	Outstanding tax-related legal proceedings and litigation		91,101	96,033
		2,311,736	1,940,905	Commitments and guarantees given		67,584	19,472
				Other provisions		383,127	373,288
Financial assets at amortised cost							
Debt securities	8	10,472,042	10,877,633	Tax liabilities	28		
Loans and advances				Current tax liabilities		35,043	39,385
Credit institutions	7	827,567	985,929	Deferred tax liabilities		125,188	131,075
Customers	10	45,516,118	45,167,460			160,231	170,460
		56,815,727	57,031,022				
				Other liabilities	24	317,007	289,656
Derivatives - hedge accounting	11	560,974	870,890	Liabilities included in disposal groups classified as held for sale	12.2	524,466	702,029
Investments in joint ventures and associates	13			TOTAL LIABILITIES		69,870,384	71,651,502
Associates		160,447	162,287				
		160,447	162,287	EQUITY			
Assets covered by insurance or reinsurance contracts	29	3,907	5,584	Shareholders' Equity			
Tangible assets				Capital			
Property, plant and equipment	14			Paid-up capital	27	2,476,209	2,476,209
For own use		1,018,036	958,811	Share premium	27	208,791	208,791
Leased out under operating leases		-	-	Equity instruments issued other than capital	27		
Investment property		210,179	231,425	Other equity instruments			-
		1,228,215	1,190,236	Retained earnings	27	2,306,969	2,084,223
Intangible assets				Other reserves	27		
Goodwill	15	70,251	66,351	Reserves or accumulated losses of investments in joint ventures and associates		(71,346)	22,755
Other intangible assets		408,101	395,010	Other		(222,076)	(182,182)
		478,352	461,361	(-) Treasury shares		(83,916)	(20,404)
Tax assets				Profit attributable to the owners of the parent		711,323	217,452
Current tax assets	28	8,519	22,322	(-) Interim dividend	3	(107,141)	(56,621)
Deferred tax assets		3,670,493	3,523,031			5,218,813	4,750,223
		3,679,012	3,545,353	Accumulated other comprehensive income			
Other assets				Items that will not be reclassified to profit and loss	26		
Insurance contracts linked to pensions	23	26,858	30,122	Actuarial gains or losses on defined benefit pension plans		(12,180)	(837)
Inventories	16	71,793	76,929	Fair value changes of equity instruments measured at fair value through other comprehensive income		69	581
Other assets	17	198,666	133,776				
		297,317	240,827	Items that may be reclassified to profit and loss	26		
Non-current assets and disposal groups classified as held for sale	12.1	1,181,488	1,307,664	Foreign currency translation		921	4,564
				Hedging derivatives. Cash flow hedges reserve (effective portion)		(255,902)	(346,037)
				Fair value changes of debt securities measured at fair value through other comprehensive income		12,018	8,669
				Share of other recognised income and expense of investments in joint ventures and associates		1,813	3,549
						(253,261)	(329,511)
				Minority interests (non-controlling interests)	25		
				Accumulated other comprehensive income		(589)	(447)
				Other items		(6,557)	(3,583)
						(7,146)	(4,030)
				TOTAL EQUITY		4,958,406	4,416,682
TOTAL ASSETS		74,828,790	76,068,184	TOTAL EQUITY AND LIABILITIES		74,828,790	76,068,184
MEMORANDUM ITEM: OFF-BALANCE SHEET EXPOSURES	30						
Loan commitments granted		11,140,161	10,403,529				
Financial guarantees granted		1,068,303	979,444				
Other commitments granted		2,037,453	1,621,296				

(*) 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 2023.

ABANCA CORPORACIÓN BANCARIA, S.A. GROUP

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE ANNUAL PERIODS
ENDED 31 December 2023 AND 2022

(Thousands of euro)

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

	Note	Income / (Expenses)	
		2023	2022 (*)
Interest income	31	2,069,299	946,604
Financial assets at fair value through other comprehensive income		57,024	40,812
Financial assets at amortised cost		1,972,240	859,174
Other of interest income		40,035	46,618
Interest expense	32	(837,483)	(181,765)
NET INTEREST INCOME		1,231,816	764,839
Dividend income	33	8,327	6,682
Share of profit and loss of equity-accounted investees	34	(4,539)	(3,045)
Fee and commission income	35	352,524	335,595
Fee and commission expense	36	(58,427)	(51,279)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit and loss, net	37	31,634	47,809
Financial assets at amortised cost		4,746	14,230
Other financial assets and liabilities		26,888	33,579
Gains or losses on financial assets and liabilities held for trading, net	37	23,957	14,896
Other gains or losses		23,957	14,896
Gains or losses on non-trading financial assets mandatorily measured at fair value through profit and loss, net	37	18,461	(18,923)
Other gains or losses		18,461	(18,923)
Gains or losses from hedge accounting, net	37	178	(11,525)
Exchange differences, net		6,016	(183)
Other operating income	38	101,882	112,402
Other operating expenses	41	(197,212)	(139,062)
Income from assets covered by insurance or reinsurance contracts	38	93,314	83,551
Expenses from liabilities covered by insurance or reinsurance contracts	41	(35,956)	(32,430)
GROSS MARGIN		1,571,975	1,109,327
Administrative expenses		(728,592)	(656,087)
Personnel expenses	39	(441,561)	(395,549)
Other administrative expenses	40	(287,031)	(260,538)
Depreciation and amortisation	14 and 15	(94,405)	(89,835)
Provisions or reversals of provisions	23	(43,734)	(10,737)
Impairment or reversal of impairment on financial assets not measured at fair value through profit and loss		(64,522)	(43,101)
Financial assets at fair value through other comprehensive income		679	(1,231)
Financial assets at amortised cost	10	(65,201)	(41,870)
NET OPERATING INCOME		640,722	309,567
Impairment or reversal of impairment on investments in joint ventures or associates	13	(6,291)	(3,000)
Impairment or reversal of impairment on non-financial assets		(2,426)	(3,500)
Tangible assets	14	(2,427)	(3,223)
Intangible assets		-	(277)
Other		1	-
Gains or losses on derecognition of non-financial assets, net	42	6,368	3,489
Negative goodwill recognised in profit and loss	5	201,274	-
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	12	6,067	8,518
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS		845,714	315,074
Tax expense or income related to profit or loss from continuing operations	28	(30,375)	(37,032)
PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS		815,339	278,042
Profit or loss after tax from discontinued operations		(104,191)	(58,651)
PROFIT FOR THE YEAR		711,148	219,391
Attributable to minority interests (non-controlling interests)	25	(175)	1,939
Attributable to the owners of the parent		711,323	217,452

(*) 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 2023.

ABANCA CORPORACIÓN BANCARIA, S.A. GROUP

(CONSOLIDATED) STATEMENTS OF COMPREHENSIVE INCOME

FOR THE ANNUAL PERIODS ENDED

31 December 2023 AND 2022

(Thousands of euro)

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

	2023	2022 (*)
PROFIT FOR THE PERIOD	711,148	219,391
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit and loss	(11,855)	11,370
Actuarial gains or (-) losses on defined benefit pension plans	(16,204)	17,257
Fair value changes of equity instruments measured at fair value through other comprehensive income	(731)	(1,014)
Income tax on items that will not be reclassified	5,081	(4,873)
Items that may be reclassified to profit and loss	88,105	(178,620)
Foreign currency translation	(5,204)	3,029
Exchange gains or (-) losses recognised in equity	(5,204)	3,029
Cash flow hedges (effective portion)	128,764	(205,241)
Valuation gains or (-) losses recognised in equity	128,764	(205,241)
Debt securities at fair value through other comprehensive income	4,784	(68,684)
Valuation gains or (-) losses recognised in equity	7,010	(35,105)
Transferred to profit and loss	(2,226)	(33,579)
Share of other recognised income and expenses of investments in joint ventures and associates	(2,480)	15,727
Income tax on items that may be reclassified to profit and loss	(37,759)	76,551
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	787,398	52,141
Attributable to minority interests (non-controlling interests)	(175)	1,939
Attributable to the owners of the parent	787,573	50,202

(*) 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 2023.

ABANCA CORPORACIÓN BANCARIA, S.A. GROUP

CONSOLIDATED STATEMENTS OF TOTAL CHANGES IN EQUITY FOR

THE ANNUAL PERIODS ENDED 31 December 2023 AND 2022 (*)

(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 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	-	-	-	-	(46,190)	-	-	-	42,976	-	-	(3,214)
Opening balance	2,476,209	208,791	-	1,831,368	(114,492)	(17,395)	323,310	(66,671)	(119,286)	(507)	(5,312)	4,516,015
Total comprehensive income for the period	-	-	-	-	-	-	217,452	-	(210,225)	60	1,879	9,166
Other changes in equity	-	-	-	252,855	(44,935)	(3,009)	(323,310)	10,050	-	-	(150)	(108,499)
Common shares issued	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-
Other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity items	-	-	-	253,404	(1,661)	-	(323,310)	71,567	-	-	-	0
Treasury shares purchase	-	-	-	-	-	(5,252)	-	-	-	-	-	(5,252)
Treasury shares sold or cancelled	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or shareholders' remuneration)	-	-	-	-	-	2,382	-	(61,517)	-	-	-	(59,135)
Other increases or (-) decreases in equity	-	-	-	(549)	(43,274)	(139)	-	-	-	-	(150)	(44,112)
Balance as at 31 December 2022(*)	2,476,209	208,791	-	2,084,223	(159,427)	(20,404)	217,452	(56,621)	(329,511)	(447)	(3,583)	4,416,682
Effects of correction of errors	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance	2,476,209	208,791	-	2,084,223	(159,427)	(20,404)	217,452	(56,621)	(329,511)	(447)	(3,583)	4,416,682
Total comprehensive income for the period	-	-	-	-	-	-	711,323	-	76,250	(142)	(33)	787,398
Other changes in equity	-	-	-	222,746	(133,995)	(63,512)	(217,452)	(50,520)	-	-	(2,941)	(245,674)
Common shares issued	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-
Other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity items	-	-	-	130,344	-	-	(217,452)	87,108	-	-	-	-
Treasury shares purchase	-	-	-	87,881	(87,881)	(63,967)	-	-	-	-	-	(63,967)
Treasury shares sold or cancelled	-	-	-	-	-	455	-	-	-	-	-	455
Share-based payments	-	-	-	-	(46,114)	-	-	-	-	-	-	(46,114)
Dividends (or shareholders' remuneration)	-	-	-	-	-	-	-	(137,628)	-	-	(3,978)	(141,606)
Other increases or (-) decreases in equity	-	-	-	4,521	-	-	-	-	-	-	1,037	5,558
Balance as at 31 December 2023	2,476,209	208,791	-	2,306,969	(293,422)	(83,916)	711,323	(107,141)	(253,261)	(589)	(6,557)	4,958,406

(*) 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 2023.

ABANCA CORPORACIÓN BANCARIA, S.A. GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE ANNUAL PERIODS ENDED 31 December 2023 AND 2022

(Thousands of euro)

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

	2023	2022 (*)
A) CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	(1,838,991)	(4,226,229)
1. Profit for the period	711,148	219,391
2. Adjustments for determining cash flows from operating activities	141,928	85,035
(+) Depreciation and amortisation	94,405	89,890
(+/-) Other adjustments	47,523	(4,855)
3. Net increase/(decrease) in operating assets	362,435	226,737
(+/-) Financial assets held for trading	133,746	(331,549)
(+/-) Non-trading financial assets mandatorily at fair value through profit and loss	70,081	(113,699)
(+/-) Financial assets designated at fair value through profit and loss	-	-
(+/-) Financial assets at fair value through other comprehensive income	(322,404)	3,402,395
(+/-) Financial assets at amortised cost	150,773	(1,966,775)
(+/-) Other operating assets	330,239	(763,636)
4. Net increase/(decrease) in operating liabilities	(2,917,363)	(4,686,859)
(+/-) Financial liabilities held for trading	(122,652)	320,201
(+/-) Financial liabilities designated at fair value through profit and loss	54,512	-
(+/-) Financial liabilities at amortised cost	(2,965,278)	(5,252,284)
(+/-) Other operating liabilities	116,055	245,224
5. Income tax receipts/(payments)	(137,139)	(70,533)
B) CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	(60,156)	(8,834)
1. Payments:	(133,069)	(157,172)
(-) Tangible assets	(65,467)	(46,044)
(-) Intangible assets	(49,158)	(51,057)
(-) Investments in joint ventures and associates	(11,000)	(10,500)
(-) Subsidiaries and other business units	(7,444)	(33,161)
(-) Non-current assets and liabilities classified as held for sale	-	(16,410)
(-) Other payments related to investing activities	-	-
2. Receipts:	72,913	148,338
(+) Tangible assets	20,153	56,953
(+) 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	52,760	89,941
(+) Held-to-maturity investments	-	-
(+) Other receipts related to investing activities	-	-
C) CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	902,533	355,272
1. Payments:	(847,467)	(144,728)
(-) Dividends	(137,628)	(60,414)
(-) Subordinated liabilities	(351,266)	(37,812)
(-) Redemption of own equity instruments	-	-
(-) Acquisition of own equity instruments	(63,967)	(5,252)
(-) Other payments related to financing activities	(294,606)	(41,250)
2. Receipts:	1,750,000	500,000
(+) Subordinated liabilities	500,000	-
(+) Issuance of own equity instruments	-	-
(+) Disposal of own equity instruments	-	-
(+) Other receipts related to financing activities	1,250,000	500,000
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS	-	-
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)	(996,614)	(3,879,791)
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	8,581,607	-
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD (E+F)	7,584,993	8,581,607

COMPOSITION OF CASH AND CASH EQUIVALENTS AT END OF PERIOD	2023	2022 (*)
(+) Cash	193,915	183,082
(+) Cash equivalent balances with central banks	7,220,278	8,188,623
(+) Other financial assets	170,800	209,902
(-) Less: Bank overdrafts repayable on demand	-	-
TOTAL CASH AND CASH EQUIVALENTS AT END OF PERIOD	7,584,993	8,581,607

(*) 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 2023.

ABANCA Corporación Bancaria, S.A. Group

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Notes to the Consolidated Financial Statements for the annual period
ended 31 December 2023

(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.

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 S.A.U. (hereinafter, Targobank) by the latter; the sale and purchase agreement was signed in February 2023. This operation has been completed on 6 October 2023, the date when control over the entity has been acquired, following the administrative authorisations being granted by the appropriate supervisors. Technological integration of Targobank will take place during 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.

As at 31 December 2023, the Group, for the development of its business, has 437 operating branches in the Autonomous Region of Galicia (435 as at 31 December 2022); 238 branches in the rest of Spain (188 as at 31 December 2022); 45 in Portugal (44 as at 31 December 2022); 1 in Switzerland (1 as at 31 December 2022), and 1 in the United States (1 as at 31 December 2022), 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.

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

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 2023 were authorised for issue by the Board of Directors of the Bank on 04 March 2024, 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 2023 and the consolidated results of its transactions and consolidated cash flows for the annual period then ended.

The consolidated financial statements of 2023 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 26 June 2023 approved the consolidated financial statements of ABANCA Corporación Bancaria, S.A. and subsidiaries for 2022.

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 2023

During 2023, 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: IFRS 17 – Insurance contracts, IAS 1 and IAS 2, IAS 8 Definition of accounting estimates, IAS 12 Income taxes and IAS 21 International Tax Reform – Pillar Two Model Rules.

Excluding the impact arising from application of IFRS 17, explained below, the application of the above-mentioned standards has had no significant impact on the consolidated financial statements of ABANCA Group.

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

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ended 31 December 2023

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

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 the 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 (see note 1.2).

Since 2021, the Group has been developing 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:

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.

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

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 in a 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.

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

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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.

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

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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 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 and IFRS 2 - Disclosure of accounting policies

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

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

Key amendments to IAS 1 include:

- To require entities to disclose their material accounting policy information rather than their significant accounting policies.
- To clarify that accounting policies that relate to immaterial transactions, other events or conditions are themselves immaterial and, as such, need not be disclosed; and
- To clarify that not all accounting policies that relate to material transactions, other events or conditions are themselves material to the financial statements of an entity.

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

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

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These amendments are consistent with the refined definition of materiality:

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

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

Amendments to IAS 8 - Definition of Accounting Estimates

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

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

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

The development of an accounting estimate includes both:

- Selecting a measurement technique (estimation or valuation technique), for example: an estimation technique used to measure a preventive estimate for expected credit losses when applying IFRS 9 "Financial Instruments"; and
- Choosing the inputs that will be used when applying the selected measurement technique, for example: expected cash outflows for determining a provision for guarantee obligations when applying IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

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

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

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 2024; early application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

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Amendments to IAS 12 "International Tax Reform - Pillar Two Model Rules"

These amendments are intended to address the concerns expressed by various stakeholders regarding the uncertainty of accounting for deferred taxes arising from the international tax reform of the Organisation for Economic Cooperation and Development (OECD). OECD published the Pillar Two Model Rules in December 2021 in order to ensure that large multinational companies were subject to a minimum tax rate of 15%.

Directive (EU) 2022/2523 of the Council of 14 December 2022 on ensuring an overall minimum level of taxation for multinational enterprise groups and large domestic groups in the European Union establishes a supplementary tax through a system of two interconnected rules, jointly referred to as the GloBE rules or Second Pillar rules, promoted by the OECD, so that, if the effective tax rate of a multinational company in a given jurisdiction is lower than 15%, an additional tax is collected. Member states shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by 31 December 2023 at the latest. For these purposes, it should be taken into account that the issuance of the Directive in itself is not considered a regulation enacted in Spain.

Amendments to IAS 12 introduce a temporary exception to the accounting for deferred taxes arising from jurisdictions implementing global tax rules to ensure consistency in the financial statements while facilitating the implementation of the rules and, on the other hand, disclosure requirements to help investors better understand the corporate tax exposure arising from the Pillar 2 rules before the rules in each jurisdiction come into effect.

The impact of the international tax reform is not expected to be significant for the Group.

b) Standards and interpretations that have not yet come into force as at 31 December 2023

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 2023. However, in certain cases, the IASB permits to apply the amendments prior to their effective date, although ABANCA Group has not applied these amendments in advance.

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

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

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

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

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

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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 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.

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Amendments to IAS 7 and IFRS 7 “Supplier Finance Agreements”

These amendments are intended to meet investors’ greater transparency requirements with respect to the impact on financial statements arising from supplier finance agreements. The amendments are applicable to finance agreements with the following characteristics:

- A finance provider pays pay amounts an entity (the purchaser) owes to its suppliers.
- The entity agrees to settle those amounts with the finance providers according to the terms and conditions of the arrangements, either at the same date or at a later date than that on which the finance provider pays the entity’s suppliers.
- As a result, supplier finance arrangements provide the entity with extended payment terms, or the entity’s suppliers with early payment terms, compared to the original payment due dates.

These amendments are not applicable to receivables or inventory financing agreements.

The amendments introduce two new disclosure requirements (one in IAS 7 and another in IFRS 7): an entity shall disclose information about its supplier finance agreements to assist users of financial statements (investors) in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk.

Under these amendments, an entity shall also disclose the type and effect of non-cash changes in the carrying amounts of supplier finance arrangement financial liabilities. The amendments also include supplier finance agreements as an example of IFRS 7 current disclosure requirements with respect to the factors that an entity may consider relevant when presenting specific quantitative liquidity risk disclosures in the context of its financial liabilities.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted.

IFRS S1 “General Requirements for Disclosure of Sustainability-Related Financial Information” and IFRS S2 “Climate-related Disclosures”

The first two standards issued by ISSB are intended to be applied as a whole, to assist entities in identifying and reporting information that investors need for decision-making, in other words, information that is expected to have an impact on investors’ assessments of entities’ future cash flows.

To achieve this goal, the general standard provides a framework for entities to present disclosures on every relevant sustainability-related aspect in the areas of governance, strategy, risk management and metrics and targets.

These standards will be effective from 1 January 2024, although individual jurisdictions are free to decide if and when to adopt these standards.

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Amendments to IAS 21 - Lack of Exchangeability

IAS 21, The Effects of Changes in Foreign Exchange Rates, requires entities to use a spot exchange rate when translating foreign currency translations. However, in rare cases, a currency may not be exchangeable for another currency. This lack of exchangeability might arise when a government imposes foreign exchange controls to capital imports and exports, for instance, or when a government provides an official exchange rate while limiting the volume of foreign exchange transactions that may be completed using that official exchange rate. As a result, market participants can neither purchase nor sell at the official exchange rate the currencies required to meet their needs; instead, market participants resort to unofficial parallel markets. Although few jurisdictions are affected by this situation, the accounting impact for the affected entities may be relevant.

In August 2023, IASB amended IAS 21 to introduce the following clarifications:

- When a currency is exchangeable for another currency.
- How an entity should determine a spot exchange rate when exchangeability is lacking.

These amendments apply to annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted.

1.2.2 Comparative information

The information for 2022 included herein is presented solely for the purposes of comparison with the information as at 31 December 2023 and, therefore, does not constitute the Group's consolidated financial statements for 2022.

Acquisition of Targobank, S.A.U.

As a result of the business combination with Targobank, S.A.U. referred to in Notes 1.1 and 2.21, effective as of 6 October 2023, the comparative figures are not directly comparable with the relevant figures as at 31 December 2022.

Impact from initial application of IFRS 17

From 1 January 2023, IFRS 17 supersedes IFRS 4 and establishes the principles that an entity must apply to account for insurance contracts. The new standard introduces a single accounting model for all insurance contracts and requires entities to use updated assumptions in their estimates. Although the initial date of application is 1 January 2023, the transition date is 1 January 2022. Accordingly, the Group has restated the comparative information for 2022, which already considers the application of IFRS 17 during that financial year, as follows:

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ASSETS	(Thousands of euro)		
	31.12.2022 IFRS 4	Measurement of insurance contracts	31.12.2022 IFRS 17
Cash, cash balances with central banks and other demand deposits	8,581,607	-	8,581,607
Financial assets held for trading	470,919	-	470,919
Non-trading financial assets mandatorily at fair value through profit and loss	259,529	-	259,529
Financial assets at fair value through other comprehensive income	1,940,905	-	1,940,905
Financial assets at amortised cost	57,031,022	-	57,031,022
Derivatives - hedge accounting	870,890	-	870,890
Investments in joint ventures and associates	162,287	-	162,287
Assets covered by insurance or reinsurance contracts	5,584	-	5,584
Tangible assets	1,190,236	-	1,190,236
Intangible assets	461,361	-	461,361
Tax assets	3,527,442	17,911	3,545,353
Other assets	241,326	(499)	240,827
Non-current assets and disposal groups classified as held for sale	1,307,664	-	1,307,664
TOTAL ASSETS	76,050,772	17,412	76,068,184

LIABILITIES	(Thousands of euro)		
	31.12.2022 IFRS 4	Measurement of insurance contracts	31.12.2022 IFRS 17
Financial liabilities held for trading	461,503	-	461,503
Financial liabilities designated at fair value through profit and loss	-	-	-
Financial liabilities at amortised cost	67,597,076	-	67,597,076
Derivatives - hedge accounting	523,249	-	523,249
Fair value changes in covered items from a portfolio with an interest rate hedge	-	-	-
Liabilities covered by insurance or reinsurance contracts	1,536,642	(2,401)	1,534,241
Provisions	373,288	-	373,288
Tax liabilities	151,976	18,484	170,460
Shares refundable on demand	-	-	-
Other liabilities	289,656	-	289,656
Liabilities included in disposal groups classified as held for sale	702,029	-	702,029
TOTAL LIABILITIES	71,635,419	16,083	71,651,502

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EQUITY	(Thousands of euro)		
	31.12.2022 IFRS 4	Measurement of insurance contracts	31.12.2022 IFRS 17
Shareholders' Equity	4,793,972	(43,749)	4,750,223
Capital	2,476,209	-	2,476,209
Share premium	208,791	-	208,791
Retained earnings	2,084,223	-	2,084,223
Other reserves	(113,239)	(46,188)	(159,427)
Treasury shares	(20,404)	-	(20,404)
Profit attributable to the owners of the parent	215,013	2,439	217,452
Interim dividends	(56,621)	-	(56,621)
Accumulated other comprehensive income	(374,589)	45,078	(329,511)
Minority interests (non-controlling interests)	(4,030)	-	(4,030)
TOTAL LIABILITIES	4,415,353	1,329	4,416,682

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STATEMENT OF PROFIT AND LOSS	(Thousands of euro)		
	31.12.2022 IFRS 4	Measurement of insurance contracts	31.12.2022 IFRS 17
Interest income	946,604	-	946,604
Interest expense	(176,876)	4,889	(181,765)
Expenses relating to shares refundable on demand	-	-	-
Net interest income	769,728	(4,889)	764,839
Dividend income	6,682	-	6,682
Share of profit and loss of equity-accounted investees	-	-	-
Fee and commission income	(3,045)	-	(3,045)
Fee and commission expense	335,595	-	335,595
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit and loss, net	(53,873)	2,594	(51,279)
Gains or (-) losses on financial assets and liabilities held for trading, net	47,809	-	47,809
Gains or (-) losses on non-trading financial assets mandatorily measured at fair value through profit and loss, net	14,896	-	14,896
Gains or (-) losses on financial assets and liabilities designated at fair value through profit and loss, net	(18,923)	-	(18,923)
Gains or (-) losses from hedge accounting, net	-	-	-
Exchange differences [gains or (-) losses], net	(11,525)	-	(11,525)
Other operating income	(183)	-	(183)
Income from assets covered by insurance or reinsurance contracts	112,402	-	112,402
Expenses from liabilities covered by insurance or reinsurance contracts	524,278	(440,727)	83,551
Administrative expenses	(470,728)	438,298	(32,430)
Depreciation and amortisation	(664,240)	8,153	(656,087)
Gains or (-) losses on derecognition of non-financial assets, net	(89,890)	55	(89,835)
Gains or (-) losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	3,489	-	3,489
Profit or (-) loss before tax from continuing operations	8,518	-	8,518
Income tax expense/(income) on profit and loss from continuing operations	311,590	3,484	315,074
Profit or (-) loss after tax from continuing operations	(35,987)	(1,045)	(37,032)
PROFIT FOR THE PERIOD	275,603	2,439	278,042
Attributable to minority interests (non-controlling interests)	215,013	2,439	219,391
Attributable to the owners of the parent	1,939	-	1,939
	215,013	2,439	217,452

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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 2023 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).

Although the above-mentioned estimates were based on the best information available on the events analysed at the end of 2023, considering the uncertainties arising from the current economic context, 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 2023 and 2022, the Group 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, excluding the subsidiaries and associates listed in Annex I, it does not hold any investments in credit institutions that exceed 5% of their capital or voting rights at the 2023 and 2022 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 3/2008 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.

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

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

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

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Dated 31 October 2023, Banco de España issued Circular 03/2023 amending Circular 02/2016, with a double objective. On the one hand, adaptation to changes in Law 10/2014 to include the prohibition for credit institutions based in States not member of the European Union providing services without a branch in Spain to collect customers deposits or other repayable funds. On the other hand, this Circular revises the obligations to report remunerations to Banco de España for both credit institutions and specialised financial credit institutions.

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

The minimum capital requirements are calculated based on the Bank'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 Bank 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%.

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 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.

In the last quarter of 2023, the ECB announced its decision regarding minimum prudential capital requirements applicable from 1 January 2024 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. 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.

The current ratios of ABANCA Corporación Bancaria, S.A. are well above the ECB regulatory requirements.

As at 31 December 2023 the Bank has a CET1 surplus of €1,513,305 thousand and its Total Capital exceeds the ECB minimum requirements by €1,497,805 thousand (€1,414,372 thousand and €1,268,899 thousand, respectively, as at 31 December 2022); in accordance with the requirement, all figures are measured on a consolidated basis.

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As at 31 December 2023, CET1 Ratio (Common Equity Tier 1) stands at 12.60% (12.48% as at 31 December 2022), while the Group's Total Capital Ratio under Regulation EU 575/2013 stands at 16.93% of risk weighted assets (16.41% as at 31 December 2022). As at 31 December 2023 the Group has a CET1 surplus of €1,513,305 thousand and its Total Capital exceeds the ECB minimum requirements by €1,497,805 thousand (€1,414,372 thousand and €1,268,899 thousand, respectively, as at 31 December 2022). With respect to article 92 of Regulation (EU) No. 575/2013, the Group has a CET1 surplus of €2,740,005 thousand, while its Total Capital exceeds minimum regulatory requirements by €3,020,605 thousand (€2,591,336 thousand and €2,729,957 thousand, respectively, as at 31 December 2021) (see Note 27).

1.7.2. Minimum reserves ratio

As at 31 December 2023, as well as throughout 2023, ABANCA Group complied with the minimum ratio requirements of Regulation (EU) 2021/378 of the European Central Bank, of 22 January 2021.

1.7.3. Minimum requirement for own funds and eligible liabilities ("MREL")

In compliance with the provisions of section 44 of Act 11/2015 on the recovery and resolution of credit institutions and investment firms, the preventive resolution authority will fix, upon prior reports from FROB and the competent supervisory body, the requirement of own funds and eligible liabilities applicable to each institution.

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 December 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 2024. The final MREL requirement, to be met by ABANCA Corporación Bancaria, S.A. on a consolidated basis no later than 1 January 2024, is 18.98% TREA and 5.21% 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 the forecasts and with the financing plan included in ABANCA strategic plan.

	% TREA	% LRE
1 January 2024 requirement	18.98%	5.21%
1 January 2022 requirement	14.77%	5.19%

Excluding capital allocated to meet the Combined Buffer Requirement (2.5% TREA)

Given the structure of own funds and eligible liabilities of the resolution group, as at 31 December 2023 MREL requirement as % on TREA was 22.84%, whereas MREL requirement as % on LRE was 10.42%.

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 2023 and 2022 totalled €65,925 thousand and €60,290 thousand,

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respectively, and are recognised under "Other operating expenses" in the accompanying consolidated statements of profit and loss (see Note 41).

Pursuant to the new regulation, in 2023 an amount of €34,006 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 (€29,192 thousand in 2022) (See Note 41).

1.9. Events after the reporting period

Between 31 December 2023 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:

	2023	2022
	Days	Days
Average supplier payment period	19.86	18.04
Ratio of transactions paid	19.56	17.72
Ratio of transactions outstanding	27.59	85.95
	Amount (Thousands of euro)	Amount (Thousands of euro)
Total payments made	276,421	243,569
Total payments outstanding	4,481	1,161

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

Monetary volume paid in euros (thousands of euro)	267,768	237,609
Percentage on total monetary amount of payments to suppliers	98.40%	97.55%
Number of invoices paid	20,402	21,869
Percentage on total number of invoices paid to suppliers	97.92%	98.11%

(*) In accordance with Second Transitional Provision of Law 15/2010, of 5 July, containing the measures to combat late payment in commercial transactions, the default maximum time period for payments between companies is 30 calendar days, this period may be extended to a maximum of 60 calendar days subject to both parties' agreement.

1.11. Macroeconomic, financial, regulatory and geopolitical environment

Macroeconomic environment

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Global economic activity remained resilient in 2023, despite the number of geopolitical tensions, the still high inflation levels and the restrictive monetary policies implemented by major central banks. In this context, global GDP growth has been estimated at 3.1% for the year as whole, four tenths of a point less than the preceding year, with a high degree of variability between regions and countries.

In the eurozone, European economy showed a sluggish performance and eluded technical recession with a flat last quarter to close the year with an average growth of 0.5%. Among major European countries, Germany's performance is particularly noteworthy, with a GDP drop of 0.1% in 2023 as a whole, still affected by the weakness of its industrial sector.

Despite the complex international context, Spanish economy has performed better than expected, achieving a 2.5% growth in 2023 compared to the 1% growth forecast early in the year. This better-than-expected performance has been based on the gradual containment of inflation, labour market dynamism and positive developments in the service sector and, particularly, in tourism. Additionally, accumulated savings have helped sustain private consumption and mitigate the impact from interest rate rises.

Inflation decreased strongly during the first half-year, with a general inflation rate reaching a minimum of 1.9% in June. During the second half-year, inflation rebounded, mainly driven by the base effect of energy prices, and closed the year at 3.1%. Meanwhile, core inflation, which excludes the cost of non-processed food and energy products, has moderated gradually, standing at 3.8% by the end of the year.

The labour market continued to expand, with the number of employed persons increasing by 783,000 people in the year as a whole (+3.8%). At the end of the year, unemployment stood at 11.8%, a 1.1 percentage points decrease compared to the preceding year.

On average, Galician economy grew by 1.9% year-on-year until the third quarter of 2023, driven by a remarkable dynamism from the service sector. At the end of the year, unemployment rate stood at 9.2%, a 1.5 percentage points decrease, and standing 2.6 p.p. lower than the national average.

Regulatory financial environment

The European Central Bank continued tightening its monetary policy with a string of consecutive rises in its key interest rates until September 2023. The interest rate on main refinancing operations stands at 4.50%, which represents an aggregate raise of 450 b.p. since July 2022. The European monetary authority considers that the key ECB interest rates have reached levels that, maintained for a sufficiently long duration, will make a substantial contribution to the timely return of inflation to the target. Accordingly, since then and up to January 2024, interest rates have remained unchanged.

In this context, public debt yields remained on an upward trend until autumn and registered strong declines during the last months of the year, along with the consolidation of expectations of lower interest rates in 2024. In particular, the yield of the Spanish 10-year bond exceeded 4% in October, to close the year at 3.00% compared to 3.65% by the end of 2022. For its part, German Bund's IRR closed 2023 at 2.03%, compared to 2.56% in December 2022, almost reaching 3% in October. With that, the risk premium closed the year at 97 basis points, with a reduction of 12 basis points in 2023.

- In the interbank market, the 12m Euribor also showed an upward trend until the end of September, when it reached its year-high level at 4.23%. During the last quarter of the year, it started a downward trend and closed the year at 3.51%, compared to 3.29% at the end of 2022. For its part, in the currency market, the euro has risen by 3.6% against the North American currency, reaching 1.11 dollars.

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- In 2023, retail credit in Spain contracted by 3.3%. The reduction in balances was due both to loans to companies (-4.4%) and consumer loans (-2.5%). In 2023, new retail lending decreased by 7.0% year on year, with reductions in home loans (-18.6%) and loans to companies (-7.3%), while consumer loans increased by 7.6%.
- In 2023, individual customers' funds contracted with the industry in Spain decreased by 0.4%. Conversely, investment funds assets increased by 13.6% during the year, driving retail customers acquisition up by 2.9%.

Geopolitical environment

The COVID-19 pandemic that began in March 2020 adversely affected global economy and, in particular, business and economic conditions in Spain and in the areas where the Entity operates. Subsequently, the war between Russia and Ukraine broke out early in 2022, which continues nowadays, and is still impacting global economy, as it has caused significant inflationary pressures resulting in a macroeconomic scenario of uncertainty and which has led governments to implement public support measures and plans for the affected sectors, intended to mitigate the impacts arising from the conflict.

Dated 23 March 2022, the European Commission approved a temporary framework concerning public aid measures intended to support the economy following Russia's aggression against Ukraine. Said framework was implemented in Spain by Royal Decree-Law 6/2022. The Resolutions of the Council of Ministers of 10 May 2022 and 27 December 2022 released the first two tranches of a guarantee line, for a total amount of €5,500 million. Dated 12 December 2023, the State Official Gazette published the Resolution of the Council of Ministers of 5 December 2023 establishing the terms and conditions for the third tranche, amounting to €4,500 million, of the guarantee line for financing granted to companies and self-employed workers. Among other changes, the threshold for guaranteed loans was increased from €2 million to €2.25 million, and the time period from applying to the relevant guarantee line was extended until 1 June 2024. The above-mentioned changes will be submitted to the European Commission for authorisation, and application thereof is subject to express authorisation from the European Commission.

Additionally, the Council of Ministers adopted on 27 December 2023 the Royal Decree-Law extending certain measures intended to address the economic and social consequences arising from the conflicts in Ukraine and the Middle East and including other relevant initiatives.

This Royal Decree-Law approves several measures to strengthen financial inclusion of elderly or disabled people, for whom fees on cash withdrawals at counters are removed, and enlarge the preventive framework for the relief of mortgagors at risk of vulnerability.

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2. Accounting policies and measurement criteria applied

The Group has prepared the accompanying consolidated financial statements for 2023 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.

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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".

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 and loss for the period is also separately recognised under "Profit for the period 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 2023 and 2022.

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 2023

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. This operation has been completed on 6 October 2023, the date when control over the entity has been acquired, following the administrative authorisations being granted by the appropriate supervisors. Technological integration of Targobank will take place during 2024. Following this purchase, in addition to Targobank, S.A., two new companies are included in the scope of consolidation: Cemcie Servicios España, S.A.U. and Targoinmuebles, S.A.U. (both wholly owned subsidiaries).

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 (see note 1.1).

Dated 30 October 2023, the Board of Directors of the Company and the members of ABANCA Corporación Industrial y Empresarial, S.L.U. approved the Common Draft Terms of Merger of ABANCA Corporación Bancaria, S.A. and ABANCA Corporación Industrial y Empresarial, S.L.U. In this operation, the Entity acted as "Absorbing Company" and ABANCA Corporación Industrial y Empresarial, S.L.U. acted as "Absorbed Company". This operation involved the dissolution without going into liquidation of the Absorbed Company and the en bloc transfer of its assets and liabilities to the Absorbing Company, which assumes as universal successor all assets and liabilities for rights and obligations of the Acquired Company (see Note 2.21).

Additionally, during the reporting period the companies Dunas Renergy S.C.R., S.A., a wholly-owned subsidiary with a share capital of €1,200,000 and shares re partly paid in a 25%; and GEN, Salud y Sostenibilidad, S.A. (currently named B100. The Healthy Project S.A.), wholly owned subsidiary with a fully paid share capital of €60.000.

Once the applicable authorisations were obtained, in February 2023, Bankoa Gestión, S.A., S.G.I.I.C. (acquired company) and Imantia Capital, S.G.I.I.C., S.A. (acquired in the financial year 2022 by ABANCA, acquiring company) were merged by acquisition into a single company that has been renamed ABANCA Gestión de Activos, S.A., S.G.I.I.C. The company created by the merger commences its operations with 152,000 customers, managing investment funds with €3,800 million in aggregate assets, and marketing third-party international funds amounting to €3,800 million.

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 5 and 13). 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 Figrupeo Marinas, S.L., and sale of the 25.06% interest in Olazabal y Huarte, S.A.

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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 acquired 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.

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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 recorded in 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.

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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.

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.

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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 or 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.

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Classification and measurement of financial liabilities-

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

Subsequently to initial recognition thereof, these liabilities are measured at fair value, and any changes in the value thereof (gains or losses) are recognised net under "Gains or losses on financial assets and liabilities held for trading, net" and under "Gains or losses on financial assets and liabilities designated at fair value through profit 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 2023 and 2022 is as follows:

Market value based on	Percentage			
	2023		2022	
	Assets	Assets	Assets	Liabilities
Quoted price in active markets	70.06%	-	59.99%	-
Internal measurement models based on observable market data	27.47%	100.00%	37.83%	99.81%
Internal measurement models not based on observable market data	2.48%	-	2.18%	0.19%

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As at the end of 2023 and 2022, the breakdown of financial instruments by valuation technique, is as follows:

	Thousands of euro							
	2023				2022			
	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)	-	337,173	-	337,173	-	469,086	1,833	470,919
Non-trading financial assets mandatorily at fair value through profit and loss (assets)	69,808	35,506	84,134	189,448	184,070	-	75,459	259,529
Financial assets designated at fair value through profit and loss (assets)	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income (assets)	2,311,728	-	8	2,311,736	1,940,905	-	-	1,940,905
Derivatives - hedge accounting (assets)	-	560,974	-	560,974	-	870,890	-	870,890
Financial liabilities held for trading (liabilities)	-	338,851	-	338,851	-	459,665	1,838	461,503
Financial liabilities designated at fair value through profit and loss (liabilities)	-	54,512	-	54,512	-	-	-	-
Derivatives - hedge accounting (liabilities)	-	419,723	-	419,723	-	523,249	-	523,249

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

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

2.3.6. Offsetting of financial instruments

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

2.4. Hedge accounting and risk mitigation

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

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

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

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

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

1. Fair value hedges: these cover exposure to changes in fair value of financial assets and financial liabilities or unrecognised firm commitments, or an identified portion of these assets, liabilities or firm commitments, attributable to a particular risk, provided that these changes could affect the consolidated statement of profit and loss.
2. Cash flow hedges: hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a financial asset or liability or to a highly probable forecast transaction, provided that it could affect the consolidated statement of profit and loss.

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

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

In the latter case, changes in value of the hedging instruments are not recognised in profit 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.

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

When, in accordance with the preceding paragraph, fair value hedging is discontinued, adjustments to the value of hedged items measured at amortised cost resulting from the aforementioned hedge accounting are 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 2023 and 2022, 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 2023 -

	Equivalent value in Thousands of euro	
	Assets	Liabilities
Balances in US dollars:		
Cash, cash balances with central banks and other demand deposits	70,289	-
Financial assets held for trading	29,195	-
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	2,198,527	-
Other assets	14,402	-
Non-current assets and disposal groups classified as held for sale	4,164	-
Financial liabilities held for trading	-	28,482
Financial liabilities at amortised cost	-	1,645,948
Provisions	-	972
Other liabilities	-	18,045
	2,316,577	1,693,447
Balances in other currencies:		
Cash, cash balances with central banks and other demand deposits	124,082	-
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	10,062	-
Financial assets at amortised cost	516,694	-
Non-current assets and disposal groups classified as held for sale	708	-
Other assets	8,190	-
Financial liabilities held for trading	-	-
Financial liabilities at amortised cost	-	172,281
Provisions	-	150
Other liabilities	-	646
	659,736	173,077
Total foreign currency balances	2,976,313	1,866,524

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	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	-
Other assets	3,351	-
Non-current assets and disposal groups classified as held for sale	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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2.5.2. Translation of foreign currency balances

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

Additionally:

1. Non-monetary items measured at historical cost are translated to the functional currency at the exchange rate of the date of acquisition.
2. Non-monetary items measured at fair value are translated to the functional currency at the exchange rate at the date when fair value was determined.
3. Income and expenses are translated at the exchange rate at the transaction date. An average exchange rate may be used for all the transactions carried out in a particular period.
4. Forward foreign currency transactions involving only foreign currencies or involving Euros and foreign currencies, and which are not hedges, are translated at the year-end exchange rates applicable for their expiry date, as quoted in currency future markets.

2.5.3. Recognition of exchange differences

Exchange differences arising from the translation of foreign currency balances into the functional currency of consolidated entities and their branches are generally recognised at their net amount under "Exchange differences, net" in the consolidated statement of profit and loss, except exchange differences deriving from financial instruments at fair value through profit 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.

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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 and 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.

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- 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 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

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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

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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.
- 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.

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.

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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.

The definition of default applied in the Group for the purposes of calculating impairment allowances models is based on the definition included in article 178 of European Union Regulation 575/2013 (CRR), which is fully aligned with IFRS 9 requirements, and which states that a default shall be considered to have occurred with regard to a particular obligor/contract when either or both of the following circumstances have taken place: the institution considers that the obligor is unlikely to pay its credit obligations to the institution in full, or the obligor/contract is past due more than 90 consecutive days on any material credit obligation.

Abanca has aligned the calculation of impairment allowances models to the New Definition of default to include the criteria established in EBA Guidelines on the application of the definition of default. The alignment of criteria was performed taking into account IFRS 9 criteria.

Significant increase in credit risk

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

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

- Quantitative component: identification of any increase in the current expected probability of default over the lifetime of the transaction, from the origination date to the assessment date.
- Qualitative component: the Group's indicators for the identification of significant increases in credit risk include changes in internal policies for credit risk monitoring at customer level using rating or scoring systems or macroeconomic scenarios.

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

- Payment past due over 30 days: Pursuant to IFRS 9, payment past due for over 30 days is a rebuttable presumption where the entity considers, based on reasonable and supportable information, that credit risk has not increased significantly even though payments are more than 30 days past due.
- Special monitoring: Special monitoring includes financial instruments that have had a significant increase in credit risk since initial recognition but that do not present a default event.
- Refinancing and restructuring transactions without evidence of being impaired.

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

Measurement of expected loss methodology

Under IFRS 9 and other financial reporting requirements applicable to the Group, measurement of expected losses shall reflect:

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

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

IFRS 9 and other financial reporting requirements applicable to the Group require, 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.

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 Group 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.

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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 is 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 Credit Conversion Factor (CCF) and Prepayments parameters.

LGD: this is 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 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.

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

- **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 (84.20%).
- p_{Adv} is the probability of occurrence of the adverse scenario (7.10%).
- $p_{Opt.}$ is the probability of occurrence of the best-case scenario (8.70%).

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

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	Average of the first 3 years in the projection		
	GDP	Unemployment	House price
Baseline scenario	1.94	11.38	2.41
Adverse scenario	(0.20)	13.20	(0.30)
Best-case scenario	3.10	10.80	3.40

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 2023 additional temporary allowances for expected losses arising from credit risk models have been recognised to reflect different aspects associated, mainly, with the macroeconomic environment of rising interest rates and inflation; those allowances amount to €27.1 million. As at 31 December 2022, additional adjustment to expected losses recognised by the Bank amounted to €42.6 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.

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.

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- 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.

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, 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".

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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 2023, the Group has recognised right-of-use assets amounting to €74,331 thousand (See Note 14) and lease liabilities amounting to €73,414 thousand (See Note 22) (€44,426 and €46,575 thousand, respectively, in 2022).

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2.12.1. Finance leases

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

- a) By the end of the lease term ownership of the leased asset is transferred, or when the contractual terms imply that ownership of the leased asset will be transferred, to the lessee; or when the lessee has the option to purchase the asset at a price that is sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised.
- b) At the inception of the lease, the present value of the lease payments, excluding any contingent for services and taxes, amounts to at least substantially all of the fair value of the leased asset.
- c) The lease term is for a major part of the economic life of the asset even if the title is not transferred to the lessee.
- d) The leased asset is of such a specialised nature that only the lessee can use it without major modifications.
- e) The lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee.
- f) Gains or losses from the fluctuation in the fair value of the residual accrue are borne by the lessee.
- g) The lessee can extend the lease contract at a rent that is substantially lower than market rent.

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

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

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

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

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

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

2.12.2. Operating leases

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

Lessors shall present assets subject to operating leases in their balance sheet according to the nature of the asset.

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

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

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

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

2.13. Personnel expenses

2.13.1. Post-employment benefits

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

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

Defined contribution plans-

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

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

Defined benefit plans-

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

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

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

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

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

2.13.2. Other long-term employee benefits

2.13.2.1. Early retirement and partial retirement

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

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

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

As at 31 December 2023, the Group has no amount recognised in this respect (no amount was recognised in this respect in 2022) (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 2023 totalled €50,372 thousand (€61,222 thousand as at 31 December 2022), 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.,

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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 2023, 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 to established in the tax regulations are met, considering their application in future periods probable.

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

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

Notwithstanding the general rule, in 2023 and 2022 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:

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1. It is considered probable that the Group will obtain sufficient taxable profit in the future against which the deferred tax assets may be offset; and
2. They result from identifiable causes, which in the case of deferred tax assets derived from tax loss carryforwards, are unlikely to recur.

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

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

To this end, as at 31 December 2023 and 2022, 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 2023 and 2022.

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.

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2.15. Tangible assets

2.15.1. Property, plant and equipment for own use

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

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

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

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

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

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

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

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

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

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

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

2.15.2. Investment property

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

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

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

2.16. Intangible assets

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

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

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

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

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

2.16.1. Goodwill

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

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

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

- i. Represent the lowest level within the entity at which the goodwill is monitored for internal management purposes.
- ii. Not be larger than a business segment.

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

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

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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:

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- Framework; development of certain questionnaires for the allocation of each software's useful life.
- Expert opinion; validation of questionnaires and useful lives by the external consultant.
- Benchmark; useful life calibration by comparing with other industry actors, market amortisation practices and breakdown of assets' ages by categories.

As a result of this analysis, in 2019 the Bank modified the amortisation rates of these intangible assets; pursuant to the prevailing legislation, this change was prospectively applied and is considered a change in accounting estimates. Following the above-mentioned analysis, the Group considered that the useful lives of these assets should be increased from 4 to 11 years.

"Other intangible assets" basically include intangible assets generated by the acquisition of ABANCA Vida y Pensiones and ABANCA II Vida y Pensiones (companies currently merged in the downstream merger of ABANCA Holding Financiero, S.A.), as well as those generated in the business combinations arising from the purchase of Deutsche Bank's Private & Commercial Business ('PCB') Portugal, Banco Caixa Geral, S.A., Bankoa, S.A., Novo Banco, S.A. and Targobank, S.A.U. (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.

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

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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:

Liability for remaining coverage -

IFRS 17 defines liability for remaining coverage as an entity's obligation to:

- a) investigate and pay valid claims under existing insurance contracts for insured events that have not yet occurred (i.e., the obligation that relates to the unexpired portion of the insurance coverage); and
- b) pay amounts under existing insurance contracts that are not included in a) and that relate to:
 - i) insurance contract services not yet provided (i.e., the obligations that relate to future provision of insurance contract services); or
 - ii) any investment components or other amounts that are not related to the provision of insurance contract services and that have not been transferred to the liability for incurred claims.

The liability for remaining coverage may be measured using the General Model or, in the case of insurance contracts with direct participation features, using the Variable Fee Approach. Under both approaches, the liability for remaining coverage will comprise:

- a) Fulfilment cash flows, which comprise:
 - i) estimates of future cash flows within the boundary of each insurance contract arising 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.
 - ii) an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows, and
 - iii) a risk adjustment for non-financial risk: An entity shall adjust the estimate of the present value of the future cash flows to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk.
- b) The contractual service margin, which represents the unearned profit the entity will recognise as it provides insurance contract services in the future.

Additionally, IFRS 17 also offers a simplified approach for those products where the coverage period is one year or less or for those products where there is evidence that measurement under the general model does not significantly differ from measurement under the simplified approach. In this case, the liability for remaining coverage is measured as:

- i) The carrying amount of the liability at the start of the reporting period

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- ii) plus the premiums received in the period,
- iii) minus insurance acquisition cash flows; unless the entity chooses to recognise the payments as an expense,
- iv) plus any amounts relating to the amortisation of insurance acquisition cash flows recognised as an expense in the reporting period; unless the entity chooses to recognise insurance acquisition cash flows as an expense;
- v) plus any adjustment to a financing component (if any),
- vi) minus the amount recognised as insurance revenue for services provided in that period, and
- vii) minus any investment component paid or transferred to the liability for incurred claims.

The liability for remaining coverage also applies to reinsurance contracts, although in this case the Variable Fee Approach may not be applied to contracts with direct participation features.

Liability for incurred claims -

IFRS 17 defines liability for incurred claims as an entity's obligation to:

- a) investigate and pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported, and other incurred insurance expenses; and
- b) pay amounts that are not included in a) and that relate to:
 - i) insurance contract services that have already been provided; or
 - ii) any investment components or other amounts that are not related to the provision of insurance contract services and that are not in the liability for remaining coverage.

The liability for incurred claims, comprising the fulfilment cash flows related to past service allocated to the group at that date, measured applying always the General Model. The liability for incurred claims will comprise:

- a) estimates of future cash flows,
- b) an adjustment to reflect the time value of money and the financial risks related to the future cash flows
- c) a risk adjustment for non-financial risk.

The liability for incurred claims is similarly applied to reinsurance contracts.

Significant judgement in applying IFRS 17

1. *Methods used for measurement of insurance contracts:*

On initial recognition, Abanca Group measures groups of insurance 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 estimate) and for the compensation required for bearing the

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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.

Subsequent to initial recognition, the carrying amount of a group of insurance contracts will be the sum of the liability for remaining coverage, comprising the fulfilment cash flows related to future service and the contractual service margin, and the liability for incurred claims.

For the portfolio of insurance contracts included within the scope of IFRS 17, the Group has applied the following criteria to determine the measurement approach:

General measurement model (GMM)

The general measurement model 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 Premium Allocation Approach will be applied to insurance contracts meeting any of the following conditions:

- 1) The coverage period is one year or less.
- 2) 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.

2. Determination of the risk adjustment for non-financial risk

The risk adjustment reflects the compensation that the entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk. Under IFRS 17, the risk adjustment is an explicit amount and is conceptually separate from the estimates of future cash flows.

Measurement of the risk adjustment for non-financial risk related to the liability for remaining coverage in Life portfolios

The Group measures the risk adjustment using the Cost of Capital (CoC) method. Starting from the approach defined in Solvency II for measurement of Risk Margin, measurement has been adapted to IFRS 17 requirements. In this sense, only life underwriting risk is considered and the discount curves used under said regulation.

To determine the confidence level, a VaR approach will be used, assuming that the insurance contract liability is distributed following a normal distribution. In this case, an 80% percentile has been applied to risk adjustment; this percentile would represent ca. 4% Cost of Capital.

Measurement of the risk adjustment for non-financial risk related to the liability for incurred claims in Non-Life portfolios

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For measurement of the risk adjustment related to the liability for incurred claims in Non-Life portfolios, the Group applies the same approach currently applied under Solvency II. Accordingly, the Group will measure the risk adjustment as a 12% of the best estimate of future cash flows.

Disaggregation of changes in the risk adjustment for non-financial risk

The Group has elected to disaggregate changes in the risk adjustment between the insurance service component and the financial component.

3. Determination of discount rates

The method used to derive discount curves is, mainly, the "top down" approach, starting from a reference portfolio by projecting the cash flows of the investments in a risk-neutral environment. This allows the entity to continuously ensure the convergence between the Internal Rate of Return (hereinafter, "IRR") of the asset portfolio and the IRR of a reference portfolio discounted using EIOPA (European Insurance and Occupational Pensions Authority) fundamental credit spread.

To this end, two models for deriving discount rates have been adopted, considering whether asset portfolios are affected:

- Insurance portfolios where liability cash flows depend from the return projected for the affected reference portfolio or for immunised management portfolios. The methodological approach applied to these portfolios is a "top down" approach, allowing to eliminate credit risk spread using EIOPA fundamental credit risk.
- Insurance portfolios with asset-liability mismatch, for which the discount curve has been defined using a "bottom-up" approach, by adding the volatility adjustment to each period or maturity of the risk-free curve (the entity has adopted the €STR OIS curve).

The curves applied in 2023 and 2022 to cash flows that do not vary based on the return of the assets are as follows:

	BBA method		VFA method	
	2023	2022	2023	2022
1 year	3.69%	3.74%	3.20%	3.09%
5 years	2.67%	3.57%	2.18%	2.93%
10 years	2.77%	3.56%	2.28%	2.92%
20 years	2.90%	3.41%	2.41%	2.76%
30 years	2.77%	3.09%	2.28%	2.45%

4. Determination of investment components

The investment component relates 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 the existence of non-distinct investment components in certain insurance contracts included within the scope of IFRS 17, in particular:

- 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.

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- 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.

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5. *Disaggregation of insurance finance income or expenses*

For all insurance contracts included within the scope of IFRS 17, excluding Unit Linked products, the Group has elected to disaggregate insurance finance income or expenses between the amounts presented in profit and loss and the amounts presented in other comprehensive income. In particular:

- For insurance contracts without direct participation features, the initial recognition rate or locked-in rate has been used to allocate insurance finance income or expenses to profit and loss. Any change in insurance finance income or expenses arising from the use of a current or market rate will be allocated to other comprehensive income from insurance contracts. The approach is used with Risk Life and Annuities contracts.
- For indirect participation insurance contracts, insurance finance income or expenses are systematically recognised using the projected crediting rate approach. Under this approach, a crediting rate based on the weighting of the return allocated to the policyholder is derived to obtain the result to be recognised in profit and loss. The approach is used with Savings contracts.

6. *Application of the premium allocation approach*

Criteria for application of the premium allocation approach

For each product type, the Group has assessed in which cases the criteria of paragraphs 53 to 69 of IFRS 17 for application of the premium allocation approach are met, and has reached the following conclusions:

- In Accidents, Cards, Collective Risk and Modular Life Risk products, the entity has the ability to oppose the extension of the contracts or to revise fees and reassess risks every year. Accordingly, the contractual term is less than one year and the premium allocation approach is applied.
- In Life Risk products with periodic premium (stand alone or linked), the entity has verified the absence of any significant difference between the liability measured under the general model and the liability measure under the premium allocation approach, as well as the absence of any significant variability in fulfilment cash flows. Consequently, the premium allocation approach is applied.

Significant financing component

In the calculation of liabilities for products measured under this approach, the adjustment for the time value of money and the effect of financial risk has not been applied.

Recognition of acquisition cash flows

With regards to recognition of acquisition cash flows, the entity has chosen to recognise acquisition cash flows in profit and loss when it incurs those costs, except for certain products with commercial discounts on premiums, for which the entity has chosen to differ recognition in profit and loss.

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7. Main risks

The main risks to which the Company is exposed are the so-called underwriting risk (the risk of policies not being renewed) and market risk (the risk of a reduction in the value of investments).

To control those risks, the Company has implemented a risk management framework, embodied in a number of Policies ranging from Risk Management (general) to more specific policies (investment, liquidity, operational, etc.) that are mandatory for managers.

Additionally, the Company performs, at least every year, a risk and solvency assessment using both a baseline scenario and other scenarios simulating stress situations. The Company meets all regulatory requirements in the projected horizon.

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 2023. 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:

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

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 or 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.

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.

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2.24. Other information

In November 2023, ABANCA has approved the agreed the purchase of 100% of capital of Banco Bic Português, S.A. "EuroBic" with the shareholders of the Portuguese entity. The purchase agreement, reached after completion of the appropriate due diligence, is subject, as usual in this kind of operations, to authorisation by the competent authorities. The Bank of Portugal has been supporting the transaction and has been informed in detail about the terms and conditions thereof.

With this operation, ABANCA triples its presence in Portugal and becomes one of the leading banks in the country, with a business volume of circa €18,500 million, 249 points of sale and over 300,000 customers.

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

The proposed distribution of the Bank's profit for 2023 to be submitted by the Board of Directors for approval in the Annual General Meeting of shareholders, and the distribution of profit for 2022 approved in the Annual General Meeting of shareholders held on 26 June 2023, are as follows:

	Thousands of euro	
	2023	2022
Voluntary reserves	333,443	180,027
Dividends	136,474	86,005
	469,917	266,032

As part of its strategy to maintain sound capitalisation levels, the Group has decided to reduce the percentage of profit allocated to dividends (pay-out) from 40% to 25% in 2023 in order to strengthen its solvency and to absorb the impact of corporate transactions without tensions, keeping an adequate growth potential.

In 2023 and up to the date of authorisation for issue of these consolidated financial statements, the Board of Directors has approved interim dividends amounting to €136,474 thousand, without exceeding the distributable amount of profits, after deducting 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 2023 is as follows:

In accordance with the minutes of the meeting of the Board of Directors of the Bank held on 29 January 2024, an interim dividend for 2023 amounting to €29,334 thousand was distributed to the shareholders and paid on 2 February 2024.

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 01/01/2023 and 31/12/2023	469,917
Interim dividends for 2023 already paid	107,140
Interim dividend proposed on 29 January 2024	29,334

In accordance with the minutes of the meeting of the Board of Directors of the Bank held on 30 October 2023, an interim dividend for 2023 amounting to €37,761 thousand was distributed to the shareholders and paid on 3 November 2023.

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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 01/01/2023 and 30/09/2023	426,227
Interim dividends for 2023 already paid	69,379
Interim dividend proposed on 30 October 2023	37,761

In accordance with the minutes of the meeting of the Board of Directors of the Bank held on 28 July 2023, an interim dividend for 2023 amounting to €43,078 thousand was distributed to the shareholders and paid on 3 August 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 01/01/2023 and 30/06/2023	244,662
Interim dividends for 2023 already paid	26,301
Interim dividend proposed on 28 July 2023	43,078

In accordance with the minutes of the meeting of the Board of Directors of the Bank held on 28 April 2023, an interim dividend for 2023 amounting to €26,301 thousand was distributed to the shareholders and paid on 4 May 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 01/01/2023 and 31/03/2023	100,294
Interim dividends for 2023 already paid	-
Interim dividend proposed on 28 April 2023	26,301

The breakdown of interim dividends for the year 2022 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 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:

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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.

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

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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 2023 and 2022:

	Thousands of euro	
	2023	2022
Mr. Juan Carlos Escotet Rodríguez	275	265
Ms. Ana da Cunha Barros	201	191
Ms. Carina Szpilka Lázaro	228	222
Ms. Leticia Iglesias Herraiz	250	246
Mr. Eduardo Eraña Guerra	225	215
Mr. José García Montalvo	275	273
Mr. José Ramón Rodrigo Zarza	285	277
Mr. Pedro Raúl López Jácome	300	300
Mr. Manuel López Figueroa	211	197
Ms. Rosa María Sánchez-Yebra Alonso	201	191
José Manuel González Páramo Martínez Murillo (*)	201	65
	2,652	2,442

(*) 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 2023, in accordance with the contract signed entered into by him and the Bank, amounted to €2,800 thousand (€2,800 thousand in 2022), of which €1,400 thousand relate to the variable remuneration for 2022 (€1,400 thousand in 2022 relating to the variable remuneration for 2021), including both the portion effectively settled in 2023 (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 2023 and 2022, no remuneration in kind was paid by the Bank.

Upon approval of the relevant resolutions by the General Meeting of Shareholders and by the Board of Directors, a "Long-Term Incentive 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 €73 thousand (€69 thousand in 2022). In 2023, life and disability insurance premiums amounted to €160 thousand (€97 thousand in 2022).

As at 31 December 2023, the aggregate amount of his vested rights and mathematical provisions totalled €615 thousand (€469 thousand as at 31 December 2022), 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.

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4.2. Remuneration of Senior Management

When preparing these annual financial statements, 14 individuals were considered Senior Management personnel in 2023 (14 individuals in 2022). 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 team, as defined above, totalled €5,612 thousand in 2023 (€5,583 thousand in 2022). These amounts include total remuneration (fixed, monetary and in-kind) and variable remuneration, the latter comprising the amounts effectively paid during 2023 (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 2023, the average remuneration paid to the Group's Senior Management has amounted to €401 thousand (€398 thousand in 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 €3,203 thousand was established in favour of Senior Management personnel (as at the end of 2023) 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).

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 as at the end of 2023, with regard to rights for past services, totalled €1,263 thousand in 2023 (€1,822 thousand in 2022).

In 2023, contributions were made for savings or retirement schemes, either to pension plans or to supplementary insurance taken out for Senior Management personnel, amounting to €66 thousand (€60.8 thousand in 2022). Additionally, in 2023 contributions were made for risk contingencies (death and disability) amounting to €35 thousand (€36.2 thousand in 2022).

The life insurance premiums paid for Senior Management personnel (other than pension commitments) totalled €50 thousand in 2023 (€28.2 thousand in 2022), with an insured sum of €300 thousand per person (€300 thousand in 2022).

4.4. Senior Management indemnity clauses

In 2023, no termination benefits have been paid upon termination of the employment relation of any member of Senior Management. In 2022, severance was paid upon termination of the employment relation of an executive officer (€495 thousand).

As at 31 December 2023, the indemnity clauses agreed with Senior Management personnel are those generally established under labour and other applicable regulations.

5. Business combinations

a) Acquisition of Targobank, S.A.U.

The following business combination was completed in 2023:

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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.

On 6 October 2023, following the grant of the required regulatory approvals, ABANCA formalised the acquisition of 100% stake in Targobank, S.A.U.

Technological integration of Targobank will take place during 2024.

The incorporation balance sheet as at 6 October 2023, the acquisition date for accounting purposes, showing the value of Targobank group'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	641,384	-	641,384
Financial assets held for trading	-	-	-
Non-trading financial assets mandatorily at fair value through profit and loss	950	-	950
Financial assets at fair value through other comprehensive income	8	-	8
Financial assets at amortised cost	3,516,829	(126,231)	3,390,598
Investments in subsidiaries, joint ventures and associates	-	-	-
Tangible assets	42,307	1,515	43,822
Intangible assets	-	11,150	11,150
Tax assets	578	32,071	32,649
Other assets	46,155	-	46,155
Non-current assets and disposal groups classified as held for sale	14,865	1,374	16,239
TOTAL ASSETS	4,263,076	(80,121)	4,182,955

LIABILITIES	Thousands of euro		
	Pre-PPA	PPA	Post-PPA
Financial liabilities held for trading	-	-	-
Financial liabilities at amortised cost	3,962,218	(12,637)	3,949,581
Provisions	7,023	1,343	8,366
Tax liabilities	605	4,212	4,817
Other liabilities	18,435	482	18,917
TOTAL LIABILITIES	3,988,281	(6,600)	3,981,681
Shareholder's equity and valuation adjustments	274,795	(73,521)	201,274
TOTAL EQUITY	274,795	(73,521)	201,274
TOTAL EQUITY AND LIABILITIES	4,263,076	(80,121)	4,182,955

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As of the acquisition date, the Group adjusted the measurement and accounting treatment of this business combination in accordance with criteria established in IFRS 3 Business combinations, for which purpose an independent expert's valuation report was used, 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	-
Fair value of net assets acquired in Targobank, S.A.U. at 100%	201,274
Negative goodwill recognised in profit and loss	(201,274)

Consequently, ABANCA has fully recognised €201,274 thousand as income under the item "Negative goodwill recognised in profit and loss" in the statement of profit and loss for the financial year 2023.

If the date of acquisition had been 1 January 2023, this business would have contributed €68,979 thousand gross margin, €52,175 thousand net interest income and €4,470 thousand loss after tax.

The acquired business' gross margin, net interest income and loss after tax included as from the acquisition date in the consolidated statement of profit and loss has amounted to €16,358 thousand, €13,863 thousand and €3,535 thousand, respectively.

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

The following business combinations were 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. (Currently denominated ABANCA Gestión de Activos 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 (*)	21,800
Fair value of net assets acquired in 67.26% of Imantia Capital, S.G.I.I.C., S.A.	12,638
Goodwill arising from the acquisition	9,162
Impairment of Goodwill prior investment	(642)
Total Net Goodwill (Note 15)	8,520

() 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 amount of this contingent payment has entirely accrued (see note 43).*

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.

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 2023 and 2022 is as follows:

	Thousands of euro	
	2023	2022
Cash	193,915	183,082
Cash balances with Central Banks	7,058,463	8,188,623
Other demand deposits	332,616	209,902
	7,584,994	8,581,607

Note 47 includes a breakdown of the maturity periods of these assets as at the 2023 and 2022 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 2023 and 2022, by currency and type of transaction, is as follows:

	Thousands of euro	
	2023	2022
Currency:		
Euro	544,427	808,471
Foreign currency	281,881	177,305
	826,308	985,776
Nature:		
Term accounts	822,981	490,297
Reverse repurchase agreements	-	495,479
Other accounts	3,327	-
	826,308	985,776
Valuation adjustments:		
Impairment losses on assets	-	-
Accrued interest	1,259	153
Micro-hedges	-	-
	827,567	985,929

Note 47 includes a breakdown of the maturity periods of these assets as at the 2023 and 2022 reporting dates, as well as the average annual interest rates.

b) Valuation adjustments – Impairment losses

As at 31 December 2023 and 2022, 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 2023 and 2022, by classification, currency and type of transaction, is as follows:

	Thousands of euro	
	2023	2022
Classification:		
Financial assets at fair value through other comprehensive income	2,435,493	2,099,061
Non-trading financial assets mandatorily at fair value through profit and loss	35,622	96,863
Financial assets designated at fair value through profit and loss	-	-
Financial assets held for trading	-	-
Financial assets at amortised cost	10,617,413	11,261,898
	13,088,528	13,457,822
Currency:		
Euro	13,036,422	13,400,957
Foreign currency	52,106	56,865
	13,088,528	13,457,822
Geographical area:		
Spain	6,421,397	6,751,607
European Union (excluding Spain)	6,439,513	6,456,351
The United States of America and Puerto Rico	138,941	166,909
Rest of the world	88,677	82,955
	13,088,528	13,457,822
Nature:		
Domestic public debt		
Treasury bills, Government mid- and long-term bonds	3,106,642	3,321,250
Other book-entry debt	102,419	62,249
Foreign public debt		
Republic of Italy	5,301,606	5,232,347
Republic of Portugal	179,541	195,888
Other public debt	272,620	284,612
Issued by financial institutions	824,785	746,706
Other fixed income securities	3,300,915	3,614,770
	13,088,528	13,457,822
Valuation adjustments:		
Impairment losses on assets	-	-
Micro-hedges	(269,714)	(563,505)
	12,818,814	12,894,317

At the 2023 reporting date ABANCA had pledged debt securities for a nominal amount of €5,216,741 thousand (€6,111,550 thousand at the 2022 reporting date), and a market value of €4,898,816 thousand (€5,722,097 thousand at the 2022 reporting date), in order to gain access to financing from the European Central Bank (see Note 18).

In addition, as at 31 December 2023, the Bank had assigned securities amounting to €5,252,301 thousand to credit institutions and customers (€5,584,023 thousand as at 31 December 2022) (see Notes 18 and 19).

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Note 47 includes a breakdown of the maturity periods of these assets as at the 2023 and 2022 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 2023, the fair value thereof amounted to €2,711,900 thousand (€2,793,000 thousand as at 31 December 2022).

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 2023, the bonds issued by Sareb have the following characteristics:

As at 31 December 2023-

ISIN	Issue	Maturity (*)	Thousands of euro		Interest rate
			Nominal	Fair value	
ES0352506390	SAREB senior bonds	31 December 2024	1,307,200	1,307,200	3-month Euribor - 38 b.p.
ES0352506424	SAREB senior bonds	31 December 2024	1,404,700	1,404,700	3-month Euribor - 21 b.p.
			2,711,900	2,711,900	

(*) 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 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 December 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.

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 2023 and 2022 amounted to €9,101 thousand and €47,732 thousand, respectively (see Note 37).

b) Valuation adjustments – Impairment losses-

As at 31 December 2023, the Group has recognised under the item "Equity - Accumulated other comprehensive income" €2,687 thousand as a collective hedge for the assets in this portfolio (€3,366 thousand as at 31 December 2022).

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9 Equity instruments

a) Breakdown-

As at 31 December 2023 and 2022, 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	
	2023	2022
Classification:		
Non-trading financial assets mandatorily at fair value through profit and loss	153,826	162,666
Financial assets designated at fair value through profit and loss	-	-
Financial assets at fair value through other comprehensive income	586	21,084
	154,412	183,750
Currency:		
Euro	452,914	169,406
Foreign currency	1,498	14,344
	454,412	183,750
Listing:		
Listed	71,415	84,244
Unlisted	82,997	99,506
	154,412	183,750
Geographical area:		
Spain	134,264	127,318
European Union (excluding Spain)	11,422	38,177
The United States of America and Puerto Rico	4,831	13,221
Rest of the world	3,895	5,034
	154,412	183,750
Nature:		
Shares in Spanish companies	80,342	69,461
Shares in foreign companies	5,417	19,245
Investment funds shares/units	68,653	95,044
	154,412	183,750
Valuation adjustments:		
Impairment losses	-	-
	154,412	183,750

In 2023 and 2022, the Group received dividends totalling €8,327 thousand and €6,682 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 2023, gains arising from financial transactions in the portfolio of equity instruments recognised in the statement of profit and loss amounted to €17,695 thousand (gains amounting to €22,091 thousand as at 31 December 2022) (see Note 37).

b) Acquisitions and disposals -

The acquisitions and disposals carried out by the Bank in 2023 and 2022 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 2023 and 2022, 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	
	2023	2022
Classification:		
Non-trading financial assets mandatorily at fair value through profit and loss	-	-
Financial assets at amortised cost	46,513,888	46,165,542
	46,513,888	46,165,542
Loan type and status:		
Commercial loans	2,211,782	2,180,731
Secured loans	20,532,711	20,263,575
Demand and other loans	1,350,443	1,182,336
Other term loans	21,265,537	21,595,947
Reverse repurchase agreements	23,673	-
Impaired assets	1,129,742	942,953
	46,513,888	46,165,542
Borrower's sector:		
Spanish public administrations	7,650,733	9,097,298
Other resident sectors	32,187,574	30,836,511
Non-resident	6,675,581	6,231,733
	46,513,888	46,165,542
Geographical area:		
Spain	39,838,307	39,933,809
European Union (excluding Spain)	4,674,854	4,413,985
The United States of America and Puerto Rico	762,527	659,423
Other OECD countries	779,954	737,513
Latin America	291,572	179,986
Rest of the world	166,674	240,826
	46,513,888	46,165,542
Type of interest rate:		
Fixed interest rate	19,163,189	17,509,672
Floating interest rate	27,350,699	28,655,870
	46,513,888	46,165,542
Currency:		
Euro	44,112,145	43,850,115
Foreign currency	2,401,743	2,315,427
	46,513,888	46,165,542
Valuation adjustments:		
Impairment losses	(834,371)	(783,468)
Accrued interest	160,143	84,374
Fees and commissions	(89,356)	(82,830)
Discount on acquisition	(55,879)	(32,731)
Micro-hedges	(234,846)	(313,517)
Assets at fair value (*)	(98,350)	-
Transaction costs	154,889	130,090
	45,516,118	45,167,460

(*) Includes other valuation adjustments arising from business combinations.

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Note 47 includes a breakdown of the maturity periods of these assets as at the 2023 and 2022 reporting dates, as well as the average annual interest rates.

At the 2023 reporting date, the Group had pledged loans and receivables for an amount of €5,776,368 thousand (€7,065,558 thousand at 2022 reporting date) as security for the credit system operations of the European Central Bank (see Note 18).

As at 31 December 2023 and 2022, there were no loans and advances to customers for significant amounts without fixed maturity dates.

As at 31 December 2023, the Group has recognised loans and advances to customers arising from extraordinary activities of loans and advances to customers amounting to €170,023 thousand (€199,827 thousand as at 31 December 2022), in respect of guarantees extended, requested by counterparties in arranging transactions with derivatives, or enforceable guarantees granted, recognised or pending recognition by third parties.

As at 31 December 2023 and 31 December 2022, the breakdown of loans and advances to customers included in this category, by accounting classification, is as follows:

Gross amount	Thousands of euro	
	31.12.2023	31.12.2022
Performing exposures	43,327,906	42,816,143
Performing exposures under special monitoring	2,056,240	2,406,446
Non-performing exposures	1,129,742	942,953
Total gross amount	46,513,888	46,165,542

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 2023 and 2022, is as follows:

	Thousands of euro	
	2023	2022
Minimum lease payments receivable	324,784	292,975
Non-guaranteed residual value	18,134	20,241
Gross lease investment (*)	342,918	313,216

(*) Includes impaired assets.

As at 31 December 2023, the accumulated allowance for uncollectible minimum lease payments receivables totals €4,546 thousand (€3,512 thousand as at 31 December 2022).

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c) Securitisations-

In 2023 and 2022, the Group has carried out no securitisation transactions.

As at 31 December 2023, the carrying amount of the assets transferred totalled €1,569,841 thousand (€1,862,906 thousand as at 31 December 2022). 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 €1,569,841 thousand (€1,862,906 thousand as at 31 December 2022).

Details of the Group's securitisation funds as at 31 December 2023 and 2022 are provided in Appendix II.

d) Impairment losses-

Changes in the provisions for impairment losses on these assets during the periods ended 31 December 2023 and 2022 are as follows:

Financial year 2023

	Thousands of euro
Opening balance	783,469
Net allowances charged to profit and loss for the period	94,468
Additions arising from business combinations - Targobank	102,811
Transfers	
To the Provision for Contingent Risks	-
Reversal of provisions on reclassification to write-off loans (Note 10.f)	(117,459)
Use of provisions for loan cancellation/waiver	-
Sale of loan portfolio (*)	(24,377)
Other changes (debt forgiveness)	(4,541)
Closing balance	834,371
<i>By accounting classification:</i>	
Performing exposures (Stage 1).	176,198
Performing exposures under special monitoring (Stage 2).	95,032
Non-performing exposures (Stage 3).	563,141
<i>Based on the measurement approach:</i>	
Individually measured	309,604
Collectively measured	524,767

(*) The balance of this line item basically relates to derecognitions resulting from loan portfolios sold in 2023.

Dated 23 November 2023, the Group has sold a portfolio of mortgage loans amounting to €73,918 thousand. The carrying amount of this portfolio was €49,451 thousand, and impairment associated to the portfolio was €24,377 thousand.

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Financial year 2022

	Thousands of euro
Opening balance	849,170
Net allowances charged 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>	
Performing exposures (Stage 1).	155,984
Performing exposures under special monitoring (Stage 2).	115,287
Non-performing exposures (Stage 3).	512,197
<i>Based on the measurement approach:</i>	
Individually measured	339,434
Collectively measured	444,034

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

e) Impaired assets-

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

Financial year 2023

	Thousands of euro				
	Up to 6 months	Between 6 and 9 Months	Between 9 and 12 Months	More than 12 Months	Total
Impaired assets	478,280	65,868	64,111	521,486	1,129,745
	478,280	65,868	64,111	521,486	1,129,745

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

As at 31 December 2023, "Impaired assets" presented in the table above include secured exposures amounting to €449,327 thousand (€358,083 thousand as at 31 December 2022). As at 31 December

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2023, impaired assets under the “Up to 6 months” column include €421,002 thousand relating to non-performing exposures for reasons other than default (€348,817 thousand as at 31 December 2022).

As at 31 December 2023 and 2022, past-due amounts on assets not considered impaired totalled €125,359 thousand and €124,721 thousand, respectively. The breakdown of these assets, by period past due, is as follows:

Financial year 2023

	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	91,741	6,009	27,609	125,359
	91,741	6,009	27,609	125,359

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	98,123	10,081	16,517	124,721
	98,123	10,081	16,517	124,721

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

Movement in 2023 and 2022 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 2022	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
Additions arising from business combinations	
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
Additions	
Balances for which recovery during the period is considered remote (Note 10.d)	117,459
Net allowance charged to profit and loss	10,588
Additions arising from business combinations - Targobank	221,252
Other (*)	366,820
Recoveries	
Cash receipt without additional refinancing	(39,855)
Derecognition due to foreclosures	(1,117)
Derecognition due to debt remission	(9,475)
Derecognition due to other reasons	(6,251)
Financial assets for which the probability of recovery is considered remote as at 31 December 2023	4,760,136

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

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

Write-offs recovered in 2023 amount to €39,855 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 2023 (€40,320 thousand in 2022).

In 2023, this item in the accompanying consolidated statement of profit and loss also includes direct allowances amounting to €10,588 thousand for loans that were considered as write-offs in 2023 (€16,495 thousand in 2022).

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

As at 31 December 2023, financing extended for real estate construction and property development in the resident sector amounts to €646 million (€569 million as at 31 December 2022), of which €18 million are impaired assets (€18 million as at 31 December 2022), for which impairment had been recognised. At the reporting date, total accumulated impairment amounts to €18 million (€13 million as at 31 December 2022).

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 2023 and 2022 is as follows:

Financial year 2023

	Millions of euro		
	Gross carrying amount	Excess over real guarantee value	Accumulated impairment
Financing of real estate construction and property development	646	158	(18)
<i>Of which: non-performing</i>	19	14	(12)
Memorandum Item:			
Written-off assets ^(*)	4,760		
Loans to customers, excluding Public Administrations and valuation adjustments ^(**)	38,863		
Total assets ^(**)	74,829		
Impairment and provisions for exposures classified as performing ^(***)	271		

() 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 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).

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	
	31.12.23	31.12.22
Without real estate collateral	138	158
With real estate collateral	508	411
<i>Buildings and other constructions completed</i>		
Housing	177	160
Other	134	67
<i>Buildings and other constructions in progress</i>		
Housing	174	110
Other	14	9
Land		
Consolidated urban land	7	65
Other	2	-
Total	646	569

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Loans to household for house purchase

Quantitative information on household loans for the purchase of housing as at 31 December 2023 and 2022 is as follows:

As at 31 December 2023

	Millions of euro	
	Gross carrying amount	Of which: non-performing
Loans to household for house purchase	13,249	175
Without real estate mortgage	352	7
With real estate mortgage	12,897	168

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 2023 and 2022, 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 2023-

	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	2,202	3,436	4,831	1,530	898
Of which: non-performing	17	29	36	32	54

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

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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 2023 and 2022.

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.

In 2022 the Bank classified a gross amount of €48 million as performing. Had the above-mentioned amendment not been applied in the financial year 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. However, these transactions will continue to be classified as restructured, refinanced or refinancing until completion of the minimum two years' probation period during which the borrower must have shown a performing payment history.

Refinancing, refinanced or restructured transactions that, at the date of refinancing or restructuring shall not be classified as non-performing, or reclassified from the category of non-performing exposures, shall continue to be identified as non-performing during a probation period until all the following requirements are met:

- a. That, following an exhaustive review of the borrower's financial situation, it has been concluded that it is not foreseeable that the borrower will encounter financial difficulties and that it is therefore highly probable that it will be able to comply with its obligations to the entity in the due time and form. This analysis of the recoverability in time and form of the exposure shall be based on objective evidence, such as:

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- 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.

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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 2023 and 2022, the applicable threshold was €500 thousand for transactions classified as "Under special monitoring" and "Non-performing". The findings of the analysis are documented on a case-by-case basis in a monitoring file that is constantly updated and which provides an estimate of impairment that is taken into consideration when recognising the required provision. Exposures for an amount of less than the above-mentioned thresholds are also reviewed on an individual basis through automatic procedures that include the application of scoring systems, the inputs for which are the reiteration of certain risk indicators and the guarantees associated with transactions of customers experiencing difficulties. This process produces the valuation adjustment applicable to each borrower and to each contract, based on which the required provision is determined and recognised.

The risk policies approved by the 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 2023, the outstanding balances of refinancing and restructuring operations amount to €848,107 thousand (€980,364 thousand as at 31 December 2022), of which €445,898 thousand relate to impaired assets (€377,116 as at 31 December 2022), for which impairment losses had been recognised.

As at 31 December 2023 and 2022, total allowances and provisions for impairment of those assets amount to €263,145 thousand and €259,819 thousand, respectively.

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Quantitative information by counterparty and purpose of the transaction as at 31 December 2023 and 2022, in thousands of euro, is as follows:

As at 31 December 2023-

	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	28	3,165	7	2	1	-	(36)
Other financial companies and individual entrepreneurs (financial business)	14	15,943	3	352	352	-	(9,404)
Non-financial companies and individual entrepreneurs (non-financial business)	3,016	330,869	914	207,775	92,654	60,217	(208,400)
Of which: financing of real estate construction and property development (including land)	81	463	47	4,357	3,362	827	(803)
Rest of households	2,461	26,619	3,314	263,382	236,913	4,228	(45,305)
Total	5,519	376,596	4,238	471,511	329,920	64,445	(263,145)
ADDITIONAL INFORMATION							
Information classified as non-current assets and disposal groups classified as held for sale							
	10	25,342	1	284	284	-	(5,100)

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As at 31 December 2023-

	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	2	46	1	1	1	-	(36)
Other financial companies and individual entrepreneurs	4	13,996	2	335	335	-	(9,208)
Non-financial companies and individual entrepreneurs	1,246	202,785	405	125,999	40,547	39,896	(194,443)
<i>Of which: financing of real estate construction and property development (including land)</i>	30	220	19	1,566	1,484	81	(605)
Rest of households	857	15,899	1,021	86,837	75,190	1,365	(39,478)
Total	2,109	232,726	1,429	213,172	116,073	41,261	(243,165)
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-

	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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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 2023 and 2022, are as follows:

As at 31 December 2023-

	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	7,676,789	490	232	137	194	178	1	212
Other financial companies and individual entrepreneurs	1,008,639	189,383	344,292	74,940	31,611	17,670	2,764	406,690
Non-financial companies and individual entrepreneurs	17,998,719	3,911,845	1,556,242	1,491,145	1,180,329	804,133	209,297	1,783,183
<i>Real Estate</i>	787,262	640,220	21,238	194,742	174,797	56,666	4,763	230,490
<i>construction and property development</i>	334,039	51,808	0	4,704	1,664	8,756	434	36,250
<i>Civil engineering construction</i>	16,877,418	3,219,817	1,535,004	1,291,699	1,003,868	738,711	204,100	1,516,443
<i>Other purposes:</i>	8,555,784	802,264	738,973	242,381	187,450	202,036	48,209	861,161
<i>Large corporations</i>	8,321,634	2,417,553	796,031	1,049,318	816,418	536,675	155,891	655,282
<i>SMEs and individual entrepreneurs</i>	18,831,971	15,933,465	297,828	3,116,378	4,528,708	5,688,771	1,770,639	1,126,797
Rest of households and non-profit institutions serving households	15,337,789	15,013,466	22,907	2,808,365	4,284,391	5,390,092	1,579,957	973,568
<i>Housing</i>	1,898,676	184,235	68,800	98,739	70,243	52,154	17,682	14,217
<i>Consumer</i>	1,595,506	735,764	206,121	209,274	174,074	246,525	173,000	139,012
<i>Other purposes</i>								
TOTAL	45,516,118	20,035,183	2,198,594	4,682,600	5,740,842	6,510,752	1,982,701	3,316,882
Memorandum Item Refinancing, refinanced and restructured operations	584,962	339,051	17,233	88,275	69,808	60,112	40,627	97,462

(*) Net of valuation adjustments

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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 (<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	9,117,142	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
<i>Real Estate construction and property development</i>	<i>638,604</i>	<i>480,734</i>	<i>17,405</i>	<i>127,358</i>	<i>213,510</i>	<i>68,563</i>	<i>22,273</i>	<i>66,435</i>
<i>Civil engineering construction</i>	<i>345,038</i>	<i>31,432</i>	<i>33,896</i>	<i>1,605</i>	<i>7,878</i>	<i>1,320</i>	<i>32,756</i>	<i>21,769</i>
<i>Other purposes:</i>	<i>16,807,771</i>	<i>3,122,024</i>	<i>1,718,893</i>	<i>1,005,810</i>	<i>1,166,131</i>	<i>828,113</i>	<i>495,720</i>	<i>1,345,143</i>
<i>Large corporations</i>	<i>9,359,244</i>	<i>999,083</i>	<i>1,124,614</i>	<i>344,255</i>	<i>352,195</i>	<i>255,728</i>	<i>266,073</i>	<i>905,446</i>
<i>SMEs and individual entrepreneurs</i>	<i>7,448,527</i>	<i>2,122,941</i>	<i>594,279</i>	<i>661,555</i>	<i>813,936</i>	<i>572,385</i>	<i>229,647</i>	<i>439,697</i>
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
<i>Housing</i>	<i>14,344,788</i>	<i>13,847,560</i>	<i>25,388</i>	<i>2,526,700</i>	<i>3,729,101</i>	<i>4,797,736</i>	<i>1,580,180</i>	<i>1,239,231</i>
<i>Consumer</i>	<i>1,853,542</i>	<i>209,069</i>	<i>89,209</i>	<i>101,900</i>	<i>70,133</i>	<i>76,506</i>	<i>30,490</i>	<i>19,249</i>
<i>Other purposes</i>	<i>1,542,660</i>	<i>710,780</i>	<i>240,589</i>	<i>179,047</i>	<i>162,969</i>	<i>256,154</i>	<i>195,658</i>	<i>157,541</i>
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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11. Derivatives

11.1. Derivatives – hedge accounting (assets and liabilities)

11.1.1. Fair value hedges

As at 31 December 2023 and 2022, 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 2023-

	Thousands of euro			
	Debit balances		Credit balances	
	Carrying Value	Notional	Carrying Value	Notional
Interest rate swaps (IRS)	557,244	3,884,134	169,487	2,762,816
	557,244	3,884,134	169,487	2,762,816

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
	869,978	6,450,559	193,160	1,820,000

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 2023 interest rate swaps include swaps with a notional amount of €2,202,050 thousand which have been designated as fair value hedges for the interest rate risk on fixed-income securities, which were issued at fixed rates and had been classified as “Financial assets at fair value through other comprehensive income” at the date of issue (€2,321,000 thousand as at 31 December 2022).

As at 31 December 2023, there are no transactions designated as fair value hedges for the interest rate risk on fixed-rate deposits from credit institutions totalled (€1,000,000 thousand as at 31 December 2022).

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11.1.2. Cash flow hedges

As at 31 December 2023 and 2022, 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 2023-

	Thousands of euro			
	Debit balances		Credit balances	
	Carrying Value	Notional	Carrying Value	Notional
Other interest rate transactions:				
Interest rate swaps (IRS)	3,730	152,262	250,236	2,050,058
	3,730	152,262	250,236	2,050,058

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

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 2023 and 2022, 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 2023 and 2022, is as follows:

As at 31 December 2023-

	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	439,352	430,719	504,627	827,622	2,202,320
Total	439,352	430,719	504,627	827,622	2,202,320

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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

As at 31 December 2023 and 2022, 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 2023 and 2022, 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 2023-

	Thousands of euro			
	Debit balances		Credit balances	
	Carrying Value	Notional	Carrying Value	Notional
Credit institutions	-	-	-	-
Loans and advances to customers	240,699	2,212,534	640	756,766
Deposits from customers	-	-	-	-
Debt securities issued	5,054	350,000	130,033	1,425,600
Debt securities	315,221	1,473,862	289,050	2,630,508
Subordinated liabilities	-	-	-	-
	560,974	4,036,396	419,723	4,812,874

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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

In 2023 and 2022, the breakdown, by type of hedged item, of gains or losses on derivatives designated as hedging instruments, is as follows:

Financial year 2023

	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	-	(126)	4,818	(4,462)	356
Loans and advances to customers	33,008	-	79,090	(77,102)	1,988
Deposits from customers	-	(4,068)	-	-	-
Debt securities issued	-	45,771	-	25	25
Debt securities	(4,661)	-	293,789	(295,980)	(2,191)
Subordinated liabilities	-	(91)	-	-	-
	28,347	41,486	377,697	377,519	178

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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11.2. Derivatives held for trading (assets and liabilities)

As at 31 December 2023 and 2022, the breakdown, by inherent risk, of the fair value of derivatives held for trading arranged by the Group, is as follows:

	Thousands of euro			
	2023		2022	
	Closing Balance	Credit balance	Closing Balance	Credit balance
Interest rate risk	334,449	326,180	467,538	459,597
Currency risk	707	10,591	1,547	69
Market risk	2,017	2,080	1,834	1,837
Commodities risk	-	-	-	-
	337,173	338,851	470,919	461,503

As at 31 December 2023 and 2022, 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	
	2023	2022
Group companies (*)	967,124	1,070,712
Investment property and assets for own use	37,585	44,615
Foreclosed assets or received in payment of debt	176,779	192,337
	1,181,488	1,307,664

(*) Appendix I shows the Group companies classified as non-current assets held for sale and discontinued operations, including participation including ownership percentages and other relevant information on these investees.

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Changes registered under this item in 2023 and 2022 are as follows:

Financial year 2023

	Opening balance 31.12.2022	Thousands of euro				
		Additions	Additions arising from business combinations	Derecogn itions	Transfers	Closing Balance 31.12.2023
Cost:						
Group companies	1,070,712	-	-	(103,588)	-	967,124
Foreclosed assets or received in payment of debt	522,334	13,933	23,594	(79,008)	(3,299)	477,554
Investment property and assets for own use	47,687	-	892	(6,966)	(956)	40,657
	1,640,733	13,933	24,486	(189,562)	(4,255)	1,485,335
Impairment:						
Foreclosed assets or received in payment of debt	(329,997)	(8,342)	(8,247)	43,980	1,831	(300,775)
Investment property and assets for own use	(3,072)	-	-	-	-	(3,072)
	(333,069)	(8,342)	(8,247)	43,980	1,831	(303,847)
Net total	1,307,664	5,591	16,239	(145,582)	(2,424)	1,181,488

Financial year 2022

	Thousands of euro				
	Opening balance 31.12.2021	Additions	Derecogn itions	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:					
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

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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Foreclosed assets or received in payment of debt

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

	Thousands of euro	
	2023	2022
Residential assets	145,876	172,363
Industrial assets	79,484	87,307
Other assets	252,194	262,664
Gross total	477,554	522,334
Less - Impairment losses	(300,775)	(329,997)
Net total	176,779	192,337

In 2023 and 2022, several sales of assets achieved net gains of €14,409 thousand and €20,814 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 €8,342 thousand and €12,296 thousand in 2023 and 2022, 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 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.; GESVALT Sociedad de Tasación, S.A.; Savills Valoraciones y Tasaciones S.A.U., and Alia Tasaciones, 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 2023 and 2022, the breakdown of the carrying amount and fair value of this type of assets is as follows:

Financial year 2023

	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	477,554	372,711	321,593	31,436	19,682

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

Details of the ageing of non-current assets held for sale as at 31 December 2023 and 2022 are as follows:

Financial year 2023

	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	477,554	17,727	14,212	445,615

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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

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 2023 and 2022, 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 2023

	Thousands of euro	
	Gross carrying amount (*)	Accumulated impairment
Real estate assets from financing of real estate construction and property development	297,974	214,984
Buildings and other constructions completed	46,893	28,222
<i>Housing</i>	21,774	12,657
<i>Other</i>	25,119	15,565
Buildings and other constructions in progress	35,510	25,655
<i>Housing</i>	24,228	18,933
<i>Other</i>	11,282	6,722
Land	215,571	161,107
<i>Consolidated urban land</i>	142,573	96,609
<i>Rest of land</i>	72,998	64,498
Real estate assets from mortgage loans to households for house purchase	119,172	57,032
Rest of foreclosed real estate assets or received in payment of debt	60,408	28,759
	477,554	300,775

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

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.

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13. Investments in joint ventures and associates

13.1. Investments in associates

Details of the Group's investments in associates as at 31 December 2023 and 2022, 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 2023 and 2022, 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 2023 and 2022, considering impairment losses, is as follows:

	Thousands of euro	
	2023	2022
Opening balance	162,287	156,235
Purchases and capital increases	11,000	10,500
Sale of investments	-	(916)
Changes in consolidation perimeter and valuation adjustments	(2,010)	2,513
Additions arising from business combinations	-	-
Impairment of Goodwill	-	(3,000)
Profit for the year (Note 34)	(4,539)	(3,045)
Impairment	(6,291)	-
Transfer from equity instruments	-	-
Closing balance	160,447	162,287
Of which:		
<i>Goodwill</i>	<i>2,002</i>	<i>2,002</i>

In 2023, the Group has not made any sales.

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 Figrupeo Marinas, S.L., and sale of the 25.06% interest in Olazabal y Huarte, S.A.

13.4. Goodwill

Movement in goodwill that is implicit in the cost of the equity investment during 2023 and 2022 was as follows:

	Thousands of euro	
	2023	2022
Opening balance	2,002	5,002
Change arising from acquisition of investments and changes in the consolidation perimeter	-	-
Impairment of goodwill	-	(3,000)
Closing balance	2,002	2,002

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 2023 and the business plans for subsequent years.

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14. Tangible assets

As at 31 December 2023 and 2022, the breakdown of the Bank's tangible assets is as follows:

	Thousands of euro	
	2023	2022
Tangible assets		
Property, plant and equipment	1,018,036	958,810
For own use	1,018,036	958,810
Leased out under operating leases	-	-
Investment property	210,179	231,426
Net total	1,228,215	1,190,236

As at 31 December 2023 and 2022, the net balance in the foregoing table includes €107,589 thousand and €94,114 thousand, respectively, relating to items of property, plant and equipment owned by the Group located abroad.

As at 31 December 2023, the cost and accumulated depreciation of fully depreciated Property, plant and equipment for own use amounted to €430,138 thousand (€388,533 thousand as at 31 December 2022). As at 31 December 2023 investment property with a cost of €476 thousand was fully depreciated (€464 thousand as at 31 December 2022).

Rental income from investment property owned by the Group totalled €13,487 thousand in 2023 (€15,832 thousand in 2022). Operating expenses arising therefrom in 2023 amounted to €1,955 thousand (€1,717 thousand in 2022) (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.

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In 2023 and 2022, the breakdown of, and changes according to the nature of the line items presented under this item are as follows:

Financial year 2023

	Opening balance 31.12.2022	Thousands of euro				
		Additions	Additions arising from Business combinati ons	Derecogn itions	Transfers	Closing Balance 31.12.2023
Cost:						
For own use:						
Computer hardware and installations	189,681	20,893	738	(1,120)	-	210,308
Furniture, motor vehicles and other installations	631,294	12,756	18,821	(2,238)	(343)	660,290
Buildings	846,992	472	4,664	(53)	5,496	857,571
Work in progress	22,366	19,284	-	(280)	-	41,370
Right-of-use assets	73,246	9,639	41,641	(4,745)	-	119,781
Investment property	364,832	2,423	-	(20,607)	(3,454)	343,194
Leased out under operating leases	-	-	-	-	-	-
	2,128,411	65,467	65,864	(29,043)	1,669	2,232,398
Accumulated depreciation:						
For own use:						
Computer hardware and installations	(119,638)	(17,233)	(737)	261	-	(137,347)
Furniture, motor vehicles and other installations	(451,426)	(16,560)	(6,441)	2,281	63	(472,083)
Buildings	(137,859)	(6,795)	(750)	26	613	(144,765)
Work in progress	(563)	(124)	-	-	-	(687)
Right-of-use assets	(24,810)	(10,220)	(14,114)	3,694	-	(45,450)
Investment property	(52,757)	(3,988)	-	4,695	49	(52,001)
Leased out under operating leases	-	-	-	-	-	-
	(787,053)	(54,920)	(22,042)	10,957	725	(852,333)
Impairment:						
For own use:						
Computer hardware and installations	(6,281)	-	-	-	-	(6,281)
Furniture, motor vehicles and other installations	(15,780)	(364)	-	-	-	(16,144)
Buildings	(48,411)	-	-	-	-	(48,411)
Work in progress	-	-	-	-	-	-
Right-of-use assets	-	-	-	-	-	-
Investment property	(80,650)	(2,063)	-	1,699	-	(81,014)
Leased out under operating leases	-	-	-	-	-	-
	(151,122)	(2,427)	-	1,699	-	(151,850)
Net total	1,190,236	8,120	43,822	(16,387)	2,424	1,228,215

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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 depreciation:					
For own use:					
Computer hardware and installations	(105,003)	(15,118)	485	(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)	(51,964)	30,096	(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	(9,143)	(25,025)	3,989	1,190,236

As a result of International Financial Reporting Standard (IFRS-EU) 16, Leases, becoming effective on 1 January 2019, as at 31 December 2023 the Group has recognised right-of-use assets amounting to €74,331 thousand (€44,426 thousand as at 31 December 2022) (see Note 2.12).

As at 31 December 2023 "Buildings" in the foregoing table includes a revaluation of €176,179 thousand (€174,925 as at 31 December 2022) 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.	ABANCA Gestión de Activos S.G.I.I.C., S.A.
Balance as at 01 January 2022	13,745	47,987	-
Additions from business combinations	-	-	4,619
Adjustments to provisional values	-	-	-
Transfers from investments in joint ventures and associates	-	-	-
Balance as at 31 December 2022	13,745	47,987	4,619
Additions from business combinations (see note 5)	-	-	3,901
Impairment recognised in profit and loss	-	-	-
Reclassification to liabilities and Other	-	-	-
Balance as at 31 December 2023	13,745	47,987	8,520

15.2 Other intangible assets

In 2023 and 2022, movements registered under this item in the consolidated balance sheet are as follows:

Financial year 2023

	Thousands of euro					
	Opening balance 31.12.2022	Additions	Additions arising from business combinations	Derecognitions	Transfers	Closing balance 31.12.2023
Cost:						
Administrative concessions, computer software and transfer rights	302,363	49,158	-	(11,932)	-	339,589
Other	573,862	-	11,150	-	-	585,012
	876,225	49,158	11,150	(11,932)	-	924,601
Accumulated depreciation:						
Administrative concessions, computer software and transfer rights	(147,165)	(15,826)	-	4,479	-	(158,512)
Other	(310,987)	(23,659)	(279)	-	-	(334,925)
	(458,152)	(39,485)	(279)	4,479	-	(493,437)
Impairment:						
Administrative concessions, computer software and transfer rights	(23,063)	-	-	-	-	(23,063)
Other	-	-	-	-	-	-
	(23,063)	-	-	-	-	(23,063)
Net total	395,010	9,673	10,871	(7,453)	-	408,101

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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 depreciation:						
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

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

As at 31 December 2023

	Thousands of euro			
	Cost	Accumulated amortisation	Impairment	Net balance
Customer relations				
<i>Merger of ABANCA and ABANCA Holding Financiero</i>	227,400	(220,765)	-	6,635
<i>Acquisition of ABANCA Vida y Pensiones</i>	199,315	(82,728)	-	116,587
<i>Acquisition of ABANCA II Vida y Pensiones</i>	109,047	(16,634)	-	92,413
<i>Acquisition of Deutsche Bank Portugal's business</i>	10,500	(4,730)	-	5,770
<i>Acquisition of Banco Caixa Geral</i>	19,100	(7,640)	-	11,460
<i>Acquisition of Bankoia</i>	4,500	(1,349)	-	3,151
<i>Acquisition of Novobanco's business in Spain</i>	4,000	(800)	-	3,200
<i>Acquisition of Targobank</i>	11,150	(279)	-	10,871
Balance as at 31 December 2023	585,012	(334,925)	-	250,087

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

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	
	2023	2022
Prepaid expenses	53,595	7,716
Pension plans net assets (Note 23)	3,851	10,306
Payments yet to be passed onto third parties	23,970	21,950
Transactions in transit	66,387	40,845
Other	50,863	52,959
	198,666	133,776

As at 31 December 2023 and 2022, "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 2023 and 2022, by classification, counterparty, nature and currency, is as follows:

	Thousands of euro	
	2023	2022
Classification:		
Financial liabilities at amortised cost	3,792,989	12,080,785
	3,792,989	12,080,785
Counterparty:		
Central banks	901,520	8,170,760
Credit institutions	2,891,469	3,910,025
	3,792,989	12,080,785
Nature:		
Reciprocal accounts	-	-
Term accounts	580,062	601,044
Repurchase agreements (Note 8)	2,114,111	3,146,532
Other accounts	1,098,816	8,333,209
	3,792,989	12,080,785
Currency:		
Euro	3,774,984	12,035,736
Foreign currency	18,005	45,049
	3,792,989	12,080,785
Valuation adjustments:		
Accrued interest	27,890	(147,209)
Micro-hedges	-	4,822
	3,820,879	11,938,398

As at 31 December 2023, the limit allocated by the European Central Bank for financing from the credit system against pledged debt securities and loans totalled €4,898,816 thousand and €5,776,368 thousand, respectively, of which, following repayment of €7,269,240 thousand drawn down from TLTRO III, €901,520 thousand had been drawn down as at 31 December 2023 (€8,170,760 thousand drawn down as at 31 December 2022).

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 met the lending requirements referred to in the preceding paragraph. Consequently, the interest rate subsidy associated with the COVID-19 pandemic was recognised during the biannual period from 24 June 2020 to 23 June 2022. This implied that the interest rate applied to drawdown facilities (in the period from 23 June 2020 to 23 June 2022) was -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 is indexed to the average applicable key European Central Bank interest rates from that date onward, resulting an interest rate of 4% as at 31 December 2023 (an interest rate of 2% as at 31 December 2022).

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The cost currently arising from amounts drawdown under TLTRO III facilities are recognised under the item "Interest expense" in the consolidated statement of profit and loss and, as at 31 December 2023, amount to €96,754 thousand (as at 31 December 2022, income amounting to €75,843 thousand recognised under "Interest income and similar income" in the consolidated statement of profit and loss) (see Note notes 32 and 31, respectively).

Note 47 includes a breakdown of the maturity periods of these liabilities at the 2023 and 2022 reporting dates, as well as the average annual interest rates.

19. Deposits from customers

As at 31 December 2023 and 2022, the breakdown of this heading in the consolidated balance sheet classified by geographical area, nature and currency, is as follows:

	Thousands of euro	
	2023	2022
Classification:		
Financial liabilities at amortised cost	57,810,888	52,448,492
	57,810,888	52,448,492
Geographical area:		
Spain	49,835,514	45,689,654
European Union (excluding Spain)	5,838,419	4,845,331
The United States of America and Puerto Rico	291,990	249,883
Other OECD countries	981,058	969,575
Latin America	584,852	610,218
Rest of the world	181,634	83,831
	57,713,467	52,448,492
Nature:		
Demand:		
Current accounts	20,891,057	21,299,819
Savings accounts	20,558,373	20,416,592
Term deposits		
Fixed-term deposits	12,354,128	8,287,430
Hybrid financial liabilities	771,719	7,160
Repurchase agreements (Note 8)	3,138,190	2,437,491
	57,713,467	52,448,492
Currency:		
Euro	55,928,199	50,881,595
Foreign currency	1,785,268	1,566,897
	57,713,467	52,448,492
Valuation adjustments:		
Accrued interest	82,907	41,553
Premiums/Discounts on assumption	15,910	22,250
Transaction costs	(17,403)	(13,838)
Micro-hedges	16,007	20,074
	57,810,888	52,518,531

Note 47 includes a breakdown of the maturity periods of these liabilities at the 2023 and 2022 reporting dates, as well as the average annual interest rates.

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As at 31 December 2023 and 2022, "Fixed-term deposits" in the above table respectively included 4 and 5 issues of non-negotiable mortgage covered bonds carried out by the Bank, the characteristics of which are shown below:

Mortgage covered bonds

As at 31 December 2023 and 2022, the breakdown of mortgage covered bond issues, and the main characteristics thereof, is as follows:

As at 31 December 2023-

Designation / Issuer	Issue date	Maturity date	ISIN	Nominal amount (Thousands of euro)	Interest Rate ⁽¹⁾	Settlement
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
				1,010,257		

(*) 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 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	25/10/2033	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 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 2023 reflects the redemption on maturity of one issue of €100,000 thousand in mortgage covered bonds (redemption on maturity of one issue of €129,630 thousand in mortgage covered bonds in the year ended 31 December 2022).

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During the twelve-month period ended 31 December 2023, the following issue has matured:

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
				100,000		

As at 31 December 2023, the bank has several outstanding issues of mortgage covered bonds amounting to €2,760 million (€2,860 million as at 31 December 2022), guaranteed by qualifying mortgage loans and receivables amounting to €4,519 million (as at 31 December 2022, €4,498 million in mortgage loans and €138 million in liquid assets). This represents a 63.71% over-collateralisation of mortgage covered bonds (62.09% as at 31 December 2022), with all collateral assets denominated in euros. More information is available at www.abancacorporacionbancaria.com (under the tab "Information for Shareholders & Investors").

20. Debt securities issued

a) Breakdown-

As at 31 December 2023 and 2022 the breakdown, by classification and nature, of the balance of this item in the consolidated balance sheet is as follows:

	Thousands of euro	
	2023	2022
Classification:		
Financial liabilities at amortised cost	4,000,600	2,944,400
	4,000,600	2,944,400
Nature:		
Mortgage securities	1,750,000	1,750,000
Other non-convertible securities	2,000,000	1,000,000
Own securities	(1,250,000)	(1,080,600)
Subordinated liabilities	1,500,600	1,275,000
	4,000,600	2,944,400
Currency:		
Euro	4,000,600	2,944,400
	4,000,600	2,944,400
Valuation adjustments:		
Accrued interest	61,293	42,261
Micro-hedges	(98,721)	(164,511)
Transaction costs	(16,429)	(11,076)
	3,946,743	2,811,074

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 2023 and 2022 reporting dates, as well as the average annual interest rates.

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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 2023 and 2022 are as follows:

As at 31 December 2023-

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				

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				

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 2023 and 2022 were as follows:

	Thousands of euro
2022 Opening balance	1,750,000
Issues	-
Redemptions	-
2022 Closing balance	1,750,000
Issues	-
Redemptions	-
2023 Closing balance	1,750,000

In 2023 and 2022, no mortgage covered bonds have been issued.

In 2023 and 2022, no issues of mortgage covered bonds have matured.

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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 thousand being repurchased, which has generated gains for €28,436 thousand recognised under "Gains or losses on financial assets and liabilities not measured at fair value through profit and loss, net" in the statement of profit and loss.

In the table above, the 2023 closing balance includes €1,250,000 thousand relating to issues included in the Group's treasury stock (€1,080,600 thousand in 2022).

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.

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.

Dated 10 May 2023, ABANCA laid down the economic conditions for an issue of €500.000 thousand in ordinary bonds with a 5.5% coupon; the maturity date of these bonds is 10 May 2026. This issue was paid up and closed on 18 May 2023. These Bonds are eligible for MREL purposes. The issue was exclusively addressed to professional customers and eligible counterparties.

Dated 25 September 2023, ABANCA laid down the economic conditions for an issue of €500,000 thousand in ordinary bonds with a 5.875% coupon; the maturity date of these bonds is 2 April 2030. This issue was paid up and closed on 2 October 2023. These Bonds are eligible for MREL purposes. The issue was exclusively addressed to professional customers and eligible counterparties.

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Changes in nominal value recorded in the balance of this item during 2023 and 2022 were as follows:

	Thousands of euro
2021 Closing balance	500,000
Issues	500,000
Redemptions	-
Balance as at 31 December 2022	1,000,000
Issues	1,000,000
Redemptions	-
Balance as at 31 December 2023	2,000,000

d) Other convertible securities -

As at 31 December 2023 and 2022, the Group had nil issues included under "Other convertible securities".

21. Subordinated liabilities

a) Breakdown-

As at 31 December 2023 and 2022 the breakdown, by classification and nature, of the balance of this item in the balance sheet is as follows:

	Thousands of euro	
	2023	2022
Classification:		
Financial liabilities at amortised cost	1,528,950	1,275,000
	1,528,950	1,275,000
Nature:		
Subordinated liabilities	1,528,950	1,275,000
Own securities	-	-
	1,528,950	1,275,000
Valuation adjustments:		
Accrued interest	26,076	30,665
Micro-hedges	104	201
Transaction costs	(3,699)	(1,337)
	1,551,431	1,304,529

Note 47 includes a breakdown of the maturity periods of these liabilities at the 2023 and 2022 reporting dates, as well as the average annual interest rates.

Dated 24 September 2018, ABANCA Corporación Bancaria, S.A. laid down the economic terms for an issue of €250,000 thousand in perpetual bonds, the principal amount of which may eventually be reduced, as a bail-in tool. Perpetual bonds were issued at par value and will bear a fixed annual interest payable quarterly in arrears and subject to review throughout the life span of the bond issue. Interest will be 7.5% p.a. until 02 October 2023; thereafter, the interest rate will be reviewed every fifth year by applying a 7.326% spread on 5-year Mid-Swap Rate. In any case, payment of interest is subject to certain conditions and, additionally, is at the issuer's discretion.

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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.

Interest 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.

Within the context of efficiency in the management of issued instruments, in June 2023 ABANCA offered to investors the possibility of getting ahead of the maturity of the October 2018 AT1 issue (planned for October 2023) by repurchasing the outstanding bonds. Lastly, the aggregate nominal amount of securities that were accepted for repurchase amounted to €250,000 thousand.

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.

In June 2023, within the context of efficiency in the management of issued instruments, ABANCA Corporación Bancaria, S.A. invited holders of subordinated bonds from the "Fixed Rate Reset Subordinated Notes due 2029" (ISIN Code ES0265936007) to offer their bonds to be repurchased in cash, in order to provide those issuers with liquidity and to optimise ABANCA's exposure to interest rate risk and own funds. The process was closed in the same month of June with subordinated bonds for a nominal amount of €274,400 thousand being repurchased.

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

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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.

Dated 14 June 2023, the Bank laid down the economic terms of an issue of €500,000 thousand in subordinated notes (Reset Tier 2 Subordinated Notes). Notes were issued at an issue price of 100% and will bear interest at a rate of 8.375% p.a. from and including the date of issue until and excluding 23 September 2028, and from and including that date notes will bear interest at an annual rate equal to a 5.245% spread on 5 year Mid-Swap Rate. Interest is payable on each interest period in arrears, the 23 of September each year, starting on 23 September 2024 (first short coupon). At the election of ABANCA, the notes may be redeemed any time between (and including) 23 June 2028 and (and including) 23 September 2028; additionally, at the election of ABANCA, the notes may be redeemed under certain circumstances in compliance with the applicable regulations and subject to obtainment of the appropriate authorisations. The issue was exclusively addressed to professional customers and eligible counterparties. This issue was paid up and closed on 23 June 2023. The securities issued are eligible as Tier 2 capital instruments, 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 and amending Regulation (EU) No. 648/2012.

Dated 7 January 2023, ABANCA laid down the economic conditions for an issue of €250,000 thousand in preference shares. The securities were issued at par value and will bear a fixed annual interest payable quarterly in arrears and subject to revision throughout the life span of the issue. Interest will be 10.625% p.a. and will be payable quarterly in arrears until 14 January 2029; thereafter, the interest rate will be revised every fifth year by applying a 7.643% spread on 5-year Mid-Swap Rate. These securities are perpetual, subject to ABANCA's option to redeem them under certain circumstances.

Interest associated to these instruments is recognised in equity under the item "Other reserves".

The issue was exclusively addressed to professional customers and eligible counterparties. This issue was paid up and closed on 14 July 2023. The securities issued are eligible as ABANCA and ABANCA Group Additional Tier 1 (AT1) capital instruments, in accordance with the provisions of Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions and in accordance with the criteria of the above-mentioned Regulation 575/2013.

In 2022, no issues were made or matured.

b) Changes-

Changes recorded in the balance of this item (nominal value) during 2023 and 2022 were as follows:

	Thousands of euro
2022 Opening balance	1,275,000
Issues	-
Redemptions	-
2022 Closing balance	1,275,000
Issues	750,000
Redemptions	(524,400)
Additions arising from business combinations	28,350

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Balance as at 31 December 2023	1,528,950

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 €174 thousand (€1,135 thousand as at 31 December 2022). To address any liabilities that might arise from these proceedings, the Bank has recognised a provision of €174 thousand (€1,135 thousand as at 31 December 2022).

22. Other financial liabilities

The breakdown of the balance of this item in consolidated balance sheet at 31 December 2023 and 2022 is as follows:

	Thousands of euro	
	2023	2022
Payment obligations	63,620	64,215
Bonds received	1,175	1,160
Tax collection accounts		
Central Government	25,814	15,369
Autonomous governments	1,435	1,197
Social Security administration	15,031	1,883
Outstanding payment orders and traveller's cheques	46,028	76,096
Transactions on stock exchanges or organised markets		
pending settlement	22,412	11,793
Financial guarantees	16,725	18,885
Other	193,462	138,475
	385,702	329,073

Note 47 includes a breakdown of the maturity periods of these liabilities at the 2023 and 2022 reporting dates, as well as the average annual interest rates.

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

- €73,414 thousand as at 31 December 2023, relating to the recognition of lease liabilities as a result of application of IFRS 16 – "Leases" (€46,575 thousand as at 31 December 2022) (see Note 2.12).
- €54,511 thousand as at 31 December 2023 relating to forward transactions from ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A. (€51,422 thousand as at 31 December 2022).

23. Provisions

The breakdown of this item in the consolidated balance sheet as at 31 December 2023 and 2022 is as follows:

	Thousands of euro	
	2023	2022
Pensions and other post-employment defined benefit obligations	212,649	237,562
Outstanding tax-related legal proceedings and litigation	11,793	20,221
Commitments and guarantees given	91,101	96,033
Other provisions	67,584	19,472
	383,127	373,288

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	
	2023	2022
Defined benefit plans:		
Post-employment commitments	161,464	175,954
Early retirement commitments and labour agreements (*)	50,373	61,222
Other commitments	812	386
	212,649	237,562

(*) As at 31 December 2023, this item includes €50,373 thousand arising from the existing labour agreements (€61,222 thousand as at 31 December 2022). 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.

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Two pension funds are linked to ABANCA personnel pension plan:

- "Fondo de Pensiones A del Personal de ABANCA", which is managed by ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A.U. and for which the custodian is CECA. The members and beneficiaries of the former "Empleados Caixa Galicia" pension plan are included in this plan, as do the employees that have already joined ABANCA, including former Banco Etcheverría personnel.
- "Fondo de Pensiones B del Personal de ABANCA", which is managed by CASER Pensiones, S.A. and for which the custodian is CECA. The members and beneficiaries of the former "Personal Caixanova" pension plan are included in to this plan.

The ABANCA personnel pension plan, of which ABANCA became the sponsor on 7 October 2014, is the result of integrating the pension plans of the entities that gave rise to ABANCA. It is a hybrid employment pension plan, which for the most part covers defined contribution retirement commitments (exceptionally, and in view of the date on which they joined the Entity, there is still a small number of employees under a defined benefit scheme for this contingency), and defined benefits for the death and disability risk contingencies.

In 2016 the members and beneficiaries of the Banco Etcheverría employment plan, as well as their economic rights held therein, were integrated into the A pension fund.

In 2023, contributions made by the Group to external pension funds amounted to €11,119 thousand recognised under the item "Personnel expenses" in the statement of profit and loss for the reporting period (€10,933 thousand in 2022) (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.

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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 2023 and 2022, the Group has not made any payments in connection with this item.

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 Bankoa, whose benefits were already accrued, fully insured and outsourced to EPSV EMPLEADOS BANKOA (insurance policies taken out with Vidacaixa and Mapfre), there were no defined benefit pension commitments with personnel assumed from Bankoa and Novo Banco. In Novo Banco, ABANCA did not assume any commitment whatsoever to retired or early retired employees from that entity.

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

In 2023, the Group has assumed the defined benefit obligations assumed towards Targobank retired employees. Obligations towards retired employees are financed through a collective insurance policy compliant with the provisions of Royal Decree 1/2002 approving the recast text of the Pension Schemes and Funds Regulation Law, and with the provisions of Royal Decree 1588/1999 approving the Regulation concerning the implementation of pension obligations assumed by companies towards employees and beneficiaries. Permanent disability benefits and death in service benefits are covered by insurance policies whereby risks have been entirely transferred to the insurance company.

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.

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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	
	2023	2022
Present value of accrued commitments	394,803	410,459
Pension Plans	205,479	215,053
Insurance policies	189,324	195,405
Other commitments (pre-2011 early retirements, partial retirements, Portugal loyalty bonus and labour agreements)	50,373	61,222
	445,176	471,681
Less – Fair value of plan assets	236,378	244,425
Net liabilities	208,798	227,256
Of which:		
"Unrecognised pension assets"	-	-
"Pension assets" (Note 17)	(3,851)	(10,306)
"Provisions- Pensions and other post-employment defined benefit obligations"	212,649	237,562
"Provisions - Pensions and other post-employment defined benefit obligations"	212,649	237,562
"Insurance contracts linked to pensions"	26,858	30,122
Group companies	-	-
Other entities	26,858	30,122

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.

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Changes to the main assumptions could affect the calculation of the commitments. A 50 basis points decrease or increase in the discount rate would result, respectively, in an increase or decrease in the present value of post-employment obligations of +/- 6.72%. A 50 basis points decrease or increase in the pension increase rate would result, respectively, in a decrease or increase in the present value of post-employment obligations of +/- 5.16%. These changes would be partially offset by increases or decreases in the fair value of the assets and of the insurance contracts linked to pensions.

For commitments undertaken through Pension plans, the fair value of the assets has been measured as the value of the net assets of these plans as at 31 December 2021, as certified by the management companies. For commitments undertaken through insurance policies (Caser, CNP Vida, S.A. de Seguros y Reaseguros and ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A.), the fair value of the insurance contracts has been determined as the present value of the associated payment obligations.

Movements in provisions for pensions and similar obligations in the years ended 31 December 2023 and 2022 are shown below:

	Thousands of euro
2022 Closing balance	276,155
Net allowance charged to profit and loss	
<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>
Transfer from other provisions	-
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
Net allowance charged to profit and loss	
<i>Allowance for restructuring costs</i>	<i>-</i>
<i>Finance cost (Note 32)</i>	<i>12,632</i>
<i>Rate of return of assets</i>	<i>(11,373)</i>
<i>Personnel expenses (Note 39)</i>	<i>10,007</i>
<i>Allowances for pension funds</i>	<i>-</i>
Changes in value recognised in equity	9,011
Adjustment to "Insurance contracts linked to pensions"	(16,695)
Application of balances	(20,837)
Adjustment to group companies	(7,586)
Transfer from other provisions	198
2023 Closing balance	212,649

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 2023 and 2022 was as follows:

	Thousands of euro	
	2023	2022
Present value of obligations as at 1 January	61,222	98,711
Current service cost	-	-
Restructuring costs	-	-
Interest cost	1,261	(55)
Past service cost	10,221	3,060
Disposals	-	-
Benefits paid	(21,377)	(39,526)
Actuarial (gains)/losses	(954)	(1,093)
Other changes (reduction of obligations)	-	-
Other changes	-	125
Present value of obligations at year-end	50,373	61,222

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 2023 and 2022 reporting dates are as follows:

	Thousands of euro	
	2023	2022
Equity instruments	596	1,054
Insurance policies	228,832	236,921
Other	6,950	6,449
	236,378	244,425

Movements in the present value of the obligation accrued for defined benefit post-employment commitments in 2023 and 2022 were as follows:

	Thousands of euro	
	2023	2022
Present value of obligations as at 1 January	410,459	602,365
Additions arising from business combinations	534	-
Current service cost	12,766	1,211
Interest cost	-	1,738
Past service cost	-	6
Disposals	(31,963)	(545)
Benefits paid	(3,863)	(33,312)
Actuarial (gains)/losses (*)	(229)	(161,335)
Other changes	7,099	330
Present value of obligations at year-end	394,803	410,459

(*) In 2023, includes demographic actuarial gains of €2,856 thousand and financial actuarial gains of €6,719 thousand. In 2022, this item included demographic actuarial losses of €3,510 thousand and financial actuarial gains of €157,825 thousand.

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Changes in the fair value of plan assets in 2023 and 2022 were as follows:

	Thousands of euro	
	2023	2022
Fair value of assets as at 1 January	244,425	436,783
Adjustments for business combinations	-	-
Expected rate of return of plan assets	9,248	1,233
Actuarial gains/(losses)	(8,423)	(109,251)
Contributions	-	242
Benefits paid	(23,128)	(24,130)
Disposals	-	-
Other changes	7,356	(60,452)
	6,901	-
Fair value of assets at the reporting date	236,378	244,425

Changes in the fair value of reimbursement rights in 2023 and 2022 were as follows:

	Thousands of euro	
	2023	2022
Fair value of reimbursement rights as at 1 January	30,122	160,743
Adjustments for business combinations	-	-
Expected rate of return of plan assets	934	448
Actuarial gains/(losses)	(1,643)	(40,004)
Contributions	-	1,133
Benefits paid	(2,555)	(9,067)
Disposals	-	-
Other changes	-	(83,131)
Fair value of reimbursement rights at the reporting date	26,858	30,122

Total expense recognised in the statement of profit and loss in 2023 and 2022 was as follows:

	Thousands of euro	
	2023	2022
Current service cost	534	1,211
Past service cost	10,221	3,066
Net interest cost	4,780	450
<i>Of which:</i>		
<i>Interest cost</i>	<i>14,027</i>	<i>1,683</i>
<i>Expected rate of return of plan assets</i>	<i>(9,248)</i>	<i>(1,233)</i>
Expected rate of return of reimbursement rights	(3,522)	(448)
Actuarial (gains)/losses on LTRR	(931)	(1,094)
Disposals	-	(544)
Total	11,082	2,641

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Changes in valuation adjustments in equity due to actuarial gains and losses in 2023 and 2022 were as follows:

	Thousands of euro
2022 Opening balance	(12,917)
Additions arising from business combinations	-
Changes in actuarial losses and gains	12,080
2022 Closing balance	(837)
Changes in actuarial losses and gains	(9,011)
Additions arising from business combinations	(2,332)
2023 Closing balance	(12,180)

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 2023 and 2022 is as follows:

Financial year 2023

	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 2023	20,221	96,033	19,472	135,726
(Net) Allowance to profit and loss for the period	9,617	(9,983)	52,149	51,783
Provisions used and others	(18,045)	-	(5,905)	(23,950)
Transfers	-	-	-	-
Other changes	-	5,051	1,868	6,919
Balance as at 31 December 2023	11,793	91,101	67,584	170,478

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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

As at 31 December 2023, "Other provisions" in the table above basically includes €30 million in provisions recognised by the Group to cover other liabilities of a specific nature, either certain or contingent, related with mortgage-related industry mass contingencies (€3 million as at 31 December 2022); and €38 million in provisions recognised to cover commitments arisen in connection with the activity of the Group (€6 million as at 31 December 2022).

24. Other liabilities

The breakdown of this item in the consolidated balance sheet is as follows:

	Thousands of euro	
	2023	2022
Salaries payable	59,343	55,817
Other accrued expenses	148,741	138,217
Transactions in transit	65,811	61,240
Lease transactions	3,028	1,760
Other	40,084	32,622
	317,007	289,656

As at 31 December 2023 and 2022, "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 2023 "Other accrued expenses" includes €64,414 thousand (€55,563 thousand on 31 December 2022) 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.

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The breakdown, by entity, of "Equity - Minority interests (non-controlling interests)" in the consolidated balance sheet as at 31 December 2023 and 2022 is as follows:

	Thousands of euro	
	2023	2022
Other minority interests	(7,146)	(4,030)
	(7,146)	(4,030)

Changes in 2023 and 2022 in this item of the consolidated balance sheet are summarised as follows:

	Thousands of euro	
	2023	2022
Opening balance	(4,030)	(5,819)
Attributable profit for the period	(175)	1,939
Other equity instruments issued	-	-
Reclassification of other equity instruments	-	-
Changes in the consolidation perimeter valuation adjustments and other	(2,941)	(150)
Closing balance	(7,146)	(4,030)

26. Accumulated other comprehensive income

a) Financial assets at fair value through other comprehensive income

As at 31 December 2023 and 2022, 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	
	2023	2022
Equity instruments	69	581
Debt instruments	12,018	8,669
	12,087	9,250

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.

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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	
	2023	2022
Autoestrada do Salnés, Concesionaria da Xunta de Galicia, S.A.	(91)	(91)
Transmonbús, S.L.	652	954
ABANCA Generales de Seguros y Reaseguros, S.A.U.	(92)	(367)
Empresa Naviera Elcano, S.A.	2,453	4,018
Grupo Empresarial Copo, S.A.	(403)	(260)
Other	(706)	(705)
	1,813	3,549

27. Shareholders' Equity

The item "Shareholders' Equity" in the accompanying consolidated balance sheet reflects equity contributions made by shareholders, retained profits recognised in the consolidated statement of 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 2023 and 2022 are shown in the accompanying "Consolidated statement of changes in equity".

Capital

As at 31 December 2023 and 2022, 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 2023 and 2022, the shareholders of the Bank are as follows:

Shareholders	Percentage of Interest	
	2023	2022
Juan Carlos Escotet Rodríguez	43.50%	43.50%
Escotet Family Office S.L.	41.25%	41.25%
Other shareholders	13.07%	14.83%
Treasury shares	2.18%	0.42%
	100.00%	100.00%

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

Treasury shares

Dated 29 June 2023, ABANCA repurchased own shares amounting to €63,174 thousand, having previously obtained the appropriate regulatory authorisations and the approval of the Board of Directors.

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At the 2023 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	49,065,239	53,972	1.7103	83,916

At the 2022 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	9,481,051	10,429	2.1521	20,404

Solvency disclosure

As at 31 December 2023 and 2022, 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	
	31.12.2023	31.12.2022
Capital ratios		
Eligible Common Equity Tier 1 capital (thousands of euro) (a)	4,262,804	4,052,394
Eligible Additional Tier 1 capital (thousands of euro) (b)	625,000	625,000
Eligible Tier 2 capital (thousands of euro) (c)	840,000	650,000
Exposure (thousands of euro) (d)	33,839,989	32,467,961
Common Equity Tier 1 capital ratio (CET 1) (A)=(a)/(d)	12.60%	12.48%
Additional Tier 1 capital ratio (AT1) (B)=(b)/(d)	1.85%	1.93%
Tier 1 capital ratio (Tier 1) (A)+(B)	14.45%	14.40%
Tier 2 capital ratio (Tier 2) (C)=(c)/(d)	2.48%	2.00%
Total capital ratio (A)+(B)+(C)	16.93%	16.41%

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	31.12.2023	31.12.2022
Leverage		
Tier 1 capital (thousands of euro) (a)	4,887,804	4,677,394
Exposure (thousands of euro) (b)	74,196,270	75,318,110
Leverage ratio (a)/(b)	6.59%	6.21%

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 2023 and 2022, the Group has appropriated to this reserve the minimum amount required by law.

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Retained earnings

As at 31 December 2023 and 2022, the breakdown of the balance of these reserves is as follows:

	Thousands of euro	
	2023	2022
Reserves in the Bank and subsidiaries		
ABANCA Corporación Bancaria, S.A.	4,931,930	5,463,453
Inventium Consultoría de Proyectos, S.L.	-	(3,256)
ABANCA Corporación Industrial y Empresarial, S.L.U. (*)	-	(783,245)
Corporación Empresarial de Representación Participativa, S.L.	-	(39,155)
Espacios Termolúdicos, S.A.	-	(584)
AVANTTA Sentir Común. S.A. DE C.V., SOFOM, E.N.R.	525	(22,130)
ABANCA Operador de Banca Seguros, S.A.	(12)	2,966
Torres del Boulevard, S.L.U.	(62,379)	(62,368)
Abanca Invest, S.L.U.	1,225	(93)
Laborvantage – Invetimentos Imobiliários e Turísticos Lda.	6,752	6,110
Jocai XXI, S.L.	(26,198)	(26,212)
ABANCA Corporación, División Inmobiliaria, S.L.U.	(2,679,015)	(2,665,642)
Sogevinus, S.G.P.S., S.A.	21,164	15,242
ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A.U.	(19,619)	57,155
Nueva Pescanova, S.L.	(118,120)	(52,400)
R.C. Deportivo de la Coruña, S.A.D.	(13,388)	(11,074)
Other	42,028	23,274
	2,084,893	1,902,041
Reserves in equity-accounted investees:		
Associates		
Raminova Inversiones, S.L.	(23,169)	(23,168)
Pazo de Congresos de Vigo, S.A.	1,718	1,718
Desarrollos Inmobiliarios Fuenteamarga, S.L.	(330)	(236)
Transmonbús, S.L.	(862)	20,292
Empresa Naviera Elcano, S.A.	(4,221)	58,715
Grupo Empresarial COPO, S.A.	582	6,634
ABANCA Generales de Seguros y Reaseguros, S.A.	(29,249)	(22,372)
Other	(4,815)	(7,828)
	(60,346)	33,755
Jointly-controlled entities-		
Desarrollos Albero, S.A.	(11,000)	(11,000)
	(11,000)	(11,000)

(*) Company merged with ABANCA Corporación Bancaria, S.A (see Note 2.1.d)

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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 2023 and 2022 annual periods is as follows:

	Thousands of euro	
	2023	2022
Subsidiaries:		
ABANCA Corporación Bancaria, S.A.	750,543	199,930
ABANCA Corporación Industrial y Empresarial, S.L.U. (*)	-	4,691
Espacios Termolúdicos, S.A.	1,129	2,238
Torres del Boulevard, S.L.U.	74	(30)
Laborvantage – Invetimentos Imobiliários e Turísticos Lda.	(172)	537
Jocai XXI, S.L.	16	14
ABANCA Corporación División Inmobiliaria, S.L.U.	1,950	19,383
Sogevinus, S.G.P.S., S.A.	5,351	6,256
ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A.U.	66,079	60,020
AVANTTA Sentir Común. S.A. DE C.V., SOFOM, E.N.R.	(335)	(361)
ABANCA Servicios Financieros, E.F.C., S.A.	9,436	7,250
Other	16,182	14,437
	850,253	314,635
Associates		
ABANCA Generales de Seguros y Reaseguros, S.A.	(7,036)	(6,749)
Transmonbús, S.L.	2,973	69
Grupo Empresarial COPO, S.A.	2,432	1,248
Empresa Naviera Elcano, S.A.	(3,240)	1,438
Other	332	949
	(4,539)	(3,045)
	845,714	315,074

(*) Company merged with ABANCA Corporación Bancaria, S.A (see Note 2.1.d)

Distributable items

Based on the definition of "Distributable items" contained in article 4, paragraph 1, point 128 of CRR, as at 31 December 2023 ABANCA Corporación Bancaria, S.A.'s "Distributable items" totalled €1,948,143 thousand (€1,482,360 thousand as at 31 December 2022).

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 2023, 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 de Activos S.G.I.I.C., S.A.	A-79.389.672
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 Servicios Financieros, E.F.C., 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
B100. The Healthy Project S.A.	A-56.274.632
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
Dunas Renergy, S.C.R., S.A.	A-56.278.229
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.

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As at 31 December 2023, the following companies are considered Group subsidiaries for VAT purposes:

Subsidiaries - VAT Group
ABANCA Corporación División Inmobiliaria, S.L.U. ABANCA Corporación Industrial y Empresarial, S.L.U. ABANCA Gestión de Activos S.G.I.I.C., S.A. 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 2023 and 2022 with the taxable income of the Consolidated Tax Group is as follows:

	Thousands of euro	
	2023	2022
Net profit for the reporting period	711,148	219,391
Income tax	30,375	35,987
Permanent differences	(282,325)	(130,170)
Temporary differences		
Originating in the reporting period	77,781	52,346
Originating in prior periods (net)	(178,088)	(105,115)
Consolidation differences	104,191	74,715
Tax base	463,082	147,154
Tax loss carryforwards	(104,789)	(27,959)
Tax base for the reporting period	358,293	119,195

When reconciling the consolidated accounting profit for 2023 and 2022 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.

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Taxes recorded in equity

Irrespective of income tax charged to the consolidated statement of profit and loss, in 2023 and 2022 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 expense of €32,679 thousand recognised directly in equity as at 31 December 2023 (income of €71,678 thousand as at 31 December 2022) (see the "Consolidated Statement of comprehensive income and expense").

28.3 Deferred tax

a) Temporary differences

Due to the different recognition criteria applied to certain income and expenses for accounting and tax purposes, deferred tax assets and tax liabilities have arisen in connection with future deductible and taxable temporary differences, respectively.

As at 31 December 2023 and 2022, the breakdown of the items "Deferred tax assets" and "Deferred tax liabilities" in the consolidated balance sheet is as follows:

	Thousands of euro			
	2023		2022	
	Tax assets - deferred	Tax liabilities - deferred	Tax assets - deferred	Tax liabilities - deferred
Amortisation of goodwill arising from BNP branches	2,197	-	3,296	-
Allowance for pension fund (net)	93,970	-	100,453	-
Credit loss and impairment coverage	2,096,001	-	2,143,808	-
Foreclosed properties	550,768	-	552,468	-
Fixed-income and equity portfolios valuation adjustments	7,671	(2,663)	13,345	(3,444)
Adjustments arising from foreign branches	36,917	-	36,917	-
Accelerated depreciation and amortisation Royal Decree-Law 3/1993	-	(60)	-	(70)
Depreciation and amortisation of revalued assets	7,157	(18,190)	10,939	(18,122)
Adjustments to fair value of business combinations and other consolidation adjustments	-	(102,226)	-	(107,754)
Unused deductions	6,758	-	18,765	-
Tax credits, tax loss carryforwards	1,175,266	-	1,205,054	-
Other	83,386	(2,049)	59,223	(2,049)
Total	4,060,091	(125,888)	4,144,268	(131,075)

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Recognised under the item "Deferred tax assets" and "Deferred tax liabilities"	3,670,493	(125,888)	3,523,031	(131,075)

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.

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)

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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 2023. In 2023, deferred tax assets identified amount to €2,657,530 thousand (€2,666,488 thousand in 2022). 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 2023, 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 €30,375 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 (€35,987 thousand in 2022, before the restatement required by IFRS 17). 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 2023 and 2022, the breakdown of deferred tax assets recognised in the consolidated balance sheet is as follows:

	Thousands of euro	
	2023	2022
Deferred tax assets qualifying for monetisation:		
On credit loss	2,031,221	2,038,246
On pensions	75,541	75,774
On foreclosed assets	550,768	552,468
Subtotal: Balance of deferred tax qualifying for monetisation	2,657,530	2,666,488
Deferred tax assets non qualifying for monetisation:		
Fixed-income and equity portfolios valuation adjustments	7,671	13,345
On business plan	920,825	786,884
On deferred tax liabilities with similar reinvestment deadline		
	20,299	20,241
On other consolidation adjustments	64,168	36,073
Subtotal: Balance of deferred tax not qualifying for monetisation	1,012,963	856,543
Total deferred tax assets recognised	3,670,493	3,523,031

As previously stated, part of the deferred tax assets are payable by the taxation authorities in the aforementioned circumstances (assets convertible into receivables, or deferred tax credits). As shown in the above table, this portion amounts to €2,657,530 thousand as at 31 December 2023 (€2,666,488 thousand as at 31 December 2022). 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 (2024 to 2028), 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 €1,012,963 thousand as at 31 December 2023 (€838,632 thousand as at 31 December 2022, before the restatement required by IFRS 17, €856,543 thousand after restatement as a result of IFRS 17), which are in addition to the aforementioned assets convertible into receivables (deferred tax credits) of €2,657,530 thousand (€2,666,489 thousand as at 31 December 2022).

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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 €30,115 thousand in 2023 (€31,591 thousand in 2022).

b) Tax credits: tax deductions

Following calculation of the provision for corporate income tax for the year ended 31 December 2023, 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 €6,758 thousand. In 2022 tax credits amounted to approximately €18,765 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 2023 and 2022, after calculating the corporate income tax provision, the Tax Group has unused cumulative individual tax loss carryforwards amounting to €3,917,553 thousand and €4,016,845 thousand, respectively. When calculating the tax loss carryforwards for 2023 and 2022, 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 2023 or 2022.

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

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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 2023 that are eligible to the regime of Title VII, Chapter VII of the CIT Law-

The information on transactions subject to the regime of tax neutrality regulated in Title VII, Chapter VII of the CIT Law in which the Group has taken part is as shown below. Where the information is presented in aggregate form, each Group company required to report keeps on file the individual information on each asset element.

Dated 1 February 2023, the public deed of merger whereby Imantia Capital, S.G.I.I.C., S.A. (currently named ABANCA Gestión de Activos S.G.I.I.C., S.A.) took over the company Bankoa Gestión, S.G.I.I.C. was executed.

The effective date of this merger for accounting purposes was 1 January 2013. In addition to the information disclosed in the notes to the financial statements of the acquirer, in compliance with article 86 of the CIT Law, the fact that the merger did not result in an increase in capital in the acquiring company, as this merger operation involved two companies that were wholly owned subsidiaries of the Bank.

As at 31 December 2023, the Company had neither officially completed nor registered any corporate restructuring operation under the special regime of tax neutrality regulated in Title VII, Chapter VII of CIT Law completed in 2023, other than the above-mentioned merger operation.

The information relating to any restructuring operations the Bank may officially complete and register after 1 January 2024 will be disclosed in the notes for that reporting period.

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 Siva Soluciones Informáticas, S.A.	2008	-	-
Caixa Galicia	Non-monetary contribution of assets, 29/12	2008	308,919	308,919
Caixanova	Non-monetary contribution of Filmanova Invest, S.A.	2009	326	326
Caixanova	Split-off of Centro de Atención de Llamadas, S.A.	2009	91	91
Caixa Galicia	Non-monetary contribution of assets, 29/06	2009	116,306	116,306
Caixanova	Non-monetary contribution of Vinum Terrae, S.L.	2010	2,665	2,665
Caixagalicia- Caixanova	Merger by creation of Novacaixagalicia	2010	-	-
Novacaixagalicia	Segregation of financial business in favour of ABANCA Corporación Bancaria, S.A.	2011	1,084,188	1,084,188
NCG Banco	Merger by absorption of Financiera Inmobiliaria Proinova, S.L.U. with and into NCG División Grupo Inmobiliario, S.L.	2011	-	-
NCG Banco	Non-monetary contribution of assets, 6/09	2011	154,561	154,561
NCG Banco	Non-monetary contribution of interests in investees 29/10	2012	421,296	421,296
NCG Banco	Merger of ABANCA División Grupo Inmobiliario, S.L.U. and CXG Grupo Inmobiliario Corporación Caixagalicia, S.L.U.	2012	-	-
NCG Banco	Partial split-off of ABANCA Corporación Industrial, S.L.	2012	170,367	170,367
NCG Banco	Non-monetary contribution of interests in investees 29/06	2012	1,130,657	1,130,657
NCG Banco	Non-monetary contribution of interests in investees 29/06	2012	44,758	44,758
NCG Banco	Non-monetary contribution of assets, 17/4	2012	203,765	203,765
NCG Banco	Non-monetary contribution of assets, 20/5	2013	19,726	19,726
NCG Banco	Contribution of EVO Banco business unit	2013	110,000	110,000
NCG Banco	Transfer of bank branches business to Banco Etcheverría	2013	-	-
ABANCA	Merger with Banco Etcheverría	2014	-	-
ABANCA	Merger of Grupo Vinum	2014	-	-
ABANCA	Non-monetary contribution of interests in investees	2015	72,056	72,056
ABANCA Holding Financiero, S.A.	Merger with ABANCA Holding Hispania, S.A.	2015	90,622	90,622
ABANCA	Merger of Abanca Vida y Pensiones de Seguros y Reaseguros, S.A.U.	2016	-	-
	Merger by absorption of Daenpa, S.L.U. and Hispano-Lusa Compañía Tecnológica de Edificación, S.A. by ABANCA Corporación, División Inmobiliaria, S.L.U.	2019	-	-
ABANCA	Downstream merger of Abanca Holding Financiero	2020	-	-
ABANCA	Merger by absorption of Banco Caixa Geral	2020	-	-
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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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

d) 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 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.

In 2023, the levy for the Bank and the Group has amounted to €39 million.

28.5 Tax periods open to inspection

In January 2022, the Spanish Tax Authority gave the Bank and the Tax 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.

Additionally, in January 2024 the Bank has been notified the opening of inspection proceedings on the temporary levy on credit institutions of tax year 2023.

Consequently, as at 31 December 2023 the Bank 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 and for tax years open to inspection 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.

28.6 Annulment of Royal Decree-Law 3/2016

Dated 18 January 2024, the Constitutional Court has entered a judgement annulling certain tax measures contained in Royal Decree-Law 3/2016 and limiting the retroactive effects thereof. The Group has performed an initial assessment of that Judgement in connection with both past tax years open for inspection and for tax year 2023. As a result of that assessment, no significant impacts are expected for the Group.

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 2023 and 2022 "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 2023 and 2022 "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	
	31.12.2023	31.12.2022
Technical provisions	6,970	4,307
Liabilities for insurance contracts issued	1,745,638	1,519,865
Liabilities for accounting mismatches	10,160	10,068
	1,762,767	1,534,241

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In 2023 and 2022, the breakdown, by measurement method, is as follows:

2023					
Breakdown by measurement method	Insurance and Reinsurance contracts assets	Insurance and Reinsurance contracts liabilities	Insurance and Reinsurance revenue	Insurance and Reinsurance expenses	Insurance and Reinsurance net finance income/(expenses)
Direct Insurance and Reinsurance Accepted					
General Building Blocks Approach (BBA)/ Life-savings products	-	796,470	31,599	(10,159)	7,497
Variable Fee Approach (VFA) / UL / Products with PB?	-	894,646	3,313	(1,357)	83
Premium Allocation Approach (PAA)/ Life-risk / Non Life products	-	54,523	57,936	(19,472)	741
Total direct insurance contracts	-	1,745,638	92,848	(30,989)	8,321
Reinsurance ceded					
General Building Blocks Approach (BBA)/ Life-savings products	-	-	-	-	-
Variable Fee Approach (VFA) / UL / Products with PB?	-	-	-	-	-
Premium Allocation Approach (PAA)/ Life-risk / Non Life products	3,907	-	2,355	(2,940)	-
Total Reinsurance contracts	3,907	-	2,355	(2,940)	-
2022					
Breakdown by measurement method	Insurance and Reinsurance contracts assets	Insurance and Reinsurance contracts liabilities	Insurance and Reinsurance revenue	Insurance and Reinsurance expenses	Insurance and Reinsurance net finance income/(expenses)
Direct Insurance and Reinsurance Accepted					
General Building Blocks Approach (BBA)/ Life-savings products	-	778,392	24,259	(7,547)	9,705
Variable Fee Approach (VFA) / UL / Products with PB?	-	686,461	1,540	(1,029)	96
Premium Allocation Approach (PAA)/ Life-risk / Non Life products	-	55,012	56,874	(17,934)	859
Total direct insurance contracts	-	1,519,865	82,673	(26,511)	10,661
Reinsurance ceded					
General Building Blocks Approach (BBA)/ Life-savings products	-	-	-	-	-
Variable Fee Approach (VFA) / UL / Products with PB?	-	-	-	-	-
Premium Allocation Approach (PAA)/ Life-risk / Non Life products	4,285	-	1,836	(2,696)	-
Total Reinsurance contracts	4,285	-	1,836	(2,696)	-

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In 2023 and 2022, the impact of contracts recognised using the BBA and VFA methods, is as follows:

2023

	<u>Insurance contracts issued</u>		Total
	<u>Non onerous</u>	<u>Onerous</u>	
Future payments estimate, excluding acquisition payments	397,727	54	397,781
Acquisition costs estimate	-	-	-
Present value of future payments estimate	397,727	54	397,781
Present value of future receipts estimate	(432,861)	(40)	(432,901)
Risk adjustment for non-financial risk	636	2	637
Contractual Service Margin or loss component	34,499	-	34,499
Amount included in insurance contracts liabilities for the period	-	16	16

2022

	<u>Insurance contracts issued</u>		Total
	<u>Non onerous</u>	<u>Onerous</u>	
Future payments estimate, excluding acquisition payments	398,376	8,365	406,742
Acquisition costs estimate	-	-	-
Present value of future payments estimate	398,376	8,365	406,742
Present value of future receipts estimate	(462,446)	(8,505)	(470,950)
Risk adjustment for non-financial risk	7,175	182	7,357
Contractual Service Margin or loss component	56,895	-	56,895
Amount included in insurance contracts liabilities for the period	-	43	43

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In 2023 and 2022, the breakdown of movements in insurance contracts assets and liabilities, grouped by measurement method (BBA, VFA and PAA), is as follows:

	Liability for remaining coverage		Liability for incurred claims	Total insurance contracts issued
	Without loss component	Loss component		
Opening insurance contracts balance - Liabilities	1,203,892	809	38,445	1,243,145
OPENING INSURANCE CONTRACTS BALANCE - NET AMOUNT AS AT 31.12.2021	1,203,892	809	38,445	1,243,145
Insurance revenue	(82,673)	-	-	(82,673)
Insurance service expenses	967	(830)	26,374	26,511
Insurance service result	(81,706)	(830)	26,374	(56,162)
Insurance finance income and expenses	(66,737)	28	-	(66,709)
TOTAL CHANGES IN COMPREHENSIVE INCOME	(148,442)	(802)	26,374	(122,871)
Investment component	(108,158)	-	108,158	-
NET CASH FLOWS	532,912	-	(133,335)	399,577
CLOSING INSURANCE CONTRACTS BALANCE - NET AMOUNT AS AT 31.12.2022	1,480,203	7	39,655	1,519,865
OPENING INSURANCE CONTRACTS BALANCE - NET AMOUNT AS AT 31.12.2022	1,480,203	7	39,655	1,519,865
Insurance revenue	(92,848)	-	-	(92,848)
Insurance service expenses	965	23	30,000	30,988
Insurance service result	(91,883)	23	30,000	(61,859)
Insurance finance income and expenses	63,733	1	-	63,734
TOTAL CHANGES IN COMPREHENSIVE INCOME	(28,149)	24	30,000	1,875
Investment component	(238,018)	-	238,018	-
NET CASH FLOWS	490,926	-	(266,742)	224,184
Closing insurance contracts balance - Liabilities	1,704,997	31	40,610	1,745,638
CLOSING INSURANCE CONTRACTS BALANCE - NET AMOUNT AS AT 31.12.2023	1,704,997	31	40,610	1,745,638

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The reconciliation of insurance contracts assets and liabilities opening and closing balances for each component is as follows:

	Contractual service margin					
	Estimates of present value of future cash flows	Risk adjustment	Groups of contracts to which the fair value approach was applied during transition	Other contracts	Total Contractual Service Margin	Total
Opening insurance contracts balance - Reinsurance	1,099,608	11,571	78,347	-	78,347	1,189,526
OPENING INSURANCE CONTRACTS BALANCE - NET AMOUNT AS AT 31.12.2021	1,099,608	11,571	78,347	-	78,347	1,189,526
Changes related to future service	(72,790)	7,375	5,588	59,072	64,660	(754)
Changes related to current service	(270)	(1,166)	(12,260)	(2,468)	(14,728)	(16,164)
Changes related to past service	(304)	-	-	-	-	(304)
Insurance service result	(73,365)	6,210	(6,672)	56,605	49,932	(17,223)
Insurance finance income and expenses	(65,619)	(1,806)	64	651	716	(66,709)
TOTAL CHANGES IN COMPREHENSIVE INCOME	(138,983)	4,404	(6,608)	57,256	50,648	(83,931)
NET CASH FLOWS	359,387	-	-	-	-	359,387
CLOSING INSURANCE CONTRACTS BALANCE - NET AMOUNT AS AT 31.12.2022	1,319,883	15,975	71,739	57,256	128,995	1,464,853
OPENING INSURANCE CONTRACTS BALANCE - NET AMOUNT AS AT 31.12.2022	1,319,883	15,975	71,739	57,256	128,995	1,464,853
Changes related to future service	(71,337)	5,496	18,310	47,557	65,867	26
Changes related to current service	(613)	(1,352)	(12,006)	(10,287)	(22,293)	(24,257)
Changes related to past service	836	-	-	-	-	836
Insurance service result	(71,113)	4,144	6,305	37,269	43,574	(23,395)
Insurance finance income and expenses	60,797	815	71	2,052	2,123	63,734
<i>Recognised in profit and loss</i>	<i>26,262</i>	<i>283</i>	<i>71</i>	<i>2,052</i>	<i>2,123</i>	<i>28,667</i>
<i>Recognised in OCI</i>	<i>34,535</i>	<i>532</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>35,067</i>
TOTAL CHANGES IN COMPREHENSIVE INCOME	(10,316)	4,959	6,375	39,321	45,696	40,339
NET CASH FLOWS	185,923	-	-	-	-	185,923
Closing insurance contracts balance - Liabilities	1,495,490	20,934	78,115	96,577	174,692	1,691,115
CLOSING INSURANCE CONTRACTS BALANCE - NET AMOUNT AS AT 31.12.2023	1,495,490	20,934	78,115	96,577	174,692	1,691,115

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In 2023 and 2022, the breakdown of insurance revenue and expenses is as follows:

	2023	2022
Release due to changes in liabilities for remaining coverage	34,911	25,799
Expected claims and other expenses	11,267	9,906
Change in the risk adjustment for non-financial risk	1,352	1,164
Contractual service margin recognised in profit and loss for services provided	22,293	14,729
Insurance revenue from contracts not measured using the PAA method	34,911	25,799
Insurance revenue from contracts measured using the PAA method	57,936	56,874
TOTAL INSURANCE REVENUE	92,848	82,673
Claims and other expenses attributable to insurance service	(24,859)	(21,961)
Acquisition costs	(965)	(967)
Losses and reversal of losses in groups of onerous contracts	(26)	754
Changes in liabilities for incurred claims - Adjustments to LIC	(5,139)	(4,337)
TOTAL INSURANCE SERVICE EXPENSES	(30,989)	(26,511)
Reinsurance expenses - contracts measured using the PAA method	(585)	(859)
Other attributable expenses incurred	(2,940)	(2,696)
Claims recovered	2,355	1,836
TOTAL NET REINSURANCE EXPENSES	585	859

In 2023 and 2022, the breakdown of total insurance finance income and expenses and the connection there with investment returns, is as follows:

	2023	2022
Interest income from financial assets not measured at fair value through profit and loss	36,988	15,548
NET FINANCE INCOME/(EXPENSES) NOT RELATED TO INSURANCE SERVICE	36,988	15,548
Fair value changes in underlying items in contracts with direct participation features	(15,484)	(1,466)
Accumulated interest on contractual service margin	(2,123)	(716)
Effect of changes in discount rates	(46,128)	68,890
NET FINANCE INCOME/(EXPENSES) FROM INSURANCE CONTRACTS	(63,734)	66,709
NET FINANCE INCOME/(EXPENSES) FROM REINSURANCE CONTRACTS	-	-
TOTAL CHANGES	(26,746)	82,257
Of which: through profit and loss	8,321	10,661
of which: through OCI	(35,067)	71,596

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In 2023 and 2022, the breakdown of the time bands in which contractual service margin recognition is expected, is as follows:

2023

	BBA	VFA	DPF	Total CSM	Reinsurance	Total Reinsurance CSM
1	20,669	2,256	-	22,925	-	22,925
2	18,827	2,158	-	20,985	-	20,985
3	16,176	2,056	-	18,232	-	18,232
4	13,711	1,961	-	15,672	-	15,672
5	10,917	1,869	-	12,785	-	12,785
Later	58,170	25,922	-	84,093	-	84,093

2022

	BBA	VFA	DPF	Total CSM	Reinsurance	Total Reinsurance CSM
1	17,278	866	-	18,144	-	18,144
2	15,599	826	-	16,425	-	16,425
3	13,896	785	-	14,681	-	14,681
4	11,662	744	-	12,406	-	12,406
5	9,711	705	-	10,416	-	10,416
Later	48,329	8,594	-	56,923	-	56,923

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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 2023 and 2022, the breakdown of the maximum risk assumed by the Group in respect of financial guarantees is as follows:

	Thousands of euro	
	2023	2022
Bank guarantees and other indemnities	1,820,587	1,783,916
Irrevocable documentary credits	69,818	127,387
Credit derivatives sold	477,438	454,040
Other documentary credits	-	-
Other contingent commitments	401,565	121,690
Other	336,348	113,707
	3,105,756	2,600,740

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 2023, the Group has guarantees extended by third parties amounting to €208,552 thousand (€100,520 thousand as at 31 December 2022).

30.2. Assets pledged as collateral

As at 31 December 2023, the carrying amount of the Group's financial assets pledged as collateral for certain liabilities or contingent liabilities assumed by the Group totals €10,993,109 thousand (€13,176,608 thousand as at 31 December 2022) (see Notes 8 and 10).

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30.3. Loan commitments granted

As at the end of 2023 and 2022, the amounts available under the financing contracts extended by the Group are as follows:

	Thousands of euro	
	2023	2022
Immediately available:		
Credit cards	1,776,266	1,639,239
Public administrations sector	1,142,026	1,235,885
Other sectors	2,354,405	2,079,360
	5,272,697	4,954,484
Available subject to conditions:		
Public administrations sector	276,958	249,696
Other sectors	5,590,506	5,199,349
	5,867,464	5,449,045
	11,140,161	10,403,529

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 2023 and 2022 the breakdown of items not included in the balance sheet regarding customer funds managed by the Group is as follows:

	Thousands of euro	
	2023	2022
Investment funds ^(*)	9,346,248	8,339,636
Pension funds	2,048,018	1,752,393
Securities deposited by third parties ^(**)	5,909,422	5,273,188
Insurance products	1,946,180	1,824,048
	19,249,868	17,189,265

^(*) As at 31 December 2023, the value of secured funds for which the Bank has provided a guarantee totals €747,483 thousand (€745,061 thousand as at 31 December 2022).

^(**) As at 31 December 2023 and 2022, this item includes structured products amounting to €615,508 thousand and €441,720 thousand, respectively.

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30.4. Assets received as collateral

As at 31 December 2023 and 2022, the breakdown of assets received as collateral for loans over which the Group has the powers of disposal is as follows:

	Thousands of euro	
	2023	2022
Customer deposits pledged	179,729	204,075
Customer securities pledged	1,113,236	1,036,535
Investment funds shares/units pledged	103,793	129,579
	1,396,758	1,370,189

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 2023 and 2022 is as follows:

	Thousands of euro	
	2023	2022
Deposits in Central Banks (see Note 18)	196,683	75,843
Deposits in credit institutions	29,330	12,722
Loans and advances to customers	1,484,943	730,885
Debt securities	268,835	112,496
Non-performing loans	22,094	19,169
Rectification of income originating from accounting hedges (Note 11.1.3)	28,347	(32,797)
Deposits from Spanish Public Administrations	-	1,981
Other income	39,067	26,305
	2,069,299	946,604

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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 2023 and 2022, by portfolio of financial instruments that originated them, is shown below:

	Thousands of euro	
	2023	2022
Financial assets at fair value through other comprehensive income	56,545	40,741
Financial assets at amortised cost	1,972,240	859,174
Financial assets held for trading	794	128
Rectification of income originating from accounting hedges (Note 11.1.3)	28,347	(32,797)
Interest income from liabilities	-	1,981
Other income	11,373	77,377
	2,069,299	946,604

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 2023 and 2022 is as follows:

	Thousands of euro	
	2023	2022
Deposits from Central Banks (see note 18)	96,754	13,192
Deposits from credit institutions	82,453	27,139
Deposits from customers	446,847	70,379
Debt securities issued	59,940	16,991
Subordinated liabilities	49,975	36,153
Rectification of costs originating from accounting hedges (Note 11.1.3)	41,486	(9,362)
Cost attributable to pension funds created (Note 23.a)	12,632	1,536
Other charges	47,396	25,737
	837,483	181,765

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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	
	2023	2022
Financial liabilities at amortised cost	736,668	165,014
Rectification of costs originating from accounting hedges (Note 11.1.3)	41,486	(9,362)
Other costs	59,329	26,113
	837,483	181,765

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 2023 and 2022 is as follows:

	Thousands of euro	
	2023	2022
Equity instruments classified as:		
Non-trading assets mandatorily at fair value through profit and loss (Note 9)	8,308	6,608
Financial assets at fair value through other comprehensive income (Note 9)	19	74
	8,327	6,682
Nature of capital instruments:		
Listed	69	1,406
Unlisted	8,258	5,276
	8,327	6,682

34. Share of profit and loss of equity-accounted investees

This item comprises the amount of profit and 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 2023 and 2022 is as follows:

	Thousands of euro	
	2023	2022
Associates:		
Grupo Empresarial COPO, S.A.	2,432	1,247
Transmonbús, S.L.	2,973	69
ABANCA Generales de Seguros y Reaseguros, S.A.U.	(7,036)	(6,749)
Empresa Naviera Elcano, S.A.	(3,240)	1,438
Other	332	950
	(4,539)	(3,045)

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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 2023 and 2022, broken down according to the main sources thereof, is as follows:

	Thousands of euro	
	2023	2022
Fee and commission income:		
Arising from guarantees and contingent commitments	28,483	27,166
Arising from collection and payment services	148,693	140,531
Arising from exchange of foreign currencies and banknotes	385	416
Arising from non-banking services	120,326	113,082
Arising from securities services	11,350	12,094
Other	43,287	42,306
	352,524	335,595

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 2023 and 2022, classified by the main sources thereof, is as follows:

	Thousands of euro	
	2023	2022
Fees and commissions assigned to other entities and correspondents	6,041	6,508
Other fees and commissions	52,386	44,771
	58,427	51,279

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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 2023 and 2022 is as follows:

	Thousands of euro	
	2023	2022
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit and loss, net	31,634	47,809
Gains or losses on financial assets and liabilities held for trading, net	23,957	14,896
Gains or losses from hedge accounting, net (Note 11)	178	(11,525)
Gains or losses on non-trading financial assets mandatorily measured at fair value through profit and loss, net	18,461	(18,923)
	74,230	32,257

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 2023 and 2022 is as follows:

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	Thousands of euro	
	2023	2022
Debt securities (Note 8)	9,101	47,732
Equity instruments (Note 9)	17,695	(22,091)
Derivatives	22,494	13,986
Other	24,940	(7,370)
	74,230	32,257

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 2023 and 2022 is as follows:

	Thousands of euro	
	2023	2022
Income from investment properties and operating leases (Note 14)	13,487	15,832
Sales and income from the provision of non-financial services	68,931	64,856
Other	19,464	31,714
	101,882	112,402

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 2023, €93,314 thousand were recognised under this item (€83,551 thousand in 2022).

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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 2023 and 2022 is as follows:

	Thousands of euro	
	2023	2022
Salaries and wages	320,044	292,647
Social Security contributions	82,748	73,241
Contributions to defined benefit plans (Note 23.a)	(397)	264
Contributions to defined contribution plans (Note 23.a)	11,814	10,907
Termination benefits (Note 23.a)	12,013	4,478
Other personnel expenses	15,339	14,012
	441,561	395,549

(*) As at 31 December 2023, €1,609 thousand relate to termination benefits paid by several Group companies that do not imply changes under "Pension funds and other similar obligations" (€348 thousand as at 31 December 2022).

The Group's average headcount in 2023 and 2022, distributed by professional category and gender, as well as the number of employees as at 31 December 2023 and 2022, are as follows:

Financial year 2023

	Average number of employees			Number of Employees at 31.12.2023	
	Men	Women	Total	Men	Women
Senior Management	13	1	14	12	2
Managers and Technicians	2,135	1,803	3,938	2,321	1,960
Other administrative and commercial personnel	888	1,443	2,331	934	1,492
Auxiliary personnel	57	29	86	59	28
	3,093	3,276	6,369	3,326	3,482

In addition to the figures presented in the tables above, as at 31 December 2023, Nueva Pescanova, S.L. and Real Club Deportivo de la Coruña, S.A.D. had 9,558 employees (5,762 men and 3,796 women) and 177 employees (151 men and 26 women), respectively.

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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.

As at 31 December 2023, the Group had 77 employees with a disability rating of 33% or above (73 employees as at 31 December 2022).

In addition to the figures presented in the tables above, as at 31 December 2023, Nueva Pescanova, S.L. and Real Club Deportivo de la Coruña, S.A.D. had 81 and 1 employees with a disability rating of 33% or above, respectively (97 and 1 employees, respectively, as at 31 December 2022).

40. Other administrative expenses

The breakdown of this item of the consolidated statements of profit and loss for 2023 and 2022 is as follows:

	Thousands of euro	
	2023	2022
Property, fixtures and materials	26,971	29,086
Information technology	90,008	72,597
Advertising and publicity	44,828	44,245
Communications	15,817	16,784
Taxes	10,382	9,601
Outsourced administrative services	33,306	35,701
Legal expenses and attorney fees	5,453	6,836
Technical reports	18,046	11,933
Surveillance and security carriage services	6,652	6,320
Entertainment and personnel service expenses	5,580	4,716
Insurance premiums	4,530	4,658
Governing and control bodies	3,867	3,383
Other expenses	21,591	14,678
	287,031	260,538

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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 2023 and 2022, as follows:

	Thousands of euro	
	2023	2022
Statutory audit services	1,663	864
Other assurance services	784	488
Other	394	-
Total services invoiced by KPMG Auditores, S.L.	2,841	1,352

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 2023 and 2022, as follows:

	Thousands of euro	
	2023	2022
Audit services	-	-
Tax advice services	-	-
Other assurance services	-	-
Other services invoiced	392	173
	392	173

The amounts detailed in the tables above include the total fees for audit services rendered in 2023 and 2022, irrespective of the date of invoice thereof, while the fees for other services reflect services billed during 2023 and 2022.

External auditors, other than KPMG, invoiced the Group the following fees and expenses for professional services during the annual periods ended 31 December 2023 and 2022:

	Thousands of euro	
	2023	2022
Audit services	265	199
Other assurance services	-	-
Tax advice services	330	227
Other services invoiced	8,653	6,662
	9,248	7,088

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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 2023 and 2022 is as follows:

	Thousands of euro	
	2023	2022
Contribution to Deposit Guarantee Fund and Resolution Fund (Note 1.8)	99,931	89,482
Investment property expenses (Note 14)	1,955	1,717
Other	95,326	47,863
	197,212	139,062

The balance under "Other" includes €39 million relating to the expense on the temporary levy on credit institutions (see Note 28.4.e), and other expenses associated with deposit, taxes and to non-recurring services, such as the operational management of claims relating to floor clauses, etc.

"Expenses from liabilities covered by insurance or reinsurance contracts" 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 2023, €35,956 thousand were recognised under this item (€32,430 thousand in 2022).

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 2023 and 2022 is as follows:

	Thousands of euro	
	Gains / (Losses)	
	2023	2022
On disposals of tangible assets	6,751	3,444
On disposals of investments	-	528
Other	(383)	(483)
	6,368	3,489

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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 2023 and 2022 originating from transactions carried out with related parties, other than those included in the relevant Note, are as follows:

	Thousands of euro			
	2023			
	Senior Management and Board of Directors	Associates	Joint Ventures	Other related parties
ASSETS:				
Deposits in credit institutions	-	-	-	-
Loans and advances to customers	3,565	42,520	-	108,762
Of which:				
<i>Repayments, cancellations and recognitions during the period</i>	483	920	-	25,005
<i>Grants, drawdowns and derecognitions during the period</i>	231	5,136	-	6,747
Other assets	-	-	-	-
LIABILITIES:				
Deposits in credit institutions	-	-	-	-
Deposits from customers	15,897	17,974	-	348,197
GAINS AND LOSSES:				
Debit				
Interest expense	324	86	-	3,314
Fee and commission expense	-	-	-	39
Credit				
Interest income	52	2,641	-	4,601
Fee and commission income	34	201	-	125
MEMORANDUM ACCOUNTS	1,166	11,796	-	43,570

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	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

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 2023

	Thousands of euro			
	Retail banking	Wholesale banking	Non-financial subsidiaries	Total
Net interest income	1,197,817	28,862	5,137	1,231,816
Dividend income (Note 33)	-	8,327	-	8,327
Share of profit and loss of equity-accounted investees (Note 34)	-	-	(4,539)	(4,539)
Fee and commission income and expense (Notes 35 and 36)	294,097	-	-	294,097
Gains or losses on financial assets and liabilities (Note 37) (*)	201	74,029	-	74,230
Exchange differences, net	(52)	6,119	(51)	6,016
Other operating income and expenses (Notes 38 and 41) (**)	(147,917)	16,851	93,094	(37,972)
Gross margin	1,344,146	134,188	93,641	1,571,975
Personnel expenses (Note 39)	(408,255)	(16,808)	(16,498)	(441,561)
Other administrative expenses, depreciation and amortisation	(321,624)	(18,738)	(41,074)	(381,436)
Provisions or reversal of provisions, and impairment or reversal of impairment on financial assets not measured at fair value through profit and loss	(112,631)	4,015	360	(108,256)
Net Operating Income	501,636	102,657	36,429	640,722
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	(2,322)	(6,395)	-	(8,717)
Gains or losses on derecognition of non-financial assets, net (Note 42)	-	6,735	(367)	6,368
Negative goodwill recognised in profit and loss	-	201,274	-	201,274
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	-	6,053	14	6,067
Profit before tax from continuing operations	499,314	310,324	36,076	845,714

(*) 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	46,818,680	25,469,480	2,540,630	74,828,790
Total Liabilities	53,833,898	18,366,258	2,628,634	74,828,790
Pooling	(7,015,218)	7,103,222	(88,004)	-

Financial year 2022

	Thousands of euro			
	Retail banking	Wholesale banking	Non-financial subsidiaries	Total
Net interest income	742,655	(926)	23,110	764,839
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	-	19,687	284,316
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	84,799	24,461
Gross margin	910,462	76,598	122,267	1,109,327
Personnel expenses (Note 39)	(365,660)	(14,617)	(15,272)	(395,549)
Other administrative expenses, depreciation and amortisation	(289,986)	(21,435)	(38,952)	(350,373)
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	202,209	39,315	68,043	309,567
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	-	8,518	-	8,518
Profit before tax from continuing operations	199,387	47,337	68,350	315,074

(*) 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	2,639,739	76,068,184
Total Liabilities	48,892,105	24,588,274	2,587,805	76,068,184
Pooling	(3,133,374)	3,081,440	51,934	-

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 2023 and 2022 in a "normal market conditions" scenario is as follows:

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As at 31 December 2023-

	Thousands of euro						
	Demand	Up to 1 Month	Between 1 and 3 Months	Between 3 and 12 Months	Between 1 and 5 Years	More than 5 Years	Total
ASSETS:							
Cash, cash balances with central banks, other demand deposits and loans and advances to credit institutions (Notes 6 and 7)	7,584,994	279,368	58,479	189,648	300,067	4	8,412,561
Loans and advances to customers (Note 10)	543,474	2,359,875	2,469,387	7,146,947	20,485,586	12,510,850	45,516,118
Fixed income portfolio (Note 8)	-	348,789	95,096	3,114,390	3,239,045	6,021,493	12,818,814
Financial assets held for trading	-	-	-	-	-	-	-
Non-trading financial assets mandatorily at fair value through profit and loss	-	-	-	-	-	35,622	35,622
Financial assets at fair value through other comprehensive income	-	10,062	-	1,227	263,193	2,036,668	2,311,150
Financial assets at amortised cost	-	338,726	95,096	3,113,163	2,975,852	3,949,204	10,472,042
Equity portfolio (Note 9)	-	-	-	-	-	154,412	154,412
Non-trading financial assets mandatorily at fair value through profit and loss	-	-	-	-	-	153,826	153,826
Financial assets at fair value through other comprehensive income	-	-	-	-	-	586	586
Investments in joint ventures or associates (Note 13)	-	-	-	-	-	160,447	160,447
Trading derivatives (Note 11)	337,173	-	-	-	-	-	337,173
Insurance contracts linked to pensions (Note 23)	26,858	-	-	-	-	-	26,858
Assets covered by insurance or reinsurance contracts (Note 29)	3,907	-	-	-	-	-	3,907
Derivatives – hedge accounting (Note 11)	560,974	-	-	-	-	-	560,974
Non-current assets and disposal groups classified as held for sale (Note 12)	1,181,488	-	-	-	-	-	1,181,488
Tangible assets (Note 14)	1,228,215	-	-	-	-	-	1,228,215
Intangible assets (Note 15)	478,352	-	-	-	-	-	478,352
Tax assets (Note 28)	-	-	-	-	-	3,679,012	3,679,012
Other assets (Notes 16 and 17)	270,459	-	-	-	-	-	270,459
Total as at 31 December 2023	12,215,894	2,988,031	2,622,963	10,450,985	24,024,698	22,526,218	74,828,790
LIABILITIES:							
Deposits from Central Banks and credit institutions (Note 18)	-	2,297,956	985,589	154,180	283,050	100,104	3,820,879
Deposits from customers (Note 19)	41,053,428	4,258,048	2,457,059	8,669,471	1,174,166	198,716	57,810,888
Debt securities issued (Note 20)	-	74,582	-	-	2,936,454	935,707	3,946,743
Other financial liabilities (Note 22)	331,190	-	-	-	-	-	331,190
Trading derivatives (Note 11)	338,851	-	-	-	-	-	338,851
Derivatives – hedge accounting (Note 11)	419,723	-	-	-	-	-	419,723
Liabilities covered by insurance or reinsurance contracts (Note 29)	1,762,767	-	-	-	-	-	1,762,767
Provisions (Note 23)	383,127	-	-	-	-	-	383,127
Other liabilities and tax liabilities (Notes 24, 28 and 12.2)	1,001,704	-	-	-	-	-	1,001,704
Financial liabilities designated at fair value through profit and loss (Note 22)	54,512	-	-	-	-	-	54,512
Equity (Notes 25, 26 and 27)	-	-	-	-	-	4,958,406	4,958,406
Total as at 31 December 2023	45,345,302	6,630,586	3,442,649	8,823,651	4,393,670	6,192,933	74,828,790

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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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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 2023 and 2022, together with their respective carrying amounts at those dates, is as follows:

As at 31 December 2023-

	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)	8,412,561	8,412,561
Loans and advances to customers (Note 10) -		
<i>Financial assets at amortised cost</i>	45,516,118	47,086,284
<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>	35,622	35,622
<i>Financial assets at fair value through other comprehensive income</i>	2,311,150	2,311,150
<i>Financial assets at amortised cost</i>	10,472,042	10,124,359
<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>	153,826	153,826
<i>Financial assets at fair value through other comprehensive income</i>	586	586
Derivatives held for trading (Note 11)	337,173	337,173
Derivatives – hedge accounting (Note 11)	560,974	560,974
Liabilities:		
Deposits from Central Banks and Credit Institutions (Note 18)	3,820,879	3,844,033
Deposits from customers (Note 19)	57,810,888	54,872,216
Debt securities issued (Note 20)	3,946,743	4,081,159
Other financial liabilities (Note 22)	331,190	331,190
Derivatives held for trading (Note 11)	338,851	338,851
Derivatives – hedge accounting (Note 11)	419,723	419,723

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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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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

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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 2023 and 2022, excluding valuation adjustments, as well as their annual average interest rates, is as follows:

As at 31 December 2023-

	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)	7,584,994	-	-	-	-	-	7,584,994	3.90%
Deposits in credit institutions (Note 7)	173,012	198,351	58,480	189,648	208,072	4	827,567	4.49%
Loans and advances to customers (Note 10)	543,474	2,359,875	2,469,387	7,146,947	21,483,355	12,510,850	46,513,888	4.16%
Debt securities (Note 8)	-	398,359	98,735	632,169	4,567,116	7,392,149	13,088,528	2.52%
	8,301,480	2,956,585	2,626,602	7,968,764	26,258,543	19,903,003	68,014,977	
LIABILITIES:								
Deposits from Central Banks and credit institutions (at amortised cost) (Note 18)	-	2,269,662	992,587	152,282	279,565	98,893	3,792,989	3.66%
Deposits from customers (at amortised cost) (Note 19)	40,984,874	4,240,439	2,452,769	8,762,217	1,172,205	198,384	57,810,888	1.05%
Debt securities issued (at amortised cost) (Note 20)	-	75,600	-	-	2,925,000	1,000,000	4,000,600	6.45%
	40,984,874	6,585,701	3,445,356	8,914,499	4,376,770	1,297,277	65,604,477	

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

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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	Average annual interest rate ⁽¹⁾
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.

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.

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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.

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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.
- 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:

- **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, together with Risk Acceptance and Analysis (in particular, the ESG Credit Risk Acceptance and Analysis Procedures unit).
- **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.

In particular, within the sphere of ESG risk and given its cross-cutting nature, the General Division of Corporate Control and Risks is responsible for coordinating the inclusion of climate-related and environmental risks in the Group's risk framework (given that ESG risk is managed through the control frameworks for the other kinds of risks) and for the definition of policies, regulations and methodologies, taking into account market best practices and supervisory requirements, as well as for the definition of risk appetite and for monitoring compliance therewith.

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For its part, the General Division of Corporate Governance and Legal Affairs, which includes the compliance unit, also includes supervisory regulations relating to ESG risks among regulatory matters that should be intensively monitored, and further includes ESG risks as an additional risk in its traditional compliance guidance and, in particular, within the sphere of Compliance. Compliance oversees, by verifying the requirements applicable in investment products and services decision-making, the inclusion of those risks in the products and services offered by ABANCA.

- **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. The revision of climate-related and environmental risk has been included in its working plan.

With this model, the Group seeks to ensure an adequate management of traditional risks, which include climate-related and environmental 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, reputational, security and continuity...) that ensures the Entity's solvency and resilience in accordance with the Risk Profile as defined by the Governance Bodies.

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.

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This Division, which is in charge of defining the policies and procedures for managing risks based on the target risk profile defined, reviews policies on an ongoing basis to bring them into line with legislation and the Group's strategy. The strategies, limit-setting policies, and risk products to be commercialised are determined based on the risk profile defined by the Group and the prevailing economic climate.

With a view to obtaining models for assessing the risk of all the Group's portfolios, the Comprehensive Risk Management Area plans the procurement of scoring and rating models for all the portfolios based on their representativeness and models for assessing the expected losses on portfolios. It shall be noted that in January 2018 ABANCA adopted IFRS 9 and developed internal models for the assessment of credit risk impairment in accordance with IFRS 9.

In addition, this unit collects metrics for each operation and customer through the implementation of statistical models to minimise the possibility of future losses derived from non-payment when granting operations, thereby enabling it to create efficient systems for recovering debts and for tracking changes in the Group's credit risk profile. This unit has also submitted a proposal for the application of credit risk policies based on automated risk qualification models and systems.

Furthermore, this area is responsible for ensuring compliance with Regulations 575/2013 and with Directive 2013/36/EU of the European Parliament and of the Council (CCR/CRD IV) that came into force on 1 January 2014, and is also responsible for defining the settings of capital requirements calculation engines and for the implementation thereof.

In connection with the foregoing, it should be noted that among the strategic priorities of the Group is to continue making progress in the process for migration IRB models; to this end, Senior Management has allocated specific resources and a specific monitoring line.

This unit is also responsible for implementing the optimisation of the return/risk ratio (using RAROC methodologies), which allows for more accurate price setting and a more efficient allocation of capital.

Within the sphere of capital planning, ESG risks are considered as a risk driver for all traditional risk types. In this regard, climate risk was already included in all risk types presented in ICAAP 2022, and was considered in assessing the materiality of those risks. In 2024, in compliance with supervisory requirements, the Bank will continue working in the quantification of this risk impact on traditional risks by evaluation the relationship between C&E (climate-related and environmental) risks and prudential risks, by identifying the more representative transmission channels, by measuring that effect in all significant portfolios and by extending the horizon in medium- and long-term scenarios.

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.

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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 (BdE), the European Central Bank (ECB), the Single Resolution Board (SRB), the European Banking Authority (EBA), 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 Group 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 in the Group 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

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these functions are carried out under the umbrella of the Comprehensive Risk Management Division.

- To coordinate the preparation of the ICAAP, Recovery Plan and Resolution Plan.
- To coordinate the proposal of the Risk Appetite Framework and the Recovery Plan for their submission by the General Manager of Corporate Control and Risks to the Comprehensive Risk Commission, following their prior submission to the Comprehensive Risk Committee and to perform monitoring in both matters.
- To coordinate the negotiation, establishment, dissemination and monitoring of credit activity criteria and monitor these criteria in collaboration with the General Business Divisions.
- To develop all risk-related regulations through policies, standards and manuals.
- To ensure the quality of new loans and receivables and of management, pursuant to the criteria established by the Group for the outstanding portfolio, through participation on the Risk Committees.
- To liaise on risk-related issues — control, supervision and developments — with the Spanish National Securities Market Commission (CNMV), Banco de España (BE), Single Resolution Board, rating agencies and external auditors.
- To cooperate in defining new products and ensure compliance with the Group's risk policies.
- To review procedures, set up controls and identify needs in order to improve customer identification for segmentation of special customers (leveraged, related parties, real estate...).
- To establish a uniform culture of risk management throughout the commercial network, disseminating and controlling the application of defined risk policies and the corresponding processes.
- To ensure the consistency and quality of Risk information, working together with Systems in the implementation of the Risk technological model (Risk Datamart).
- To monitor credit risk profile and to analyse the evolution thereof. To report to the Governing Bodies on the performance of the loans and receivables portfolio.
- To 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.

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- 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.
- Within the sphere of climate-related and environmental risk, Credit Risk, Policies and Regulations Control proposes general governance guidance for management of this risk and is responsible for the definition of policies and methodologies, taking into account supervisory requirements and analysing best practices existing in the market. It additionally controls and monitors the risk, and keeps Governance Bodies duly informed about the outcome of its control and monitoring. It is also responsible for preparing a proposal of risk appetite within this sphere.

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 quantitative risk (quantitative SICR), within the scope of both IFRS9 and IRB, and to monitor the relevant parameters.
- 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.

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- To monitor the positive predictive capability of the credit risk tools available within the Bank, compiling risk maps and transition matrices and, where appropriate, updating the pertinent algorithms.
- To apply credit risk policies based on automated risk qualification models and systems.
- To define the methodology for determining the expected loss in those portfolios in which this calculation entails an automated, mass process, and to systematically monitor and update this amount. To assess and monitor the expected loss from the credit risk portfolio.
- To cooperate with Business in searching prospective publics (pre-granted, pre-authorised...).
- To provide advice in separate assessments related with credit risk control and modelling techniques.
- To supply other bank/group units (ASF, Portugal) with credit risk assessment tools (development, monitoring, adjustment and definition of credit risk policies using those tools, definition of target publics).
- To take part in the management of credit risk rating tools (admission, monitoring, recovery, etc. processes).
- To integrate RAROC indicators and tools and to perform RAROC analyses on portfolios.

Capital and Solvency

The Comprehensive Risk Management Area includes the Capital and Solvency Unit 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 (ST) exercises established by the ECB, including climate-related risk STs.

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- Providing advice to ABANCA subsidiaries in assessing the impact of Solvency on their respective strategies.

Moreover, in July 2018 the **Division of Internal Validation and Risk Data Control** was created, 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.

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 Group.
- 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.

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- 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 the Comprehensive Risk Management unit.

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Credit risk management falls fundamentally to this Area, which directly supervises the risk analysts and whose job is to analyse, review and report on transactions before they are approved, channelling proposals to the different approval committees, in accordance with their powers of authorisation.

Credit Monitoring-

This unit assumes responsibility for establishing monitoring procedures, systems and indicators that point us towards the Group's risk profile, and for applying the monitoring policies in place, as well as systems for the management of internal and external alerts that help us make decisions about risk portfolios and customers with a view to improving the quality of assets, in close collaboration with the Network. In other words, the Risk Monitoring Unit systematically and symptomatically monitors borrowers included in the loan and receivables portfolios of the Bank.

Expert ratings of the main risks are carried out through Credit Monitoring, which helps to define an optimum portfolio, monitoring risks/portfolios corresponding to the retail and portfolio segments. This unit is responsible for the definition and management of Economic Groups and Related Customers, exercising particular control over "groups" in special situations that could have an impact on the Group's solvency. In addition, it analyses the expected loss from those customers for which this cannot be modelled, mainly large customers. It also carries out systematic control and updating of the expected loss from these customers.

The Credit Monitoring Unit includes a support area for the elaboration of sectoral analyses and studies, allowing the unit to issue specific reports on the sectors and activities on which monitoring is focused and to prepare sector heat maps for a follow-up of exposures to, concentration in and prospects for each specific activity.

This unit proposes the qualification and accounting write-off of singular borrowers based on the analysis and monitoring of their situation and expected loss, conduct and operations, to give a true and fair view of the portfolio quality. The unit is also responsible for adequately reporting and, where appropriate, making the necessary proposals to correct the decline in customer risk quality, in particular customers that have a specific expected loss, to ensure compliance with the action plans designed to overcome such losses. Therefore, this unit coordinates the definition of the action and contingency plans supporting the key factors in the management of non-performing exposures.

Lastly, this unit also includes a management base specialising in customers with visibility fundamentals requiring monitored restructuring processes.

Credit Products-

The Credit Products Area of the Group includes a Guarantees Unit whose main functions are the management and monitoring of the appraisal companies circuit in order to ensure uniformity in appraisals, and ensuring the appropriate identification, recording and completeness of the information on the guarantees associated with risk operations. Additionally, the Group has an Execution and Validation Unit responsible for ensuring that mortgage transactions and their collaterals are appropriately executed and documented.

This unit also has to keep the value of collateral updated, in accordance with the Group's internal policy.

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Recoveries

The Recoveries Area is the Unit 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.

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 Group's interest.
- Comprehensive Risk and Customer Management. Understood in a dual aspect (customer centred vision)
 - o Proactive management during the entire life of the default.
 - o 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 seek to achieve collection of the full amount of debts, and, if this is not possible, to minimise expected loss.

Organisation:

1. Past-dues 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.
2. Mass Recoveries and Specialised Recoveries When impairment is serious and customers are reclassified to stage 3:
 - o Mass Recoveries, for the management of retail and companies NPLs portfolios.
 - o Recovery-Specialised Companies, for the management of individually material NPLs.
3. External Management, whose purpose is to increase efficiency in the recovery of non performing and written-off amounts in smaller transactions (< €15,000).

III. General Sales Division

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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.

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.

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Based on this structure, when considering a new transaction, the Bank verifies whether it can be approved at the organisational level at which it originated or whether it must be reported and forwarded to a higher level. In general, the committee at the required level of authorisation approves all transactions.

For guaranteeing objectivity in credit risk analysis and application of the associated policies, the areas and departments in charge of the credit investment risk analysis function are independent from the commercial function. The Entity also has specialized penalty tools that, when appropriate, support acceptance or directly penalize.

The Risk Acceptance and Analysis Unit forms part of the General Credit Division. Its main function is management of the risk acceptance process through to arrangement, ensuring the quality of assets, maintaining efficient response mechanisms and coordination with the Business Units, the Corporate Control and Risks Unit and the Credit Monitoring Unit (which reports to the General Division of Credit), within the framework of the Group's policies. The Risk Acceptance and Analysis 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.

Moreover, tools facilitating climate risk assessment have been included in credit origination. In order to achieve this risk rating not just for newly originated transactions, but also for the bulk of the historical portfolio, the Group has integrated an automated tool for ESG risk rating that shows each customer's taxonomic convergence on the basis of that customer's sector, thereby allowing to have a score for the entire portfolio. Additionally, 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.

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- 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, the 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. This also involves the definition of risk appetite, policies and methodologies within the sphere of ESG.

With regards to topics treated within the sphere of ESG, it should be noted that this body monitors, on a monthly basis, ESG Project major developments within the sphere of risk (which is the road map to be followed for complying with ECB Guidance on climate-related and environmental risks).

- 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.

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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).

Resilience to different situations and milestones, as well as regular contacts with debtors must be a constant practice to achieve valid solutions. In parallel to and in coordination with legal actions, extrajudicial agreements should always be sought in order to achieve the best possible result in terms of economic recovery.

The default life-cycle will solely be ended with the exposure's write-off (with or without release), with the addition of assets (by foreclosure or purchased/received in lieu of payment allowing to write-off the position) or with the receivable sale (to third parties or through portfolio sales).

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.

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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-related and environmental risks as a specific risk factor impacting on the other traditional risks in a transmission channels matrix. The Group currently has a methodology for the identification and assessment of transmission channels connecting climate-related and environmental risks with financial risks. This way, the Group identifies all transmission channels that have a material impact (understanding as material any impact affecting financial assets, balances or statement of profit and loss) on the Entity's financial risks, considering its portfolio profile and sectorial and geographical distribution. This way, 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 Group thereby ensures that a complete and effective revision of the impacts from climate and environmental risks is performed.

In assessing the impact from climate-related and environmental risk on credit risk, this 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-related and environmental 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.

In particular, the Group is performing: i) customers mapping and segmentation; ii) process monitoring; iii) portfolio revision, and iv) data and information sources. This is a dynamic and continuously evolving process and, consequently, the Group:

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. Thereby, 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.
2. Furthermore, in order to achieve this risk rating not just for newly originated transactions, but also for the bulk of the historical portfolio, the Group has integrated an automated tool for ESG risk rating that shows each customer's taxonomic convergence on the basis of that customer's sector, thereby allowing to have a score for the entire portfolio.

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The Group'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:

1. 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, because they have been considered as the sectors more likely to have any climate-related risk level other than low (which would be the case of customers from neutral and less sensitive to transition risk sectors), and
2. 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). This matrix is dynamic and will serve as an input, together with other expert judgement considerations, to assess whether or not to finance customers on the basis of their climate change risks and ability to complete (or not to complete) transition, that has been used as the starting point for the establishment of sectorial policies and KPIs for all exposures.

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-related and environmental risks, and integrating best practices to its processes throughout the credit management cycle.

It should also be noted that, following the analysis of the impact from ESG risks on traditional risks, since 2022 the Group has introduced specific ESG risk indicators into the Risk Appetite Framework.

Currently, the Group's Risk Appetite Framework includes several business, credit and market indicators that enable it to monitor the evolution of climate-related risk. It should be noted that part of those indicators are linked to sectors more sensitive to transition, thereby ensuring a comprehensive monitoring of those customer from a triple perspective (business, credit and market).

These indicators were initially introduced in the risk appetite framework for monitoring purposes; however, in 2023, vulnerability thresholds were included in the indicators monitored in 2022, and the same risk governance procedures applied to other risk types have been applied thereto. This has involved the establishment of early alert and limits for the above-mentioned metrics. Additionally, in 2023 risk appetite definition, new ESG metrics were introduced for monitoring thereof.

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. Similarly, ESG indicators have been included in the scorecards for the management of other traditional risks.

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Lastly, following the definition of a decarbonisation roadmap and using as starting point the 2030 decarbonisation targets established by the entity, by the end of the first half-year of 2023 the Group issued a Sectorial Policy on C&E (climate-related and environmental) Risks intended to orient its portfolio towards the achievement of the established targets. This way, relying on management tools, this policy will serve as an instrument for the identification of activities in which the entity has decided to restrict financing because of the negative impact thereof, differentiating between sectors/customers related with the carbon sector (activities that should no longer be financed from 2030) to which an exclusion criterion is applied, and sectors/customers related with any other activities for which decarbonisation roadmaps have been (or will eventually) be approved, to which restriction criteria are applied.

48.2. Maximum risk exposure level

The following table shows the maximum credit risk exposure level assumed by the Group as at 31 December 2023 and 2022 for each type of financial instrument, without deducting collaterals or any other credit enhancements received to ensure repayment by borrowers:

As at 31 December 2023-

	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	-	116	-	1,215,288	10,472,042	-	11,687,446
Loans and advances	-	-	-	-	46,359,201	-	46,359,201
Total debt instruments	-	116	-	1,215,288	56,831,243	-	58,046,647
Guarantees extended:							
Financial guarantees	-	-	-	-	-	574,515	574,515
Other guarantees extended	-	-	-	-	-	2,175,509	2,175,509
Total guarantees extended	-	-	-	-	-	2,750,024	2,750,024
MAXIMUM EXPOSURE LEVEL TO CREDIT RISK	-	116	-	1,215,288	56,831,243	2,750,024	60,796,671

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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

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 2023 and 2022 is as follows:

Financial year 2023

	Thousands of euro							
	Secured by real estate collateral	Secured by money deposits	Other collateral	Guaranteed by Financial Institutions	Guaranteed by other A-rated Entities	Guaranteed by other Entities	Hedged with credit derivatives	Total
Deposits in credit institutions	-	-	22,362	-	-	-	-	22,362
Marketable securities	-	-	-	-	2,712,721	-	-	2,712,721
Loans and advances	19,625,253	210,290	300,874	474,144	274,370	1,765,240	-	22,650,171
Debt instruments	19,625,253	210,290	323,236	474,144	2,987,091	1,765,240	-	25,385,254
Guarantees extended	-	33,468	3,404	171	-	1	-	37,044
Other exposures	-	340,539	468	-	-	-	-	341,007
Total covered amount	19,625,253	584,297	327,108	474,315	2,987,091	1,765,241	-	25,763,305

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Financial year 2022

	Thousands of euro							Total
	Secured by real estate collateral	Secured by money deposits	Other collateral	Guaranteed by Financial Institutions	Guarantee d by other A-rated Entities	Guarantee d 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

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.

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The Group's aim is to measure and manage interest rate risk, endeavouring to guarantee a net interest margin and a stable and growing economic value of equity, in accordance with the Group's risk appetite. Consequently, the Group's policies are targeted at maintaining reduced exposure to interest rate risk, whereby corrections to market interest rate curves do not have a significant direct effect on the activity and consolidated profits of the Group, maintaining the balance at optimum levels of return in all circumstances.

Sensitivity measurement techniques and scenario analyses are used to analyse, measure and control the interest rate risk assumed by the Group and adequate limits are established to avoid exposure to risks at levels that could significantly affect the Group. These procedures and analysis techniques are revised when necessary to ensure adequate performance. Furthermore, all transactions that are individually significant for the Group are analysed both individually and jointly with the Group's other transactions to ensure control over interest rate risk, as well as other market risks to which the Group is exposed through their issue or acquisition.

The Group uses hedges for the individual management of the interest rate risk of all significant financial instruments that may be exposed to equally significant interest rate risks, thus reducing this type of risk to practically zero.

With regards to ESG risks, it should be noted that Abanca Group 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 2023 and 2022 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.

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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 n 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	7,595	10,139	14,732	1	1	-	3	-
With fixed interest rate	9,621	1,572	3,344	2,770	3,059	1,875	1,562	5,436
	17,216	11,711	18,076	2,771	3,060	1,875	1,565	5,436
Financial Liabilities								
With variable remuneration rate	1,015	1,246	3	-	-	-	-	-
With fixed interest rate	18,096	3,951	12,259	3,796	6,245	259	6,872	10,848
	19,111	5,197	12,262	3,796	6,245	259	6,872	10,848
Expressed in foreign currencies:								
Financial assets								
With variable remuneration rate	540	343	194	24	2	-	18	1
With fixed interest rate	179	202	599	46	66	191	115	269
	719	545	793	70	68	191	133	270
Financial Liabilities								
With variable remuneration rate	-	-	5	-	-	-	-	-
With fixed interest rate	504	160	893	38	58	-	46	83
	504	160	898	38	58	-	46	83
Total Assets	17,935	12,256	18,869	2,841	3,128	2,066	1,698	5,706
Total Liabilities	19,615	5,357	13,160	3,834	6,303	259	6,918	10,931

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	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

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 100 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 100 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 100 basis points in all interest rate curves on the market with respect to the figures as at 31 December 2023 and 2022 is as follows:

	Thousands of euro			
	2023		2022	
	Impact on Net Interest Income	Impact on the Economic Value of Capital	Impact on Net Interest Income	Impact on the Economic Value of Capital
100 b.p. increase of Euribor	86,997	229,022	37,069	187,247
100 b.p. reduction of Euribor	(76,570)	(209,631)	(31,625)	(187,519)

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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 completing the necessary analyses and developments for the implementation of the new SMA indicator (Standardised Measurement Approach) that is expected to become effective in 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 first line of defence: 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.

- (ii) the independent risks unit:

The second line of defence: 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: 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: approval of the operational risk management policy applicable to Abanca Group business; creation of any necessary committees within the Group for the adequate management of operational risk; appointment of representatives or contact persons before Bodies supervising the Group; and, delegating into the Head of Corporate Control and Risks the approval of any functional updates or modifications.

Comprehensive Risk Commission: ensuring that the Group implements an Operational Risk Management Policy appropriate for its business; overseeing the establishment of appropriate procedures and measures for the successful implementation of operational risk management; promoting within the entity an operational risk management culture; regularly monitoring operational risk management; supervising the level of compliance with the established policies; and, approving risk management transfer (insurance, guarantees, outsourcing...) procedures and systems to mitigate operational risks.

Steering Committee and General Division of Corporate Control and Risks: promoting the operational risk management policy; ensuring the development of operational risk management policies; and, monitoring key issues.

Comprehensive Risk Committee: regularly monitoring operational risk management; analysis of information on operational risk management; promoting the implementation of operational risk controls in the Group; supervising the level of compliance with operational risk management policies; and, approval of operational risk management procedures.

Operational Risk Committee: publication and dissemination of policies approved by Governing Bodies; assessing material losses; analysis of relevant risks; proposal of new action plans, and monitoring of existing action plans; monitoring the degree of implementation of the control framework; monitoring of requirements; and reporting the main findings to the Comprehensive Risk Committee.

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: (1) To develop the policies, models and procedures on which the Operational Risk Management System is based, (2) To design and coordinate the implementation of the measures included in each step of the management cycle (identification and analysis, assessment, control and mitigation, monitoring and reporting) that will be applied to control the operational risk associated to main processes, systems and products, (3) 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 (4) To monitor and, where appropriate, coordinate the measures recorded in mitigate operational risk (5) 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) (6) To collaborate with other organisational units, providing support for the use of resources and tools for management of the organisation operational risk. (7) To coordinate, and manage the necessary processes in order to ensure the appropriate identification, recording and analysis of operational events. (8) To establish the methodologies and strategies required for the definition and implementation of risk indicators to be used as alerts for operational risk management (9) To develop the models, approaches and techniques for measurement of

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regulatory capital allocation to each operational risk, and (10) To roll out a culture of ongoing improvement that is sensitive to operational risk.

Business Units with the following functions: (1) 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. (2) To record, and report on the operational losses incurred in the performance of its activity (3) To take part in the definition and implementation of risk indicators, (4) To study, define, prioritise and finance the operational risk mitigation plans under its management. (5) To report to the Operational Risk Unit on the findings obtained in the performance of its functions (6) To maintain and test business continuity plans managed in the unit.

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.
- Assessment of operational risks.
- Recording of operational risk events.
- 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.
- Mitigation of operational risk.
- Creation of reporting systems that enable basic management information to be reported and the use of corporate communication channels to disseminate this information within the Group.

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.

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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.
- II. As regards the quantitative analysis, this is mainly based on feeding an operational events database that we have developed ourselves. 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.

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.

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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 2023 and 2022, the net position in foreign currency must not exceed 2% of eligible capital. This limit stands at 0.24% in 2023 (0.02% in 2022).

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.

As at 31 December 2023:

	Thousands of euro				
	Total	Spain	Other European Union	America	Rest of the world
Central banks and credit institutions	10,414,453	9,164,741	634,992	305,939	308,781
Public administration	19,191,417	13,506,313	5,642,252	41,624	1,228
<i>Central Government</i>	11,360,957	5,676,375	5,642,234	41,624	724
<i>Other Public administrations</i>	7,830,460	7,829,938	18	-	504
Other financial companies and individual entrepreneurs	2,051,807	942,517	1,037,614	21,815	49,861
Non-financial companies and individual entrepreneurs	20,225,923	15,740,102	2,623,599	1,269,618	592,604
<i>Real Estate construction and property</i>	1,017,189	945,104	69,832	1,754	499
<i>Civil engineering construction</i>	334,039	333,949	90	-	-
<i>Other purposes:</i>	18,874,695	14,461,049	2,553,677	1,267,864	592,105
<i>Large corporations</i>	9,970,790	7,168,310	1,437,810	962,815	401,855
<i>SMEs and individual entrepreneurs</i>	8,903,905	7,292,739	1,115,867	305,049	190,250
Rest of households	18,988,740	16,369,237	2,046,334	216,194	356,975
<i>Housing</i>	15,465,940	13,315,716	1,658,067	172,967	319,190
<i>Consumer</i>	1,898,813	1,753,098	122,325	12,513	10,877
<i>Other purposes</i>	1,623,987	1,300,423	265,942	30,714	26,908
TOTAL	70,872,340	55,722,910	11,984,791	1,855,190	1,309,449

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

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	9,164,741	64,109	288,977	298,566	8,413,262	80,040	3,434	16,353
Public administration	13,506,313	15,555	4,017	2,006,672	429,358	1,206,379	287,165	9,557,167
<i>Central Government</i>	5,676,375	-	-	-	-	-	-	5,676,375
<i>Other Public administrations</i>	7,829,938	15,555	4,017	2,006,672	429,358	1,206,379	287,165	3,880,792
Other financial companies and individual entrepreneurs	942,517	243	23,038	129,752	761,630	106	19,253	8,495
Non-financial companies and individual entrepreneurs	15,740,102	485,499	1,315,918	3,808,319	5,778,664	692,025	1,182,196	2,477,481
<i>Real Estate construction and property development</i>	945,104	23,569	65,222	312,536	348,775	17,541	66,050	111,411
<i>Civil engineering construction</i>	333,949	1,199	9316	8,546	305,639	304	1,334	7,611
<i>Other purposes:</i>	14,461,049	460,731	1,241,380	3,487,237	5,124,250	674,180	1,114,812	2,358,459
<i>Large corporations</i>	7,168,310	365,534	818,478	387,669	3,331,001	379,216	719,427	1,166,985
<i>SMEs and individual entrepreneurs</i>	7,292,739	95,197	422,902	3,099,568	1,793,249	294,964	395,385	1,191,474
Rest of households	16,369,237	589,864	1,644,026	7,957,679	2,243,241	833,640	649,707	2,451,080
<i>Housing</i>	13,315,716	528,321	1,539,827	5,713,378	2,037,225	747,850	590,712	2,158,403
<i>Consumer</i>	1,753,098	22,858	33,583	1,406,163	79,097	25,174	35,866	150,357
<i>Other purposes</i>	1,300,423	38,685	70,616	838,138	126,919	60,616	23,129	142,320
TOTAL	55,722,910	1,155,270	3,275,976	14,200,988	17,626,155	2,812,190	2,141,755	14,510,576

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

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TOTAL	71,734,817	56,955,181	12,152,997	1,603,634	1,023,005

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

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

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.

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The most relevant figures for claims and complaints received from customers in 2023 and 2022 are shown below:

Financial year 2023

Complaints received	Complaints Resolved (*)	Complaints Resolved In favour of the customer	Complaints Resolved Submitted Online	Average Resolution Time (days)
32,493	31,377	10,167	46,180	9

() Including resolved claims that were received in 2022.*

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.*

The types of complaints received are as follows:

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Complaint Type	Number
	2023(*)
Credit Products	17,676
Payment instrument and services	2,932
Other banking products/services	6,268
Liabilities	5,617
Total	32,493

(*) The classification of claim types has been modified during the second half-year of 2022, as a result of changes issued by the Banco de España in the ad hoc standard on registration of claims in Entities.

Complaint Type	2022
	Number
Credit Products	6,106
Deposit products	12,204
Other banking products	4,747
Collection and payment services	1,782
Investment services	102
Insurance and plans	536
Other	813
Total	26,290

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.

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- 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 2023 will not give rise to payments having a significant effect on these consolidated financial statements.

54. Conflicts of interest concerning Directors

The Directors of the Group and their related parties have had no conflicts of interest requiring disclosure in accordance with Article 229 of the Recast Text of the Companies Law.

In 2023, directors have refrained from taking part in the discussion of and voting on matters addressed by the Board of Directors or by its Commissions on 24 instances. Of the above-mentioned instances, 20 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.

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

Company	Address	Activity	Percentage of Voting Rights Controlled by the Group		Thousands of euro				
					Investee Data (*)				
			Direct	Indirect	Total Assets	Total Liabilities	Equity	Profit and loss for the period	Date of Financial Statements
ABANCA Corporación División Inmobiliaria, S.L.U.	A Coruña	Real estate management	100.00%	-	829,847	17,370	812,477	4,941	Dec-23
ABANCA Servicios Financieros, E.F.C., S.A.	A Coruña	Financing	100.00%	-	550,447	490,169	60,278	6,261	Dec-23
Bankoa Kartera, S.A.	Donostia	Holding	100.00%	-	8,384	85	8,299	157	Dec-23
Bankoa Mediación, S.L.	Donostia	Insurance	100.00%	-	159	-	159	(6)	Dec-23
Complejo Residencial Marina Atlántica, S.L.	A Coruña	Real estate	100.00%	-	4,386	1	4,385	258	Dec-23
Sogevinus, S.G.P.S., S.A.	Oporto	Holding - Wineries	100.00%	-	211,452	94,083	117,369	6,294	Dec-23
Laborvantage Invetimentos Inmobiliarios Lda.	Oporto	Real estate	100.00%	-	26,783	329	26,454	(136)	Dec-23
Avantta Sentir Común, S.A. DE C.V., SOFOM, E.N.R.	México	Financing	100.00%	-	133,910	128,775	5,135	(332)	Dec-23
Natur-Hotel Spa Allariz, S.A.	Allariz	Hospitality	100.00%	-	3,349	2,091	1,258	38	Dec-23
Abanca Gestión de Activos, S.G.I.I.C., S.A.	Madrid	CIS Management company	100.00%	-	43,872	12,280	31,592	6,687	Dec-23
Simeon Sacv México	México	Financing	99.53%	-	310	87	223	(14)	Dec-23
Simeon Inversiones CA Venezuela	Venezuela	Financing	100.00%	-	120	120	-	-	Dec-19
Group Nueva Pescanova, S.L. (**) (****)	Pontevedra	Wholesale trade	97.76%	-	1,007,105	870,119	136,986	(73,024)	Dec-23
Grupo Real Club Deportivo de La Coruña, S.A.U. (**) (****)	A Coruña	Sports club	76.66%	-	16,277	77,528	(61,251)	(4,521)	Dec-23
ABANCA Mediación, Correduría de Seguros Generales, S.A.	A Coruña	Insurance brokering	100.00%	-	1,948	610	1,338	655	Dec-23
Víbarco, Sociedad Unipersonal, S.L.	Vigo	Holding - Wineries	100.00%	-	930,500	928,790	1,710	(8)	Dec-23
Quaere Investment, S.L.	A Coruña	Holding	100.00%	-	6	-	6	(1)	Dec-23
ABANCA Invest, S.A.	A Coruña	Holding	100.00%	-	1,698	-	1,698	(101)	Dec-23
Inventium Consultoria de Proyectos, S.L.	A Coruña	Consulting	51.00%	-	9,752	3,615	6,137	5,125	Dec-23
Corporación Empresarial de Tenencia de Activos de Galicia, S.L.	A Coruña	Services	100.00%	-	245	9	236	13	Dec-23
Espacios Termolúdicos, S.A.	A Coruña	Health and Leisure services	100.00%	-	10,867	5,461	5,406	722	Dec-23
ABANCA Mediación, Operador de Banca-Seguros Vinculado, S.A.	A Coruña	Insurance	100.00%	-	22,487	17,981	4,506	1,383	Dec-23
ABANCA Gestión Operativa, S.A.	A Coruña	Operational services	100.00%	-	1,654	235	1,419	84	Dec-23
Corporación Empresarial de Participación en Organizaciones de Galicia, S.L.	A Coruña	Other financial services	100.00%	-	3	-	3	-	Dec-23
Torre de Hércules Inversiones Corporativas, S.L.	A Coruña	Other financial services	100.00%	-	77	18	59	28	Dec-23

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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 y Financiera de Galicia, S.L.U.	A Coruña	Clerical services	100.00%	-	244	9	235	20	Dec-23
Corporación Empresarial de Representación Participativa, S.L.	A Coruña	Financing	100.00%	-	7,359	200	7,159	30	Dec-23
Targobank, S.A.U. (**)	Madrid	Banking institution	100.00%	-	3,941,779	3,670,260	271,519	(3,364)	Dec-23
Dunas Renergy S.C.R., S.A.	Madrid	Holding	100.00%	-	261	4	257	(43)	Dec-23
B100. The Healthy Project S.A.	A Coruña	Exploitation of mobile applications	100.00%	-	1,325	427	898	838	Dec-23
ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A.	A Coruña	Insurance	100.00%	-	2,206,297	2,021,881	184,416	45,590	Dec-23
Torres del Boulevard, S.L.	A Coruña	Real estate development	-	100.00%	3,971	1,491	2,480	52	Dec-23
Cemcice Servicios España, S.A. (***)	Madrid	Operational services	-	100.00%	399	124	275	(63)	Dec-23
Targoinmuebles, S.A. (***)	Madrid	Properties	-	100.00%	1,294	3,280	(1,986)	(108)	Dec-23
Jocai XXI, S.L.	A Coruña	Real estate development	-	100.00%	1,147	380	767	12	Dec-23
Txstockdata, S.L.	Pontevedra	Other financial services	-	70.00%	389	33	356	6	Dec-23

(*) 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.

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

(***) For companies of Targobank, S.A.U. Group, profit and loss is included from the date (6 October 2023) when control was obtained by ABANCA, C.B, S.A.

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(****) 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 and discontinued operations" in the accompanying consolidated balance sheet.

As anticipated in previous years' consolidated annual accounts, the Group continues to work on identifying a partner to take a stake in the Nueva Pescanova Group. 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 Bank maintains this process ongoing and aligned with the roadmap defined for 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 and other value adjustments are recognised as discontinued operations in the accompanying consolidated statement of profit and loss.

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.	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Cash, cash balances with central banks and other demand deposits	16,216	23,884	-	125
Financial assets at amortised cost	120,064	163,004	1,339	1,810
Investments in joint ventures and associates	5,340	5,354	-	-
Tangible assets	304,234	320,044	7,989	8,077
Intangible assets	131,979	128,658	2,493	4,135
Tax assets	50,463	48,633	3,606	3,528
Other assets	322,919	363,094	482	366
	951,215	1,052,671	15,909	18,041

The balance of "Liabilities included in disposal groups classified as held for sale" in the accompanying consolidated balance sheet as at 31 December 2023 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.	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Financial liabilities at amortised cost	418,893	581,334	25,496	27,852
Provisions	24,427	26,148	679	530
Tax liabilities	35,141	44,904	3,453	4,533
Other liabilities	13,195	13,502	3,182	3,226
	491,656	665,888	32,810	36,141

No movement has been recorded in provisions for liabilities associated with non-current assets and disposal groups classified as held for sale in 2023 and 2022.

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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, S.A.U. (***) (****)	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 Corporación Bancaria Group

Fully consolidated companies as at 31 December 2022

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

Company	Address	Activity	Percentage of Voting Rights Controlled by the Group		Thousands of euro				
					Investee Data (*)				
			Direct	Indirect	Total Assets	Total Liabilities	Equity	Profit and loss for the period	Date of Financial Statements
ABANCA Mediación, Operador de Banca-Seguros Vinculado, S.A.	A Coruña	Insurance	-	100.00%	20,727	17,399	3,328	193	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 and discontinued operations" in the accompanying consolidated balance sheet.

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

ABANCA Corporación Bancaria Group

Equity accounted investees as at 31 December 2023

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

Company	Address	Activity	Percentage of Voting Rights Controlled by the Bank		Thousands of euro				
					Investee Data (*)				
			Direct	Indirect	Total Assets	Total Liabilities	Equity	Profit and loss for the period	Date of Financial Statements
Parque Tecnológico de Galicia, S.A.	Ourense	Technological park	37.34%	-	9,525	1,835	7,690	636	Dec-23
Cidade Universitaria, S.A.	Vigo	Infrastructures	32.43%	-	7,891	1,473	6,418	(288)	Dec-23
Cidade Tecnolóxica de Vigo, S.A.	Vigo	Infrastructures	25.07%	-	9,784	1,096	8,688	(66)	Dec-23
Obenque, S.A.	Madrid	Real estate	26.98%	-	966	3	963	534	Dec-23
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			6,765	2,285	4,480	(883)	Dec-23
Pazo de Congressos de Vigo, S.A.	Vigo	Construction	38.00%	-	76,833	66,887	9,946	20,269	Dec-16
Autoestradas do Salnés, S.C.X.G., S.A.	Ourense	Construction Highway concessionaire	22.22%	-					
Transmonbús, S.L.	Lugo	Transport	30.00%	-	41,912	33,677	8,235	1,410	Dec-23
Muéstralo Organización de Eventos Feriales, S.L.	Vigo	Event organisation	33.96%	-	254,651	214,161	40,490	3,501	Sep-23
Viñedos y Bodegas Dominio de Tares, S.A.	Vigo	Event organisation	25.00%	-	1,766	1,119	647	(45)	Dec-23
Viñedos y Bodegas Dominio de Tares, S.A.	León	Winegrowing	41.15%	-	6,486	1,391	5,095	109	Dec-23
Empresa Naviera Elcano, S.A.	Madrid	Maritime transport	41.15%	-	950,134	613,245	336,889	(14,398)	Nov-23
Grupo Empresarial COPO, S.A.	Pontevedra	Holding	20.25%	-	124,580	62,515	62,065	3,279	Dec-22
Desarrollos Inmobiliarios Fuenteamarga, S.L.	Madrid	Timber processing	35.64%	-	446	732	(286)	-	Dec-23
ABANCA Generales de Seguros y Reaseguros, S.A.U.	Madrid	Insurance	-	33.00%	105,151	68,448	36,703	(14,020)	Dec-23
Desarrollos Albero, S.A.	A Coruña	Insurance	-	50.00%	2,774	111,542	(108,768)	3,840	Dec-23
	Seville	Real estate development	-	50.00%					Dec-16

(*) Data taken from the latest available unaudited interim financial statements. Where financial statements for 2023 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

Equity accounted investees as at 31 December 2022

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

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

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 2023:

Securitisation Fund	Entity	Origination date	Total exposures securitised at origination date	Total exposures securitised at 31.12.23
HT ABANCA RMBS II FT	ABANCA CORPORACIÓN BANCARIA, S.A.	12/2017	900,000	493,785
HT ABANCA RMBS I FT	ABANCA CORPORACIÓN BANCARIA, S.A.	05/2016	900,000	462,973
IM BCG RMBS 2 FT	ABANCA CORPORACIÓN BANCARIA, S.A. (*)	11/2013	1,300,000	6123.013
			3,100,000	1,569,841

(*) Addition arising from business combinations.

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.

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

Thousands of euro							Headcount (*)	Activity	Main company
Country	Revenue from sales to third parties	Revenue from intragroup transactions with companies based on other tax jurisdictions	Gross margin	Profit before tax	Tangible assets, other cash and cash equivalents	Accumulated income tax on profit and loss			
Spain	2,784,602	2,784,602	1,459,470	820,946	1,120,787	39,583	6,147	Financial	ABANCA Corporación Bancaria, S.A.
Portugal	134,967	(39,088)	88,985	20,077	105,444	(9,412)	602	Financial	ABANCA Corporación Bancaria, S.A.
Other	36,501	(2,784)	23,520	4,691	1,984	204	59	Financial	Ainvest Sentir Común, S.A. DE C.V., SOFOM, E.N.R.

(*) 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 0.95%.

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, S.A. GROUP
Consolidated Directors' Report for
the annual period ended 31 December 2023

(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. Group (hereinafter ABANCA Group or the Group) describes the initiatives, business performance and results of the Group in 2023.

2. Economic and financial environment

Economic environment

Global economic activity remained resilient in 2023, despite the number of geopolitical tensions, the still high inflation levels and the restrictive monetary policies implemented by major central banks. In this context, global GDP growth has been estimated at 3.1% for the year as whole, four tenths of a point less than the preceding year, with a high degree of variability between regions and countries.

In the eurozone, European economy showed a sluggish performance and eluded technical recession with a flat last quarter to close the year with an average growth of 0.5%. Among major European countries, Germany's performance is particularly noteworthy, with a GDP drop of 0.1% in 2023 as a whole, still affected by the weakness of its industrial sector.

Despite the complex international context, Spanish economy has performed better than expected, achieving a 2.5% growth in 2023 compared to the 1% growth forecast early in the year. This better-than-expected performance has been based on the gradual containment of inflation, labour market dynamism and positive developments in the service sector and, particularly, in tourism. Additionally, accumulated savings have helped sustain private consumption and mitigate the impact from interest rate rises.

Inflation decreased strongly during the first half-year, with a general inflation rate reaching a minimum of 1.9% in June. During the second half-year, inflation rebounded, mainly driven by the base effect of energy prices, and closed the year at 3.1%. Meanwhile, core inflation, which excludes the cost of non-processed food and energy products, has moderated gradually, standing at 3.8% by the end of the year.

The labour market continued to expand, with the number of employed persons increasing by 783,000 people in the year as a whole (+3.8%). At the end of the year, unemployment stood at 11.8%, a 1.1 percentage points decrease compared to the preceding year.

On average, Galician economy grew by 1.9% year-on-year until the third quarter of 2023, driven by a remarkable dynamism from the service sector. At the end of the year, unemployment rate stood at 9.2%, a 1.5 percentage points decrease, and standing 2.6 p.p. lower than the national average.

Financial environment

The European Central Bank continued tightening its monetary policy with a string of consecutive rises in its key interest rates until September 2023. The interest rate on main refinancing operations stands at 4.50%, which represents an aggregate raise of 450 b.p. since July 2022. The European monetary authority considers that the key ECB interest rates have reached levels that, maintained for a sufficiently long duration, will make a substantial contribution to the timely return of inflation to the target. Accordingly, since then and up to January 2024, interest rates have remained unchanged.

In this context, public debt yields remained on an upward trend until autumn and registered strong declines during the last months of the year, along with the consolidation of expectations of lower interest rates in 2024. In particular, the yield of the Spanish 10-year bond exceeded 4% in October, to close the year at 3.00% compared to 3.65% by the end of 2022. For its part, German Bund's IRR closed 2023 at 2.03%, compared to 2.56% in December 2022, almost reaching 3% in October. With that, the risk premium closed the year at 97 basis points, with a reduction of 12 basis points in 2023.

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In the interbank market, the 12m Euribor also showed an upward trend until the end of September, when it reached its year-high level at 4.23%. During the last quarter of the year, it started a downward trend and closed the year at 3.51%, compared to 3.29% at the end of 2022. For its part, in the currency market, the euro has risen by 3.6% against the North American currency, reaching 1.11 dollars.

In 2023, retail credit in Spain contracted by 3.3%. The reduction in balances was due both to loans to companies (-4.4%) and consumer loans (-2.5%). In 2023, new retail lending decreased by 7.0% year on year, with reductions in home loans (-18.6%) and loans to companies (-7.3%), while consumer loans increased by 7.6%.

In 2023, individual customers' funds contracted with the industry in Spain decreased by 0.4%. Conversely, investment funds assets increased by 13.6% during the year, driving retail customers acquisition up by 2.9%.

3. Relevant events in 2023

- In 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 operation was completed in October of that year once the appropriate authorisations were received. Completion of the technological integration process is expected in 2024.

With this purchase, the Group will consolidate its position in Spain with a significant growth in Madrid and the Mediterranean coast.

- 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 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 by ABANCA Corporación Bancaria, S.A. on a consolidated basis no later than 1 January 2024, was 18.84% TREA and 5.22% LRE. These requirements do not include capital allocated to meet the Combined Buffer Requirement of 2.5% TREA.

Subsequently, in December, the Single Resolution Board (SRB) notified its new decision on the minimum requirement for own funds and eligible liabilities ("MREL") that replaced the above-mentioned decision.

This decision establishes a binding final MREL requirement of 18.98% of total risk exposure amount ("TREA") and of 5.21% of leverage ratio exposure ("LRE"), to be met by ABANCA CORPORACIÓN BANCARIA, S.A. on a consolidated basis no later than 1 January 2024. Additionally, this decision has maintained the binding interim requirements, in force since 1 January 2022, of 14.77% TREA and 5.19% LRE. As at the date of issue of these requirements, ABANCA already had MREL levels above the threshold established for 1 January 2024. Currently, ABANCA continues to meet the above-mentioned requirement, which is aligned to the Entity's forecasts and finance plan included in its strategic plan.

Within the context of the strategy for achieving the bank's capitalisation targets and above-mentioned MREL ratios, in 2023 ABANCA Group completed the following issuances (exclusively addressed to professional clients and eligible counterparties):

- In May 2023, an issue of €500 million in ordinary bonds with maturity date on 18 May 2026.
- In June 2023, an issue of €500 million in subordinated bonds with maturity date on 23 September 2033. These bonds are eligible as Tier 2 capital.

Also in June, within the context of efficiency in the management of issued instruments, ABANCA offered to investors the possibility of getting ahead of the maturity of the January 2019 Tier 2 issue by repurchasing the outstanding bonds. The amount of securities that were accepted for repurchase amounted to €274.4 million. Lastly, in December 2023 the entity announced its irrevocable decision to early repurchase (in January 2024) the outstanding € 75.6 million from that issue.

ABANCA CORPORACIÓN BANCARIA, S.A. GROUP
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(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

- In July 2023, an issue of perpetual bonds for a nominal amount of €250 million. These bonds are perpetual, subject to ABANCA's option to redeem them under certain circumstances, and are eligible as additional tier 1 capital (AT1) for ABANCA and the Group.

That month, ABANCA offered to investors the possibility of getting ahead of the maturity of the October 2018 AT1 issue by repurchasing the outstanding bonds. The amount of securities that were accepted for repurchase amounted to €219.0 million. Lastly, in August 2023 the entity announced its irrevocable decision to early repurchase (in October 2023) the outstanding € 31.0 million from that issue.

- In October 2023, an issue of €500 million in ordinary bonds with maturity date on 2 April 2030.
- 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 €168.2 million being repurchased.
- Once the applicable authorisations were obtained, in February 2023, Bankoa Gestión, S.A., S.G.I.I.C. (acquired company) and Imantia Capital, S.G.I.I.C., S.A. (acquired in the financial year 2022 by ABANCA, acquiring company) were merged by acquisition into a single company that has been renamed ABANCA Gestión de Activos, S.A., S.G.I.I.C.
- In November 2023, the purchase by ABANCA Group of 100% of capital of EuroBic was announced. The purchase agreement, reached after completion of the appropriate due diligence, is subject to authorisation by the competent authorities. The Bank of Portugal has been supporting the transaction and has been informed in detail about the terms and conditions thereof.

With this transaction, ABANCA Group will significantly increase its presence in Portugal and will become one of the leading banks in that country, while consolidating its position in the Iberian Peninsula.

The transaction is expected to be closed in 2024, leaving technological integration for a later stage.

- In 2023, ABANCA has participated in the stress test performed on the European banking sector by the European Banking Authority in collaboration with Banco de España, the European Central Bank and the European Systemic Risk Board. The result achieved by ABANCA represents a significant improvement on EBA 2021 Stress Test, as capital depletion has moved from the 300-599 b.p. range down to 275 b.p.
- During the last quarter of 2023, the European Central Bank (ECB) notified ABANCA its decision regarding prudential capital requirements applicable from 1 January 2024 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.

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- During 2023, ABANCA Group has intensified its progress towards more responsible banking in environmental, social and corporate governance matters; this progress is reflected in the following ESG ratings:
 - Morningstar Sustainalytics assigned a 6.7 rating - "Negligible" risk, the best rating in its scale (ranging from "Severe" to "Negligible"). The agency has rated ABANCA Corporación Bancaria, S.A. as the bank with the best Sustainalytics ESG rating in Spain, and, globally, the 10th from all banks and the 1st among regional banks.
 - For its part, Moody's Analytics assigned a rating of 60 over 100 - an "Advanced" profile, the highest level in its rating scale (ranging from "Weak" to "Advanced").

4. Activities of associates included in ABANCA Group as at 31 December 2023

4.1. Strategy

Implementation of ABANCA 2021-24 Strategic Plan has continued in 2023. The Plan clearly differentiates between short and medium-term in the entity's scope of action: short-term, which was affected by the uncertainty initially associated with the pandemic and subsequently with the course of 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: by promoting the insurance business with the deployment and consolidation of ABANCA Seguros Generales (ASG), becoming a reference in customer savings advisory services while focusing on consumer financing, means of payment, financing for SMEs and businesses, and boosting the attraction of and relations with 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 and automation of processes (IAG) and reskilling, with a special focus on digitisation and sustainability.

The goal has been to outperform the market with higher and sustainable growth rates, in particular with respect to value-added products (insurance and off-balance sheet products, such as investment funds and pension plans), as well as in consumer and SMEs financing. At the end of the 2023, the managed business volume exceeded €124,000 million, after considering the integration of Targobank and Eurobic. These two acquisitions will contribute to strengthen ABANCA's retail business and represent a significant geographical supplement for the whole Commercial Network in Spain and Portugal, creating a solid Iberian basis to consolidate future growth.

Despite the international geopolitical tensions that have been present throughout 2023, as in prior years the Bank has remained on the trend of achieving the targets defined in the Plan, with the following noteworthy milestones:

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- Profitable growth with improved recurring income: in 2023, the target for recurring income has been exceeded, with net interest income outperforming its target, as well as the basic margin, following the inclusion of fee and commission income and the contribution from the insurance business. Recurring profit (i.e., excluding goodwill acquired in the purchase of Targobank, as reduced by the amount of integration costs) has reached €545.9 million (a 151.1% y-o-y growth) driven by a good performance from business in a context of positive interest rates and from risk cost control. Basic margin has been €1,525.9 million (a 45.4% increase compared to 2022), driven by the good performance of net interest income and income from services. The margin before provisions, excluding the integration costs relating to the purchase of Targobank, has increased by 110.5% and stands at €764.9 million.
- Growth in both Insurance and savings counselling: furthering in the launching of own insurance products (through 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, and particularly noteworthy performances in health (+17%) and companies (+13%) insurance premiums. As a result of this performance, premiums issued through the bancassurance channel have increased by 32 b.p.¹, with increases in all classes, except health and other non-life insurance. Added-value products have also registered significant growth: off-balance sheet funds have reached €13,956 million (a 12.9% y-o-y growth), with a remarkable performance from Discretionary Portfolio Management with over €1,300 million under management. For its part, retail deposits have increased by 9.5% up to €53,569 million, a +17 b.p.² increase in market share in Spain and a +15 b.p.³ increase in market share in Portugal.
- Selective growth of lending focused in supporting business fabric and households: financing to SMEs and self-employed workers and households remained a pillar for credit growth, with performing loans standing at €45,190.5 million.
- Risk quality: NPL ratio has outperformed the targets defined for 2023 closing the year at 2.4%, remaining stable with contained non-performing loans, and well below the industry's average (2.9%). The coverage of non-performing loans has reached 73.9%.
- Solvency and liquidity: ABANCA Group has closed 2023 with a 16.9% total capital ratio and with a total capital surplus of €1,498 million over total capital requirement. The financing structure, with a solid liquidity position, remains clearly based on retail deposits, which has led to LTD being at 84.9%.

4.2. Business and results

At the end of December 2023, ABANCA Group's balance sheet stands at €74,829 million. At the end of the year, the Group's non-performing loans ratio stands at 2.4% while coverage of non-performing loans and non-performing assets has increased to 73.9% and 70.6%, respectively.

a) Results

ABANCA Group has posted an attributable profit of €711.3 million, placing its profitability (ROTE) at 16.0%. Excluding the effects arising from Targobank integration (goodwill and transaction costs incurred or provisioned in 2023), net profit has reached €545.9 million, representing a +151.1% change compared to 2022 and a profitability (ROTE) of 12.3%.

1 Data as at Sept.-23

2 Data as at Nov.-23, excluding Targobank.

3 Data as at Sept.-23

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The Group results show the good performance from the more recurring income items from the statement of profit and loss. Net interest income has increased by 61.1%, driven by the normalisation of the interest rate environment and by the shift towards profitable transactions with a good credit profile implemented by the entity. Additionally, net fees and commissions have increased by 3.4%. These two items (financial margin and net fees and commissions) have pushed the basic margin up to €1,525.9 million, a 45.4% increase compared to the same period a year ago.

Similarly, net trading income has amounted to €74.2 million, while exchange gains totalled €6.0 million and dividend income was €8.3 million.

Excluding the incorporation costs arising from the acquisition of Targobank, at the end of 2023, operating expenses amounted to €807.1 million, an 8.2% increase compared to the same period a year ago. This change results from an increase in the recurrent expenditure basis represented by the incorporation of Targobank España. Excluding that effect for the purposes of like-for-like comparative figures, operating expenses would have increased by 5.7% compared to the same period a year ago.

As a result of all the foregoing, recurring operating profit (understood as basic margin less operating expenses) has multiplied by 2.4 up to €718.8 million. Cost to income ratio has improved by 14.9 b.p. compared to December 2022, and currently stands at 52.4%.

Finally, cost of risk (CoR) stands at 23 b.p., and has been controlled as a result of the prudential policy retained by the entity notwithstanding the recognition of and provisioning for non-performing loans.

b) Business

At the end of the financial year, ABANCA Group manages a business volume of €113,018 million that, coupled with the future contribution from EuroBic (based on the latest available figures from that entity), would exceed €124,000 million.

At the end of December 2023, the performing loans portfolio amounted to €45,190.5 million, which represents a 0.4% increase on the same period last year. Aside from this change, the Group has continued to show dynamism in the granting of loans to individuals and companies, with new loans having reached 9,695.7 million during the year (+14.0% in Spain and +15.3% in Portugal). The retail and companies business lines have the greatest weight in the entity's lending structure, and currently represent 83% of ABANCA lending. The more than 130,000 new customers organically attracted during the year have contributed to this performance.

At the end of the reporting period, total customer funds stood at €67,525.3 million, a 10.2% year-on-year increase. With regard to the composition of this balance, demand deposits represent 61% of total customer funds, term deposits represent 18% and off-balance sheet funds represent another 21%. At the end of December 2023, the balance of the latter amounted to €13,956 million (a 12.9% increase compared to December 2022). Particularly noteworthy is the performance of deposits from customers during year, the balance thereof has increased by €4,663.2 million and has contributed to the balance of products offering higher profitability for customers (term deposits and off-balance sheet funds) having increased by €6,518.8 during last year.

The insurance business has continued to show the dynamism of the past annual periods, as testified by €458.2 million premiums from general insurance and life risk policies underwritten during the reporting period, a 11.0% increase compared to same period a year ago. Particularly noteworthy is the performance of health insurance premiums (a 17% increase), as well as car and companies insurance premiums (a 13% increase) and life risks insurance premiums (a 11% increase).

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c) Risk quality, solvency and liquidity

At the end of December 2023, ABANCA Group's non-performing loans stand at €1,129.7 million, with its NPL ratio remaining at 2.4%.

Impairment allowances stand at €834.4 million —thanks to the ordinary provisions established by the Group—, leaving the non-performing loans coverage ratio at 73.9%.

Foreclosed assets have fallen by €44.8 million compared with December 2023, and currently only represent 0.2% of the Group's balance sheet, while the coverage ratio stands at 63.0%. The foregoing figures, together with the figures for non-performing loans, have led to 70.6% total coverage of non-performing assets.

ABANCA Group's solvency level continues to be broadly above the requirements of the regulator, as shown by its 16.9% Total Capital ratio and 12.6% CET1 ratio. MREL ratio stands at 22.8% (meeting the MREL ratio by +136 b.p. In excess of the requirements defined for 2024), including capital allocated to meet the CBR (Combined Buffer Requirement) of 2.5% TREA.

As for its liquidity profile, the Group continues to base its funding structure on its customer base, where retail customers funds represent 82% of the entity's total funds. Particularly noteworthy is the granularity of deposits raised, as shown by the fact that 71% of deposits qualifying for the Deposit Guarantee Fund are covered by that scheme because the amount thereof is within the established thresholds.

Additionally, ABANCA also has a robust capacity to access wholesale funding. The Group has liquid assets amounting to €19,160 million and a capacity to issue mortgage-covered bonds for an additional €6,091 million, which, in aggregate, represent €25,252 million.

As a result, ABANCA easily meets the ECB's requirements in terms of both short-term Liquidity Coverage Ratio (LCR) and long-term Net Stable Financing Ratio (NSFR). As at December 2023, ABANCA Group's LCR ratio stands at 214% following the maturity of most TLTRO III balances.

d) Other information

At the end of December 2023, ABANCA Group has an operational network of 675 branches in Spain (and another 27 agents), of which 437 are located in Galicia and 238 elsewhere in Spain.

At the end of December, ABANCA Group has 45 branches (and another 27 agents) 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 2023, the Group has 6,808 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 2023".

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4.4. Transactions involving the portfolio of investees

Once the applicable authorisations were obtained, in February 2023, Bankoa Gestión, S.A., S.G.I.I.C. (acquired company) and Imantia Capital, S.G.I.I.C., S.A. (acquired in the financial year 2022 by ABANCA, acquiring company) were merged by acquisition into a single company that has been renamed ABANCA Gestión de Activos, S.A., S.G.I.I.C.

Also noteworthy was the incorporation of Dunas Renergy S.C.R., S.A. (wholly-owned), with a share capital of €1,200,000. Shares are partly paid at 25%. The company B100. The Healthy Project, S.A. has been incorporated (wholly owned), with a fully paid-up share capital of €60,000.

Among the main operations of the year, particularly noteworthy is the merger by acquisition of ABANCA Corporación Industrial y Empresarial, S.L.U. This operation, in which ABANCA Corporación Bancaria, S.A. acted as "Absorbing Company" and ABANCA Corporación Industrial y Empresarial, S.L.U. as "Absorbed Company", involved the dissolution without going into liquidation of the Absorbed Company and the en bloc transfer of its assets and liabilities to the Absorbing Company, that assumed as universal successor all rights and obligations of the Absorbed Company.

Lastly, following the acquisition of control over Targobank, S.A.U. by ABANCA Corporación Bancaria, S.A., the companies Cemcie Servicios España, S.A.U. and Targoinmuebles, S.A.U. (both wholly owned subsidiaries) will be included in the scope of consolidation.

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 2023 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 2023, the value at risk of the trading portfolio stood at €772 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 2023, ABANCA Group had non-performing loans totalling €1,130 million, for which €834 million in provisions 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 €19,160 million at the end of December 2023, a volume that allows x 3.8 cover of the total net issues of treasury stock.

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- **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 2023, a 100 b.p. rise in interest rates would have a positive effect of €229 million on the economic value and, in a scenario of constant balance sheet, the impact of that change in market interest rates on net interest income over a 12-month period would amount to €87 million.
- **Currency risk:** Currency risk is managed by setting limits to global exchange positions in the currencies of greater relevance in international transactions; as at 31 December 2023, the equivalent euro value of ABANCA global position Group is below the maximum threshold of 2%.
- **Operational risk:** It is geared towards identifying, assessing and mitigating the operational risk attaching to all relevant products, activities, processes and systems in order to afford the Bank greater control over the risks to which it is exposed, backed by the management tasks carried out by the business and support units and by the independent corporate function performed by the Operational Risk unit.

6. Activities and outlook for 2024

At the beginning of 2024, European economy will likely remain flat, with the service industry losing drive and manufacturing activities facing problems to emerge from the crisis. However, activity is expected to start a recovery in the second half of the year, driven by a reduction of inflation and less restrictive monetary conditions. According to the International Monetary Fund's latest forecasts, in 2024 as a whole, the Eurozone GDP could grow by 0.9%.

For Spain, a certain slowdown of growth is expected in a context of weakness from our major European partners, although the Spanish economy will gradually gain momentum throughout the year and will close 2024 growing by ca. 1.5%, outperforming again the European average. Spain will continue creating jobs (some 330 thousand new jobs in 2024), while private consumption will remain positive supported by a moderation of inflation and the upward revision of salaries.

Portugal is also expected to continue outperforming the growth rate of the Eurozone, with a 1.2% growth in 2024.

In this context, ABANCA will complete the implementation of its 2021-2024 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.

7. 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.

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The APMs used by ABANCA Group is presented in detail below, as well as how they are calculated:

Average Total Assets ("ATA"): Simple average of the total consolidated assets of all the quarterly balance sheets of the current year (including the one corresponding to December of the previous year) applying semi-sum to the extremes.

- **Target:** It shows the size of a financial entity. Average balances are used to assess this magnitude in a period, beyond a particular moment.

		Millions of euro	
		31.12.2023	31.12.2022
Numerator	1/2 Dec year-1 Total Assets	76,068.18	80,496.91
	+ Mar year Total Assets	72,148.39	77,755.55
	+ Jun year Total Assets	70,587.13	80,339.14
	+ Sep year Total Assets	71,113.57	78,417.66
	+1/2 Dec year Total Assets	74,828.79	76,068.18
Denominator	1 to 4 (Depending on the date)	4	4
ATAs		72,324.39	78,698.72

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	
		31.12.2023	31.12.2022
	Fee and commission income	352.52	335.60
Minus	Fee and commission expense	58.43	51.28
Net fees and commissions		294.10	284.32

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	
		31.12.2023	31.12.2022
	Net interest income	1,231.82	764.84
Plus	Net fees and commissions	294.10	284.32
Basic margin		1,525.91	1,049.16

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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	
		31.12.2023	31.12.2022
	Administrative expenses	728.59	656.09
Plus	Depreciation and amortisation	94.41	89.84
Operating expenses		823.00	745.92

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.

		%	
		31.12.2023	31.12.2022
	Return of the performing loans portfolio (rate) (*)	4.05	1.97
Minus	Cost of retail funds (rate) (**)	0.85	0.10
Customer spread ratio		3.20	1.87

Source: ABANCA internal information under management criteria.

(*) Interest income of performing loans portfolio divided by the average of performing loans portfolio.

(**) Interest expense of retail deposits divided by the average of retail deposits.

Cost to income ratio: Quotient between operating expenses and gross margin.

- **Target:** This ratio is relevant in the financial sector as it shows what percentage of the Group's gross margin is necessary to cover the entity's operating expenses

		Millions of euro, except %	
		31.12.2023	31.12.2022
Numerator	Administrative expenses	728.29	656.09
	Plus Depreciation and amortisation	94.41	89.84
Denominator	Gross margin	1,571.98	1,109.33
Cost to income ratio		52.4%	67.2%

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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 %	
		31.12.2023	31.12.2022
Numerator	Profit for the year/period attributable to the owners of the parent	711.32	217.45
Denominator	Average of the shareholders' equity (*)	4,919.91	4,700.95
ROE		14.5%	4.6%

(*) Calculated as the simple average of the quarterly shareholders' equity of the current fiscal year (including the amount corresponding to December of the previous year) applying semi-sum of the extremes.

Return on Tangible Equity ("ROTE"): relationship between the profit obtained and the tangible equity of the entity.

- **Target:** Measures the level of profitability that the entity obtains on its own funds, excluding the intangible assets.

		Millions of euro, except %	
		31.12.2023	31.12.2022
Numerator	Profit for the year/period attributable to the owners of the parent	711.32	217.45
Denominator	Average of the shareholders' equity (*)	4,919.91	4,700.95
	Minus Average of the intangible assets (**)	470.72	460.68
ROTE		16.0%	5.1%

(*) Calculated as the simple average of the quarterly shareholders' equity of the current fiscal year (including the amount corresponding to December of the previous year) applying semi-sum of the extremes.

(**) Calculated as the simple average of the quarterly intangible assets of the current fiscal year (including the amount corresponding to December of the previous year) applying semi-sum of the extremes.

Retail Loan to Deposit ("LtD") ratio: loans and advances to customers with respect to deposits from retail customers.

- **Target:** Relevant ratio in the financial sector since it measures the liquidity of an entity understood as the relationship between the funds available to it thanks to the retail deposits it manages with respect to the volume of loans granted to customers.

		Millions of euro, except %	
		31.12.2023	31.12.2022
Numerator	Net loans and advances to customers	45,516.12	45,167.46
	Minus Reverse repurchase agreements	23.67	-
Denominator	Gross deposits from customers	57,713.47	52,448.49
	Minus Securitisation	-	-
	Minus Repurchase agreements	3,133.89	2,432.09
	Minus Mortgage covered bonds and other long-term financing classified as deposits from customers	1,010.26	1,110.26
Retail Loan to Deposits ("LtD") ratio		84.9%	92.4%

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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	
		31.12.2023	31.12.2022
	Gross loans and advances to customers	46,513.89	46,165.54
Minus	Reverse repurchase agreements	23.67	-
Minus	Extraordinary activities (*)	170.02	199.83
Minus	Impaired assets in loans and advances to customers (NPLs)	1,129.74	942.95
Minus	Advance to Social Security due to extra payment	-	-
Performing loans portfolio		45,190.45	45,022.76

(*) For more information on "Extraordinary activities", see Note 10 of the Consolidated Annual Accounts for the years 2022 and 2023.

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, this 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 %	
		31.12.2023	31.12.2022
Numerator	Impaired assets in loans and advances to customers (NPLs)	1,129.74	942.95
Denominator	Gross loans and advances to customers	46,513.89	46,165.54
	Minus Reverse repurchase agreements	23.67	-
	Minus Extraordinary activities (*)	170.02	199.83
NPL ratio		2.4%	2.1%

(*) For more information on "Extraordinary activities", see Note 10 of the Consolidated Annual Accounts for the years 2022 and 2023.

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 %	
		31.12.2023	31.12.2022
Numerator	Impairment losses of loans and advances to customers	834.37	783.47
Denominator	Impaired assets in loans and advances to customers (NPLs)	1,129.74	942.95
NPL coverage ratio		73.9%	83.1%

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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	
		31.12.2023	31.12.2022
	Impaired assets in loans and advances to customers (NPLs)	1,129.74	942.95
Plus	Gross foreclosed assets or received in payment of debt	477.55	522.33
NPA		1,607.30	1,465.29

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 %	
		31.12.2023	31.12.2022
Numerator	Non-performing assets (NPAs)	1,607.30	1,465.29
Denominator	Gross loans and advances to customers	46,513.89	46,165.54
Minus	Reverse repurchase agreements	23.67	-
Minus	Extraordinary activities (*)	170.02	199.83
Plus	Gross foreclosed assets or received in payment of debt	477.55	522.33
NPA ratio		3.4%	3.2%

(*) For more information on "Extraordinary activities", see Note 10 of the Consolidated Annual Accounts for the years 2022 and 2023.

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 %	
		31.12.2023	31.12.2022
Numerator	Impairment losses of loans and advances to customers	834.37	783.47
Plus	Accumulated impairment losses of foreclosed assets or received in payment of debt	300.78	330.00
Denominator	Impaired assets in loans and advances to customers (NPLs)	1,129.74	942.95
Plus	Gross foreclosed assets or received in payment of debt	477.55	522.33
NPA coverage ratio		70.6%	76.0%

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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 %	
		31.12.2023	31.12.2022
Numerator	Accumulated impairment losses of foreclosed assets or received in payment of debt	300.78	330.00
Denominator	Gross foreclosed assets or received in payment of debt	477.55	522.33
Foreclosed assets coverage ratio		63.0%	63.2%

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 %	
		31.12.2023	31.12.2022
Numerator	Non-performing assets (NPAs)	1,607.30	1,465.29
Plus	Impaired assets related to impaired debt securities	-	-
Denominator	Paid-up capital	2,476.21	2,476.21
Plus	Share premium	208.79	208.79
Plus	Retained earnings	2,306.97	2,084.22
Plus	Other reserves	(293.42)	(159.43)
Plus	Impairment losses of debt securities	2.69	3.37
Plus	Impairment losses of loans and advances to customers	834.37	783.47
Plus	Accumulated impairment losses of foreclosed assets or received in payment of debt	300.78	330.00
Texas ratio		27.5%	25.6%

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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	
		31.12.2023	31.12.2022
	Investment funds	9,346.25	8,339.64
Plus	Pension funds	2,048.02	1,752.39
Plus	Structured products	615.51	441.72
Plus	Insurance products	1,946.18	1,824.05
Off-balance sheet funds		13,955.95	12,357.80

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	
		31.12.2023	31.12.2022
	Net loans and advances to customers	45,516.12	45,167.46
Minus	Reverse repurchase agreements	23.67	-
Plus	Gross deposits from customers	57,713.47	52,448.49
Minus	Securisation	-	-
Minus	Repurchase agreements	3,133.89	2,432.09
Minus	Mortgage covered bonds and other long-term financing classified as deposits from customers	1,010.26	1,110.26
Plus	Off-balance sheet funds	13,955.95	12,357.80
Retail Business Volume		113,017.72	106,431.40

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 %	
		31.12.2023	31.12.2022
Numerator	Retail Business Volume	113,017.72	106,431.40
Denominator	Banking activity employees (units)	6,230	5,619
Retail Business Volume per employee		18.1	18.9

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8. Sixth additional provision of the Securities Markets and Investment Services Law. Annual corporate governance report of listed companies that are not public limited companies.

In compliance with the provisions of the sixth additional provision of the Securities Markets and Investment Services Law⁴, ABANCA Corporación Bancaria, S.A. hereby expressly states its voluntary adherence to the recommendations of the Code of Good Governance for 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, 15 and 18.

Section 8 of Abanca Corporación Bancaria, S.A. Individual Directors' Report includes a voluntary disclosure of the degree of compliance with all recommendations from the Code of Good Governance of listed companies.

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

9.1. 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, paragraph 4.1 of article 4 of the Rules of Procedure of the Board of Directors states that the Board of Directors' functions include, among others, "approving the major policies and strategies of the Company, and the group of which it is the parent, as well as 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 5.4 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.

⁴ "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 the financial reporting process."

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The General Division of Human Capital, reporting to the Chief Executive Officer, has defined a Positions Map that is flexible for the organisation and transparent for employees.

The Organisational Chart and its reporting units are available on the corporate intranet.

The Bank's current organizational structure seeks to ensure a robust internal control over financial reporting.

In August 2014, the Board of Directors of the Bank approved ABANCA Code of Ethics and Conduct. The Code of Ethics and Conduct, a general policy, pivots on the values of Responsibility, Reliability, Quality and Innovation, and its 139 articles are included in those four chapters or sections in addition to a last section governing the Ethics Committee. Currently, the Code of Ethics and Conduct also includes the Anti-corruption Policy and the Entity's commitment to Human Rights.

All ABANCA members are entitled and bound to be familiar with the Code, to adhere thereto and to inform any third parties that might be subject to any provision thereof. To this end, the Code of Ethics is always available to employees on the intranet.

ABANCA Code of Ethics and Conduct contains specific provisions relating to the preparation of financial reporting (particularly, articles 9, 10 and 73, the latter of which states that "ABANCA will efficiently disseminate its institutional reports and will take measures to ensure that financial reporting, and any other information issued in the framework of its corporate communications, is complete, accurate, true, symmetrical, equitable and useful over time"). With regard to transaction recording, article 30 bis of the Code states that "everyone in ABANCA is under the obligation of appropriately accounting, recording and documenting all income and expenses, as well as any other accounting item, without omitting, concealing or altering any data or information whatsoever, in order to ensure that accounting and operational records fairly reflect the reality and may be verified by control units and by internal and external auditors. Income and expenses must be duly authorised, proportionate, and must reflect services effectively rendered and a legitimate economic purpose.

In July 2017, the Board of Directors of ABANCA approved the anti-corruption policy, which implied the amendment of article 12 of the Code of Ethics and Conduct to include that policy as an appendix/integral part of the Code of Ethics; in December 2020, the Board of Directors approved the inclusion of the Commitment to Human Rights assumed by ABANCA in the Code.

As the Code of Ethics and Conduct, the Anti-corruption Policy applies to all members of the governing body, management team and employees of the Bank, as well as to any individuals or entities involved in the provision of third-party services whose adherence thereto must be required in the opinion, and under the sole responsibility, of the relevant procurement committees. All the above-mentioned individuals must be familiar with and adhere to the Anticorruption Policy.

To monitor the implementation of and compliance with the Code of Ethics and Conduct, the Bank has created an Ethics Committee responsible for ensuring compliance with the rules of ABANCA Code of Ethics. The functions of the Ethics Committee include also the promotion of training in ethics matters, solving any queries and conflicts of interest that may be submitted to the Committee, analysing reported breaches of the Ethics Code and, where appropriate, penalising said breaches. The Committee is formed by the Chief Executive Officer, the head of the General Division of Human Capital, the General Auditor, the head of the General Division of Corporate Social Responsibility, the head of the General Division of Corporate Control and Risks, and the head of the General Division of Corporate and Legal Matters.

Additionally, to ensure the appropriate compliance with the provisions of the Code of Ethics and Conduct, the Bank has an Internal Reporting System, adapted to Directive (EU) 2019/1937 of the European Parliament and of the Council, of 23 October 2019, on the protection of persons who report breaches of Union law, and, especially, to the provisions of Law 2/2023, of 20 February, "regulating the protection of persons who report breaches of law and the fight against corruption" (whistleblowing), overseen by the Audit Commission and managed by the Internal Audit Unit, in addition to an application for reporting and managing any eventual conflicts of interests, incompatibilities, etc. between ABANCA and its personnel (conflicts of interest application), managed by Human Capital (Labour Consulting). The Internal Reporting System and the application for reporting and managing conflicts of interest are available to employees in the intranet, under the tab "Know ABANCA - Reporting System - Ethics Channels".

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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 enforcement of the above-mentioned policies is the responsibility of the Conduct Committee, which reports directly to the Audit and Compliance Commission.

In accordance with the provisions of the Code of Ethics and Conduct of ABANCA Corporación Bancaria S.A. (hereinafter, ABANCA, the entity or the Bank), 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, and of Law 2/2023, of 20 February, regulating the protection of persons who report breaches of law and the fight against corruption the Entity has implemented a mechanism allowing internal employees, under the conditions that will be later explained, and certain third parties to report, confidentially, any breach of the Code of Ethics and Conduct or of the Securities Markets Area's internal conduct rules, as well as any suspected criminal offence, fraud or irregularity, irrespective of the nature or amount thereof they may observe.

This mechanism is the so-called Internal Reporting System of Abanca Group (hereinafter, the Internal Reporting System), whereby any actions or omissions that may constitute criminal or administrative offences or that are contrary to the principles or internal policies contained in ABANCA codes of conduct or in any other internal policies or protocols may be reported.

The objectives of the Internal Reporting System are:

- To establish an effective measure for preventing and identifying unlawful or irregular conduct.
- To enable control measures over the entity's activities.
- To contribute to the permanent improvement of ABANCA's internal processes and policies for managing and monitoring any unlawful or irregular conduct.

The Internal Reporting System is available to any person having obtained information on breaches in an employment or professional context, and, in any case, to the following:

- Persons having the status of civil servants or workers;
- Persons having self-employed status;
- Shareholders, unit holders and persons belonging to the administrative, management or supervisory body of an undertaking, including non-executive members.
- Any persons working under the supervision and direction of contractors, subcontractors and suppliers.
- Reporting persons who report or publicly disclose information on breaches acquired in a work-based relationship which has since ended; volunteers, interns, paid or unpaid trainees; as well as persons whose work-based relationship is yet to begin in cases where information on breaches has been acquired during the recruitment process or other pre-contractual negotiations.

For the appropriate implementation of the Internal Reporting System, ABANCA Group has defined the following basic principles:

- a) Integration:** enabling the submission of reports on breaches, thereby guaranteeing that the reception and processing of all reports meet the legally established requirements.
- b) User-friendly:** allowing for the submission of written and/or oral reports, and, where requested by the reporting person, in a face-to-face meeting.
- c) Confidentiality:** the confidentiality of the identity of the reporting person and any third party named in the report, of any actions taken during the management and processing of the report, is protected, and unauthorised access thereto is prevented.
- d) Protection against retaliation:** the protection of the reporting person against retaliation is guaranteed and, additionally and subject to the report meeting the requirements of Law 2/2023, of 20 February,

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enhanced protection measures against retaliation will be applicable to other groups (employees' legal representatives, relatives of reporting persons, etc...).

e) Processing of personal data: any processing of personal data will strictly comply with the provisions of the applicable regulations. Any processing of personal data necessary for the implementation of Law 2/2023 will be deemed lawful. Applicability of the data minimisation principle.

f) Thorough analysis of the facts reported: in order to ensure the veracity of the breach, the reported facts will be thoroughly analysed.

g) Presumption of innocence: the presumption of innocence and the respect for the right to honour and other rights of the rights of the individuals allegedly involved will be protected.

h) Effective processing of reports: the system will ensure that any reports submitted are effectively treated within ABANCA Group, in order for the affected entity to be the first to know the eventual breach.

i) Rigour in any measures taken: any measures taken as a result of the reports received must be duly reasoned and justified.

j) The independence, impartiality and absence of conflicts of interest in the management of any reports submitted will be ensured.

k) Good faith: any reports submitted other than in the honest belief that serious damaging facts have or may have occurred, with sufficient grounds and objective evidence, will be rejected.

l) Monitoring/follow up. The absence of retaliation against the reporting person will be monitored.

The following mechanisms, that form the Internal Reporting System, have been implemented for the submission of reports:

- **Internal web application:** internal personnel with access to the intranet have also access to the link to Abanca's Internal Reporting System.
- **External web application:** any person, other than internal personnel, has access to the Internal Reporting System through the following link: <https://www.abancacorporacionbancaria.com/es>

This channel allows reporting persons to choose whether to submit the report confidentially or anonymously, in writing or orally, and will also allow the reporting person to check the status of his/her report.

- **Face-to-face meeting:** at the request of the reporting person, the report may be presented in a face-to-face meeting, which shall be held using any means providing evidence of the meeting.

In order to ensure the Internal Reporting System the effective operation, correct implementation, review, oversight and update, the following intervening parties are identified:

- **Audit and Compliance Commission:** oversees the correct operation of the Internal Reporting System and receives, every year, a report on the operation thereof.
- **Internal Reporting System Officer:** ABANCA Head of Internal Audit (hereinafter, HIA). His appointment or removal will be approved by the Board of Directors. In the case of existence of any eventual conflict of interest, the responsibility will be assumed by ABANCA Head of Governance Bodies, Compliance and Prevention of Money-Laundering.

This Officer will evaluate whether processing or dismissal of the report is appropriate. The Officer may commission any specially designated member of ABANCA Internal Audit team to investigate the report.

Upon completion of the investigation, the Officer will prepare a report containing the main findings that will be submitted to the competent internal control bodies. In particular:

- 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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- 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.
 - 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.
 - Reports on any significant data security breaches or privacy breaches will be submitted to the Data Protection Officer.
- **Ethics Committee:** decides on the investigated breach, and will approve or ratify the sanctions to be applied pursuant to the Entity's disciplinary system.
 - **Human Capital:** monitors and, where necessary, enforces any disciplinary measures approved by the Ethics Committee.

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 2023 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 2023 training plan for the General Comptroller and Accounting Department has included 82 training courses. These courses totalled 410.6 hours, representing 11.7 training hours per person on average when considering the department's headcount as at 31 December. Particularly noteworthy are the following training courses: Financial markets, Basic Macro Analysis, Cryptoassets, Digital Euro and ADATA. In addition to the traditional focus on Comprehensive Risk Management, Prevention of Money Laundering, ESG Risks, Cybersecurity, supplemented with the development of Leadership skills, Team Management and the entity's Equality Plan.

9.2. Assessment of financial reporting risks

The process of identification of risks and controls of activities and transactions that may have a material impact in the financial statements is completed every year, using the latest available financial information as basis.

However, when circumstances previously unidentified arise during the financial year and show possible errors in financial reporting or significant changes in the Group's operations, the Entity assesses the existence of new risks that should be added to those previously identified.

For the identification the risks, the following criteria apply:

- Risk identification will be basically performed for the risks of error or fraud in financial reporting presented to markets.
- Risks will be identified by the relevant General Division, supported by the areas responsible for the selected processes that are being reviewed.
- For the identification of risks of error, any errors affecting the consolidated financial reporting of the Abanca Corporación Bancaria, S.A. Group 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.

9.3. 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 an Archer tool that optimises and tests procedures, risks matrixes and controls for any significant process relating to the generation, development and preparation of financial reporting.

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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 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.

9.4. 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.

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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. 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

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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.

9.5. Internal control policies and procedures to monitor the management of activities subcontracted to third parties, and the assessment, calculation or measurement activities commissioned to independent experts that may have a material impact on the financial statements.

The Bank has implemented a General Purchase Policy (Procurement Policy) that governs the procedures for purchasing goods and services. Purchase procedures require that service request, approval, contracting, monitoring and payment be segregated.

Additionally, the Bank has implemented an Outsourcing of Services Policy, the latest update of which was approved by the Board of Directors on 29 November 2021. This policy defines a number of criteria to meet the requirements of EBA/GL/2019/02, including the rationale for and viability of any outsourcing; the management, monitoring and control of risks inherent to outsourcing, etc. especially when the outsourcing relates to critical activities.

The rationale for the outsourcing of services considers, inter alia, the following factors: applicable regulatory provisions; impact on the entity's business; operational adequacy of the activity; proven necessity (in business, operational or regulatory terms); proven impossibility for the service being performed in-house, and economic rationale based on: cost-benefit analysis and prioritisation of the existing outsourcing capacity; the Entity's ability and experience to efficiently oversee outsourced services and to adequately manage risks; business continuity plans, where applicable considering the criticality of the outsourced function or service.

Third party providers selection and assessment is based on several factors intended to ensure that the provider: has the competence, capacity and experience and, in any case, the authorisations for performing, reliably and in a professional manner, the outsourced function or service required under the applicable existing regulations; complies with the most relevant applicable laws and regulations; efficiently performs the outsourced function or service; adequately monitors the performance of the outsourced function or service, and has personnel with the appropriate qualifications and experience to perform the outsourced function or service in accordance with the applicable regulations; notifies any event that may have a significant impact on the effective performance of the outsourced function or service; cooperates with the supervisory authority in all matters relating to the outsourced activities; adequately manages the associated risks; has implemented appropriate measures to ensure the protection of the Entity's confidential information, and has implemented, applies and maintains a contingency plan to ensure the continuity of its business and to limit losses in case of serious business incidents.

The Bank uses, among others, reports issued by independent experts on the measurement of operations that may potentially have a material impact on the financial statements. In 2020, third parties engaged in connection with measurements and calculations by independent experts related to: i) actuarial calculation studies; ii) legal and tax consultancy services; iii) appraisal of foreclosed properties and properties given as collateral in the Entity's lending transactions; and, iv) measurement of certain financial assets in compliance with applicable accounting regulatory framework.

Independent experts' appraisals and measurements used in matters relevant for the generation of financial reporting are included in the circuit of review procedures performed by control units, internal audit and external auditors.

The outsourcing of any activity must always be supported by a service agreement entered by and between the Bank and the provider and clearly specifying the service provided.

9.6. Information and communication

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

On 1 January 2018, Circular 4/2017 on public and confidential financial reporting standards and financial statements models came into force. This Circular is intended to adapt the accounting treatment by Spanish credit institutions of the changes in the European accounting framework arising from the adoption of two new International Financial Reporting Standards (IFRS) —IFRS 15 and IFRS 9—, which have modified the criteria for measurement of revenue and financial instruments, respectively. The latter are particularly relevant for credit institutions.

The Accounting and Auditing Unit, reporting to the General Comptroller and Accounting Department, is responsible for the identification and interpretation of changes in accounting policies, as well as for the definition and solution of any doubts arising from or in connection with the interpretation of the Bank's accounting procedures.

The Entity has a Manual of Accounting Policies, whose objective is to establish the accounting principles governing the activities of ABANCA Corporación Bancaria, S.A. and the companies included in ABANCA Corporación Bancaria Group for the preparation of their financial statements. This manual is updated by the General Comptroller and Accounting Department and approved by the Comprehensive Risk Commission.

To supplement the above-mentioned manual, the Entity has several documents that form an accounting circuit, provide a detailed explanation of all possible events that may occur in an agreement or transaction and describe the main characteristics of administrative operations, tax regulations and the accounting criteria and standards applied. The documentation relating to the above-mentioned accounting circuits is stored by the General Comptroller and Accounting Department and is regularly updated by the Accounting and Auditing Unit.

9.7. 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.

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

9.8. 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.
- 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.

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the annual period ended 31 December 2023

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

- The risk of fraud and the likelihood of occurrence thereof are adequately managed by the Entity.
- The entity's ESG risk is adequately controlled and monitored⁵.
- 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.

⁵ English acronym for "Environmental, Social and Governance"; it refers to those conditions or events arising from environmental, social or governance-related factors the eventual materialisation of which may result in an adverse impact on the entity

Corporate and Social Responsibility Report ABANCA 2023

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ABOUT this report



2-2, 2-3, 2-5

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 2023 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) selected, 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 2023, was verified by KPMG Auditores, 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 2023 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 Auditores, 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 2023, 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".

On 6 October 2023, after receiving the administrative authorisations from the different relevant regulators, ABANCA took control of TARGOBANK España. Through this acquisition, in addition to TARGOBANK, S.A., two new companies were included in the scope of consolidation: Cemcice Servicios España, S.A.U. and Targoinmuebles, S.A.U. both with a 100% stake. These three new companies, in relation to the non-financial information included in the Report, are only included in the data on the distribution of the workforce at 31 December 2023, in addition to the number of disabled employees, percentage of employees covered by collective bargaining agreements and tax information. These companies are not included in the information relative to other non-financial indicators because ABANCA Group has not had management capacity during the year, due to which they will be included in following reporting period.

In addition, the information relative to Human Capital, as in previous years, 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 the financial investee Txstockdata, S.L., which account for 4.2% of employees, excluding TARGOBANK España.

With regard to environmental information for 2023, energy consumption and emissions corresponding to ABANCA's activities in Spain, Portugal and most of its financial investees, where most of its offices and employees are located, are reported. Therefore, data relating to consumption and emissions in other countries, non-financial investees or the financial investees of Txstockdata, S.L., Inventium Consultoría de Proyectos, S.L., which account for 5,0 % of employees, excluding TARGOBANK España, are not included either.

In those cases where the scope of the reported information differs from the established scope, it will be specified in the corresponding section or table with a footnote.

Introduction

For another year, through this document we assess the actions carried out by ABANCA in the last 12 months in the context of our financial activity, operation as an organisation and commitment to the environment. Since its launch in 2014, a milestone whose tenth anniversary falls this year, these three dimensions -economic, corporate and social- are inseparably joined together: each constitutes the basis for the other two and none of them could exist separately in their current scope.

In the financial sphere, in 2023 ABANCA confirmed its outstanding position in the Spanish banking market as a Bank recognised for its profitability, soundness and capacity for growth. In 2023, the Bank has achieved significant milestones, mainly business results, especially in terms of attraction of new customers and customer margin growth, in which we were the second best bank in the market. Also worth noting in 2023 is the amortisation of TLTRO maintaining ample liquidity, and our emissions, opening markets with great acceptance.

Our financial institution model and strategic execution capacity have enabled us to increase our market presence and reinforce the quality of the attention and service proposal, providing customers with the necessary resources and capabilities to undertake their personal and economic projects.

The aim, as always, was to build customer loyalty and support them in their objectives. It is a continuous effort which is materialised on a daily basis, but that is accentuated in specific situations that require it. Examples of this include ABANCA's support to the primary sector in the wake of the effects of the drought or the rising costs

of its inputs, renewal of the alliance with local commerce or collaboration with the family business fabric in promoting entrepreneurship

The new steps taken in the expansion and redefinition of our products and services catalogue has also contributed to market growth. In the off-balance sheet business, we created the company ABANCA Gestión de Activos through the merger of the management companies Imantia Capital and Bankoa Gestión.

ABANCA Privada, which has tripled its business since its relaunch in 2019, continues to incorporate new investment options. ABANCA Seguros launched its first proprietary health product and its first simplified occupational pension plan for self-employed professionals. For the purchase of housing, we launched two new mortgages: a mixed one that maintains a fixed interest rate for the first five years and another with special conditions for financing energy-efficient buildings.

The energy transition is, in fact, one of our top priorities at the moment. It is an unavoidable task that transcends the limits of the strictly financial and verges on the ethical. ABANCA feels called to the global collective effort that countless agents of the public and private sphere are making to promote the adoption of a more sustainable economic model.

Our most noteworthy contributions in 2023 include, namely, the creation of the specialised ABANCA Energy unit, whose objectives are to support companies and families in the transition process, promote the development of energy projects and promote the transition from fossil fuel-based energies to new sustainable sources.

Similarly, other important actions carried out by the Bank include the definition of the Sectoral Climate Risk and Environmental policy, linked to the new decarbonisation objectives, the signing of the Charter of Diversity, the participation in the Carbon Disclosure Report (CDP) or development of the integration of Climate and Environmental Risk Assessment into the credit risk assessment process.

Also worthy of note are the importance of awareness-raising and outreach actions, such as the 4th Sustainable Finance Day of ABANCA and APD, Planet Hour or Environment Month of ABANCA and Afundación.

These outreach actions are connected to the effort that ABANCA makes on a continuous basis in the area of knowledge, with the firm conviction that training is essential for each person and for the whole of society.

The financial education programme of ABANCA and Afundación grew by 44% in terms of participants in the 2022-2023 academic year. One of its priorities is to train older people in rural areas, a collective at which 50 training sessions were aimed in Galicia and, for the first time, in the province of León. Together with the PLANCTON programme, in this case in the environment category, our Financial Training and Digitalisation Programme for Older People in Rural Areas was distinguished by the Spanish Confederation of Savings Banks (CECA) in its 2022 Social Welfare Project and Financial Education Awards.

ABANCA's model of a financial institution close to people and committed to its local environment makes it the only financial institution in 175 Galician municipalities through permanent branch offices, mobile branch offices and ATMs. This extensive geographical presence is key for Galicia to become the peninsular region with the highest ratio of financial inclusion and the second with the shortest distance from users to their bank branch office. Additionally, to help our customers over 65 we apply measures such as personal and priority attention, both telephone and in-person at the branch offices, extension of counter service hours throughout the network until 2 p.m., simplification of the menus of ATMs installed in rural areas or bringing pension payments forward to the 25th of each month.

We cannot end this review of the year without mentioning another two major milestones achieved by ABANCA in 2023 and which allow us to continue to grow deepening our social commitment. On the one hand, after the start of negotiations between both parties, ABANCA and Banque Fédérative du Crédit Mutuel signed the acquisition of TARGOBANK España two months later, a transaction that we closed definitively in October 2023 and which reinforces national implementation, especially in the Mediterranean arc, Madrid and Andalusia.

On the other hand, in November we announced the acquisition of 100% of the Portuguese bank EuroBic. Through this transaction, ABANCA significantly increases its presence in Portugal and will become one of the leading banks in the country, multiplying the number of customers by 4, business volume by 3 and the points-of-sale in the neighbour country by 3.5.

These two new transactions, performed with the same philosophy as the previous ones (i.e. compatibility with our model, contribution of value and incorporation of talent), announce the immediate future: to continue growing with Iberian vocation, to meet customers' financial needs through a proposal based on quality and innovation, and to make a positive contribution to the environment to address the main challenges of our time through collaboration.

ABANCA's professional team has played an essential role in the results for 2023, to whom we are grateful for their involvement and performance. We are proud to have a team whose day-to-day work has enabled ABANCA to become a better and more sustainable bank.



Juan Carlos Escotet Rodríguez
Chairman of ABANCA



Francisco Botas Ratera
CEO of ABANCA

1

ABANCA Responsible

>>>>> 1

OUR contribution

2-6, 2-7, 201-1, 203-2, 413-1

Staff

6,546

professionals.

95.04%

of employees with
permanent contracts excluding
internships.

16.20 years

average length of service
at the company

€2.4 million

investment in
training.

Customers Society

Over 2 M
customers.

730

branch
offices

54

agents.

**€17.7
million**

social investment.

2.0

million
beneficiaries.

202,680

beneficiaries of the financial
education programme.

Business

16.9%

ratio of total capital.

2.4%

NPL ratio.

> €124¹ billion

revenue.

> 1,500,000

mobile banking users.

Suppliers²

€263 million

in payments to suppliers.

71.78%

suppliers with turnover < €50,000.

90.53%

Spanish suppliers (by invoiced amount).

¹ Taking into account the incorporation of TARGOBANK and EuroBic.

² Supplier data corresponds to natural and legal persons hired by the Procura area for ABANCA and its financial investees. It does not include supplies or intra-Group billing.

Promoting sustainable development by contributing to the progress of society, the protection of the environment in which it operates and addressing the main global challenges is part of ABANCA, of its values and its modus operandi.

>>>>> 2

Action MODEL

2-23, 2-24, 2-25, 3-3

The Bank continues to progress in the integration of Environmental, Social and Governance (hereinafter, "ESG") criteria and in its commitment to economic and social progress and to people's well-being through its sustainability strategy.

In 2021 the Bank launched the ABANCA Responsible and Sustainable [Action Plan](#), which includes the roadmap until 2024, coinciding 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:

- **Environmental:** in response to the concern on 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 can be found in the chapter on Environmental awareness.

- **Socio-economic:** on the one hand, it addresses the Bank's accompaniment for recovering and transforming the economy towards a sustainable model and inclusive growth. On the other hand, support for education and internal talent is essential.

Further information about the strategy and area of sustainable finance can be found in the chapter on Business Model.

Further information on the social welfare project and the executor, Afundación, ABANCA's Social Welfare Project, can be found in chapter 6 on Social Awareness.

- **Good governance:** a robust management model aimed at providing a swift response to stakeholders' needs and with a special focus on new risks.

Further details can be found in the chapters on Good Governance Awareness and Risk Management.

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 governing 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 society'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.

Further information can be found in the chapter on Good Governance Awareness.

The Board of Directors approves the sustainability strategy, monitors and supervises the necessary measures for the development and application thereof.

The **Appointments and Sustainability Committee** is responsible for evaluating and periodically reviewing the Bank's sustainability strategy to ensure that it fulfils its mission of promoting social interest and takes into account, as appropriate, the legitimate interests of other stakeholders. Furthermore, it proposes and submits sustainability strategy and project policies and measures to the Board for approval. Furthermore, it complies with the related available legislation (through the ESG Regulation Observatory) and the commitments and partnerships entered into by the Bank.

The **Social Responsibility and Sustainability Corporate Committee** is the body that oversees the strategic lines in relation to social responsibility and sustainability. In addition, it puts forward proposals to the governing bodies corresponding to the policies in this area. Additionally, worth noting is the participation as member of the Corporate Control and Risks DG as a member of this committee to guarantee coordination between the main ESG risk functions and the Corporate Governance and Legal Affairs DG to coordinate the main compliance functions.

In 2023, the **ESG Steering Committee** working group was created in order to dynamise the integration of the ESG area in the Bank's management, in addition to monitoring the lines of work of the strategic ESG project and of the main actions related to the adequacy of the expectations of the regulatory and supervisory framework (which was carried out by the Steering Committee). The working group reports to the Social Responsibility and Sustainability Corporate Committee and includes the participation of the CEO and the Bank's main divisions responsible for this area.

The coordination work for implementing the sustainability agenda action and promotion plan is firstly carried out by the **Social Responsibility and Sustainability** area, a unit within the Social Responsibility, Sustainability and Communication DG.

This corporate unit meets regularly with the cross-cutting working groups to agree upon and align actions on environment and climate change, compliance with ESG regulatory requirements, sustainable finance, commitments and partnerships, etc.

- The objective of the ESG operating working group is to show solid progress and positioning, and to support 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 and 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 is a reference framework for 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 different challenges posed by climate change from an environmental, social and governance standpoint.

In 2023 we carried out the annual review and update of the policy.

In addition to the Sustainability Policy, the Code of Ethics and Conduct and the other policies included in the chapter on Good Governance Awareness (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, 201-1, 203-2

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

We have prioritised our initial direct action, a total of 4 + 4 objectives, due to their high impact, bearing and level of influence on which our lines of action in the economic, social and environmental sphere will be focused. The following documents were taken into account in the analysis and identification:

- The size of the customer, business and organisation.
- The Responsible and Sustainable Banking strategy and action plan.
- Progress of the 2030 Agenda in Spain.
- The UN classification and recommendation by sector.



Analysis of the contribution to the priority SDGs and progress in commitments

In 2023 we progressed in the 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.

			2022	2023
		ENVIRONMENTAL		
  	  	- Reduction of water consumption. - Reduction of paper consumption. - Reduction of energy intensity/employee (Gj/employee) - 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).	29,217 m ³ 212.80 t 14.74 24.0 t CO ₂ 6,227.56 t CO ₂ 725.59 Gj 1,973 h 250 6 4 €830.6 million	27,631 m ³ 204.19 t 14.19 84.0 t CO ₂ 6,252.51 t CO ₂ 1,459.81 Gj 1,621 850 10 7 (intermediate objectives in 2030) €993.9 million
		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. - 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 customers and non-customers over 65 who participate in person in the financial, digital and fraud prevention education training programmes (mobile banking, electronic banking, ATMs).	494 96% €1.9 million 46.7% 397 2,440 92 222,161 450,964 139,475 32,441	595 95% €2.4 million 78.8% 309 3,777 92 321,298 519,061 202,680 38,330

		GOVERNANCE		
 		- Percentage of women in the Board of Directors. - Percentage of independent directors. - Percentage of national suppliers by amount.	33.3% 75.0% 91.56%	33.3% 75.0% 90.53%

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 51.27% of permanent contracts correspond to women and 48.73% to men.
- 95.04% of employees with permanent contracts (excluding interns).
- ABANCA Innova: technological observatory, intra-enterprising, startups programme, Ithium project acceleration and development programme.
- ABANCA Corporación Bancaria, S.A. Collective Bargaining Agreement.
- The economic value generated by ABANCA in 2023 amounted to €1,903 million.
- Commitment to Human Rights.
- Health and Safety Committee.
- Regulatory and sustainability training 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.

- 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 perform transactions and contracts. Mobile banking has more than 1.5 million 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.
- Collaboration with the ON Territorial Conservation Plan (PLANKTON).
- Awareness actions: sustainability promotion activities programme.
- Living Nets project.

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.
- 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

At ABANCA Social Welfare project we promote a transformational education model based on innovation, internationalisation and multiculturalism, sustainability and good training practices.

- We promote tertiary education through the UIE.
- Regulated Training (885 beneficiaries).
- Non-Formal Training (320,274).
- Conferences, courses and sessions.

It is supplemented with the following internal initiatives of the Entity

- Continuous Training Plan for the Board of Directors.
- Regulatory training of all employees.
- 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 Programme: 202,680 digital and face-to-face 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.
- 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 to Good Environmental Practices.

- 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:
 - At 2023 year-end the financing of renewable energy projects exceeded €993.9 million (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.
 - Member of the UNEP-FI Net-Zero Banking Alliance and signatory to PCAF.
 - Consumption of renewable energy.
 - Compensation of 100% of CO₂ emissions.
 - Environmental volunteering.
 - Adhesion to the Alianza Galega polo Clima.
 - 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 acquired by ABANCA in the corresponding work groups, whose objective is to project and implement a set of measures aimed at establishing a permanent dialogue with its customers and stakeholders.

The main initiatives and partnerships and the advances in collaboration at the local and international level are as follows:

1. United Nations Global Compact

In 2015, the year of its incorporation, ABANCA joined the Spanish Global Compact Network as a partner and in 2019 became a member of the United Nations Global Compact Network and participates in the actions and initiatives that the partnerships launches at the 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 six principles in the Bank. In order to prepare this report, we carried out a joint study on the information requirements for adequate data collection with the areas involved. The information is set out in the different chapters of this report and is shown in the report table in Appendix 5 - UNEP FI, UN PRINCIPLES OF RESPONSIBLE BANKING attached hereto.

The progress achieved in implementation from the signing of the Principles are as follows:

- **Alignment:** we studied ABANCA's relationship with the 17 SDGs, which resulted in the prioritisation of eight direct action goals.

- **Impact and setting of objectives:** an impact analysis was performed following the methodology developed by UNEP FI and using the Portfolio Impact Analysis Tools for Banks. The objectives in those areas where we can have the most significant impacts (climate change and inclusion and financial health) were defined.
- **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 accordance with the "Guidance Document. Principles for Responsible Banking" published by UNEP FI, and as stated in the Independent Verification Report at the end of this Report, the information relating to the impact analysis, setting of objectives, implementation and monitoring of objectives and governance structure for the implementation of the Principles for Responsible Banking has been verified by an independent third party.

3. Principles for Responsible Investment

In May 2020, ABANCA was the first Spanish bank to become signatory 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 2023 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. In 2023 the Bank completed the report on the implementation of the principles in the UNPRI platform, as part of the principle of transparency and accountability.

4. Sustainable Ocean Principles

In 2020, ABANCA signed the United Nations Sustainable Ocean Principles, becoming the first Spanish bank to become signatory to these principles. The nine Sustainable Ocean Principles, developed by the United Nations Global Compact Network.

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. Net-Zero Banking Alliance

In 2019, ABANCA became signatory to the Spanish Banking Sector Climate Accord, whose main objective is to promote a more sustainable, low-emission economy, presented in the context of the Climate Summit COP25, in alignment with the UNEP FI's Collective Commitment to Climate Action, which was replaced by the Net Zero Banking Alliance (NZBA) in March 2023.

In 2021, the Bank reinforced its commitment by becoming a signatory to the Net Zero Banking Alliance. 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.

In 2022, ABANCA published the first interim objectives, intended to stop financing carbon by 2030 and announced that it will 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. In 2023 ABANCA broadened

its decarbonisation commitment by undertaking to reduce the intensity of carbon emissions from its credit portfolio by 30% in the fossil fuel sector, 25% in automobile production and 20% in aluminium production between 2022 and 2030.

More information on the objectives in the chapter on Environmental Commitment.

In the COP26, the Bank endorsed the open letter promoted by the We Mean Business Coalition calling on G20 leaders to take decisive action on climate change.

6. Alianza Galega polo Clima

In 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. In 2023 the 1st Conference of the Parties of the Alliance took place.

7. Partnership for Carbon Accounting Financials (PCAF)

In 2022, the Bank became a signatory 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.

8. Carbon Disclosure Project (CDP)

CDP is a non-profit organisation that manages a global disclosure system for investors, companies, cities, states and regions can report on the management of their environmental impacts.

ABANCA participates in the CDP's annual questionnaire on climate change since 2023, which is in turn aligned with the recommendations of the TCFD (Task Force on Climate-Related Financial Disclosures).

The CDP's climate change questionnaire includes different topics related to how organisations manage climate change, including governance, risks and opportunities, calculation of emissions, decarbonisation objectives, energy consumption or offset of emissions, inter alia.

9. Diversity Charter

In 2023 ABANCA signed the Diversity Charter, a voluntary commitment code that falls under the anti-discrimination directives promoted by the European Commission in 2000 and that both companies and institutions can sign to support, promote and extend diversity and non-discrimination. The ultimate objective of the initiative is to promote quality of life and work of people in their working environment. The Bank thereby voluntarily assumes the commitment to promote the ten basic principles of equality, diversity and inclusion.

10. 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 €628,676 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. Similarly, 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 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 agro-livestock, forestry, fisheries, and industrial sectors, in addition to non-profit organisations or institutions within our scope of action, allocating €250,987.37 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.

Sustainability indices and ratings

ESG rating agencies have issued ratings that endorse ABANCA's sustainability strategy and highlight the way in which the Bank carries on its activity in relation to business ethics, information security and privacy, and people management.

Morningstar Sustainalytics gives the Bank a rating of 6.7 (Negligible risk), making ABANCA the bank with the best ESG rating in Spain and globally ranks it in tenth position among 1,032 banks and in first position among 493 regional banks.



Moody's Analytics gives ABANCA a rating of 60/100 (Advanced level), which corresponds to the highest rating scale (Weak to Advanced).

Additional information on the ratings of these agencies is available in the following [link](#).

Additionally, ABANCA participates annually in the evaluation of the **Galician Atlas of Committed Companies**, which measures the corporate commitment of Galician companies to their environment, environmental sustainability, people and good governance. It is a research tool promoted by Economía Digital Galicia and launched in 2020. In 2022, ABANCA stood out for its commitment to the environment and is awaiting the rating of the 2023 edition.

>>>>> 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.

- **Staff:** 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, updated in March 2023, which is aimed at establishing a general framework for communication and dialogue with the different stakeholders that contribute to preserve and improve the Bank's good reputation and image, disseminate its corporate values and help to achieve its

strategic objectives by disclosing information under the criteria of transparency, truthfulness, rigour, consistency, efficiency, equity, responsibility and sustainability.

Stakeholders	Continuous dialogue	Regular dialogue
Staff	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.

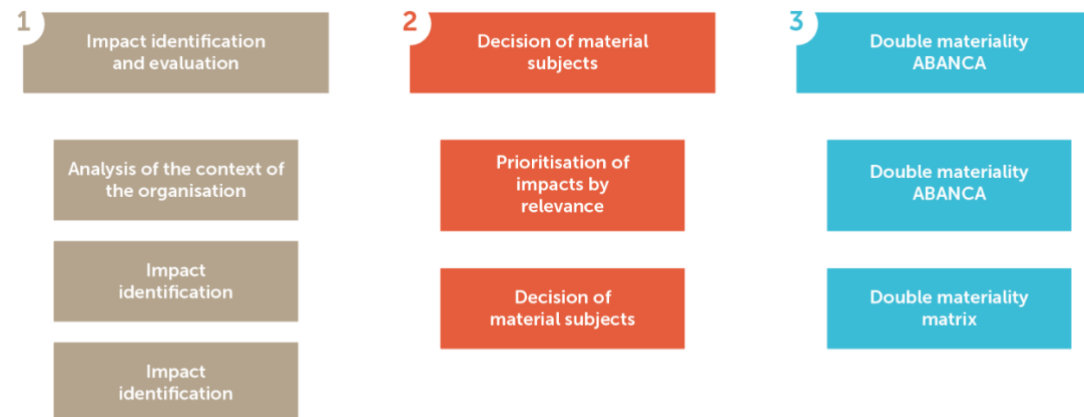
The methodological approach to the materiality analysis carried out in 2023 has followed the same line as in 2022, in accordance with the methodology defined by GRI 3 (Global Reporting Initiative): GRI Material Topics in 2021, which focuses on the identification and assessment of the impacts that organisations have on their environment.

Also, once ABANCA's material topics have been identified in accordance with impact materiality, the financial impact thereof on the Bank will also be taken into account in order to have a double materiality approach, as established in the (EU Sustainability Reporting Standards (ESRS) developed by the European Financial Reporting Advisory Group (EFRAG).

- **Materiality processes**

GRI 3 describes a materiality analysis methodology that focuses on 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.

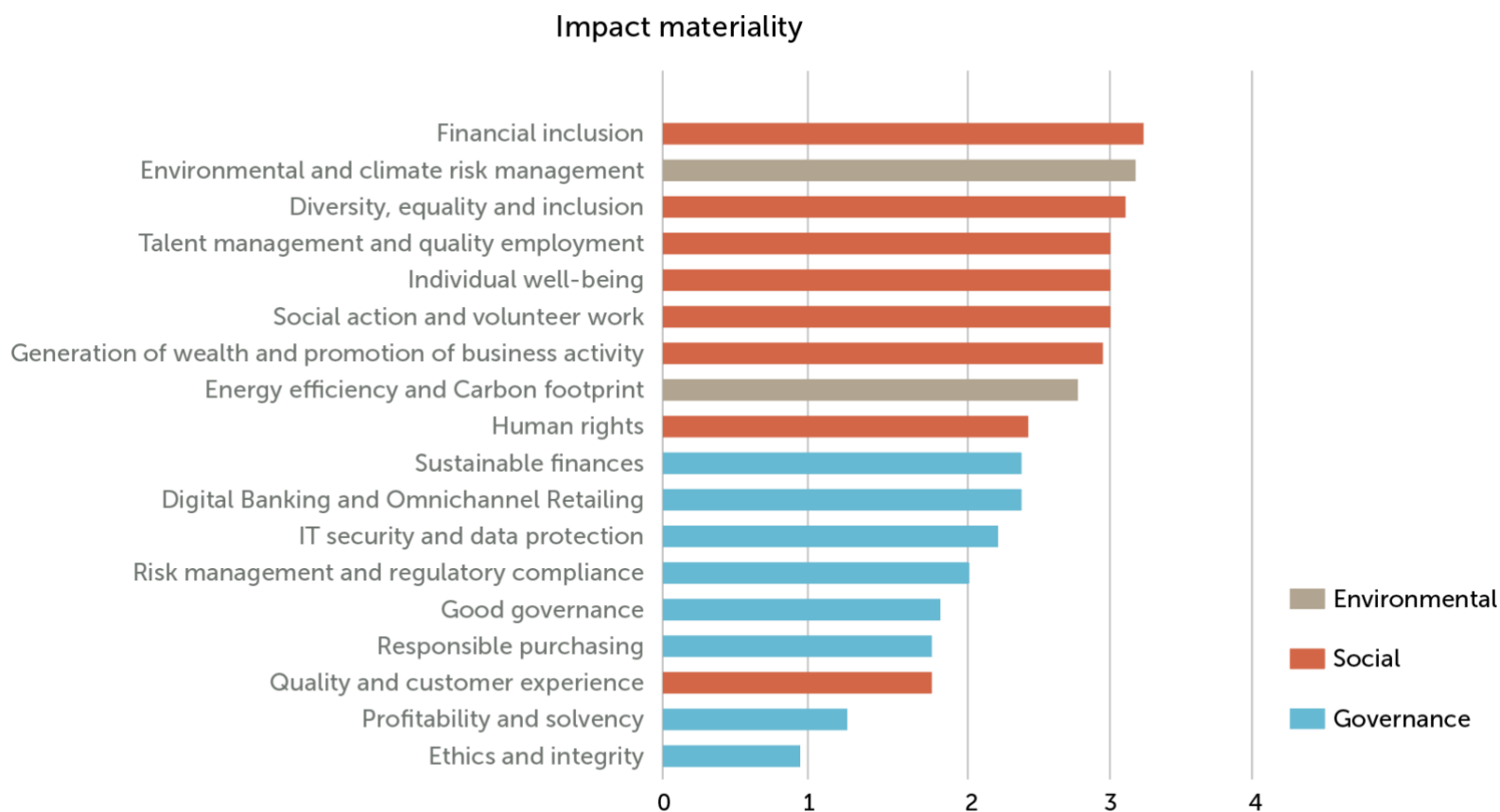
Phase 3 is carried out to take the financial perspective into account, i.e. the impact on the Bank's environment. The aim is to identify the sustainability issues that are material to the creation of value in the Company, from the perspective of their financial impact in the short, medium and long term.



- **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.

In accordance with the methodology defined by the GRI 3 standard: GRI Material Topics for 2021: a total of **43 impacts** were identified that were grouped into **18 material topics**. The results of **impact materiality** are set out below:



Materiality impact results (in/out perspective) varied slightly compared to those obtained in 2022 as relevant for stakeholders, with social impact topics being the most relevant: **Financial inclusion, diversity, equality and inclusion, generation of wealth and promotion of business activity**.

In 2023, although the first two topics remained among the most relevant to stakeholders, in line with previous years, environmental risk management topics continued to gain bearing, such that the topic of **climate and environmental risk management** exceeded that of **generation of wealth and promotion of business activity** and currently stands among the three most relevant topics. This is due to the high ratings received by this topic in relation to the commitments of decarbonisation and reduction of financing to CO₂ emission-intensive sectors.

Also worth noting is the increased valuation of impacts associated with **sustainable finance and computer security and data protection**, due to the balance between the higher score on the scale (agent survey) and scope (employee survey).

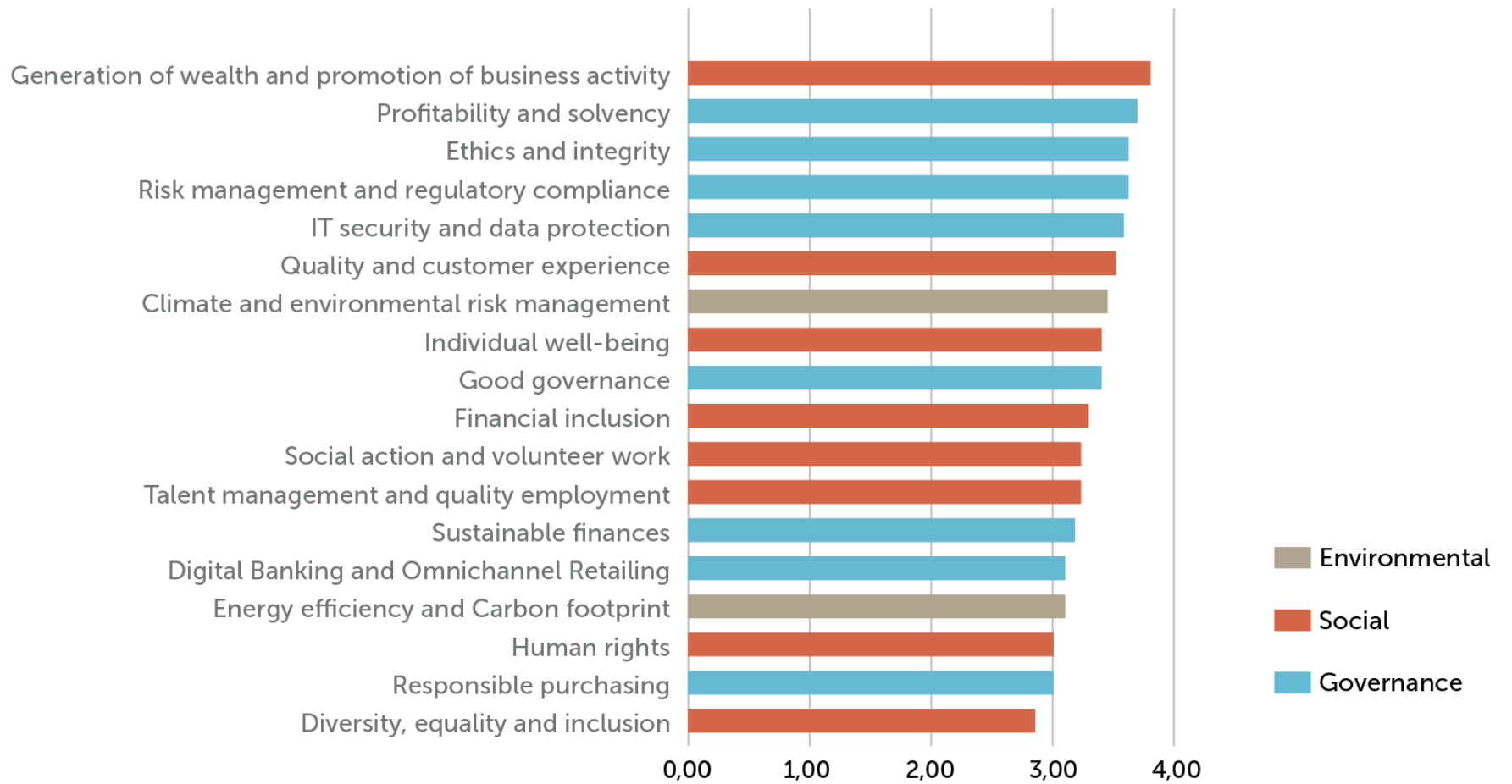
- **Financial materiality**

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.

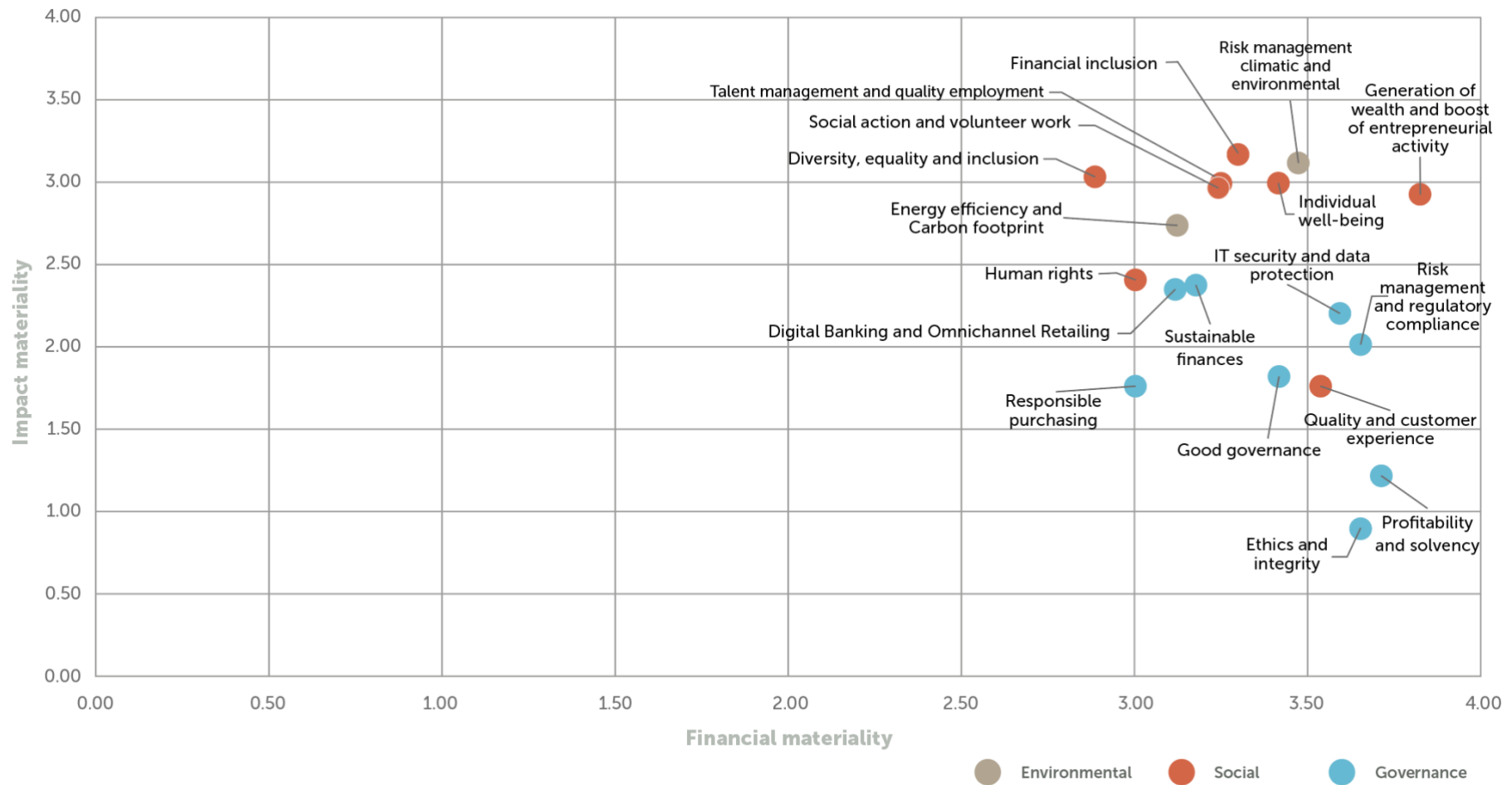
With regard to financial materiality (out/in perspective), as in 2022, the topics of greatest relevance to ABANCA were: **profitability and solvency, ethics and integrity and risk management and regulatory compliance**, led by the topic of **generation of wealth and promotion of business activity** (as opposed to 2022, where the leading topic was computer security and data protection).

These positions in the matrix are due to the high valuation of the senior management of topics related to financial stability, good governance and the creation of a key risk management model for maintaining the security and confidence of the affected customers, investors and third parties.

Financial materiality



▪ 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, 2-28 3-3 415-1	●		●		SDG 16 SDG 17	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 Behavior 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 management and regulatory compliance	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 purchasing	GRI 2 General Disclosures 2021 GRI 3 Material Topics 2021 GRI 204 Procurement Practices 2016 GRI 308 Supplier Environmental Assessment GRI 414 Supplier Social Assessment 2016	2-6 3-3 204-1 308-1 to 308-2 414-1 to 414-2	●	●	●	●	SDG 5 SDG 8 SDG 12 SDG 16	Management approach Subcontration and suppliers
6 Digital Banking and Omnichannel Retailing	GRI 3 Material Topics 2021	3-3	●	●	●		SDG 9	Management approach
7 Seguridad informática y protección de datos	GRI 3 Material Topics 2021 GRI 418 Customer Privacy 2016	3-3 418-1	●	●	●		SDG 16	Management approach Consumers
8 Sustainable finances	GRI 3 Material Topics 2021 Sector Standard	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 15	Management approach Sustainable use of resources Climate change

Material topics	GRI Standard	Contents	Coverage				SDG related	Non-financial information Law
			Origin		Implication			
			Inside	Outside	Direct	Indirect		
10 Environmental and climate risk management	GRI 2 General Disclosures 2021 GRI 3 Material Topics 2021	2-27 3-3	•	•	•	•	SDG 13 SDG 14 SDG 15	Gestión ambiental Management approach
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 Labeling 2016 Sector Standard	2-29 3-3 416-1, 416-2 417-1 to 417-3 FS6, FS13, FS14	•	•	•		SDG 1 SDG 8 SDG 10 SDG 12 SDG 16	Company commitments to sustainable Management approach Consumers
12 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
13 Talent management and quality employment	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	2-7 to 2-8 3-3 202-1 to 202-2 401-1 to 401-3 404-1 a 404-3	•		•	•	SDG 1 SDG 4 SDG 5 SDG 8 SDG 10	Employment Management approach Training
14 Diversity, equality and inclusion	GRI 3 Material Topics 2021 GRI 405 Diversity and Equal Opportunity 2016	3-3 405-1 to 405-2	•		•		SDG 5 SDG 8 SDG 10	Management approach Equality Work organisation Universal accesibility for disabled people
15 Individual well-being	GRI 2 General Disclosures 2021 GRI 3 Material Topics 2021 GRI 402 Labor/Management Relations 2016 GRI 403 Occupational Health and Safety 2018	2-30 3-3 402-1 403-1 to 403-10	•		•		SDG 3 SDG 5 SDG 8 SDG 10 SDG 16	Relaciones sociales Management approach Health and Safety
16 Generation of wealth and boost of entrepreneurial activity	GRI 3 Material Topics 2021 GRI 203 Indirect Economic Impacts 2016	3-3 203-1 to 203-2	•	•	•	•	SDG 1 SDG 3 SDG 5 SDG 8 SDG 9 SDG 11	Management approach Company commitments to sustainable development
17 Social action and volunteer work	GRI 3 Material Topics 2021 GRI 203 Indirect Economic Impacts 2016 GRI 413 Local Communities 2016	3-3 203-2 413-1 to 413-2	•	•	•	•	SDG 1 SDG 2 SDG 3 SDG 8 SDG 10 SDG 17	Management approach Company commitments to sustainable development
18 Financial inclusion	GRI 3 Material Topics 2021 GRI 203 Indirect Economic Impacts 2016	3-3 203-1 to 203-2	•	•	•	•	SDG 1 SDG 5 SDG 8 SDG 10	Management approach Company commitments to sustainable development

2

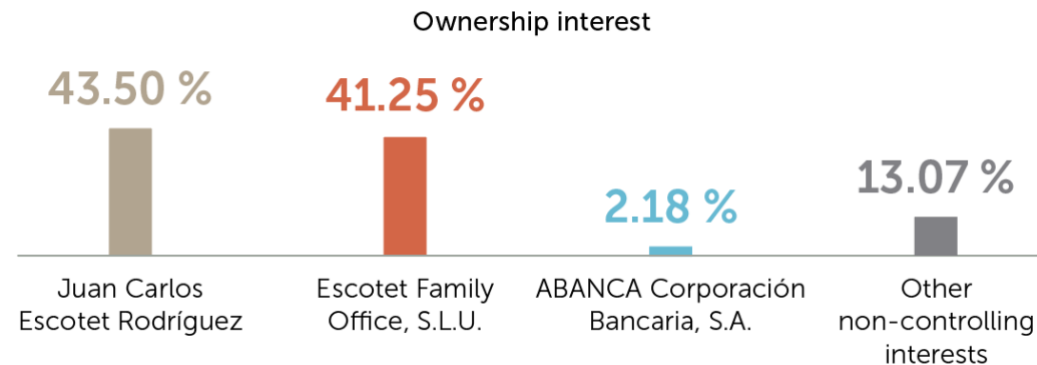
Corporate governance

>>>> 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 2023. ABANCA Corporación Bancaria, S.A. has treasury shares amounting to 2.18% of the Bank's share capital, while the other non-controlling interests hold 13.07 %.



>>>> 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 12 meetings attended by all the members and is made up of 12 members.



Chairman
Juan Carlos Escotet Rodríguez
Proprietary director
Appointment: June 2017 ³



CEO
Francisco Botas Ratera
Executive
Appointment: June 2014
Other positions: Executive Credit Commission



Director
Ana da Cunha Barros
Independent director
Appointment: July 2019
Other positions: Comprehensive Risk Commission



Director
Eduardo Eraña Guerra
Independent director
Appointment: October 2016
Other positions: Appointments and Sustainability Commission.

³ Was Deputy Chairman from June 2014 to June 2017.



Director

José García Montalvo

Independent director

Appointment: August 2014

Other positions: Audit and Compliance, Remuneration, Comprehensive Risk Commissions.



Director

José Manuel González-Páramo Martínez-Murillo

Independent director

Appointment: September 2022

Other positions: Comprehensive Risk Commission



Director

Leticia Iglesias Herraiz

Independent director

Appointment: May 2018

Other positions: Audit and Compliance, Remuneration, Comprehensive Risk Commissions.



Director

Manuel López Figueroa

Independent director

Appointment: October 2019

Other positions: Executive Credit Commission



Director

Pedro Raúl López Jácome

Other non-executive

Appointment: June 2014

Other positions: Executive Credit, Audit and Compliance, Appointments and Sustainability, and Remuneration Commission



Director

José Ramón Rodrigo Zarza

Independent director

Appointment: August 2014

Other positions: Executive Credit, Audit and Compliance, Appointments and Sustainability Commission



Director

Rosa María Sánchez Yebra Alonso

Independent director

Appointment: November 2021

Other positions: Comprehensive Risk Commission



Director

Carina Szpilka Lázaro

Independent director

Appointment: June 2014

Other positions: Audit and Compliance, and Remuneration Commission.

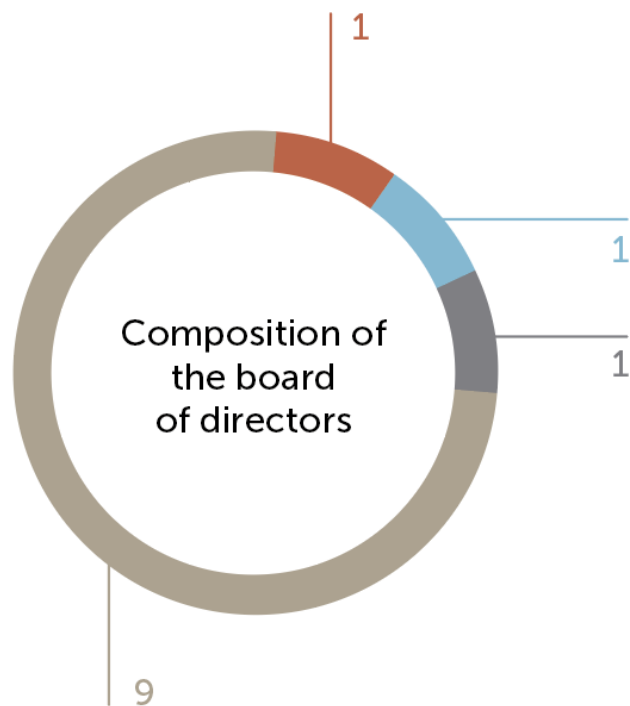


Secretary
José Eduardo Álvarez-Naveiro Sánchez
(non-director)

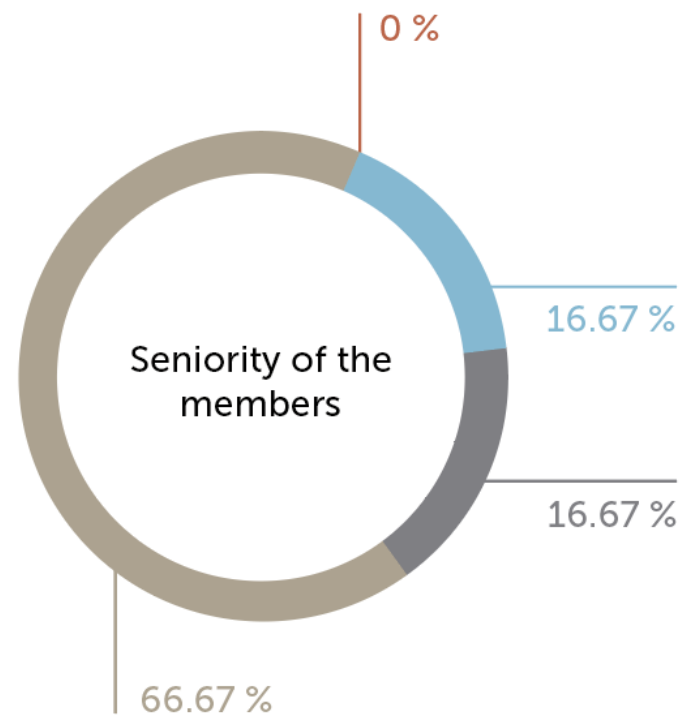


Deputy Secretary
María Consolación Borrás Retamero
(non-director)

- **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

	2021					2022					2023				
	Women		Men		% Total	Women		Men		% Total	Women		Men		% Total
	No.	%	N.º	%		No.	%	N.º	%		No.	%	N.º	%	
Under 30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Between 30 and 50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Over 50	4	36.4 %	7	63.6 %	100 %	4	33.3 %	8	66.6 %	100 %	4	33.3 %	8	66.6 %	100 %
Total	4	36.4 %	7	63.6 %	100 %	4	33.3 %	8	66.6 %	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

Executive CREDIT Commission

Director	Position	Category	Appointment
Francisco Botas Ratera	Chairman	Executive	August 2014
Manuel López Figueroa	Director	Independent director	March 2020
Pedro Raúl López Jácome	Director	Other non-executive	August 2014
José Ramón Rodrigo Zarza	Director	Independent director	August 2014
José Eduardo Álvarez-Naveiro Sánchez	Secretary (non-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 ⁴
Leticia Iglesias Herraiz	Director	Independent director	May 2018 ⁵
Pedro Raúl López Jácome	Director	Other non-executive	August 2014
José Ramón Rodrigo Zarza	Director	Independent director	August 2014
Carina Szpilka Lázaro	Director	Independent director	December 2014
José Eduardo Álvarez-Naveiro Sánchez	Secretary (non-member)		

COMPREHENSIVE RISK 2-12

Director	Position	Category	Appointment
Leticia Iglesias Herraiz	Chairwoman	Independent director	September 2018 ⁶
José García Montalvo	Director	Independent director	August 2014 ⁷
José Manuel González-Páramo Martínez-Murillo	Director	Independent director	September 2022
Ana da Cunha Barros	Director	Independent director	October 2020
Rosa María Sánchez-Yebra Alonso	Director	Independent director	November 2021
José Eduardo Álvarez-Naveiro Sánchez	Secretary (non-member)		

⁴ Was Chairman from August 2014 to May 2018 and director from May 2018 to June 2022, date on which he was reappointed Chairman.

⁵ She was Chairwoman from May 2018 to June 2022, date on which she was appointed director.

⁶ Was a member from September 2018 to June 2022, date on which she was appointed Chairwoman.

⁷ Was a member from August 2014 to September 2018 and Chairman from October 2018 to June 2022, date on which he was reappointed director.

APPOINTMENTS AND SUSTAINABILITY COMMITTEE 2-10

Director	Position	Category	Appointment
Eduardo Eraña Guerra	Chairman	Independent director	October 2016
Pedro Raúl López Jácome	Director	Other non-executive	June 2016
José Ramón Rodrigo Zarza	Director	Independent director	December 2014
José Eduardo Álvarez-Naveiro Sánchez	Secretary (non-member)		

REMUNERATION

Director	Position	Category	Appointment
Carina Szpilka Lázaro	Chairwoman	Independent director	June 2016
José García Montalvo	Director	Independent director	August 2014
Pedro Raúl López Jácome	Director	Other non-executive	June 2016 ⁸
José Eduardo Álvarez-Naveiro Sánchez	Secretary (non-member)		

Changes in the Board of Directors in 2023

In 2023 there were no changes in ABANCA's Board of Directors.

⁸ 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 26 June 2023. At the meeting, all the decisive agenda points were approved, namely the re-election of Ms Ana Barros as independent director for a four-year tenure. The resolutions are detailed on the corporate website, under the [Annual General Meeting](#) section.
- b. Also, in 2023 measures were adopted to promote corporate governance best practices under the Corporate Governance Excellence Plan. Some of the most significant measures were:
 - Include the approval and application of the Bank's overall strategy in relation to AML/CFT as a general supervisory function of the Board.
 - Establish the maximum number of offices that a director can occupy simultaneously in accordance with the applicable legislation in the Regulation of the Board of Directors.
 - Approve a Regulation for the Executive Credit Commission.
 - Hold follow-up sessions in relation to the Executive Credit Commission.
 - Hold an annual follow-up session in conjunction with the Appointments and Sustainability Commission and Comprehensive Risk Commission for sustainability coordination purposes.

Professionalism

2-18

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 2023, focused on aspects such as artificial intelligence, cybersecurity, anti-money Laundering (AML), cryptocurrencies/metaverse, US banking regulation, etc.

Remuneration

2-19, 2-20

The remuneration of the directors is determined in accordance with the Board of Directors' remuneration policy, last updated by the shareholders at the Bank's Annual General Meeting held on 27 June 2022 (which was attended by 92.2569%). 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



Sonia
Lucio Vélez
GM ABANCA Seguros



Jorge
Martínez
GM Payment Methods and
Consumer



Manuel
Nogueira Fernández
GM Business Development
and Customers



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



Julián

Serrapio Vigo

General Auditor

Changes in the Steering Committee

In 2023 Sonia Lucio Vélez joined the Steering Committee as General Manager of Insurance, in place of Álvaro García Diéguez.

Economic outlook and strategic plan

>>>> 1

ECONOMIC environment

Global economic activity remained resilient in 2023, despite the multiple geopolitical tensions, the still high inflation levels and the restrictive monetary policy implemented by the main central banks. In this context, it is estimated that world GDP grew by 3.1% in the year, four tenths less than the previous year, with high heterogeneity by regions and countries.

In the Eurozone, the European economy showed weak performance, avoiding the technical recession with a flat last quarter and ending the year with an average growth of 0.5%. Among the main European countries, the adverse performance of Germany stood out, with a fall in GDP of 0.1% in 2023, still burdened by the weakness of the industrial sector.

Despite the complex international context, the Spanish economy performed better than expected, growing by 2.5% in 2023 compared to the 1% forecast at the start of the year. This better-than-expected performance was spurred by the progressive containment of inflation, the dynamism of employment and the favourable performance of the sector, particularly tourism. Additionally, accumulated savings made it possible to sustain private consumption and mitigate the impact of rate hikes.

Inflation fell sharply in the first part of the year, with the general rate reaching a minimum of 1.9% in June. In the second quarter it rallied, due mainly to the base effect of energy prices, ending the year at 3.1%. Underlying inflation, which excludes unprocessed foods and energy products, moderated progressively, ending the year at 3.8%.

The labour market continued to expand, with the number of employed persons increasing to 783,000 over the year as a whole (+3.8%). At 2023 year-end, unemployment stood at 11.8%, down 1.1 percentage points on the previous year.

The Galician economy recorded an average year-on-year growth of 1.9% until the third quarter of 2023, with a particularly dynamic services sector. Unemployment ended the year at 9.2%, falling 1.5 percentage points, 2.6 p.p. lower than the national average.

>>>> 2

FINANCIAL environment

The European Central Bank continued to tighten its monetary policy, with ten consecutive official interest rate hikes until September 2023, setting the main financing rate at 4.50%, representing an accumulated rise of 450 b.p. since July 2022. The European Monetary Authority considers that interest rates have reached levels that, maintained during a sufficiently long period, will contribute substantially to the early return of inflation to its target. For this reason, since then and until January 2024, it kept interest rates unchanged.

In this context, public debt yields followed an upward trend until autumn, but in the last months of the year recorded sharp falls as expectations of lower interest rates in 2024 became consolidated. Specifically, the yield on the Spanish 10-year bond exceeded 4% in October, ending the year at 3.00%, compared to 3.65% at 2022 year-end. The German Bund's IRR ended 2023 at 2.03%, compared to 2.56% in December 2022 and after reaching nearly 3% in October. Thus, the risk premium ended the year at 97 basis points, falling 12 basis points in 2023. In the interbank market, 12-month Euribor also followed an upward trend until the end of September, when it reached a maximum value of 4.23%. In the last quarter it started a downward trend, ending the year at 3.51%, compared to 3.29% at 2022 year-end. In the spot currency market, the euro appreciated by 3.6% in the year against the US dollar, reaching \$1.11.

>>>> 3

STRATEGIC

Plan 2021-2024

3-3

The implementation of the 2021-2024 ABANCA Strategic Plan continued in 2023. 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 development of the armed conflict in Ukraine, and medium-term focused on the creation of a sustainable business ecosystem.

The 2021-2024 Plan pivots on four main strategic lines:

- Increase the generation of recurring revenue: promoting the insurance activity with the deployment of the company ABANCA Seguros Generales (ASG), becoming a benchmark in customer savings advisory services and maintaining our focus on consumer finance and payment methods, financing SMEs and businesses and boosting the acquisition of and relations with 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 digitalisation and automation of processes (IAG) and developing new skills (reskilling), with a special focus on digitalisation and sustainability.

The objective was to sustainably outperform the market, in particular with respect to value-added products (insurance and off-balance sheet products such as investment funds and pension plans), as well as in SME and consumer financing. At 2023 year-end, revenue exceeded €124 billion taking the incorporation of TARGOBANK and EuroBic into account. Both incorporations reinforced ABANCA's retail business and represent an important geographical complement for the commercial network in Spain and Portugal as a whole, creating a strong Iberian platform for consolidating future growth.

Despite the international geopolitical tensions in 2023, the dynamic of compliance with the objectives set in the Plan observed in previous years was maintained, attaining and achieving, namely, the following milestones:

- Profitable growth with improved recurring income: in 2023 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 (that is, excluding goodwill obtained in the purchase of TARGOBANK, minus the cost of its incorporation) reached €545.9 million, representing year-on-year growth of 151.1% thanks to good business performance in a scenario of positive interest rates and control of cost of risk. Basic margin stood at €1.53 billion, up 45.4% on 2022, spurred by the good performance of net interest income and revenues from services provided. Pre-provision operating profit, excluding the integration costs corresponding to the acquisition of TARGOBANK, grew by 110.5%, standing at €764.9 million.

- Growth in insurance and savings counselling: continuing with the launch of new proprietary insurance branches (through ABANCA Seguros Generales) as the focal point of the strategy. The insurance activity remained focused on improving the value proposition for the customer, with year-on-year growth of 11.0% in general and life insurance premiums, with significant growth in branches such as Health (+17%) or Companies (+13%). As a result, the share of premiums written in the insurance banking channel grew by +32 b.p.⁹, with improvement in all the lines except health and other non-life. Significant growth was also recorded in value-added products, off-balance sheet funds reached €13,956.5 million, up 12.9% year-on-year, highlighting the Discretionary Portfolio Management with more than €1.30 billion managed. Retail deposits grew by 9.5% up to €53,569 million, gaining +17 b.p.¹⁰ market share in Spain and +15 b.p.¹¹ market share in Portugal.
- Selective credit growth focused on supporting the business fabric and families: financing to SMEs and self-employed professionals and families continued to drive loan growth, reaching the total portfolio a normal credit volume in excess of €45.19 billion.
- Risk quality: the NPL ratio exceeded 2022 targets and stands at 2.4%, remaining stable, with contained doubtful debts, and below the system average (2.9%). Non-performing loan coverage reached 73.9%.

⁹ Information as at September 23.

¹⁰ Information as at November 23 excluding TARGOBANK

¹¹ Information as at September 23.

- Solvency and liquidity: the ABANCA Group ended 2023 with a total capital ratio of 16.9 % and with excess capital over of total capital requirements of €1,498 million. The financing structure, with a solid liquidity position, continues to be clearly based on retail deposits, with retail LTD standing at 84.9%.

>>>>> 4

MAIN

milestones 2023

2-6, 203-2

- Merger between Imantia Capital and Bankoa Gestión into the company ABANCA Gestión de Activos.** Also in 2023, ABANCA merged its two investment fund management companies, Imantia Capital and Bankoa Gestión, into a single company, ABANCA Gestión de Activos, a unified brand through which the Bank will drive the growth of its off-balance sheet business. The merger transaction was completed once the corresponding authorisation of the CNMV had been received, allowing ABANCA to optimise its corporate structure and gain in efficiency. Specifically, the Bank unifies its off-balance sheet product catalogue, avoids duplicities and increases transparency towards the market.

ABANCA Gestión de Activos also represents a significant contribution to the ABANCA Group in terms of business volume. Overall, the two companies manage a total of €3.60 billion in investment funds and market international third-party funds in the amount of €3.80 billion.

- 6th ABANCA EDUCA Awards to the best teachers in 2022.** In March, the EDUCA educational platform and ABANCA's Social Welfare Project celebrated the 6th ABANCA EDUCA Awards for best teachers in 2022 at Afundación's headquarters in A Coruña .

During the event, the importance of teachers' role in society was acknowledged. Also, special recognition was given to the 61 professionals and teachers from different parts of Spain who were finalists for their good teaching practices and dedication.

Ana María González Herrera, teacher at CEIP Maestro Eduardo Lobillo de Rota (Andalusia) was awarded the first prize in the Pre-School Education category. Luis Gutiérrez Martín, teacher at Colegio Marista San José de León (Castilla y León), was the winner in the Primary Education category. Susana Díaz Morcillo, teacher at IES José Manzano de Don Benito (Extremadura), received the prize in the Secondary Education category. Alberto Castellano Barragán, teacher at IES Virgen de la Esperanza de La Línea de la Concepción (Andalusia), was the winner in the Vocational Training category. Rubén Martínez Sánchez, teacher at the centres ONG Mentor and Lideria International School de Puerto Lumbreras (Murcia), was the winner in the Non-Formal Education category. Lastly, Manuel Cuadrado García, professor at the University of Valencia (Valencia Autonomous Community), was the winner in the University category.

Last but not least, an honourable mention was awarded to María Pilar Montero Yus, a retired teacher who ran the CEIP Nertóbriga de La Almunia de Doña Godina (Zaragoza), for her teaching career.

c. The financial education programme of ABANCA and Afundación grew by 44% in terms of participants.

ABANCA's financial education programme ended the 2022-2023 academic year with a record figure of 202,680 beneficiaries. This 44% increase in the number of participants is the result of the constant promotion of the programme by the Bank and its Social Welfare Project, which continues to include new proposals in innovative formats to the already consolidated activities, adapted to the different groups at which they are aimed.

The combination of in-person programmes with other hybrid or 100% digital initiatives made it possible to record participants in every autonomous community.

The collaboration of 75 ABANCA and Afundación volunteers who delivered the training workshops including the different activities was essential to the success of the programme.

d. Extension of the digital training and empowerment programme for older persons. In June, ABANCA extended the digital training and empowerment programme for older persons in rural areas to León. This

initiative formed part of the action plan implemented by the Bank in 2022 to improve the inclusion and financial security of older persons, particularly those living in rural environments and who are less digitalised.

The first activities proposed were focused on protection against fraud. Here the participants were given advice on how to operate securely with their financial cards and through self-service channels, such as ATMs or mobile banking. They were also provided with information on the most common types of fraud nowadays so they can be capable of identifying and avoid them.

This digital training and empowerment plan forms part of ABANCA's financial education programme. In its first edition, in 2022, it comprised 52 training actions in Galicia in which more than 600 persons participated.

- e. **Launching of ABANCA Energy**, a new specialised unit aimed at driving the development of energy projects by companies and families, promoting the gradual phaseout of fossil fuel-based energies and their replacement by new sustainable sources. Through ABANCA Energy, the Bank attends to the needs of customers wanting to develop projects related to energy generation, distribution, marketing and consumption activities, both in Spain and abroad.
- f. **ABANCA's equality policies were acknowledged by Fundación Adecco.** ABANCA's equality policies were acknowledged as “Best practice for cultural transformation in Diversity and Inclusion” at the sixth edition of the Diversity and Inclusion Awards organised by Fundación Adecco, together with the Sustainability Excellence Club. The award was announced on 12 July at a ceremony held at the Círculo de Bellas Artes in Madrid.

The jury of the Diversity and Inclusion Awards positively valued ABANCA's determination to "launch awareness-raising and sensitisation actions that will contribute to reduce unconscious prejudices and biases". With this prize, ABANCA consolidates the work carried out in the last two years in terms of equality

and is recognised for its commitment to actions aimed at ensuring more equitable access to job opportunities at the Bank.

This initiative was also awarded the "Bronze GREF" prize to the Best Training Initiative in 2023 by the Group of Training Managers of Financial and Insurance Entities (GREF).

These awards consolidate ABANCA as one of the most highly committed Banks with diverse talent and corroborate the success of actions aimed at facilitating equal opportunities in the workplace.

- g. ABANCA transforms its Vigo headquarters to open them to the economy and to society.** In October, ABANCA announced the project to transform its corporate headquarters in Vigo, presenting the first details of its proposal to open this emblematic building to the corporate world, the economy and society within its area of influence. It is the building's most important metamorphosis in its seven decades of history, which aspires to expand its value proposition for the productive fabric of one of Galicia's most dynamic areas.

This ambitious transformation will allow the García Barbón building to incorporate all the segments of ABANCA's specialised commercial offering and its business accelerator in a single building for the first time. This project will serve to adopt not only a more updated space design, but also new uses and functions that ABANCA has already implemented at other corporate headquarters. The works will make way for a building that aspires to be more collaborative, innovative, sustainable, open and focused on persons and that, in short, reflects the transformation undergone by the Bank itself in recent years.

- h. 4th Sustainable Finance Session** held by ABANCA in Bilbao in collaboration with APD Zona Norte, an event aimed at promoting reflection on the new strategies that can be incorporated by business organisations to drive sustainability, ethics and social commitment in their activity, with a special focus on the decarbonisation of the economy.

ABANCA's Chairman, Juan Carlos Escotet, underscored the urgency of acting against climate change and the importance that both financial and non-financial services organisations act as sensitising agents to raise awareness *“not only of the consequences of standing on the sidelines as mere spectators, but also of sustainability as the necessary and unavoidable response demanded by the times”*.

ABANCA's CEO, Francisco Botas, participated in the round table "Financial sector for decarbonisation", together with the Deputy Governor of Banco de España, Margarita Delgado, and the General Manager of Elkargi, Zenón Vázquez. The debate was moderated by the Chairwoman of the AEB, Alejandra Kindelán.

The organisation of the 4th Sustainable Finance Session is part of ABANCA's commitment to sensitise society and the business sector on the need to make progress towards the achievement of the objectives set by the 2030 Agenda and to act to drive the transition to a new economic model that is more sustainable and respectful of the environment and people.

- i. **First own health insurance.** In October, ABANCA launched its first own health insurance through ABANCA Seguros Generales (ESG). The new product stands out for its extensive care coverage, simplicity and flexibility, offering multiple customisation options in accordance with the customer's circumstances and needs, in addition to convenient management through an exclusive mobile app.

ABANCA's health insurance gives customers access to a comprehensive medical directory of more than 40,000 specialists and 15,000 healthcare centres throughout Spain. Additionally, it offers medical video consultation services, 24-hour online medical consultation, second medical opinion and a psycho-emotional support line, in addition to a dental supplement with more than 20 free services and special rates in all the rest.

The insured can choose between three insurance modalities: Health - Basic, Health - Complete and Health - Reimbursement. The product also offers, per insured and year, 50% reimbursement of up to €100 in pharmacy expenses (including childhood vaccinations) and an additional €100 in optical expenses, except in the Health - Basic modality. Regardless of the modality chosen, customers can complement and

customise their ABANCA insurance with additional packages. Additionally, they can extend their coverage with ON-OFF options, which are activated only when required.

- j. **ABANCA closes the acquisition of TARGOBANK with Crédit Mutuel.** ABANCA and Banque Fédérative du Crédit Mutuel (BFCM) signed the contract for the acquisition of TARGOBANK España at ABANCA's headquarters in Madrid. The transaction provides ABANCA with €6 billion in revenue. At the time of acquisition, TARGOBANK España had 507 professionals who provided services to 161,000 customers through 51 branch offices located throughout Spain, particularly in the Mediterranean Arc, Madrid and Barcelona.

Through this acquisition, ABANCA significantly reinforces its national dimension. The acquisition and integration of the business of TARGOBANK España is based on its optimal fit with ABANCA's strategy, aimed at providing services to individual customers and supporting small, medium-sized and large companies throughout Spain.

- k. **CECA acknowledges two Afundación and ABANCA programmes for promoting sustainability, training and social commitment.** The Spanish Confederation of Savings Banks (CECA) awarded ABANCA and its Social Welfare Project, Afundación, two prizes at its annual gala. The PLANCTON programme was awarded the first prize in the Environment category and the Training and Digitalisation for Older Persons in Rural Areas Programme obtained the second prize in the Financial Education for People Over 65 category.

These awards acknowledge the commitment of Afundación and ABANCA to the implementation of projects aimed at raising awareness of the importance of respectful environmental attitudes, training and innovation and mechanisms for improvement, and cohesion and inclusion as essential values for just social progress.

- l. **ABANCA acquires EuroBic and consolidates its positioning in Portugal.** The purchase agreement, entered into with the shareholders of EuroBic upon completing the due diligence, is subject, as is the case in this

type of transactions, to the authorisation of the competent authorities. The Bank of Portugal accompanied the transaction and was informed of its terms in detail.

Through this transaction, ABANCA significantly strengthens its presence in Portugal and becomes one of the leading banks in the country. ABANCA will multiply its customer base by 4, its revenue by 3 and its points-of-sale in the country by 3.5.

The transaction is expected to be finalised in mid-2024. Subsequently, the technological incorporation of EuroBic on ABANCA's platform will be addressed, so that new customers can benefit from all of the Group's technological power in aspects such as mobile applications.

LINES of action and outlook for 2024

2-6, 3-3

At the beginning of 2024, the European economy will foreseeably remain stagnant, with the services sector losing momentum and manufacturing activity struggling to emerge from the crisis. However, it is expected to recover in the second half of the year on the back of falling inflation and less restrictive monetary conditions. The latest provisions of the IMF point to total growth of 0.9% in the Eurozone in 2024.

In Spain, a certain slowdown in growth is expected in a context of weakness of our main European partners, although the Spanish economy will progressively gain momentum during the year, ending 2024 with a growth of around 1.5%, exceeding the European average once again.

In this context, ABANCA will culminate the execution of its 2021-2024 Strategic Plan, which pivots on four major strategic lines: increase the generation of recurring revenue, cost efficiency, manage risks associated with the current environment and exponentially transform the organisation.

4

Business model

ABANCA is currently one of the leading financial institutions in the Iberian market: in Spain it is the seventh-largest bank in balance sheet terms and, in Portugal, after the agreement to purchase the bank EuroBic at the end of 2023, it is positioned as one of the largest banks in the Portuguese market, expanding its presence to 11 countries through its representative and operational branch offices abroad. The Bank has strong asset quality levels (one of the lowest rates of non-performing loans and among the highest levels of non-performing asset coverage of the sector), profitability, solvency, liquidity and efficiency that reinforce the sustainability of its business model, as shown by the ratings awarded by the leading rating agencies (DBRS, FitchRatings, Moody's and Standard&Poor's), which rank ABANCA as investment grade.

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). 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, payment methods, asset management, real estate servicing, etc.), with the aim of retaining the value generated within the Bank and guaranteeing high levels of customer experience by controlling the value chain. Another objective of this strategy is to become a source of diversification and generation of recurring revenue, in addition to a potential lever for capital generation.

>>>> 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 its financial transactions, maintaining the physical branch office as an important centre of personalised attention and main relationship channel, complemented with the growing support of alternative channels (mobile banking, A-Conecta, payment methods, ATMs, POS terminals, etc.).

1. Branch office network

Within this omnichannel distribution model, ABANCA positions itself in the market in a differentiated manner by geographical areas:

a. Spain:

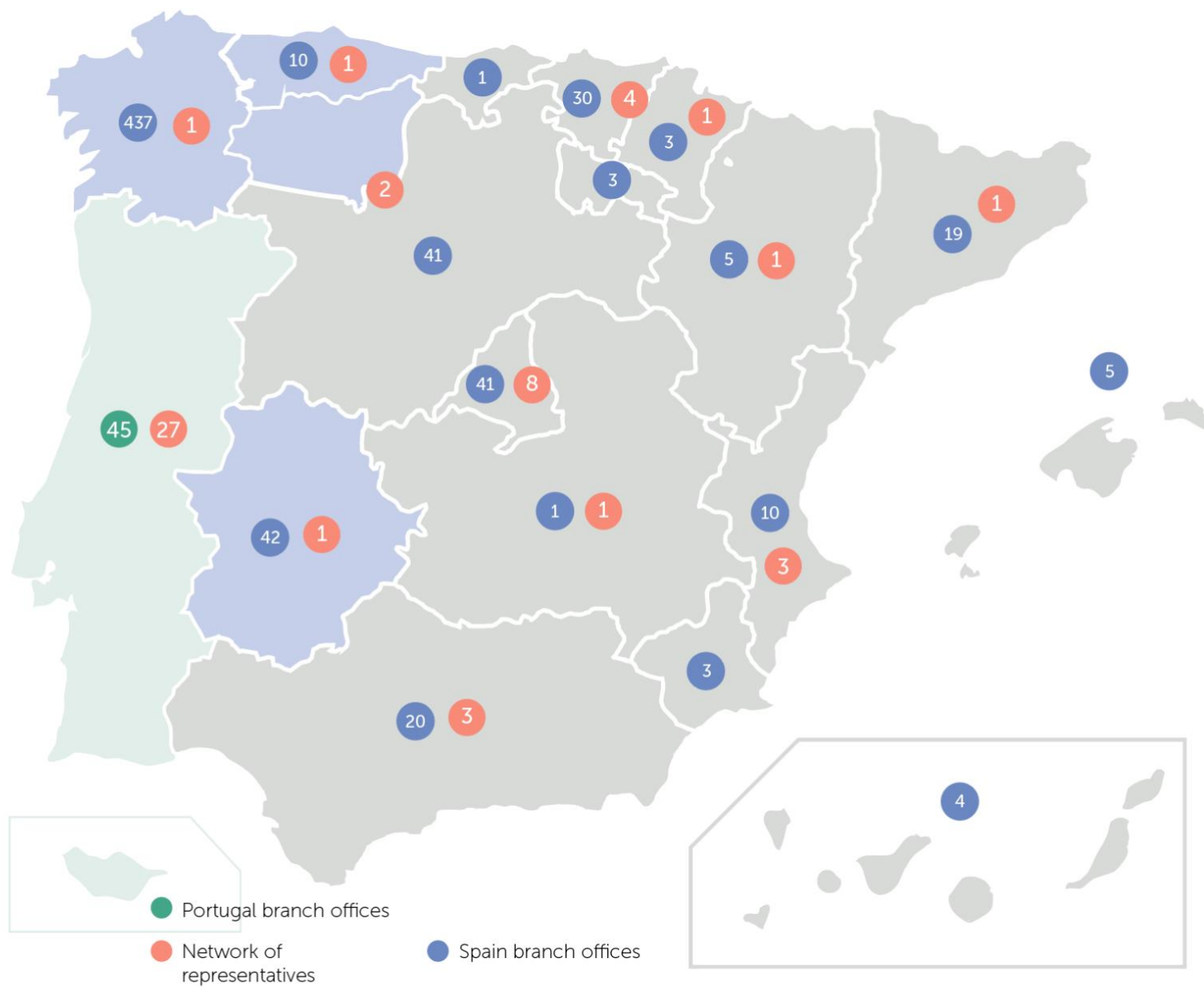
- In the autonomous regions of Galicia, Asturias, Extremadura and León, ABANCA has a proximity network with strong capillarity focused on families and SMEs, providing a specialised management service to personal banking customers, micro-SMEs/self-employed professionals and corporate customers, and areas of activity focused on key industries (agri-food, maritime, renewable energies, etc.), always complemented with remote banking services that make it easier for customers to operate.
- In the rest of Spain there is a more selective physical network, due to which its activity is aimed at more specific customer collectives, such as SMEs or personal or private banking customers, supported by self-service or remote management services with high assisted contracting capacity (mobile banking, A-Conecta, ATMs, POS terminals). The incorporation of Banco Caixa Geral, Bankoa, Novobanco and TARGOBANK has reinforced ABANCA's presence in Spain, especially in the Basque Country, Madrid and the Mediterranean Arc.

- b. Portugal:** the Portuguese market plays a significant role in ABANCA's long-term strategy due to its close economic and cultural relationship with Spain, and particularly with ABANCA's areas of geographical leadership. After the acquisition of Deutsche Bank Portugal in 2019, ABANCA's commitment to the Portuguese market was ratified in 2023 with the acquisition of the bank EuroBic, which, pending completion of the authorisation processes, triples the business volume in the country and will make it possible to reach 249 points of sale and exceed 320,000 customers. Its positioning in Portugal, which is currently focused on private banking, SMEs, insurance, consumer finance and digital solutions, will be complemented with the incorporation of EuroBic, which will enable further development of commercial banking, businesses and payment methods.
- c. Other Markets:** ABANCA's presence abroad is supplemented with two branch offices operating in Switzerland (Geneva) and the United States (Miami) and eight representative offices (France, United Kingdom, Switzerland, Germany, Panama, Brazil, Mexico and Venezuela) focused on assisting the large community of entrepreneurs and families of Spanish origin in European and American countries.

ABANCA ended 2023 with a network of 730 branch offices, of which 675 are located in Spain and 55 abroad, distributed across ten European and American countries.

ABANCA also has a network of agents (54 at 2023 year-end) that supplements the branch office network, with growing relevance in ABANCA's distribution structure in Spain (27) and Portugal (27).

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, service through specialist units, simplicity and transparency in the contracting and management of products and services, and an international focus.



2. Digital channels

a. ABANCA Digital

3-3, FS13, FS14

In order to adapt to the new customer habits, ABANCA implements a strategy of clear commitment to innovation and digitalisation. In addition to reinforcing the capabilities of its virtual banking, the Bank has launched several payment tools (ABANCA Pay, ABANCA Cash, Samsung Pay, Apple Pay, Google 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 comprehensive and personalised management through an agent that manages over 200,000 customers.

This digital strategy has enabled ABANCA to continue to increase the number of active digital customers, with a special focus on mobile banking to perform all manner of transactions and manage and contract products by mobile phone, on the website and by telephone. ABANCA has more than 1.2 million digital customers and its mobile banking.

ABANCA has a network of 1,243 ATMs, including TARGOBANK's network, integrated in the Euro 6000 network that constantly incorporates new functionalities that make it possible to easily perform almost all of a customer's usual transactions. Additionally, ABANCA has an extensive network of point-of-sale terminals (59,749 units, including TARGOBANK's network) for the payment of transactions and a card fleet (debit, credit, wallet, etc.) of more than 3 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:

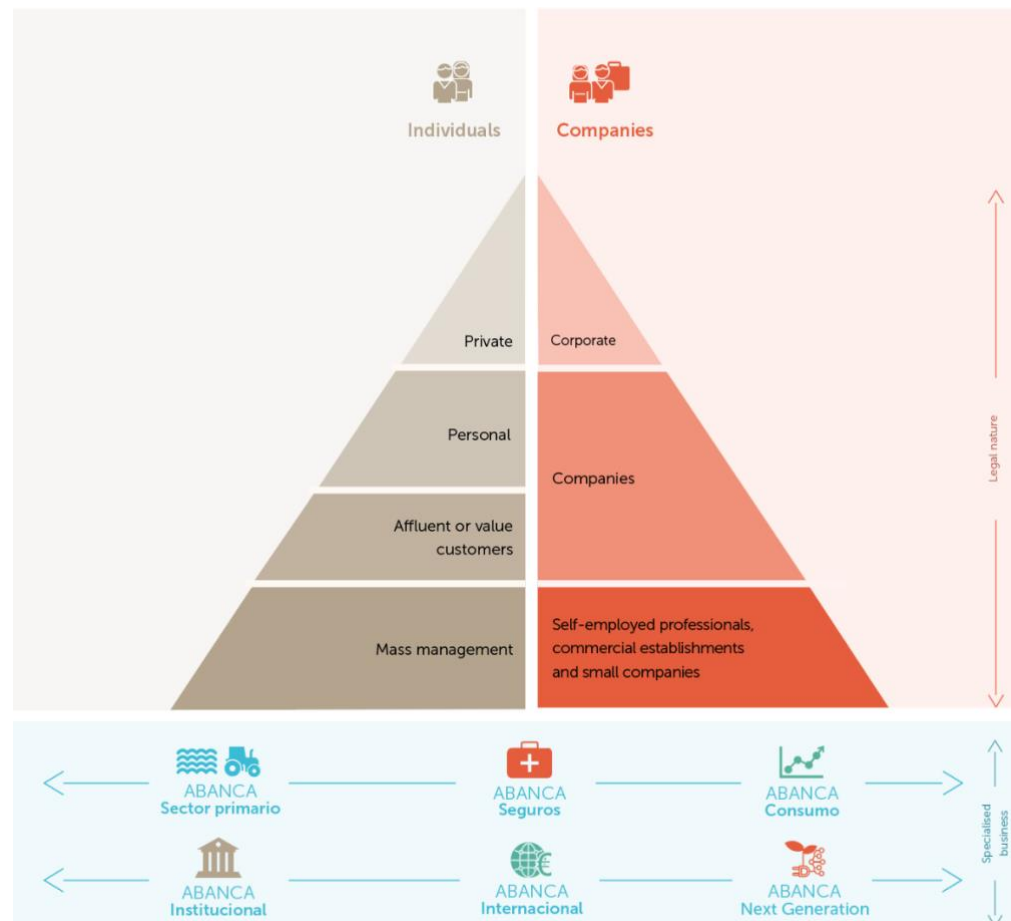
- **Retail banking:** represents ABANCA's main line of ABANCA's most recurrent activity and is aimed at the different types of retail customers (individuals, companies, businesses and public administrations), to which a wide range of financial and para-financial products are offered both through its branch office network and its alternative distribution channels (mobile banking, Internet, ATMs, POS terminals...). Within this line, individuals, self-employed professionals and small and medium-sized companies are considered strategic.
- **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 immaterial ownership interests. It also incorporates the mergers and acquisitions advisory activity, based mainly on the comprehensive management of external purchase/sale transactions and entry of shareholders for companies in the Iberian market, in addition to capital increases, debt restructuring and other corporate transactions.
- **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.

1. Retail banking

ABANCA focuses its most recurring activity on traditional, prudent, proximal and customer-oriented retail banking in which individuals, self-employed professionals and SMEs are the collectives that constitute the basic pillar on which the other specialised value propositions are supported.

ABANCA's commercial strategy is articulated through segmentation by type of customer with the aim of offering products and services adapted to their needs, based on a differentiated service model and value proposition. These products and services are offered in a multi-channel environment, broadening the possibilities of customer-bank interrelationship.

Customer segmentation is performed in 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, who in turn are classified in accordance with their financial capacity and requirements, represent the main segment of ABANCA's customer base, which accounts for around 85% of its customer base:

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, in addition to guarantees and credit cards, inter alia. Also, ABANCA offers an ever-increasingly range of sustainable products, such as financing of electric cars, self-consumption facilities and storage of renewable energies, in addition to the implementation of renewable heating systems in the residential sector and loans to homeowners associations to maintain or improve the safety of the building, its accessibility, the implementation of energy-saving facilities and thermal insulation, etc.
- 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. Additionally, ABANCA offers delegated portfolio management services with different options adjusted to customers' needs, including a variety of sustainable investments.
- Insurance: ABANCA offers a wide range of insurance products aimed at meeting all its customers' needs, both in the life and non-life segment (car, house, health, 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, assisted by branch office staff. It is the unit with the largest customer base, which are assisted by branch office employees following value-added criteria.

- **Value customers:** It provides services to customers with regular monthly income and who are additionally related to ABANCA through products such as mortgage loans, savings products, off-balance sheet resources, guarantees or payment methods. These customers are assisted by specialist managers with whom they maintain a specific financial relationship.

After the acquisition of Deutsche Bank PCB, ABANCA leveraged on Deutsche Bank PCB's strong positioning in value-added products and experience with this type of customers to export its best practices to the management of the total customer portfolio.

- **Personal banking:** it serves customers whose net worth and/or monthly increases the likelihood of contracting products other than deposits and customised services. They are attended by specialist personal banking managers and advisors with “European Investment Practitioner” (EIP) and “European Financial Advisor” (EFA) certification, respectively, in financial markets, investment and savings products, regulations and standards, and financial planning and assessment, accredited by the European Financial Planning Association (EFPA).
- **Private banking:** this unit 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. This segment accounts for around 15% of the Bank's total customers, who are attended by specialist managers assigned in accordance with their needs. The products and services aimed at this segment include, namely:

- Financing:
 - Capital: ABANCA provides companies with the liquidity they need to carry on their daily activity with traditional products such as discounts, advances or credit accounts, added to specific solutions such as confirming or reverse factoring.

- Other purposes: ABANCA provides traditional products such as loans, guarantees, overdrafts, leasing, renting, risk hedging products, etc., or specific solutions for foreign trade transactions. These include foreign trade assessment, import/export financing, foreign currency accounts, payment risk coverage and delivery of goods and international transfers, inter alia. The ABANCA Group also offers an ever-increasing range of sustainable products that support the primary sector, from the dissemination of information on aids for business model improvement plans to assistance in administrative procedures.
- 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 international options, mainly in dollars.

Segmentation by specialist business

The second dimension identifies certain customers based on the specialisation of their businesses:

a. Primary sector

203-2, FS7, FS8

ABANCA Mar and ABANCA Agro: they serve natural and legal persons that integrate the production chains (extraction and transformation) of the fisheries, agriculture and farming 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.

ABANCA Mar provides services to the maritime and fisheries industry through a network of 100 branch offices distributed throughout the coast. Its team of professionals offers financial solutions (products and services) adapted to the characteristics and needs of the fisheries and ancillary industry.

ABANCA Agro provides its services and support through a range of products designed for 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. ABANCA Energy

The objective of ABANCA Energy, which was launched in 2023, is to promote the development of energy products by companies and families, encouraging the abandonment of energies based on fossil fuels and their replacement by new sustainable sources. This new specialised unit responds the needs of customers who want to develop projects related to energy generation, distribution, marketing and consumption projects, both in Spain and abroad.

c. Insurance

It provides solutions in the life insurance or general insurance business to all types of customers.

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:

- **ABANCA Vida y Pensiones**, for developing a wide range of life insurance products (risk and savings).

- **ABANCA Seguros Generales**, a joint venture with Crédit Agricole to cover the general insurance offering.
- **ABANCA Mediación-Correduría de Seguros**, a brokerage line for meeting the needs of customers who demand more customised 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.

ABANCA Seguros Generales started up with the launch of its first products (car and life/payment protection insurance) in 2021 and the "Flat Rate" service, in 2022 it expanded its catalogue by three new branches (home, life and retail insurance) and in 2023 it expanded its catalogue to include health and death insurance. ABANCA Vida y Pensiones launched its first simplified occupational pension plan for self-employed professionals.

d. Consumer

It provides consumer financing solutions, demanded both by end consumers (deferral of purchases, POS financing, etc.) and by commercial establishments.

This activity is managed by ABANCA Servicios Financieros (ASF), providing consumer finance solutions both to final consumers and POS financing.

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.

e. Institutional

The public sector also has a specialist area at ABANCA, where a qualified team with extensive experience offers all types of solutions for the financial needs of bodies, State-owned companies, associations, foundations, etc. Organised in a territorial network to offer a friendly and individualised assessment, the Institutional Banking coordinators personally manage an extensive portfolio of institutional customers throughout Spain. Loans, credit facilities, guarantee lines, cash management, reverse factoring and confirming 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. Mobility solutions are also developed for payment of urban and metropolitan transport or to support and promote shopping in local commerce.

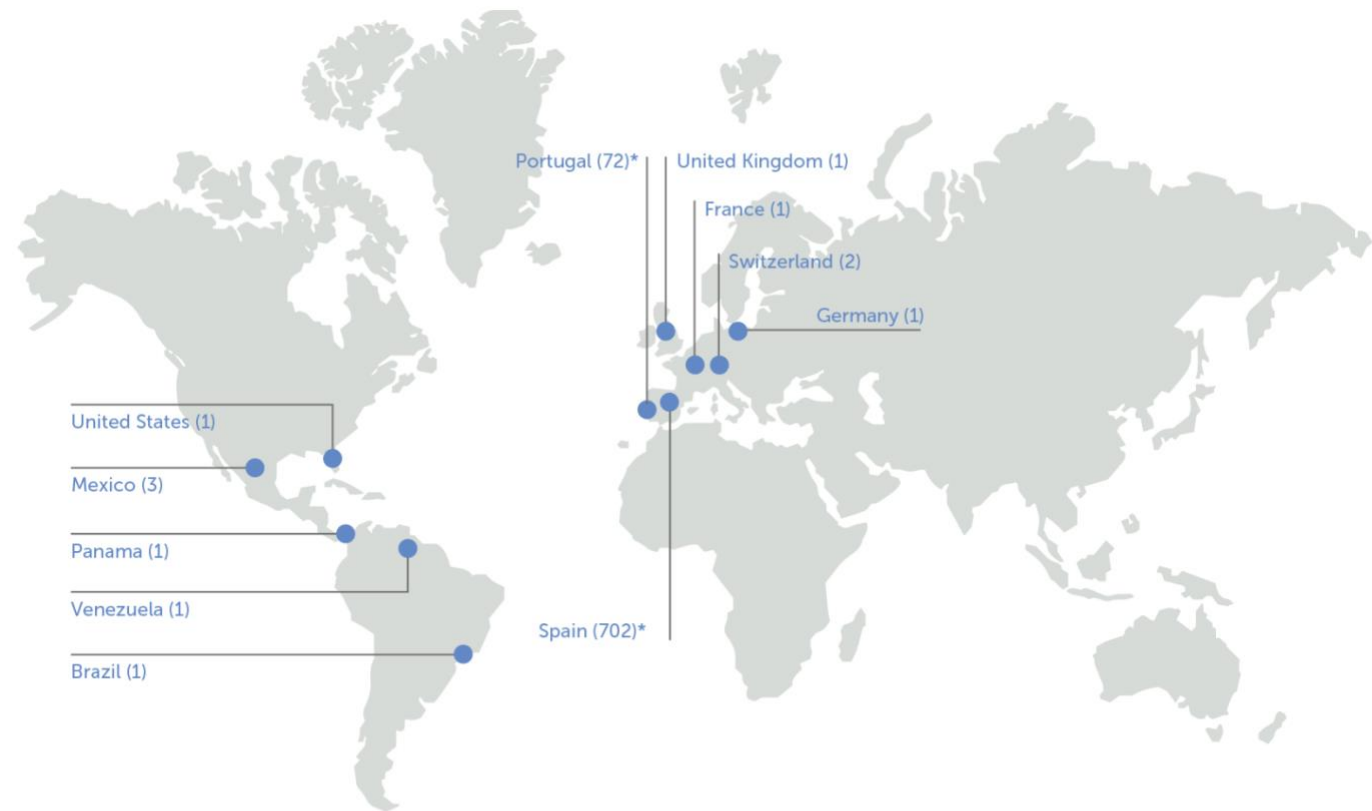
At ABANCA, institutional customers also enjoy specialist treatment when arranging aid for their projects. This area annually coordinates more than a hundred collaboration agreements with municipal councils, autonomous regions, associations, foundations, etc., for initiatives to promote local social, economic and cultural development.

f. ABANCA International

[2-1](#), [203-2](#), [FS7](#), [FS8](#)

Development of the complementary international presence strategy in geographical areas that maintain links with ABANCA's 'natural' regions.

Although ABANCA concentrates its activity and business in the Iberian market (Spain and Portugal), it has three operating units outside of this area (United States, Mexico and Switzerland) and eight representative offices located in Mexico, Panama, Venezuela, Brazil, United Kingdom, France, Germany and Switzerland that give support to the Galician colony abroad and to the internationalisation of Spanish companies operating in said countries.



* Including branch offices and developers.

The central element of this model is customer attention through teams located both in Spain and in their country of residence. Customers have up to three points of attention at their disposal, among which they can choose in accordance with their needs: in their country of residence, their local representative office and, in Spain, their reference branch office supported by managers focused on

the non-resident customer segment and, in the case of business owners, ABANCA's foreign trade management team.



– ABANCA Spain residents abroad

They are customers who do not live in Spain but have a banking relationship with ABANCA Spain and are attended by the following teams:

In their country of residence, by ABANCA's network of eight external representative offices with branch offices in:

- Europe: Frankfurt (Germany), 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.

These customers are attended at our foreign operational branch office network located in:

- Portugal, network of 45 office branches and 27 representatives.
- United States, Miami branch office.
- Switzerland, Geneva office.

In addition, in Mexico ABANCA has AVANTTA 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 highly specialised attention model and are attended by:

- The team of specialist Foreign Trade and Cross Border managers, a manager profile with great expertise.
- The Foreign Trade Back Office Department, which provides technical and structural support for marketing Foreign Trade products both in Spain and in the external branch office network.

ABANCA's national and international network for our international customers is reflected in the previous 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.

g. Next Generation

This unit collaborates closely with public administrations and companies to implement their projects (fostering the circular economy, digitalisation, energy transition, etc.) and make them eligible to access European funds.

The products offered within this business area are aimed at individuals, self-employed professionals, SMEs, companies and communities to finance the purchase of eco-friendly vehicles, installation of service stations and anticipated aid.

h. Recoveries and real estate assets

ABANCA pays special attention to reducing the volume of non-performing assets and to maximising their value for the Bank. The main lines of action consist of the recovery of Non-Performing Loans (NPL) and reduction of foreclosed properties, always under the premise of generating positive results for ABANCA.

The recovery of NPLs is focused on reducing non-performing and written-off loan portfolios with the aim of minimising their negative impact on results, particularly in the early stages of delinquency, to which end ABANCA has deployed a commercial network.

Beyond ordinary recovery tasks, ABANCA also manages the reduction of this NPL stock through the sale of portfolios. This activity is carried out by assessing the different divestment alternatives and strategies for these non-strategic assets, opting for the best method for obtaining the greatest value for ABANCA.

As regards the real estate asset stock, ABANCA has a team in charge of all the processes associated with this type of assets, from their incorporation (where applicable) and recording in the inventory to the prices and sale to third parties. In order to manage its real estate asset stock, ABANCA chooses mixed solutions that combine outsourcing and internal management in 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 placed ABANCA in leadership positions in the Spanish market due to the quality of its assets, with an NPL ratio of 2.4% at 2023 year-end and coverage of problematic assets of 69.5%.

2. Wholesale banking

Although ABANCA has a marked retail profile (it finances its loan activity with deposits from customers, with a Loan to deposit (LtD) ratio of 79% at 31 December 2023), the Wholesale Banking unit complements the Bank's commercial activity and represents a complementary source of income.

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 Bank 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 local productive fabric and the Bank's activities (including the result of ABANCA's proprietary insurance companies, except fee and commission income and expense, which is included in the retail segment).

At 2023 year-end, 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 approach and meeting the supervisory expectations and needs arising from the adaptation of our economic activity to the climate, environmental and energy objectives established by the European Commission.

Action plan

The Responsible and Sustainable Banking Action Plan establishes the roadmap and objectives for 2024, aimed at incorporating sustainability criteria in the management, business and risk models, and in the decision-making process. Also, consistent with our business model focused on people and SMEs, we will accompany our customers in the transition to a new economic model based on sustainability.

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. ABANCA has been working on training and awareness-raising actions for several years, specifically developing a sustainable finance specialisation plan for business teams in 2023. For further information, see Chapter 5, Responsible professionals, in the Training section.

Renewable energy projects

FS8

The Bank continues to work on the financing line for projects that contribute to the use of more efficient energy transformation technologies and that contribute to the objective of mitigating and adapting to climate change.

In 2023, the Bank launched ABANCA Energy, whose objective is to continue promoting the financing of photovoltaic and wind energy projects through the project finance modality and which also pays particular attention to projects based on new technologies such as hydrogen, offshore wind energy, storage systems, component recycling and repowering and hybridisation of facilities.

In 2023 the financing projects that promote the transition to a low CO₂ emission economy exceeded €1,078 million.

ABANCA Energy (millions of euros) Financing by type of technology	2022	2023
Wind (including offshore)	251	248
Solar (including thermosolar)	603	795
Hydroelectric	15	14
Biomass	12	11
Regasification	9	10
Total	890	1,078

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. The Bank has developed a Sustainable Development Goals Framework in accordance with the Principles for Green, Social and Sustainability Bonds published by the International Capital Market Association with the aim of meeting the criteria of the EU Taxonomy Regulation, under the best-effort approach, for the operation and disclosure of information.

Within this framework, ABANCA has successfully placed its first two issues of Senior Preferred green bonds, totalling €1 billion. In addition to the financial quality, reflected in the ratings obtained from Fitch (BBB-) and Moody's (Baa3), which give the bonds Investment Grade status, giving us access to the most demanding part of the investment spectrum, endorsed by Sustainalytics' opinion of the framework and

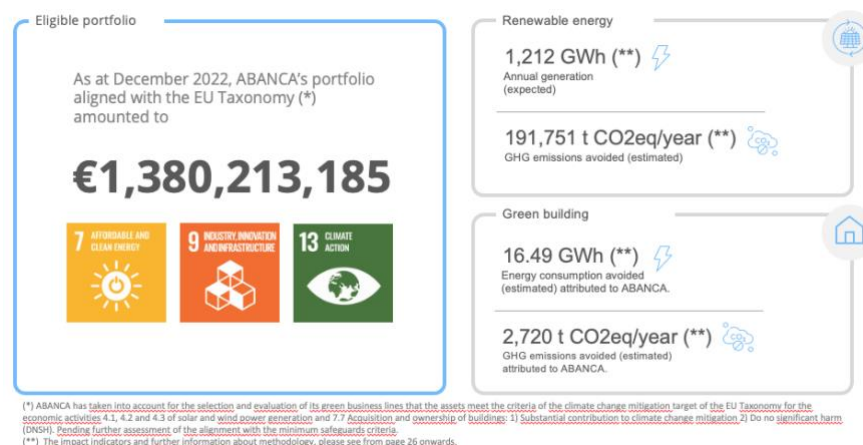
corroborated by the broad interest sparked by the issue, which includes the leading representatives of sustainable investment, with the significant participation of the "Dark Green" sector.

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 in order to determine its eligible qualification.

In 2023 ABANCA published its second report on green bonds, previously subjected to an external verification process, resulting in a unreserved favourable opinion on the consistency of the calculation of the non-financial impact indicators, presented in accordance with the "Green Bond Principles" of the ICMA (International Capital Market Association) and with the criteria defined by ABANCA for rating the eligible portfolio included within the ABANCA SDG Emission Framework and in accordance with the criteria of the EU Taxonomy, established in Regulation (EU) 2020/852 of the European Parliament and of the Council, of 18 June, on the establishment of a framework to facilitate sustainable investment, and in Delegated Regulation (EU) 2021/2139, on the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.

Following is an extract of the impact assessment with the main indicators for the eligible portfolio at 31 December 2022. ABANCA has initially focused on the renewable energy and green housing lines of business as eligible assets.

Further information on the methodology used to calculate environmental impact the eligibility criteria of the assets is available on the following [link](#).



Analysis of the contribution to SDGs and environmental objectives	2022 ¹²	2023 ¹³
EU Taxonomy		
Renewable energy (wind, photovoltaic and thermosolar)	830.6	993.9
Green housing (households)	549.6	591.8

Catalogue of green products

ABANCA strives to meet its customers' demand for sustainable products. To this end, the Bank markets several products aimed at individuals, self-employed professionals, SMEs, companies and homeowners associations.

Renewable energy

We have 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,

¹² Figures at 2022 year-end were verified by an independent third-party and are available in the [“2022 Green Bond Report”](#)

¹³ Figures at 2023 year-end, on the date of publication of this Report, had not been verified by an independent third party

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).

Efficient housing

ABANCA's offering includes a mortgage with special conditions for financing energy-efficient dwellings. The efficient mortgage is aimed at facilitating access to financing for the purchase, self-promotion or refurbishment of dwellings with A or B energy-efficiency rating, which certifies a high degree of efficiency in the consumption of primary (non-renewable) energy and reduction in CO₂ emissions. Available at a variable interest rate, it improves the base rate of the Bank's benchmark mortgage, the Mari Carmen mortgage.

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.

Also, in 2023 the catalogue was reviewed, improving the financing conditions of eco-friendly vehicles in any modality.

Driving recovery and transformation

FS7

Corporate service and accompaniment is a priority in ABANCA's activity, particularly oriented towards SMEs and self-employed professionals of strategic sectors.

a. Specialised business

With regard to the work carried out by the specialist business team, it is focused 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

ABANCA Agro 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, 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. Also, in the participation and promotion of agreements with collectives that concentrate various sector agents, with special attention to carrying out sustainability-related actions.

In recent years, the Bank has activated responses to the challenges faced by this key sector of the productive economy, for example, agreements with the Castilla y León Autonomous Community Government and the Extremadura Autonomous Community Government with lines to mitigate the effects of the drought in these communities. ABANCA has played a leading role in the promotion of trends such as the commitment to sustainability, accompanying the sector to leverage the possibilities offered by the Next Generation EU Funds through the different Strategic Projects for Economic Recovery and Transformation (PERTE), particularly agri-food projects.

In 2023, a total of 81 agreements were signed.

ABANCA Mar

The ABANCA Mar team is devoted to supporting the value chain in all spheres of the blue economy. The main focus of investment continues to be the renewal of the fishing fleet, seeking energy efficiency, safety and care for 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 2023) 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 and has renewed the collaboration agreement with the Spanish Fishing Confederation (CEPESCA) to provide the members of the Spanish Employers' Association with financial advice, products and services specifically designed for the fisheries sector. One of the particularities of this agreement are the specific conditions aimed to young shipowners and promoting generational change and the search for financing formulas for mitigating situations of temporary closures of fishing grounds or biological stoppages. Similarly, the agreement places a special focus on collaborating to finance different Fish Producer Organisations (FPO) and continues to develop joint actions for promoting environmental awareness, such as the removal of waste from the marine environment and giving visibility to the challenges faced by the sector.

In 2023, the Bank was especially active in terms of financing to anticipate aid to offset the effects of adverse weather on water salinity and high estuary temperatures, both of which affected the mortality of certain species. Thus, the financing provided by ABANCA Mar gave shellfish gatherers the economic resources they needed to cope with this situation.

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.

ABANCA Energy

ABANCA Energy was launched in 2023 as a unit based on specialised knowledge. It thus joins other units, such as ABANCA Mar, ABANCA Agro and ABANCA Innova, which the Bank has created in recent years to drive activity and meet the needs of sectors and customer collectives through differentiated solutions.

The creation of ABANCA Energy offers customers with a wealth of knowledge in the field of renewable energy, which accumulates more than 20 years of experience in structuring project financing. The unit is transversal to the entire organisation and brings together the participation of professionals and teams from different areas of the Bank, led by the Corporate and Specialised Banking division.

The unit was created to drive the development of energy projects by companies and families, promoting the gradual phaseout of fossil fuel-based energies and their replacement by new sustainable sources. The Bank responds to the needs of customers who want to develop projects related to energy generation, distribution, marketing and consumption activities, both in Spain and abroad.

In 2023, the Bank worked on the development of the first phase of a sustainable transition advisory plan for customers of the corporate, SMEs and self-employed professional segments, aimed at a wider range of sectors than those mentioned earlier.

The advisory model is based on an initial individual ESG analysis of each customer to offer not only ESG-related recommendations, but also product-linked solutions and regulatory advice. And it is backed by ABANCA's team and an expert external customer support team. Additionally, at the start of 2024, the training plan will be reinforced in this regard for the managers of all company segments.

b. Collaboration agreements

In 2023, **630 agreements were entered into with public and private bodies**: municipal councils, provincial authorities, autonomous communities, professional associations, business areas, merchant associations and small entrepreneurs, inter alia.

Following is a summary of agreements entered into with official bodies and Mutual Guarantee Societies (MGS), whose main role is to facilitate access to credit for small and medium-sized enterprises (SMEs) and improve their financing conditions.

We continue with the **Activamos Plan**, 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 maintained its “**Ukraine ICO Line of Guarantees**” active in 2023, which is aimed at facilitating access to financing for companies and self-employed professionals. The agreement is regulated by Royal Decree-Law 6/2022, of 29 March, on the adoption of 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 an 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.

The Bank renewed its **ICO Agreement for Companies and Entrepreneurs**, which enables self-employed professionals and companies to finance working capital and liquidity with the Institution's funding.

Procedures have been initiated for accession to the **ICO RRM lines**, under which financing for self-employed professionals and companies can be formalised, with subsidised funding from the Institution under Next Generation EU.

ABANCA has entered into various agreements with the Galician Regional Government, the Castilla y León Regional Government and the Autonomous Regional of Madrid, aimed at **facilitating financing for the purchase of a first home for young people**. These financings are linked to the guarantee of the Communities to grant mortgages above 80% of LTV.

ABANCA and the **Confederation of Employers of Galicia (CEG)** have entered into an agreement to allocate €600 million to the energy transition of Galician companies and SMEs. Additionally, in order to encourage the use of these resources, the Bank will provide the CEG's associates access to its extensive experience in the development of energy projects and other products and services for companies' activity, such as insurance, remote banking channels and official financing lines.

In 2023, ABANCA and its Social Welfare Project, Afundación, renewed its collaboration agreement with the **Galician Family Business Association (AGEF)** to carry out associative and training activities to disseminate the importance of the family business fabric and its social and economic role, and to foster entrepreneurship through an educational programme at primary and secondary 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

a. Asset and off-balance sheet management

ABANCA it has a sustainable investment strategy supported on the following pillars:

- Incorporation of sustainability risks: environmental, social and governance (ESG) risks in investment decision-making, as a way of contributing to better management of long-term investments and identifying opportunities arising from sustainability.
- 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 2023, 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, ABANCA Seguros and ABANCA Gestión de Activos, SGIIC

ABANCA considers the **Principle Adverse Impacts (PAI)** of its investment decisions on sustainability factors. For this reason and pursuant to Delegated Regulation (EU) 2022/12881, in 2023 the Bank published the declaration relative to the PAIs on sustainability factors.

The ABANCA Group also has an Engagement Policy for establishing the general principles and criteria to guarantee adequate engagement in the corporate governance of the listed companies in which it invests and ensure: the interests of its customers, investment in companies to create long-term value with a commitment to sustainability and the application of ESG criteria in the Group's investments. An Annual Engagement Report was published in compliance with the policy.

b. Asset and off-balance sheet management

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 incorporation, 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 ESG tools and external data providers, and the establishment of thresholds.

The Alpha model offers different DPM strategies (Discretionary Portfolio Management) including, namely:

- **Alpha Cyclical:** 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 Responsible:** 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:** focused on individual customers, it allows us to offer an investment opportunity to all types of customer profiles that demand a professionalised management of their portfolio, while promoting 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.

- In 2023 a new DPM strategy was launched, **Combined Portfolio**, an innovative portfolio management service that combines our Liabilities offering through an interest-bearing account with our Off-Balance Sheet offering through an ABANCA brand low-risk investment fund portfolio.

The Alpha Exponential Future portfolios, 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 also take into account the Principal Adverse Impacts on Sustainability (PAIS). At 2023 year-end, their sustainable commitment was extended by committing to invest at least 5% in sustainable investments.

DPM sustainable investment	2021	2022	2023
Total Volume AUM managed at DPM (millions of euro)	1,245.62	1,200.03	1,372.10
Total volume managed classified as Art. 8 according to the SFDR criterion (millions of euro)	1,095.76	1,047.39	1,096.42
Percentage of AUM included in sustainable strategies, classified as Article 8 according to the SFDR criterion.	88.0%	87.3%	79.9%

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.

As regards ABANCA brand sustainable investment funds, in 2023 we added ABANCA Renta Fija Gobiernos, IF to the rest of the Bank's range on being classified as Article 8 under the SFDR Regulation. Additionally, we also had various sustainable Article 8 funds, such as ABANCA Renta Fija Patrimonio, FI or those exclusively aimed at the discretionary portfolio management service (DPM), such as ABANCA Renta Variable ESG 360 and ABANCA Renta Fija Transición Climática 360 Article 9.

In 2023, ABANCA included the Dunas Clean Energy I, FCR venture capital fund in its catalogue of products for private banking customers, which is aimed at the development of electricity generation projects using renewable energy sources (mainly photovoltaic) that are at an advanced stage, ready for construction or already in operation, and located mainly in Spain. It is managed by Dunas Capital Asset Management and is classified as Article 9 of the SFDR Regulation.

c. 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 ownership interest of each company is 20%, as detailed below:

ABANCA investments with interaction in environmental matters (millions of euros)

Sector of Activity	2021		2022		2023	
	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 relative to the adaptation of European Taxonomy and disclosure on Article 8 of Regulation 2020/852

FS10, FS11

Precedents and regulatory justification

As regards the regulatory framework for sustainability, Regulation (EU) 2020/852 (hereinafter, "Taxonomy Regulation" or "Taxonomy") was published in June 2020, 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 this regard, with the aim of complementing the Taxonomy regulation, three delegated acts have been published: the Delegated Act of 4 June 2021, establishing the technical criteria for determining the conditions for considering that an economic activity contributes substantially to mitigating or adapting to climate change; the Delegated Act of 6 July 2021, detailing the disclosure obligations of companies to publish non-financial information on the sustainable economic activities defined in the Regulation, pursuant to Directive 2013/34/EU (NFRD Directive); and the Delegated Act of 9 March 2020, amending the two previous acts, with the aim of including the obligation of disclosing information related to the development of economic activities in the fossil gas and nuclear energy sectors.

The Delegated Act of 6 July 2021 defines a methodology and templates that establish the principles and forms that financial institutions must use to analyse and publish the different items and assets, and how these contribute to any 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 defined technical criteria.

By way of regulatory developments, in November 2023 two new delegated regulations were published, which added new economic activities to the climate change mitigation and adaptation objectives (Delegated Regulation (EU) 2023/2485), in addition to the definition and technical selection criteria for the other four objectives (Delegated Regulation (EU) 2023/2486).

In addition to the two foregoing regulatory documents, the European Commission has published three clarification documents:

1. **Document C/2023/267:** This document contains clarifications for interpreting and applying the technical screening criteria applicable to economic activities that contribute substantially to mitigating or adapting to climate change and do not significantly impact other environmental objectives.

2. **Document 52023XC00305:** This document contains additional interpretation and application guidance for non-financial companies in the form of replies to FAQs on the submission of reports within the framework of the delegated act on information disclosure.
3. **Draft Commission Notice (21/12/2023):** This document, published by the European Commission, contains clarifications to doubts concerning, for example, flow template calculation.

Also worth noting is the publication of three FAQ documents relative to the second Taxonomy Delegated Act, of December 2021, February 2022 and October 2022, of the European Commission, which have also been considered.

In this regard, ABANCA has carried out the analysis of eligibility and alignment pursuant to the regulatory framework and has taken into account the clarifications published in relation to Taxonomy reporting of financial institutions and whose methodology is set out below.

Main changes in the report with respect to the previous declaration

The main developments regarding the reporting to be carried out in the disclosures corresponding to 2023 are outlined below:

- End of the transitional period in force during the last two declarations and pursuant to which financial entities were only required to report eligibility for mitigation and adaptation objectives. Entry into force of the templates for reporting the KPIs of financial institutions based on the publication of the European Commission.
- These templates contain information related to assets included in the balance sheet, information related to the GAR ratio , and off-balance sheet exposures information, in relation to the green ratio of managed assets and the green ratio of financial guarantees to financial and non-financial companies.
- Start of the evaluation of alignment with the Taxonomy for the climate change mitigation and adaptation objectives.
- Proportion of the eligible and non-eligible exposures for new activities published within the scope of the climate change mitigation and adaptation objectives.
- Proportion of eligible and non-eligible exposures for the four new Taxonomy objectives:
 - Prevention and control of pollution.
 - Transition to a circular economy.

- Sustainability and protection of water and marine resources.
- Protection and restoration of biodiversity and ecosystems.

Determination and methodology

In accordance with Article 5 of Delegated Regulation (EU) 2023/2486, updating Delegated Regulation (EU) 2021/2178, financial companies, and specifically credit institutions, have a transitional period before starting to disclose the information required in the templates in Appendix V of the Regulation published by the European Commission. Said transitional period ended with the disclosure of the information for 2022 and, after 1 January 2023, with the information relative to 2023, disclosure based on the templates defined in said Regulation enters into force.

A total of 22 templates that must be published for this reporting period and whose information is included in Append 2 “Tables relative to Article 8 of the European Taxonomy” of this Report are enumerated below. On the one hand, there are templates derived from Appendix VI of Delegated Regulation (EU) 2023/2486, in which a total of 13 templates are identified:

- **Template 0 - Summary of KPIs.**
- **Template 1 - Assets for calculating the green asset ratio (GAR).** Duplicate template for revenue and capex.
- **Template 2 - GAR: Information by sector.** Duplicate template for revenue and capex.
- **Template 3 - Key indicator of GAR results in terms of stock.** Duplicate template for revenue and capex.
- **Template 4 - Key indicator of GAR results in terms of flow.** Duplicate template for revenue and capex.
- **Template 5 - Key indicator of results of off-balance sheet exposures.** In this case, this template is divided into two:
 - **Template 5.1 - Key indicator of results of off-balance sheet exposures in terms of stock.** Duplicate template for revenue and capex.
 - **Template 5.2 - Key indicator of results of off-balance sheet exposures in terms of flow.** Duplicate template for revenue and capex.

Also, the templates defined in Delegated Regulation (EU) 2022/1214, Appendix XII, in relation to the information on nuclear energy and fossil gas, which total of nine, are identified:

- **Template 1 - Activities related to nuclear energy and fossil gas.**

- **Template 2 - Taxonomy-aligned economic activities (denominator).** Duplicate template for revenue and capex.
- **Template 3 - Taxonomy-aligned economic activities (numerator).** Duplicate template for revenue and capex.
- **Template 4 - Eligible activities according to the taxonomy but not aligned with the taxonomy.** Duplicate template for revenue and capex.
- **Template 5 - Non-eligible economic activities according to the taxonomy.** Duplicate template for revenue and capex.

Furthermore, due to the entry into force of the new Regulations (Delegated Regulation (EU) 2023/2485 and Delegated Regulation (EU) 2023/2486), as established in Article 5 of Delegated Regulation 2023/2486 (article 10(7) of DR 2021/2178), after 1 January 2024, credit institutions will start to disclose the proportion in their total assets of exposures to Taxonomy-eligible and non-eligible activities for: the four remaining objectives, new activities included for the Climate change mitigation objective (sections 3.18 to 3.21 and 6.18 to 6.20) and new activities included for the Climate change adaptation objective (sections 5.13, 7.8, 8.4, 9.3, 14.1 and 14.2).

In this reporting period TARGOBANK España, incorporated into the ABANCA Group in October 2023 and which accounts for 5.60% of ABANCA's total consolidated assets, is not included in the perimeter. TARGOBANK meets the requirements of the Taxonomy Regulation by publishing the data presented in its Statement of Non-Financial of Information for 2023.

TARGOBANK, within the Group's strategy, is taking the necessary action to maximise those activities fully aligned with the Taxonomy to the extent possible, including the analysis of the specific products for financing sustainable environmental activities.

TARGOBANK, an integral part of ABANCA, is committed to supporting its customers in their transition to a low-carbon economy by providing financial products and services aligned with its commitment to sustainability and to achieving the objectives of the Paris Agreement.

In this regard, TARGOBANK is committed to achieving ABANCA's decarbonisation objectives. Consequently, ABANCA's policy is forward-looking in nature, applied to the new exposures and renewals of current positions, establishing both exclusion and restriction criteria.

As regards the methodology for calculating the templates 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.

Furthermore, **ABANCA has a market tool (Álamo ESG-EU Taxonomy Alignment) through which it assesses the degree of alignment of the activities it is financing based on the technical criteria established by the Taxonomy for said activities.** The tool makes it possible to assess each transaction individually and ensures compliance with the technical screening criteria associated with the substantial contribution to an objective it does not cause significant harm to the other objectives. The selected tool enables the traceability of the assessments made, in addition to the documentation on which said assessment was based.

The information disclosed by ABANCA meets the requirements established by the European Commission in the different aforementioned documents. 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).

- For the disclosure of stock data at year-end and following the guidelines established by the European Commission for the templates of Appendix VI of the Delegated Regulation (EU) 2023/2486, the baseline information used will be expressed as the gross carrying amount.
- As regards the disclosure of flow data at year-end ("flow") and following the guidelines established by the European Commission in the Draft Commission Notice (21/12/2023), the baseline information is based on the beginning balances of the new transactions formalised in the year, except items other than loans and advances, debt securities, capital instruments, derivatives and foreclosed properties, which are calculated as the difference between the periods T and T-1.

In line with the regulatory framework, the results obtained and presented in the disclosed templates 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 alignment of the exposures to the objective of mitigating climate change and adapting to climate change 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/aligned 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 aligned based on whether the activity being financed by the transaction is considered aligned on meeting the criteria established by the Taxonomy. The assessment of these activities was made in an automated manner using the aforementioned market tool.
- Financing or assets that, as envisaged in the implementing Delegated Regulation for Article 8 of Regulation (EU) 2020/852, considered eligible due to their nature, such as loans to households to finance the purchase of homes, refurbishments or cars, foreclosed commercial and residential properties and financing to local authorities for the financing of public housing. The identification of the alignment in these exposures was based, when possible, on the verification of compliance with the technical screening criteria established for each specific activity, performed automatically by ABANCA's market tool.

- 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 alignment ratio, under no circumstances will 100% of aligned assets under the Taxonomy be reached.
- The Taxonomy regulation does not currently envisage all the activities carried out and that banks can finance. Therefore, it should be noted that those activities that have not been included as eligible or aligned are not necessarily considered harmful to the environment.
- In the case of renewable energy operations (wind farms and photovoltaic parks), only those which meet Taxonomy criteria have been considered and have been assessed both individually under expert judgement as a previous step and using ABANCA's market tool.

Furthermore, with regard to information on the eligibility of our objectives defined in Delegated Regulation (EU) 2023/2485, as well as the new activities published in DR 2023/2485, an approximation was made with the aim of identifying the potential exposure to these.

Given that the counterparties have not published information on these objectives and estimations have been made based on the CNAE (Spanish National Classification of Economic Activities), this information is presented independently and separately from the rest. In general terms, pursuant to Article 7 of Delegated regulation 2021/2178, 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.

Also, 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 ratio. These exposures are:

- Derivatives.
- Demand interbank loans.
- Cash and cash equivalents.
- Other assets.

Furthermore, with regard to **information on the eligibility and alignment of off-balance sheet items**, as defined in the regulation, two items are considered: financial guarantees granted and managed assets.

- The methodology followed for financial guarantees granted to financial and non-financial companies was similar to that followed with the asset-related information. In this regard, financial guarantees granted to financial and non-financial companies obliged to publish non-financial information pursuant to Article 19 bis or 29 bis of Directive 2013/34/EU have been considered in the numerator. Eligibility and alignment was calculated based on the ratios published by the counterparties of these items and documented in the sectoral project in which ABANCA participated, following the indications established by the European Commission.

The methodology followed to calculate the financial guarantees follows the same known/unknown fund structure, given that certain debt instruments do not currently have the necessary information. For this reason, ABANCA opted for using the unknown purpose approach and applying the alignment ratios of the counterparties. In this way, ABANCA ensures that at least its financial guarantees cover the taxonomically eligible and aligned activities that the counterparty has published in its Statement of Non-Financial Information.

- The information on eligibility and alignment of managed assets was obtained directly from the data prepared by a market tool.

With regard to information on the **financing of nuclear energy and fossil gas activities**, ABANCA has identified this financing from two perspectives:

- Assessment of specific-purpose financing for this type of activities through project financing or specialised financing when the counterparty of this financing is obliged to publish non-financial information pursuant to Article 19 bis or 29 bis of Directive 2013/34/EU. It is concluded that no financing of this type is identified.
- Assessment of general-purpose financing for companies obliged to publish non-financial information pursuant to Article 19 bis or 29 bis of Directive 2013/34/EU, which is dedicated to this type of activities, using as a source of information provided by the sectoral project in which ABANCA participated. In this case, ABANCA is exposed to this type of counterparties.

Alignment ratio according to EU Taxonomy

The ABANCA Group's alignment ratio is presented for 2023 based on the criteria established in the regulatory framework detailed earlier and as a result of the application of the methodology defined in the preceding section, understanding €M as millions of euros, according to the results reported in the Appendix "Tables related to Article 8 of the European taxonomy":

	Total sustainable environmental assets Millions of euros (Trad. Vol.)	Total sustainable environmental assets Millions of euros (Capex)	Proportion of Revenue (%)	Proportion of Capex (%)	Hedging % (of total assets)
GAR ratio in terms of stock	1,750.33	1,841.53	3.29%	3.46%	74.40%

Following is the detail of the items that compose both the numerator and denominator in terms of amounts:

- In the numerator, eligible amount of €1,750.33 million in terms of revenue and €1,841.53 millions of euros in terms of capex, broken down as:
 - o Portfolio of investments in non-financial companies, aligned amounts:
 - Revenue: €1,150.77 million
 - Capex: €1,242.33 million
 - o Portfolio of homes, aligned amount (there is no difference between revenue and capex): €579.96 million
 - o Portfolio of security interests obtained by take-over (foreclosed residential or commercial properties) aligned amount (there is no difference between revenue and capex): €499.13 million
- In the denominator, total assets amounting to €53,196.77 million product of the sum of:
 - o Loans and advances, debt securities and capital instruments not held for trading admissible in the calculation of the GAR: €18,139.13 million

- Portfolio of homes (loans guaranteed with residential real estate, building renewal loans and car loans): €14,643.53 million
- Security interests obtained by take-over (foreclosed residential or commercial properties): €369.91 million
- Exposures to financial and non-financial companies excluded from the numerator, but included in the denominator: €16,898.67 million
- Other assets (derivatives, interbank loans, cash and other assets): €17,789.04 million

The essentially quantitative information required by the European Commission in template form is included in the Appendix “Tables related to Article 8 of the European taxonomy” of this document.

Supplementary information - New objectives

As detailed in the "Main regulatory developments regarding the previous declaration" section, with the publication of Delegated Regulation (EU) 2023/2486 establishes the new information relative to the four new objectives and, therefore, the need to start reporting the proportion of eligible exposures with respect to said objectives.

In this regard, the recent publication of said regulation prevents the counterparties from having been able to report information with respect to said new objectives, due to which approximations made through the CNAEs have been proposed with the aim of inferring potential exposure to these objectives, as detailed in the "Determination and Methodology" section of this document.

Additionally, through the publication of Delegated Regulation (EU) 2023/2485, new activities linked to climate objectives are established. However, of the analysis performed by ABANCA, it was concluded that no exposures linked to climate objectives have been identified following CNAE approximation methodology.

To this end, separately from the rest of the information, the eligibility information in terms of the information of the new objectives published by the European Commission is shown below:

Items	Gross carrying amount (millions of euros)	Proportion of total assets (B+C)	Proportion of assets included within the scope of the GAR (B)
A) Exposure to economic activities eligible according to the taxonomy (new objectives)	3,998.71	5.6%	7.5%
A.1 Of which activities related to the "sustainable use and protection of water and marine resources" objectives	0.00	0.0%	0.0%
A.2 Of which activities related to the "transition to a circular economy" objective	3,385.31	4.7%	6.4%
A.3 Of which activities related to the "pollution prevention and control" objective	35.08	0.0%	0.1%
A.4 Of which activities related to the "protection and restoration of biodiversity and ecosystems" objective	578.32	0.8%	1.1%
B) Other assets within the scope of the GAR	49,198.07	68.8%	92.5%
Total assets included within the scope of the GAR (A+B)	53,196.77	74.4%	100.0%
C) Exposures excluded from the scope of the GAR	18,305.29	25.6%	
Total assets (A+B+C)	71,502.07	100.0%	

Main limitations and difficulties for 2023 disclosures

ABANCA, applying the "best-effort" criterion for obtaining the necessary information with the aim of meeting the requirements of the different regulations that comprise the regulatory framework, has gathered the necessary information with the aim of carrying out the disclosure. In this regard, the main limitations and difficulties found throughout the process of generating the information to be disclosed have been identified:

- With regard to counterparty information, in general terms, a significant lack of accessibility and certain limitations were identified when gathering said information.

- In the information published by counterparties and gathered in the different sectoral projects in which the Bank has participated, a lack of standardisation between the different reports published by the different companies was identified.
- In the case of financial companies, since they are not yet obliged to report information broken down by objective, the total eligibility ratio published was collected. In this regard, with the aim of building ABANCA's information, the assignment to the climate change mitigation objective was assumed.
- In the assessment of alignment of the activity "7.7 Acquisition and ownership of buildings", since ABANCA did not have access to the real energy certificates of all of them, they could not all be assessed.
- The assessment of the alignment of the activity "6.5 Transport by motorcycles, passenger cars and light commercial vehicles" and "7.2 Renovation of existing buildings" could not be carried out due to the lack of data relative to the assessment of the criteria of not causing significant harm to the other objectives.
- With regard to the identification of the activities to be included in the templates related to nuclear energy and gas, the identification of counterparty ratios is carried out manually due to lack of automation of the tool.

>>>>> 4

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 14 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 2023 two calls for startups to participate in the eighth and ninth editions of the ABANCA Innova programme were made. In total, one proof of concept sponsored by different business areas was completed.

- Probely: Cybersecurity tools for DAST analysis of applications.

Intra-enterprising programme

The 6th edition of the programme is based on the strong legacy of its five previous editions, which brought together 170 participants (more than 200 in this last edition). Also, over the years, the programme has promoted the creation of 14 ideas that were assessed by our Committee, highlighting ABANCA's constant dedication to fostering innovation and entrepreneurial talent in its team.

The 2023 edition combined in-person and remote activities, which made it possible, on the one hand, to generate a friendlier atmosphere thanks to the face-to-face interaction and increase the efficiency of the teams' work through remote sessions.

In 2023 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. Thirty intra-entrepreneurs, distributed in six teams, worked on challenges such as digitalisation, sustainability or attraction of value customers. 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.

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. One proof of concept was completed with the startup Neurocatching, a neuroscience application for measuring attention and emotion in the evaluation webs and apps.

5

Responsible professionals

6,546

professionals

Average age

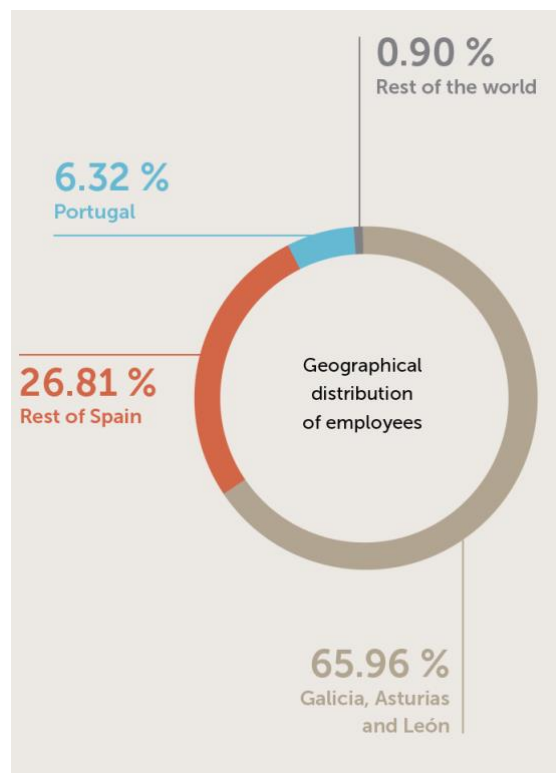
44.89 years

Average seniority

16.20 years

95.04 %

permanent contracts
excluding internships



>>>>> 1

TALENT

3-3, 404-2

In an increasingly competitive environment for attracting talent, ABANCA has the critical responsibility of fostering an environment and culture of continuous development across its workforce. As an articulating element of this environment, we have a comprehensive performance management process in which all ABANCA

employees participate and that envisages both the self-evaluation of each and the assessment by their direct superior.

Furthermore, we have launched specific reskilling processes for those collectives where we detect greater demand for talent in the near future and have communicated career plans with development paths and targets for the main specialised figures of the commercial areas.

Performance management process

Every year, all ABANCA employees who have worked more than 90 days in the year participate in the annual performance management process, whose objective is to establish a space for dialogue between teams and their managers with the aim of evaluating their current performance, identifying strengths and areas for improvement and, on that basis, designing the Individual Development Plan of each professional.

The elements evaluated include the quantitative and qualitative objectives linked to each role, the profile of behavioural and technical skills required for good performance, and the potential for developing professionally in their area or in others.

The process is designed in different steps, guided by the *Successfactors* management tool, where all the elements of the employee portal are integrated.



The manager is responsible for taking the initiative of organising the interview and collaborators can also be proactive in this regard. The appointment is scheduled and convened well in advance; after the pandemic and whenever possible, it is recommended that the meeting be in person.

The guidelines for this meeting are updated annually so that its objective is fulfilled: both parties maintain an attitude based on objectivity, openness and active listening, and have the necessary information for the interview (fulfilment of objectives, competence assessment, individual development plan). For the first time, in 2023 special content was created that each manager receives at their work centre as a guide for the interview phase, identifying the most common situations and offering guidance on how to address them.

It should be noted that, although the performance management process formally ends with the interview, the development plan remains open throughout the year, due to which new elements can be added at any time, both by the professional and their superior.

Team leaders have different training resources to help reinforce the development areas most related to behavioural skills.

360-degree assessment

360-degree assessment is aimed at the two levels of General Management and Management. This collective is evaluated, as well as by their direct superior, by their peers and direct teams. In 2023 more than 500 people participated in this process, evaluating the 110 first- and second-level managers.

Reskilling and career plans

Reskilling: Evolucion a 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 easily robotisable, into tasks and functions with higher added value. The key to employment in the near future does not only lie in the appearance of new jobs and in the evolution of most existing jobs.

The new needs in response to changes in the market or in organisations' objectives make reskilling processes important in order to equip people with new knowledge to meet the new requirements.

ABANCA's reskilling process has begun with the professionals most closely linked to the commercial network, since many of the strategies and improvements have been implemented 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 **Evoluciona ABANCA** project involves almost 600 professionals 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. Also, training tools can be accessed from different devices in order to perform scheduled actions with greater flexibility.

More than 42% of the members of the Evolucion team were promoted to positions for which they had received training, thereby putting their newly acquired skills and knowledge into practice. We aim to increase this percentage to 50% in the first quarter of 2024.

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. Each year, new collectives are added to this initiative:

- In 2021, specific career plans for customer intelligence and digital marketing teams, and for specialist personal banking and private banking managers, were defined and implemented.
- In 2022 these plans were extended to the corporate banking and enterprise banking areas.
- In 2023, business and SME managers were incorporated and the private banking plan was renewed.

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 2023 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 for all the members of these teams (250 people).

Participants in the Evolucion Personal Banking programme broaden their training and share experiences

In 2023 a total of 84 people who form part of one of the three promotions of the Evolucion ABANCA Personal programme came together at an event in which they were able to supplement their knowledge of this segment and discover the possibilities of professional development offered by the programme. This plan is part of the 'Evoluciona' initiatives implemented at the end of 2021 for the collective, with the aim of promoting and supporting the professional development of the colleagues of the branch office network. In this case, the participants, most of whom are specialised customer managers, expand their functions towards the personal banking segment, opening new possibilities in their career.

The participants had a great opportunity to delve deeper into our personal banking model with a 360-degree vision: from the importance of this customer segment of high value for the business, the differences between advisory and marketing, a general vision of the markets for 2023, commercial systematics or how to improve the customer experience and their loyalty.

They were supported by experts in other areas, such as Market and Securities Conduct, Asset Management, Commercial Systematics and Customer Experience.

The initiative was very highly valued, evidencing the strategic importance of this business segment for the Bank. Worth noting was the approach, highly focused on the work performed at the branch offices on a daily basis; the possibility of meeting other colleagues in person and discovering that the programme offers real possibilities of professional progress.

Upscale Project

In order to respond to the specific needs of ABANCA's technology team, in 2023 we implemented an ambitious reskilling project -Upscale Project- with implications both for technological knowledge and tools and for work methodologies and the organisational structure of the area.

The main objectives of this project are as follows:

- Reinforce and scale the technical capacity of the teams by incorporating design, architecture and development skills, among others, in key technologies for ABANCA's digital transformation.
- Establish a dual career plan model, putting recognition and prestige and the technical and management vertical on the same level.
- Strengthen the teams' management abilities, giving them greater autonomy and transversality in order to address increasingly complex initiatives.
- Boost leadership and people development skills in order to foster the growth of profiles with high management and leadership potential.
- Promote mobility and improve the versatility and flexibility of the teams through mechanisms and roles that make it possible to permeate knowledge.

These objectives will be addressed through a set of initiatives coordinated around three aspects:

- Managing business demand and relations.
 - Reviewing the design and priority models to improve the technical qualification of demand.
 - Strengthening and formalising co-creation between the business and IT through roles, processes and joint initiatives.
 - Reviewing work methodologies, promoting business co-creation processes such as to promote transparency, collaboration and value delivery.
- Technology ecosystem and IT organisation.
 - Conserving the team's high degree of specialisation, verticalisation and technical training.

- Reinforcing cross-cutting capabilities in order to lay the foundations for a technological transformation that is sustainable over time.
- Establishing the appropriate procedures that make it possible to permeate knowledge, promote mobility and improve the versatility and flexibility of the organisation.
- Leadership and talent.
 - Strengthening soft management skills in cross-cutting roles and layers of the IT organisation.
 - Reinforcing the training of the IT team in critical technical skills (Java, distributed databases, Cloud, AI, etc.) to consolidate ABANCA's technological transformation.
 - Improving the value proposition, promoting reskilling processes, career and mobility plan, with greater delegation and empowerment at all levels.

There are several keys to the change in working model that will be developed over the coming years and which will be completed by 2026. The first is the identification of roles that will be required in current and future technology, clearly specifying the mission and functions of each and the knowledge and the technical and soft skills required to perform them. Second, teams will be created around functional domains that increase the ability to work in simultaneous projects and provide the best result to the areas demanding the services. These functional domains are created as a mirror in the business areas and with the operations areas (Back Office), which will facilitate horizontal working, in multidisciplinary groups.

Other key aspects of the new model include recognition of technical careers, which are equated with management careers, endowing different professionals with greater autonomy, boosting leadership and promoting the dissemination of knowledge, reducing the risk of bottlenecks.

A critical aspect of the new IT model will be training: each year, one-third of the employees will receive training, to which they will dedicate at least 10% of their time. Reskilling opportunities will vary through online platforms, access to test environments with suppliers, in-house training and accompaniment in the change process.

New structure of the General Division of IT

As a consequence of this project, IT will have a new working model and a new organisational structure, with the aim of reinforcing the capabilities of a vital area for the bank's present and future transformation. The new model proposes the creation of multi-area groups made up of Business, Processes, Technology and Operations, which will work as a team throughout the life of the product, from the definition of the need to the completion of the development and subsequent continuous improvement.

The new structure of the Technology area brings together talent and experience and 100% of management roles have been covered by internal promotions and with female talent from the ABANCA Equals programme.

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. Throughout 2023, although the number of events of this type held is still far below pre-pandemic figures, ABANCA was present at the University of Vigo -Vigo and Ourense campus-, University of León, Comillas Pontifical University -ICADE- and an event at the A Coruña Chamber of Commerce with young people nearing the end of their studies. It also participated in four virtual events (University of Vigo and Fundación Mentor, University of Deusto, University of Santiago, 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 universities in Spain, both public and private, in the main regions where we carry out 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 projects relevant to their activity to the Universities of A Coruña and Vigo, so they can include them in their Bachelor's Final Project (TFG) and Master's Final Project (TFM) and offer them to 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 science, 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 programmes:** as a first work experience, while building a comprehensive training curriculum in finance and insurance, ABANCA offers a commercial business entry programme 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 systems, in addition to preparing themselves to obtain the different professional certificates required by legislation for the advisory and marketing of financial and insurance products (LCCI, MiFID, IDD, etc.). These programmes were published on the bank's [employment website](#) and are supported by audiovisual media recording the testimony of young people who have recently joined the entity -[see testimonies](#). In 2023, 184 people joined the commercial teams under this programme.

Job stability

ABANCA remains committed to job maintenance and creation in its areas of activity. In 2023, voluntary attrition at the Bank stood at 1.31%, below the attrition ratios of the financial and insurance industry, and also far below the 17% that Randstad Research's annual study determines as the average voluntary attrition rate in Spain (<https://www.randstadresearch.es/informe-rotacion-2022/>).

The global attrition rate (excluding new hires) stands at 4.3%.

>>>>> 2 DIVERSITY and inclusion

Diversity

2-23, 2-24, 2-25, 3-3

An essential part of ABANCA's diversity objectives is to prioritise the elimination of any type of excluding or discriminatory conduct by developing, on the one hand, protocols for preventing this type of situations, the principles of our Code of Ethics and Conduct in this regard and, on the other, providing the necessary channels for reporting and eliminating them.

ABANCA promotes and implements measures that facilitate an inclusive and diverse work environment that fosters co-existence and presence of people with different ideologies and opinions, of different social, physical, cultural and gender characteristics, without forgetting the personal and individual professional development of people and their training, converting diversity into an essential element of its corporate culture.

Signing of the 'Charter of Diversity'

In 2023 ABANCA took a step further in its commitment to equality and inclusion by signing the "Charter of Diversity", a voluntary membership code that falls under the anti-discrimination directives promoted by the European Commission in 2000 and that both companies and institutions can subscribe to support, promote and extend diversity and non-discrimination. The final objective of the initiative is to promote quality of life and work of the people in its working environment.

By signing the 'Charter of Diversity', ABANCA assumes the 10 basic principles of diversity and inclusion of the initiative, which are:

1. To raise awareness of the principles of equal opportunities and respect to diversity that must be part of the company's values and spread among the employees.
2. To progress towards the creation of an inclusive workforce: the company must promote the integration of people of diverse profiles (regardless of their gender, sexual orientation, race, nationality, ethnicity, religion, beliefs, age, disability, etc.).
3. To promote inclusion: integration must be effective, avoiding any type of direct or indirect discrimination in the workplace.
4. To include diversity in every people management policy: diversity management should not be just another human resources practice, but an essential factor that lies in the base of every decision taken in this area.
5. To promote balance between work, family and leisure time: the organisation should establish mechanisms that allow for a work-life balance for all employees.
6. To acknowledge the diversity of clients: organizations must learn their client's profile, acknowledging that their diversity is also a source of innovation and development.
7. To extend and communicate this commitment to employees: the commitment of signing the Diversity Charter should be shared between all the parts of the company.
8. To extend and communicate this commitment to vendor companies: inviting them to join the community of Spanish companies that voluntarily commit to promoting the Charter.

9. To extend and communicate this commitment to administrations, business organisations, unions and other social agents.
10. To reflect activities in support of non-discrimination, as well as the results obtained from the implementation of diversity policies in the company's annual report.

Through our Sustainability policy, Code of Ethics and Conduct and Equality Plan we bring together the action principles and strategic commitments aimed at promoting sustainability, meeting the climate challenge and the social challenges of diversity and equality.

Collaboration with Fundación EUROFIRMS

ABANCA, in collaboration with Fundación EUROFIRMS (organisation specialised in assistance for disabled persons), has participated and given space to various initiatives such as the following:

- Disability outreach actions through a programme aimed at all ABANCA employees and also their first-degree relatives who need guidance to obtain or renew their disability certificate and seek information on the aids and benefits available to them through said certificate (mobility and transport, tax, social and housing, education, labour market integration, etc.).
- Awareness-raising actions such as the creation of spaces for sensitisation as the opening of spaces where employees can access dialogues for Inclusion II - Mental Health, participation in the "open your eyes" space, etc.

New edition of 'Dialogues for inclusion dedicated to mental health'

"Dialogues for inclusion" is an initiative aimed at creating an inclusive and healthy culture in organisations, involving everyone who forms part of them. This year's edition was focused on mental health and included the participation of four people with complementary profiles and specialising in different fields of mental health who will share their experience and knowledge of this area. Specifically, it featured the participation of psychotherapist Pablo Tovar; Javier Corral, Talent Recruitment Manager of EAE Business School; singer-songwriter and voice actress Sara Sonder; and Bárbara López, Chairwoman and communications specialist of the Spanish Association for Psychosis Support.

This activity is part of ABANCA's collaboration with Eurofirms Foundation and of the different actions in recent years to foster a positive work environment, based on respect and an inclusive culture.

Our partnership with Eurofirms also includes free advice on how to obtain the disability certificate for employees and their families.

>>>>> 3

EQUAL OPPORTUNITIES

2-23, 2-24, 2-25

Equality Plan of ABANCA and Group companies

The Equality Plan of ABANCA Corporación Bancaria, S.A. for 2021-2025 consists of ten areas with specific actions to be carried out in training in gender; selection and recruitment; professional promotion; remuneration and salary audits; 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 compliance with the commitments acquired by the Bank under this Plan, in 2023 the following initiatives were carried out:

- External dissemination of the Bank's Equality Plan in different forums, receiving various public acknowledgements. In 2023 Fundación Adecco distinguished our ABANCA Equals programme as the best cultural transformation practice of the year in Diversity and Inclusion, and was also acknowledged as a benchmark programme by the GREF.
- 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. 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.
- Also, with ABANCA Equals we remain committed to providing an ambitious equality and diversity training plan to all employees, with different actions aimed at promoting diversity and equality at the Bank.

After signing the Plan, the Bank continued to enter into agreements to sign similar plans in other ABANCA Group companies.

Monitorisation of the salary gap and other indicators

Commitment and involvement of the Board of Directors

In order to fulfil the commitment acquired by the Board of Directors to promote and monitor measures that favour equal opportunities at ABANCA, Human Capital prepares a quarterly status report 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:

- Demographic: women in key positions to break the glass ceiling and access senior management positions.
- New hires: women that occupy positions of responsibility, whether external recruits or internal promotions.
- Departures and leaves: women who voluntarily leave the Bank.
- Salary gap: remuneration differences between men and women.

In 2023 the target set in 2022 of 35% of women managers of a retail branch office was achieved, establishing a new improvement objective to reach 36%.

Evolution of the salary gap

In 2023, in accordance with the Equality Plan, ABANCA shared the pay register reports with the workers' legal representatives. These reports contain mean and median by level, broken down by base salary and complements in force.

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 other factors, the gap between men and women in Spain calculated as the difference in median salaries stood at 5.7% at 2023 year-end.

ABANCA Equals

In 2023 ABANCA Equals continued to make progress in its equality and diversity training and sensitisation plan through initiatives aligned with the entity's reality. And it did so by continuing the actions begun at the end of 2022 with more than 200 team and selection process managers.

Building more diverse teams, a key challenge for the bank's future.

We continued to promote inclusive leadership through an initiative in which around 350 professionals reflected on and shared tools to progress towards more equitable groups.

These sessions were aimed at addressing the challenges faced by team leaders in an increasingly complex and competitive environment. Indeed, the leadership role is key to generating inclusive work spaces, where people are acknowledged and valued, in order to facilitate their commitment and improve returns to the organisation.

The workshops featured the collaboration of Mercè Brey, an inclusive diversity and leadership expert with whom we collaborated just one year ago. Under a practical approach, they specifically addressed the biases, mostly unconscious, that can affect decision-making and that form part of our reality.

At the request of the managers of ABANCA Conecta's different territorial divisions, we extended these workshops to their management teams. Each of these events featured the participation of a dozen professionals who lead teams in the different segments of each territorial division.

At each of the sessions, both the quantitative and qualitative aspects of diversity in each territory were discussed. These included identifying unconscious biases and activating the mechanisms that mitigate their effect in the decision-making process.

Through this initiative, which falls under ABANCA Equals' lines of work, we seek to continue to unlearn and put the knowledge acquired on a daily basis into practice to build a more equitable, inclusive, diverse and productive entity.

ABANCA Equals intends to dismantle fairytales in its second edition

Our equality and diversity programme gained new momentum and included new content that makes us reflect on the stereotypes that accompany us on a daily basis and from childhood.

This second version has different campaign elements, some physical, and assumes the challenge of advancing in the construction of a more conscious and equitable bank by dismantling fairytales.

And it is not just a figure of speech – it takes as a common thread these apparently harmless narratives that have accompanied us since our childhood and that are often loaded with stereotypes typical of the period in which they were written. The non-accidental choice of characters, their role in the story, their physical traits, their age or behaviour are just some of the issues reflected upon.

This second season marks a journey through six very dynamic and direct episodes, available on our learning platform, which employees can assign themselves.

We dismantled fairytales with Vero Boquete and Teresa Perales

Another initiative of ABANCA Equals carried out in 2023 was an encounter with two elite sportswomen, where employees learned their experience on their way to becoming leaders in the world of sport.

Swimmer Teresa Perales and football player Vero Boquete were the protagonists of the latest initiative of the ABANCA Equals programme. A different, personal proposal using the interview formula, broadcast live via streaming, to learn inspiring stories of two leaders in Spanish sport and reflect on their vision of equality and diversity.

The interview spanned their entire career, until they became elite sportswomen. They also shared their views on current affairs related to women's sport and adapted sport, the recognition of their careers and their role as pioneers and references for future sportsmen and women. There was even time to talk about their future after giving up elite sport.

The interview was recorded and is available to all employees on our learning platform.

We completed the second edition of the ABANCA Equals Talent Programme

In 2023 a new edition of ABANCA Equals' Talent Programme was completed, after nearly six months of intensive training.

The group of people who participated in this second edition closes an ambitious and intensive training programme in which they acquired skills in areas such as leadership or influence and also explored financial sector trends.

After nearly 100 hours, delivered by both ABANCA professionals and by external instructors, they fine-tuned their strategic vision, financial sector business models, customer intelligence or commercial excellence. All while continuing to add tools to improve their management, leadership and influence capacity skills.

The ABANCA Equals programme, created in 2022 under the umbrella of our communication, awareness-raising and equality and diversity training plan, strengthens our commitment to driving talent and equal opportunities within the Bank. More than 50 ABANCA professionals participated in its two editions, some of whom have already assumed new responsibilities.

The Talent collective and ABANCA's advisors share lessons learned and experiences

The initiative seeks to give both visibility to the daily work of the members of ABANCA's Board of Directors and to pass on some of the lessons learned throughout their career.

Professionals who form part of the second promotion of the Talent Collective participated in an encounter with ABANCA's four female directors. This encounter, which already took place for the first time last year, seeks to give visibility to our female directors' work so that their career path can be a source of inspiration in the context of the initiatives carried out under the umbrella of ABANCA Equals, an initiative recently acknowledged by Fundación Adecco's Diversity and Inclusion Awards.

The session began with an informal talk led by the General Manager of Human Capital, María Camino, who introduced Carina Szpilka, Rosa María Sánchez-Yebra, Leticia Iglesias and Ana Barros. Also, the materials which have accompanied the opening of the second season of ABANCA Equals were delivered to each.

After this kick-off, they were divided into small groups to foster more direct conversation with each director. In addition to offering a retrospective on their professional career and day-to-day work. There was also time to

address ABANCA's strategic issues and the importance of creating diverse teams to build a more inclusive and efficient bank.

At this encounter, some of the challenges and opportunities addressed throughout their careers were outlined and reflected on the changing role of women in corporations in recent years.

The directors showed interest in the professional development of the members of each group and agreed that the encounter had been "inspiring and motivating, both professionally and personally". The participants highlighted the lesson of the directors' "attitude, perseverance and work" and valued "the lessons learned and the reinforcement of their self-esteem" thanks to this experience.

The Diversity and Inclusion Awards acknowledge our commitment to equality

Fundación Adecco distinguishes our ABANCA Equals programme as best practice for cultural transformation of the year and highlights the progress made to raise awareness and address the biases that sometimes condition diversity.

We were awarded the prize to "Best practice for cultural transformation in Diversity and Inclusion" by Fundación Adecco. This prize, for which there were 82 candidates, showcases our progress in diversity and inclusion and converts the ABANCA Equals programme into a benchmark in this subject matter.

The jury acknowledged ABANCA's efforts to promote equal opportunities and the richness generated by diversity, incorporating it in its cultural DNA. In the decision, which was unanimous, our determination during these two years to promote sensitisation and awareness-raising actions that contribute to reducing our often unconscious prejudices and biases was highly valued.

From the start of the second Equality Plan, to which the ABANCA Equals programme belongs, we have made significant progress in the representation of women in senior management positions in which they were under-represented, such as branch office management, central services general management, area management and general management.

We are not only referring to gender diversity, but to all types of diversity: generational, functional, gender choices and opinions. At ABANCA we have full confidence in diversity as a lever of profitability, sustainability and commitment.

>>>> 4

Change CULTURE AND MANAGEMENT

3-3

Engagement survey

In 2023 we maintained our engagement rate at the usual high levels, more so considering that the rest of the sector and other companies of other industries recorded sharp drops. Indeed, the results position us more than four points above the highly committed employee benchmark.

We have this comparison with the benchmark because this year we took 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 new model allows us to do the following:

- Possibility of co-relating the engagement index to key business and management indicators.
- Having a comparative market benchmark.
- Ability to analyse qualitative comments (text analytics), extracting, grouping together and prioritising the conclusions thereof, provide managers with tools for better team engagement management (module incorporated to the action plans tool).
- Improving the user experience (managers and collaborators).

Furthermore, the work carried out by the change agents is very important, as they are in charge of supporting area managers, analysing results and defining, communicating and monitoring the action plans defined by managers of different areas of the bank jointly with Human Capital.

Alignment with bank's objectives, team work and responsibility stand out as particularly highly valued factors (Relationship, Feedback and Recognition).

'With you', the project that promotes joint work among the commercial network and central services

Improving day-to-day work at branch offices by seeking solutions that make it possible to reduce the operational workload to dedicate more time to more important functions is one of the cross-cutting priorities that we identified after the last engagement survey. This objective is materialised through a new project called "With you", which, in order to achieve it, seeks to promote links and spaces for collaboration within the Bank.

To this end, different multidisciplinary teams made up of professionals from the commercial network and support areas, who will contribute their knowledge and experience, have been created.

Although the project is clearly oriented towards our most commercial side, practically none of the processes that reach the customer would be possible without the involvement and coordination of branch offices and Central Services. For this reason, multidisciplinary teams that contribute different visions and are capable of proposing improvements to the different problems identified through the different listening channels must be created from the start. Each task or process that is improved is translated into more commercial time.

Through the collection of information, five major work areas, four operating areas and one cross-cutting relationship area were identified:

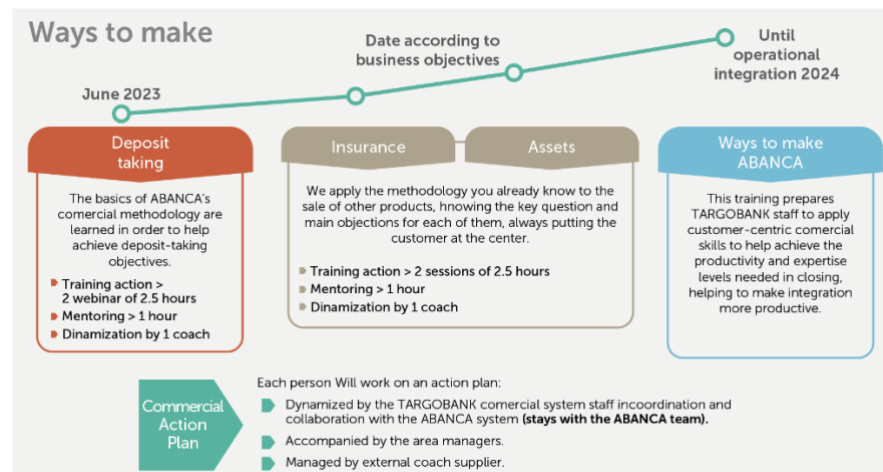
- Measures for centralising selective tasks.
- Continuous operational improvement.
- Greater autonomy for the Commercial Network.
- Implementation of more agile CS-Network communication models.

- Change management in the collaborative relationship between branch offices and Central Services with customer vision.

"With you" is also a unique opportunity for implementing the latest operational management and network relationship models. The aim is to seek new synergies with technologies already consolidated at the bank, such as smart automation or robotisation and the still incipient generative AI technologies.

Anticipation, ABANCA's way of doing things at TARGOBANK

Commercial dynamisation plan working jointly with TARGOBANK's commercial management and systematics, which combines training, accompaniment and stays at ABANCA to guarantee the adoption of our commercial culture. Objectives: Accelerate the adoption of our commercial culture and support TARGOBANK's business strategy, with a focus on the attraction of liabilities.



Contents:

- Pre-closing of the transaction: Commercial skills with omnichannel vision to increase effective contactability with customer-centric vision and value sales productivity.
- Post-closing of the transaction: Adaptation to the other products and exploration of omnichannel sales.

Thursday encounters

The terraces of our corporate headquarters of Rúa Nueva 30 in A Coruña, García Borbón in Vigo and Recoletos 4 in Madrid were the scenario chosen to strengthen and create new links between the teams.

Every Thursday in April, May and June, all ABANCA employees within the area of influence of these headquarters, from both the commercial network and support areas, had the opportunity of participating in a new initiative created to share an informal conversation with members of the Steering Committee, in some cases accompanied by the Chairman and the CEO.

The objective of these encounters is to offer a unique opportunity to spend some time with some of the bank's senior managers to get to know each other better, to celebrate everything we are building together in a relaxed and informal setting. The relaxed atmosphere, the talks on experiences shared in recent times and the prospects for the coming years characterised most of the meetings.

Hita Project in Portugal

The HITA project is an initiative developed to promote positive experiences by encouraging ABANCA's employees in Portugal to contribute to the Sustainable Development Goals. In 2023, 12 activities were developed, totalling 94 hours of volunteering work with the participation of 815 people. These activities included environmental initiatives (planting of trees and support to associations that protect endangered animal species), social initiatives (donation of television sets to childcare associations, accompaniment of socially deprived children and adolescents to the theatre and participation in charity events with donations to organisations). We also promote activities that can contribute to a healthier life for ABANCA employees in Portugal (such as team hikes and sporting events) and continue with sustainability training programmes for all the teams. The ultimate purpose is to live as a united and focused team that will build an innovative bank that stands out in the Portuguese banking market for its responsibility and sustainability.

ABANCA Trip

In 2023 an introduction plan was designed for new ABANCA Portugal employees which consists of a trip. Each new employee receives a passport and visits all the bank's teams in the country. Through this contact, the new

employee can become quickly integrated in ABANCA's culture, knowing the Group's mission, vision and values. At the end of the programme, the new employee also knows the people with whom they will have to interact on a daily basis, thereby facilitating their work. This is a short trip, but intense and very entertaining.

>>>> 5

TRAINING

3-3, 205-2, 404-2

2023 training plan

The main lines of action per strategic pillar for 2023 were:

Programmes to drive the business

- In 2023 an accompaniment plan was implemented to promote business in Bankoa's SME and companies segments. This plan, which includes the participation of more than 20 Bankoa branch office divisions, combined training actions with practical accompaniment by segment experts. The plan, executed between February and November, has made it possible to collectively increase the number of transactions signed with customers of these segments by more than 30% and their commercial effectiveness with these customers by more than 20 points.
- In the first half of the year, a new edition of ABANCA's advisory and specialisation programme for SME and companies was carried out in collaboration with the UIE, which enabled 60 professionals to develop their capabilities in relation to financial analysis, investment project valuation or companies' digitisation challenges. In total, 15 themes divided into 6 blocks for a total of 74 hours of dedication which was given a score of 8.8 over 10 by participants.
- As regards insurance, our priority was to support the launch of ABANCA's new health insurance policy, through a plan that has also combined communication, online training, monitoring and reinforcement sessions. More than 2400 people have participated in the plan.
- In the line of fund raising, continuity was given to the quarterly market sessions to keep our advisors and managers abreast of market, portfolio and product trends. The fourth edition of ABANCA's personal banking programme was also carried out, which enabled the 29 participants to master topics such as taxation or investment portfolio management.

Programmes to drive efficiency

- Three milestones marked the training activity in this area: acceleration of the adoption of ABANCA's commercial system by TARGOBANK's salesforce, reinforcement of the Conecta channel by training new employees and training for integrating the former fund management company Imantia in the ABANCA Group.

Programmes to drive transformation

- In the line of transformation, one of the main milestones was the implementation of the training plan of the Reskilling project for the technology area, which combines training in new technical capabilities through the Udemy platform, with practical training and accompaniment for the adoption of new forms of management.
- Another strategic action was the design of the onboarding and training plan of the TOP ABANCA plan, created to incorporate and mentorise the young talents joining the Bank. An effort was made to promote practical training so that new employees can join the branch offices with a sufficient degree of solvency in the most frequent transactions. This effort was acknowledged both by the participants, with a perceived improvement of nearly 13% and by the branch offices that received these talents.
- Another significant milestone was the change management plan, aimed at accompanying the implementation of the new level-based attention model by the Operations (Back Office) areas in the Branch Office Network. This plan made it possible to accelerate the adoption of the model, incorporating the new model to more than 580 branch offices between June and November, to which end 27 informative sessions for more than 2500 people were carried out.

Some 92% of employees received training in 2023.

Regulatory training

In line with ABANCA's commitment to comply with all the rules that regulate its activity, this year continuity was given to the regulatory training plan, whose purpose is for all the Bank's employees to meet their obligations in this regard.

The 2021-2023 training plan for the prevention of money laundering and terrorism financing is in its third year and has fulfilled all its objectives, having trained more than 5300 people to date (more than 2300 in 2023). This training also includes the prevention of tax evasion.

In the area of criminal risks and prevention of corruption, at 2023 year-end, 292 people had received training, reaching 70% of the organisation trained in this subject matter.

In the refresher training course on the marketing of residential credit received by 65 people, this year the contents related to responsible lending and safeguarding of consumer rights in relation to the design of marketing products and procedures were reinforced. Additionally, specific training was provided to ensure the proper application of the Mortgage Good Practices Codes, of which ABANCA is a signatory to protect vulnerable families or families affected by the rise in interest rates. More than 800 people participated in training sessions on this subject matter and over 600 received the training online, which was made available for such purpose.

In the refresher training for investment advisors, continuity was given to the training developed in 2022 to include customer sustainability preferences (ESG) in investment proposals, which was received by more than 2300 people during the year.

More specifically, the ABANCA Group has a training plan with generic knowledge modules on data protection legislation (privacy basics; understanding privacy by design) and specific role-based modules (practical view of the RGPD (General Data Protection Regulation) for the marketing or business development areas and data privacy for information security professionals), updated tri-annually.

At 2023 year-end, the corporate target of providing privacy training to at least 90% of ABANCA's professionals within the three-year period was achieved, with more than 1200 people trained in this subject matter. As a reinforcement, privacy topics were included in the risk and security sessions, with practical training on the subject for professionals who are directly in contact with customers.

In addition to the aforementioned topics, the annual regulatory training plan also envisages the updates stipulated by the MiFID Regulation (more than 120 people this year), Internal Regulation on Market Conduct and Abuse (more than 400) and Occupational Risk Prevention (more than 90). Overall, the plan envisages 19 different training courses for more than 20,000 training assignments in the year.

Cybersecurity training

In the area of Risks and Security, the cybersecurity awareness and training plan was reinforced, raising the percentage of active users on the Kymatio training platform to 85% of employees.

In order to complete awareness, this year we published two new training pills and two new webinar sessions were offered. The pills focused, on the one hand, on identification and reaction to phishing and, on the other, on the proper classification and processing of internal information. The webinar sessions focused on social engineering and cyber fraud.

There are various collectives that deserve special attention in the plan, either due to their special responsibility in governance or security management, or to the special risk to which their functions are exposed. For all these collectives, the plan envisages specific training actions, adapted to their role and responsibility. In 2023 ad hoc training actions were carried out for system administrators and managers of Conecta, the remote commercial management tool. Additionally, phase 3 of Secure Development for software developers was also completed.

In order to monitor the impact of all these actions, simulated social engineering attacks are periodically conducted in order to verify to what extent people react properly to potential cybersecurity risks. In 2023, two phishing simulations were conducted, which allowed us to identify elements on which to focus in our next awareness-raising actions.

Evoluciona ABANCA's soft skills training offer

Through the Evolucion program, ABANCA offers its professionals a training offer in people skills, which is useful for both their professional and personal development.

In 2023 the number of licences available on the Goodhabitz platform, a platform that allows people to improve aspects such as quality of life, organisation or personal relationships through its training actions, increased to 1000.

Additionally, 420 seats in workshops on emotional intelligence, negotiation and conflict management; public speaking; or productivity and time management skills were offered during the year.

The excellent response to these offerings, in which demand always exceeds the number of licences or seats offered, together with the high score given to the training sessions (9.1 out of 10 on average as the overall score and 8.9 at prescription level), guarantees the continuity of this plan.

ABANCA Sustainable

The transition of the economy to a more sustainable model is one of the major challenges for society and for the financial sector. Within the framework of our Action Plan for Responsible and Sustainable Banking 2021-2024, in recent years different actions have been launched to incorporate sustainability to our operation as an organisation and to our financial activity.

Based on the foregoing, ABANCA Sustainable was created, a training and awareness-raising programme that combines all these actions, confirming our commitment to sustainability, employee engagement through training and awareness-raising actions.



ABANCA's offering at 2023 year-end included 12 online courses on the regulatory framework, involvement of the financial sector in the transition to a sustainable economy, action plan for sustainable finance, taxonomy,

reporting, integration of ESG factors in the acceptance of credit transactions or appropriateness tests used in portfolio management and investment advice to include our customers' preferences in these topics. During the year, more than 2700 employees participated in some of these training sessions and received more than 5000 hours of training in these topics.

Another significant milestone in 2023 was training sessions with over 350 people, in which the main concepts of sustainable finance were clarified, the challenges and opportunities of sustainability for companies and SMEs were identified and, lastly, work has been done with the tools enabled by ABANCA in the area of sustainability, such as policies and questionnaires for incorporating ESG factors in the analysis of our customers' financing operations.

In order to reinforce this line and incorporate sustainability in customer relations, in the last quarter work began on a plan for reinforcing our capabilities when accompanying our customers in their challenges of transitioning to a sustainable economy. The plan has begun with a first communication to contextualise the plan within ABANCA Sustainable, clarify the main concepts of sustainable finance and anticipate the lines of actions implemented by ABANCA.

After the first quarter of 2024, this plan will continue with a sustainable finance specialisation plan for people who work in the specialised, corporate, company and SME banking segments.

Remuneration policy, inclusion of ESG indicators in variable remuneration

In order to reinforce all the foregoing initiatives and assert the relevance of the ESG objectives in all areas of ABANCA's management, since 2023 the weight of ESG indicators in variable retribution has been increased and currently accounts for 10% of the Bank's general objectives, with two differentiated components:

- The rating of the experience of ABANCA's value customers (IPN Value Customer)
- A synthetic indicator of the progress made in the ESG transition, where the percentage of financing of activities less sensitive to the transition, the number of sectors with published decarbonisation objectives and the fulfilment of the commitments arising from the agreements entered into are integrated.

Transparency and good practices in product marketing

ABANCA is committed to applying product marketing best practices, ensuring fulfilment of the established standards in issues such as adequate explanations, pre-contractual and contractual information, and adequate transparency in the reporting of conditions. These product marketing good practices are an essential part of the certification and continuous training topics in investment advice, marketing of property loans and advice on ABANCA's insurance product. At 2023 year-end, 90% of mandatory perimeter staff held LCI certification and 95% held the certification required by MiFID for providing the investment services corresponding to their function. Similarly, 95% of employees with insurance training obligations are duly qualified.

In order to reinforce these good practices, in the first quarter of the year eight webinar sessions were held in collaboration with the area of Regulatory Compliance Banking Services and Customer Services, which were attended by more than 800 employees. The topics addressed in these sessions included the marketing of banking products (pre-contractual and contractual explanations and information), codes of good practices for holders of residential mortgages, basic payment accounts, the information and advertising at customers' disposal and processing of complaints.

Smart automation is consolidated and keeps growing

Smart automation is consolidated as one of the major lines of work of the bank of the future and, in an increasingly clear way, of the present.

The training and accompaniment programme combines training actions in SQL, robotisation and flowcharts with low code tools, implemented automating real tasks with the accompaniment of experts from the areas that govern these applications at ABANCA.

As a novelty this year, a KPI has been implemented in every area with people in the collective, both of the previous and this year, to guarantee their commitment of giving continuity to this critical automation work, thereby ensuring the profitability of the significant training effort made. The KPI is materialised in a minimum number of tasks automated in the year per person of the collective. A specific dashboard has been created to monitor it.

Additionally, in order to ensure the consolidation of the collective as a knowledge community, periodic monitoring sessions and at least two plenary meetings per year where achievements, new developments and trends are shared.

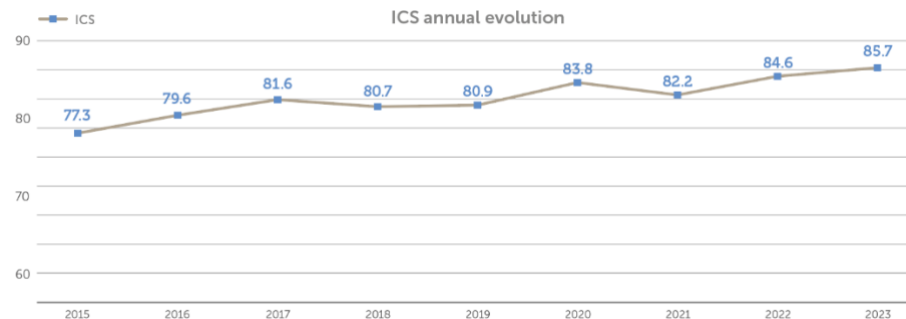
To date, the collective owns 44 automated tasks already in production, freeing up nearly 7000 hours, which are now available for higher value-added tasks. To these we must add a further 13 automations under development with a potential for freeing up 10,000 additional hours.

ICS Training

As a result of the continuous improvement work of the service, its users acknowledge that in 2023 there was a significant improvement in the Internal Customer Satisfaction Index (ICS), growing from 84.6 to 85.7. This performance enables the service to exceed its corporate target, going from an A rating to a double AA rating.

The improvement in this indicator is due mainly to factors such as the improvement in usability of online training, the selection of instructors with the necessary knowledge and teaching skills, the use of training actions for performance and proper organisation.

The challenge of the area for 2024 is to maintain this rating based on the aforementioned levers, together with the automation of formalities with the aim of expediting the response.



>>>> 6

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 the Prevention Plan that implements its contents is available to all employees under 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.
- Assume the adoption and dissemination of 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 of 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 to ensure its effectiveness, i.e. achieve safe and healthy workplaces.

In order to prevent risks, ABANCA must adopt the appropriate measures, one of the most important principles being the preventive action of avoiding 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 objective 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 arising from the Risk Assessment, planning the control measures, establishing priorities and setting specific time frames for each required action, in order to effectively control the risks. These measures will be communicated to all the areas responsible for their execution through the Prevention Service's management tool.

- The employees associated with the centre to be evaluated will receive all the necessary information in relation to the risks that affect their safety and health and that 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 has made a document which includes 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 implemented.
- Pursuant to Article 22 of the LPRL, ABANCA will guarantee 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 mentioned in the preceding 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 discharged are seamlessly aligned with ABANCA's Prevention Plan and its prevention policy, and that 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 2023 the **ACTÍVATE platform** was consolidated, significantly increasing the number of people registered in the programme with respect to the previous year. Through said platform, any ABANCA employee may access contents related to sports and leisure, healthy eating and emotional well-being.

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.

With the aim of continuing to improve the quality of life of its employees and their satisfaction within the organisation, in 2023 various initiatives were launched with the aim of creating healthy environments.

These initiatives included, namely:

- **Sleep Workshop: rested teams equals motivated teams.** A workshop that discussed how to understand the importance of sleep and rest both for good professional performance and for daily life.
During the session, essential tips were given on how to sleep better, which favours personal performance, motivation, the work climate, physical/emotional well-being and, thus, our general health, addressing contents such as the connection between sleep, health and work performance or different effective sleep routines.
- **Nutrition Workshop ACTÍVATE: debunking myths 2.0.** Delivered by an expert on human nutrition and dietetics, the following topics were addressed:
 - Remembering what nutrients are and what foods are made of.
 - Debunking myths and confirming which ones make sense and which ones don't.
 - How to improve my habits after the Christmas holidays.
 - Tips for improving our daily routine.
 - How to cook to improve my digestion and make me more satiated during the day.
 - We learned how to cook food in a simple way, facilitating digestions to feel better.
 - What to include in the shopping cart.
 - We learned how to distinguish higher quality foods and to organise our purchase in a simple way and for the whole family.
- **Workshop: manage energy, not time.** Delivered by a psychologist specialised in emotional development, specific techniques were discussed that can help us to improve our time management and optimise our energy to maintain the necessary balance between activity and rest.
- **Workshop: first aid and precautions on holidays.** It focused on everything related to the prevention of the most typical accidents while on holiday, when this type of problems increases exponentially, and how to act accordingly. The following topics were discussed in this workshop:
 - First aid in aquatic and natural spaces: definition and activation of emergency services.
 - Brief summary of eye and skin care in summer.

- Characteristics of the most recurring injuries.
- Prevention of injuries and accidents.
- Guidelines for dealing with the most recurring injuries.
- First aid in drowning by immersion.

In addition, once again, all employees took part in the activity of preparing a Healthy Recipe book.

Agreement with the Spanish Association Against Cancer to give courses to stop smoking

In 2023 an agreement was entered into with the Spanish Association Against Cancer (AECC) to deliver courses to stop smoking. This training began in November with two courses which included the participation of a total of 20 employees. The participants were aided by two AECC psychologists, who accompanied them throughout the process by means of motivation and self-control techniques, and strategies for preventing relapses. Additionally, they had the continuous support of a "Respirapp" app.

After completing the course, it can be concluded that 60% of the participants have managed to stay smoke-free.

Commemoration of the International Day against breast cancer and launch of our health insurance as an ally

During the week of the International Day Against Breast Cancer, the headquarters of ABANCA Seguros in A Coruña was lit up in pink in support of International Breast Cancer Awareness Day, celebrated on 19 October. It was one of the initiatives promoted by ABANCA to help raise awareness of the importance of the prevention and early detection of this type of cancer, the most frequently diagnosed tumour in the world and the most common among women.

To support this cause, this year we have a great ally, our own health insurance, and are promoting different actions for combating the disease and highlighting the coverage of our new insurance product that contribute to early prevention and diagnosis.

These initiatives include, namely, collaboration with Adicam, an association of people diagnosed with breast and gynaecological cancer with centres in Cangas do Morrazo, Vigo and Pontevedra, which includes around 1900

members. In order to aid the important support and awareness-raising actions carried out by this Bank, €5 were donated for each ABANCA health insurance policy contracted between 19 October and 30 November.

The initiative was also promoted on the commercial website and in our profiles in social networks.

First aid and cardiopulmonary resuscitation training

In 2023 nearly 100 professionals from different centres of the Bank participated in a series of workshops on basic first aid and cardiopulmonary resuscitation (CPR) techniques, promoted by the Prevention Service in collaboration with the Training department.

The training, delivered under the title "Basic vital support and handling of semi-automatic external defibrillators (SAED)", was aimed at the employees of the Bank's centres where these devices are currently installed.

At the workshops, they received theoretical and practical training in the proper use of first aid and cardiopulmonary resuscitation techniques, with the aim of immediately aiding a person in a life-threatening health risk situation, and maintain the survival chain until the arrival of the emergency services.

During the sessions, special attention was paid to basic CPR techniques by means of chest compressions and training in the use of SAE defibrillators, crucial to saving the life of a person after suffering cardiorespiratory arrest. Through practical exercises, the participants acquired the knowledge and skills to properly use this type of devices.

They also received instructions on how to provide first aid in severe cases of asphyxia or choking and learned how to perform Heimlich's procedure to unblock the airway.

Through this new training initiative, our Bank reinforces its sensitisation on the cardioprotection of its teams and customers and demonstrates, once again, its commitment to the challenge raised by the third of the Sustainable Development Objectives (SDG) of the UN's 2030 Agenda: "Ensure healthy lives and promote well-being for all at all ages".

Medical examination 2023

Those employees interested in undergoing a medical examination were able to request it in the first quarter of the year through the registration form enabled in the corporate Intranet. In the event of not wanting to undergo a medical examination, it must be previously rejected, although said rejection does not prevent them from requesting a medical examination at any time. Both the request and rejection forms are permanently available.

As a novelty, in 2023 we adopted Quirónprevención's new medical examination model, which focuses on people's individual health, placing emphasis on the main pathologies that affect society. This new model provides added value, with relevant information on the employee's health and recommendations for improvement. Therefore, apart from the usual coverage, new ones were added to the analytical parameters.

For another year, we maintained the Hospital Quirónsalud Digital, which offers the following services free of charge through the Quirónsalud app:

- Telephone consultation on general medicine.
- Medical counselling on medicine, psycho-emotional support and nutrition via chat.
- Vital signs check through facial recognition.
- Private electronic prescription after the medical consultation.

Flu vaccination campaign

During the 2023 flu vaccination campaign, the number of people vaccinated was the same as in 2022. This action continues to be appreciated by employees and contributes to reducing the impact of this disease on healthcare pressure and absenteeism.

The initiative is available to employees of ABANCA Corporación Bancaria and ABANCA Group companies: ABANCA Servicios Financieros, ABANCA Vida y Pensiones de Seguros y Reaseguros, ABANCA Mediación Operador de Banca Seguros Vinculados, ABANCA Corporación División Inmobiliaria, ABANCA Gestión Operativa, ABANCA Mediación Correduría de Seguros Generales and ABANCA Gestión de Activos.

Preventive measures are also shared with employees to help prevent contagion from respiratory infections.

Assessment of psychosocial risks

At ABANCA, at the end of 2021 we performed an assessment of psychosocial risks with the aim of addressing the conditions that are directly related to the organisation, content of the work and performance of a task with the capacity to affect both employee well-being or health (physical, mental or social).

The assessment was performed following the strategy known as "triangulation", integrating the information provided by the company and the results of both the quantitative part (employee questionnaires) and the qualitative part (personal interviews and focus group). As a result of said assessment, the action plan was established in the psychosocial working group (made up of the LRW and company representatives), which sets out the preventive/corrective measures and their planning with the aim of minimising the impact of the least favourable factors.

The action plan is monitored by the Safety and Health Committee on a six-monthly basis.

Commitment to employee environmental health

In accordance with the Environmental Good Practices Guide, the Bank is committed to providing healthy working spaces and continues to move forward in the implementation of environmental protection policies and sustainable criteria in the design of its centres. It also takes care of aspects such as energy efficiency, consumption control in air conditioning, heating, lighting and ventilation, or use of sunlight, among others.

The measures adopted to date have allowed us to obtain various certifications that recognise buildings that incorporate sustainable criteria in their design and high efficiency in their operation and maintenance.

The latest measures adopted include, namely, the use of environmentally-friendly products for cleaning all the buildings. This new system, which represents a major qualitative change, offers clear advantages with respect to safety and the environment:

- Reduction of chemical product handling risks.
- Minimum storage space.

- Disposal of uncontrolled discharges during transfer.
- Water savings in product use.
- Reduction of the Carbon Footprint: lower CO₂ (Greenhouse Gas) emissions from transport.
- Removal of plastic and cardboard container waste.

In order to continue moving forward, we have set up an Environmental Innovation Laboratory and the Energy and Environmental Efficiency working group, which is in charge of collecting, proposing and analysing the viability of ideas that may arise to continue reducing our operational environmental footprint and improving well-being in work spaces.

Employees who wish to make a suggestion can do so through the mailboxes enabled for such purpose. Any idea that can help us to improve environmental health or the responsible consumption of resources will be welcomed.

Measures to promote work/life balance

ABANCA Corporación Bancaria's Equality Plan, applicable to most of the Group's employees (the Bank's employees account for 85% of the Group's staff) significantly improves [work/life balance measures](#) compared to those set out in the sector's general regulations (Workers' Statute) and collective bargaining agreement, regulating the different elements that directly or indirectly affect work/life balance, such as leaves (reasons, duration, etc.), holidays, reduced workday, flexible workday, extended leave, gender violence, absence from work, training, enjoyment of social benefits in situations of suspension of contract, etc.

Furthermore, Group companies with more than 50 employees also have their corresponding Equality Plan formalised in the legally established terms, improving the minimums established in their collective bargaining agreements.

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 2020 ABANCA has a [Supplementary Welfare System](#). Said System is applicable to the

Bank's employees (which represent the majority of the Group's staff) and significantly improves the benefits envisaged in the two collective bargaining agreements in force in Spain that regulate 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.

Hybrid work

In 2023 the hybrid work model was maintained in the 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).

New sustainable mobility vehicles available in A Coruña, Vigo and Madrid

Once again, ABANCA made electric scooters and bicycles available to the employees at its head offices in Coruña, Vigo and Madrid with the aim of promoting the use of sustainable transport whenever possible, thereby contributing to promote sustainability and care for our planet.

The service had to be suspended during the pandemic to avoid health risks and was reactivated after the renewal and fine tuning of the vehicles.

ABANCA Sports Day

Sports once again claimed its prominence at the eighth edition of the ABANCA Sports Day. As usual, the sporting and social event brought together nearly 700 employees and their families at an encounter marked by team work, complicity and fun, which featured the presence and participation of ABANCA's Chairman, Juan Carlos Escotet Rodríguez.

This eighth edition broke all records in terms of participation, variety of sports and offices, becoming consolidated as one of the sporting, recreational and social events that kick off the summer at the Bank. As usual, most of the competitions were held at URECA's facilities in Nigrán (Pontevedra), but they also reached other areas of the Peninsula, with a strong presence of ABANCA in Extremadura, Madrid and Andalusia. Some participants chose the online modality, as several options were made available on our Actíivate platform.

This year's editions of ABANCA's Sports Day also aimed to go one step further in its commitment to sustainability. Precisely as part of the initiatives promoted by ABANCA during the Environment Month, each of the 84 trophies awarded was accompanied by a contribution to Grupo Naturalista Hábitat.

ABANCA Club summer camp

After suspending the latest editions due to the pandemic, the ABANCA Club resumed its traditional summer camp in 2023, in which nearly 100 children aged between 6 and 16, all sons/daughters of ABANCA employees, participated.

During the first week of September, the camp offered a wide variety of activities, both on land and aquatic. From intense rock climbing sessions to paintball matches, surfing, kayaking or ingenuity games and handicrafts, the girls and boys enjoyed days full of adventures and learning, and also had free time for excursions, board games and brain teasers, events and other activities which allowed them to enjoy a unique experience in a natural and safe environment.

>>>>> 7

INCORPORATIONS and expansion

TARGOBANK incorporation project and creation of ABANCA Asset Management

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' bank in Spain, Banco Caixa Geral. In 2020 ABANCA acquired Bankoa, whose incorporation process took place in 2021. The last incorporation completed in 2022 was that of the NovoBanco business in Spain, with the transfer of the activity to our technology and operating platform.

In October 2023, ABANCA finalised the acquisition of TARGOBANK España, whose technological incorporation process will be completed in 2024. The organisational structure that carries out the integration project consists of 13 mixed teams, composed of a total of 80 ABANCA and TARGOBANK employees. The teams are addressing the preparation, mobilisation and planning activities, a process that involves more than 400 people and 2000 tasks, with a clear focus on the customer and the business.

Also in 2023, ABANCA merged its two investment fund management companies, Imantia Capital and Bankoa Gestión into a single company, ABANCA Asset Management, a unified brand through which we are currently driving the growth of our off-balance sheet business.

In these two corporate transactions, as in all the transactions performed by ABANCA since 2014, the objectives that have been maintained in relation to employment and the people involved have been as follows:

1. Constant dialogue with the workers' legal representatives in all the companies, which is materialised in the negotiation of their incorporation to the ABANCA Group's staff and validation of employment and salary conditions, and the corresponding collective bargaining agreements;
2. The guarantee that they will perceive both total gross monetary remuneration and the gross salary under the collective bargaining agreement;
3. Priority is given to maintaining employment, seeking voluntary redundancies incentivised by mobility rather than external flexibility, including voluntariness as an impact criterion for capacity adjustment measures, which has involved a clear reduction in the impact on employment volume.
4. The application of internal flexibility measures in order to harmonise the conditions applicable to all employees as much as possible.

COMMITMENT ABANCA

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 possible adverse impacts 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](#).

Annual renewal of the declaration of conflicts of interest

In compliance with the requirements of the regulator, like every year, before 31 December 2023 all the employees of ABANCA and its investees (ABANCA Operador, ABANCA Correduría, ABANCA Vida y Pensiones, ABANCA División Inmobiliaria, ABANCA Gestión Operativa, ABANCA Servicios Financieros, S.A and ABANCA Gestión de Activos, S.A.) are obliged to renew their declaration of conflict (existence/non-existence) and submit it via the conflicts application to ensure the monitoring and traceability of individual commitments.

With this signature they also renew their commitment to comply with the Code of Ethics and Conduct.

This process reinforces their commitment to the corporate culture and to our obligation to preserve impartiality, rigour, transparency and responsibility in the exercise of our professional activity. In the Ethics Channels of our corporate Intranet, employees can consult ABANCA's Code of Ethics and Conduct, which is one of the essential pillars of our ethical, transparent and responsible corporate culture.

For ABANCA, respect for human rights is assumed as a minimum performance 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 persons from engaging in this type of conducts.

Measures in response to the economic situation

ABANCA has decided to adopt various additional measures to improve the sectoral agreement on team salaries reached in January between trade unions and Cecabank entities. The agreement was entered into with more than 75% of representation by the trade unions FINE, CCOO and UGT.

The agreement entered into, which helps mitigate the effects of inflation, consists of the creation of a new bonus called "Collective bargaining agreement improvement bonus", an amount equivalent to 4.25% of the base salary, with a minimum of €1,000, which will be paid as a lump sum payment in the first quarter of the year. 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 advancing the payment of the new bonus, the Bank has decided to implement a series of additional measures in recognition of the commitment demonstrated by the Bank's professionals. The additional measures will be as follows:

- As opposed to previous years, in 2023 neither the absorption nor compensation on the 1% salary increase envisaged in the collective bargaining agreement for this year will be applied.
- Recovery of the Variable Agreement Bonus without absorption or compensation.

With all these measures, and especially with the decision to exempt 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 acquisition of a permanent and habitual residence 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 apply. The measure, which was initially applied until June, was exceptionally extended to all of 2023.

Through this measure, ABANCA improves the interest rate both with respect to that which would have corresponded under ABANCA's Loans and Advances Regulation (1.838%) and that established in the main collective bargaining agreements of the banking sector (2.63% in financial savings banks and 2.78% in the banking sector).

ABANCA's Board of Directors approved three measures at its meeting in July:

1. Payment, in a lump sum, of 3% of the recoverable salary items of the second half of the year with a minimum of €500, by way of recognition of its employees work.
2. Implementation of an initial payment, on account, of 3% of the recoverable salaries after 1 January 2024.
3. Extraordinary payment of an additional 25% of the variable remuneration in 2023.

With the approval of these measures, the Bank's senior management wants to acknowledge the effort and contribution of all the people who make up the ABANCA team, which is reflected in the Bank's recurring results.

Tuition and nursery school aid for children

Tuition or nursery school aid for children can be requested by all the people who work at the Bank and its investees. All employees with descendants born after 1 January 1998 are entitled to this aid.

The aid for this year is €510 per child born between 1 January 1998 and 31 December 2020, duplicating this amount in case of overnight stays away from home for study purposes (due to not existing in the place of residence) and €925 in the case of children born after 1 January 2021. In the event of disabled children, these amounts would be increased up to €3400.

For children born between 1 January 1998 and 31 December 2022, payment of the aid is conditional upon the accreditation of studies.

Relationship with workers' representatives

We are firmly committed to our employees' labour rights, guaranteeing 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"), in addition to promoting 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. Therefore, 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 2022 trade 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 Workers' Committee corresponding to 18 committee electoral constituencies and 26 delegates corresponding to 22 constituencies to workplaces with less than 50 people were elected. A total of 200 representatives were elected out of a total representation of 210.

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 highest governing body and senior managers of the ABANCA Group is published on the [corporate website](#), in 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 directors, which is published annually on the corporate website, in the section on Corporate Governance and remuneration policy.
- Additionally, in the section on Information with Prudential Relevance, under financial information, the [Remuneration policy for the senior management and the identified collective](#) can be consulted.

We transformed our corporate headquarters in Vigo to open it to the economy and society

The García Barbón corporate headquarters in Vigo will undergo the most ambitious metamorphosis in its seven decades of history. This will be possible thanks to the project for opening the building to the business world, economy and society. Although they are expected to become a reality in the last quarter of 2024, the different spaces will become operational as the works are concluded.

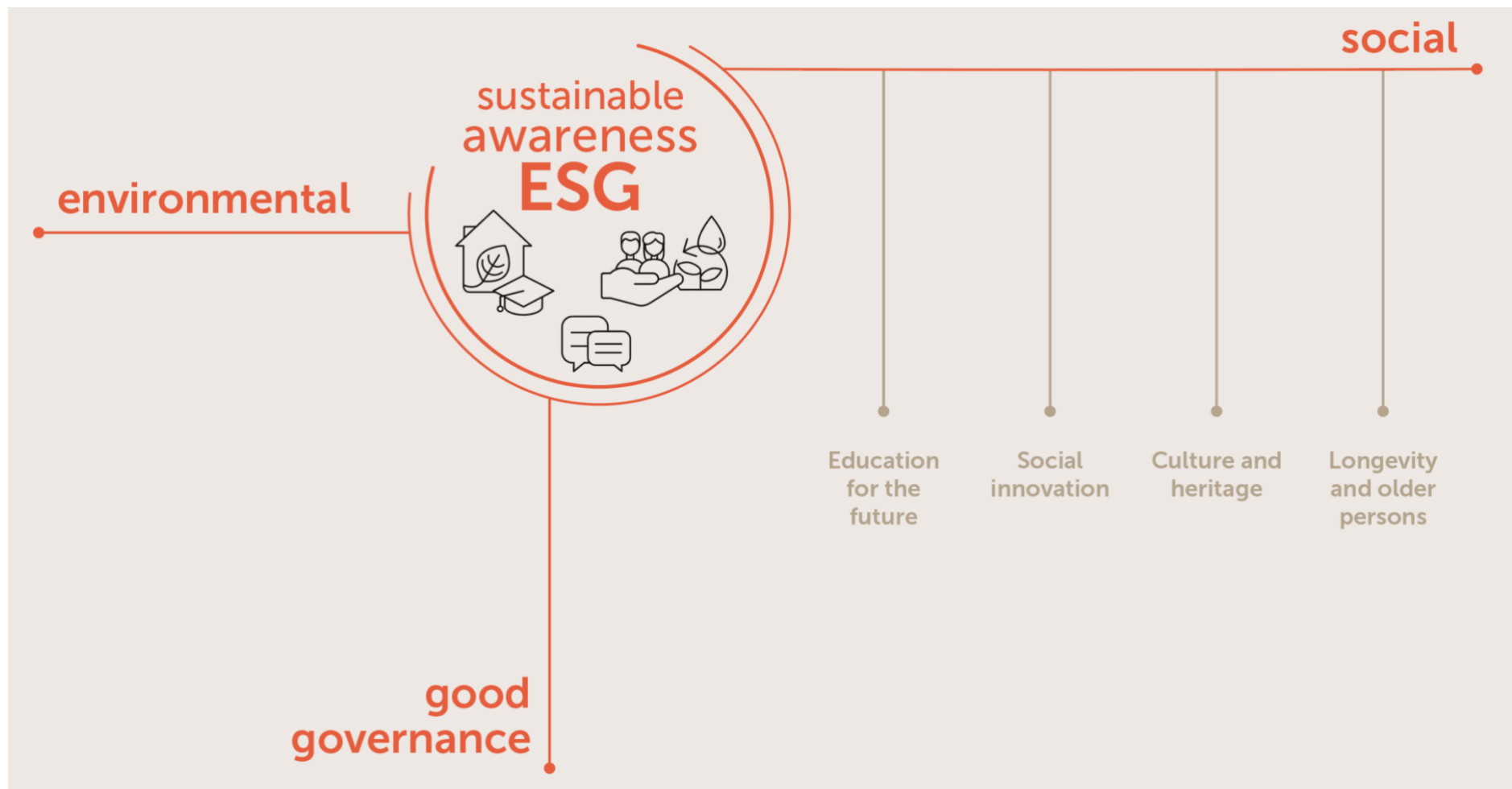
Sustainability and people at the heart

Another vector that drives the transformation of the building is sustainability. This is because the project will allow us to move forward in our cross-cutting commitment to this aspect, which is doubly deployed both in the business strategy and in other key buildings of the Bank. As set out in the Strategic Sustainability Plan, this action will implement new environmental footprint reduction protocols, specifically focused on consumption of paper, water and other resources, but also on the reduction of energy consumption and investment in renewable energy sources.

The more than 500 people who discharge their functions in the building, between commercial network professionals and support staff, will discover a more collaborative environment, adapted to the flexibility required by the new ways of working, making it easier to share ideas between teams and with specific spaces for meetings. Additionally, new spaces enabled as rest areas will be created.

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, which 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 area.

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. In order to achieve these objectives, it has continued calculating its carbon footprint and has established annual emission reduction objectives, underpinned by the strategic sustainability plan. It also 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.

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 a signatory to 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 chapter on ABANCA Responsible.

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 a 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.

In order to continue implementing sustainable centres, ABANCA has two people on its staff with "BREEAM Associate" certification. This certification accredits knowledge of the design of sustainable spaces according to BREEAM certification, allowing the Bank to effectively establish sustainable criteria in the development of new construction solutions and analysis of new work centres.

In 2023, ABANCA implemented four new head offices with the AENOR Zero Waste seal, totalling ten head offices with the system implemented. Additionally, ABANCA renewed the AENOR Zero Waste seal for the Serrano centre, the A Coruña and Madrid head offices and the ABANCA Seguros head office in A Coruña, which certifies the recycling of more than 90% of the waste generated therein.

Furthermore, the **ISO 9001 and ISO 14001** certifications were successfully renewed at two of ABANCA's 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, support reforestation in areas affected by natural disasters and establish appropriate environmental management mechanisms.

The documents were approved by the Bank's highest governing body and were externally published for consultation by all stakeholders.

- **Sustainability policy**

The sustainability policy 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 United Nations Sustainable Development Goals (SDG), Principles for Responsible Banking (PRB) and Principles of Responsible Investment (PRI). 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 and Environmental Efficiency (EEE) working group, which develops the necessary procedures to ensure the viability of the application of the energy and environmental policy and to fulfil objectives underpinning it 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 to the promotion of best practices in management systems, a commitment to service excellence.

Other policies related 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. The guide was implemented in 2022 and revised and updated in 2023 to include new environmentally beneficial actions in the Bank's daily operations.

The guide 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.

>>>> 1

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.

Carbon Disclosure Project (CDP)

In 2023, ABANCA responded to the climate change survey for the first time in the *Carbon Disclosure Project* (CDP) initiative.

With this first response, the Bank seeks to continue moving forward in its strategy against climate change and establish the basis for continuous reporting in the initiative with the aim of making progress in the work being carried out at Bank level.

Environmental performance

3-3, 413-2

ABANCA is an entity committed to the environment and, to this end, measures, manages and adopts measures for reducing its environmental impact in order to promote the sustainable consumption of resources and a positive effect on health and well-being.

The Bank is reinforcing its environmental plan and monitoring the performance of the different established indicators and metrics, serving as an environmental roadmap and management mechanism, and encompasses all the actions for monitoring and measuring the progress made.

a. Building Environmental Innovation Laboratory (LIMI)

In 2023 ABANCA created the collaborative working group "Building Environmental Innovation Laboratory (LIMI)".

The objective of the LIMI working group is to identify ideas and areas for improvement in the Bank's environmental and energy management in order to subsequently work on, drive and develop and previously identified opportunities to convert them into new measures and actions that can be included in ABANCA's strategic environmental and energy efficiency plans.

The structure of the working group's activity during the year can be summarised in the following activities:

- Panel of ideas where the working group's proposals are collected
- Collection of the Bank's environmental and sustainability proposals
- Identification of environmental actions
- Identification of areas for developing the measures proposed earlier

b. Energy

In 2023, ABANCA obtained the energy certificate in all its buildings for corporate use in Spain. Obtaining the energy certificate allows the Bank to effectively identify the different centres for implementing the different measures of ABANCA's energy efficiency strategy.

Energy efficiency

In 2023 it continued applying its Strategic Energy Efficiency Plan 2021-2024, an essential tool for advancing in the organisation's decarbonisation by reducing energy consumption. Within this framework, various actions have been implemented, namely:

Global Energy Efficiency Plan 302-4	2021	2022	2023	Variation over 2022
Number of branch offices with automatic shut-down of air-conditioning systems	356	528	562	6.44%
Number of obsolete cooling units replaced	31	31	47	51.61%
Number of lamps for the warehouse LED lighting project		2,453	643	-73.79%
Percentage of reduction of energy consumption	1.8%	5.1%	2.26%	N/A
Reduction in consumption (Gj)	1,668.61	4,604.32	1,381.02	-26.20%

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).

In 2023, 565 centres were monitored with a results of 2.26% savings (383,618.00 kWh).

Projects

The projects implemented in 2023 with the most significant impact on the indicator were as follows:

- Automated climate control power down project, encompassing a total of 562 connected offices.
- Project for the renewal of obsolescent climate control equipment, through which 47 climate control installations were renewed.
- Replacement of LED luminaries and sensorisation in warehouses, which involved renewing the lighting in one industrial plant and one warehouse, installing 643 LED lamps equipped with timed push-buttons.

Additionally, in 2023 it implemented a contracted power adjustment project for power optimisation, generating energy savings.

In 2023 ABANCA also implemented the innovative project “Smart Energy Solutions”, which consists of the real-time smart management of the indoor climate of its buildings through “Big Data Machine Learning”, guaranteeing employees' comfort and energy savings thanks to efficient energy management. This project was initially implemented in ABANCA's three main head offices (A Coruña, Madrid and Vigo).

Renewable energy sources

ABANCA, through the Agreement entered into with ENDESA in 2021, managed to certify 100% 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 302-1 , 302-3 , 302-4	2021	2022¹⁴	2023	Variation over 2022
Energy (GJ)	86,762.41	85,462.03	84,728.73	-0.86%
Energy from renewable sources (GJ)	81,487.82	83,085.33	82,753.50	-0.40%
Energy from non-renewable sources (GJ)	5,274.60	2,376.70	1,975.23	-16.89%
Electricity (GJ)	83,864.32	83,314.68	82,753.50	-0.67%
Fuels (GJ)	2,898.10	2,147.35	1,975.23	-8.02%
Energy intensity (GJ/employee)	15.03	14.74	14.19	-3.75%

Additionally, ABANCA promotes different initiatives for the production of photovoltaic energy for self-consumption:

- It owns two photovoltaic plants that generate 121,267 kWh in A Coruña and 83,631 kWh in Navarre.
- In 2023 ABANCA completed the implementation of the "Pocomaco Energy Community" in the Bank's industrial plants located in A Coruña, with the objective of increasing the production of photovoltaic energy for the Bank's own consumption. The implementation of this energy community resulted in a production of 200,604 kWh in 2023, being ABANCA's photovoltaic installation with the highest energy generation.

c. [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 is progressing in the use of environmentally friendly materials that can subsequently be recovered, reused or recycled, and whose content is non-hazardous. And also in more efficient waste management capable of re-integrating discarded materials back into 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 2023, at the centres where it has obtained Zero Waste Certification and at those where Zero Waste

¹⁴ In 2023 the energy consumption of fuel in 2022 which affects total energy, non-renewable energy sources, fuels and energy intensity was adjusted from 84,814.39; 1,729.06; 1,499.71 and 14.63 to 85,462.03; 2,376.70; 2,147.35 and 14.74, respectively

measures have been implemented. In 2023 ABANCA had ten centres with Zero Waste measures compared to six centres in 2022, increasing the amount of waste managed and reducing environmental impact through the recovery of the waste generate.

Waste	2022	2023	Variation over 2022
Total waste generated (kg)	67,918.0 Kg	89,469.2 Kg¹⁵	31.73%
HAZARDOUS WASTE	31,798.0 Kg	43,263.5 Kg	36.06%
Recovered (recycled, reused)	29,005.5 Kg	39,392.3 Kg	35.81%
+ Batteries	62.0 Kg	96.0 Kg	54.84%
+ Electrical and electronic equipment (WEEE)	28,235.5 Kg	39,141.8 Kg	38.63%
+ Toner	691.0 Kg	146.0 Kg	-78.87%
+ Refurbishment waste ABANCA Collection	17.0 Kg	8.5 Kg	-50.00%
Eliminated (landfill, incineration)	2,792.5 Kg	3,871.20 Kg	38.63%
+ Toner	0.0 Kg	0.00 Kg	
+ WEEE	2,792.5 Kg	3,871.20 Kg	38.63%
NON-HAZARDOUS WASTE	36,120.0 Kg	46,342.82 Kg	28.30%
Recovered (recycled, reused)	34,402.0 Kg	45,476.62 Kg	31.19%
+ Paper and cardboard	16,245.0 Kg	19,678.00 Kg	21.13%
+ Confidential paper	6,456.0 Kg	14,486.80 Kg	124.39%
+ Plastics and containers	11,347.0 Kg	9,809.00 Kg	-13.55%
+ Organic	0.0 Kg	1,365.72 Kg	
+ Glass	88.0 Kg	137.10 Kg	55.79%
+ Pallets	266.0 Kg	0.00 Kg	-100.00%
Eliminated (landfill, incineration)	1,718.0 Kg	866.20 Kg	-49.58%
+ Paper and cardboard	0.0 Kg	74.00 Kg	
+ Confidential paper	0.0 Kg	4.80 Kg	
+ Organic waste	892.0 Kg	10.60 Kg	-98.81%

¹⁵ Includes electronic waste managed by Revertia, including the waste managed for Afundación, which amounted to 3,568 Kg.

+ Residual fraction	826.0 Kg	776.70 Kg	-5.96%

Each of the centres is obliged to furnish all the Identification Documents (ID) of each of the categories collected (paper, cardboard, confidential paper, toner, batteries, etc.) so that this weight can be recovered in each Zero Waste certification and renewal, due to which it is an indispensable requirement. In the case of electronic waste, it is properly separated at our facilities in order to subsequently be removed by Revertia, a company specialising in the management of WEEE.

In 2023, 84,868.97 Kg of waste was recovered (recycled, reused), accounting for 94.71% of waste generated, while only 6% was sent to landfill.

Zero Waste Project

In September 2020, ABANCA launched the Zero Waste project with the aim of improving waste management and reducing its carbon footprint. 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.

In 2023 the implementation of the Zero Waste measures was extended to four new centres in Galicia, totalling ten centres with system implemented, four of the with AENOR certification.

In order to properly implement the Zero Waste measures, ABANCA has employees with Zero Waste training, allowing it to lead the development of these measures at the Bank's different centres and train its employees.

In 2023, 45,655.1 Kg of waste was recovered (recycled, reused), accounting for 98% of waste generated, while only 2% was sent to landfill. The recovery of paper and cardboard also contributes significantly to the reduction of greenhouse gases versus landfill disposal.

Recovered Zero Waste centre waste	2023	Emissions avoided
Paper and cardboard	19.7 t	22.5 tCO ₂ e
Confidential paper	14.5 t	16.6 tCO ₂ e

Thanks to the recycling of paper and cardboard, ABANCA has avoided the emission of 39.1 tonnes of greenhouse gases into the atmosphere, equivalent to planting 24 trees for absorbing these emissions.

In 2023, six training actions were carried out 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.

Containerisation of centres

Aligning itself with the Zero Waste methodology already applied at the Bank, ABANCA continues implementing efficient waste management at its centres by containerising centres with at least 50 employees as a first measure for properly processing it.

In 2023 this process was carried out at seven ABANCA centres with the objective of continuing its implementation at new centres in the coming years.

Zero Waste project partners

For the different training actions accessible to all employees with information on the importance of reducing waste and separating it properly both in professional and personal settings, in 2023 the project is supported by a group of 67 colleagues (called allies) who reinforce the training and sensitisation actions, explaining how waste should be separated to the other users of its plants and clarifying any doubts that may arise. Its effort and perseverance is undoubtedly one of the keys to the success obtained through this project.

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 2023, Revertia withdrew more than 43 tonnes of electronic waste from our facilities. Of the waste managed, we managed to reuse 65% of material received from desktop PCs; 84% of material received from tablets; 73% of material received from laptops; 10% of material received from LCD screens; 4% from components; and 5% from servers. 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

	2021	2022	2023	Variations/2022
Electronic waste managed (kg)	75,283.0	31,028.0	43,013.0	38.63%
Electronic waste removed (t)	75.0	31.0	43.0	38.71%
Electronic waste recycled (t)	7.1	28.2	39.1	38.65%
Electronic waste reused (t)	1.3	0.1	4.6	4,550.00%
Emission savings due to reuse (tCO ₂ eq)	77.4	24.0	84.0	250.00%
Household energy consumption during one year (no.)	78.0	29.0	89.0	270.83%
Distance travelled by one vehicle (km)	381,329.0	119,390.0	413,634.0	246.46%

The reuse and recycling processes made it possible to avoid the emission of 84 tonnes of CO₂, equivalent to 413,634 km travelled by a vehicle or to the energy consumption of 89 households during one year.



d. 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, which is granted to products that guarantee a high level of environmental protection throughout their life cycle.

In 2023 a new project was developed for replacing physical cards with QR codes, giving users the possibility of making this transition to promote the less consumption of paper.

Paper consumption	2021	2022¹⁶	2023
Total (t)	215.06	212.80	204.19
Percentage variation	-29.24%	-1.05%	-4.05%

e. Water

Water is only used in offices by the ABANCA team and cleaning services, and is defining measures to reduce it, including the following:

- In 2023 a pilot project for adjusting flow rates on taps, obtaining water savings results between 5% and 50% without affecting the performance of the staff's activity. The scope of the reduction in water consumption due to this measure was contrasted with a daily monitoring project in the García Barbón building, serving as a basis for establishing a guide to saving water.
- In 2023 the installation of elements that make it possible to reduce the consumption of water continued: flow rate reducers, diffusers, pressure limiters in taps, installation of timer taps and prioritising the installation of individual presence detectors, avoiding those that collectively activate discharge systems, limiting cistern capacity by maintaining cleaning capacity with water savings. In 2024 the Bank will continue to extend the implementation of these elements to the other centres that do not currently have them.
- Implementation of a leak monitoring and early detection protocol that enables the detection of anomalous consumption in order to be urgently reviewed by maintenance teams and remediate incidents.
- Establishment of an adequate operation and maintenance programme (control of pH, alkalinity...) to reduce water consumption in cooling towers.
- Updating of the water-saving policy for centres and updating of the Guide to Best Practices, informing of its application and responsible use of water.
- Review of cleaning processes to favour water savings.
-

¹⁶ Paper consumption was corrected in 2022, going from 132.16 to 212.80 tonnes due to an adjustment in weight of DIN A4 paper (the weight of a 1,000 gramme packet is modified to 2,600 grammes, which is the right weight).

Consumption	2021	2022	2023	Variation (%) s/2022 ¹⁷
Water (m ³)	28,003	29,217	27,631	-5.43%

f. 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 branch offices and central services buildings at the end of 2022.

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.

g. 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.

In the 2022 ABANCA obtained the "Calculate and Reduce" seal after having registered its carbon footprint for four consecutive years at the Spanish Climate Change Office.

¹⁷ Comparison to similar pre-pandemic levels.



For the calculation, an ad hoc tool was employed 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 2023 GHG inventory has maintained the same organisational and operational limits as previous periods. In 2023 the Bank's emissions increased compared to previous years, being Scope 3 and, to a lesser extent, Scope 1, the main reason for the increase.

Scope 3 emissions have increased due to the growth associated to staff mobility and which is related to the return to corporate and business activity similar to pre-pandemic levels, and to strategic integration projects that require greater mobility.

Externally to ABANCA, the emission factors for DEFRA's air travel increased to 39% compared to 2022, implying an increase in emissions associated with travel over which the Bank has no capacity to act.

In the case of Scope 1, in addition to the previously described corporate activity, in 2023 there was an exceptional recharge of refrigerant gas of 40 Kg at one of the centres as a result of a breakdown produced by a third party, increasing emissions for causes external to the Bank.

Emissions 305-1, 305-2, 305-3, 305-4, 305-5	2021 ¹⁸	2022 ¹⁹	2023	% Variations/2022
Scope 1 (tCO ₂ eq) ²⁰	700.93	911.84	1,004.36	10.15%
Scope 2 (tCO ₂ eq)	158.42	17.35	0.00	-100.00%
Scope 3 (tCO ₂ eq) ²¹	1,560.16	1,959.04	2,592.07	32.31%
Total	2,419.51	2,888.23	3,596.43	24.52%
Staff emission intensity (tCO ₂ eq)	0.40	0.50	0.60	20.89%

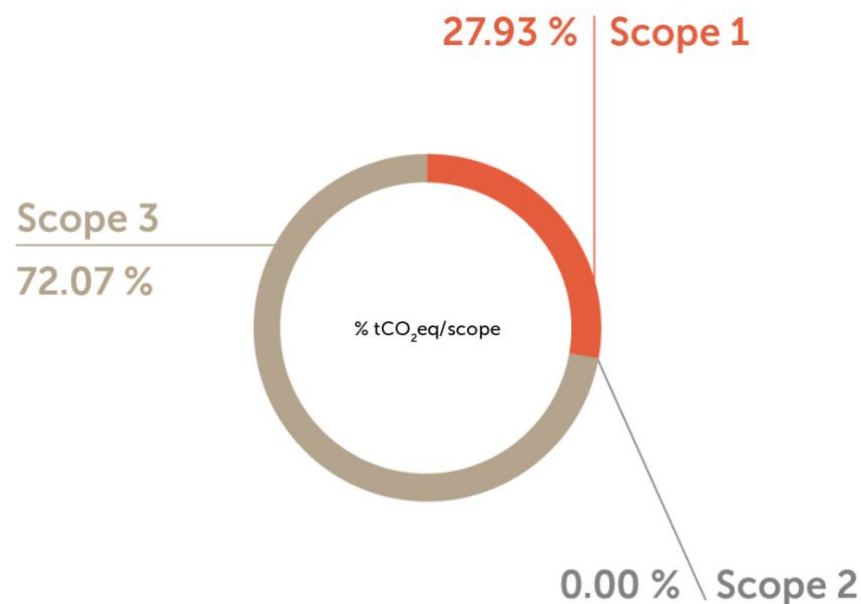
Of the 3,596.43 tonnes of total CO₂eq emitted in 2023, 72.07% corresponds to Scope 3 and 27.93% to Scope 1, with zero contribution from Scope 2 when consuming electricity with guarantee of fully renewable origin.

¹⁸ Values adjusted in 2023 due to updated emission factors.

¹⁹ Values adjusted in 2023 due to updated emission factors and adjustments in gas oil consumption.

²⁰ Direct emissions arising from the consumption of refrigerant gases and fuel.

²¹ Direct emissions associated with business trips; losses in the transmission and distribution of electricity; and the extraction, production and transport of fuels consumed.

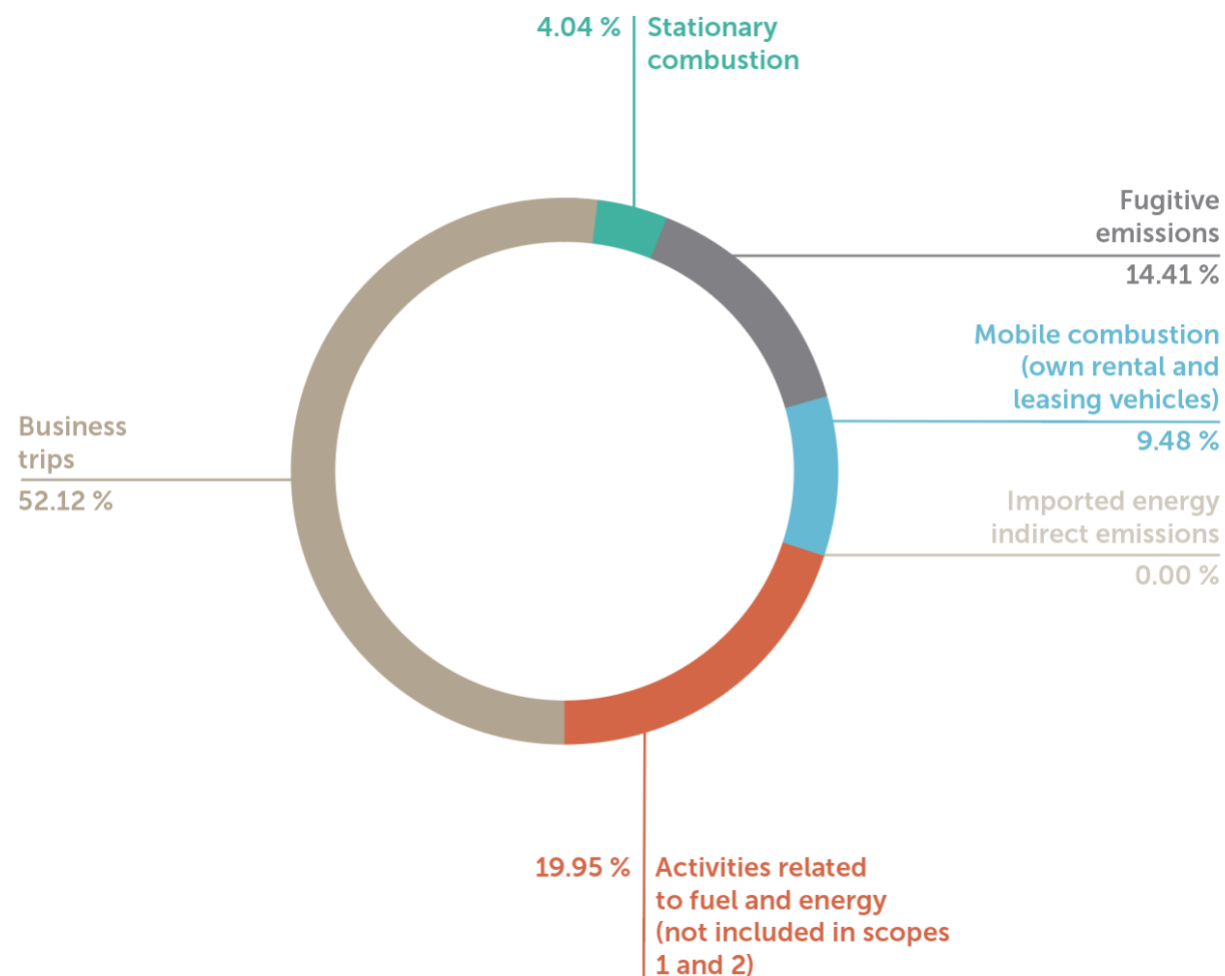


Although Scope 2 does not contribute to the total carbon footprint of the organisation, energy consumption in branch offices and premises is ABANCA's most significant source of emissions. For this reason, in addition to implementing specific measures through the Global Energy Efficiency Plan, the purchase of green energy with certificate of origin is maintained, which has made it possible to reduce emissions within the aforementioned scope by 100% in 2023.

Energy consumption	2023
Emissions according to the "market-based" method, including GdOs (Guarantee of Origin and Labelling of Electricity).	0.00 tCO ₂ eq
Emissions according to the "location-based" method ²² , not including GdOs (Guarantee of Origin and Labelling of Electricity).	6,180.93 ²³ tCO ₂ eq

²²According to the GHP Protocol, Scope 2 emissions must be reported according to the market-based method (based on the country's localisation or mix)

²³ Figure obtained from the electricity mix for Spain and Portugal. Spain: 0.273 kgCO₂eq/kWh (Source: CNMC. Spain, 2022). Portugal: 0.20 kgCO₂eq/kWh (Source: CNMC. Association of Issuing Bodies, 2023).



Within Scope 3, business trips are responsible for 52.12% of ABANCA's global emissions, of which 46.58% come from travelling in employees' cars, 46.14% from air travel and the remaining 7.28% from travelling 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	2021	2022 ²⁴	2023	Variations/2021
Scope 1 (tCO ₂ eq) ²⁵	1,230.33	400.76	213.51	-82.65%
Scope 2 (tCO ₂ eq)	0.00	0.00	0.00	0.00%
Scope 3 (tCO ₂ eq) ²⁶	108.07	217.91	138.71	28.35%
Total	1,338.39	618.67	352.22	-73.68%

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 entity anticipated the climate neutrality objective included in its 2021-2024 Sustainability Plan because the Bank is carbon-neutral since 2020.

The reduction and offsetting actions defined by ABANCA to progress towards the decarbonisation of its operations include, namely, the following:

- a. **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.

²⁴ 2022 data differ from those reported in the CSR report 2022 because some calculations have been readjusted in accordance with the emission factors of suppliers and emissions from corporate travel have been included in Scope 3 that had not been properly detected.

²⁵ Direct emissions arising from the consumption of refrigerant gases and fuel.

²⁶ Direct emissions associated with business trips; losses in the transmission and distribution of electricity; and the extraction, production and transport of fuels consumed.

- b. **100% renewable energy consumption.** In 2023, 100% 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).
- 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. **Offsetting of 100% of operational GHG emissions that cannot be mitigated through reduction measures.** Through sustainable environmental restoration and 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 offsetting 100% of its carbon footprint in 2020 and 2021 through absorption projects that included the plantation of autochthonous species such as *Quercus suber*, *Pinus pinaster* and *Fraxinus excelsior* in the forests of the Galician provinces.

In 2022 forest areas that occupy a total surface area of 233.65 hectares were restored in different municipalities of the four Galician provinces, such as O Rosal, Dodro, O Valadouro, Lobeira or Lalín. 350,000 trees have been planted in this surface area, which brings us closer to exceeding 500,000 trees planted since 2020.



The aforementioned compensation model is applied for 100% of the carbon footprint in 2022, in the process of being registered at the Spanish Climate Change Office.

h. Financed footprint

ABANCA, in line with the climate commitments acquired (detailed in the chapter of ABANCA Responsible), has defined new decarbonisation objectives 2030.

In doing so, it also responds to the commitment to address the climate emergency and as signatory to the Net-Zero Banking Alliance (NZBA), which is aimed at achieving the decarbonisation of the credit and investment portfolios by 2050 to fulfil the objectives of the Paris Agreement.

ABANCA establishes new objectives and undertakes to reduce emission by 2030 in three key sectors: fossil fuels, automotive and aluminium, to progress towards net zero emissions in its customer portfolio by 2050. This commitment

is added to that published in 2022, which establishes emission reduction objectives for the steel, aviation and cement sectors, and the coal financing exit plan.

ABANCA broadened its decarbonisation pathway in 2022 and undertakes to reduce the intensity of carbon emissions from its credit portfolio by 30% for the fossil fuel sector, 25% in automobile production and 20% in aluminium production between 2022 and 2030.

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 its credit finance and investment portfolio.

SECTOR	EMISSIONS SCOPE	METRICS	REFERENCE SCENARIO	BASE YEAR (2021)*	TARGET 2030	REDUCTION TARGET
Steel	1+2	tCO ₂ e/t-steel	IEA Net Zero 2050	0.790	0.593	25%
Aviation	1	kgCO ₂ e/Revenue Tonne Kilometer	IEA Net Zero 2050	1.269	0.799	37%
Carbon	1	tCO ₂ e	Phase-out commitment in 2030	-	Phase-out commitment in 2030	100%
Cement	1+2	tCO ₂ e/t-cement	IEA Net Zero 2050	0.707	0.566	20%
Fossil fuel	1+2+3	tCO ₂ /GJ	IEA Net Zero 2050	0.081	0.057	30%
Automotive	3	tCO ₂ e/K€ (revenue)	n/a	1.205	0.903	25%
Aluminium	1+2	tCO ₂ e/t-aluminium	IEA Net Zero 2050	0.631	0.504	20%

*For the fossil fuel, automotive and aluminium sectors, the baseline year is 2022.

- ABANCA is adopting a gradual approach in the publication of these objectives, which makes it possible to adapt its objectives to the changes being made in the regulatory framework and to the information published by the main emitters. These decarbonisation pathways will be reviewed as more and more companies publish their carbon footprint data and the methodologies used as a reference will be refined.

- 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.
- Reduction targets follow emission intensity metrics by production unit, with a starting point in 2021 and 2022 and a target for 2030 for the seven sectors (among the 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.
- Following the EBA's request for Pillar III ESG templates and with respect to the publication of 2022, the CNAE (Spanish National Classification of Economic Activities) criteria that configure the different sectors have been aligned with template 3 of said report. This redefinition has caused a slight variation in the intensity of the steel sector of 0.832 to 0.790 tCO₂/t-steel in the baseline year.
- 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.
- This disclosure does not include the public sector, the fixed and income and equities portfolio, or the credit portfolio outside Spain.

The Bank's efforts are focused on the opportunity of accompanying its customers with financing in the development of new, less emission-intensive technologies, thereby helping them in their transformation and efficiency improvement processes. In addition to identifying and establishing measures against potential risks arising from climate change.

>>>>> 2

INITIATIVES for biodiversity protection, sensitisation and climate change

413-1

26,644

kg of waste
collected in the
2023 campaign

From sea
beds
92%

From
beaches
8%

24,422

kg of waste collected
from sea beds

3
days

317
participants

295
fishermen,
shellfish gatherers,
flat-bottomed boats
and scuba divers

217
boats

2
containers installed
in the ports of Ferrol
and Cambados

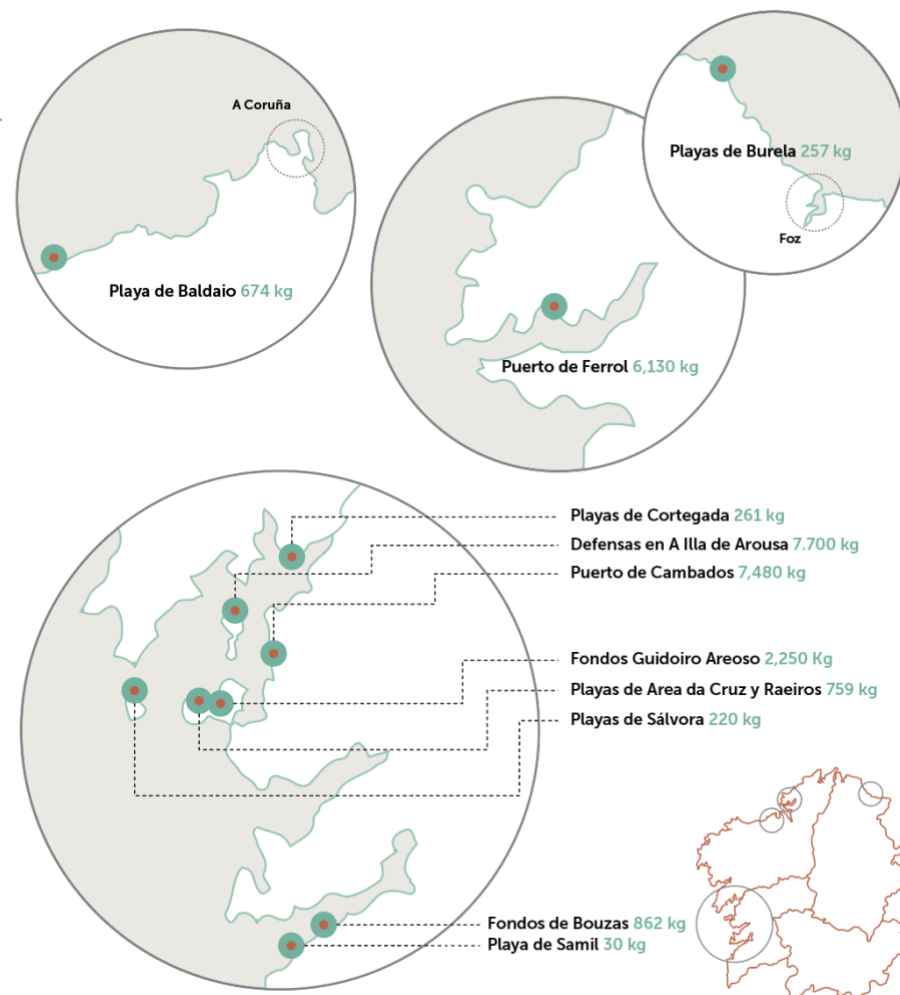
27
entities

2,222

kg of waste collected
from beaches

8 working days

647 volunteers



Awareness of environmental care, promotion of sustainable habits and the implementation of direct actions in this regard constitute the differential of ABANCA's Social Welfare Project in this initiative. From volunteering activities in the field to promoting environmental care among schoolchildren, more than 1,164 people committed to us in the protection of our planet.

PLANCTON

This year, the PLANCTON programme was awarded the first national environment prize by CECA, the Spanish Confederation of Savings Banks. In this edition, which included the collaboration of fishermen's guilds, shellfish gatherers, sailing and diving clubs, a total of 26.6 tonnes of waste was removed from beaches and seabeds along the Galician coasts, a task possible thanks to the active participation of the “Act” volunteers, integrated by professionals of ABANCA and Afundación, volunteers of the fisheries sector, students of the Intercontinental Business University (UIE) and of Afundación's vocational training centres in Vigo and A Coruña, in addition to the older persons of the espazos +60 of ABANCA's Social Welfare Project.

In addition to the actions in coastal areas, Afundación has a specific activity focused on our botanical richness. “Working for the improvement of natural heritage” focuses on studying where reforestation or the eradication of invasive floral species are more necessary. With a total of 839 volunteer participants, also within the framework of “Act”, in 2023 eleven campaigns were organised under the umbrella of this programme. In 2023 more than 3.4 tonnes of invasive exotic plants were removed and 850 trees were planted in nine days of work.

Naturnova

The involvement of schoolchildren in the care of the environment is carried out through Naturnova, the interactive environmental education centre of ABANCA's Social Welfare Project, in addition to direct action at schools through the multidisciplinary programme “Planting trees with paintbrushes”.

Located in Vigo, Naturnova designs a specific programme during the year through which schoolchildren and their families can discover the natural wealth of the Galician estuaries, climatic variety on Earth or the diversity of celestial bodies in our galaxy. It includes the PLANCTON interactive module, designed with the aim of educating and raising awareness among students about the vital importance of preserving sea birds in Special Protection

Areas for Birds (SPAs) in Galicia, in addition to addressing the problems associated with marine pollution. Through two interactive games, each with different modalities, visitors will have the opportunity of becoming familiarised with Galician sea bird species and explore the different forms of marine pollution that affect our beaches and oceans.

“Painting trees with paintbrushes” is developed in schools, where students paint murals with photocatalytic pigments that absorb pollutant gases. In 2023 the Teresa Herrera Maternity and Children's Hospital in A Coruña joined this initiative, in which 25 child patients of the centre participated.

In total, more than 4,916 students planted trees with paintbrushes with Afundación last year.

Environmental and climate training

In 2023 ABANCA organised two training sessions for its employees, delivered by subject matter experts, which addressed different environmental impacts, their reporting and initiatives and measures for mitigating them as part of its environmental awareness strategy. 87 people participated in these sessions.

The first of the training sessions focused on climate change, where employees were shown the national and international regulations in the fight against climate change, the calculation of the carbon footprint, the Science Based Target initiative and emission reduction, the concept of climate neutrality and offsetting of emissions and analysis of climate change risks and opportunities, offering a comprehensive view of the relevance of fighting climate change.

The second session focused on other environmental impacts and on the circular economy, addressing the concept of life cycle analysis and how it applies to different daily products. It also addressed the concept of environmental footprint, raising awareness of environmental impacts other than climate change and the existence of different footprints in addition to the carbon footprint. Lastly, a module focused on sustainability at facilities was delivered, sensitising employees about the importance of energy efficiency, how sustainability in buildings is certified and how to carry out efficient waste management, showcasing the value of the Bank's Zero Waste project.

Environment month

ABANCA has carried out different actions in June 2023, within the 2023 Environment Month actions campaign, launched on 5 June, the day on which World Environment Day is celebrated, encouraging employees to be an active part of the fight against climate change.

- a. **We recycled 124 kilos of electrical and electronic equipment**, various ecopoints dedicated to the collection of small electrical and electronic equipment that no longer work or have become obsolete were installed at the Madrid (Recoletos, 4), Vigo (García Barbón) and A Coruña (Rúa Nueva, 30; Pocomaco and Riego de Agua). Thanks to the collaboration of our colleagues, we were able to recycle 124 kilos of waste.
- b. **We used the compost generated at our centres**. In June more than 30 colleagues requested the compost we generated with the recycling of organic waste at the centres in Rúa Nueva, 30, Riego de Agua, Pocomaco, García Barbón and Recoletos 4. It was delivered using bags made from advertising tarpaulins, an initiative launched in conjunction with Fundación Adcor, a non-profit organisation dedicated to improving the lives of adults in a situation of dependency, thereby promoting reuse.
- c. **We celebrate sustainable mobility**. By bicycle, scooter or walking, our employees took a step forward in sustainable mobility. This is because in June we also called on all our colleagues to share photos of the means of transport they use to commute on a daily basis. A total of 70 people participated in this initiative, sharing inspiring images that reflect their commitment to reducing the carbon footprint. In recognition of their enthusiasm and contribution, the Bank gave a small donation to the Hábitat naturalist group for each photo received.
- d. **We combine sports and sustainability**. This year's edition of ABANCA Sports Day also aimed to go one step further in its commitment to sustainability. Thus, each of the 84 trophies delivered during the event were also accompanied by a donation to the Hábitat naturalist group.

ABANCA Seguros Life Insurance

In line with the previous initiative, since the commercial launch of ABANCA Seguros Life Insurance in June 2022, for each new policy taken out the Bank donates €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 2024.



Socially committed

We will donate €1 to the social initiative
of your choice.

Earth Hour

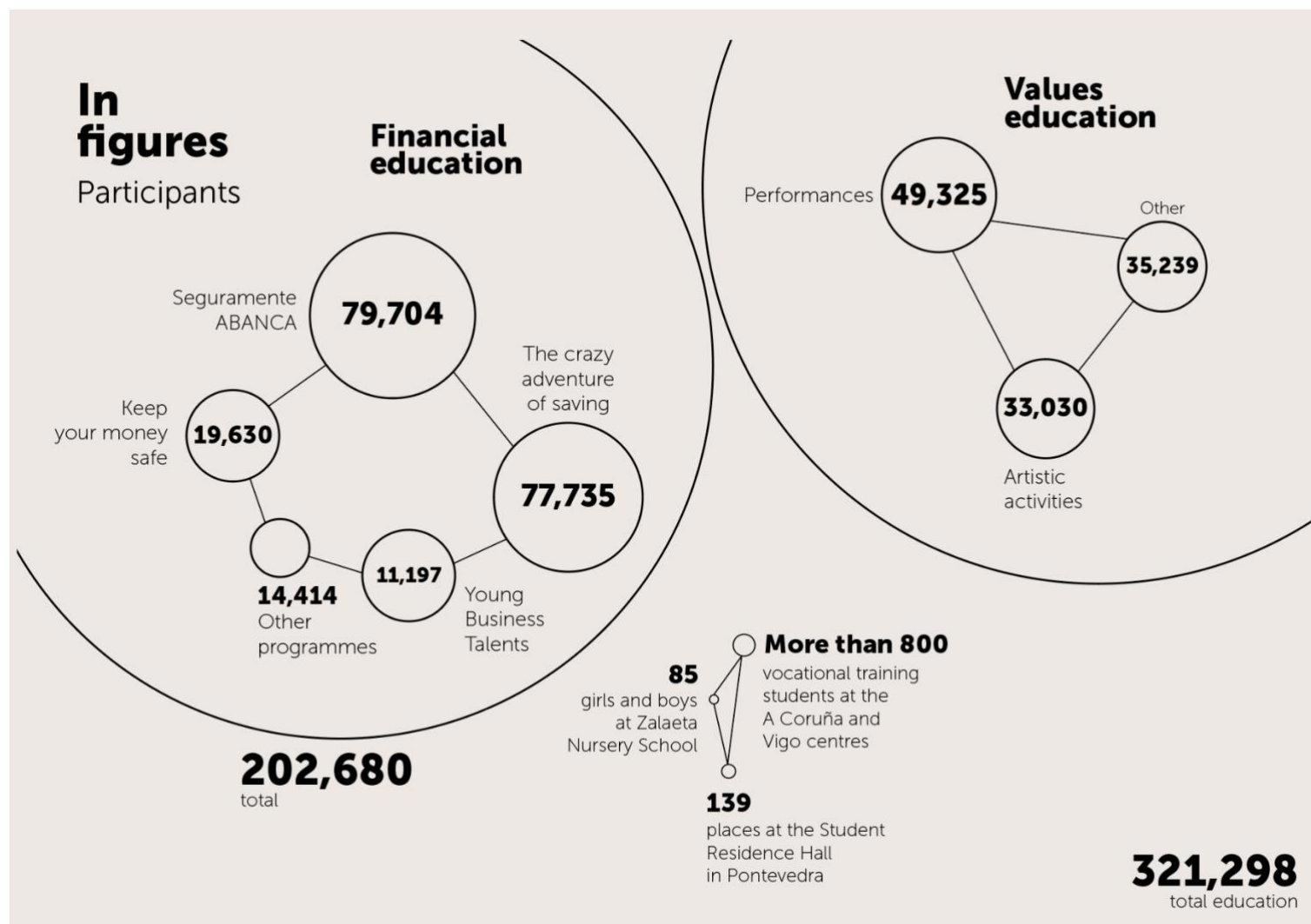
For another year, ABANCA, Afundación and the UIE participated by powering down their head offices on "Earth Hour", promoted by the World Wildlife Fund (WWF) since 2007 with the aim of raising awareness on the climate change problem. Since then, every year, people, city councils and organisations around the world participate in this action. In addition to making this symbolic gesture of powering down their buildings, in this edition of the event ABANCA participated in the other challenge proposed by WWF in the context of this initiative: 'Go around the planet', which consists of encouraging citizens to add steps and kilometres to demonstrate that with our combined effort we can win the race against climate change, while promoting sport and its associated values.



For further information on ABANCA's Social Welfare Project, see the [2023 Afundación Report](#).

SOCIAL Awareness

>>>>> 1
EDUCATION
for the future
 3-3, 203-1, 413-1



Based on a two-way approach focusing on formal and extra-curricular education, with recognition through specific awards for contributions in the fields of teaching and educational research, and permeated by the principle of continuous innovation, the commitment of ABANCA's Social Welfare Project, Afundación, through the dissemination of knowledge, directly or indirectly impregnates all its programme. With specific proposals for all age groups and with a vocation of geographical capillarity, the activities of ABANCA's Social Welfare Project are a benchmark in its field.

Formal education

Formal education, which ranges from Afundación Nursery School in Zalaeta to alliances with the Intercontinental Business University (UIE), the highly specialised training of future professionals at Vigo's vocational training centres and the functional versatility of the Afundación Student Residence in Pontevedra and library network, comprise the offering of ABANCA's Social Welfare Project for almost all educational stages.

The Afundación Vigo Home School and Afundación A Coruña Vocational Training Centre are benchmarks in their field in Galicia which, in the case of the former, added to its extensive training experience celebrates, in 2023, its 75th anniversary supporting job placement and whose commemorative slogan of this celebration is “Building the future”. Its intensive activity, which includes participating in national and international meetings and conferences, being a benchmark for the design of projects based on new technologies and the recognition of the excellence of its students are the assets that make the Afundación Vigo Home School the most reliable vocational training institution for local students and companies. The Afundación A Coruña Vocational Training Centre has become a benchmark for internationalisation thanks to its affiliation to the Erasmus programme, whose ECHE (Erasmus Charter for Higher Education) has been renewed.

The Student Residence is a paradigm of adaptability to the demands of the environment and of the social commitment of ABANCA's Social Welfare Project. From its essential role in supporting the daily lives of its residents to hosting summer events such as those organised by Special Olympics, the residence fills its vacancies every year. With an equally adaptive vocation, Afundación's libraries are involved with the social fabric where they are located. Thus, in the case of the library specialising in children and young people, workshops, storytelling and different educational proposals are carried out that convert it into a culture and leisure forum

in its field. The Afundación Zalaeta Nursery School, with a history spanning more than four decades, fills all its vacancies every year, with a waiting list that increases every year.

Education for the future

Afundación envisages education for the future as an opportunity for growth in values through a multidisciplinary programme that is permanently updated. From knowledge of financial topics to culture (performing, musical and visual arts) or the consolidation of forums for talks and colloquiums, we meet the demanding requirements of a society in constant evolution.

Cultural trend

Training thus becomes an essential constituent part of our work areas, a cross-cutting factor that permeates all our activity, strengthening the essential values for personal and social development in a cohesive way which is capable of addressing future challenges. Thus, in conjunction with the proposals of the Culture Area in the context of exhibition arts, almost all exhibitions, whether in our centres or in venues of third parties linked to knowledge capillarity projects, such as «**Corrente Cultural**», our Educational Area designs comprehensive educational programmes specific to each exhibition that cater for the particularities of the different educational and vital stages of our audiences. To these we must add the proposals that, through the convergence of culture and innovation, reinforce Afundación's role as a pioneering entity in the offering of school proposals. The incorporation of robotics and STEAM (science, technology, art and mathematics) activities to the workshops linked to our exhibitions has allowed us to further spark the interest of the students who visit our centres since, by moving through all the different branches of knowledge we manage to attract greater attention and give visibility to the benefits of a multidisciplinary learning approach. From activities for pre-school children to visits for the general public or secondary school children, in 2023 more than 49,000 people learned with Afundación's culture.

In close connection with this same area, the performing arts represent a channel of permanent contact with the academic world. Through innovative proposals which the Afundación team selects based on the ethical nature of the message, solidity of the argument and care in staging and scenography, the theatre plays we present in our venues seek to open up topics for discussion and address current affairs of interest to students. Thus, last

year theatre plays were performed on cyberbullying and school bullying, on toxic relationships between adolescents and their consequences, the importance of traditional music, the value of caring for the environment and the relevance of diversity. Scheduled in accordance with the different educational cycles, in 2023 more than 49,000 students participated in our proposals, which also envisage staging plays in English.

21st century education

With a dual approach towards schoolchildren and the adult members of the education community (including families and teachers), a long-running cycle which is widely accepted by the public is scheduled: **“21st-century education”** The conferences we propose in the context of this forum address both problems and innovations in the context of schools, families and social relationships. Thus, in 2023 and with a committed social vision, Afundación sought to address the need to talk about mental health in educational centres. From harmful situations of harassment, both physical and on social networks, the risk of suicide among adolescents, the dependencies generated by both devices and substances or the marginalisation and exclusion of diverse capabilities were the core topics of the last editions. The high demand for these colloquiums has led us to also drive innovation in this area and, as a result, the conferences can also be followed on Afundación TV, the digital content broadcasting platform of ABANCA's Social Welfare Project. 4,916 members of the school community participated in the conferences of **“21st-century education”**, which were followed from locations as far away as Asturias, León and Extremadura.

Financial education

ABANCA's **“Financial education programme”**, developed and promoted by its Social Welfare Project, is supported by the hybridisation of its proposals (classroom and digital), the decisive participation of corporate volunteering and the comprehensive approach for people's daily lives, seeking to promote financial training in which ethical values and social commitment are key. Thus, one of the distinguishing features of this programme lies in the adaptation of its proposals to the different stages of life, with a special focus on schoolchildren -from very early ages- and senior audiences, keeping the creation of digital content forums and digital pills very much in mind for middle-aged people to have a reference source of consultation and guidance.

From primary school to baccalaureate, schoolchildren are one of the pillars of ABANCA's financial education. By adapting to the different education stages with programmes that foster participation, analysis, solidarity and problem-solving, favouring hybrid participation (face-to-face or digital), these initiatives have led ABANCA's Social Welfare Project to be present in all Spanish provinces, with 202,680 people participating in its activities in 2023. Its wide acceptance is also endorsed by its high quality, with a history of recognitions awarded by the most prestigious and authoritative bodies in the field. Thus, in 2021 the Banco de España and the Spanish National Securities Market Commission (CNMV) awarded the first Finance for All Prize to the “Seguramente ABANCA” school programme, an award that recognises that best financial education proposal in Spain. In 2022, “The crazy adventure of saving” was awarded the first prize by the Spanish Confederation of Savings Banks (CECA) in the Financial education for children and young people category. In addition to these two programmes, the offering for schoolchildren also includes initiatives for fostering responsible behaviour, enjoying good financial health and cybersecurity in order to identify potential risks in this field, and for familiarising them with entrepreneurship. “Keep your money safe”, “Financial Grand Prix”, “Your Finance, Your Future” or “Young Business Talents” are clear examples of this line of action.

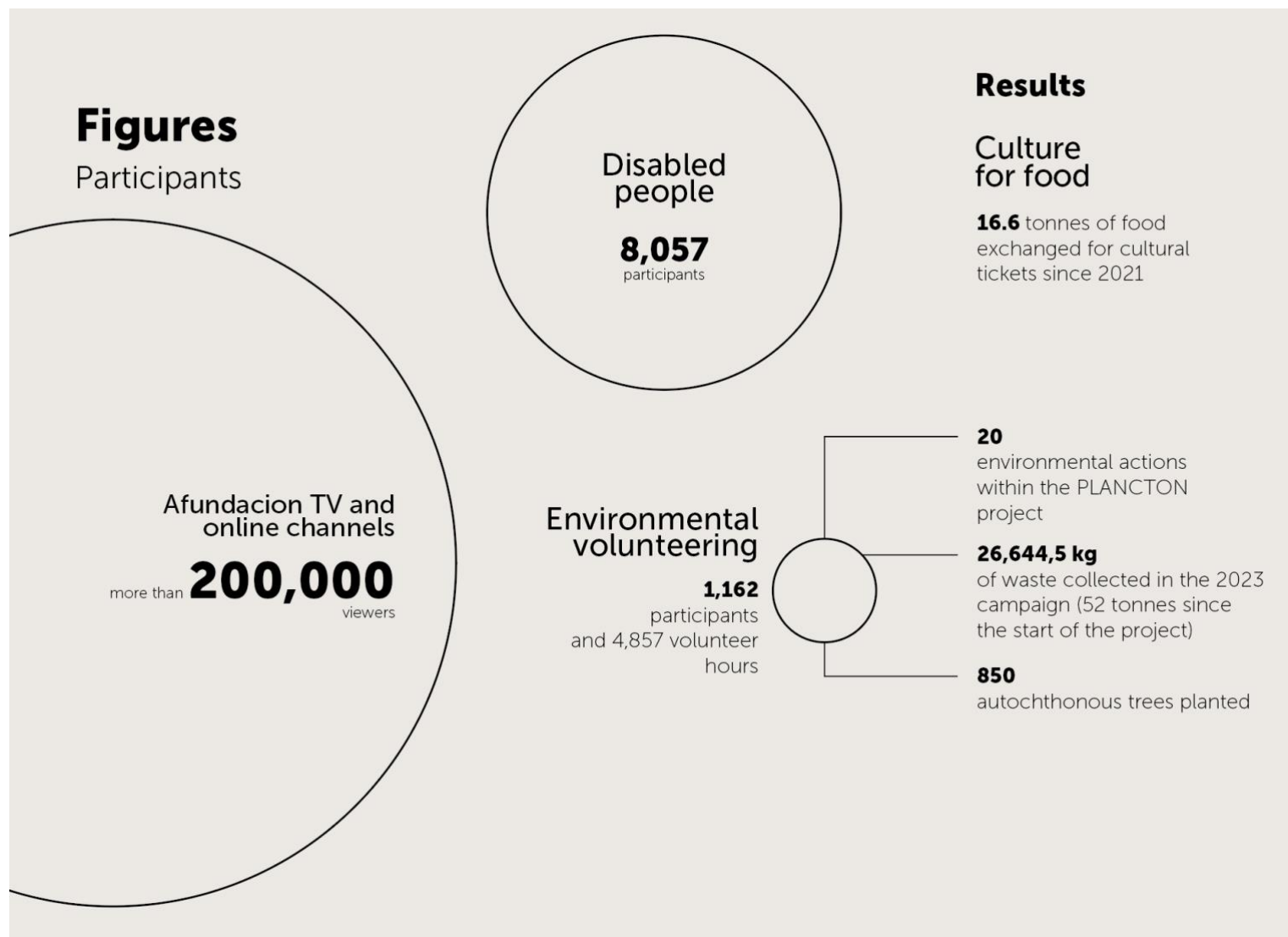
Adult audiences sought initiatives aimed at promoting their autonomy, financial and digital inclusion and competencies to better manage their personal finance. From keeping the “Clear accounts” blog -which hosts ABANCA's “Financial galaxy” competition- permanently updated for middle-aged people, to the financial self-management proposals for a senior audience, this part of the programme seeks to promote financial inclusion, self-management, identification and mitigation of risks, cybersecurity and digital financial inclusion in rural areas of Galicia and León. To this end, it delivers courses on mobile banking, ATMs and cybersecurity in espazos +60 Afundación and rural areas, or financial training and digitalisation for older persons in rural areas, which in 2023 was awarded the second CECA prize in the Financial Education for People Over 65 category. In short, for ABANCA's Social Welfare Project financial education is a tool for training in values and knowledge that, based on social inclusion and commitment, provides the necessary training for informed and responsible decision-making.

Research and teaching awards

Afundación's commitment to education has led to the creation of two complementary awards that distinguish the good practices of sector professionals. The **ABANCA Educate Prize** recognises, each year and in its six modalities, the best pre-school, primary school, secondary school/baccalaureate, vocational training, university and non-formal education teacher and honourable mention for their teaching career. In 2023, 898 teachers participated.

The **Afundación Educational Research Prize**, which seeks to distinguish people whose professional and academic careers stand out for their commitment to the improvement and innovation of pedagogical methodology. Biennially, in 2023 the prize was awarded to Robert F. Arnove, one of the most authorised international voices in the field of the discipline of compared education, and who is also characterised by his demands for vulnerable groups and work with local communities.

For further information on ABANCA's Social Welfare Project, see the [2023 Afundación Report](#).



“Act”, our volunteering programme

On the basis of commitment to social involvement and caring for the environment, Afundación, ABANCA's Social Welfare Project, designs a varied, dynamic and innovative programme for all audiences of far-reaching geographical scope and in which volunteering, within the framework of the “Act” programme, assumes a leading role. In a context where overcoming social inequalities articulates the basis of the social economy, for ABANCA's Social Welfare Project caring for people or vulnerable groups and environmental protection constitute the essential care objectives based on which it develops its comprehensive multidisciplinary approach.

“Culture for food”

Within the scope of our **social commitment**, “Culture for food” stands as one of our core programmes, due mainly to its outstanding public outreach and integration in the vast majority of the proposals implemented by Afundación. From concert cycles, such as “Jazz armchair”, to exhibitions (“This is pop. From Andy Warhol's cans to yours”) or events and stage performances (Theatre Season in Vigo and Pontevedra and Vigo Classical Season), ABANCA's Social Welfare Project has installed specific containers in all its branch offices and centres for collecting donations of non-perishable products for local food banks. Afundación encourages everyone who participates in its activities to collaborate in this initiative, developed in collaboration with the Spanish Federation of Food Banks (FESBAL), donating products by way of a charity ticket. Since 2021 to 2023 year-end, Afundación collected a total of 16.6 tonnes for food banks donated by people participating in its activities. This same solidarity action also includes the solidarity Christmas campaign, which includes giving away toys, and collaboration with AGA-Ukraine.

Attention to diversity

The social implication of ABANCA's Social Welfare Project is also developed in the area of attention to diversity in the school context through two programmes: “We all count” and “Music under the skin”.

Effort, empathy, acceptance of difference, reinforcement of self-esteem or respect are some of the teachings present in «We all count», an activity carried out by persons with functional diversity, through which we can improve affective and emotional sensitivity, create an equitable, fair and diverse society, and facilitate the establishment of interpersonal relationships. This innovative proposal highlights the value of diversity as an

element of social and personal enrichment, promotes job placement of people with functional diversity and boosts their self-esteem and self-confidence by playing an active role in society.

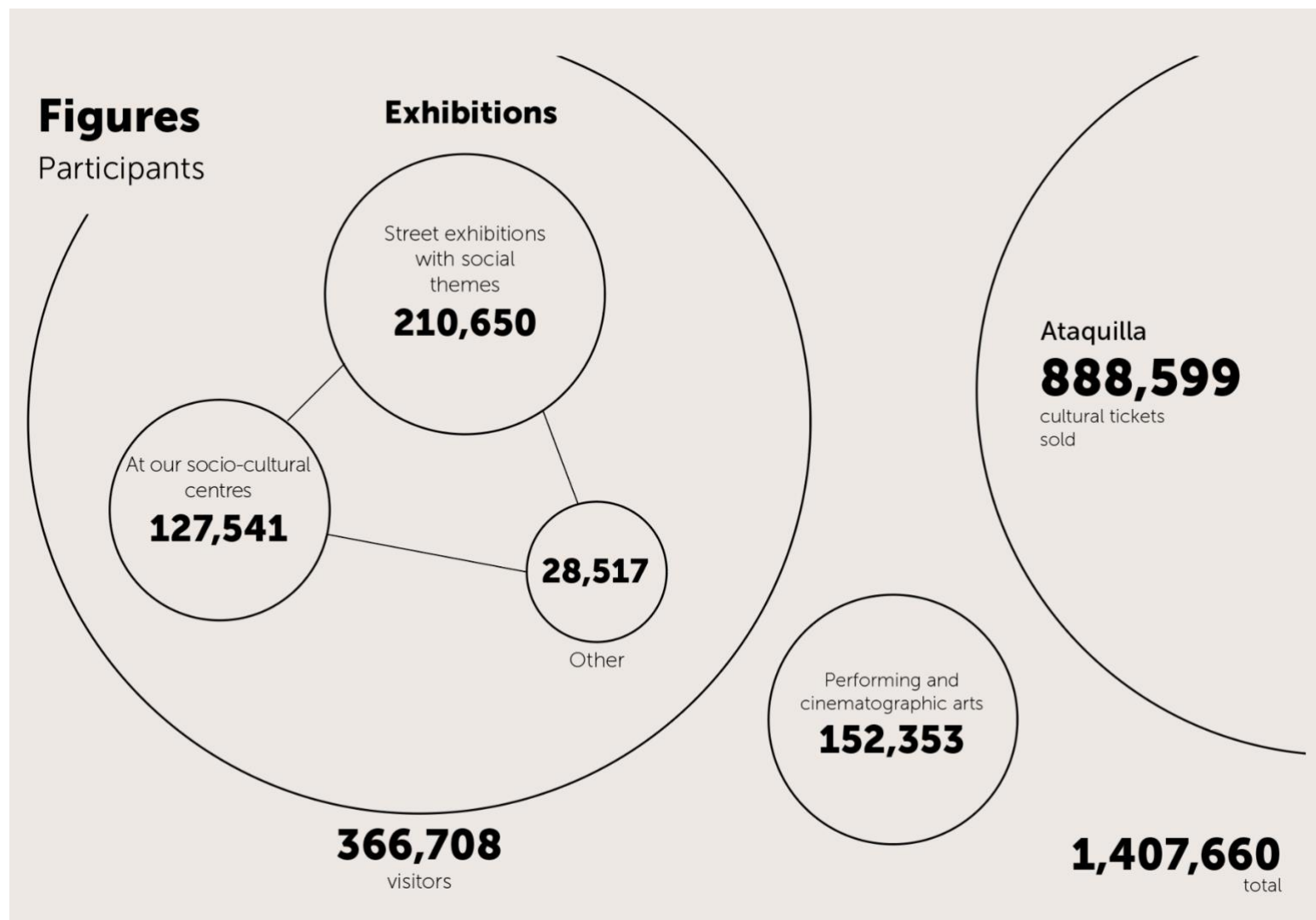
“Music under the skin” is designed based on the knowledge of the benefits of live music for managing emotions, reducing fears and stress, sensory and perceptive development, stimulating creativity and facilitating communication, among others. In this third edition, once again ABANCA's Social Welfare Project was present in all the special education centres in Galicia and has broadened its scope to Extremadura.

For further information on ABANCA's Social Welfare Project, see the [2023 Afundación Report](#).

>>>>> 3

CULTURE and heritage

3-3, 203-2, 413-1



The combination of the carefully selected annual cultural programme of Afundación, ABANCA's Social Welfare Project, the consolidated local implementation of our offices and centres and firm commitment to inter-institutional collaboration as a mechanism for developing proposals that meet public demands constitute the three main pillars that uphold Afundación's cultural activity, aimed at promoting knowledge and transmitting ethical values. Exhibitions, performing arts and audiovisuals, journalistic and poetic literature prizes, cultural heritage and innovation are the main frameworks of implementation of Afundación's initiatives in this area.

In line with the vocation of dynamising collaborative frameworks as necessary mechanisms for expanding the content and scope of its artistic proposals, in 2023 Afundación renewed its agreements with Galicia's two main public institutions, the Galicia Autonomous Community Government and the Galician Parliament, to develop different travelling exhibitions throughout the community, whose common denominator is the promotion of Galicia's rich heritage. Last year the "Cities over time" project, developed in conjunction with the Galicia Autonomous Community Government, was held in Ferrol, Lugo, A Coruña and Vigo, while the "Our art" exhibition, by virtue of the agreements with the Galician Parliament, was held in Afundación's Ferrol, Ourense and Lugo offices.

Our cultural venues in the seven Galician cities also hosted a different selection of exhibitions in which art, creativity, the promotion of new languages and the message were the common threads of exhibitions such as "A sailor's dream. Collection of Contemporary Cuban Art Luciano Sánchez Méndez Collection", "Goya-Hellboy. An iconographic vision of Stephane Levallois' monsters" (Navarre Comic Fair), "Imaxinaria. International Exhibition of Contemporary Illustration", "Fuxan os ventos. 50 years of history", "Acisclo. Seven decades", "Picasso protagonist. Contemporary Spanish comic strips" or "The slow life".

And beyond our offices and centres, ABANCA's Social Welfare Project continues promoting, through agreements with local corporations, the "Cultural trend" programme, which aims to transcend traditional cultural circuits and bring relevant exhibition or drama performance proposals of the espazos +60 Afundación organisation beyond cities, giving visibility to the social commitment that, also based on culture, characterises ABANCA. "We were also migrants", "Castelao graphic artist (facsimile)" or the exhibition "Multiple. The art of engraving from Picasso to Barceló" are some of the exhibitions that were held in Tui, Curtis, Sarria, Oleiros, Verín, A Fonsagrada, Ortigueira,

Mugardos... where 15,000 people visited the artistic proposals. In the vast majority of these events, the activity was carried out under the “Culture for food” programme, thereby contributing to broaden the scope of Afundación's solidarity proposal.

With two of the most long-running and widely acclaimed Afundación programmes, Afundación's performing arts are a benchmark due to the programme offered and the spaces where they are implemented, which are references of cultural and social life in Galician cities. The “Theatre season” and “Classic season” —the most deeply rooted—, “From silence to emotion” or recitals in commemoration of significant events, such as Letras Galegas, exemplify the wide range of musical and theatrical proposals offered by Afundación.

Film cycles are another of the most widely implemented and popular programmes among the Galician public. Always related to social topics of interest and designed to relate to socially committed commemorations, in 2023 more than 1,000 people enjoyed our film cycles, which this year were dedicated to “Women”, “French films” and “AI: More than Human” (related to the exhibition held at Afundación's A Coruña Head Office in January last year). In this thematic context, in 2023 the “Imaxinaria International Animation Festival” was held at Afundación's A Coruña Head Office, a project developed with the aim of promoting and raising awareness of less commercial audiovisual animation, in addition to being a meeting point for sector professionals, in which Galicia has a long and renowned tradition for innovation. Thus, Afundación is positioned as a pioneering bank and at the forefront of the new proposals of a genre with a constantly growing social impact.

In line with the vocation of public recognition of the commitment and effort to dynamise culture and knowledge, there are three prizes, deeply rooted in Galicia which, in the field of literature, distinguish the best Galician poetry and the best literary or opinion journalism articles in Spanish and Galician. In 2023, the 21st edition of the Afundación Poetry Prize, in collaboration with the Galicia Autonomous Community Government and Centro PEN Galicia, was awarded to the book *Os lugares da memoria* by Rafa Vilar. The five-volume anthology *XX aniversario do Premio de Poesía Afundación*, a selection of texts and analyses created by literary professor and critique Mario Regueira, was also presented. In the area of journalistic acknowledgements, the Afundación Fernández del Riego Journalism Prize, in its 20th edition and for texts written in Galician, was awarded to Mar Mato, of *Faro de Vigo*, for her article “Requiem for a hat”. The finalists were Begoña R. Sotelino, for “Acetate glasses, Warhol's colours...

Letras Galegas”, and Manuel Varela, for “When I found peace in a Dacia”. The Afundación International Julio Camba Journalism Prize, aimed at texts in Spanish, was awarded to the article “Listen to the dead” by María Sánchez, at an event held at Casa de América in Madrid. The finalists were Armando Álvarez and José María Paz Gago.

The vast majority of this wide range of cultural and social activities of ABANCA's Social Welfare Project are carried out at Afundación's offices and centres throughout Galicia and which, by virtue of the Bank's commitment to social involvement, sustainability and innovation, we strive to constantly adapt to offer the best guarantees in these three areas. Thus, through the incorporation of intelligent technology and systems that favour responsible energy consumption and the readjustment of the internal layout of its buildings to host social proposals such as «Culture for food», one of Afundación's strategic objectives is to continue to progress in the reduction of its carbon footprint.

In addition to the extensive network of infrastructures, the Afundación Art Collection is the second major pillar of the cultural legacy safeguarded by ABANCA's Social Welfare Project. The exhibition of this museum-quality art collection has a dual perspective: showcasing it in Galicia through specific exhibitions at our offices and the transfer of works to be exhibited in other art centres. In both cases, Afundación fulfils its objective of disseminating the artistic wealth of one of the best private collections of Galician art in our community. Thus, in 2023 the exhibition “Travelling with Afundación’s and ABANCA’s art collection” began its tour of six Galician municipalities, displaying a selection of this important heritage in the main streets or squares.

The innovation, in addition to being transversal to the entire Bank, encompasses a specific line of action in the area of Culture. Thus, the “AI: More than Human” project, articulated by an exhibition in collaboration with the Barbican Centre of the United Kingdom, included as parallel activities a session on music generated by artificial intelligence, a film cycle and a conference cycle. With such prestigious names in the field of artificial intelligence as Concha Monje, Nicolás Sánchez, Lucía Velasco, David Castiñeira and Antonio Torrado, the presentations given were a great success among the public both in the Auditorium of Afundación's A Coruña Head Office and its live or on-demand broadcasts on Afundación TV. In fact, in 2023 the online content broadcasting platform of ABANCA's Social Welfare Project increased its virtual exhibition tour offering with the inclusion of the digital tours

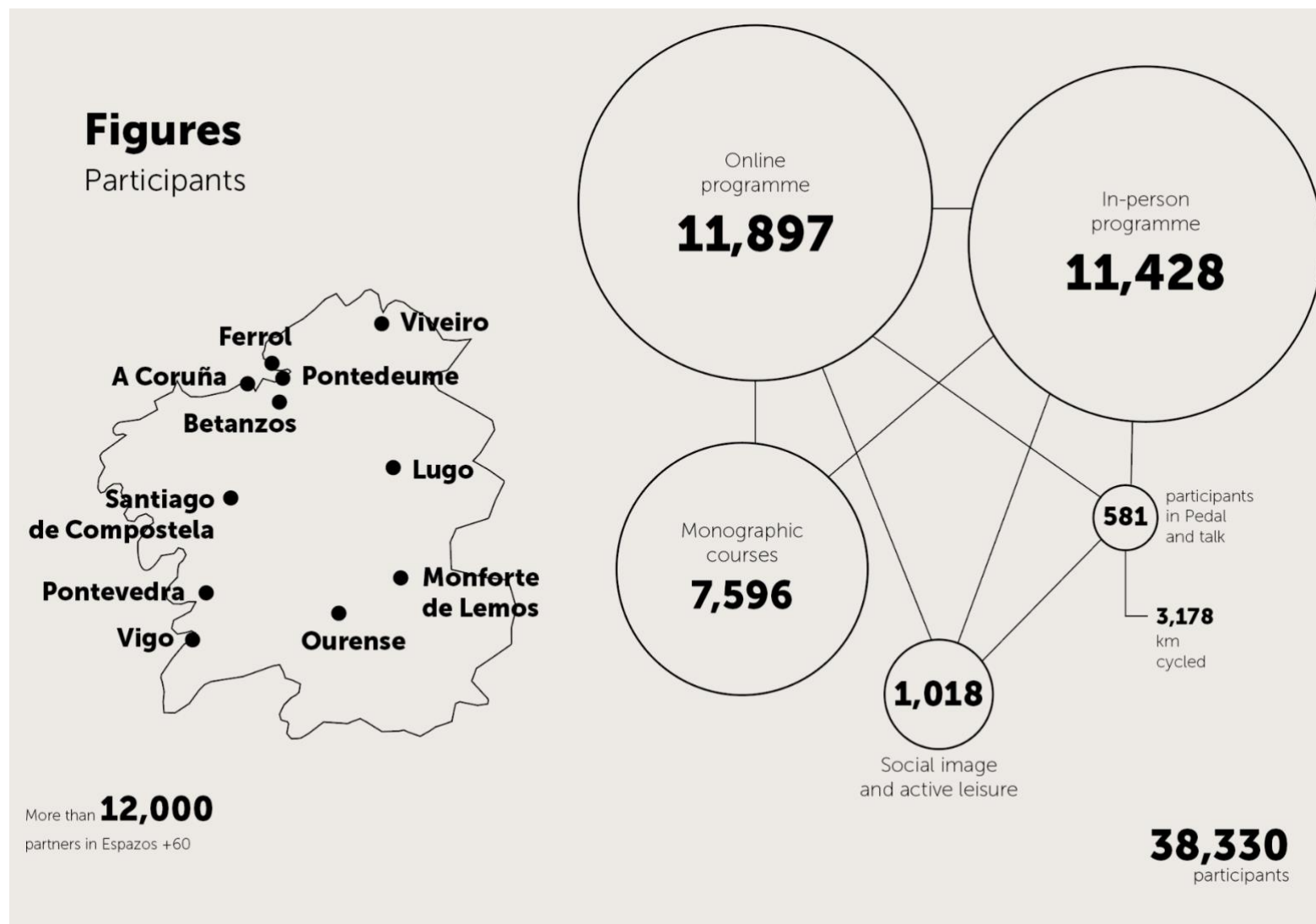
of four new exhibitions: “A sailor's dream. Collection of Contemporary Cuban Art Luciano Sánchez Méndez Collection” in Ferrol and A Coruña; “Emotions in danger. Photographs of Tim Flach”, in the Afundación Theatre; and the anthology of Acisclo Manzano in Afundación's Ourense Exhibition Hall. The new cultural knowledge dynamisation proposal “Conversing with...” was also presented on this platform. With free and open viewing, Afundación offers viewers interviews with prominent individuals from different areas of knowledge. From the Cambridge Chair of Classical Studies, Mary Beard, winner of the last Afundación Journalism Prize to Mar Mato or one of the members of the emblematic traditional music band Fuxan os Ventos, Pedro Lucas, we strive to offer interesting proposals that can be accessed from any geographical location.

For further information on ABANCA's Social Welfare Project, see [2023 Afundación Report](#).

>>>>> 4

LONGEVITY and older persons

3-3, 203-2, 413-1



Based on an approach that combines research to ascertain people's needs and intervention to meet them, Afundación, ABANCA's Social Welfare Project, is positioned as a benchmark in relation to older persons, developing innovative programmes focused on the recognition of their experience, driving volunteering activities and programming courses and workshops for the prevention of cognitive health and the improvement of emotional competencies, and offering lifelong learning opportunities.

This varied programme, promoted by the eleven **espazos +60** that ABANCA's Social Welfare Project has throughout Galicia, is imbued with the inclusive and innovative character inherent to Afundación, putting older persons at the heart of the programme, co-designing the proposals in which they participate jointly with them in order to contribute to eradicate ageism, continue advancing towards a society free of stereotypes towards older persons and highlighting their experiences through collaborative and training initiatives.

This programme focuses on three main branches: permanent learning, promotion of physical, emotional and relational health, and social contribution through volunteering. From language, art, history, literature, painting, music, theatre, photography and chess courses to training workshops on nutrition and physical well-being, pilates, yoga, digital culture or memory training sessions, the offering of our centres is one of the most varied and complete available in Galicia, as evidenced by the more than 38,000 people who participated in 2023. To all this we must add cultural and relational leisure, whose most highly demanded proposal is national and international trips, to which more than 441 people signed up.

The relational networks woven in the **espazos +60** transcend them thanks to innovative proposals supported by volunteering, whose ultimate purpose is also to address situations of unwanted loneliness. “Walk and talk” and “Pedal and talk” claim the need to go out and enjoy the emotional and physical benefits of open-air activity and meeting other people. In the first of the programmes, people participate in walks and conversations, creating new relational possibilities. In the second, volunteers trained by ABANCA to ride the electric tricycles indispensable for this initiative, enable people with reduced mobility to tour urban areas as passengers in these vehicles while also creating intergenerational ties beneficial to all the parties participating in this initiative, which is currently in its third edition.

In relation to emotional well-being, essential for a fulfilling life, Afundación has become a pioneering organisation with the implementation of a programme such as “Discovering emotions”. With the collaboration of Matia Instituto, three editions of this proposal, which is carried out in all the espazos +60 Afundación in Galicia, have already been held. The people who facilitate the workshops link the theoretical contents of emotional processes with the participants' experiences to foster group learning. According to the study presented in 2023, 86% of the 71 participants in the first edition had improved their well-being or at least one of their emotional competencies by the end of the workshop. In 2023, 238 people participated.

“Stories lived” is an initiative in which each participant, through an online platform, compiles their life story and their current and future projects, accompanied by the most significant images that will result in a unique book. This vital reflection, in addition to being an emotionally beneficial activity, also stimulates memories, the re-signification and re-valuation of the experiences lived and contributes to the transmission of a legacy to the younger generations.

Volunteering by older persons who are members of our espazos +60 is another of the strategic lines of action of this area since, in addition to representing one of Afundación's essential commitments, it provides a channel for active participation, leveraging their experience and channelling their social contribution in intergenerational and social programmes. Thus, from iconographic courses delivered by older persons who share their knowledge with others to solidarity workshops where handmade products are made for solidarity markets whose proceedings are donated to different NGOs, there are several initiatives framed within this programme. Two of the most deeply-rooted and popular proposals are the intergenerational programmes “Tell me about emigration” and “We talk about school”, in which older persons visit Galician institutes to tell students, in the first person, about their experience as migrants and schoolchildren at a time characterised by the precariousness of an as yet incipient education system. At these encounters, with identical dynamics based on older persons' stories, students carry out their own research on the life history of their older family members, whose results are pooled together, favouring dialogue and exchange of perspectives and ideas and the knowledge of contemporary history from an intergenerational perspective. In 2023, 14 secondary education centres and 982 students participated in these programmes.

In collaboration with Afundación's other areas, the Older Persons Area encourages older persons to participate in environmental volunteering activities, cleaning beaches and eradicating invasive plant species, promoted by PLANCTON, and reforestation, promoted by "Improving natural heritage". In relation to culture, the two theatre, puppet and music groups made up of older persons, in A Coruña and Pontevedra, submit their proposals each year, which they stage in such different centres as the Afundación Nursery School in Zalaeta, the espazos +60 and socio-cultural centres which, located throughout Galicia, are attached to "Cultural trend". In 2023, for the first time, various members of espazo +60 Afundación Ferrol participated as voluntary guides of the exhibition "Ferrol over time", sharing their experiences as a living memory of the city, which resulted in an initiative highly valued by the protagonists, the public and the organisation.

Implementing the proposals that make Afundación a benchmark in active ageing requires research and analysis to assess needs and demands, social changes in terms of longevity and the impact of the programmes on the well-being of older persons. To this end, in addition to collaborations with entities of renowned prestige, ABANCA's Social Welfare Project promotes the ABANCA/Afundación/ICADE Chair. "Longevity, Economy and Society" Created in 2022, it is aimed at becoming a forum for studying, researching and debating on all topics that may help to better understand the challenges and opportunities arising from increased longevity in society.

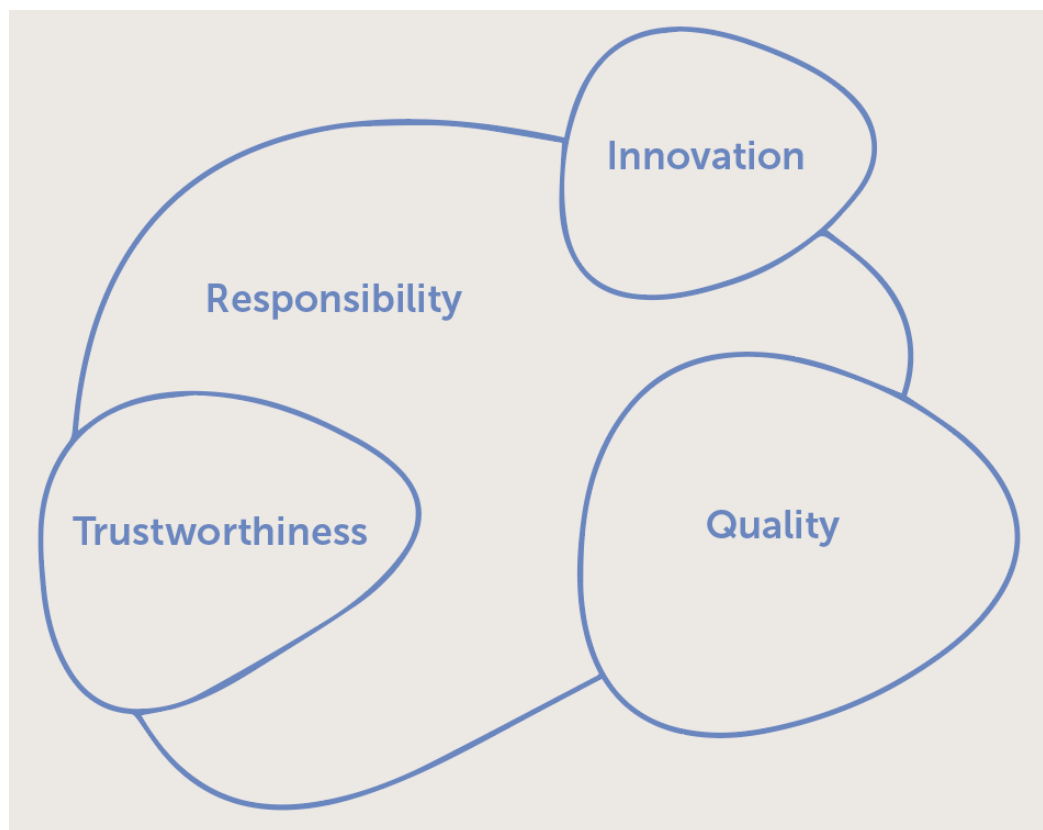
Innovation, one of Afundación's cross-cutting principles, is specifically materialised in Afundación's Older Persons Area, on the one hand, and in the co-design and testing of new proposals with participants. On the other hand, the improvement in the design and accessibility to all the digital resources of +60 online, which allow a large number of users, regardless of where they live, to participate in Afundación's benchmark programme. Additionally, ABANCA's Social Welfare Project is also an organisation committed to the digital training of older persons through personalised accompaniment to enjoy the programme offered by the organisation and encourage the use of technology to stay connected or facilitate their daily lives.

For further information on ABANCA's Social Welfare Project, see [2023 Afundación Report](#).

GOOD GOVERNANCE

Awareness

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.

- [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.
- [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.

- **Communication policy**: updated in March 2023, it ensures the quality of economic and financial, non-financial and corporate information, and that it is adequately disclosed and known, facilitating its availability 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, social, environmental and governance aspects (ESG) are incorporated into financial metrics.
- **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 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.

- [Internal Whistleblowing System Policy](#): this policy implements the general operating principles that must be fulfilled by the Internal Whistleblowing Systems in ABANCA Group companies for ITRS compliance purposes and whose application will be ensured by ABANCA Corporación Bancaria, S.A., as Parent of the Group.

>>>>> 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.
- To always guarantee products adapted to our customers' needs, compliant with the laws currently 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 January 2024, 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.

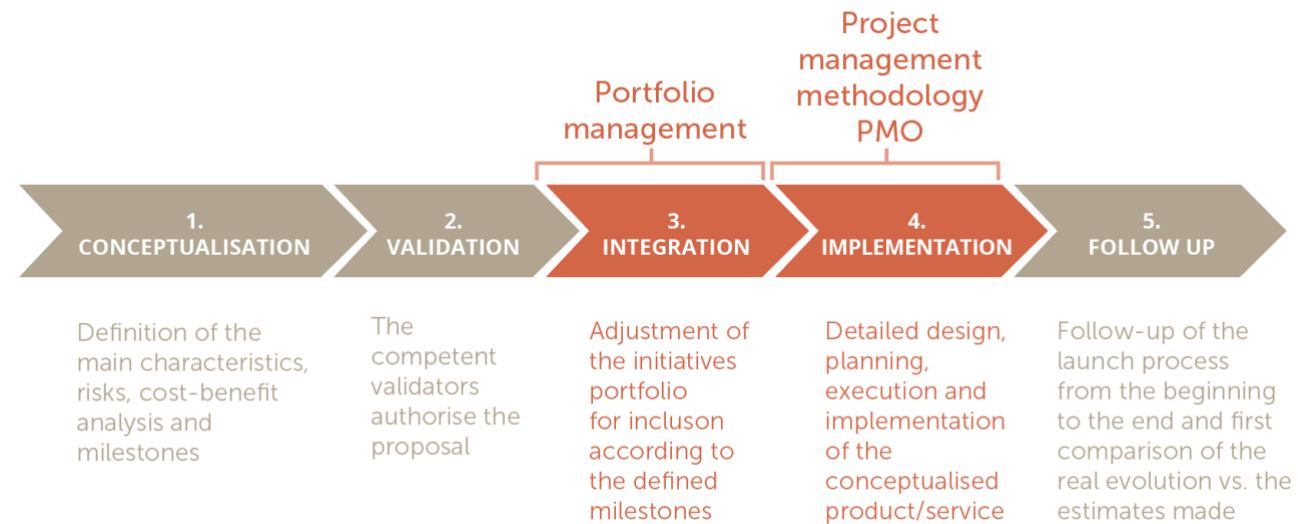
The Board of Directors will be responsible for the product governance process and will maintain effective control thereover. Furthermore, the Product Governance Committee and the Bank's Steering Committee will also be informed of the conclusions of the review.

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 this policy is to detail the principles underpinning the procedures for the creation/issuance 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 for whom they are intended, 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 marketing and communication model and format, and key variables are specified 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 perspectives 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 those cases where 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 together with the other elements of the package and separately.

e. Preparation of a detailed case study

Costs, income and simulation scenarios

f. Profitability and cost scenarios

In this heading and to the extent possible (in accordance with the product or service in question and, in any case, MiFID products), the different profitability scenarios that the customer could obtain with the product or service will be reflected.

- based on the historical performance of the product/service in the past.
- and that it could obtain in the future based on certain starting hypotheses and simulating its performance.

The costs associated with the product/service will be reflected.

These profitability vs cost scenarios can condition the launch of the product to the extent that the costs borne by the customer are not justified by the final profitability of the product.

Therefore, based on the foregoing, governance in decision-making in relation to new products and services is more than guaranteed, since the Bank ensures that they are designed to meet customers' need and are responsibly managed, in compliance with 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 the reported characteristics.

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 relation to advertising, ABANCA has a [Commercial Communication Policy](#), updated in 2022 and approved by the Board of Directors, which includes rules, principles, criteria, procedures and controls aimed at minimising the risks related to the advertising activity and that ensures its 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 focus on results.
- **Detect** 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 2023, 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 ICMM (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](#)

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.

47 services evaluated in 2023

Average of **707** monthly surveys.

Nearly **3,900** participating employees.

To this end, ABANCA uses two indices:

a. SQI (ICS) - Service Quality Index

The Service Quality Index is created on the basis of the scores obtained in five dimensions, assessing the operation of the support processes, swiftness of response, absence of errors, tools and security, inter alia.

Based on our SQI, we established an internal quality rating that marks the optimum level for each internal service so that it contributes to offering the final customer the best solution and response to their needs.

In 2023, 83% of the evaluated 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 consumer habits and demands which has obliged banks to rethink their business model. The aspect with the greatest impact in this new scenario has been the need to **accelerate the digital transformation process** in order to meet the high expectations of an increasingly demanding and digitalised customer. A customer who demands greater simplicity, speed and less effort in nearly every aspect of their daily life. In this regard, ABANCA has confidently risen to this digital challenge with the main objective of offering our customers the possibility of transparently operating via any channel through a carefully defined omnichannel strategy aligned with the "obsession" of offering the best customer experience. To this end, the Bank maintains its commitment to implement a broad network of branch offices, to which the operations and synergies arising from the acquisition of TARGOBANK must be added, for example, in order to enhance and renew our strengths and commitment to customer service in the branch office network. We also maintain our active involvement with rural areas and the primary sector, our commitment to continue to accompany less digitalised profiles, our high specialisation policy in strategic segments such as SMEs/enterprise, private banking, personal banking, agro-marine sector, legal persons, etc. In parallel, we continue to improve the functionalities of our App based on users' request, reinforcing all our digital capabilities.

In 2023, **more than 82,000 customers shared their experience with us**, which has allowed us to gather their evaluations, comments, suggestions and congratulations, which have translated into very positive data that bring us increasingly closer to our aspiration of becoming a Bank that puts the customer at the heart of its decisions. This was reflected in the main indicators that measure customer experience, for example:

- The 5-point increase in **net prescription ratio (NPR)** with respect to the previous year, where more than half of the surveyed individuals are ABANCA agents. This same NPR data is excellent as regards new customers and increases 10 points with respect to 2022.
- The internal indicator we use to measure **relationship with the branch office** and therefore **customer satisfaction with their managers (RCO)** grew 5 points more than the previous year. This evidences the excellent work of the commercial network in providing our customers with experiential treatment.
- In 2023 three types of mystery co-existed:
 - traditional office-focused mystery, which recorded good figures, allowing our Bank to continue in first place compared to the competition,
 - innovative digital mystery, which provided an opportunity to obtain the perceptions experienced by customers in different digital situations,
 - the so-called continuous mystery, in which a mystery becomes a customer and analyses all 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.

This shows that the main indicators that measure our customers' experience achieved very relevant figures in 2023. However, beyond this numerical reality, the effort of all the teams, both of the commercial network and support areas, have allowed us to boost our customers' satisfaction and good perception, in order to continue progressing in the line of customer-centric transformation to which the Bank aspires.

To this end, we will continue to use the **most sophisticated Customer Experience tools** that we already have at our disposal, such as:

- a) **ABANCA ESCUCHA:** listening to the customer's voice with greater clarity to continue improving is a priority of the Customer Experience Department. It is the first anniversary of this high technology tool at ABANCA, which is allowing us to combine all customer interactions on a single platform, identify areas 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. In 2023 we successfully implemented this powerful tool and trust that 2024 will be the year in which this new system begins to become consolidated and allows us to continue actively listening to our customers, thereby seeking more intense collaboration between the commercial network and the support areas and make progress in process redesign and product improvement.
- b) **Google**, the tool that Google offers us in this regard, will continue to be key to protect our digital reputation.
- c) **Comunidad ABANCA.** We maintain ongoing dialogue with our customers and, for this reason, at ABANCA we remain committed to said dialogue through the ABANCA Colabora community, 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.
- d) **ABANCA Omnichannel Style**, arising from the premise of creating a style unique to ABANCA that homogenises customer service and differentiates us from the competition. To this end, at ABANCA we have been applying a series of protocols in our face-to-face contact and, in 2022, went a step further, adapting these protocols to extend them to all our telephone contacts with customers, which makes them essential in the area of ABANCA Connects (remote commercial unit) and the 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. In 2023 we focused on ensuring that the ABANCA Style extended to calls attended at branch offices and implementing it in the written channel.

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 Finance DG through the Efficiency and Procurement DG, is governed by the Procurement Standard, which was updated in February 2022.

a. Procurement rule:

It details the procurement procedures that imply payments to suppliers and is mandatory for the entire organisation. Some significant objectives of the standard are:

- Contribute to the continuous improvement of the cost-to-income ratio.
- Provide the necessary supplies in the time frames and manners considered most efficient to guarantee business continuity.
- Fulfil the general principles established in this Standard.
- Evolve with the market and adapt to best practices.

Number of
suppliers²⁷

1,304

Total billings

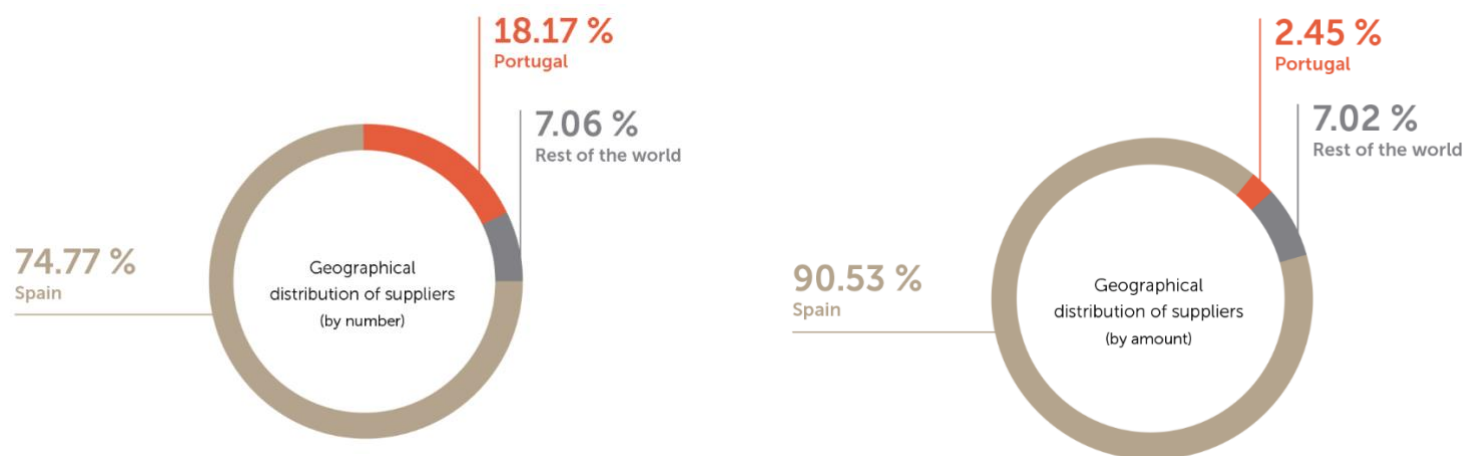
€263 million

Percentage of suppliers
with billings less than
€50,000

71.78%

²⁷ Note: supplier data correspond to legal persons engaged by the Procurement area for ABANCA and its financial investees; it does not include supplies, leases or intra-Group billings.

The management framework between the ABANCA Group's companies and their suppliers are governed by the principles of ethics, transparency and regulatory compliance.



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.

As a prerequisite to the procurement of goods and services, the Procura area performs a suitability analysis of the suppliers, verifying that their practices are based on ethics and transparency, compliance with legislation and declaration that their conduct is in line with the accession and principles established by ABANCA in its Anti-Corruption Policy and Code of Ethics and Conduct.

The approval process is reviewed periodically. Thus, in 2023, the Bank updated the approval process to be more demanding in terms of suppliers' responsible and committed business behaviour and commitment to sustainability. The update will be approved in 2024 and involves two priority lines of action:

- Reformulation of the consideration of supplier and approved supplier.
- Review and reformulation of the questions of the supplier evaluation questionnaires, particularly in relation to ESG aspects, included in the questionnaire since 2021.

As a result of this Procura Standard updating process, reports by approved suppliers according to ESG criteria will be included in the Corporate Social Responsibility Report corresponding to 2024.

Purchases from foreign suppliers (€)	2021	2022	2023	
	Amount	Amount	Amount	%
Germany	661,689.38	766,523.38	390,792.89	1.57 %
Australia	4,592.50	4,595.00	6,116.55	0.02 %
Belgium	816,887.04	215,935.04	344,684.79	1.39 %
Canada		29,040.00		
United States	2,306,248.76	3,776,541.95	4,669,881.07	18.77 %
France	2,326,639.92	501,333.09	8,707,157.30	35.01 %
United Kingdom	804,666.60	1,564,300.28	1,718,733.73	6.91 %
Hungary			3,630.00	0.01 %
Ireland	618,286.17	699,233.67	1,573,668.48	6.33 %
Israel			22,032.29	0.09 %
Italy	797,335.84	647,560.17	674,901.88	2.71 %
Luxembourg	456,364.51	475,217.24	17,337.50	0.07 %
Mexico	1,431,868.63	57,141.60		
The Netherlands	20,094.08	1,669,125.28	224,166.76	0.90 %
Portugal	7,621,795.52	8,205,170.25	6,429,196.69	25.85 %
Czech Republic	906.29			
Romania	34,969.00	25,712.50	25,712.50	0.10 %
Singapore	1,900.00			
Sweden	18,150.00	18,150.00	24,562.85	0.10 %
Switzerland	26,388.04	28,465.89	41,270.68	0.17 %
Venezuela		1,357.50		
TOTAL	17,948,782.28	18,685,512.84	24,873,845.96	100.00 %

>>>> 7 CLAIMS Management

a. Internal Whistleblowing System

2-25, 2-26, 3-3

Pursuant to the Code of Ethics and Conduct of ABANCA Corporación Bancaria, S.A., the Regulation of ABANCA's Board of Directors, the Policy, the ABANCA Group's Criminal Risk Prevention Manual and Law 2/2023, of 20 February, regulating the protection of persons who report anti-corruption and regulatory breaches, a mechanism has been enabled that allows employees, with the conditions detailed below and for certain third parties, to confidentially report infringements of the Code of Ethics and Conduct, the Internal Code of Conduct in the Sphere of Securities Markets, in addition to any suspected criminal act or fraudulent or irregular act they become aware of, regardless of the type or amount.

This mechanism is the so-called Internal Whistleblowing System of the ABANCA Group, implemented in 2016, by means of which actions or omissions that could constitute criminal or administrative offences or contrary to those principles or internal regulations that ABANCA includes in its codes of conduct or in any of its internal standards 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.

The Board of Directors of each Group company is responsible for implementing the Internal Whistleblowing System and guarantees that the operation of said Internal Whistleblowing System complies with the data protection legislation in force as regards the Data Controller's obligations.

Said Board of Directors has appointed an Internal Whistleblowing System Manager who discharges their functions independently and autonomously with respect to the other bodies of the Bank or organisation, without receiving instructions of any kind and who has all the necessary human and material resources to discharge them.

The Internal Whistleblowing System has the following means of lodging complaints:

1. Internal web application for employees, including members of the Board of Directors and senior management of the Group, interns, trainees and agents.
2. External web application for anyone who, without being an employee, has obtained information on infringements in a professional context and, specifically, suppliers of goods or services, any person who works for or under the supervision of contractors, subcontractors and suppliers, in addition to shareholders, venturers and former employees and those whose employment relationship has not yet begun will also have access to the Internal Whistleblowing System through the corporate website.

This channel allows the complainant to choose being lodging the complaint confidentially or anonymously, written or orally, and will allow the complainant to check the status of the complaint at all times.

The complaint recording, investigation and conclusion procedure, managed through the Internal Whistleblowing System, is compliant with Law 2/2023, of 20 February, regulating the protection of persons who report anti-corruption and regulatory breaches.

In order to adequately implement the Internal Whistleblowing System, the ABANCA Group has established the following basic principles:

- a) Integration. The Internal Whistleblowing System implemented by each company of subgroup of companies is integrated by its different internal channels, in order to enable the submission of information with respect to the infringements envisaged in section 3. Purpose and Objective of this Policy, thereby guaranteeing that the receipt and transmission of all reports on said potential infringements meet the established legal requirements.

- b) Accessible use. The Internal Whistleblowing System allows reports to be presented written or orally, or both and, at the complainant's request, will enable presentation by means of a face-to-face meeting.
- c) Confidentiality. The Internal Whistleblowing System will guarantee the confidentiality of the complainant's identity and of any third party mentioned in the complaint, and of the actions carried out in the management and processing of the complaint, preventing access to unauthorised personnel.
- d) Protection against reprisals. The Internal Whistleblowing System will guarantee the complainant's protection against reprisals and additionally, provided that the complaint meets the requirements of articles 2 and 3 or Law 2/2023, of 20 February, regulating the protection of persons who report anti-corruption and regulatory breaches, the reinforced protection measures against reprisals will be applied, extending the protection of the complainant to the following group:
- Legal representatives of employees in the exercise of their functions of advising and supporting the complainant.
 - Natural persons who, in the context of the company where the complainant provides services, assist the complainant in the process.
 - Natural persons related to the complainant and who suffer reprisals (the complainant's colleagues or family members).
 - Legal persons for which they work or with whom they maintain any other type of employment relationship or in which they hold a significant ownership interest. For these purposes, a holding in the capital or voting rights corresponding to shares or ownership interests is understood to be significant when, due to its proportion, it allows the holder to have the capacity to influence the investee.
- e) Processing of personal data. Personal data will be processed in strict compliance with the applicable legislation. Processing of personal data arising from the application of Law 2/2023, regulating the protection of persons who report anti-corruption and regulatory breaches, will be governed by the provisions of Title VI of said Law, of the GDPR (General Data Protection Regulation), of the LOPDGDD (Organic Law on the Protection of Personal Data and Guarantee of Digital Rights) and of Organic Law 7/2021, of 26 May, on the protection of personal data processed for prevention, detection, investigation and prosecution of criminal offences and on the execution of criminal sanctions. Pursuant to the provisions of this law, the processing of personal data necessary for applying Law 2/2023 will be considered lawful. In any case, and in application of the principle of data minimisation, personal

data not considered relevant to process specific information related to the complaint lodged will not be collected or, if accidentally collected, will be deleted without undue delay.

- f) Comprehensive analysis of the events reported. They will be comprehensively analysed to ensure the truthfulness of the potential breach.
- g) Presumption of innocence. The presumption of innocence and respect for the honour and other rights of the persons presumably involved will be guaranteed.
- h) Effective processing of the complaints. The management of the Internal Whistleblowing System will guarantee that the complaints lodged will be effectively processed within the ABANCA Group.
- i) Rigour in the proceedings. Actions carried out as a consequence of the complaints lodged must be grounded and justified.
- j) The independence, impartiality and absence of conflicts of interest will be guaranteed in the management of the complaints lodged.
- k) Good faith. Complaints not made in honest awareness that serious harmful events have occurred or are likely to occur, with sufficient reasons and objective proof that demonstrate the existence of the breach.
- l) Surveillance/monitoring. The non-existence of reprisals against the complainant will be ensured.

For such purposes, the ABANCA Group has the [General Internal Whistleblowing System Policy](#), approved by the Board of Directors in 2023, which implements the general operating principles that must be fulfilled by the ABANCA Group's Internal Whistleblowing Systems.

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.

In July 2021 the Bank of Spain, by virtue of its regulatory powers, published a guide aimed at supervised banks identifying the recommended best practices in relation to the organisation and operation of CSSs.

The criteria set out in said guide must be used to measure the performance of the two main functions of CSSs: on the one hand, the function of processing complaints and claims (the most evident and immediate) and, on the other, the control function (much more strategic and independent) as an early alert and anticipated detection mechanism of problems arising from the marketing of products or services and/or from the relationship between banks and their customers.

In December 2023, the Ministry of Economy, Trade and Enterprise published a new version of the preliminary draft law establishing the Financial Customer Protection Authority, the new agency that will attend to financial users' complaints. The second-last version of the draft law was approved by the Congress of Deputies in May 2023, but expired on 16 June due to the dissolution of the Spanish Parliament. The new version will be processed in Congress by emergency procedure.

Spain – Complaints by type (%)

	2023 ²⁸
	%
Active transactions	54%
Passive transactions	18%
Instruments and financial services	9%
Other products / Banking services	19%
Total	100%

There were 31,018 complaints at first instance in Spain, of which 28,602 were admitted for processing. 36% were resolved in the customer's favour and 64% in the Bank's favour.

Portugal – Complaints by type (%)

	2021	2022	2023
	%	%	%
Active transactions	15.0%	22.3%	44.4%
Passive transactions	23.0%	29.7%	19.9%
Other banking products	3.0%	6.1%	7.1%
Collection and payment service	12.0%	3.9%	1.5%
Investment service	14.0%	8.3%	4.6%
Insurance and pension funds	6.0%	3.9%	4.1%
Sundry	27.0%	25.8%	18.4%
Total	100.0%	100.0%	100.0%

There were 196 complaints at first instance in Portugal and they were all admitted for processing. 10% were resolved in the customer's favour and 90% in the Bank's favour.

²⁸ The historical sequence is not shown since, due to the change in the legislation of the Bank of Spain's complaint classification rules, the data are not comparable with previous years.

Information security, 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 technological risk is inherent to its business and that its management is essential to achieving its objectives and successfully executing its strategies. ABANCA's strategic cybersecurity plan, in force during the period 2022-2024, and developed in a complex environment of digital transformation, multiple attacks to third parties and the Russo-Ukrainian war, inter alia, is the roadmap that orchestrates cyber risk management, prevention and awareness, execution and operation of protection, detection and response 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.

114

Initiatives analysed

89External enquiries to the
Data Protection Officer attended**1,925**Exercises of rights
made

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 2023.

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 processing the Bank's personal data and for new commercial initiatives and/or actions and contracting of suppliers. These risk analyses, in addition to their respective conclusions, are reported to the Privacy Committee for monitoring. In 2023 a process was carried out to update both the processing activity log and basis risk analysis log and PAIs.

In order to ensure the proper processing of personal data, the ABANCA Group has a series of privacy rules that regulate different processes and which is reviewed on an annual basis taking data protection best practices and guides and recommendations of the Control Authority into account. In particular: a General Privacy Policy (which includes the principles of protection of personal data), governance of privacy, data storage management rule, cookie management policy, rule for the methodology applied to the analysis of privacy risks, personal data security breach management procedure, 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 managing the exercise of

rights by 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 branch offices.

These documents are available to all ABANCA Group employees and any modifications are approved and reported to 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 on a granular basis for each of the purposes of the processing pursued by the Entity.

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 (Data Controller, data sources, purposes of processing and legal standing, data recipients, data storage and rights to which they are entitled) both in 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 - [basic](#) and [additional](#) information- 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, changes in standards or in the processing of personal data carried out by ABANCA.

ABANCA has improved the customer registration process to ensure that all the privacy information is provided prior to accepting the applicable data protection regime. Additionally, with the aim of endowing customers with more efficient consent management capacity, ABANCA has incorporated granular consent management via mobile banking.

ABANCA also focuses on the improvement and deepening of risk management in the Privacy by Design process, including technological projects. Along these same lines, in 2023 privacy criteria were updated in the supplier approval process, focusing on higher-risk aspects, standardisation of controls and consistency of the risk level.

Furthermore, a process for updating and adapting the cookie management system to the Group's websites has been implemented to adapt them to the updated guide on use of cookies published by the Spanish Data Protection Agency.

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 Corporate 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 Corporate Committee, where business and global risk is governed before reaching 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 participates in exercises for the private sector, for which the National Incident Response Centre (INCIBE-CERT) is responsible, aimed at practising response capacity, outperforming the sector average.

ABANCA annually develops an operating plan with all the different types of security reviews to guarantee the fulfilment of the security policies and effectiveness of their controls. The tests conducted include, namely, scanning of external and internal vulnerabilities, analyses of static code and running code, intrusion testing, etc., which are performed by both internal personnel and certified third parties, including Threat-Led Penetration Testing (TLPT).

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 24x7x365 Security Operations Centre (SOC), based on a 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 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

2-23, 2-24

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 25 September 2023 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 crime prevention 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, on the Criminal Code, amended by Organic Law 1/2015, of 30 March, and Organic Law 1/2019, of 21 February, and Organic Law 10/2022, of 6 September.

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 25 September 2023.

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 entered into agreements with the Social Housing Fund (FSV, by its acronym in Spanish), promoted by the Government of Spain, and with the Instituto Galego de Vivenda e Solo (IGVS), of the Galicia Autonomous Community Government, with the aim of providing housing for people in a situation of social vulnerability. Of all the dwellings provided, at 31 December 2023 more than 87% of the dwellings transferred to the FSV had been rented.

Since 2015, ABANCA has a Committee for Situations of Social Vulnerability (CSEV, by its acronym in Spanish) with powers for assessing and sanctioning situations in which debtors are classified as being in a situation of particular vulnerability, which includes the Bank's assessment from different perspectives. In 2023 the CSEV did not receive cases considered of particular vulnerability.

Global risk management

The quality of risk management, for the ABANCA Group, constitutes a priority line of action. The Group's risk policy is aimed at maintaining a medium-low profile for all its risks, being its risk model a key factor for achieving its strategic objectives, including ESG risks. The Group's risk control and management model follows the directives of the Basil Committee on Banking Supervision (BCBS), establishing a cross-cutting risk management that encompasses the entire organisation and which consists of three differentiated lines of defence, which encompass ESG risk management, having integrated them as a risk factor within the traditional risk structure:

1. **First line of defence:** management and control functions carried out by the Group's units, understood as business units and the credit unit. 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 ESG risks, Social Responsibility, Sustainability and Communication act as the first line of defence, together with admission and analysis of the risk (specifically, the ESG credit risk procedures and admission area).
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.

Specifically, in the sphere of ESG risk, given its cross-cutting nature, the Corporate Control and Risks DG is in charge of coordinating the integration of climate and environmental risks within Group's risk management framework (since ESG risk is managed through the control frameworks of the different types of risk), being

responsible for defining policies, regulations and methodologies that take into account market best practices and supervisory requirements, in addition to defining risk appetite and monitoring compliance therewith.

The Corporate Governance and Legal Affairs DG, which is responsible for the regulatory compliance function, includes supervisory regulation related to ESG risks among the regulatory areas for intensive supervision. ESG risks are included as an additional risk within its traditional risk control divisions, particularly the Regulatory Compliance area. The compliance function, through the verification of applicable requirements in decision-making in relation to investment products and services, supervises the integration of these risks in the aforementioned products and services offered by ABANCA.

3. **Third line of defence:** supervisory functions carried out by 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). Therefore, internal auditing is responsible for guaranteeing that the policies, methods and procedures are adequate, effectively implemented and regularly reviewed. The review of climate and environmental risk management is integrated in its work plan.

Specifically, in the ESG area, the management of these risks through the three lines of defence has been reinforced with the creation, in February 2023, of the ESG Steering Committee (hereinafter, "SteerCo"), a working group which is dependent on and that reports to the Corporate Social and Sustainability Corporate Committee. In this SteerCo, ABANCA's priority and strategic lines in the ESG area are established. To this end, this committee is composed of the Bank's main divisions in charge of driving, dynamising and integrating the ESG area in the Bank and includes the participation of the CEO and the different DGs.

- CEO (Chairman).
- GM Social Responsibility, Sustainability and Communication.
- Social Responsibility and Sustainability Manager.
- GM Corporate Control and Risks.
- Credit Risk, Policy and Regulatory Control Manager.
- GM Credit.

- ESG Risk Credit Admission Procedures Manager.
- GM Business Development and Customers.
- GM Strategic Planning and PMO.

Thus, the business units in charge of origination at the Bank work on identifying sustainable transactions, collecting the established data and performing a first analysis of ESG-related proposals, to the extent permitted by the Bank's tools.

Furthermore, the ESG admission team identifies and analyses ESG risk in the origination of asset transactions with credit risk (currently focusing on higher-volume transactions and one-off customers/transactions). For this reason, the Bank has reinforced the Credit DG, specifically the Risk Admission and Analysis Division, through the creation of the ESG Credit Admission and Risk Procedures Management Division, which is in charge of assessing and analysing transactions with credit risk in the area of sustainability, in the context of ABANCA's environmental objectives, and implementing improvements in the Admission Division's processes and activities with an approach aligned with the principles of sustainability.

Mention must also be made of the cross-cutting role of Business Development and Customer Division, which is in charge of adapting and/or defining the product catalogue.

Along the same lines, worth noting is the role of Strategic Planning and PMO DG, which ensures the integration of the ESG area in the Bank's strategy and, thus, in the Integrated Strategic Planning Process (PIPE), defining metrics and KPIs to ensure monitoring.

Additionally, the Social Responsibility and Sustainability Division is in charge of providing cross-cutting coordination, monitoring the implementation of the actions carried out and commitments acquired in response to the objectives of the sustainability plan and strategy, and managing, together with PMO, the PIPE sustainability project. Indeed, this division is in charge of monitoring the global plan and social sustainability and responsibility strategy and provides support in the integration of ESG factors.

To this end, the Social Responsibility and Sustainability Division is supported by cross-cutting working groups (mainly the ESG SteerCo) for agreeing upon and aligning environmental and climate change actions, compliance with ESG regulatory requirements, sustainable finance including, namely:

- The objective of the ESG operating working group is to show solid progress and positioning, and to support the business units, and general consultancy on ESG aspects, 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.

Also worth noting is the reinforcement of ESG-related functions of the Corporate Control and Risks DG. From a risk perspective, the Corporate Control and Risks DG, through the Comprehensive Risk Management Division and, specifically, the Credit Risk, Policy and Regulatory Control Management Division, proposes the Risk Appetite Framework to the Bank's Governing Bodies, being responsible for reporting its supervision to the Comprehensive Risk Committee and for coordinating the different information-generating units. Additionally, it is also in charge of proposing and defining policies and regulations that enable compliance with the defined risk profile from all perspectives, including environmental and climate change, and guarantee their integration in the Bank's management through their issuance, dissemination and resolution.

Given the consideration of ESG risk as a risk factor of traditional risks, there is no specific risk category on ABANCA's list of corporate risks; therefore, risk is managed through the different divisions specialised in each of the traditional risks (credit, market, liquidity, operational, etc.) and included in their policy management manuals. Therefore, it is also comprehensively managed by the Comprehensive Risk Management Division, belonging to Corporate Control and Risks.

Furthermore, the Corporate Governance and Legal Affairs DG includes ESG risks as an additional risk in its traditional control divisions, particularly in the Regulatory Compliance area. In this regard, the purpose of the Responsible Investment and Sustainability Risk Integration Policy is to report on the integration of sustainability risks in the investment decision-making and advisory processes. The Compliance function, through the verification of applicable requirements in decision-making in relation to investment products and services, supervises the integration of these risks in the aforementioned products and services offered by ABANCA.

Lastly, worth mentioning is the function of the Audit DG, as third line of defence, which includes ESG risks within its review plan for the different exercises.

This information is completed in the next chapter, detailing the ESG role of the governing bodies.

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 detailed above and is transmitted to all of the organisation's business and management units, supported, inter alia, by the aspects defined below:

- **The Comprehensive Risk Management Unit is independent from the Credit Unit and from the Business Units, which are, in turn, independent 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 life of the risk**, from pre-analysis to analysis/concession, monitoring and until the extinction thereof. The primary risks are not only analysed at the time they originate or when irregular situations arise in the ordinary recovery process, but this is done continuously for each and every customer.

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.
- **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 least every year and deals with credit risk, as well as the different exposures of market risk, both from negotiation and liquidity, and structural exposures. Credit risk management is also supported by credit management programmes, such as scoring models (individuals, autonomous and micro-SMEs), rating systems (exposures with medium-sized and large enterprises) and pre-classifications (large customers). There are also limits for operational risks.
- **Generation, implementation and dissemination of advanced** analysis and decision support tools that, with effective use of technology, facilitate customer management and its risks. Specifically, we can refer to construction, independent validation and approval of the risk models developed in accordance with corporate methodological guidelines. These tools make it possible to systematise the risk origination, monitoring and recovery processes, the calculation of expected loss and capital required, and the measurement of the held-for-trading portfolio.
- **Monitoring.** The information and exposure aggregation systems that are available to the Bank allow it to track the exposures, verifying systematic compliance with the approved limits, as well as adopting, when necessary, the pertinent corrective measures. Also, the Bank has symptomatic and systematic transacting monitoring systems that enable anticipation, in addition to establishing action plans. Systematic tracking of the status of the Bank's main portfolios is periodically carried out.

Additionally, worth noting is the existence of a series of procedures that support the transmission of the risk culture, for example, the risk appetite framework, the training activity, the remuneration and incentives policy, strict compliance by employees of the general codes of conduct and a systematic action independent from the internal auditing services.

These principles are aligned with the Group's strategy and business model and take into account the recommendations of the supervisory bodies, regulators and market best practices.

In order to guarantee adequate risk control, the Corporate Control and Risks DG includes the Comprehensive Risk Management area, which is responsible for defining risk management policies and procedures based on the definition of the profile of the target risk. It continuously reviews the policies to ensure their compliance with legislation and the bank's strategy.

Furthermore, this DG includes a Risk Data Internal Validation and Control unit, whose function consists of 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 risk has already been included in ICAAP 2023, in all the different risk categories, and is considered in assessing their materiality. In 2024, the Bank continues to make progress in the materiality analysis of the main portfolios, with the aim of ensuring compliance with regulatory expectations in this area.

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 type of risks (including ESG risk in all its aspects) considered reasonable to assume in the execution of a business strategy, such that it can maintain its ordinary activity in the case of unforeseen events. To do this, drastic scenarios are considered that could have a negative impact on its capital, liquidity and/or profitability levels.

The Bank actively manages its entire risk life cycle, from pre-analysis to analysis/concession, monitoring 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. Additionally, in order to obtain a risk rating not only for newly admitted transactions, but also for the bulk of the historical portfolio, ABANCA is currently working on integrating an automated ESG risk rating tool that will show the customer's taxonomic convergence risk according to its sector of activity, which makes it possible to obtain a rating for the entire portfolio.

The information and exposure aggregation systems that are available to the Bank allow it to track the exposures, verifying systematic compliance with the approved limits, as well as adopting, when necessary, the pertinent corrective measures. Periodically, there is systematic tracking of the status of the bank's main portfolios, which is regularly presented to the Board of Directors.

The bank has a risk limit system that is updated at minimum every year and deals with credit risk, as well as the different exposures of market risk, both from negotiation and liquidity, and structural exposures, over which exhaustive control is carried out, elevated to the highest governing bodies in the bank.

>>>> 1
DEPARTMENTS
responsible for
the elaboration
and management of
risks

2-12, 3-3, 207-2

- The **Board of Directors**, pursuant to Article 4.4.21 of the Regulation of the Board of Directors, is in charge, within its general supervision function, of approving a sustainability strategy aimed at creating value and monitoring it, assessing its degree of compliance and application to the Bank.

Furthermore, pursuant to Article 14.5.5 of the aforementioned Regulation, the Board, through its Appointments and Sustainability Committee, periodically assesses and reviews the Bank's sustainability strategy with the aim of fulfilling its mission to promote social interest and taking into account, as appropriate, the legitimate interests of the other stakeholders. Furthermore, it ensures that the Bank's sustainability practices adapt to the established strategy and policies.

This body is also in charge of establishing the general risk management governance guidelines through the Corporate Risk Framework, whose last version was approved in May 2023.

Also, it should be noted that in 2023 the decarbonisation objectives established for 2030 were approved, in addition to the appetite established for ESG risk.

- The **Comprehensive Risk Committee** is in charge of monitoring the execution of the Bank's relevant risk management strategies, including ESG risks, with the aim of assessing their adequacy to the approved risk strategy and risk appetite. To this end, this committee systematically reviews exposures to the main risk types, including the underlying climate and environmental risk factors in each case, and analyses and evaluates the risk management control strategy and policy proposals.

In relation to risk management, as in the other types, ABANCA's Comprehensive Risk Committee will also be responsible for advising the Board of Directors on society's current and future global propensity to risk (including environmental and climate risks) and its strategy in this regard, and assist it in monitoring the application of this strategy. This also involves defining ESG risk appetite, policies and methodologies.

As regards the topics discussed in relation to ESG, it should be noted that this body monitors, on a monthly basis, the main developments of the ESG Project in terms of risk (which is the roadmap to be followed to fulfil the ECB's Guide to climate and environmental 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.
- The **Delegated Credit Committee** delegates the broadest possible powers corresponding to the Board of Directors in relation to the concession and monitoring of financing transactions, regardless of their nature, including those relating to inward processing, recognition, modification, renewal, anticipation of maturity, resolution, extinction, renewal and, in general, those corresponding to acts, contracts or operations inherent to the money remittance or traffic operations of banking institutions in their financing transactions.

In relation to ESG risks, it should be noted that currently and, in general, the transactions presented to this body are accompanied by an individualised analysis performed by an "expert" analyst independent from the business area generating the transaction. This analysis consists of an assessment (which can be at customer or transaction level) of eligibility pursuant to EU Green Taxonomy and a first approximation of alignment (substantial contribution, DNSH and MSS), in addition to a physical risk and transition analysis.

- The **Executive Committee** is the committee responsible for proposing and tracking the entity's strategic plan, annual global budget, and annual operating plan. It also approves the entity's annual general objectives and their distribution through lines of business, responsibility centres and segments; and it makes decisions related to the corporate world or the day-to-day tracking of the Entity.

- The **Assets and Liabilities Committee (ALCO)** is the body responsible for designing the financial strategy, including, among others, capital adequacy policies, rate setting, funding strategy, and investment strategy and policies, ensuring their compliance. It also defines the operational objectives in terms of financial management (of balance, liquidity and margin), in order to comply with strategic objectives. It is responsible for the proper implementation of asset and liability management strategies, following up on commercial policy. The Assets and Liabilities Committee is the body responsible for establishing the necessary steps for implementing the general action principles and ensuring compliance with the Responsible Investment and Sustainability Risk Integration Policy, in coordination with ABANCA's different DGs in this area.

- The **Appointments and Sustainability Commission**: the powers of the Appointments and Sustainability Commission are regulated in Article 5 of the Commission's Regulation which, notwithstanding other duties assigned to the Board, has, at least, the following ESG-related risks, to which the ones detailed in section 3 have been added:
 1. Establish a representation objective for the least-represented sex in the Board of Directors and develop guidelines on how to reach said objective. For the purpose of promoting gender diversity, the Committee will propose measures for ensuring that the Bank has a significant number of senior managers.

 2. Periodically evaluate and review the Bank'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.

 3. Periodically evaluate and review the Bank's sustainability strategy with the aim of fulfilling its mission of promoting social interest, taking into account, where applicable, the legitimate interests of the other stakeholders. Also, ensuring that the Company's sustainability practices adapt to the established strategy and policies.

- The **Social Responsibility and Sustainability Committee**: it should be noted that the organisational structure with respect to the environmental risk management information cycle arises mainly from the Social Responsibility and Sustainability Division, which reports the corresponding information to the Social Responsibility and Sustainability Committee. This Committee scales the issues discussed raises the matters discussed in its sessions to the Appointments and Sustainability Commission and to the Comprehensive Risk Committee which, finally, inform the Board about both decisive and informative matters for the purpose of taking appropriate action.

The functions of the Social Responsibility and Sustainability Committee's are detailed below:

- Assess, implement and disclose the Social Responsibility and Sustainability best practices at the Bank, generating change processes in the different units with the aim of increasing competitiveness, integrating ESG criteria and strengthening the organisation's image and reputation.
- Coordinate the Bank's action strategies in accordance with the policies and guidelines established by the Board of Directors in relation to Social Responsibility and Sustainability.
- Monitor the implementation of the Social Responsibility and Sustainability strategies and plans.
- Measure, validate and monitor the classification of eligible assets for properly identifying, quantifying and reporting transactions, branches of activity or sectors for the proper development of the ESG framework.
- Follow up on the necessary reporting meet the Bank's ESG regulatory and operating needs.
- Monitor the commitments acquired by joining forums, initiatives or projects.
- Evaluate and approve positioning strategies that contribute to the organisation's objectives in this area and to differentiating and strengthening them.

The Social Responsibility and Sustainability Committee meets, at least, on six-monthly basis and is composed by the CEO as Chairman, by managers as directors of the following DGs: Human Capital; Corporate Governance and Legal Affairs; Social Responsibility, Communication and Sustainability; Business Development and Customers; and also by the Executive Director of the Digital Product Open Platform and General Manager of Afundación.

Highlight the incorporation of the Corporate Control and Risks Division as a member of this Committee, to guarantee the coordination between the main risk functions in the sphere of ESG.

Additionally, as mentioned earlier, worth noting is the creation of the ESG Steering Committee, which reports to this Committee and whose objective is to progress in the integration of ESG aspects in management and risks, and which is composed of representatives of the different units. The Steering Committee meets on a monthly basis.

In line with the foregoing, this committee, among other functions, through a working group, provides internal support for introducing in the Bank's systems information 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 and making progress in regulatory expectations.

Thus, the progress in the work carried out by this ESG Steering Committee will be presented, for approval, at the Social Responsibility and Sustainability Committee's six-monthly meeting and reported to the Appointments and Sustainability Committee on a six-monthly basis, although it is generally reported on a monthly basis. And reported to the Comprehensive Risk Committee/Board of Directors on a monthly basis.

Therefore, ABANCA has full integration taking into account the periodic sustainability information report it receives from the Board, particularly through the Appointments and Sustainability Committee, and from the Comprehensive Risk Committee as regards ESG risks.

Additionally, worth noting is the incorporation of the General Manager of Corporate Control and Risks, as a member of this Committee, to guarantee the coordination between the main risk functions in the ESG sphere.

- **Product Governance Committee:** also indicate the role of the Product Governance Committee, which incorporates the ESG aspect in each of its functions.

As an essential element of risk management, the bank has defined a risk appetite framework (RAF) through which the Group's governing bodies 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, which reports to the Corporate Control and Risks DG, 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 Executive Committee have a very active participation in the conceptualisation and establishment of appetite, based on the strategic planning defined for the Bank.

The definition of appetite and tolerance is made by selecting from a set of indicators, qualitative and quantitative, after calibrating the desired (appetite) and maximum (tolerance) levels.

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

- **Solvency risk:** It is the probability of suffering losses due to nonfulfillment of capital solvency coefficients, which could put the Bank's future viability at risk.
- **Business risk:** Risk that the Bank will experience a substantial reduction in gains arising from adverse business decisions or nonfulfillment in the execution of the Bank's strategy.
- **Credit risk:** It is defined as the probability that the Bank will suffer losses due to the counterparty's failure to meet its obligations. This risk also includes concentration risk, either sectoral or individual.
- **Liquidity risk:** It is a Bank's capacity to finance its growth and fulfil its payment obligations on time, without suffering unacceptable losses.
- **Market risk:** It is the risk of suffering losses and, therefore, the risk of a negative impact on the Group's profit 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 arising from trading portfolios. Within Market risk also falls the interest rate risk in the banking book (IRRBB), with this being understood as the risk of suffering losses in terms of intermediary margin and economic value of owned resources, given adverse movements in market interest rates.
- **Non-financial risk:**
 - **Operational:** this is the risk of losses resulting from deficiencies or failures in internal processes, human resources, or systems, or even derived from external circumstances, including legal risk.
 - **ICT risk,** this is the risk of loss due to a breach of confidentiality, a failure in the integrity of systems or data, inappropriate or lack of availability of systems or data, or an inability to change the ICT with a reasonable time and cost given the environment or requirements of the business.
 - **Reputational risk:** this is linked to the perception that different stakeholders have of the Group that it relates to, both internal and external, in the development of its activity, and that could have an adverse impact on the results or expectations for developing the business.

- **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 consideration of **ESG risk (climate and environmental)** which was initially considered 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 and environmental degradation are sources of structural changes that affect economic activity and, in turn, the financial system. Climate change risk poses financial risk to banks, insurance companies and the financial system in general. Thus, it is relevant to 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 subtypes of events:

- The **physical risks** that make reference to financial impact of a changing climate, including more frequent extreme weather conditions and gradual changes in climate, in addition to environmental degradation, such as pollution of air, water and land, water stress, loss of biodiversity and deforestation.

Physical risk is, therefore, classified as "severe" when it arises from extreme climate events, among which we can distinguish climate risks such as river flooding, coastal flooding and fires and environmental risks such as volcanic activity and seismic activity, and as "chronic" when it arises from progressive changes, such as an increase in temperatures that can lead to desertification.

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** to which the financial losses of a bank make reference that can arise directly or indirectly from the process of adjusting to an economy lower in carbon and more sustainable from the environmental standpoint.

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.

Consequently, the physical and transition risks are existing risk factors (through which it materialises), particularly credit risk, non-financial risk, market risk and liquidity risk. Furthermore, climate and environmental risks can simultaneously be factors of different risk categories and subcategories of the existing risk categories. 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.

For the assessment of each of these types of risks, ABANCA uses regulatory or internal methodologies defined based on the guidelines and recommendations established by the regulatory agency, as well as best market practices. The monitoring of these risks is done monthly, following the defined methodology and being verified as falling within the established risk profile.

ABANCA's global risk framework covers the framework of policies, standards and procedures aimed at risk control and tracking. Different controls are established within these, aimed at mitigating the risks and obtaining the risk level desired by the entity.

Along this line, the entity follows a dynamic model where the control mechanisms are reference, reviewing them at least annually, and seeking continuous improvement for the different processes and procedures established.

>>>> 3

Environmental, social and governance (ESG) RISKS

2-24, 3-3, 205-1, 207-2, 207-3

As declared in ABANCA's Sustainability Policy, the Bank considers the Environmental, Social and Governance (ESG) aspects key in the risk analysis and decision-making processes in our ordinary business.

With regard to ESG, it should be noted that the Climate and Environmental 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 Bank 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 ECB 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 an ethical, responsible and committed decision-making process, the Bank considers it essential to identify, understand, measure, assess and manage the environmental and climate risk

associated with these exposures. To this end, 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).
 - 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 environmental and/or climate risk level are considered less sensitive. The sectors of the CNAE lists currently being considered with low impact on the risk admission process are taken as a reference.
- **"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 based on a **questionnaire aimed at identifying physical and transition risks, in addition to proximity to alignment**. This questionnaire is based on the available information obtained at sector level, which is adjusted through the different questions raised, with the aim of obtaining a specific rating for the transaction.

The result shows a very low/low/medium/high/very high risk classification. In the last two cases, the expert judgement of sustainability analysts is also required to decide on the transaction.

Furthermore, in order to obtain a risk rating not only for newly admitted transactions, but also for the bulk of the historical portfolio, ABANCA is currently working on integrating an automated ESG risk rating tool that will

show the customer's taxonomic convergence risk according to its sector of activity, which will make it possible to obtain a rating for the entire portfolio.

Additionally, also worth noting is that all the transactions sanctioned within the scope of the Delegated Risk Committee include an **analysis of their eligibility pursuant to EU Taxonomy** (Delegated Regulation 2021/2139 of the Committee) and first approximation of alignment (compliance with Screening Criteria). Complementarily, the physical and transition risks of the financed activity are also assessed.

In any case, the Bank is constantly evolving its climate and physical risk assessment tools and capabilities and its credit management cycle, including best practices in its processes.

Furthermore, the Bank continues working on the adaptation of a **product catalogue** that follows the criteria of the EU's Environmental Taxonomy (Regulation 2020/852) or other sustainability standards or principles that aid our customers' transition. Also, this year an application integrated in the electronic file was developed with the aim of improving information management and integrating the sustainability data of customers, products and transactions in our information systems. The basis of the application are the **ESG electronic labels** that make it possible to identify whether the transaction meets the aforementioned criteria.

The application facilitates the collection of information relative to the customer's sustainability data from the start during the processing of an asset transaction, such that all this information is requested and recovered in a single point.

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:

- The strategic relevance of the customer or sector of activity in which it operates;
- Its carbon emission-intensive sector/customer status and transition capacity.

In this matrix, ABANCA segmented the customers of specific sectors to determine the line of action in relation to the Bank's positioning in terms of its support in their transition, thereby focusing the Bank's efforts on accompanying its customers in the development of new, less emission-intensive technologies and helping them in their transformation and efficiency improvement processes.

The information from this matrix served as a starting point for establishing KPIs related to climate risks for our exposures and for establishing sectoral policies.

Once it is considered that the degree of maturity of this segmentation is acceptable, it will be the basis for establishing specific ESG criteria in the Bank's risk policies (increase, reduce or maintain), in any case in accordance with the customers' strategic profile.

In relation to the foregoing and in compliance with the commitments to which we are signatories (Net Zero Banking Alliance), in the last quarter of 2022 we initiated the definition of our **decarbonisation pathway**. ABANCA published its intermediate decarbonisation objectives for 2030 in four of the sectors considered most intensive in terms of CO2 (steel, aviation, cement and carbon), which represents another step forward in its 2021-2024 Responsible and Sustainable Banking Action Plan and in its commitment to continue supporting its customers in their sustainable transition. In December 2023, three new sectors were approved (fossil fuels (oil and gas), aluminium and automotive) to achieve zero net emissions in its customer base by 2050.

ABANCA undertakes to stop financing coal by 2030 and has agreed to 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 and, between 2022 and 2030, will reduce the carbon emission-intensity of its credit portfolio by 30% for the fossil fuels sector, 25% in automobile production and 20% in aluminium production.

This decarbonisation pathway has been approved by the Bank's highest governing body, the Board of Directors, which will monitor the progress made at least annually. The Bank aims to establish new alignment objectives for other greenhouse gas emission-intensive sectors in 2024.

After defining the decarbonisation pathway and taking the decarbonisation objectives fixed by the Bank for 2030, at the end of the first half of 2023 the Bank defined a **C&E Risk Sectoral Policy**, aimed at orienting its portfolio towards the achievement of the established objectives. Thus, this policy, supported by management tools, serves as an instrument for identifying the activities in which the Bank has decided to limit financing due to its adverse impact, differentiating between the sectors/customers linked to the coal sector (activity that must be phased out after 2030), to which an inclusion criterion is applied, and sectors/customers linked to the other activities for which decarbonisation pathways have been approved (or will be approved, in due course), for which restriction criteria are established.

In relation to **pricing**, the Bank has developed different initiatives so that the pricing of transactions takes ESG risk into account:

- In 2023, the Bank began to work in the area of RAROC, focusing, in this first phase, on the main transactions, such that the effect of climate risk will be observed in the transactions of the Delegated Credit Committee, based on the individual report carried out by the expert and independent analyst of the business area proposing the transaction.
- Clauses with KPIs linked to ESG compliance criteria will continue to be progressively introduced in the minutes of Corporate transactions, such that the price of said transactions is conditional upon compliance with these KPIs.
- Furthermore, progress has been made in the product catalogue, with the design of specific characteristics that incentivise, through financial conditions, investment in sustainable assets such as, for example, efficient mortgages and Auto Eco.
- On the contrary, specific rates have been established that could penalise those transactions proposed by companies who act on sectors sensitive to transition/high impact and in which financing is not aimed at reducing emission intensity and favouring their transition to decarbonisation.
- The next steps are based on continuing to make progress in work on RAROC, developing the calculation of a RAROC adjusted to climate risk.

Furthermore, it should be noted that in 2022, **specific ESG risk indicators** were incorporated into the Bank's risk appetite framework, after the analysis performed on the impact of these ESG risks in all types of traditional risks.

The Bank currently has various indicators in the risk appetite framework, in the area of business, credit and market risk, which make it possible to monitor the evolution of climate risk. It should be noted that most of these indicators are linked to the sectors most sensitive to the transition, ensuring the exhaustive monitoring of these customers from the three perspectives (business, credit and market).

Initially, these indicators are incorporated into the appetite framework for monitoring purposes, although in 2023 vulnerability thresholds were incorporated to the indicators that continued in 2022, applying the same governance as for the other types of risks. This required establishing early alert levels and limits for said metrics. Furthermore, new ESG metrics were included in the definition of the risk appetite for 2023 for the purpose of monitoring them. In this regard, it should be noted that this is a series of indicators considered from a progressive approach, the calculation of which is understood to evolve along with advancements in ESG risk management, in order to achieve a greater degree of detail and depth. Similarly, ESG indicators have been integrated in the traditional risk management dashboards.

>>>> 4

Materiality analysis

207-2

The identification of risks is a key process within ABANCA's risk management framework and essential input for the ICAAP/ILAAP. Its objective is to identify and assess the risks to which the Bank could be exposed, discriminating those that are most relevant to the Bank due to their materiality and/or probability of occurrence.

This process starts with the identification of the long list of risks and continues with the performance of an individual analysis thereof, with the aim of declaring them material or immaterial. During said process, which forms part of the preparation of the ICAAP/ILAAP, the Bank assesses the probability of occurrence and the severity of the loss, in the event that it is materialised. This risk materiality assessment process follows an orderly process, defined by the Bank, with the objective of analysing all the risks to which it is potentially exposed.

Specifically, as mentioned earlier, given the transversality that characterises ESG risk, in order to determine its materiality, the Bank has incorporated climate risk and environmental management as a specific risk factor that impacts the other traditional risks, such that each Corporate Risk Control DG manages, assesses and mitigates the impact of climate risk as a risk driver in the traditional risk in which it is specialised, whereby the Bank ensures that a comprehensive and effective review of the impact generated by the climate and environmental risk.

Specifically, in this process the risks of climate change are considered as a new risk that declines as a factor of the traditional risks. Additionally, an analysis of its materiality is performed. After having performed a first impact analysis of all the types of risk, to date, a quantitative and qualitative assessment of the impact of physical and transitional risks on credit, market, operational, behavioural, reputational, business and strategic risk is carried out.

Thus, a greater analysis of the impact of climate risk on all risks is performed. A summary of the analysis performed on each of the risk blocks is shown below:

For the impact of climate risk on **credit risk**, the Bank carried out an internal exercise that will be refined in the coming years and which it has contrasted with the perspective of the EBA based on the 2022 climate ST.

The application of the adverse climate scenarios (on the perimeter: Corporates Non SME, Corporates SME and Retail SME) returns a total impact on the CoR (Cost of Risk) due to both transition risk and physical risk (in this case considering heat wave and drought).

This exercise has been completed with two additional stress exercises: on the one hand, through a transition risk event in the corporate portfolio and, on the other, through physical, climate and environmental risks in the mortgage portfolio.

In the **Market Risk** analysis, ABANCA considers the risks associated with climate change (transition and physical) as an additional factor that influences the risk categories already identified and that are managed and monitored from a holistic approach.

Environmental and climate risk management at ABANCA starts with the risk planning process established by the risk appetite framework.

In the sphere of market risk, ABANCA considers climate risk from a dual perspective:

- From the perspective of the direct impacts of climate risk, mainly from the standpoint of transition risk.
- 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 this regard, the Bank analyses its materiality, classifying the fixed income and equity assets according to their consideration as "activities less sensitive to transition risk" or "activities more sensitive to transition risk", with the aim of minimising the impact of a strong variation in the price of assets considered "activities more sensitive to transition risk" in the event of a change in market trend.

In the case of **non-financial risk**, for each of the risks the impact is assessed through behavioural risk, legal risk, model risk, operational risk, ICT risk and reputational risk.

The monitoring of 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 a clear commitment to the environment. In the operational area of internal 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.

Lastly, in the case of **Business Risk**, the Bank assessed the effect of climate risk on the capacity to generate income in the future or the impact that a reputational deterioration would have via underwriting risk if the Bank did not meet market and stakeholder expectations regarding compliance with ESG criteria.

It should be noted that, in the case of climate risk impact on business risks, ABANCA has assessed said impact through business risk. A preliminary impact of ESG risk on investee risk has also been carried out.

Lastly, it should be noted that the Bank continued to deepen its consideration of ESG risk as a cross-cutting risk, with potential impact on traditional risks, highlighting that this year its assessment was extended to liquidity risk (ILAAP), which are added to the assessment already being made, since the previous year, to credit, market, operational and business risk.

Specifically, the ILAAP establishes that ABANCA can be exposed to **Liquidity Risk** related to climate factors. In this connection, two perspectives have been considered:

- A climate risk materialisation perspective: climate risk can have impacts on different aspects that directly affect the Bank's liquidity: decline in the market value of the portfolio position, increase in the haircut of fixed income positions penalised by said risk, cash outflows/loss of deposits, etc.
- And another one related to the greater difficulties in obtaining financing, both in capital markets and in money markets and customer deposit markets, in the event of nonfulfillment or deviations from the expectations of the market or the supervisor in relation to ESG risk (or worse positioning/benchmarking than the sector).

In 2024 the Bank will continue working to quantify the impact of this risk on prudential risks, following supervisory requirements, by assessing the relationship between C&E risks and prudential risks, the identification of more representative transmission channels, the measurement of this effect on all the significant portfolios and the broadening of the horizon of the scenarios to the medium and long term.

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. On this basis, 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 potential emerging risks, worth noting, on the one hand, is the monitoring and management of the technological risk, with a special focus on cybersecurity (ICT risk), both internal and that of our suppliers, as there is an increasingly growing amount of information stored in external virtual systems; on the other hand, there are extreme climate events or natural disasters, the current conflicts in both Europe and the Middle East, and the evolution of interest rates, which can put strain on our customers' ability to pay, due to which anticipation in management is essential to meet any needs they may have. To date, this impact has not materialised as a deterioration of the credit profile of our portfolios.

Financial information

ABANCA increased its profit to €711 million, with a profitability of 16.0%



PROFITABILITY

711.3M€

Attributable
profit

16.0%

ROTE

52.4%

14.9 p.p. improvement
in cost to income ratio



SOLVENCY AND LIQUIDITY

16.9%

Total
capital ratio

1,498M€

Capital excess

84.9%

LTD ratio
retail



CUSTOMERS

>124,000M€

Business
volume

+6,262M€

Customer funds

>130,000

New
customers



RISK QUALITY

27.5%

Texas
ratio

2.4%

NPL ratio

73.9%

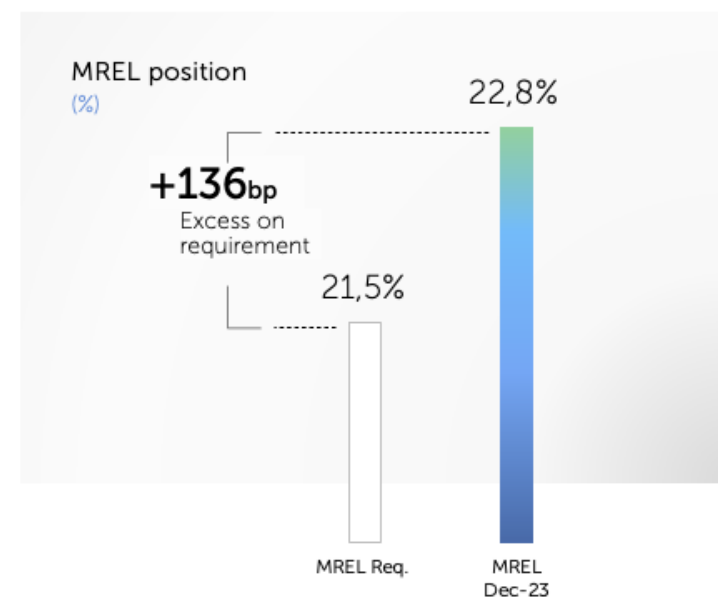
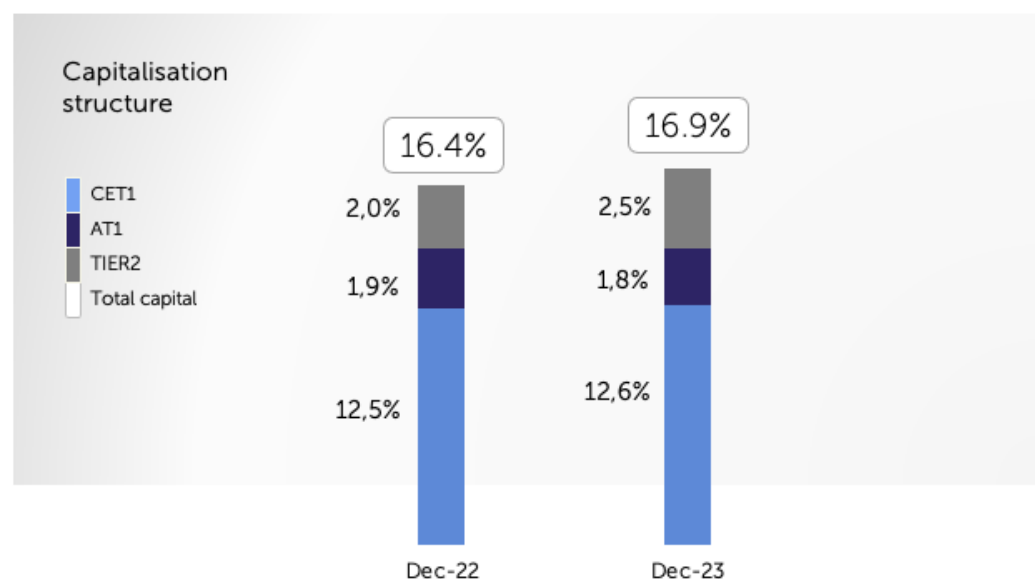
Non-performing
loans coverage

- ✓ The dynamism of the retail business and the sound financial profile of ABANCA result in 16.0% profitability
- ✓ We maintain a constant cost control that allow us to be the entity with the best improvement in efficiency
- ✓ Total capital ratio of 16.9%, far exceeding regulatory requirements
- ✓ Sound liquidity profile: loan/deposit ratio of 84.9% and granular deposit base
- ✓ After the recent acquisition of EuroBic, the bank increased its business volume above €124,000 million
- ✓ Customer funds increased €6,262 million with diversified growth
- ✓ Business dynamics. Organic acquisition of more than 130,000 new customers in the year
- ✓ Sound asset quality, combining a very low NPL ratio with high coverage
- ✓ The NPL ratio stands at 2.4% while the Texas ratio stands at 27.5% and the coverage of non-performing loans at 73.9%

Solvency and liquidity:

3-3

The total capital ratio stood at 16.9% and we met the MREL requirement in advance.



Excess on CET1 requirements

447 bp. | **1,513** M€

Excess on total capital requirements

443 bp. | **1,498** M€

We meet MREL ratio +136bp
on the requirements set for 2024

Income statement

2-6, 3-3

ABANCA increased its profit to €711 million, with a profitability of 16.0%

(million euros)	Dec-23	Dec-22	Var.
NET INTEREST INCOME	1,231.8	764.8	61.1%
Revenues from services provided	294.1	284.3	3.4%
BASIC MARGIN	1,525.9	1,049.2	45.4%
Dividends and share of profit or loss of equity-accounted investees	3.8	3.6	4.2%
Gains or losses on financial assets and liabilities (net)	74.2	32.3	-
Regulatory expenses	138.3	89.5	54.5%
Others (net)	106.3	113.8	-6.6%
GROSS MARGIN	1,572.0	1,109.3	41.7%
Operating expenses	807.1	745.9	8.2%
PRE-PROVISION MARGIN	764.9	363.4	-
Provisions and impairments	88.3	53.8	63.9%
Credit allocations	105.1	82.2	27.8%
Allocations for other provisions	30.0	23.2	29.4%
One-off recoveries and others	-46.8	-51.6	-9.1%
Others	3.7	5.5	-32.5%
Accounting impact of TARGOBANK incorporation	165.4	-	-
PBT	845.7	315.1	168.4%
Tax and other	134.4	97.6	37.7%
ATTRIBUTABLE PROFIT	711.3	217.5	227.1%
Recurrent profit	545.9	217.5	151.1%

Efficiency improves
14.9 points

thanks to cost control and good performance of recurring lines of income

Cost of risk under
control

despite caution applied in risk identification

Profit of 711.3 million, which represents **16.0% ROTE** (12.3% in recurring terms)

>400M€ of taxes paid in the year

Accounting impact of TARGOBANK incorporation: badwill obtained on the purchase with integration costs deducted.
2022 figures restated in accordance with the IFRS-17 standard solely and exclusively for comparative purposes, after entry into force on January 1, 2023

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 2023 reached €1,903 million, 61% over the 2022 amount, thanks to the 42% advance of the gross margin and the goodwill generated by the incorporation of TARGOBANK.

For its part, the economic value distributed in 2023 stood at €884 million, 15% higher than in 2022. If we include the amount channelled through Afundación Obra Social ABANCA, the total economic value distributed exceeded €893 million in 2023.

The economic value retained in 2023 was €1,009 million, which was used to capitalise the institution.

Economic value generated, distributed and retained (201-1)	2022²⁹	2023
Thousands of euro		
Gross margin	1,109,327	1,571,975
Income from removing assets not classified as non-current assets held for sale	3,489	6,368
Goodwill	0	201,274
Allowance to provisions	60,338	116,973
Income from non-current assets held for sale	8,518	6,067
Economic value generated	1,181,672	1,902,657
Suppliers - general administrative expenses (except fees)	232,649	258,957
Staff – personnel expenses	395,549	441,561
Public Admin. - income tax + and fees for general admin. expenses. ³⁰	46,633	40,757
Shareholders - dividends	86,005	134,474
Community (without foundation)	9,788	8,692
Economic value distributed	770,624	884,441
Foundation	8,500	9,000
Total economic value distributed	779,124	893,441
Economic value retained	402,548	1,009,216

²⁹ The data for December 2022 do not match those published in the 2022 ABANCA CSR Report because they were recalculated due to the entry into force of standard IFRS17 and, due to the lack of uniformity, comparison with 2021 is not possible.

³⁰ 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, 207-4

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.

Country ³¹	Income from sales to third parties	Income from intra-Group transactions with other tax jurisdictions	Gross margin	Profit and loss before tax	Tangible assets other than cash and cash equivalents	Corporate income tax accrued on profits or losses	Number of employees
Spain	2,487,602	50,673	1,459,470	820,946	1,120,787	39,583	6,147
Portugal	134,967	-39,088	88,985	20,077	105,444	-9,412	602
Other	36,501	-2,784	23,520	4,691	1,984	204	59
Consolidated Total	2,659,070	8,801	1,571,975	845,714	1,228,215	30,375	6,808

³¹The scope of this information also includes, in addition to ABANCA Corporación Bancaria, S.A., information relating to its financial and non-financial investees, including TARGOBANK España.

Total tax contribution of the ABANCA Group in 2023

Within the framework of the project implemented in collaboration with CECA, the entity annually estimates the tax contribution of ABANCA Group³².

It is currently estimating its contribution in 2023, due to which the contribution calculated for the previous year is included in this Report, since it is the information available on the date of publication thereof.

In 2022 ABANCA's tax contribution amounted to €440 million³³, of which €296 million were taxes paid by the Group and €143 million were taxes collected from third-party payments.

Furthermore, during said year the Group made parafiscal contributions (to the Deposit Guarantee Fund for Credit Institutions, the Single Resolution Fund and the Single Supervisory Mechanism) amounting to €88.8 million.

³² The scope of this information is as follows: ABANCA Corporación Bancaria, S.A. and the companies that comprise the Consolidated Tax Group (Note 28.1 to the Consolidated Financial Statements for 2022).

³³ Estimated on a cash basis.

Appendices

>>>> 1

Main metrics - Responsible professionals

Total employees and distribution by gender (2-7, 405-1)

	2021	2022	2023
No. of employees	5,979	5,868	6,546
Distribution by gender (%)			
- Women	50.9 %	51.8 %	51.3 %
- Men	49.1 %	48.2 %	48.7 %

Data of all employees with employment contracts, both permanent and temporary.

Distribution of employees by nationality	Núm.	2022		2023	
		%	Núm.	%	
Spanish	5,400	92.0 %	6,041	92.0 %	
Portuguese	407	6.9 %	424	6.9 %	
Other European nationalities (Italian, Romanian, Danish, Swiss, etc.)	19	0.3 %	19	0.3 %	
American nationalities (Mexican, Venezuelan, Argentinian, American, Brazilian, etc.)	38	0.7 %	38	0.7 %	
Other nationalities (Moroccan, Chinese, Algerian)	4	0.1 %	4	0.1 %	

Data of all employees with employment contracts, both permanent and temporary.

Geographical distribution abroad (405-1)

	2021	2022	2023
Germany	1	1	1
Brazil	2	3	3
USA	15	17	19
France	1	2	1
England	2	2	2
Mexico	16	16	17
Panama	2	2	2
Portugal	392	401	414
Switzerland	12	14	13
Venezuela	1	1	1
Total	444	459	473

Breakdown of staff by location and gender (405-1)

	2021	2022	2023			
			Women	Men	Total	%
Galicia, Asturias and León	4,138	4,175	2,332	1,986	4,318	66.0 %
Rest of Spain	1,397	1,234	794	961	1,755	26.8 %
Abroad	444	459	230	243	473	7.2 %
Total	5,979	5,868	3,356	3,190	6,546	100.0 %

Data of all employees with employment contracts, both permanent and temporary.

Breakdown of staff category and gender (405-1)

	2021	2022	2023			Distrib.
	Distrib.	Distrib.	<30	30-50	>50	
Senior management	0.2 %	0.2 %		7.1 %	92.9 %	0.2 %
Management	1.4 %	1.4 %		44.2 %	55.8 %	1.3 %
Middle management	20.3 %	20.5 %	0.2 %	67.8 %	32.0 %	20.7 %
Skilled workers	78.1 %	77.8 %	12.3 %	59.0 %	28.7 %	77.8 %
Total	100.0 %	100.0 %	9.6 %	60.5 %	29.9 %	100.0 %

Data of all employees with employment contracts, both permanent and temporary.

	2021	2022	2023
Proportion of senior managers hired from the local community (202-2)	69 %	79 %	79 %

Breakdown of new generate and gender (2-7, 401-1)

	2021		2022		2023	
	Women	Men	Women	Men	Women	Men
Galicia, Asturias and León	53 %	47 %	54 %	46 %	49 %	51 %
Rest of Spain	47 %	53 %	54 %	46 %	51 %	49 %
Abroad	53 %	47 %	55 %	45 %	51 %	49 %
Total	51 %	49 %	54 %	46 %	50 %	50 %

Breakdown of new personnel by age and location (401-1)

	2021			2022			2023		
	<30	30-50	>50	< 30	30-50	> 50	< 30	30-50	> 50
Galicia, Asturias and León	68.9 %	30.6 %	0.5 %	80.8 %	17.5 %	1.6 %	79.1 %	19.3 %	1.7 %
Rest of Spain	75.6 %	23.1 %	1.3 %	63.2 %	31.6 %	5.3 %	61.7 %	29.9 %	8.4 %
Abroad	17.6 %	76.5 %	5.9 %	17.0 %	79.2 %	3.8 %	24.4 %	73.3 %	2.2 %
Total	64.9 %	33.8 %	1.3 %	69.7 %	27.6 %	2.6 %	69.4 %	27.2 %	3.3 %

Average turnover by age and gender (401-1)

	2021	2022	2023		
			Women	Men	Total
Under 30	35.3 %	21.9 %	23.9 %	25.4 %	24.6 %
Between 30 and 50	3.2 %	2.5 %	1.9 %	2.4 %	2.1 %
Over 50	3.3 %	1.9 %	2.1 %	2.5 %	2.3 %
Total	5.2 %	4.0 %	4.2 %	4.5 %	4.3 %

Includes employees who leave the organisation voluntarily or due to dismissal, retirement or death in service. 3.9 % in 2023, not considering departures due to retirement, death and disability.

Average turnover by location and gender (401-1)

	2021	2022	2023		
			Mujeres	Hombres	Total
Galicia, Asturias and León	5.5 %	3.5 %	3.8 %	4.3 %	4.0 %
Rest of Spain	4.2 %	4.2 %	4.5 %	4.5 %	4.5 %
Extranjero	6.3 %	8.5 %	7.4 %	5.8 %	6.6 %
Total	5.2 %	4.0 %	4.2 %	4.5 %	4.3 %

Includes employees who leave the organisation voluntarily or due to dismissal, retirement or death in service. 3.9 % in 2023, not considering departures due to retirement, death and disability.

Breakdown of contracts by position and gender (2-7)

		2021			2022			2023		
		Women	Men	Total	Women	Men	Total	Women	Men	Total
SENIOR MANAGEMENT	Total	1	12	13	1	13	14	2	12	14
	Permanent contract	1	12	13	1	13	14	2	12	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	71	85	16	66	82	17	69	86
	Permanent contract	14	71	85	16	66	82	17	69	86
	Temporary	0	0	0	0	0	0	0	0	0
	Part-time	0	0	0	0	0	0	0	0	0
MIDDLE MANAGEMENT	Total	375	839	1,214	392	813	1,205	447	905	1,352
	Permanent contract	375	839	1,214	392	813	1,205	447	905	1,352
	Temporary	0	0	0	0	0	0	0	0	0
	Part-time	0	0	0	0	0	0	0	0	0
SKILLED WORKERS	Total	2,654	2,013	4,667	2,628	1,939	4,567	2,890	2,204	5,094
	Permanent contract	2,495	1,888	4,383	2,397	1,756	4,153	2,635	2,001	4,636
	Temporary	159	125	284	231	183	414	255	203	458
	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.

Breakdown of contracts by age and gender (2-7)

		2021			2022			2023		
		Women	Men	Total	Women	Men	Total	Women	Men	Total
<30 years	Total	199	175	374	284	232	516	347	284	631
	Permanent contract	86	76	162	89	70	159	135	105	240
	Temporary	113	99	212	195	162	357	212	179	391
	Part-time	0	0	0	0	0	0	0	0	0
30- 50 years	Total	2,235	1,829	4,064	2,118	1,711	3,829	2,188	1,771	3,959
	Permanent contract	2,190	1,805	3,995	2,083	1,693	3,776	2,148	1,750	3,898
	Temporary	45	24	69	35	18	53	40	21	61
	Part-time	0	0	0	0	0	0	0	0	0
>50 years	Total	610	931	1,541	635	888	1,523	821	1,135	1,956
	Permanent contract	609	929	1,538	634	885	1,519	818	1,132	1,950
	Temporary	1	2	3	1	3	4	3	3	6
	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.

Breakdown of contracts by position, region and gender (2-7)

		2021			2022			2023		
		Women	Men	Total	Women	Men	Total	Women	Men	Total
Galicia, Asturias and León	Total	2,217	1,921	4,138	2,259	1,916	4,175	2,332	1,986	4,318
	Permanent contract	2,090	1,822	3,912	2,080	1,767	3,847	2,137	1,826	3,963
	Temporary	127	99	226	179	149	328	195	160	355
	Part-time	0	0	0	0	0	0	0	0	0
Rest of Spain	Total	610	787	1,397	553	681	1,234	794	961	1,755
	Permanent contract	581	762	1,343	507	648	1,155	740	920	1,660
	Temporary	29	25	54	46	33	79	54	41	95
	Part-time	0	0	0	0	0	0	0	0	0
Abroad	Total	217	227	444	225	234	459	230	243	473
	Permanent contract	214	226	440	219	233	452	224	241	465
	Temporary	3	1	4	6	1	7	6	2	8
	Part-time	0	0	0	0	0	0	0	0	0

No significant variations were produced in the workforce throughout the year, so data are reported exclusively at the close of the fiscal year.

Number of dismissals by gender, age, and professional category

		2021	2022	2023		
				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	0	1	0	0	0
	Over 50	1	0	0	1	1
	Total	1	1	0	1	1
Middle management	Under 30	0	0	0	0	0
	Between 30 and 50	10	3	0	5	5
	Over 50	1	2	1	2	3
	Total	11	5	1	7	8
Skilled workers	Under 30	0	0	0	2	2
	Between 30 and 50	20	17	11	9	20
	Over 50	12	13	8	11	19
	Total	32	30	19	22	41

Disabled employees (405-1)

	2021	2022	2023		
			Women	Men	Total
No. employees with disabilities	66	72	39	34	73
Percentage of employees with disabilities	1.15 %	1.23 %	1.16 %	1.07 %	1.12 %
Percentage of Spanish personnel	1.19 %	1.11 %	1.15 %	1.02 %	1.09 %

Being 1.09 % 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

	2021	2022	2023		
			Women	Men	Total
Management	115,587	119,000	102,711	131,577	126,079
Middle management	56,958	57,452	53,860	63,108	59,990
Skilled workers	38,666	38,634	38,233	43,145	40,332

Not considering TARGOBANK España, due to having been taken over in October 2023 and therefore not having capacity to influence the salary policy and which will be included in the scope in 2024, salary data relate to 95 %. Does not include employees of non-financial investees (Sogevinus, S.G.P.S.; Espacios Termolúdicos, S.A. and Natur Hotel SPA Allariz, S.A.) and of financial investees Txstockdata, S.L.; Inventium Consultora de Proyectos, S.L.; nor information on employees outside of Spain and Portugal.

Included in the normalised annual base salary (100 % of payroll) are the salary items for collective agreements, functional and personal accessories.

Average salary by gender and age

	2021	2022	2023		
			Women	Men	Total
Under 30	21,617	20,861	22,504	22,709	22,595
Between 30 and 50	42,052	42,785	41,156	48,946	44,602
Over 50	52,355	53,361	47,292	61,374	55,328

Not considering TARGOBANK España, due to having been taken over in October 2023 and therefore not having capacity to influence the salary policy and which will be included in the scope in 2024, salary data relate to 95 %. Does not include employees of non-financial investees (Sogevinus, S.G.P.S.; Espacios Termolúdicos, S.A. and Natur Hotel SPA Allariz, S.A.) and of financial investees Txstockdata, S.L.; Inventium Consultora de Proyectos, S.L.; nor information on employees outside of Spain and Portugal.

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	2023
Spain	10.08	8.89
Portugal	4.92	4.85

The ratio is 8.89 for ABANCA in Spain and 4.85 for Portugal. The information has been calculated based on annual fixed and variable compensation received in 2023.

Percentage increase in annual total compensation ratio (2-21)

	2022	2023
Spain	-2.86 %	-0.99 %
Portugal	4.21 %	0.74 %

The ratio is -0.99 for ABANCA in Spain and 0.74 for Portugal. The information has been calculated based on annual fixed and variable compensation received in 2023.

(202-1)

	2021	2022	2023
Ratios of standard entry level wage compared to local minimum wage	1.2	1.1	1.1
Spain	1.2	1.1	1.1
Portugal	1.3	1.2	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 2023 (405-2)

	Mean	Median
Spain	-5,9	-5,7 %
Portugal	-5,7	-5,4 %

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 an insufficient sample to infer statistically robust conclusions.

The information calculated based on the average is also provided.

Average directors' salary

	2021	2022	2023		Total
			Mujeres	Hombres	
Senior management salary*	401,963	397,682			400,850
Directors' salary	246,661	233,496	220,000	253,143	241,091

*For data protection purposes, as there is only one woman in senior management (incorporated in September), this information is not broken down by gender. Fixed, variable and in-kind compensation has been taken into account for the people considered senior management personnel to calculate the amount for 2023.

Parental leave (401-3)

	2021	2022	2023		Total
			Women	Men	
Parental leave Maternity/paternity (no.)	178	126	76	68	144
Exercised (%)	100 %	100 %	100 %	100 %	100 %
Return (no.)	178	125	76	68	144
Rate of return*	100 %	99 %	100 %	100 %	100 %
Leaves in the previous que permanecen en la the company after 12 months (No.)	181	174	60	63	123
Retention rate of employees who benefited from parental leave**	97 %	98 %	100 %	97 %	98 %

* Return rate = total number of employees who returned to work after parental leave / total number of employees who must return to work after parental leave x 100

** Retention rate = total number of employees retained 12 months after returning to work after parental leave / total number of employees who return after parental leave during the previous reporting periods x 100

Number of training actions

	2021	2022	2023
Remote	257	349	584
On-site	173	206	186
Mixed	1	3	8
Total	431	558	778

The increase in the number of tele-training actions in 2023 compared to 2022 is derived from the 2023 Training Plan, with the promotion of the use of digital platforms access is provided to all employees to carry out the different training actions promoted by the Bank.

LCI training

	2021	2022	2023
No. of new LCI certification programmes	1	2	3
No. of participants in the LCI certification programmes	203	142	266
No. of professionals certified	3,721	3,795	3,853
Percentage of professionals from the compulsory perimeter certified	86.40 %	88.22 %	88.89 %

MIDIF II training

	2021	2022	2023
No. of new MIFID certification programmes	3	2	3
Number of participants in MIFID certification programmes	215	135	130
No. professionals certified	3,503	3,524	3,434
Percentage of professionals from the compulsory perimeter certified	95.72 %	95.48 %	95.28 %

No. of total training hours per year (404-1)

	2021	2022	2023		
			Women	Men	Total
Senior management and directors	2,162	2,158	548	1,984	2,532
Middle management	46,052	47,240	14,349	27,848	42,197
Skilled workers	278,312	213,029	137,768	95,564	233,332
Total	326,526	262,428	152,665	125,396	278,061

The year-on-year variation in training hours is promoted by the 2023 Training Plan. In 2023 the training offering was extended and a specialisation plan in sustainable finance was developed for the business teams.

Average training hours per year (404-1)

	2021	2022	2023		
			Women	Men	Total
Senior management and directors	23	23	30	26	27
Middle management	38	40	35	34	35
Skilled workers	59	49	52	49	51
Total	54	47	50	44	47

Employees who have received training on the prevention of money laundering (205-2)

	2021	2022	2023			
	Total (%)	Total (%)	Galicia, Asturias and León	Rest of Spain	Abroad	Total (%)
Senior management	100 %	100 %	13	1		100.00 %
Directors	95 %	95 %	67	14	3	96.55 %
Middle management	96 %	97 %	833	276	121	96.77 %
Skilled workers	87 %	90 %	3,273	945	314	90.22 %
Total	89 %	91 %	4,186	1,236	438	91.63 %

Employees whose performance was evaluated (404-3)

	2021	2022	2023		
	Total	Total	Women	Men	Total
Senior management	100 %	100 %	100 %	100 %	100 %
Directors	100 %	100 %	100 %	100 %	100 %
Middle management	98 %	99 %	98 %	98 %	98 %
Skilled workers	93 %	95 %	95 %	94 %	95 %
Total	94 %	96 %	95 %	96 %	95 %

Employees covered by a collective bargaining agreement by country (2-30)

	2021	2022	2023
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

	2022			2023		
	Women	Men	Total	Women	Men	Total
No. of accidents with work release excluding <i>during travel</i>	4	3	7	6	0	6

The types of accidents occurred in 2023 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 year subject of this report, there were no significant leaves (that is, over six months). Data of accidents and absenteeism, excluding TARGOBANK España, include 95% 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., and the information on personnel from United Kingdom, Venezuela, Panama, France and Germany is not included.

Accident rates (403-9, 403-10)

	2022			2023		
	Women	Men	Total	Women	Men	Total
Victims of fatal work accidents						
No. of victims	0	0	0	0	0	0
Death rate	0	0	0	0	0	0
COVID19						
No. of leaves	479	311	790	22	7	29
Hours of absence	20,508	10,990	31,498	737	206	943
Absenteeism						
Hours of absence	295,576	155,433	451,010	27,949	154,372	425,321
Absenteeism rate (% of the total of programmed days)	5.78 %	3.22 %	4.54 %	5.24 %	3.21 %	4.26 %
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)

	2021		2022		2023	
	Women	Men	Women	Men	Women	Men
Accident frequency index	1.09	0.22	0.83	0.64	1.23	0.00
Severity index	0.27	0.04	0.03	0.07	0.12	0.02

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.

>>>>> 2

Tables related to Article 8 of the European taxonomy

0- Summary of KPIs to be disclosed by credit institutions under Article 8 of the Taxonomy Regulation

		Total environmentally sustainable assets (Turnover)	Total environmentally sustainable assets (Capex)	KPI (Turnover)	KPI (Capex)	% Coverage (over total assets)	% of assets excluded from the numerator of the GAR (ar. 7 (2) and (3) and section 1.1.2 of Annex V)	% of assets excluded from the denominator of the GAR (ar. 7 (1) section 1.2.4 of Annex V)
Main KPI	Green assets ratio (GAR) stock	1,750.33	1,841.53	3.29	3.46	74.40	48.51	25.60
		Total environmentally sustainable activities (Turnover)	Total environmentally sustainable activities (Capex)	KPI (Turnover)	KPI (Capex)	% coverage (over total assets)	% of assets excluded from the numerator of the GAR (ar. 7 (2) and (3) and section 1.1.2 of Annex V)	% of assets excluded from the denominator of the GAR (ar. 7 (1) section 1.2.4 of Annex V)
Additional KPIs	(GAR (flow)	431.22	442.85	3.58	3.68	82.70	48.96	27.49
	Trading book	0.00	0.00	0.00	0.00			
	Financial Guarantees (FinGuar)	0.00	0.00	0.00	0.00			
	Assets under management (AuM)	82.02	62.26	1.78	1.35			
	Fee and commissions income	0.00	0.00	0.00	0.00			

1 - Assets for the calculation of GAR - CAPEX Version

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
EUR million		Total [Gross] carrying amount	Reference date of disclosure T													
			Climate change mitigation (CCM)					Climate change adaptation (CCA)					TOTAL (CCM + CCA)			
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)			
			Of which environmentally sustainable (Taxonomy-aligned)			Of which environmentally sustainable (Taxonomy-aligned)			Of which environmentally sustainable (Taxonomy-aligned)							
	GAR – Covered assets in both numerator and denominator				Of which use of proceeds	Of which transitional	Of which enabling			Of which use of proceeds	Of which enabling			Of which use of proceeds	Of which transitional	Of which enabling
1	Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	18,139.13	16,199.04	1,822.28	1,576.61	19.29	76.03	37.32	18.75	0.00	4.12	16,236.36	1,841.03	1,576.61	19.29	80.15
2	Financial undertakings	1,106.94	64.43	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	64.43	0.00	0.00	0.00	0.00
3	Credit institutions	629.80	64.43	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	64.43	0.00	0.00	0.00	0.00
4	- Loans and advances	339.67	14.91	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	14.91	0.00	0.00	0.00	0.00
5	- Debt securities, including UoP	285.90	49.52	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	49.52	0.00	0.00	0.00	0.00
6	- Equity instruments	4.23	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00		0.00	0.00
7	Other financial corporations	477.14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
8	Of which: investment firms	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
9	- Loans and advances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
10	- Debt securities, including UoP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
11	- Equity instruments	0.00	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00		0.00	0.00
12	Of which: management companies	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
13	- Loans and advances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
14	- Debt securities, including UoP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
15	- Equity instruments	0.00	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00		0.00	0.00
16	Of which: Insurance undertakings	477.14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
17	- Loans and advances	105.53	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
18	- Debt securities, including UoP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
19	- Equity instruments	371.61	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00		0.00	0.00
20	Non-financial undertakings	2,388.66	1,491.08	1,242.33	996.65	19.29	76.03	37.32	18.75	0.00	4.12	1,528.39	1,261.07	996.65	19.29	80.15
21	Loans and advances	2,359.02	1,468.23	1,242.33	996.65	19.29	76.03	37.32	18.75	0.00	4.12	1,505.55	1,261.07	996.65	19.29	80.15
22	Debt securities, including UoP	29.64	22.84	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	22.84	0.00	0.00	0.00	0.00
23	Equity instruments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
24	Households	14,643.53	14,643.53	579.96	579.96	0.00	0.00	0.00	0.00	0.00	0.00	14,643.53	579.96	579.96	0.00	0.00

25	Of which: loans collateralised by residential immovable property	13,902.47	13,902.47	579.96	579.96	0.00	0.00	0.00	0.00	0.00	0.00	13,902.47	579.96	579.96	0.00	0.00
26	Of which buildings renovation loans	380.70	380.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	380.70	0.00	0.00	0.00	0.00
27	Of which motor vehicle loans	360.36	360.36	0.00	0.00	0.00	0.00					360.36	0.00	0.00	0.00	0.00
28	Local governments financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
29	House financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
30	Other local governments Financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
31	Collateral obtained by taking possession: residential and commercial immovable properties	369.91	231.57	0.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	231.57	0.50	0.00	0.00	0.00
32	Assets excluded from the numerator for the GAR calculation (covered in the denominator)	34,687.73	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
33	Financial and non-financial undertakings	16,898.69														
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	15,153.48														
35	Loans and advances	14,291.27														
36	Of which loans collateralised by commercial immovable property	1,190.45														
37	Of which buildings renovation loans	0.05														
38	Debt securities	523.51														
39	Equity instruments	334.37														
40	Non-EU country counterparties not subject to NFRD disclosure obligations	1,745.21														
41	Loans and advances	1,602.85														
42	Debt securities	141.18														
43	Equity instruments	1.18														
44	Derivatives	561.26														
45	On demand interbank loans	133.73														
46	Cash and cash-related assets	171.40														
47	Other categories of assets (e.g. goodwill, commodities, etc.)	16,922.66														
48	Total GAR assets	53,196.77	16,430.61	1,822.78	1,576.61	19.29	76.03	37.32	18.75	0.00	4.12	16,467.93	1,841.53	1,576.61	19.29	80.15
49	Assets not covered for GAR calculation	18,305.29														
50	Central Government and Supranational issuers	10,905.50														
51	Central banks exposures	7,085.67														
52	Trading book	314.12														
53	Total Assets	71,502.07	16,430.61	1,822.78	1,576.61	19.29	76.03	37.32	18.75	0.00	4.12	16,467.93	1,841.53	1,576.61	19.29	80.15
Off-balance sheet exposures – Undertakings subject to NFRD disclosure obligations																
54	Financial guarantees	580.54	109.61	98.43	0.00	0.85	38.87	1.60	1.58	0.00	0.00	111.21	100.02	0.00	0.85	38.87
55	Assets under management	5,316.70	203.21	48.38	19.35	4.84	19.35	4.84	4.84	4.84	4.84	208.05	53.22	24.19	4.84	24.19

56	Of which: debt securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
57	Of which: equity instruments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

1 - Assets for the calculation of GAR - Revenue Version

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	
EUR million		Total [Gross] carrying amount	Reference date of disclosure T														
			Climate change mitigation (CCM)					Climate change adaptation (CCA)					TOTAL (CCM + CCA)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				
			Of which use of Proceeds		Of which transitional	Of which enabling	Of which use of Proceeds		Of which transitional	Of which enabling	Of which use of Proceeds		Of which transitional	Of which enabling			
	GAR – Covered assets in both numerator and denominator																
1	Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	18,139.13	16,262.52	1,730.72	1,576.61	20.87	150.95	42.34	19.11	0.00	17.37	16,304.85	1,749.83	1,576.61	20.87	168.31	
2	Financial undertakings	1,106.94	218.54	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	218.54	0.00	0.00	0.00	0.00	
3	Credit institutions	629.80	217.63	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	217.63	0.00	0.00	0.00	0.00	
4	- Loans and advances	339.67	93.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	93.31	0.00	0.00	0.00	0.00	
5	- Debt securities, including UoP	285.90	124.33	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	124.33	0.00	0.00	0.00	0.00	
6	- Equity instruments	4.23	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00		0.00	0.00	
7	Other financial corporations	477.14	0.91	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.91	0.00	0.00	0.00	0.00	
8	Of which: investment firms	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
9	- Loans and advances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
10	- Debt securities, including UoP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
11	- Equity instruments	0.00	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00		0.00	0.00	
12	Of which: management companies	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
13	- Loans and advances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
14	- Debt securities, including UoP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
15	- Equity instruments	0.00	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00		0.00	0.00	
16	Of which: Insurance undertakings	477.14	0.91	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.91	0.00	0.00	0.00	0.00	
17	- Loans and advances	105.53	0.91	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.91	0.00	0.00	0.00	0.00	
18	- Debt securities, including UoP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
19	- Equity instruments	371.61	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00		0.00	0.00	
20	Non-financial undertakings	2,388.66	1,400.45	1,150.77	996.65	20.87	150.95	42.34	19.11	0.00	17.37	1,442.78	1,169.88	996.65	20.87	168.31	
21	Loans and advances	2,359.02	1,377.16	1,150.77	996.65	20.87	150.95	42.34	19.11	0.00	17.37	1,419.50	1,169.88	996.65	20.87	168.31	
22	Debt securities, including UoP	29.64	23.28	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	23.28	0.00	0.00	0.00	0.00	
23	Equity instruments	0.00	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00		0.00	0.00	
24	Households	14,643.53	14,643.53	579.96	579.96	0.00	0.00	0.00	0.00	0.00	0.00	14,643.53	579.96	579.96	0.00	0.00	

25	Of which: loans collateralised by residential immovable property	13,902.47	13,902.47	579.96	579.96	0.00	0.00	0.00	0.00	0.00	0.00	13,902.47	579.96	579.96	0.00	0.00
26	Of which buildings renovation loans	380.70	380.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	380.70	0.00	0.00	0.00	0.00
27	Of which motor vehicle loans	360.36	360.36	0.00	0.00	0.00	0.00					360.36	0.00	0.00	0.00	0.00
28	Local governments financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
29	House financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
30	Other local governments Financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
31	Collateral obtained by taking possession: residential and commercial immovable properties	369.91	231.57	0.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	231.57	0.50	0.00	0.00	0.00
32	Assets excluded from the numerator for the GAR calculation (covered in the denominator)	34,687.73	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
33	Financial and non-financial undertakings	16,898.69														
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	15,153.48														
35	Loans and advances	14,291.27														
36	Of which loans collateralised by commercial immovable property	1,190.45														
37	Of which buildings renovation loans	0.05														
38	Debt securities	523.51														
39	Equity instruments	334.37														
40	Non-EU country counterparties not subject to NFRD disclosure obligations	1,745.21														
41	Loans and advances	1,602.85														
42	Debt securities	141.18														
43	Equity instruments	1.18														
44	Derivatives	561.26														
45	On demand interbank loans	133.73														
46	Cash and cash-related assets	171.40														
47	Other categories of assets (e.g. goodwill, commodities, etc.)	16,922.66														
48	Total GAR assets	53,196.77	16,494.09	1,731.22	1,576.61	20.87	150.95	42.34	19.11	0.00	17.37	16,536.43	1,750.33	1,576.61	20.87	168.31
49	Assets not covered for GAR calculation	18,305.29														
50	Central Government and supranational issuers	10,905.50														
51	Central banks exposures	7,085.67														
52	Trading book	314.12														
53	Total Assets	71,502.07	16,494.09	1,731.22	1,576.61	20.87	150.95	42.34	19.11	0.00	17.37	16,536.43	1,750.33	1,576.61	20.87	168.31
Off-balance sheet exposures – Undertakings subject to NFRD disclosure obligations																
55	Financial guarantees	580.54	43.45	12.86	0.00	0.89	11.27	1.59	1.58	0.00	0.00	45.04	14.44	0.00	0.89	11.27
56	Assets under management	5,316.70	383.61	66.71	16.68	8.34	33.36	33.36	8.34	8.34	8.34	416.96	75.05	25.02	8.34	41.70

56	Of which: debt securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
57	Of which: equity instruments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

2 – GAR sector information - CAPEX version

	a	b	c	e	f	h	i	k	l	n	o	q	r
Breakdown by sector NACE 4-digit level (code and name)		Climate change mitigation (CCM)				Climate change adaptation (CCA)				TOTAL (CCM + CCA)			
		Non-financial corporations (subject to DINF disclosure obligations)		SMEs and other non-financial corporations (Not subject to DINF disclosure obligations)		Non-financial corporations (subject to DINF disclosure obligations)		SMEs and other non-financial corporations (Not subject to DINF disclosure obligations)		Non-financial corporations (subject to DINF disclosure obligations)		SMEs and other non-financial corporations (Not subject to DINF disclosure obligations)	
		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount	
		EUR million	Of which: environmentally sustainable (CCM)	EUR million	Of which: environmentally sustainable (CCM)	EUR million	Of which: environmentally sustainable (CCA)	EUR million	Of which: environmentally sustainable (CCA)	EUR million	Of which: environmentally sustainable (CCM+ CCA)	EUR million	Of which: environmentally sustainable (CCM+ CCA)
1	1413 - Manufacture of other outerwear	1.17	0.53			0.00	0.00			1.17	0.53		
2	1419 - Manufacture of other wearing apparel and accessories	0.43	0.00			0.00	0.00			0.43	0.00		
3	2015 - Manufacture of fertilisers and nitrogen compounds	0.00	0.00			0.00	0.00			0.01	0.00		
4	2410 - Manufacture of basic iron and steel and of ferro-alloys	0.01	0.00			0.00	0.00			0.01	0.00		
5	2420 - Manufacture of steel tubes, pipes, hollow profiles and related fittings	0.41	0.41			0.00	0.00			0.41	0.41		
6	2452 - Casting of steel	14.62	12.95			12.95	12.95			27.57	25.90		
7	3020 - Manufacture of railway locomotives and rolling stock	12.35	10.85			0.00	0.00			12.35	10.85		
8	3511 - Production of electricity	776.26	776.29			0.00	0.00			776.26	776.29		
9	3513 - Electricity distribution	0.11	0.11			0.00	0.00			0.11	0.11		
10	3522 - Gas distribution	0.08	0.07			0.00	0.00			0.09	0.07		
11	4211 - Construction of roads, highways	0.03	0.00			0.00	0.00			0.03	0.00		
12	4719 - Retail sale in non-specialised stores with industrial articles	0.03	0.00			0.00	0.00			0.03	0.00		
13	4393 - General-purpose machinery n.e.c.	0.82	0.00			0.00	0.00			0.82	0.00		
14	5221 - Service activities incidental to land transportation	22.84	0.00			0.00	0.00			22.84	0.00		
15	5223 - Service activities incidental to air transportation	109.48	57.54			0.00	0.00			109.48	57.54		
16	5510 - Hotels and similar accommodation	23.27	0.09			0.00	0.00			23.27	0.09		
17	6190 - Other telecommunications activities	0.04	0.00			4.20	0.03			4.23	0.03		
18	6209 – Other information technology and computer service activities	5.75	5.75			0.00	0.00			5.75	5.75		

19	7112 – Engineering activities, technical consultancy	48.69	48.68		0.20	0.00		48.89	48.68	
20	9999 – NACE not included in the Taxonomy	474.70	329.06		19.97	5.76		494.67	334.83	
	TOTAL	1,491.08	1,242.33		37.32	18.75		1,528.39	1,261.07	

2 – GAR sector information – Turnover version

	a	b	c	e	f	h	i	k	l	n	o	q	r
Breakdown by sector – NACE 4-digit level (code and name)		Climate change mitigation (CCM)				Climate change adaptation (CCA)				TOTAL (CCM + CCA)			
		Non-financial corporations (subject to DINF disclosure obligations)		SMEs and other non-financial corporations (Not subject to DINF disclosure obligations)		Non-financial corporations (subject to DINF disclosure obligations)		SMEs and other non-financial corporations (Not subject to DINF disclosure obligations)		Non-financial corporations (subject to DINF disclosure obligations)		SMEs and other non-financial corporations (Not subject to DINF disclosure obligations)	
		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount	
		EUR millions	Of which: environmentally sustainable (CCM)	EUR millions	Of which: environmentally sustainable (CCM)	EUR millions	Of which: environmentally sustainable (CCA)	EUR millions	Of which: environmentally sustainable (CCA)	EUR millions	Of which: environmentally sustainable (CCM+ CCA)	EUR millions	Of which: environmentally sustainable (CCM+ CCA)
1	1413 - Manufacture of other outerwear	0.00	0.00			0.00	0.00			0.00	0.00		
2	2015 - Manufacture of fertilisers and nitrogen compounds	0.01	0.00			0.00	0.00			0.01	0.00		
3	2410 - Manufacture of basic iron and steel and of ferro-alloys	0.01	0.00			0.00	0.00			0.01	0.00		
4	2420 - Manufacture of steel tubes, pipes, hollow profiles and tube or pipe fittings	0.43	0.43			0.00	0.00			0.43	0.43		
5	2452 – Casting of steel	16.41	12.60			12.60	12.60			29.02	25.21		
6	3020 - Manufacture of railway locomotives and rolling stock	12.05	9.45			0.00	0.00			12.05	9.45		
7	3511 - Production of electricity	776.25	776.29			0.00	0.00			776.25	776.29		
8	3513 - Electricity distribution	0.11	0.11			0.00	0.00			0.11	0.11		
9	3522 - Gas distribution	0.04	0.01			0.00	0.00			0.04	0.01		
10	4211 - Construction of roads, highways	0.03	0.00			0.00	0.00			0.03	0.00		
11	4719 - Retail sale in non-specialised stores with industrial articles	0.00	0.00			0.00	0.00			0.00	0.00		
12	4393 - General-purpose machinery n.e.c.	0.82	0.00			0.00	0.00			0.82	0.00		
13	5221 - Service activities incidental to land transportation	23.28	0.00			0.00	0.00			23.28	0.00		
14	5223 - Service activities incidental to air transportation	121.61	73.29			0.00	0.00			121.61	73.29		
15	6190 - Other telecommunications activities	0.04	0.00			0.37	0.00			0.41	0.00		
16	6209 - Other information technology and computer service activities	5.75	5.75			0.00	0.00			5.75	5.75		
17	7112 - Engineering activities, technical consultancy	38.11	33.06			0.08	0.00			38.19	33.06		
18	9999 - NACE not included in the Taxonomy	405.51	239.78			29.28	6.50			434.79	246.28		
	TOTAL	1,400.45	1,150.77		42.34	19.11		1,442.78	1,169.88				

3– GAR KPI stock - CAPEX version

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	
% (compared to total assets Included in the denominator)		Reference date of disclosure T															
		Climate change mitigation (CCM)					Climate change adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of total assets covered assets Funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered assets Funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered assets Funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					
		Of which use of Proceeds			Of which transitional	Of which enabling	Of which use of Proceeds			Of which transitional	Of which enabling	Of which use of Proceeds			Of which transitional	Of which enabling	
GAR – Covered assets in both numerator and denominator																	
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	89.30	10.05	8.69	0.11	0.42	0.21	0.10	0.00	0.02	89.51	10.15	8.69	0.11	0.44	25.37	
2	Financial undertakings	5.82	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.82	0.00	0.00	0.00	0.00	1.55	
3	Credit institutions	10.23	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10.23	0.00	0.00	0.00	0.00	0.88	
4	- Loans and advances	4.39	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.39	0.00	0.00	0.00	0.00	0.48	
5	- Debt securities, including UoP	17.32	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	17.32	0.00	0.00	0.00	0.00	0.40	
6	- Equity instruments	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00		0.00	0.00	0.01	
7	Other financial corporations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.67	
8	Of which investment firms	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
9	- Loans and advances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
10	- Debt securities, including UoP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
11	- Equity instruments	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00		0.00	0.00	0.00	
12	Of which management companies	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
13	- Loans and advances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
14	- Debt securities, including UoP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
15	- Equity instruments	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00		0.00	0.00	0.00	
16	Of which Insurance undertakings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.67	
17	- Loans and advances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.15	
18	- Debt securities, including UoP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
19	- Equity instruments	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00		0.00	0.00	0.52	
20	Non-financial undertakings	62.42	52.01	41.72	0.81	3.18	1.56	0.78	0.00	0.17	63.99	52.79	41.72	0.81	3.36	3.34	
21	Loans and advances	62.24	52.66	42.25	0.82	3.22	1.58	0.79	0.00	0.17	63.82	53.46	42.25	0.82	3.40	3.30	
22	Debt securities, including UoP	77.08	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	77.08	0.00	0.00	0.00	0.00	0.04	
23	Equity instruments	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00		0.00	0.00	0.00	

24	Households	100.00	3.96	3.96	0.00	0.00	0.00	0.00	0.00	0.00	100.00	3.96	3.96	0.00	0.00	20.48
25	Of which loans collateralised by residential immovable property	100.00	4.17	4.17	0.00	0.00	0.00	0.00	0.00	0.00	100.00	4.17	4.17	0.00	0.00	19.44
26	Of which buildings renovation loans	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100.00	0.00	0.00	0.00	0.00	0.53
27	Of which motor vehicle loans	100.00	0.00	0.00	0.00	0.00										
28	Local governments financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
29	House financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
30	Other local government financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
31	Collateral obtained by taking possession: residential commercial immovable properties	62.60	0.13	0.00	0.00	0.00	0.00	0.00	0.00	0.00	62.60	0.13	0.00	0.00	0.00	0.52
	Total GAR assets	30.89	3.43	2.96	0.04	0.14	0.07	0.04	0.00	0.01	30.96	3.46	2.96	0.04	0.15	74.40

3– GAR KPI stock - Turnover version

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	
% (compared to total assets Included in the denominator)		Reference date of disclosure T															
		Climate change mitigation (CCM)					Climate change adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of total assets covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					
Of which use of Proceeds		Of which transitional	Of which enabling	Of which use of Proceeds		Of which transitional	Of which enabling	Of which use of Proceeds		Of which transitional	Of which enabling						
GAR – Covered assets in both numerator and denominator																	
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	89.65	9.54	8.69	0.12	0.83	0.23	0.11	0.00	0.10	89.89	9.65	8.69	0.12	0.93	25.37	
2	Financial undertakings	19.74	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	19.74	0.00	0.00	0.00	0.00	1.55	
3	Credit institutions	34.56	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	34.56	0.00	0.00	0.00	0.00	0.88	
4	- Loans and advances	27.47	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	27.47	0.00	0.00	0.00	0.00	0.48	
5	- Debt securities, including UoP	43.49	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	43.49	0.00	0.00	0.00	0.00	0.40	
6	- Equity instruments	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00		0.00	0.00	0.01	
7	Other financial corporations	0.19	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.19	0.00	0.00	0.00	0.00	0.67	
8	Of which investment firms	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
9	- Loans and advances	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00		0.00	0.00	0.00	
10	- Debt securities, including UoP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
11	- Equity instruments	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
12	Of which management companies	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
13	- Loans and advances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
14	- Debt securities, including UoP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
15	- Equity instruments	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00		0.00	0.00	0.00	
16	Of which Insurance undertakings	0.19	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.19	0.00	0.00	0.00	0.00	0.67	
17	- Loans and advances	0.86	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.86	0.00	0.00	0.00	0.00	0.15	
18	- Debt securities, including UoP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
19	- Equity instruments	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00		0.00	0.00	0.52	
20	Non-financial undertakings	58.63	48.18	41.72	0.87	6.32	1.77	0.80	0.00	0.73	60.40	48.98	41.72	0.87	7.05	3.34	
21	Loans and advances	58.38	48.78	42.25	0.88	6.40	1.79	0.81	0.00	0.74	60.17	49.59	42.25	0.88	7.13	3.30	
22	Debt securities, including UoP	78.56	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	78.56	0.00	0.00	0.00	0.00	0.04	
23	Equity instruments	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00		0.00	0.00	0.00	

24	Households	100.00	3.96	3.96	0.00	0.00	0.00	0.00	0.00	0.00	100.00	3.96	3.96	0.00	0.00	20.48
25	Of which loans collateralised by residential immovable property	100.00	4.17	4.17	0.00	0.00	0.00	0.00	0.00	0.00	100.00	4.17	4.17	0.00	0.00	19.44
26	Of which buildings renovation loans	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100.00	0.00	0.00	0.00	0.00	0.53
27	Of which motor vehicle loans	100.00	0.00	0.00	0.00	0.00										
28	Local governments financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
20	House financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
30	Other local government financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
31	Collateral obtained by taking possession: residential commercial immovable properties	62.60	0.13	0.00	0.00	0.00	0.00	0.00	0.00	0.00	62.60	0.13	0.00	0.00	0.00	0.52
32	Total GAR assets	31.01	3.25	2.96	0.04	0.28	0.08	0.04	0.00	0.03	31.09	3.29	2.96	0.04	0.32	74.40

4– GAR KPI flow - CAPEX version

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Reference date of disclosure T														
% (compared to total flow of eligible assets)		Climate change mitigation (CCM)					Climate change adaptation (CCA)					TOTAL (CCM + CCA)				
		Proportion of total assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets funding taxonomy relevant sectors (Taxonomy-eligible)				
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
		Of which use of Proceeds	Of which transitional	Of which enabling			Of which use of Proceeds	Of which transitional	Of which enabling			Of which use of Proceeds	Of which transitional	Of which enabling		Proportion of total new assets covered
0	GAR – Covered assets in both numerator and denominator															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	59.92	11.32	10.78	0.04	0.03	0.00	0.00	0.00	0.00	59.93	11.32	10.78	0.04	0.03	23.55
2	Financial undertakings	1.14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.14	0.00	0.00	0.00	0.00	8.02
3	Credit institutions	1.14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.14	0.00	0.00	0.00	0.00	8.02
4	- Loans and advances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.81
5	- Debt securities, including UoP	1.47	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.47	0.00	0.00	0.00	0.00	6.22
6	- Equity instruments	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
7	Other financial corporations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
8	Of which investment firms	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
9	- Loans and advances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
10	- Debt securities, including UoP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
11	- Equity instruments	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
12	Of which management companies	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
13	- Loans and advances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
14	- Debt securities, including UoP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
15	- Equity instruments	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
16	Of which Insurance undertakings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
17	- Loans and advances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
18	- Debt securities, including Up	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
19	- Equity instruments	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00		0.00	0.00	0.00
20	Non-financial undertakings	58.72	57.47	53.96	0.25	0.21	0.02	0.00	0.00	0.00	58.74	57.47	53.96	0.25	0.21	3.66
21	Loans and advances	59.11	58.03	54.54	0.25	0.18	0.02	0.00	0.00	0.00	59.13	58.03	54.54	0.25	0.18	3.62
22	Debt securities, including UoP	22.32	5.17	0.00	0.41	2.88	0.11	0.02	0.00	0.00	22.43	5.19	0.00	0.41	2.88	0.04
23	Equity instruments	1.83	0.61		0.00	0.61	1.51	0.00		0.00	3.34	0.61		0.00	0.61	0.00

24	Households	100.00	4.76	4.76	0.00	0.00	0.00	0.00	0.00	0.00	100.00	4.76	4.76	0.00	0.00	11.88
25	Of which loans collateralised by residential immovable property	100.00	5.09	5.09	0.00	0.00	0.00	0.00	0.00	0.00	100.00	5.09	5.09	0.00	0.00	11.11
26	Of which buildings renovation loans	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100.00	0.00	0.00	0.00	0.00	0.37
27	Of which motor vehicle loans	100.00	0.00	0.00	0.00	0.00					100.00	0.00	0.00	0.00	0.00	0.40
28	Local governments financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
29	House financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
30	Other local government financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
31	Collateral obtained by taking possession: residential commercial immovable properties	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
32	Total GAR assets	19.47	3.68	3.50	0.01	0.01	0.00	0.00	0.00	0.00	19.47	3.68	3.50	0.01	0.01	72.51

4 – GAR KPI flow - Turnover version

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	
% (compared to total flow of eligible assets)		Reference date of disclosure T															
		Climate change mitigation (CCM)					Climate change adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of total assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total new assets covered
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					
		Of which use of Proceeds			Of which transitional	Of which enabling	Of which use of Proceeds			Of which transitional	Of which enabling	Of which use of Proceeds			Of which transitional	Of which enabling	
GAR – Covered assets in both numerator and denominator																	
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	72.22	11.01	10.78	0.03	0.24	0.00	0.00	0.00	0.00	72.23	11.02	10.78	0.03	0.24	23.55	
2	Financial undertakings	38.56	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	38.56	0.00	0.00	0.00	0.00	8.02	
3	Credit institutions	38.56	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	38.56	0.00	0.00	0.00	0.00	8.02	
4	- Loans and advances	25.71	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	25.71	0.00	0.00	0.00	0.00	1.81	
5	- Debt securities, including UoP	42.29	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	42.29	0.00	0.00	0.00	0.00	6.22	
6	- Equity instruments	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00		0.00	0.00	0.00	
7	Other financial corporations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
8	Of which investment firms	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
9	- Loans and advances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
10	- Debt securities, including UoP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
11	- Equity instruments	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00		0.00	0.00	0.00	
12	Of which management companies	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
13	- Loans and advances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
14	- Debt securities, including UoP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
15	- Equity instruments	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00		0.00	0.00	0.00	
16	Of which Insurance undertakings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
17	- Loans and advances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
18	- Debt securities, including Up	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
19	- Equity instruments	0.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00		0.00	0.00	0.00	
20	Non-financial undertakings	55.85	55.49	53.96	0.19	1.52	0.03	0.02	0.00	0.02	55.88	55.51	53.96	0.19	1.54	3.66	
21	Loans and advances	56.19	56.04	54.54	0.19	1.50	0.01	0.00	0.00	0.00	56.20	56.04	54.54	0.19	1.50	3.62	
22	Debt securities, including UoP	24.49	3.93	0.00	0.36	3.81	1.98	1.78	0.00	1.76	26.47	5.72	0.00	0.36	5.58	0.04	
23	Equity instruments	3.05	1.29		0.00	1.29	6.12	0.00		0.00	9.17	1.29		0.00	1.29	0.00	

24	Households	100.00	4.76	4.76	0.00	0.00	0.00	0.00	0.00	0.00	100.00	4.76	4.76	0.00	0.00	11.88
25	Of which loans collateralised by residential immovable property	100.00	5.09	5.09	0.00	0.00	0.00	0.00	0.00	0.00	100.00	5.09	5.09	0.00	0.00	11.11
26	Of which buildings renovation loans	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100.00	0.00	0.00	0.00	0.00	0.37
27	Of which motor vehicle loans	100.00	0.00	0.00	0.00	0.00					100.00	0.00	0.00	0.00	0.00	0.40
28	Local governments financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
29	House financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
30	Other local government financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
31	Collateral obtained by taking possession: residential commercial immovable properties	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
32	Total GAR assets	23.46	3.58	3.50	0.01	0.08	0.00	0.00	0.00	0.00	23.46	3.58	3.50	0.01	0.08	72.51

5.1– KPI off-balance-sheet exposures - Version GRI

	a	b	c	d	e	f	g	h	i	j	k	l	m	n
% (compared to total eligible off-balance-sheet assets)	Reference date of disclosure T													
	Climate change mitigation (CCM)					Climate change adaptation (CCA)					TOTAL (CCM + CCA)			
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
	Of which use of Proceeds Of which transitional Of which enabling					Of which use of Proceeds Of which transitional Of which enabling					Of which use of Proceeds Of which transitional Of which enabling			
1 Financial guarantees (FinGuar KPI)	18.88	16.96	0.00	0.15	6.70	0.28	0.27	0.00	0.00	19.16	17.23	0.00	0.15	6.70
2 Assets under managed (AuM KPI)	3.82	0.91	0.36	0.09	0.36	0.09	0.09	0.09	0.09	3.91	1.00	0.46	0.09	0.46

5.1– KPI off-balance-sheet exposures - Turnover Business volume

	a	b	c	d	e	f	g	h	i	j	k	l	m	n
% (compared to total eligible off-balance-sheet assets)	Reference date of disclosure T													
	Climate change mitigation (CCM)					Climate change adaptation (CCA)					TOTAL (CCM + CCA)			
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
	Of which use of Proceeds Of which transitional Of which enabling					Of which use of Proceeds Of which transitional Of which enabling					Of which use of Proceeds Of which transitional Of which enabling			
1 Financial guarantees (FinGuar KPI)	7.48	2.21	0.00	0.15	1.94	0.27	0.27	0.00	0.00	7.76	2.49	0.00	0.15	1.94
2 Assets under managed (AuM KPI)	7.22	1.25	0.31	0.16	0.63	0.63	0.16	0.16	0.16	7.84	1.41	0.47	0.16	0.78

5.2– KPI off-balance-sheet exposures - CAPEX version

		a	b	c	d	e	f	g	h	i	j	k	l	m	n
% (compared to total eligible off-balance-sheet assets)		Reference date of disclosure T													
		Climate change mitigation (CCM)					Climate change adaptation (CCA)					TOTAL (CCM + CCA)			
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
		Of which use of Proceeds			Of which: transitional	Of which enabling	Of which use of Proceeds			Of which: transitional	Of which enabling	Of which use of Proceeds			Of which: transitional
1	Financial guarantees (FinGuar KPI)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	Assets under managed (AuM KPI)	5.65	1.23	0.74	0.12	0.49	0.12	0.12	0.12	0.12	5.78	1.35	0.86	0.12	0.61

5.2– KPI off-balance-sheet exposures - Turnover version

		a	b	c	d	e	f	g	h	i	j	k	l	m	n
% (compared to total eligible off-balance-sheet assets)		Reference date of disclosure T													
		Climate change mitigation (CCM)					Climate change adaptation (CCA)					TOTAL (CCM + CCA)			
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
		Of which use of Proceeds			Of which: transitional	Of which enabling	Of which use of Proceeds			Of which enabling	Proportion of total covered assets			Proportion of total covered assets	Proportion of total covered assets
1	Financial guarantees (FinGuar KPI)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	Assets under managed (AuM KPI)	9.89	1.58	0.79	0.20	0.79	0.40	0.20	0.20	0.20	10.29	1.78	0.99	0.20	0.99

6– Nuclear and fossil gas related activities

Row	Nuclear energy related activities	YES/NO
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies	NO
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	YES
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	YES
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

7 - Taxonomy-aligned economic activities (denominator) – CAPEX Version

Row	Economic activities	Amount and proportion (the information should be presented in monetary amounts and in percentages)					
		(CCM + CCA)		Climate change mitigation		Climate change adaptation	
		Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.00	0.00	0.00	0.00	0.00
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.00	0.00	0.00	0.00	0.00
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.00	0.00	0.00	0.00	0.00
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.00	0.00	0.00	0.00	0.00
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.00	0.00	0.00	0.00	0.00
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.00	0.00	0.00	0.00	0.00
7	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	1,841.53	3.46	1,822.78	3.43	18.75	0.04
8	Total applicable KPI	1,841.53	3.46	1,822.78	3.43	18.75	0.04

7 - Taxonomy-aligned economic activities (denominator) – Turnover Version

Row	Economic activities	Amount and proportion (the information should be presented in monetary amounts and in percentages)					
		(CCM + CCA)		Climate change mitigation		Climate change adaptation	
		Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.00	0.00	0.00	0.00	0.00	0.00
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.00	0.00	0.00	0.00	0.00	0.00
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.00	0.00	0.00	0.00	0.00	0.00
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.00	0.00	0.00	0.00	0.00	0.00
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.00	0.00	0.00	0.00	0.00	0.00
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.00	0.00	0.00	0.00	0.00	0.00
7	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI	1,750.33	3.29	1,731.22	3.25	19.11	0.04
8	Total applicable KPI	1,750.33	3.29	1,731.22	3.25	19.11	0.04

8 - Taxonomy-aligned economic activities (numerator) – CAPEX Version

Row	Economic activities	Amount and proportion (the information should be presented in monetary amounts and in percentages)					
		(CCM + CCA)		Climate change mitigation		Climate change adaptation	
		Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.00	0.00	0.00	0.00	0.00	0.00
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.00	0.00	0.00	0.00	0.00	0.00
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.00	0.00	0.00	0.00	0.00
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.00	0.00	0.00	0.00	0.00	0.00
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.00	0.00	0.00	0.00	0.00	0.00
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.00	0.00	0.00	0.00	0.00	0.00
7	Amount and proportion of taxonomy-aligned economic activity referred to in Rows 1 to 6 above in the numerator of the applicable KPI	1,841.53	100.00	1,822.78	98.98	18.75	1.02
8	Total applicable KPI	1,841.53	100.00	1,822.78	98.98	18.75	1.02

8 - Taxonomy-aligned economic activities (numerator) – Turnover Version

Row	Economic activities	Amount and proportion (the information should be presented in monetary amounts and in percentages)					
		(CCM + CCA)		Climate change mitigation		Climate change adaptation	
		Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.00	0.00	0.00	0.00	0.00	0.00
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.00	0.00	0.00	0.00	0.00	0.00
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.00	0.00	0.00	0.00	0.00	0.00
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.00	0.00	0.00	0.00	0.00	0.00
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.00	0.00	0.00	0.00	0.00	0.00
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0.00	0.00	0.00	0.00	0.00	0.00
7	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI	1,750.33	100.00	1,731.22	98.91	19.11	1.09
8	Total applicable KPI	1,750.33	100.00	1,731.22	98.91	19.11	1.09

9 - Taxonomy-eligible, but not taxonomy-aligned, economic activities – CAPEX version

Row	Economic activities	Amount and proportion (the information should be presented in monetary amounts and in percentages)					
		(CCM + CCA)		Climate change mitigation		Climate change adaptation	
		Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.00	0.00	0.00	0.00	0.00
2	Amount and proportion of taxonomy-eligible but not taxonomy-aligned, economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.00	0.00	0.00	0.00	0.00	0.00
3	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.00	0.00	0.00	0.00	0.00
4	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	11.04	0.02	11.04	0.02	0.00	0.00
5	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	3.73	0.01	3.73	0.01	0.00	0.00
6	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.00	0.00	0.00	0.00	0.00
7	Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	14,611.64	27.47	14,593.06	27.43	18.57	0.03
8	Total amount and proportion of taxonomy eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI	14,626.40	27.50	14,607.83	27.46	18.57	0.03

9 - Taxonomy-eligible, but not taxonomy-aligned, economic activities – Turnover version

Row	Economic activities	Amount and proportion (the information should be presented in monetary amounts and in percentages)					
		(CCM + CCA)		Climate change mitigation		Climate change adaptation	
		Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.00	0.00	0.00	0.00	0.00
2	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.00	0.00	0.00	0.00	0.00
3	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.00	0.00	0.00	0.00	0.00
4	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	29.99	0.06	29.99	0.06	0.00	0.00
5	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	2.82	0.01	2.82	0.01	0.00	0.00
6	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.00	0.00	0.00	0.00	0.00
7	Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	14,753.29	27.73	14,730.06	27.69	23.23	0.04
8	Total amount and proportion of taxonomy eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI	14,786.10	27.80	14,762.87	27.75	23.23	0.04

10 - Taxonomy non-eligible economic activities – CAPEX Version

Row	Economic activities	Amount	%
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.00
2	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.00
3	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.00
4	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.00
5	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.00
6	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.00
7	Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	36,728.84	69.04
8	Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI	36,728.84	69.04

10 - Taxonomy non-eligible economic activities – Turnover Version

Row	Economic activities	Amount	%
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.00
2	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.00
3	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.00
4	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.00
5	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.00
6	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.00	0.00
7	Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	36,660.35	68.91
8	Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI	36,660.35	68.91

>>>>> 3

GRI content index

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: Foundations 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						
GRI 2: General content 2021	THE ORGANISATION AND ITS REPORTING PRACTICES					
	2-1 Organizational details	42, 69-71, 80-84 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, 366-370		
	2-2 Entities included in the organization's sustainability reporting	3-4 For further information, see Appendix I to the Consolidated Financial Statements.		Yes, 366-370		
	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 2023, from 1 January 2023 to 31 December 2023. The report is published annually and its publication date for this fiscal year is 08/03/2024. <u>Contact details</u> ABANCA Corporación Bancaria, S.A. Cantón Claudino Pita, 2 Betanzos		Yes, 366-370		

		(+34) 981 187 000 www.abanca.com				
2- 4 Restatements of information		There has been no reformulation of information compared to the 2022 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, 366-370		
2-5 External assurance		366-370		Yes, 366-370		
ACTIVITIES AND EMPLOYEES						
2- 6 Activities, value chain and other business relationships		11, 31-33, 60-66, 69-85, 227-229, 279 The corporate purpose of ABANCA Corporación Bancaria, S.A., includes: 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, 366-370		
2-7 Employees		11, 285-294 The ABANCA Group does not have personnel with non-guaranteed hours.		Yes, 366-370	6	8, 10
2-8 Workers who are not employees		The number of interns and temporary workers with respect to total staff is not significant in relation to the total workforce (1.60% at year-end); thus, it is not necessary to report it.		Yes, 366-370	6	8, 10
GOVERNANCE						
2-9 Governance structure and composition		43-54		Yes, 366-370		5, 16
2-10 Nomination and selection of the highest governance body		43, 50		Yes, 366-370		5, 16
2-11 Chair of the highest governance body		43		Yes, 366-370		16
2-12 Role of the highest governance body in overseeing the management of impacts		31-33, 36-38, 47-51, 257-261		Yes, 366-370		16
2-13 Delegation of responsibility for managing impacts		48-50, 53-54		Yes, 366-370		
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, 366-370		
2-15 Conflicts of interest		213- 215 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		Yes, 366-370		16

		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.				
	2-16 Communication of critical concerns	48-51		Yes, 366-370		
	2-17 Collective knowledge of highest governance body	51		Yes, 366-370		4
	2-18 Evaluation of the performance of the highest governance body	45, 51		Yes, 366-370		
	2-19 Remuneration policies	52		Yes, 366-370		
	2-20 Process to determine remuneration	52		Yes, 366-370		16
	2-21 Annual total compensation ratio	The annual compensation ratio is 8.89 in Spain and 4.85 in Portugal. The information has been calculated based on compensation actually received in 2023.		Yes, 366-370		
STRATEGY, POLICIES AND PRACTICES						
	2-22 Statement on sustainable development strategy	6-9		Yes, 366-370	1, 2	1-17
	2-23 Policy commitments	12-15, 122-126, 155-159, 164-166, 213-215, 242-245		Yes, 366-370	1, 2, 10	1-17
	2-24 Embedding policy commitments	12-15, 122-126, 155-159, 164-166, 213-215, 227, 229, 242-245		Yes, 366-370	1, 2, 10	1-17
	2-25 Processes to remediate negative impacts	12-15, 219-221		Yes, 366-370		
	2-26 Mechanisms for seeking advice and raising concerns	It is certified that, in the year 2023, the Internal Whistleblowing System has received a total of 6 communications, of which 5 were closed as inappropriate and 1 was the subject of an investigation process, finally closed without issuing a report as the reported fact was not accredited.		Yes, 366-370	10	16
	2-27 Compliance with laws and regulations	Through the channels available for this purpose, there is no record of having received any notification of the imposition of significant fines or non-monetary sanctions related to non-compliance with applicable legislation or regulations, with the sole exception of the public interest fine of €3,800,000, which was paid by ABANCA in compliance with the public interest judicial convention signed with the Public Prosecutor of the French Republic on 15/03/2023 and validated by the President of the Court of Paris on 30/04/2023, in order to put an end, without acknowledgement of liability, to a judicial investigation relating to the activities carried out with the intervention of the representative office of NCG Banco in Paris corresponding to a temporary period (September 2011 to April 2013), prior to the completion of the bank resolution process that gave rise, in June 2014, to the constitution of ABANCA.		Yes, 366-370	8	16
	2-28 Membership associations	24-30		Yes, 366-370		
STAKEHOLDER ENGAGEMENT						
	2-29 Approach to stakeholder engagement	31-38		Yes, 366-370		
	2-30 Collective bargaining agreements	301		Yes, 366-370	3	8
		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.				
MATERIAL TOPICS						
GRI 3: Material topics 2021	3-1 Process to determine material topics	33-40		Yes, 366-370		
	3-2 List of material topics	35-40		Yes, 366-370		
Profitability and solvency						
GRI 3: Material topics 2021	3-3 Management of material topics	31-40, 277-279		Yes, 366-370	7	8, 9, 13
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	280-281		Yes, 366-370		8, 9
	201-2 Financial implications and other risks and opportunities due to climate change	24,30, 164-166		Yes, 366-370	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 2023 pending funding in Spain. Regarding Portugal's defined benefit scheme for senior staff, the commitment accrued at 31 December 2023 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 and/or subsequent ones) at the close of 2023. The collective bargaining agreements of Bankoia and Novobanco were incorporated in ABANCA's supplementary employee welfare system on 1 January 2022 (ABANCA's EMPLOYEES' PENSION PLAN, defined contribution employment plan) as of 31 December 2021.		Yes, 366-370		
	201-4 Financial assistance received from government	In 2023 the ABANCA Group allocated €282,870 of our investment to training through FUNDAE.		Yes, 366-370		

Good governance						
GRI 3: Material topics 2021	3-3 Management of material topics	12-15, 31-40, 213-215		Yes, 366-370	10	16, 17
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, 366-370	10	16, 17
Ethics and Integrity						
GRI 3: Material topics 2021	3-3 Management of material topics	31-40, 213-215		Yes, 366-370	10	16
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	213-215, 248-256		Yes, 366-370	10	16
	205-2 Communication and training about anti-corruption policies and procedures	135-137, 213-215, 227-229, 300		Yes, 366-370	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 2023 three fraud/corruption cases were detected. The identified persons were then released.		Yes, 366-370		
GRI 206: Unfair competition 2016	206-1 Legal actions for anti-competitive behaviour, 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. Likewise, having searched the electronic files at the bank, none of the legal proceedings filed against ABANCA have this subject.		Yes, 366-370		16
Risk management and regulatory compliance						
GRI 3: Material topics 2021	3-3 Management of material topics	31-40, 282-283		Yes, 366-370	8	16
GRI 207: Tax 2019	207-1 Approach to tax	282		Yes, 366-370		
	207-2 Tax governance, control, and risk management	257-275, 282		Yes, 366-370		
	207-3 Stakeholder engagement and management of concerns related to tax	266-275, 282		Yes, 366-370		
	207-4 Country-by-country reporting	282		Yes, 366-370		
Responsible purchasing						
GRI 3: Material topics 2021	3-3 Management of material topics	31-40, 227-230		Yes, 366-370		5, 8, 12, 16
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	228		Yes, 366-370		
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	229	Information not available because the existing approval procedure is being updated. It will be reported in 2025	Yes, 366-370		8

	308-2 Negative environmental impacts in the supply chain and actions taken	229-230	Information not available because the existing approval procedure is being updated. It will be reported in 2025	Yes, 366-370		
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	229	Information not available because the existing approval procedure is being updated. It will be reported in 2025	Yes, 366-370		5, 8, 16
	414-2 Negative social impacts in the supply chain and actions taken	229-230	Information not available because the existing approval procedure is being updated. It will be reported in 2025	Yes, 366-370		5, 8, 16
Digital Banking and Omnichannel Retailing						
GRI 3: Material topics 2021	3-3 Management of material topics	31-40, 72, 237-242		Yes, 366-370		9
IT security and data protection						
GRI 3: Material topics 2021	3-3 Management of material topics	31-40, 137-138, 237-242 ABANCA must provide maximum protection to the personal and private information of its customers and workforce, as set forth in its Code of Ethics and in current legislation on privacy, data protection, and bank secrecy. Data protection and the right to privacy are considered in all fields of the entity's management, which has strict internal standards and holds specific training courses for 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, 366-370		16
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Through the channels available for this purpose, ABANCA has not received any sanctions from the Spanish Data Protection Agency (AEPD).		Yes, 366-370		16
Sustainable finances						
GRI 3: Material topics 2021	3-3 Management of material topics	31-40, 85-98		Yes, 366-370		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.	16-19, 78-84, 90-94		Yes, 366-370		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	16-19.78, 82-90		Yes, 366-370		
OTHER INDICATORS: Assets	FS10 Percentage and number of companies held in the portfolio with which the reporting organization has interacted on environmental or social issues.	95-110		Yes, 366-370		10
	FS11 Percentage of assets subject to positive and negative environmental or social screening.	95-110		Yes, 366-370		10
Energy efficiency and Carbon footprint						
GRI 3: Material topics 2021	3-3 Management of material topics	31-40, 163-170, 177-184		Yes, 366-370	7, 8, 9	3, 7, 8, 12, 13, 14, 15
GRI 302: Energy 2016	302-1 Energy consumption within the organization	170		Yes, 366-370	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 employees travels Data on CO ₂ emissions caused by these activities are reflected in the content.		Yes, 366-370	8	7, 8, 12, 13
	302-3 Energy intensity	170		Yes, 366-370	8	7, 8, 12, 13
	302- 4 Reduction of energy consumption	168-170		Yes, 366-370	8.9	7, 8, 12, 13
	302- 5 Reductions in energy requirements of products and services		Not applicable. Due to the characteristics of the activity sector of ABANCA, in which financial products and services are offered, there are no energy requirements associated with their production.	Yes, 366-370	8.9	7, 8, 12, 13
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	179-182		Yes, 366-370	7, 8	3, 12, 13, 14, 15
	305-2 Energy indirect (Scope 2) GHG emissions	179-182		Yes, 366-370	7, 8	3, 12, 13, 14, 15
	305-3 Other indirect (Scope 3) GHG emissions	179-182		Yes, 366-370	7, 8	3, 12, 13, 14, 15
	305-4 GHG emissions intensity	179		Yes, 366-370	8	13, 14, 15
	305-5 Reduction of GHG emissions	168-169, 179-184		Yes, 366-370	8.9	13, 14, 15
	305-6 Emissions of ozone-depleting substances (SDG)		Not applicable. Due to the characteristics of the activity sector of ABANCA, in which financial products and services are offered,	Yes, 366-370	7, 8	3, 12

			there is no associated use or production of ozone-depleting substances.			
	305-7 Nitrogen oxides (NOx), sulphur 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, 366-370	7, 8	3, 12,14, 15
Environmental and climate risk management						
GRI 3: Material topics 2021	3-3 Management of material topics	31-40, 184-190, 266-275		Yes, 366-370	7, 8, 9	13, 14, 15
Quality and customer experience						
GRI 3: Material topics 2021	3-3 Management of material topics	221-229		Yes, 366-370		1, 8, 10, 12, 16
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	221-229		Yes, 366-370		
	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, 366-370		16
GRI 417: Marketing and labelling 2016	417-1 Requirements for product and service and labelling	221-224		Yes, 366-370		12
	417-2 Incidents of non-compliance concerning product and service information and labelling	Through the channels available for this purpose, ABANCA has not received any sanctions from Banco de España in the area of transparency regulations with consumers.		Yes, 366-370		16
	417-3 Incident of non-compliance concerning marketing communications	No non-compliance in 2023 has caused any significant sanction for this reason.		Yes, 366-370		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	73-85		Yes, 366-370		1, 8, 9
OTHER INDICATORS: Local communities	FS13 Access points in low-populated or economically disadvantaged areas by type	78-82, 90-95		Yes, 366-370		1, 8, 10
	FS14 Initiatives to improve access to financial services for disadvantaged people	72, 110-112		Yes, 366-370		1, 8, 10
Human rights						
GRI 3: Material topics 2021	3-3 Management of material topics	31-38, 125-126, 155-156, 213-214		Yes, 366-370	1, 2	1-17
GRI 406: Non-discrimination 2016	406- 1 Incidents of discrimination and corrective actions taken	In 2023, the protocol foreseen for situations of harassment in the workplace was activated on three occasions, adopting disciplinary measures on two of these occasions and dismissing the proceedings on the grounds that the conduct did not constitute harassment.		Yes, 366-370		5.8
Talent management and quality employment						

GRI 3: Material topics 2021	3-3 Management of material topics	114-122, 131-142, 155-159		Yes, 366-370	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	295 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, 366-370	6	1, 5, 8
	202-2 Proportion of senior management hired from the local community	53-53, 287		Yes, 366-370	6	8
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	288-289		Yes, 366-370	6	5, 8, 10
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees.	151-152 All ABANCA employees have the same benefits, with the exception of a 50 % contribution to health insurance, and access to the Flexible Remuneration plan, benefits to which either temporary or indefinite contracts have access. If the part-time contract is indefinite, they do have access to these benefits.		Yes, 366-370		5, 8
	401-3 Parental leave	297		Yes, 366-370	6	5, 8
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	300		Yes, 366-370	6	4, 5, 8, 10
	404-2 Programs for upgrading employee skills and transition assistance programs	116-120, 135-139		Yes, 366-370		8
	404-3 Percentage of employees receiving regular performance and career development reviews	301		Yes, 366-370	6	5, 8, 10
Diversity, equality and inclusion						
GRI 3: Material topics 2021	3-3 Management of material topics	31-40, 122-130		Yes, 366-370		5, 8, 10
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	43-47, 285-287, 294		Yes, 366-370		5, 8
	405-2 Ratio of basic salary and remuneration of women to men	126, 296		Yes, 366-370		5, 8, 10
Individual well-being						
GRI 3: Material topics 2021	3-3 Management of material topics	31-40, 143-153		Yes, 366-370	3	3, 5, 8, 16
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, 366-370	3	8
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system.	99.1% of the employees within the scope of application in Spain have legal workers' representatives competent in health and safety issues.		Yes, 366-370		8
	403-2 Hazard identification, risk assessment, and incident investigation	143-153, 302		Yes, 366-370		3, 8
	403-3 Occupational health services	143-153		Yes, 366-370		3, 8
	403-4 Worker participation, consultation, and communication on occupational health and safety	All topics related to Health and Safety for ABANCA employees 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. Also, extraordinary meetings of the		Yes, 366-370		3, 8

		Security and Health Committee are held when needed or at the request of the workers' representatives. In addition to the quarterly meetings of the Committee, working groups can be established to deal with more specific issues or projects.				
	403-5 Worker training on occupational health and safety	143-148		Yes, 366-370		3, 8
	403-6 Promotion of worker health	143-153		Yes, 366-370		3, 8
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	143-153		Yes, 366-370		3, 8
	403-8 Workers covered by an occupational health and safety management system	143-153 99.1% of the employees within the scope of application Spain have legal workers' representatives competent in health and safety issues.		Yes, 366-370		3, 8
	403-9 Work-related injuries	302-303		Yes, 366-370		3, 8, 16
	403-10 Work-related ill health	302 No cases or deaths have been produced that were related to occupational diseases or similar.		Yes, 366-370		3, 8, 16
Generation of wealth and boost of entrepreneurial activity						
GRI 3: Material topics 2021	3-3 Management of material topics	31-40, 78-84, 193-210		Yes, 366-370		1, 3, 5, 8, 9, 11
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	193-198		Yes, 366-370		5, 9, 11
	203-2 Significant indirect economic impacts	16-24, 78-84, 199-210		Yes, 366-370		1, 3, 8
Social action and volunteer work						
GRI 3: Material topics 2021	3-3 Management of material topics	16-20, 22-24, 31-40, 110-112, 187-191, 193-209		Yes, 366-370	1	1, 2, 3, 8, 10, 17
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	110-112, 187-191		Yes, 366-370	1	
	413-2 Operations with significant actual and potential negative impacts on local communities	184-186		Yes, 366-370		2
Financial inclusion						
GRI 3: Material topics 2021	3-3 Management of material topics	16-20, 22-24, 31-38, 110-112, 193-201		Yes, 366-370		1, 5, 8, 10

Index of contents required by Law 11/2018

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	11, 69-71, 279-281, 329	GRI 2-6
Markets in which it operates	Material	68-71, 73-85, 330	GRI 2-1 GRI 2-6
Objectives and strategies of the organisation	Material	6-9, 57-60	GRI 2-1 GRI 2-22
Main factors and trends that can affect its future evolution	Material	6-9, 56-57, 262-275	GRI 2-1 GRI 2-22
Reporting framework used	Material	3-4	GRI 1
Principle of materiality	Material	33-40	GRI 3-1 GRI 3-2
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	163-170, 177-186, 266-275	GRI 3-3
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	163, 266-271	GRI 3-3
Environmental assessment or certification procedures	Material	164-168, 182-184	GRI 3-3
Resources dedicated to the prevention of environmental risks	Material	47-51, 95-98	GRI 3-3
Application of the principle of precaution	Material	266-275	GRI 3-3
Quantity of provisions and guarantees for environmental risks	Material	See Note 1.6 to the financial statements	GRI 3-3
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	170	GRI 302-1 GRI 302-3
Measures taken to improve energy efficiency	Material	164-168, 182-184	GRI 3-3 GRI 201-2
Use of renewable energy	Material	169-170	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	179-181	GRI 305-1 GRI 305-2 GRI 305-3 GRI 305-4
Measures adopted to adapt to the consequences of climate change	Material	24-30, 168-169, 182-186	GRI 3-3 GRI 201-2
Voluntary medium and long-term reduction goals to reduce greenhouse gas emissions and the means implemented for such purpose	Material	27, 182-186	GRI 3-3 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	125-126, 135-140, 143-145, 151-152, 266-275	GRI 3-3
Employment			
Total number and distribution of employees by country, gender, age, and professional classification	Material	11, 285, 287	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	290-292	GRI 2-7
Number of dismissals by gender, age, and professional category	Material	293	GRI 3-3 GRI 401-1
Average remunerations and their evolution disaggregated by gender, age, and professional category or equal value	Material	294-295	GRI 3-3 GRI 405-2
Wage gap, the remuneration for equal positions or average for the company	Material	126, 296	GRI 3-3 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	297	GRI 3-3 GRI 405-2
Implementation of policies on the right to disconnect from work	Material	152	GRI 3-3
Number of employees with disability	Material	294	GRI 3-3 GRI 405-1
Work organisation			
Working time organisation	Material	151-152	GRI 3-3
Number of hours of absenteeism	Material	302	GRI 3-3 GRI 403-9
Measures aimed at facilitating work-life balance and encouraging its co-responsible exercise by both parents	Material	151-152, 297	GRI 3-3 GRI 401-3
Health and Safety			
Occupational health and safety conditions	Material	143-145, 148-151	GRI 3-3 GRI 403- 1 a 403-403
Occupational accidents, specifically their frequency and severity, as well as occupational diseases; disaggregated by sex	Material	302-303	GRI 403-9 GRI 403-10
Social relations			
Organisation of social dialogue, including procedures for informing and consulting personnel and negotiating with them	Material	31-36	GRI 3-3
Corporate mechanisms and procedures for promoting the involvement of employees in the Company's management in terms of information, consultation and participation.	Material	31-36	GRI 3-3
Percentage of employees covered by collective agreement by country	Material	301, 332	GRI 2-30
Balance of collective agreements, particularly in the field of occupational health and safety	Material	301, 332, 308	GRI 3-3 GRI 403-4
Training			
Policies implemented in the field of training	Material	51, 135-140	GRI 404-2
Total quantity of training hours by professional category	Material	299	GRI 3-3 GRI 404-1
Universal accessibility			
Universal accessibility for disabled people	Material	72	GRI 3-3

Equality			
Measures adopted to promote equal treatment and opportunities for women and men	Material	125-126, 151-152	GRI 3-3
Equality plans, measures adopted to promote employment, protocols against sexual harassment, and gender discrimination	Material	125, 151	GRI 3-3
Policy against discrimination and, if applicable, diversity management	Material	125, 151, 213	GRI 3-3
RESPECT FOR HUMAN RIGHTS			
Management approach: description and results of policies related to these issues, as well as the main risks related to those issues related to the group's activities	Material	125-126, 155,158, 213-214, 266-275	GRI 3-3
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	125-126, 155-156, 213-214	GRI 2-23 GRI 2-26
Complains for cases of human rights violations	Material	In 2023 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 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	158, 213-214	GRI 3-3
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	29-30, 136, 213-215, 213-234, 242-24, 266-275	GRI 3-3
Measures adopted to prevent corruption and bribery	Material	136, 213-215, 213-234, 242-245	GRI 3-3 GRI 2-23 GRI 2-26 GRI 205-1 to 205-3
Measures to fight against money laundering	Material	136, 213-215, 213-234, 242-245	GRI 3-3 GRI 2-23 GRI 2-26 GRI 205-1 to 205-3
Contributions to non-profit foundations and entities	Material	29-30, 279	GRI 2-28 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	110-112, 193-210, 227-229, 237-241, 266-275, 281-282	GRI 3-3
Company commitments to sustainable development			
The impact of the company's activity on employment and local development	Material	78-84, 110-112, 193-210, 230	GRI 3-2 GRI 203-2 GRI 204-1
The impact of the company's activity on local populations and in the territory	Material	78-84, 110-112, 193-210	GRI 3-3 GRI 413-1 GRI 413-2
The relationships maintained with actors from local communities and the modalities for dialogue with these	Material	90-94, 110-112, 187-191, 193-210	GRI 2-29 GRI 413-1
Actions of association or sponsorship	Material	29-30, 279	GRI 3-3 GRI 201-1
Sub-contracting and suppliers			
Inclusion of social matters, gender equality and environmental issues in purchasing policy	Material	227-229	GRI 3-3

Consideration in relationships with suppliers and sub-contractors under its social and environmental responsibility	Material	229 The existing approval procedure is being updated.	GRI 2-6 GRI 308-1 GRI 414-1
Supervision and audit systems and their results	Material	229 No audits were carried out. The existing approval procedure is being updated.	GRI 2-6 GRI 308-2 GRI 414-2
Consumers			
Measures for consumer' health and safety	Material	213-227, 237-241	GRI 3-3 GRI 416-1
Complaint system, complaints received and their resolution	Material	236 Complaints at first instance (31,018 in Spain and 196 in Portugal), of which 28,602 were admitted for processing in Spain and 196 in Portugal. Through the channels available for this purpose, ABANCA has not received any sanctions from the Spanish Data Protection Agency (AEPD).	GRI 3-3 GRI 418-1
Fiscal Information			
Profit obtained by country	Material	279, 281-282	GRI 3-3 GRI 207-4
Profit taxes paid	Material	279, 282	GRI 3-3 GRI 201-1 GRI 207-4
Public subsidies received	Material	332	GRI 201-4
EU REGULATION (2020-852) - TAXONOMY			
Regulatory Requirements	Material	98-110, 304-328	ABANCA proprietary methodology prepared on the basis of Article 8 of the European Taxonomy

UNEP FI, UN PRINCIPLES OF RESPONSIBLE BANKING

ABANCA became one of 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 is 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 2023 year-end, it had a network of 730 branch offices, of which 675 are located in Spain and 55 abroad, distributed across ten European and American countries (France, United Kingdom, Germany, Sweden, Portugal, Mexico, Panama, Brazil, United States and Venezuela) ABANCA also has a network with 54 agents (27 in Spain and 27 in Portugal). 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 as DB PCB in Portugal and Banco Caixa Geral, Bankoia 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, wholesale and non-financial subsidiaries. Regarding the segment, individuals represent ABANCA's main client base, accounting for 85% of its customers in Spain. 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. This segment accounts for around 15% of the Bank's total customers, who are attended by specialist managers assigned in accordance with their needs.	Links: Conoce ABANCA - Sentir Común. ABANCA Comunicación ABANCA 2. Main lines of business and products. Corporate Report 2023

	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: SDG 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
Corporate Report 2023

Business model
Corporate Report 2023

Sustainable awareness
Corporate Report 2023

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-d²):

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 has carried out the impact analysis exercise based on the methodology developed by UNEP Fi. For this purpose, version 3 of the Portfolio Impact Analysis Tools for Banks and the methodological guidelines for the definition of objectives have been used.

For the impact analysis, a geographical scope has been defined based on what is material according to the turnover by balance sheet in the different countries in which ABANCA operates. Thus, the countries to be analysed are Spain and Portugal.

The Consumer Banking and Institutional Banking (SMEs and large companies) businesses (Institutional Banking: SMEs and large corporations). This decision was also based on the materiality of each of these business lines in ABANCA's balance sheet.

In addition, 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.

The methodological approach to perform the materiality analysis is 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 1 (EU Sustainability Reporting Standards) developed by the EFRAG.

[Portfolio Impact Analysis Tool for Banks – United Nations Environment – Finance Initiative \(unepfi.org\)](#)

[Guidelines for Climate Target Setting for Banks – United Nations Environment – Finance Initiative \(unepfi.org\)](#)

[Guidance on Financial Health & Inclusion Target Setting 2.0 – United Nations Environment – Finance Initiative \(unepfi.org\)](#)

ABANCA responsible - 2023 Report

Principle 2: Impact and target setting

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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.

As explained in the previous section, the geographies and business lines material to the Entity were considered in defining the scope of the impact analysis. The study conducted and the considerations taken into account to delimit the scope and exclusion criteria are detailed below.

ABANCA is an institution whose turnover at the geographical level is highly focused. Spain accounts for 92.8% of the entity's turnover; Portugal, for 6%. The remaining 1.2% is divided between France, the United Kingdom, Germany, Switzerland, Portugal, Mexico, Panama, Brazil, the United States and Venezuela. Thus, the impact analysis is carried out on 98.8% of the portfolio, corresponding to Spain and Portugal.

In addition, the impact analysis has considered the business of the following portfolios.

- **Retail Banking** (Consumer Banking), amounting to 66.33% of the entity's gross income.
- **Corporate Banking** (Institutional Banking: SMEs and large corporations) with a gross income of 33.67%.

Based on the businesses and geographies incorporated in the scope, the portfolios are analysed on the basis of the following brands:

- Geographical distribution of the Corporate Banking portfolio
 - Spain: 96%
 - Portugal: 4%
- Main activities of Corporate Banking customers in Spain:
 - Public Administrations and defence; mandatory tax agency
 - Financial and insurance activities
 - Manufacturing industry
- Main activities of Corporate Banking customers in Portugal:
 - Real estate activities
 - Manufacturing industry
 - Construction
- Products of the business Retail Banking:
 - Of the liability products, the largest balances are in current accounts in Spain and deposits in Portugal.
 - Of the assets products, the largest balances, both in Spain and Portugal, are mortgages.
- Main insights from the customer breakdown of the Retail Banking business:
 - Within the classification by age range of customers, the largest volume of liabilities in both Spain and Portugal is found among senior customers (> 60 years).
 - Within the breakdown of customers by location, a large part of the volume of liabilities in Spain and Portugal is identified in rural areas.

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? ³⁴ 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.

As a first step in the development of the impact analysis, a study of the macro context of Spain and Portugal was carried out using the corresponding module of the UNEP Fi Portfolio Impact Analysis Tool for Banks "Context Module".

Three types of sources have been used for this analysis, based on the recommendations of UNEP Fi:

- International statistics: the tool provides data on certain thresholds related to the most relevant social, socio-economic and environmental impacts for Spain and Portugal. These data come from sources such as the Sustainable Development Report 2021, the UN Global SDG Database, indicators published by the World Health Organisation and the World Resources Institute, among others. In addition to the information provided in the tool, the study has been supplemented with some indicators of country progress on the SDGs from the 2023 Sustainable Development Report.
- Policy documents: following UNEP Fi's suggestions, the Voluntary National Reviews and Universal Periodic Reviews of Spain and Portugal have been analysed. In this way, priorities for the management of the different impacts by the countries are identified.
- Trends and scenarios: in order to obtain an exhaustive analysis of the geopolitical context, the evolution trends of each of these impacts for Spain and Portugal have been additionally analysed based on the Global Risk Report, an annual report developed by the World Economic Forum which analyses the main current and future risks facing the planet and their expected evolution in the coming years.

As a result of this analysis, the main areas of need for each country are as follows:

Spain:

1. Availability, accessibility, affordability, quality of resources and services.
2. Climate stability
3. Biodiversity and healthy ecosystems

Portugal:

1. Availability, accessibility, affordability, quality of resources and services.
2. Climate stability
3. Circularity
4. Infrastructure

Of the main areas of need in each country, it is worth highlighting that the common and priority areas for both geographies are:

1. Climate stability
2. Availability, accessibility, affordability, quality of resources and services.

These data have subsequently served as input to the identification module for cross-checking with the data from the Retail and Corporate Banking portfolios.

[Sustainable Development Report 2023 \(sdgindex.org\)](#)

[279422021_VNR_Report_Spain.pdf \(un.org\)](#)

[Portugal_VNR_Report.pdf \(un.org\)](#)

[Examen Periódico Universal - España | OHCHR](#)

[Examen Periódico Universal - Portugal | OHCHR](#)

[Global Risks Report 2023 | World Economic Forum | World Economic Forum \(weforum.org\)](#)

³⁴Global 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, disclose.

As concluded from the context analysis, "availability, accessibility, affordability, quality of resources and services" stands out as the main impact area.

Three types of sources have been used for this analysis, based on the recommendations of UNEP FI:

- In the Retail business, the association with this impact area stands out from the rest in both geographies (Spain and Portugal), both for positive and negative impacts.
- For Corporate Banking, it is also the impact with the highest degree of association with positive impacts, although it does not stand out from the rest in both geographies (Spain and Portugal).

On the other hand, the other impact area with the highest degree of association in the Corporate and Retail portfolios is "climate stability". In this case, the following points stand out:

- In Corporate Banking, its key associations predominate in the case of the Spanish geography, both in the case of positive and negative impacts.
- In the Retail portfolio, associations in both Spain and Portugal stand out in the case of negative impacts.

In third place, with a very similar degree of portfolio association to the previous one, is "circular economy". Although it has scored highly in the identification module, it has not reached the priority level in the context and is therefore not considered a priority impact area.

Thus, taking into account that these are the relevant impacts, the following objectives will be defined regarding:

- Availability, accessibility, affordability, quality of resources and growth focused on financial inclusion

Climate stability focused on the decarbonisation of the financing portfolio

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.

Through the identification module of the Portfolio Impact Analysis Tools for Banks version 3, the main impact areas and their key sectors or clients have been identified for the generation of positive and negative impacts.

As regards the impact of "climate stability" and in accordance with what was anticipated in the previous section, its relevance as a negative impact in Spain stands out, so it is necessary to analyse the Corporate Banking business. Within this business segment of Corporate Banking, the weight of the manufacturing industry (12% Exposure at Default) stands out.

Within this economic activity, the following sectors are considered carbon intensive, matching some of the sectors incorporated by the Net-Zero Banking Alliance: aluminium, cement and iron and steel. For all these sectors, ABANCA has defined targets to proceed with a progressive decarbonisation process based on the commitments of the Paris Agreement.

In relation to the impact of "availability, accessibility, affordability, quality of resources and services" with a focus on financial inclusion, of note is the Retail Banking business segment, which has an eminently positive impact, taking into account the purpose of the financing on certain groups on which ABANCA has a significant impact, such as senior persons (>60) and people living in rural areas (information in section 2.1b)).

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.

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 & financial health and inclusion

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

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 targets 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 with have you identified as relevant? ⁸Show 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.

ABANCA is committed to improving society and the environment by promoting the integral development of all those who are part of it. This commitment is internalised by the entity and integrated in the bank's business and in the day-to-day work of the staff, as well as in the initiatives carried out by Afundación, the Group's Social Welfare Project.

ABANCA uses the SDGs as a fundamental framework to guide its practices towards sustainable development. These objectives cover key areas that seek to address global challenges, and are integrated into the strategy to contribute to their achievement. All this detail is reported in the "contribution to the Sustainable Development Goals (SDGs)" section of this report.

In terms of climate strategy, the entity is working on aligning the portfolio with the Paris Agreement 2015. To this end, it is a member of the Net-Zero Banking Alliance (NZBA) for which targets have already been developed for seven of the nine sectors identified by this initiative as carbon-intensive sectors. In order to quantify its financed emissions, ABANCA is aligned with the PCAF initiative through which a common methodology is generated for the emissions inventory of the financed portfolio.

In addition, to guide the management of climate change risks, ABANCA is working on aligning itself with the ECB's supervisory expectations and has also joined the Carbon Disclosure Project (CDP) index, through which it discloses information associated with the identification and measurement of climate risks and opportunities, as well as related metrics.

In addition to those mentioned above, there are other additional ESG initiatives and commitments of which ABANCA is a member. More information in the "Sentir Común" section of the corporate website.

[ABANCA - Sentir Común
\(abancacorporacionbancaria.com\)](https://www.abancacorporacionbancaria.com)

Contribution to the Sustainable Development Goals (SDGs) - Corporate Report 2023

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.

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.

A set of indicators has been used as a basis for defining the objectives of the priority impact areas. It has been useful to understand the bank's current situation and to be able to define a set of achievable objectives aligned with the bank's strategy and initiatives.

IMPACT AREA	INDICATOR CODE	ANSWER (2023 DATA)	
Climate change mitigation	A.1.1 Climate strategy: Does your bank have a climate strategy?	Yes.	Presentation – Corporate Report 2023
	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. Emission intensity reduction targets have been defined for the portfolio financed in seven of the nine sectors identified as carbon intensive by the Net-Zero Banking Alliance. These objectives are publicly disseminated in the bank's annual report. Climate scenario used: IEA Net-Zero 2050 has been used for the financing portfolio for the time being.	Environmental performance: Corporate Report 2023 Business model: Corporate Report 2023 Business model - Sustainable finances: Corporate Report 2023
	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?	Yes.	Information of Prudential Relevance Report Dissemination of ESG Risks
	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.	ABANCA responsible: Corporate Report 2023
	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.	
	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)?	Yes, both for individuals, self-employed professionals, SMEs and corporate banking.	
	A.2.2 Absolute financed emissions	In the Information of Prudential Relevance Report, ABANCA has published the financed emissions. The calculation of financed emissions for the portfolios as a whole is done at the active level, and is based on the methodology developed in the framework of a sectoral project with a Partnership for Carbon Accounting Financials to establish a harmonised and robust approach to the measurement of financed emissions to facilitate the setting of emission reduction targets. It allows the calculation of Scope 1, Scope 2 and Scope 3 emissions of the entity's counterparties, and is based on information and methodology from the main international institutions and organisations and on the most relevant reports on the calculation of Carbon Footprint and emissions.	
	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 7 objectives set, the Environment Chapter includes the detail of the metrics and intensity.	

		<table><tr><th>SECTOR</th><th>BASELINE YEAR</th><th>BASELINE</th></tr><tr><td>Steel</td><td>2021</td><td>0.790 tCO2e/t-steel</td></tr><tr><td>Aviation</td><td>2021</td><td>1.269 kgCO2e/ Revenue Tonne Kilometre</td></tr><tr><td>Coal</td><td>2021</td><td>- tCO2e</td></tr><tr><td>Cement</td><td>2022</td><td>0.707 tCO2e/t-cement</td></tr><tr><td>Fossil fuels</td><td>2022</td><td>0.081 tCO2/GJ</td></tr><tr><td>Automotive</td><td>2022</td><td>1.205 tCO2e/K€ (billing)</td></tr><tr><td>Steel</td><td>2022</td><td>0.631 tCO2e/t-produced</td></tr></table>	SECTOR	BASELINE YEAR	BASELINE	Steel	2021	0.790 tCO2e/t-steel	Aviation	2021	1.269 kgCO2e/ Revenue Tonne Kilometre	Coal	2021	- tCO2e	Cement	2022	0.707 tCO2e/t-cement	Fossil fuels	2022	0.081 tCO2/GJ	Automotive	2022	1.205 tCO2e/K€ (billing)	Steel	2022	0.631 tCO2e/t-produced	
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	A.3.1 Financial volume of green assets/low carbon technologies	Yes, it is disclosed in the Sustainable Finances section of this report.																									
IMPACT AREA	INDICATOR CODE	ANSWER (2023 DATA)																									
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: 78.8%																									
	B.2.1 / C.2.1. Number of people supported with dedicated and effective financial and/or digital education initiatives.	Number of people who have benefited from the financial education programme: 202,680 Number of young people trained in the 4 axes of the financial education programme: 188,266 Number of customers and non-customers >65 years of age who participate in face-to-face training programmes in financial education (mobile banking, electronic banking, ATMs), digital banking and fraud prevention: 3,777																									
	B.2.2 / C.3.3. % of customers actively using the online/mobile banking platform/tools.	ABANCA aims to continue increasing the number of digital customers, has more than 1.2 million digital customers and its mobile banking is among the most highly rated in the Spanish financial system. ABANCA has an extensive network of 1,243 ATMs integrated and a wide network of point-of-sale terminals (59,749 units) for the payment of transactions and a card fleet (debit, credit, wallet, etc.) of more than 3 million units.																									
	Tailored services for senior customers	Number of senior customers (+60) in Spain and Portugal to whom the entity offers financial products and services: 726379.																									
	Territorial cohesion	Presence in 303 municipalities of the 313 existing in Galicia (97% of the total). Office branches in 266 municipalities (10 of them with mobiles office branches). In 175 municipalities, ABANCA is the only financial entity providing services.																									

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) SMART targets: (Incl. key performance indicators (KPI)): 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.

SMART Target 1: Climate change

Reducing the emissions intensity of the financed portfolio to reach the Net Zero target by 2050.

The KPIs defined to achieve this objective are as follows:

1. 25% reduction in the emissions intensity of the steel portfolio by 2030.
2. 37% reduction in the emissions intensity of the aviation portfolio by 2030.
3. 100% reduction in the emissions intensity of the coal portfolio by 2030.
4. 20% reduction in the emissions intensity of the cement portfolio by 2030.
5. 30% reduction in the emissions intensity of the fossil fuels portfolio by 2030.
6. 25% reduction in the emissions intensity of the automotive portfolio by 2030.
7. 20% reduction in the emissions intensity of the steel portfolio by 2030.

SMART Target 2: Financial inclusion

Contribute to the development and improvement of the levels of financial inclusion in the regions where ABANCA operates.

To achieve this objective, ABANCA identifies three sub-objectives that offer greater granularity related to achieving financial inclusion impact.

Sub-objective 1: Territorial cohesion Ensure that customers who live and/or carry out their economic activity in the rural environment in which ABANCA operates have access to financial services that avoid any risk of vulnerability due to financial exclusion. For this purpose, ABANCA will assess its performance using the following indicators:

1. % of customers out of total customers in rural regions.
2. % of rural municipalities in Spain where ABANCA offers financial services.

Sub-objective 2: Tailored services for senior customers. Offer greater basic financial coverage to customers in particularly vulnerable situations through an offer of adapted products or services. For this purpose, ABANCA will assess its performance using the following indicators:

1. Number of senior customers benefiting from financial and digital skills training.
2. Number of senior customers benefiting from the adaptation of services to their needs.

Sub-objective 3: Financial education Increase financial literacy and financial health to encourage citizens to make sound or informed financial decisions throughout their life cycle and to enjoy healthier financial habits. For this purpose, ABANCA will assess its performance using the following indicators:

1. Number of persons benefiting from ABANCA's training programmes.
2. Number of your people trained in financial and digital skills in the 4 axes of the programmes.

Environmental performance:
financed footprint - Corporate
Report 2023

Principle 2: Impact and target setting

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d) Action plan: Which actions including milestones have you defined to meet the set target? Please, describe. Please, describe.

Please also, show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set 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 the priority area of mitigation of climate change: the Responsible and Sustainable Banking Plan 2021-2024 articulates several areas of the organisation. On the environmental side, the bank has set the goal of achieving climate neutrality by 2024, in addition to consuming 100% renewable energy. Also, by 2050 it is set to achieve the 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:

- Availability, accessibility, affordability, quality of resources and growth focused on financial inclusion
- 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.
- The sectoral credit risk policy, which includes exclusion and restriction criteria linked to the sectors in which the decarbonisation pathway has been defined, has begun to operate. Thus, specific rates have been established that could penalise those transactions proposed by companies who act on sectors sensitive to transition/high impact and in which financing is not aimed at reducing emission intensity and favouring their transition to decarbonisation.
- The next steps are based on continuing to make progress in work on RAROC, developing the calculation of a RAROC adjusted to climate risk.
- 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.

In the area of financial health and inclusion: in this area, the set of actions according to the 3 axes are differentiated to achieve the different sub-objectives defined above.

Territorial cohesion:

- Continue with the ATM installation plan to improve coverage and the level of financial inclusion of Galician rural customers, as part of its commitment to the community and the initiative promoted by the Xunta de Galicia to bring financial services closer to Galician municipalities that lack them.
- Maintain the commitment to remain in Galicia's rural municipalities and to install ATMs in rural areas to improve the level of coverage and financial inclusion.
- Maintain the capillarity of ABANCA's commercial network in order to increase the level of accessibility to financial services in rural areas.
- Promote financial inclusion solutions for people who, for various reasons, have difficulties in accessing traditional banking facilities or services.
- Actively maintain our involvement in rural areas and the primary sector, our willingness to continue accompanying less digitalised profiles, our policy of high specialisation in strategic segments, such as SMEs/companies, private banking, personal banking, primary agricultural and marine sectors, and the energy sector.

Tailored services for senior customers:

- Continue with personal and priority attention for senior citizens, both by telephone and in offices.
- Maintain counter service hours throughout our network until 2 p.m.
- Continue to simplify the menus of ATMs in rural areas in order to make them easier for senior citizens.
- Keep the advance payment of the pension as of the 25th of each month.
- Continue to support senior citizens through financial education programmes and programmed on the use of new technologies (mobile banking, ATMs, etc.) that allow them to access financial services 24x7, without being conditioned by physical presence or office hours.
- Promote the marketing of specific products or conditions adapted to vulnerable people, such as those affected by unemployment, dependency or old age.
- Contribute to eradicating ageism and progressing towards a society free of stereotypes towards the elderly and highlighting their experiences through collaborative and educational initiatives promoted by the 11 +60 spaces of ABANCA's Welfare Project in Galicia.
- Active participation in intergenerational and social volunteering programmes led by older people.

Financial education:

- Maintain the financial education programme created by ABANCA and Afundación, which is universal and inclusive in nature featured activities adapted to the financial training needs of the different social groups according to their stage of life, 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.

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• Extend the digital training and skills programme for older people. In June 2023 ABANCA began extending the training and skills programme for the elderly in rural areas to other regions.	

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.

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 change mitigation	... Second area of most significant impact Climate Financial health and inclusion
Alignment.	☒ Yes ☐ In progress	☒ Yes ☐ In progress
Baseline.	☒ Yes ☐ In progress	☒ Yes ☐ In progress
SMART objectives.	☒ Yes ☐ In progress	☒ Yes ☐ In progress
Action plan.	☐ Yes ☒ In progress	☐ Yes ☒ In progress

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.

In the priority area of mitigation of climate change:

During the financial year 2023, new targets for the reduction of the emissions intensity of the financed portfolio have been defined and approved by the Board of Directors of the institution. The bank is currently working on its measurement and definition of new decarbonisation targets and pathways.

SECTOR	REDUCTION 2030	BASELINE YEAR	BASELINE
Cement	20%	2022	0.707 tCO ₂ e/t-cement
Fossil fuels	30%	2022	0.081 tCO ₂ /GJ
Automotive	25%	2022	1.205 tCO ₂ e/K€ (billing)
Steel	20%	2022	0.631 tCO ₂ e/t-produced

During the first half of 2023, and following the definition of the decarbonisation pathway at the end of 2022, ABANCA has established a climate and environmental policy for credit risk, aimed at orienting its portfolio towards meeting the established objectives. Thus, this policy, supported by management tools, serves as an instrument to identify the activities where the Entity has decided to limit funding due to negative impact. The basis of this policy is ABANCA's general objective of accompanying and supporting its clients in their transition, offering financing adapted to their needs, with the ultimate goal of reducing the intensity of their greenhouse gas emissions. The entity has carried out an exercise to define the sectors that are most sensitive to the transition and, therefore, those that it considers could have a greater adverse impact on the environment and which require a specific decision-making process. For this reason, work has been done on defining the group's strategic matrix, based on the company's emissions-intensive nature and ability to transition, together with the strategic relevance of the sector/customer, and determines the treatment of the customer and, therefore, directs management towards meeting the objectives. Finally, it should be noted that this policy allows continuous monitoring of the objectives and even the setting of intermediate objectives towards the achievement of the NETZero 2050 target,

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Information of Prudential Relevance Report
Dissemination of ESG Risks

as it allows the new admission to focus on the financing of projects and companies that collaborate in the development of a sustainable low-emission economy. In the Information of Prudential Relevance Report, ABANCA has published information on exposures to non-financial companies operating in sectors that contribute significantly to climate change, including information on the credit quality of the exposures, their maturity, and information on the emissions financed. The calculation of financed emissions for the portfolios as a whole is done at the active level, and is based on the methodology developed in the framework of a sectoral project with a Partnership for Carbon Accounting Financials to establish a harmonised and robust approach to the measurement of financed emissions to facilitate the setting of emission reduction targets. It allows the calculation of Scope 1, Scope 2 and Scope 3 emissions of the entity's counterparties, and is based on information and methodology from the main international institutions and organisations and on the most relevant reports on the calculation of Carbon Footprint and emissions. Work is underway to define the new transition targets and pathways. In the priority area of financial health and inclusion: ABANCA's commitment to financial inclusion and health has been materialised over the last few years through a wide range of initiatives related to territorial cohesion, services adapted for senior customers and financial education. However, it was in 2023 that the SMART objectives and associated indicators in this impact area were defined. Thus, the exercise of monitoring and compliance will be carried out as of this coming year using the different sustainability governance structures that already exist in the entity.	

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 customers 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 activities). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved¹¹.

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).

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: it minimises the risks related to advertisement and ensures compliance with the applicable regulations in force at all times. It focuses on our customers understanding the rights and obligations, benefits, risks and costs associated with the products and services we advertise. It promotes ethical and clear advertising with simple and understandable language.
- 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.
- 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.

In addition to the policies in which the company is framed, it is worth highlighting the training received by the central services and network teams in sustainable finance, risk and investment with the aim of improving the identification of our customers' needs and accompanying them in the sustainable transition.

On the other hand, ABANCA has developed cross-cutting working groups and specialised teams/units (for example, AGRO, MAR, NEXTGENERATION), for the management of aid/subsidies or solutions to implement more sustainable practices.

Finally, it is worth highlighting the development of a specific catalogue of sustainable products with a focus on accompanying our customers, both companies and individuals, in their transformation towards more sustainable models.

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Business model - 2023 Report

Responsible professionals - 2023 Report

Sustainable awareness - 2023 Report

Transparent and responsible marketing - 2023 Report

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.
- The Entity successfully placed two issues of Senior Preferred green bonds for a total amount of €1,000 million (2021& 2022).
- 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 - 2023 Report

Comprehensive risk management
- 2023 Report

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 groups) you have identified as relevant in relation to the impact analysis and target setting process?¹²

☐ 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. 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.

In addition to the dual materiality exercise, other initiatives have been developed in which active listening has been carried out with the different stakeholders identified by the entity:

- 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 of suppliers based on sustainability criteria in which, in addition, suppliers have been listened to through a satisfaction survey.

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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?

☒ Yes. ☐ 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, in order to reinforce all the foregoing initiatives and assert the relevance of the ESG objectives in all areas of ABANCA's management, since 2023 the weight of ESG indicators in variable retribution has been increased and currently accounts for 10% of the Bank's general objectives, with two differentiated components:

- The rating of the experience of ABANCA's value customers (IPN Value Customer).
- A synthetic indicator of the progress made in the ESG transition, where the percentage of financing of activities less sensitive to the transition, the number of sectors with published decarbonisation objectives and the fulfilment of the commitments arising from the agreements entered into are integrated

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

The decarbonisation pathway has been approved by the Bank's highest governing body, the Board of Directors, which will monitor the progress made.

The financial inclusion objectives have been approved by the Social Responsibility and Sustainability Committee, and the monitoring of their follow-up will be carried out by this Committee, which will develop corrective measures if necessary.

ABANCA responsible - 2023 Report

Corporate governance - 2023 Report

Responsible professionals - 2023 Report

Risk management - 2023 Report

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 has created ABANCA Sustainable, a training and awareness programme that links staff to sustainability through training and awareness-raising actions. ABANCA's offering included the regulatory framework, involvement of the financial sector in the transition to a sustainable economy, action plan for sustainable finance, taxonomy, reporting, integration of ESG factors in the acceptance of credit transactions or appropriateness tests used in portfolio management and investment advice to include our customers' preferences in these topics.

Particularly noteworthy were the training sessions in which the main concepts of sustainable finance were clarified, the challenges and opportunities of sustainability for companies and SMEs were identified and, lastly, work has been done with the tools enabled by ABANCA in the area of sustainability, such as policies and questionnaires for incorporating ESG factors in the analysis of our customers' financing operations. Furthermore, in the last quarter work began on a plan for reinforcing our capabilities when accompanying our customers in their challenges of transitioning to a sustainable economy.

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.

As regards remuneration linked to sustainability, in order to reinforce all the foregoing initiatives and assert the relevance of the ESG objectives in all areas of ABANCA's management, since 2023 the weight of ESG indicators in variable retribution has been increased and currently accounts for 10% of the Bank's general objectives, with two differentiated components:

- The rating of the experience of ABANCA's value customers (IPN Value Customer).
- A synthetic indicator of the progress made in the ESG transition, where the percentage of financing of activities less sensitive to the transition, the number of sectors with published decarbonisation objectives and the fulfilment of the commitments arising from the agreements entered into are integrated.

In addition, ABANCA has developed numerous corporate volunteering initiatives. These initiatives aim to raise awareness among the company's employees and contribute to caring for the environment and society. The initiatives developed in the 2023 financial year are listed throughout the 2023 integrated report.

ABANCA responsible - 2023 Report

Responsible professionals - 2023 Report

	Principle 5: Governance and culture We will implement our commitment to these Principles through effective governance and a culture of responsible banking.
5.3 Policies and due diligence processes Does your bank have policies in place that address environmental and social risks within your portfolio? 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. On the other hand, the financing policy includes the decarbonisation pathway defined for seven of the nine CO2-intensive sectors that ABANCA has defined. 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 - 2023 Report Business model - 2023 Report Risk management - 2023 Report Sustainable awareness - 2023 Report

	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. ☐ Partly. ☐ No. If applicable, please include the link or description of the assurance statement.	
This report is the fourth to be produced in response to the requirements of UNEP FI's Principles for Responsible Banking. In accordance with the "Guidance Document. Principles for Responsible Banking" published by UNEP FI, and as stated in the Independent Verification Report at the end of this Report, the information relating to the impact analysis, setting of objectives, implementation and monitoring of objectives and governance structure for the implementation of the Principles for Responsible Banking has been verified by an independent third party.	
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: UN Global Compact and Regulation on Sustainability Disclosures in the Financial Sector.	
ABANCA's annual report is located under the European regulatory framework of the EU Guidelines 2017/C215/01 on non-financial reporting and Law 11/2018. In addition, the report is aligned with the following standards: - European Taxonomy Regulation (EU) 2020/852 and Commission Delegated Regulations 2021/2139 and 2021/2178 - GRI Standards - Sustainability Accounting Standards Board (SASB) Industry Standards 2018-10 The UN 2030 Agenda and Sustainable Development Goals	
6.3 Outlook What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis, target setting 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. - Monitor impact areas and established objectives, commitments and alliances.	

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.

If you wish, you can explain the challenges and how you are addressing them:



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Independent Assurance Report on the Corporate and Social Responsibility Report of Abanca Corporación Bancaria, S.A. and subsidiaries for 2023

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

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

We have been engaged by Abanca Corporación Bancaria, S.A. management to perform a limited assurance review of the accompanying Corporate and Social Responsibility Report of Abanca Corporación Bancaria, S.A. (hereinafter the Parent) and subsidiaries (hereinafter the Group) for the year ended 31 December 2023 (hereinafter the Report), prepared in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (hereinafter GRI Standards), based on each subject area in the "GRI content index" table of the Report.

In addition, we have performed a limited assurance review of the information regarding the impact analysis, target setting, implementing and monitoring of targets, and the governance structure for implementing the principles for responsible banking set out in the "UNEP FI, UN Principles of Responsible Banking" section of the Report, presented in accordance with the "Principles for Responsible Banking Guidance Document" published by the United Nations Environment Programme Finance Initiative (UNEP FI) in 2019 (hereinafter PRB).

In addition, pursuant to article 49 of the Spanish Code of Commerce, we have performed a limited assurance review of the Consolidated Non-Financial Information Statement (hereinafter NFIS) of the Group at 31 December 2023, included in the Report, which forms part of the Group's consolidated Directors' Report for 2023, prepared in accordance with prevailing legislation and selected GRI Standards, based on each subject area in the "Index of contents required by Law 11/2018" table of the Report.

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, based on each subject area in the "GRI Content Index" table of the Report, and the information regarding the impact analysis, target setting, implementing and monitoring of targets, and the governance structure for implementing the principles for responsible banking set out in the "UNEP FI, UN Principles of Responsible Banking" section of the Report, in accordance with the PRB.

In addition, the Directors of the Parent are responsible for the content and authorisation for issue of the NFIS included in the Group's consolidated Directors' Report. The NFIS has been prepared in accordance with prevailing mercantile legislation and selected GRI Standards based on each subject area in the "Index of contents required by Law 11/2018" table of the 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 Management

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including international independence standards) of the International Ethics Standards Board for Accountants (IESBA Code of Ethics), 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 Management 1 (ISQM1), which requires the firm to design, implement and operate a quality management system that include 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 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). Furthermore, we performed a limited review of the information relating to the PRB and the reporting thereof according to the requirements set out in the Assurance Guidance issued by the UNEP FI.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently, the level of assurance provided is also lower.

Our work consisted of making inquiries of management, as well as of the different units and areas of the Parent that participated in the preparation of the Report, reviewing the processes for compiling and validating the information presented in the Report and applying certain analytical procedures and sample review tests, which are described below:

- Meetings with the Parent’s personnel to gain an understanding of the business model, policies and management approaches applied, the principal risks related to these matters and to obtain the information necessary for the external review.
- Analysis of the scope, relevance and completeness of the content of the Report for 2023 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 2023.
- Review of the information relative to the risks, policies and management approaches applied in relation to the material aspects presented in the Report for 2023.
- In relation to the PRB, a review of the information regarding the impact analysis, target setting, implementing and monitoring of targets, and the governance structure for implementing the principles set out in the “UNEP FI, UN Principles of Responsible Banking” section of the Report, compliance thereof with the PBR 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 2023 and whether it has been adequately compiled based on data provided by the information sources.
- Procurement of a representation letter from the Directors and management.

Conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that:

- a) The Corporate and Social Responsibility Report of Abanca Corporación Bancaria, S.A. and subsidiaries for the year ended 31 December 2023 has not been prepared, in all material respects, in accordance with the Sustainability Reporting Standards (GRI Standards) of the Global Reporting Initiative, as detailed in the “GRI content index” table of the Report.
- b) The information regarding the impact analysis, target setting, implementing and monitoring of targets, and the governance structure for implementing the principles for responsible banking set out in the “UNEP FI, UN Principles of Responsible Banking” section of the Report has not been prepared, in all material respects, in accordance with the “Principles for Responsible Banking Guidance Document” published by UNEP FI in 2019.
- c) The NFIS of Abanca Corporación Bancaria, S.A. and subsidiaries for the year ended 31 December 2023, included in the Report, has not been prepared, in all material respects, in accordance with prevailing mercantile legislation and selected GRI Standards based on each subject area in the “Index of contents required by Law 11/2018” table of the Report.



Emphasis of Matter

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and the delegated acts promulgated in accordance with this Regulation, stipulate the obligation to disclose information on how and to what extent the undertaking's investments are associated with eligible economic activities relating to the environmental objectives of sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control and protection and restoration of biodiversity and ecosystems (the other environmental objectives), and relating to certain new activities included in the objectives of climate change mitigation and climate change adaptation. This obligation applies for the first time for the 2023 fiscal year. This regulation also stipulates for the first time for the 2023 fiscal year the obligation to disclose information on how and to what extent the undertaking's activities are associated with economic activities aligned to the activities included in the objectives of climate change mitigation and climate change adaptation, excluding the aforementioned new activities. Therefore, no comparative information on alignment with the objectives of climate change mitigation and climate change adaptation has been included in the attached Report, nor has comparative information on eligibility been included for the other environmental objectives or for the new activities included in the climate change mitigation and climate change adaptation objectives. Furthermore, inasmuch as the information on eligible activities in 2022 was not required to be as detailed as in 2023, the disclosures on eligibility included in the attached Report are not strictly comparable. 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 relative to the adaptation of European Taxonomy and disclosure on Article 8 of Regulation 2020/852" section of the NFIS included in the attached 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 2023 Corporate and Social Responsibility Report and for no other purpose or in any other context.

In relation to the Consolidated NFIS, this report has been prepared in response to the requirement established in prevailing mercantile legislation in Spain, and thus may not be suitable for other purposes and jurisdictions.

KPMG Auditores, S.L.

(Signed on original in Spanish)

Patricia Reverter Guillot

March 8, 2024